



MAG SILVER CORP.

*Unaudited Condensed Interim Consolidated Financial
Statements (expressed in thousands of US dollars)*

For the three and nine months ended September 30, 2019
and 2018

Dated: November 8, 2019

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

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MAG SILVER CORP.

Condensed Interim Consolidated Statements of Financial Position

(In thousands of US dollars, unless otherwise stated - Unaudited)

	Note	September 30, 2019	December 31, 2018
ASSETS			
CURRENT			
Cash and cash equivalents	3	\$ 94,599	\$ 130,180
Accounts receivable	4	174	372
Prepaid expenses		558	327
TOTAL CURRENT ASSETS		95,331	130,879
INVESTMENTS	5	1,163	1,781
INVESTMENT IN JUANICPIO	6	115,053	81,214
EXPLORATION AND EVALUATION ASSETS	7	6,281	3,648
PROPERTY AND EQUIPMENT	8	757	35
TOTAL ASSETS		\$ 218,585	\$ 217,557
LIABILITIES			
CURRENT			
Trade and other payables		\$ 365	\$ 1,563
Current portion of lease obligation	8b	71	-
		436	1,563
NON-CURRENT			
Lease obligation	8b	477	-
Deferred income taxes		2,139	2,113
Provision for reclamation	7	260	-
TOTAL LIABILITIES		3,312	3,676
EQUITY			
Share capital	9	399,628	392,916
Equity reserve		17,397	18,696
Accumulated other comprehensive loss		(1,260)	(681)
Deficit		(200,492)	(197,050)
TOTAL EQUITY		215,273	213,881
TOTAL LIABILITIES AND EQUITY		\$ 218,585	\$ 217,557

COMMITMENTS AND CONTINGENCIES 6,7,15

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.**Condensed Interim Consolidated Statements of Loss (Income) and Comprehensive Loss (Income)**

(In thousands of US dollars, except for shares and per share amounts - Unaudited)

	Note	For the three months ended September 30		For the nine months ended September 30	
		2019	2018	2019	2018
EXPENSES					
Accounting and audit		\$ 48	\$ 77	\$ 191	\$ 240
Amortization	8	26	3	79	11
Filing and transfer agent fees		2	4	219	250
Foreign exchange loss (gain)		17	(27)	20	50
General office expenses		213	185	693	680
Legal		90	103	227	266
Management compensation and consulting fees		502	435	1,579	1,369
Mining taxes and other property costs		186	433	539	915
Share based payment expense	9b,c,d	507	406	2,015	1,217
Shareholder relations		90	98	304	370
Travel		52	52	187	224
		1,733	1,769	6,053	5,592
INTEREST INCOME		589	812	2,215	2,277
GAIN ON SALE OF EXPLORATION AND EVALUATION ASSETS, NET OF TRANSACTION COSTS		-	-	-	1,151
CHANGE IN FAIR VALUE OF WARRANTS	5	-	11	(39)	(510)
EQUITY PICK UP FROM INVESTMENT IN JUANICIPIO	6	(266)	665	496	(75)
LOSS FOR THE PERIOD BEFORE INCOME TAX		\$ (1,410)	\$ (281)	\$ (3,381)	\$ (2,749)
DEFERRED INCOME TAX (EXPENSE) BENEFIT	16	(595)	878	(27)	776
(LOSS) INCOME FOR THE PERIOD		\$ (2,005)	\$ 597	\$ (3,408)	\$ (1,973)
OTHER COMPREHENSIVE (LOSS) INCOME					
Items that will not be reclassified subsequently to profit or loss:					
UNREALIZED LOSS ON EQUITY SECURITIES, NET OF TAXES	5	(131)	(10)	(579)	(1,344)
		(131)	(10)	(579)	(1,344)
TOTAL COMPREHENSIVE (LOSS) INCOME		\$ (2,136)	\$ 587	\$ (3,987)	\$ (3,317)
BASIC AND DILUTED (LOSS) INCOME PER SHARE		\$ (0.02)	\$ 0.01	\$ (0.04)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING					
BASIC		86,427,202	85,539,476	86,011,675	85,512,743
DILUTED		86,427,202	86,110,197	86,011,675	85,512,743

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.

Condensed Interim Consolidated Statements of Changes in Equity

(In thousands of US dollars, except shares - Unaudited)

	Note	Common shares without par value		Equity Reserve	Currency translation adjustment	Unrealized gain (loss) on equity securities	Accumulated other comprehensive income (loss)	Deficit	Total equity
		Shares	Amount						
Balance, January 1, 2018		85,478,790	\$392,554	\$17,719	\$ 784	\$ 430	\$ 1,214	\$(191,248)	\$220,239
Stock options exercised cashless	9a,b	58,191	342	(342)	-	-	-	-	-
Restricted and performance share units converted	9a,c	2,495	20	(20)	-	-	-	-	-
Share based payment	9b,c,d	-	-	1,339	-	-	-	-	1,339
Unrealized loss on equity securities	5	-	-	-	-	(1,895)	(1,895)	-	(1,895)
Net loss		-	-	-	-	-	-	(5,802)	(5,802)
Total Comprehensive Loss		-	-	-	-	(1,895)	(1,895)	(5,802)	(7,697)
Balance, December 31, 2018		85,539,476	\$392,916	\$18,696	\$ 784	\$(1,465)	\$(681)	\$(197,050)	\$213,881
IFRS 16 transition adjustment on January 1, 2019	8	-	-	-	-	-	-	(34)	(34)
Stock options exercised	9a,b	421,000	3,797	(1,169)	-	-	-	-	2,628
Stock options exercised cashless	9a,b	428,934	1,762	(1,762)	-	-	-	-	-
Restricted and performance share units converted	9a,c	66,589	557	(557)	-	-	-	-	-
Deferred share units converted	9a,d	60,166	596	(596)	-	-	-	-	-
Share based payment	9b,c,d	-	-	2,785	-	-	-	-	2,785
Unrealized loss on equity securities	5	-	-	-	-	(579)	(579)	-	(579)
Net loss		-	-	-	-	-	-	(3,408)	(3,408)
Total Comprehensive Loss		-	-	-	-	(579)	(579)	(3,408)	(3,987)
Balance, September 30, 2019		86,516,165	\$399,628	\$17,397	\$ 784	\$(2,044)	\$(1,260)	\$(200,492)	\$215,273
<i>Nine months ended, September 30, 2018</i>									
Balance, January 1, 2018		85,478,790	\$392,554	\$17,719	\$ 784	\$ 430	\$ 1,214	\$(191,248)	\$220,239
Stock options exercised cashless	9a,b	58,191	342	(342)	-	-	-	-	-
Restricted and performance share units converted	9a,c	2,495	20	(20)	-	-	-	-	-
Share based payment	9b,c,d	-	-	1,217	-	-	-	-	1,217
Unrealized loss on equity securities	5	-	-	-	-	(1,344)	(1,344)	-	(1,344)
Net loss		-	-	-	-	-	-	(1,973)	(1,973)
Total Comprehensive Loss		-	-	-	-	(1,344)	(1,344)	(1,973)	(3,317)
Balance, September 30, 2018		85,539,476	\$392,916	\$18,574	\$ 784	\$(914)	\$(130)	\$(193,221)	\$218,139

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.**Condensed Interim Consolidated Statements of Cash Flows**

(In thousands of US dollars, unless otherwise stated - Unaudited)

	Note	For the three months ended September 30		For the nine months ended September 30	
		2019	2018	2019	2018
OPERATING ACTIVITIES					
(Loss) Income for the period		\$ (2,005)	\$ 597	\$ (3,408)	\$ (1,973)
Items not involving cash:					
Amortization	8	26	3	79	11
Change in fair value of warrants	5	-	(11)	39	510
Deferred income tax expense (benefit)	16	595	(878)	27	(776)
Equity pick up from associate	6	266	(665)	(496)	75
Gain on sale of exploration and evaluation assets, net of transaction costs		-	-	-	(1,151)
Share based payment expense	9b,c,d	507	406	2,015	1,217
Unrealized foreign exchange loss (gain)		18	(24)	7	42
Changes in operating assets and liabilities					
Accounts receivable		88	1	198	(232)
Prepaid expenses		129	180	(232)	34
Trade and other payables		7	141	(441)	(364)
Net cash used in operating activities		(369)	(250)	(2,212)	(2,607)
INVESTING ACTIVITIES					
Exploration and evaluation expenditures	7	(1,309)	(860)	(2,320)	(1,529)
Investment in Juanicipio	6	(17,915)	(8,542)	(33,371)	(14,387)
Disposition costs from sale of exploration and evaluation assets		-	-	-	(51)
Purchase of property and equipment	8	(249)	-	(262)	(3)
Net cash used in investing activities		(19,473)	(9,402)	(35,953)	(15,970)
FINANCING ACTIVITIES					
Issuance of common shares upon exercise of stock options	9	650	-	2,628	-
Payment of lease obligation (principal)	8	(17)	-	(54)	-
Net cash from financing activities		633	-	2,574	-
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
		(25)	24	10	(42)
DECREASE IN CASH AND CASH EQUIVALENTS		(19,234)	(9,628)	(35,581)	(18,619)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		113,833	151,404	130,180	160,395
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 94,599	\$ 141,776	\$ 94,599	\$ 141,776

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Expressed in thousands of US dollars unless otherwise stated)

1. NATURE OF OPERATIONS

MAG Silver Corp. (the “Company” or “MAG”) was incorporated on April 21, 1999 under the Company Act of the Province of British Columbia and its shares were listed on the TSX Venture Exchange on April 21, 2000 and subsequently moved to a TSX listing on October 5, 2007. The Company was also listed on what is now the NYSE American Exchange on July 9, 2007.

The Company is an advanced stage development and exploration company that is focused on the acquisition, exploration and development of high-grade, district-scale projects located primarily in the Americas. The Company’s principal asset is a 44% interest in the Juanicipio joint venture (see *Note 6*) located in Mexico, which is now in the construction phase heading to production. The Company defers all acquisition, exploration and development costs related to the properties on which it is conducting exploration. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the interests, and future profitable production, or alternatively, upon the Company’s ability to dispose of its interests on a profitable basis.

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

Address of registered offices of the Company:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements (“Interim Financial Statements”) are prepared under International Accounting Standards 34 *Interim Financial Reporting* (“IAS 34”) in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required for full annual IFRS financial statements and therefore should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018.

The accounting policies applied in the preparation of the Interim Financial Statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2018, except for policies newly adopted as stated below:

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IFRS 16 Leases. The Company adopted all the requirements of IFRS 16 *Leases* (“IFRS 16”) as of January 1, 2019. IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Company elected the cumulative catch-up approach resulting in no restatement of prior year comparatives. The Company elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense in the profit or loss. Note 8 outlines the effect of adopting the IFRS 16 requirements on January 1, 2019 opening balances.

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the contract term and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. Right-of-use assets are initially measured at costs, which is comprised of the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date.

Right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or if that rate cannot be readily determined, the Company’s incremental borrowing rate. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a modification, a change in the lease term, a change in the fixed lease payments or change in the assessment to purchase the underlying asset.

The Company presents right-of-use asset in the property and equipment line item on the condensed interim consolidated statements of financial position and lease liability in the lease obligation line item on the condensed interim consolidated statements of financial position.

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 Company adopted this standard as of January 1, 2019 and it had no material impact on the Company’s consolidated financial statements.

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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. The Company adopted these amendments as of January 1, 2019 and they had no material impact on the Company’s consolidated financial statements.

These Interim Financial Statements have been prepared on a historical costs basis except for the revaluation of certain financial instruments, which are stated at their fair value.

These Interim Financial Statements were authorized for issuance by the Board of Directors of the Company on November 5, 2019.

(a) Basis of consolidation

These Interim Financial Statements include the accounts of the Company and its controlled subsidiaries. Control exists when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor’s returns. Subsidiaries are included in the consolidated financial results of the Company from the effective date that control is obtained up to the effective date of disposal or loss of control. The principal wholly-owned subsidiaries as at September 30, 2019 are Minera Los Lagartos, S.A. de C.V., and Minera Pozo Seco S.A. de C.V. All intercompany balances, transactions, revenues and expenses have been eliminated upon consolidation.

These Interim Financial Statements also include the Company’s 44% interest in Minera Juanicipio S.A. de C.V. (Note 6, “Investment in Juanicipio”), an associate (Note 2(b)) accounted for using the equity method.

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

(b) Investments in Associates

The Company conducts a high percentage of its business through an equity interest in associates. An associate is an entity over which the Company has significant influence, and is neither a subsidiary nor a joint arrangement, and includes the Company’s 44% interest in Minera Juanicipio S.A. de C.V., a Mexican incorporated joint venture company (Note 6, Investment in Juanicipio). The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

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

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Notes to the Condensed Interim Consolidated Financial Statements

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Impairment

At the end of each reporting period, the Company assesses whether there is any evidence that an investment in associate is impaired. The Company has performed an assessment for impairment indicators of its investment in associate as of September 30, 2019 and noted no impairment indicators. This assessment is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved, and an assessment of the likely results to be achieved from performance of further exploration by the associate. When there is evidence that an investment in associate is impaired, the carrying amount of such investment is compared to its recoverable amount. If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period of impairment. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings in the period the reversal occurs.

(c) Significant Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Significant estimates used in preparation of these financial statements include estimates of the recoverable amount and any impairment of exploration and evaluation assets and of investment in associates, recovery of receivable balances, estimates of fair value of financial instruments where a quoted market price or secondary market for the instrument does not exist, provisions including closure and reclamation, share based payment expense, and income tax provisions. Actual results may differ from those estimated. Further details of the nature of these estimates may be found in the relevant notes to the consolidated statements.

(d) Critical judgments

The Company makes certain critical judgments in the process of applying the Company's accounting policies. The following are those judgments that have the most significant effect on the consolidated financial statements:

- (i) The Company reviews and assesses the carrying amount of exploration and evaluation assets, and its investment in associates for impairment when facts or circumstances suggest that the carrying amount is not recoverable. Assessing the recoverability of these amounts requires considerable professional technical judgment, and is made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration (see *Notes 2(b) and 2(g)*).

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(ii) In the normal course of operations, 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 such factors as:

- The purpose and design of the investee entity.
- The ability to exercise power, through substantive rights, over the activities of the investee entity that significantly affect its returns.
- The size of the company's equity ownership and voting rights, including potential voting rights.
- The size and dispersion of other voting interests, including the existence of voting blocks.
- Other investments in or relationships with the investee entity including, but not limited to, current or possible board representation, loans and other types of financial support, material transactions with the investee entity, interchange of managerial personnel or consulting positions.
- Other relevant and pertinent factors.

If the Company determines that it controls an investee entity, it consolidates the investee entity's financial statements as further described in note 2(a). If the Company determines that it has joint control (a joint venture) or significant influence (an associate) over an investee entity, then it uses the equity method of accounting to account for its investment in that investee entity as further described in note 2(b). If, after careful consideration, it is determined that the Company neither has control, joint control nor significant influence over an investee entity, the Company accounts for the corresponding investment in equity interest as fair value through other comprehensive income investment as further described in note 2(e), and classifies the investment as current or non-current depending on management's intention with respect to the investment and whether it expects to realize the asset within the next twelve months.

(e) Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

(i) Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Equity instruments that are held for trading and all equity derivative instruments are classified as FVTPL. Equity derivative instruments such as 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. Realized and unrealized gains and losses

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arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss in the period in which they arise.

(ii) Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

(iii) Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the assets' contractual cash flows are comprised solely of payments of principal and interest. The Company's accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period (see impairment below).

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables and lease obligations which are classified at amortized cost.

The Company classifies financial instruments as follows:

<u>Financial instrument</u>	<u>Classification</u>
Cash and cash equivalents	FVTPL
Equity securities	FVTOCI
Equity derivative securities (warrants)	FVTPL
Accounts receivable	Amortized cost
Trade and other payables	Amortized cost
Lease obligations	Amortized cost

Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

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(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, and term deposits with original maturities of three months or less.

(g) Exploration and evaluation assets

With respect to its exploration activities, the Company follows the practice of capitalizing all costs relating to the acquisition, exploration and evaluation of its mining rights and crediting all revenues received against the cost of the related interests. Option payments made by the Company are capitalized until the decision to exercise the option is made. If the option agreement is to exercise a purchase option in an underlying mineral property, the costs are capitalized and accounted for as an exploration and evaluation asset. At such time as commercial production commences, the capitalized costs will be depleted on a units-of-production method based on proven and probable reserves. If a mineable ore body is discovered, exploration and evaluation costs are reclassified to mining properties. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Exploration and evaluation expenditures include acquisition costs of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; all costs incurred to obtain permits and other licenses required to conduct such activities, including legal, community, strategic and consulting fees; and activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. This includes the costs incurred in determining the most appropriate mining/processing methods and developing feasibility studies. Expenditures incurred prior to the Company obtaining the right to explore are expensed in the period in which they are incurred.

When an exploration project has entered into the advanced exploration phase and sufficient evidence of the probability of the existence of economically recoverable minerals has been obtained, pre-operative expenditures relating to mine preparation works are capitalized to mine development costs. Activities that are typically capitalized include costs incurred to build shafts, drifts, ramps and access corridors to enable ore extraction from underground.

Impairment

Management reviews the carrying amount of exploration and evaluation assets for impairment when facts or circumstances suggest that the carrying amount is not recoverable. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration. When the results of this review indicate that indicators of impairment exist, the Company estimates the recoverable amount of the deferred exploration costs and related mining rights by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of the rights. When the carrying amounts of exploration and evaluation assets are estimated to exceed their recoverable amounts, an impairment loss is recorded in profit or loss. The cash-generating unit for assessing impairment is a geographic region and shall be no larger than the operating

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segment. If conditions that gave rise to the impairment no longer exist, a reversal of impairment may be recognized in a subsequent period, with the carrying amount of the exploration and evaluation asset increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in profit or loss in the period the reversal occurs.

(h) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and impairment losses. When parts of an item of equipment have different useful lives, they are accounted for as separate equipment items (major components).

Amortization is based on the depreciable amount, which is the cost of the asset, less its expected residual value.

Amortization on owned assets is recognized in profit or loss on a declining balance basis or straight-line basis over the estimated useful lives of each part of an item of property and equipment, based on how this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization for exploration assets is capitalized to mineral properties in the statement of financial position.

The amortization rates used are as follows:

Building	4% declining balance
Computer equipment	30% declining balance
Office equipment	30% declining balance
Exploration camp and equipment	30% declining balance
Right-of-Use assets	straight-line over the earlier of the end of the lease term or useful life of the asset

Amortization methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(i) Income taxes

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

(j) Provisions

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

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- (i) The Company has a present obligation (legal or constructive) as a result of a past event;
- (ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) A reliable estimate can be made of the amount of the obligation.

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

- (i) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and
- (ii) As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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

Closure and reclamation

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

The provision for closure and reclamation is reviewed at the end of each reporting period for changes in estimates and circumstances, including as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The provision recorded by the Company as at September 30, 2019 of \$260 relates to prior disturbances on an exploration property recently acquired (see *Note 7*) (December 31, 2018 – nil).

The operating company of the Company's investment in associate, Minera Juanicipio, S.A. de C.V., recorded a provision for reclamation and remediation costs of \$491 and capitalized a corresponding asset as at September 30, 2019 (December 31, 2018: \$450) (see *Note 6*).

(k) *Functional currency and presentation currency*

The functional currency of the parent, its subsidiaries, and the investment in Juanicipio is the United States dollar ("US\$").

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Each entity within the Company determines its own functional currency, and the items included in the financial statements of each entity are measured using that functional currency. The functional currency determination involves certain judgments in evaluating the primary economic environment, and the Company reconsiders the functional currencies of each entity if there is a change in the underlying transactions, events and conditions which determine the primary economic environment.

The Company's reporting and presentation currency is the US\$.

(l) Foreign currency transactions

Transactions incurred in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(m) Loss per common share

Basic loss per share is based on the weighted average number of common shares outstanding during the period.

Diluted loss per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of the incremental common shares upon the assumed exercise of stock options and warrants, and upon the assumed conversion of deferred share units and units issued under the Company's share unit plan, to the extent their inclusion is not anti-dilutive.

As at September 30, 2019, the Company had 2,054,228 (September 30, 2018: 2,858,226) common share equivalents consisting of: common shares issuable upon the exercise of outstanding exercisable stock options; restricted and performance share units; and deferred share units. These common share equivalents were not included for the purpose of calculating diluted loss per share as their effect would be anti-dilutive.

(n) Share based payments

The fair value of equity-settled share-based payment awards are estimated as of the date of the grant and recorded as share-based payment expense in profit or loss over their vesting periods, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met. Market price performance conditions are included in the fair value estimate on the grant date with no subsequent adjustment to the actual number of awards that vest. Forfeiture rates are estimated on grant date, and adjusted annually for actual forfeitures in the period. Changes to the estimated number of awards that will eventually vest are accounted for prospectively. Share based payment awards with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

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The fair value of stock options is estimated using the Black-Scholes-Merton option valuation model. The fair value of restricted and deferred share units, is based on the fair market value of a common share equivalent on the date of grant. The fair value of performance share units awarded with market price conditions is determined using the Monte Carlo pricing model and the fair value of performance share units with non-market performance conditions is based on the fair market value of a common share equivalent on the date of grant.

(o) *Changes in Accounting Standards*

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective at September 30, 2019. These include:

IFRS 3 Business Combinations. In October 2018, IASB issued narrow-scope amendments to IFRS 3 **Business Combinations** to improve the definition of a business. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amendment is effective for acquisitions that occur on or after January 1, 2020 with earlier application permitted. The Company will adopt this amendment on the effective date. The effects, if any, of the amended standard on our financial performance and disclosure are dependent on the facts and circumstances of any future acquisition transactions.

3. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents include cash on hand, bank deposits and term deposits with original maturities of three months or less, as follows:

	Interest Rate	September 30, 2019	December 31, 2018
Cash at bank and on hand	0 - 2.28%	\$ 14,599	\$ 55,180
Term deposit (less than 90 days)	2.08 - 2.44%	80,000	75,000
Cash and cash equivalents		\$ 94,599	\$ 130,180

Term deposits classified as 'cash equivalents' are comprised of bank term deposits with a term to maturity of less than three months from date of acquisition and interest only payable if held to maturity.

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4. ACCOUNTS RECEIVABLE

	September 30, 2019	December 31, 2018
Goods and services tax ("GST") recoverable	\$ 16	\$ 22
Mexican value added tax ("IVA") recoverable	67	133
Interest receivable	91	217
	<u>\$ 174</u>	<u>\$ 372</u>

5. INVESTMENTS

The Company holds investments as follows:

	September 30, 2019	December 31, 2018
Equity securities	\$ 1,163	\$ 1,742
Warrants	-	39
	<u>\$ 1,163</u>	<u>\$ 1,781</u>

During the three and nine months ended September 30, 2019, the Company recorded an unrealized loss of \$131 and \$579 respectively, net of nil tax, in other comprehensive (loss) income (September 30, 2018: \$10 and \$1,344 respectively) on investments in equity securities designated as FVTOCI instruments. The following table summarizes the movements of equity securities:

	September 30, 2019	December 31, 2018
Equity securities, beginning of period	\$ 1,742	\$ 2,435
Additions	-	1,202
Unrealized loss for the period	(579)	(1,895)
Equity securities, end of period	<u>\$ 1,163</u>	<u>\$ 1,742</u>

During the three and nine months ended September 30, 2019, the Company recorded unrealized loss of nil and \$39 respectively in profit or loss, on warrants held and designated as FVTPL (September 30, 2018: \$11 unrealized gain and \$510 unrealized loss respectively). The following table summarizes the movements in warrants:

	September 30, 2019	December 31, 2018
Warrants, beginning of period	\$ 39	\$ 661
Change in fair value of warrants	(39)	(622)
Warrants, end of period	<u>\$ -</u>	<u>\$ 39</u>

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6. INVESTMENT IN JUANICIPIO

The Company acquired a 100% interest in the Juanicipio property effective July 16, 2003. Pursuant to an agreement effective July 1, 2005 (the "Agreement") with Industrias Peñoles, S.A. de C.V. ("Peñoles"), the Company granted Peñoles or any of its subsidiaries an option to earn a 56% interest in the Juanicipio Property in Mexico in consideration for Peñoles conducting \$5,000 of exploration on the property over four years and Peñoles purchasing \$1,000 of common shares of the Company in two tranches for \$500 each.

In mid 2007, Peñoles met all of the earn-in requirements of the Agreement. In December 2007, the Company and Peñoles created an operating company named Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio") for the purpose of holding and operating the Juanicipio Property. In 2008, MAG was notified that Peñoles had transferred its 56% interest of Minera Juanicipio to Fresnillo plc ("Fresnillo") pursuant to a statutory merger. Minera Juanicipio is held 56% by Fresnillo and 44% by the Company. Fresnillo is the operator of Minera Juanicipio, and with its affiliates, beneficially owns 11.3% of the common shares of the Company as at September 30, 2019, as publicly reported. In December 2007, all mineral rights and surface rights relating to the Juanicipio project held by the Company and Peñoles, respectively, were ceded into Minera Juanicipio. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio, and if either party does not fund pro-rata, their ownership interest will be diluted in accordance with the Minera Juanicipio shareholders agreement.

The Company has recorded its investment in Minera Juanicipio ("Investment in Juanicipio") using the equity basis of accounting. The cost of the investment includes the carrying value of the deferred exploration and mineral and surface rights costs incurred by the Company on the Juanicipio Property and contributed to Minera Juanicipio plus the required net cash investment to establish and maintain its 44% interest.

The Company's investment relating to its interest in the Juanicipio property and Minera Juanicipio is detailed as follows:

	September 30, 2019	December 31, 2018
Joint venture oversight expenditures incurred 100% by MAG	\$ 251	\$ 330
Cash contributions to Minera Juanicipio ⁽¹⁾	33,092	23,583
Total for the current period	33,343	23,913
Equity pick up of current income for the period ⁽²⁾	496	227
Balance, beginning of period	81,214	57,074
Balance, end of period	\$ 115,053	\$ 81,214

⁽¹⁾ Represents the Company's 44% share of Minera Juanicipio cash contributions for the period.

⁽²⁾ Represents the Company's 44% share of Minera Juanicipio's income for the period, as determined by the Company.

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Summary of financial information of Minera Juanicipio (on a 100% basis reflecting adjustments made by the Company, including adjustments for differences in accounting policies):

	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 11,610	\$ 16,715
IVA and other receivables	17,067	9,146
Prepays	-	-
Total current assets	28,677	25,861
Right-of-use asset	10	-
Minerals, surface rights, exploration & development expenditures	232,879	161,975
Total assets	\$ 261,566	\$ 187,836
Payables to Peñoles and other vendors	\$ 4,191	\$ 5,736
Total current liabilities	4,191	5,736
Lease liability	11	-
Provision for reclamation and remediation costs	491	450
Deferred income tax liability	5,402	6,515
Total liabilities	10,095	12,701
Shareholders equity	251,471	175,135
Total liabilities and equity	\$ 261,566	\$ 187,836

	September 30, 2019	December 31, 2018
Income for the period before income tax	\$ 55	\$ 80
Deferred income tax benefit	1,072	436
Income for the period	\$ 1,127	\$ 516
MAG's 44% equity pick up	\$ 496	\$ 227

Evaluation and exploration expenditures, underground mine development and initial mill and other capital development expenditures, capitalized directly by Minera Juanicipio for the nine months ended September 30, 2019 amounted to \$70,904 (September 30, 2018: \$29,795).

Income in Minera Juanicipio includes interest income and exchange gains and losses. There are no direct operating expenses in Minera Juanicipio, as all mineral, surface rights, and exploration and development expenditures are capitalized until commercial production is achieved.

7. EXPLORATION AND EVALUATION ASSETS

(a) 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. There are no further

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exploration funding requirements under the agreement as at September 30, 2019. However, to earn a 100% interest in the property package, the Company must make combined remaining cash payments of \$350 over the third, fourth and fifth annual anniversaries of the agreement, at which time the vendors would retain a 2% net smelter returns royalty (“NSR”).

(b) In late 2018, the Company entered into an option agreement with another 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 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 (\$1,543 incurred to September 30, 2019) by the tenth anniversary date of the agreement. As at September 30, 2019, the Company also recorded a provision of \$260 for a reclamation liability assumed as a result of environmental rehabilitation associated with the project. Other than the reclamation liability, the balance of cash payments and exploration commitments are optional at the Company’s discretion. Upon the Company’s 100% earn-in, the vendors would retain a 2% NSR.

To September 30, 2019, the Company has incurred the following exploration and evaluation expenditures on these earn-in projects:

	Three months ended September 30, 2019	Nine months ended September 30, 2019	Year ended December 31, 2018
Exploration and evaluation assets:			
Acquisition costs			
Option payments	\$ -	\$ 75	\$ 150
Reclamation obligation	-	260	-
Total acquisition costs	-	335	150
Geochemical	35	53	125
Camp and site costs	89	184	58
Geological consulting	548	1,239	1,086
Geophysical	70	72	93
Land taxes and government fees	384	389	445
Legal, community and other consultation costs	53	163	109
Travel	126	198	149
Total for the period	1,305	2,633	2,215
Balance, beginning of period	4,976	3,648	1,433
Balance, end of period	\$ 6,281	\$ 6,281	\$ 3,648

Included in exploration and evaluation assets at September 30, 2019, are trade and other payables of \$56 (September 30, 2018: \$24) and a reclamation obligation of \$260 (September 30, 2018: nil), both non-cash investing activities.

A full impairment was recognized on the Cinco de Mayo property in Mexico in prior years, although the concessions are still maintained in good standing.

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8. PROPERTY AND EQUIPMENT AND LEASES

As at September 30, 2019, the Company had the following property and equipment:

Cost	Office and computer equipment	Exploration camp and equipment	Right of use asset (see Leases below)	Total
Balance, January 1, 2018	\$ 467	\$ -	\$ -	\$ 467
Additions	3	-	-	3
Balance, December 31, 2018	470	-	-	470
Additions	12	250	550	812
Balance, September 30, 2019	\$ 482	\$ 250	\$ 550	\$ 1,282

Accumulated amortization	Office and computer equipment	Exploration camp and equipment	Right of use asset	Total
Balance as at January 1, 2018	\$ 420	\$ -	\$ -	\$ 420
Amortization	15	-	-	15
Balance, December 31, 2018	435	-	-	435
Amortization	10	-	69	79
Amortization (exploration cost)	-	11	-	11
Balance, September 30, 2019	\$ 445	\$ 11	\$ 69	\$ 525

Carrying amounts	Office and computer equipment	Exploration camp and equipment	Right of use asset	Total
At December 31, 2018	\$ 35	\$ -	\$ -	\$ 35
At September 30, 2019	\$ 37	\$ 239	\$ 481	\$ 757

LEASES

On adoption of IFRS 16, the Company recognized a right-of-use asset in relation to an office lease which had previously been classified as 'operating lease' under the principles of IAS 17. The right-of-use asset was recognized based on the amount equal to the lease liability, adjusted for accrued lease payments previously recognized. Upon transition to IFRS 16, the Company recognized \$93 right-of-use asset and \$127 lease obligation. The net of tax difference between right-of-use asset and lease obligation on transition of \$34 was recorded as a retained earnings adjustment on January 1, 2019.

a) Right-of-Use Asset (Office Lease)

As at September 30, 2019, the Company recorded \$481 of right-of-use asset as part of property and equipment:

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		Right-of-Use Asset
Net book value as at December 31, 2018	\$	-
IFRS 16 transition adjustment on January 1, 2019 (see Note 2)		93
Additions		457
Amortization		(69)
Net book value, September 30, 2019	\$	481

b) Lease obligation

Minimum lease payments in respect of lease obligation and the effect of discounting are as follows:

		September 30, 2019
Undiscounted minimum lease payments		
Less than one year	\$	138
Two to three years		288
Four to five years		299
Thereafter		38
		763
Effect of discounting		(215)
Present value of minimum lease payments - total lease obligation		548
Less: current portion		(71)
Long-term lease obligation	\$	477

For the three and nine months ended September 30, 2019, the Company recognized \$18 and \$49 respectively, of interest expense on lease obligation included in 'General Office Expense' (September 30, 2018: nil and nil respectively).

9. SHARE CAPITAL

(a) Issued and outstanding

The Company is authorized to issue an unlimited number of common shares without par value.

As at September 30, 2019, there were 86,516,165 shares outstanding (September 30, 2018: 85,539,476).

During the nine months ended, September 30, 2019, 421,000 stock options were exercised for cash proceeds of \$2,628. An additional 812,323 stock options were exercised under a less dilutive cashless exercise provision of the plan, whereby 428,934 shares were issued in settlement of the stock options, and the remaining 383,389 options were cancelled.

During the year ended December 31, 2018, no stock options were exercised for cash and 135,000 stock options were exercised under a less dilutive cashless exercise provision of the plan, whereby

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58,191 shares were issued in settlement of the stock options and the remaining 76,809 options were cancelled.

During the nine months ended September 30, 2019, 42,345 restricted share units, 24,244 performance share units and 60,166 deferred share units were converted into shares.

During the year ended December 31, 2018, 2,495 restricted share units were converted into shares.

(b) Stock options

The Company may enter into Incentive Stock Option Agreements with officers, employees, and consultants. On June 15, 2017, the Shareholders re-approved the Company's rolling Stock Option Plan (the "Plan"). The maximum number of common shares that may be issuable under the Plan is set at 5% of the number of issued and outstanding common shares on a non-diluted basis at any time, provided that the number of common shares issued or issuable under the combined Plan and Share Unit Plan (*Note 9(c)*) shall not exceed 5% of the issued and outstanding common shares of the Company on a non-diluted basis. Options granted under the Plan have a maximum term of 5 years. As at September 30 2019, there were 1,239,495 stock options outstanding under the Plan.

Stock option grants are recommended for approval to the Board of Directors by the Compensation Committee consisting of three independent members of the Board of Directors. At the time of a stock option grant, the exercise price of each option is set and in accordance with the Plan, cannot be lower than the market value of the common shares at the date of grant.

The following table summarizes the Company's option activity for the period:

	Period ended September 30, 2019	Weighted average exercise price (C\$/option)	Year ended December 31, 2018	Weighted average exercise price (C\$/option)
Outstanding, beginning of period	2,134,294	\$ 9.59	2,269,294	\$ 9.50
Granted	367,967	13.46	-	-
Forfeited	(29,443)	13.91	-	-
Exercised for cash	(421,000)	8.37	-	-
Exercised cashless	(812,323)	6.57	(135,000)	7.94
Outstanding, end of period	1,239,495	\$ 13.03	2,134,294	\$ 9.59

During the nine months ended September 30, 2019, 367,967 stock options were granted (September 30, 2018: nil) with a weighted average grant date fair value of \$1,173 or \$3.19 per option (September 30, 2018: nil).

The Company estimated the fair value of the option using the Black-Scholes option pricing model with the following weighted average assumptions:

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	September 30, 2019	December 31, 2018
Risk-free interest rate	1.64%	0.94%
Expected volatility	44%	54%
Expected dividend yield	nil	nil
Expected life (years)	3	3

The expected volatility assumption was calculated with reference to the Company's historical share price volatility up to the grant date to reflect a term approximate to the expected life of the option.

During the nine months ended September 30, 2019, 1,233,323 stock options were exercised (September 30, 2018: 135,000) with a weighted average market share price at the date of exercise of C\$13.82 (September 30, 2018: C\$14.12).

The following table summarizes the Company's stock options outstanding and exercisable as at September 30, 2019:

Exercise price (\$C/option)	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
9.28	308,333	308,333	1.18
10.02	82,500	82,500	0.73
13.46	347,404	-	4.54
13.91	276,049	92,017	3.18
17.55	225,209	149,285	2.18
C\$9.28 - C\$17.55	1,239,495	632,135	2.72

During the nine months ended September 30, 2019, the Company recorded share based payment expense of \$745 (September 30, 2018: \$682) relating to stock options vested to employees and consultants in the period.

(c) *Restricted and performance share units*

On June 15, 2017, the Shareholders re-approved a share unit plan (the "Share Unit Plan") for the benefit of the Company's officers, employees and consultants. The Share Unit Plan provides for the issuance of common shares from treasury, in the form of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs"). The maximum number of common shares that may be issuable under the Share Unit Plan is set at 1.5% of the number of issued and outstanding common shares on a non-diluted basis, provided that the number of common shares issued or issuable under the combined Share Unit Plan and Stock Option Plan (*Note 9(b)*) shall not exceed 5% of the issued and outstanding common shares on a non-diluted basis. RSUs and PSUs granted under the Share Unit Plan have a term of 5 years unless otherwise specified by the Board, and each unit entitles the participant to receive one common share of the Company subject to vesting criteria, and in the case of PSUs, performance criteria.

During the nine months ended September 30, 2019, 10,000 RSUs were granted (September 30, 2018: nil) under the Company's Share Unit Plan, with 3,334 vesting in 12 months from the grant

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date, and 3,333 vesting in each of 24 and 36 months from the date of grant, all with a five-year term. The RSUs had a grant date fair value of \$10.10 per RSU (September 30, 2018: nil) as determined using the fair market value of the common shares on the date of grant. In the nine months ended September 30, 2019, 42,345 RSUs (September 30, 2018: 2,495) were converted and settled in common shares.

During the nine months ended September 30, 2019, 91,406 PSUs were granted (September 30, 2018: nil) under the Company's Share Unit Plan, of which 3,742 were subsequently forfeited in the period ended September 30, 2019. The remaining outstanding PSUs granted vest after three years of service from the date of grant, and are subject to a market share price performance factor measured over a three-year performance period. The resulting possible PSU payout range is from 0% or nil PSUs to 200% or 175,328 PSUs. The Company estimates the fair value of the PSUs on grant date using the Monte Carlo simulation model. During the nine months ended September 30, 2019, 24,244 PSUs were converted and settled in common shares (September 30, 2018: nil).

As at September 30, 2019, there were 10,998 RSUs and 249,821 PSUs issued and outstanding under the Share Unit Plan, of which 998 RSUs and 11,672 PSUs had vested and are convertible into common shares of the Company. Included in the PSUs at September 30, 2019, are 238,149 PSUs with vesting conditions subject to a market share price performance factor measured over a three-year performance period, resulting in a PSU payout range from 0% or nil PSUs to 200% or 476,298 PSUs.

The Company recognized a share-based payment expense of \$501 (September 30, 2018: \$448) relating to RSUs and PSUs vesting in the period.

(d) Deferred share units

On June 15, 2017, the Shareholders re-approved a Deferred Share Unit Plan (the "DSU Plan") for the benefit of the Company's non-executive directors. The DSU Plan provides for the issuance of common shares from treasury, in the form of Deferred Share Units ("DSUs"). Directors may also elect to receive all or a portion of their annual retainer and meeting fees in the form of DSUs. DSUs may be settled in cash or in common shares issued from treasury, as determined by the Board at the time of the grant. The maximum number of common shares that may be issuable under the DSU Plan is set at 1.0% of the number of issued and outstanding common shares on a non-diluted basis.

During the nine months ended September 30, 2019, 141,386 DSUs were granted under the plan (September 30, 2018: nil) related to both 2018 and 2019 director DSU grants. In addition, 19,955 DSUs (September 30, 2018: nil) were granted to directors who elected to receive all or a portion of their annual retainer and meeting fees in the form of DSUs rather than cash. A DSU share-based payment expense of \$769 was recognized in the nine months ended September 30, 2019 (September 30, 2018: \$87). Under the DSU plan, no common shares are to be issued, or cash payments made to, or in respect of a participant in the DSU Plan prior to such eligible participant's termination date. In the nine months ended September 30, 2019, after a director did not stand for re-election to the board, 60,166 DSUs were converted into shares. As at September 30, 2019, there are 553,914 DSUs issued and outstanding under the DSU Plan, all of which have vested.

As at September 30, 2019, there are 2,054,228 common shares issuable under the combined share compensation arrangements referred to above (the Plan, the Share Unit Plan and the DSU Plan)

MAG SILVER CORP.

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representing 2.37% of the issued and outstanding common shares on a non-diluted basis, and there are 3,136,742 share-based awards available for grant under these combined share compensation arrangements.

10. CAPITAL RISK MANAGEMENT

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern and to provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of its equity (comprising of share capital, equity reserve, accumulated other comprehensive (loss) income and deficit), net of cash and cash equivalents.

Capital as defined above is summarized in the following table:

	September 30, 2019	December 31, 2018
Equity	\$ 215,416	\$ 213,881
Cash and cash equivalents (<i>Note 3</i>)	(94,599)	(130,180)
	<u>\$ 120,817</u>	<u>\$ 83,701</u>

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company currently does not pay out dividends.

As at September 30, 2019, the Company does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital (\$94,895 as at September 30, 2019) to maintain all of its properties and currently planned programs well into the next year. In management's opinion, the Company is able to meet its ongoing current obligations as they become due. However, the Company may require additional capital in the future to meet its future project and other related expenditures (see *Note 15*) as the Company is currently not generating any cash flow from operations. Future liquidity may therefore depend upon the Company's ability to arrange debt or additional equity financings.

11. FINANCIAL RISK MANAGEMENT

The Company's operations consist of the acquisition, exploration and development of projects primarily in the Americas. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

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(a) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) Trade credit risk

The Company is in the exploration and development stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant trade credit risk and overall the Company's credit risk has not changed significantly from December 31, 2018.

(ii) Cash

In order to manage credit and liquidity risk, the Company's policy is to invest only in highly rated investment grade instruments backed by Canadian commercial banks.

(iii) Mexican value added tax

As at September 30, 2019, the Company had a receivable of \$67 from the Mexican government for value added tax (*Note 4*). Management expects the balance to be fully recoverable within the year.

The Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, and accounts receivable, as follows:

	September 30, 2019	December 31, 2018
Cash and cash equivalents (<i>Note 3</i>)	\$ 94,599	\$ 130,180
Accounts receivable (<i>Note 4</i>)	174	372
	\$ 94,773	\$ 130,552

(b) Liquidity risk

The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements, its exploration and development plans, and its various optional property and other commitments (see *Notes 7 and 15*). The annual budget is approved by the Board of Directors. The Company ensures that there are sufficient cash balances to meet its short-term business requirements.

The Company's overall liquidity risk has not changed significantly from the prior year.

(c) Currency risk

The Company is exposed to the financial risks related to the fluctuation of foreign exchange rates, both in the Mexican peso and Canadian dollar, relative to the US\$. The Company does not use any

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Notes to the Condensed Interim Consolidated Financial Statements

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derivative instruments to reduce its exposure to fluctuations in foreign exchange rates. The Company is also exposed to inflation/deflation risk in Mexico.

Exposure to currency risk

As at September 30, 2019, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the functional currency of the applicable entity:

<i>(in US\$ equivalent)</i>	Mexican peso		Canadian dollar	
Cash	\$	41	\$	1,194
Accounts receivable		67		18
Prepaid		110		-
Investments		-		1,163
Accounts payable		(71)		(118)
Lease obligations		-		(548)
Net assets exposure	\$	147	\$	1,709

Mexican peso relative to the US\$

Although the majority of operating expenses in Mexico are both determined and denominated in US\$, an appreciation in the Mexican peso relative to the US\$ will slightly increase the Company's cost of operations in Mexico related to those operating costs denominated and determined in Mexican pesos. Alternatively, a depreciation in the Mexican peso relative to the US\$ will decrease the Company's cost of operations in Mexico related to those operating costs denominated and determined in Mexican pesos.

An appreciation/depreciation in the Mexican peso against the US\$ will also result in a gain/loss to the extent that the Company holds net monetary assets (liabilities) in pesos. Specifically, the Company's foreign currency exposure is comprised of peso denominated cash, prepayments and value added taxes receivable, net of trade and other payables. The carrying amount of the Company's net peso denominated monetary assets at September 30, 2019 is 2,912 pesos (September 30, 2018: 3,673). A 10% appreciation in the peso against the US\$ would result in a gain at September 30, 2019 of \$15 (September 30, 2018: \$20), while a 10% depreciation in the peso relative to the US\$ would result in an equivalent loss.

Mexican peso relative to the US\$ - Investment in Juanicipio

The Company conducts the majority of its business through its equity interest in its associate, Minera Juanicipio (see Note 6). The Company accounts for this investment using the equity method, and recognizes the Company's 44% share of earnings and losses of Minera Juanicipio. Minera Juanicipio also has a US\$ functional currency, and is exposed to the same currency risks noted above for the Company.

An appreciation/depreciation in the Mexican peso against the US\$ will also result in a gain/loss in Minera Juanicipio to the extent that it holds net monetary assets (liabilities) in pesos, comprised of

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peso denominated cash, value added taxes receivable, net of trade and other payables. The carrying amount of Minera Juanicipio's net peso denominated monetary assets at September 30, 2019 is 252.5 million pesos (September 30, 2018: 125.5 million pesos). A 10% appreciation in the peso against the US\$ would result in a gain at September 30, 2019 of \$1,200 (September 30, 2018: \$607) in Minera Juanicipio, of which the Company would record 44% or \$528 equity pick-up (September 30, 2018: \$267), while a 10% depreciation in the peso relative to the US\$ would result in an equivalent loss.

C\$ relative to the US\$

The Company is exposed to gains and losses from fluctuations in the C\$ relative to the US\$.

As general and administrative overheads in Canada are denominated in C\$, an appreciation in the C\$ relative to the US\$ will increase the Company's overhead costs as reported in US\$. Alternatively, a depreciation in the C\$ relative to the US\$ will decrease the Company's overhead costs as reported in US\$.

An appreciation/depreciation in the C\$ against the US\$ will result in a gain/loss to the extent that MAG, the parent entity, holds net monetary assets (liabilities) in C\$. The carrying amount of the Company's net Canadian denominated monetary assets at September 30, 2019 is C\$2,264 (September 30, 2018: C\$3,753). A 10% appreciation in the C\$ against the US\$ would result in gain at September 30, 2019 of \$171 (September 30, 2018: \$290) while a 10% depreciation in the C\$ relative to the US\$ would result in an equivalent loss.

(d) Interest rate risk

The Company's interest revenue earned on cash and cash equivalents is exposed to interest rate risk. A decrease in interest rates would result in lower relative interest income and an increase in interest rates would result in higher relative interest income.

12. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The Company's financial instruments include cash and cash equivalents, accounts receivable, investments, trade and other payables and lease liability. The carrying values of cash and cash equivalents, accounts receivable, trade and other payables and lease liability reported in the consolidated statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value as described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

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Level 2: Observable inputs other than quoted prices in Level 1 such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs which are supported by little or no market activity.

The Company's financial assets or liabilities as measured in accordance with the fair value hierarchy described above are:

	Nine months ended September 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 94,599	\$ -	\$ -	\$ 94,599
Investments (Note 5) ⁽¹⁾	1,163	-	-	1,163
	\$ 95,762	\$ -	\$ -	\$ 95,762

	Year ended December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 130,180	\$ -	\$ -	\$ 130,180
Investments (Note 5) ⁽¹⁾	1,742	39	-	1,781
	\$ 131,922	\$ 39	\$ -	\$ 131,961

⁽¹⁾ The fair value of equity securities quoted in active markets, is determined based on a market approach reflecting the closing price of each particular security as at the statement of financial position date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore equity securities are classified within Level 1 of the fair value hierarchy. The fair values of equity securities and warrants that are not quoted in active markets are valued based on quoted prices of similar instruments in active markets or using valuation techniques where all inputs are directly or indirectly observable from market data and are classified within Level 2 of the fair value hierarchy.

There were no transfers between levels 1, 2 and 3 during the nine months ended September 30, 2019 or during the year ended December 31, 2018.

13. SEGMENTED INFORMATION

The Company operates primarily in one operating segment, being the exploration and development of mineral properties in Mexico. The majority of the Company's long-term assets are located there and the Company's executive and head office is located in Canada.

14. 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 Chief Exploration Officer, is a principal of both IMDEX and Cascabel, and is remunerated by the

MAG SILVER CORP.

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Company through fees to IMDEX. In addition to corporate executive responsibilities with MAG, 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 period, the Company incurred expenses with Cascabel and IMDEX as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Fees related to Dr. Megaw:				
Exploration and marketing services	\$ 66	\$ 78	\$ 202	\$ 213
Travel and expenses	13	14	58	60
Other fees to Cascabel and IMDEX:				
Administration for Mexican subsidiaries	14	18	45	54
Field exploration services	72	91	233	297
	\$ 165	\$ 201	\$ 538	\$ 624

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 September 30, 2019 is \$93 related to these services (September 30, 2018: \$143).

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 holds various mineral property claims in Mexico upon which full impairments have been recognized. The Company is obligated to a 2.5% NSR royalty on the Cinco de Mayo property 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.

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 Project	MAG's effective interest 2019 (%)	2018 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Juanicipio	100%	100%
Minera Pozo Seco S.A. de C.V.	Mexico	Cinco de Mayo	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.

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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Minera Juanicipio, S.A. de C.V. (“Minera Juanicipio”), created for the purpose of holding and operating the Juanicipio Property, is held 56% by Fresnillo plc (“Fresnillo”) and 44% by the Company through Minera Los Lagartos, S.A. de C.V. Fresnillo is the operator of Minera Juanicipio, and with its affiliates, beneficially owns 11.3% of the common shares of the Company as at September 30, 2019, 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 (see *Note 6*).

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and other short term employee benefits	\$ 273	\$ 258	\$ 840	\$ 804
Share based payments (Note 9(b), (c), and (d))	187	172	1,205 ⁽¹⁾	514
	\$ 460	\$ 430	\$ 2,045	\$ 1,318

⁽¹⁾ Includes a DSU grant of \$675 where the comparable 2018 grant occurred after September 30, 2018, and is therefore not comparable to the prior period.

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.

15. COMMITMENTS AND CONTINGENCIES

The following table discloses the contractual obligations of the Company and its subsidiaries as at September 30, 2019 for committed exploration work and committed other obligations.

	Total	Less than	1-3 Years	3-5 Years	More than
		1 year	2020-2021	2022-2023	5 years
		2019			2024 & over
Committed exploration expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Minera Juanicipio ^{(1)&(2)}	-	-	-	-	-
Other commitments	147	75	72	-	-
Total Obligations and Commitments	\$ 147	\$ 75	\$ 72	\$ -	\$ -

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 \$11,800 and for development contractors of \$59,400 with respect to the Juanicipio Project on a 100% basis have been committed to as at September 30, 2019. As well, Minera Juanicipio has committed to an Engineering, Procurement and Construction Management contract

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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with Fresnillo to oversee the mine construction and development; on a 100% basis, \$35,200 remains committed through project completion under the contract.

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 could be subject to various investigations, claims and legal and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters would be subject to various uncertainties and it is possible that some matters may be resolved unfavourably to the Company. Certain conditions may exist as of the date of the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company is not aware of any such claims or investigations, and as such has not recorded any related provisions and does not expect such matters to result in a material impact on the results of operations, cash flows and financial position.

16. INCOME TAXES

The deferred income tax benefit recognized in profit or loss is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Deferred income tax (expense) benefit	\$ (595)	\$ 878	\$ (27)	\$ 776
Total deferred income tax (expense) benefit for the period	\$ (595)	\$ 878	\$ (27)	\$ 776

The \$27 deferred tax expense recognized for the nine months ended September 30, 2019 (September 30, 2018: \$776 deferred tax benefit) is in relation to temporary differences between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US\$), and changes in the exchange rate can give rise to temporary differences that result in deferred tax liability in accordance with IAS 12 Income Taxes. With the slight weakening of the Mexican Pesos against the US\$ from 19.66 Pesos/US\$ on December 31, 2018 to 19.68 on September 30, 2019, a deferred tax expense and a corresponding increase of the previously recognized deferred tax liability was recognized in the current period. The deferred tax expenses and the corresponding deferred income tax liabilities are non-cash items and will only be recognized once the Company's exploration properties are developed and in production.



MAG SILVER CORP.

Management's Discussion & Analysis
For the three and nine months ended
September 30, 2019 and 2018

Dated: November 8, 2019

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

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MAG SILVER CORP.

Management's Discussion & Analysis

For the three and nine months ended September 30, 2019 and 2018

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

The following Management's Discussion and Analysis ("MD&A") focuses on the financial condition and results of operations of MAG Silver Corp. ("MAG", "MAG Silver" or the "Company") for the three and nine months ended September 30, 2019 and 2018. It is prepared as of November 5, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2019 and 2018, and 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 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 ticker symbol MAG. MAG Silver 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 MAG Silver (see *Related Party Transactions* below).

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this MD&A, including any information relating to MAG'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

MAG SILVER CORP.

Management's Discussion & Analysis

For the three and nine months ended September 30, 2019 and 2018

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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; 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. MAG Silver 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, MAG'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 MAG's ability to obtain adequate financing. MAG Silver 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. MAG Silver 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.

MAG SILVER CORP.

Management's Discussion & Analysis

For the three and nine months ended September 30, 2019 and 2018

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

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 mineable.**

1. DESCRIPTION OF BUSINESS

MAG Silver is a Vancouver-based advanced stage development and exploration company that is focused on the acquisition, exploration and development of high-grade, district-scale projects located primarily in the Americas. MAG's principal asset is a 44% interest in the Juanicipio joint venture (the "Juanicipio Project") located in Zacatecas state, Mexico, which is now in the construction phase heading into production (see *Juanicipio Project* and *Juanicipio Project Update* below). In addition, MAG owns the concessions which constitute the Cinco de Mayo Project, located in Chihuahua State, Mexico.

Juanicipio Project

MAG Silver owns 44% of Minera Juanicipio S.A. de C.V. ("Minera Juanicipio"), a Mexican incorporated joint venture company, which owns the high-grade silver Juanicipio Project, located in the Fresnillo District, Zacatecas State, Mexico. MAG and Fresnillo plc ("Fresnillo"), which holds the remaining 56% of the joint venture, jointly approved the project mine development on April 11, 2019 and expect to achieve commercial production in late 2020. The exploration, development and construction of the Juanicipio Project are all being carried out by the project operator, Fresnillo, although MAG participates in both board and technical committee meetings.

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. The current Juanicipio Project mine development consists of approximately 23 kilometres ("km") of ongoing underground development, associated underground and surface infrastructure, and with the recent formal joint project approval by both partners, the plan for immediate construction of a 4,000 tonnes per day ("tpd") processing plant. In addition, ongoing exploration continues on both the Valdecañas Vein system and on other prospective targets within the joint venture property boundaries.

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. Construction of the processing plant is under the guidance of an Engineering, Procurement

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and Construction Management ("EPCM") contract entered into with Fresnillo to oversee the mine development. The Company's share of project costs is funded primarily by quarterly cash calls through its 44% interest in Minera Juanicipio, and to a lesser extent, incurred directly by MAG to cover expenses related to its own commissioned technical studies and analyses, as well as direct project oversight. Minera Juanicipio is governed by a shareholder's 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 to date 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, along with the resulting project scope changes announced by Fresnillo and MAG in 2017, the previous 2014 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 discovered in the 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 underground 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 after plant start-up onward. As envisioned in the 2017 PEA, the proposed process plant has a planned production rate of 4,000 tpd, and the 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, MAG Silver views the Juanicipio Project as a robust, high-grade, high-margin underground silver project exhibiting low development risks. On April 11, 2019, both Minera Juanicipio shareholders (Fresnillo and MAG) jointly approved the project for formal mine development and plant construction (see *Juanicipio Project Update* below). Both shareholders are currently advancing money to build out this project with initial production scheduled for late 2020 according to the operator Fresnillo.

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. The scope, design and operating results of the Juanicipio Project may differ from the scope, design and results envisaged in the 2017 PEA (see '*Risks and Uncertainties*' below).

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Cinco de Mayo Project

A full impairment was recognized on the Cinco de Mayo property in Mexico in prior years, although the concessions are still maintained in good standing.

2. HIGHLIGHTS – SEPTEMBER 30, 2019

- ✓ Joint formal Juanicipio Project mine development approval by Fresnillo and MAG was announced in the second quarter of 2019 (see *Press Release dated April 11, 2019*), and an EPCM contract finalized to oversee the mine development.
- ✓ During the quarter ended September 30, 2019 further progress was made in detailed engineering, and subsequent to the quarter end in October, earthmoving and foundation preparation commenced for the construction of the 4,000 tpd beneficiation plant.
- ✓ Mill fabrication is progressing on schedule, and both the SAG and ball mills are expected to be shipped to site early 2020. Flotation cells, processing tanks and minor process equipment pieces are starting to arrive on site. Thickener tanks and drive and rakes fabrication are well advanced.
- ✓ Underground development is ongoing at Juanicipio and has now reached approximately 23 kilometres of development (or 14.3 miles). The focus areas for underground development are the three sub-vertical ramps that descend alongside the mineralization and the conveyor ramp to surface.
- ✓ Construction is on track for late 2020 commissioning according to the operator Fresnillo.
- ✓ Estimated pre-operative initial capital is \$395,000 (100% basis) as of January 1, 2018, less development expenditures incurred since then to September 30, 2019 of approximately \$107,600 (Company therefore estimates approximately \$287,400 of remaining initial capital on a 100% basis as at September 30, 2019).
- ✓ MAG is well funded with cash and cash equivalents as at September 30, 2019 of \$94,599 while Minera Juanicipio had working capital on a 100% basis of \$24,486 as at September 30, 2019.
- ✓ A 25,000 metre 2019 Juanicipio exploration program was completed in late October, with all assays pending.

3. JUANICIPIO PROJECT UPDATE

Total Juanicipio Project expenditures incurred and capitalized directly by Minera Juanicipio (on a 100% basis) for the three and nine months ended September 30, 2019 amounted to \$42,023 and \$70,904 respectively (September 30, 2018: \$11,301 and \$29,795 respectively). Of the total expenditures in the nine months ended September 30, 2019, \$66,592 (September 30, 2018: \$25,947) are estimated to be development expenditures and the remaining \$4,312 (September 30, 2018: \$3,848) are estimated as exploration expenditures.

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MINE DEVELOPMENT APPROVAL – Juanicipio Project

On April 11, 2019, Fresnillo and MAG as shareholders of Minera Juanicipio, jointly announced formal approval of the Juanicipio mine development plan. The partners of Minera Juanicipio also finalized an EPCM agreement as part of the approval process which defines the specific terms by which Fresnillo will oversee the continued project development and the construction of the process plant and associated surface infrastructure. Pre-operative initial capital is estimated on a 100% basis as \$395,000 as of January 1, 2018, of which over the past 21 months approximately \$107,600 has been expended to September 30, 2019, leaving an estimated \$287,400 of remaining initial capital (MAG's 44% remaining share estimated \$126,456 as at September 30, 2019) (see *Liquidity and Capital Resources* below).

The Operator Services agreement was also finalized by the partners in the project approval process which will become effective on commencement of commercial production. As well, both lead and zinc off-take agreements have been agreed to by the partners whereby both concentrates will be treated at market terms by Met-Mex Peñoles, S.A. De C.V., in Torreón, Mexico.

SURFACE CONSTRUCTION AND SITE PREPARATION – Juanicipio Project

Upon project approval, construction plans for the 4,000 tpd processing plant commenced immediately. Basic engineering is substantially complete and detailed engineering is well advanced. Development of surface infrastructure facilities (power lines, access roads, auxiliary buildings, etc.) had already previously begun and continues. During the quarter ended September 30, 2019, further progress was made in detailed engineering, and subsequent to the quarter end in October, earthmoving and foundation preparation commenced for the construction of the beneficiation plant.

Orders had already been placed and the manufacturing of the long lead items for the process plant is well advanced. Mill fabrication is progressing on schedule, and both SAG and ball mills are expected to be shipped to site early 2020. Flotation cells, processing tanks and minor process equipment pieces are starting to arrive on site. Thickener tanks and drive and rakes fabrication are well advanced.

According to the operator, Fresnillo, permitting for the tailings impoundments should be completed in the fourth quarter of this year and mill construction is on track for commissioning by late 2020.

UNDERGROUND DEVELOPMENT – Juanicipio Project

Access to the mine will be via the completed twin underground declines that now have reached the top of mineralization in the Valdecañas Vein. From there, the upper footwall haulage/access drift has been driven the length of the vein from which three internal spiral footwall production ramps will extend to depth. Twinning of the original access decline was required 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 allow for streamlined underground traffic flow and increased safety through the mine having a second egress. The three spiral ramps into the mineralized envelope are designed to provide access to stopes within the mineralized material and were also required to facilitate the increase in planned mining rate to 4,000 tpd. The first cross-cuts through the vein have been made from the easternmost footwall ramp, exposing well-mineralized vein.

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Mineralized material from throughout the vein will be crushed underground and the crushed material conveyed directly from the underground crushing station (already excavated) to the process plant area via a third ramp which is being driven both from the surface and from the crushing chamber. This ramp will also provide access to the entire Valdecañas underground mining infrastructure and serve as a fresh air entry for the ventilation system.

Current underground development is now actively focused on:

- advancing the three internal spiral footwall ramps to be used to further access the full strike length of the Valdecañas Vein system;
- making the first cross-cuts through the vein as the footwall ramps advance
- constructing the underground crushing chamber;
- advancing the underground conveyor ramp to and from the planned surface processing facility from both faces;
- integrating additional ventilation and other associated underground infrastructure; and,
- sinking of the internal shaft – the head chamber for the shaft has been excavated, the shaft has been collared and winding equipment ordered.

With total underground development having now reached approximately 23 kilometres to date, an additional contractor has been appointed to further accelerate development rates. Concurrent with the ongoing underground development, detailed engineering continues for the internal shaft, other mine infrastructure, and the final process plant configuration.

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

EXPLORATION – Juanicipio Project

Exploration drilling continued in the quarter ended September 30, 2019. To date in 2019, 29 drill holes have been completed, 21 being infill holes and 8 exploration holes as part of a 25,000 metre 2019 exploration program which was completed subsequent to the September 30, 2019 quarter end (all assays pending). The 2019 drilling has primarily been directed at infilling the few remaining gaps in the Indicated Resources in the Bonanza Zone, converting Inferred Resources included in the Deep Zone into Indicated Resources, and further tracing the Deep Zone laterally and to depth. Five holes were also directed at the recently discovered Venadas Vein.

Assays from 48 previously completed holes (46,060 metres) were reported in the first quarter of 2019 (see *Press Release dated March 4, 2019*).

Valdecañas Deep Zone expanded and significant new hangingwall vein discovered

The March 4, 2019 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 eastern hangingwall above the system. Drill holes in the eastern end of the Valdecañas Vein now cut two hangingwall veins before reaching the main Valdecañas Vein.

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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 *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 a later mineralization stage related to a deeper, fluctuating boiling zone. Zinc and lead increase at depth as normally expected in the "root zone" of an epithermal vein, but copper grades are locally very high at depth, along with boron and high-temperature alteration minerals. 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 also reported on March 4, 2019 (See *Table of drill assays* at <http://www.magsilver.com/s/NewsReleases.asp?ReportID=846343>). Three fall within the Deep Zone Mineral Resource estimate 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 in the system 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

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Twenty-four new intercepts were reported on March 4, 2019 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 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 in the system 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 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 (2019 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 the postulated deeper boiling zone emplaced into a structure separate from those that host the base metal rich roots of the earlier mineralization stage.

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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 on 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.

4. OUTLOOK

While MAG'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. MAG'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.

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Minera Juanicipio

As noted above, on April 11, 2019 Fresnillo and MAG as shareholders of Minera Juanicipio, jointly announced the formal approval of the Juanicipio mine development plan. Under the terms of an EPCM agreement, Fresnillo is now finalizing detailed engineering and is overseeing the construction of the 4,000 tpd process plant and associated surface infrastructure. Subsequent to September 30, 2019, in October, earthmoving and foundation preparation commenced for the construction of the beneficiation plant. Mill fabrication is progressing on schedule, and both SAG and ball mills are expected to be shipped to site early 2020. Flotation cells, processing tanks and minor process equipment pieces are starting to arrive on site. Thickener tanks and drives and rakes fabrication are well advanced.

Underground and other development actively continues with emphasis on: developing the three internal spiral footwall ramps along the full strike length of the Valdecañas Vein system; constructing the underground crushing chamber; advancing the conveyor ramp from both ends to and from the planned mill site (where the underground conveyor exit portal is complete); integrating additional ventilation and other associated underground infrastructure, starting of the internal shaft sinking (head chamber for the shaft has been excavated, collar has been cemented and winding equipment ordered), and progressing the construction of additional ancillary surface facilities.

The Operator Services agreement has been finalized by the partners and will become effective upon initiation of commercial production. As well, both lead and zinc off-take agreements have been agreed to by the partners with Met-Mex Peñoles, S.A. De C.V., whereby both the lead and zinc concentrates will be treated at market terms in Torreón, Mexico.

The Juanicipio development is expected to create approximately 2,750 jobs during construction and 1,720 jobs once at full production, with potential to scale-up operations in the future beyond 4,000 tpd. According to the operator, Fresnillo, construction remains on track for commissioning by late 2020.

On the exploration front, both partners acknowledge that there is considerable further exploration opportunity in the concession license area as most of it remains unexplored. Ongoing exploration drilling in recent years has been primarily designed to both convert the Inferred Resources included in the Deep Zone into Indicated Resources, and to further trace the Deep Zone laterally and to depth. However, the 2019 exploration program has also targeted the newly discovered north-south trending Venadas Vein family, and additional prospective targets are expected to be drilled in 2020.

5. INVESTMENT IN JUANICIPIO

Minera Juanicipio

Minera Juanicipio is the corporate entity through which MAG Silver records and holds its Investment in Juanicipio (see Notes 2(b) and 6 in the unaudited condensed interim consolidated financial statements of the Company as at September 30, 2019).

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	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Joint venture oversight expenditures incurred 100% by MAG	\$ 81	\$ 78	\$ 251	\$ 237
Cash contributions to Minera Juanicipio	17,820	8,470	33,092	14,123
Total for the current period	17,901	8,548	33,343	14,360
Equity pick up of current (loss) income for the period	(266)	665	496	(75)
Balance, beginning of period	97,418	62,146	81,214	57,074
Balance, end of period	\$ 115,053	\$ 71,359	\$ 115,053	\$ 71,359

During the three and nine months ended September 30, 2019, MAG incurred Juanicipio oversight expenditures of \$81 and \$251 respectively (September 30, 2018: \$78 and \$237 respectively) and made joint venture cash advances to Minera Juanicipio of \$17,820 and \$33,092 respectively (September 30, 2018: \$8,470 and \$14,123 respectively) representing its 44% share of capital contributions made during the period.

In the three and nine months ended September 30, 2019, MAG recorded an equity loss pick up of \$266 and \$496 equity income pick up respectively, from its Investment in Juanicipio (September 30, 2018: \$665 equity income pick up and \$75 equity loss pick up respectively).

The \$266 equity loss pick up for the three months ended September 30, 2019 is primarily the result of a weakening Mexican Peso in the quarter relative to the US\$, which has been offset in the nine months ended September 30, 2019 (\$496 equity income pick up) primarily by a deferred tax benefit within Minera Juanicipio related to a Mexican inflationary increase in the tax loss carryforwards within Minera Juanicipio.

6. EXPLORATION AND EVALUATION ASSETS

Option Earn-in Projects

In 2017, the Company entered into an option earn-in agreement with a private group whereby MAG can earn up to a 100% interest in a prospective land claim package. There are no further exploration funding requirements under the agreement as at September 30, 2019. However, to earn a 100% interest in the property package, MAG would have to make combined remaining cash payments of \$350 over the third, fourth and fifth annual anniversaries of the agreement (all payments are at the option of MAG), at which time the vendors would retain a 2% net smelter returns royalty ("NSR").

In late 2018, the Company entered into an option agreement with another private group whereby MAG has the right to earn 100% ownership interest in a company which owns a prospective land claim package. MAG paid \$150 upon signing the agreement. To earn 100% interest in the property, MAG must make combined cash payments of \$1,850 over the next 10 years, and fund a cumulative of \$30,000 of eligible exploration expenditures (\$1,543 incurred to September 30, 2019) by the tenth anniversary date of the agreement. Upon MAG's 100% earn-in, the vendors would retain a 2% NSR.

Cinco de Mayo Project

As noted above, a full impairment was recognized on the Cinco de Mayo property in Mexico in prior years, although the concessions are still maintained in good standing.

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7. REVIEW OF FINANCIAL RESULTS

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
EXPENSES				
Accounting and audit	\$ 48	\$ 77	\$ 191	\$ 240
Amortization	26	3	79	11
Filing and transfer agent fees	2	4	219	250
Foreign exchange loss (gain)	17	(27)	20	50
General office expenses	213	185	693	680
Legal	90	103	227	266
Management compensation and consulting fees	502	435	1,579	1,369
Mining taxes and other property costs	186	433	539	915
Share based payment expense	507	406	2,015	1,217
Shareholder relations	90	98	304	370
Travel	52	52	187	224
	1,733	1,769	6,053	5,592
Interest income	589	812	2,215	2,277
Gain on sale of exploration and evaluation assets, net of transactions costs	-	-	-	1,151
Change in fair value of warrants	-	11	(39)	(510)
Equity pick up from Investment in Juanicipio	(266)	665	496	(75)
Loss for the period before income taxes	\$ (1,410)	\$ (281)	\$ (3,381)	\$ (2,749)
Deferred income tax (expense) recovery	(595)	878	(27)	776
(Loss) Income for the period	\$ (2,005)	\$ 597	\$ (3,408)	\$ (1,973)

Three Months Ended September 30, 2019 vs Three Months Ended September 30, 2018

The Company's net loss for the three months ended September 30, 2019 amounted to \$2,005 (September 30, 2018: \$597 net income).

The Company adopted the new standard, IFRS 16 *Leases*, on January 1, 2019 which requires operating leases to be recognized on the balance sheet as right-of-use assets, resulting to an increase in amortization to \$26 in the quarter ended September 30, 2019 (September 30, 2018: \$3).

A foreign exchange loss of \$17 was recorded in the quarter ended September 30, 2019 (September 30, 2018: \$27 foreign exchange gain), resulting primarily from an exchange gain on Canadian dollar ("C\$") denominated cash held to fund Canadian corporate expenses. The C\$ cash is exposed to exchange risk relative to the US\$, and results in a gain or loss as the exchange rate fluctuates.

Mining taxes and other property costs decreased to \$186 in the quarter ended September 30, 2019 (September 30, 2018: \$433) due to MAG's divestiture of several non-core concessions in the prior year.

Share based payment expense, (a non-cash item) relating to equity incentives (stock options, restricted share units, performance share units, and deferred share units) vesting to employees, consultants and directors in the period increased to \$507 (September 30, 2018: \$406) and is determined based on the fair value of equity incentives granted and vesting in the period. Apart from the 2,729 deferred share units ("DSUs") granted to directors who elected to receive all or a portion of their annual retainer and meeting fees in the form of

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DSUs, no equity incentives were granted in the quarter ended September 30, 2019. 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.

Other expenses incurred during the quarter ended September 30, 2019 included accounting and audit fees of \$48 (September 30, 2018: \$77), filing & transfer agent fees of \$2 (September 30, 2018: \$4), general office expenses of \$213 (September 30, 2018: \$185), legal of \$90 (September 30, 2018: \$103), management compensation and consulting fees of \$502 (September 30, 2018: \$435), shareholder relations expenses of \$90 (September 30, 2018: \$98) and travel of \$52 (September 30, 2018: \$52) and were all either comparable with the prior period's expense or the change was not significant to the overall operations during the quarter.

MAG also earned interest income on its cash and cash equivalents of \$589 (September 30, 2018: \$812) during the quarter ended September 30, 2019, and recorded its 44% equity loss pick up of \$266 (September 30, 2018: \$665 equity income pick up) from its Investment in Juanicipio

MAG recorded a deferred income tax expense of \$595 for the quarter ended September 30, 2019 (September 30, 2018: \$878 deferred income tax benefit) in relation to the change in temporary timing differences between the book and tax base of its Mexican non-monetary assets. 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 or benefit.

Nine Months Ended September 30, 2019 vs. Nine Months Ended September 30, 2018

The Company's net loss for the nine months ended September 30, 2019 amounted to \$3,408 (September 30, 2018: \$1,973).

As noted above, MAG adopted the new standard, IFRS 16 *Leases*, on January 1, 2019 resulting in an increase in amortization to \$79 in the nine months ended September 30, 2019 (September 30, 2018: \$11), and a foreign exchange loss of \$20 was recorded in the nine months ended September 30, 2019 (September 30, 2018: \$50) resulting primarily from holding C\$ denominated cash as noted above.

Management compensation and consulting fees increased to \$1,579 (September 30, 2018: \$1,369) in the nine months ended September 30, 2019 due to a retention payment arrangement with a consultant and the cost of terminating her services contract.

Mining concession taxes and other property costs in the nine months ended September 30, 2019 decreased to \$539 (September 30, 2018: \$915) due to MAG's divestiture of several non-core concessions in the prior year. The balance of expenses in the current period relate primarily to expenditures on the Cinco de Mayo Project still maintained by MAG, where a full impairment has been previously recognized. Expenditures incurred on this property are no longer capitalized as exploration and evaluation assets, but are expensed as part of 'mining concession taxes and other property costs.'

Share based payment expense recorded in the nine months ended September 30, 2019 increased to \$2,015 (September 30, 2018: \$1,217), and is determined based on the fair value of equity incentives granted and vesting in the period. The increase from the comparative period is due to DSUs granted in the current period, whereas the comparable prior period grant was recorded in a subsequent quarter.

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Other expenses incurred during the nine months ended September 30, 2019 included accounting and audit of \$191 (September 30, 2018: \$240), filing & transfer agent fees of \$219 (September 30, 2018: \$250), general office expenses of \$693 (September 30, 2018: \$680), legal of \$227 (September 30, 2018: \$266), shareholder relations expenses of \$304 (September 30, 2018: \$370) and travel of \$187 (September 30, 2018: \$224), and were all either comparable with the prior period's expense or the change was not significant to the overall operations during the period.

In other income and expenses, MAG earned interest income on its cash and cash equivalents of \$2,215 (September 30, 2018: \$2,277) during the nine months ended September 30, 2019, and recorded a 44% equity income pick up of \$496 (September 30, 2018: \$75 equity loss pick up) from Minera Juanicipio as described above in Investment in Juanicipio. In addition, MAG recorded a write down of \$39 (September 30, 2018: \$510) on warrants held and designated as fair value through profit and loss.

MAG recorded a deferred income tax expense of \$27 for the nine months ended September 30, 2019 (September 30, 2018: \$776 deferred income tax benefit) in relation to temporary differences between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US\$), and changes in the exchange rate can give rise to temporary differences that result in deferred tax liability or benefit.

Other Comprehensive (Loss) Income:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Loss (Income) for the period	\$ (2,005)	\$ 597	\$ (3,408)	\$ (1,973)
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on equity securities, net of tax	(131)	(10)	(579)	(1,344)
TOTAL COMPREHENSIVE (LOSS) INCOME	\$ (2,136)	\$ 587	\$ (3,987)	\$ (3,317)

In Other Comprehensive Loss during three and nine months ended September 30, 2019, MAG recorded an unrealized market loss of \$131 and \$579 respectively (September 30, 2018: \$10 and \$1,344 respectively) on equity securities held as strategic investments.

8. 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 Income (Loss) per Share):

Quarter Ending	Revenue ⁽¹⁾	Net Income (Loss) ⁽²⁾	Net Income (Loss) per Share
September 30, 2019	\$589	\$(2,005)	\$(0.02)
June 30, 2019	\$782	\$(961)	\$(0.01)
March 31, 2019	\$844	\$(442)	\$(0.01)

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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)

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 the time. MAG has no operating revenues at this stage of development.
- (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."

9. CASH FLOWS

The following table summarizes MAG Silver's cash flow activities for the three and nine months ended September 30, 2019:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Operations	\$ (593)	\$ (571)	\$ (1,737)	\$ (2,044)
Changes in non-cash working capital	224	321	(475)	(563)
Operating activities	(369)	(250)	(2,212)	(2,607)
Investing activities	(19,473)	(9,402)	(35,953)	(15,970)
Financing activities	633	-	2,574	-
Effects of exchange rate changes on cash and cash equivalents	(25)	24	10	(42)
Change in cash and cash equivalents during the period	(19,234)	(9,628)	(35,581)	(18,619)
Cash and cash equivalents, beginning of period	113,833	151,404	130,180	160,395
Cash and cash equivalents, end of period	\$ 94,599	\$ 141,776	\$ 94,599	\$ 141,776

Operating Activities

During the three and nine months ended September 30, 2019, MAG used \$593 and \$1,737 in cash for operations before changes in non-cash working capital, compared to \$571 and \$2,044 respectively, in the three and nine months ended September 30, 2018. MAG Silver's non-cash working capital (accounts receivable, prepaid expenses less trade and other payables) in the three and nine months ended September 30, 2019 decreased by \$224 and increased by \$475 respectively (September 30, 2018: decreased by \$321 and increased by \$563 respectively). The total use of cash from operating activities in the three and nine months ended September 30, 2019 was \$369 and \$2,212 respectively (September 30, 2018: \$250 and \$2,607 respectively).

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Investing Activities

During the three and nine months ended September 30, 2019, the net cash used in investing activities amounted to \$19,473 and \$35,953 respectively (September 30, 2018: \$9,402 and \$15,970 respectively). MAG used cash to fund advances to Minera Juanicipio, which combined with MAG's Juanicipio expenditures on its own account, totaled \$17,915 and \$33,371 respectively (September 30, 2018: \$8,542 and \$14,387 respectively). The increase in cash advances to Minera Juanicipio in the 2019 periods follows the production development decision in April 2019. MAG makes capital contributions through cash advances to Minera Juanicipio as 'cash called' by operator Fresnillo, based on approved joint venture budgets. In the three and nine months ended September 30, 2019, MAG Silver also expended \$1,309 and \$2,320 respectively (September 30, 2018: \$860 and \$1,529 respectively) on its other exploration and evaluation properties.

Financing Activities

In the three months ended September 30, 2019, 87,500 stock options were exercised for cash proceeds of \$650 (September 30, 2018: nil). In addition, 102,323 stock options (September 30, 2018: nil) were exercised under a less dilutive cashless exercise provision of the plan whereby 44,427 shares (September 30, 2018: nil) were issued and the remaining 57,896 stock options (September 30, 2018: nil) were cancelled.

In the nine months ended September 30, 2019, 421,000 stock options were exercised for cash proceeds of \$2,628 (September 30, 2018: nil). In addition, 812,323 stock options (September 30, 2018: 135,000) were exercised under a less dilutive cashless exercise provision of the plan whereby 428,934 shares (September 30, 2018: 58,191 respectively) were issued and the remaining 383,389 stock options (September 30, 2018: 76,809) were cancelled.

In the three and nine months ended September 30, 2019, the net cash used in financing activities was to pay a lease obligation of \$17 and \$54 respectively (September 30, 2018: nil and nil respectively).

10. FINANCIAL POSITION

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

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	September 30, 2019	September 30, 2018
Cash and cash equivalents	\$ 94,599	\$ 141,776
Other current assets	732	646
Total current assets	95,331	142,422
Investments	1,163	2,444
Investment in Juanicipio	115,053	71,359
Exploration and evaluation assets	6,281	2,973
Property and equipment	757	39
Total assets	\$ 218,585	\$ 219,237
Total current liabilities	\$ 436	\$ 557
Lease obligation	477	-
Deferred income taxes	2,139	541
Provision for reclamation	260	-
Total liabilities	3,312	1,098
Total equity	215,273	218,139
Total liabilities and equity	\$ 218,585	\$ 219,237

Total current assets decreased from \$142,422 at September 30, 2018 to \$95,331 as at September 30, 2019. Cash and cash equivalents totaled \$94,599 at September 30, 2019 compared to \$141,776 at September 30, 2018, with the change in cash discussed above in 'Cash Flows'. Other current assets as at September 30, 2019 included prepaid expenses of \$558 (September 30, 2018: \$254) and accounts receivable of \$174 (September 30, 2018: \$392). The accounts receivable is comprised primarily of interest receivable on invested cash and cash equivalents, and value added refundable taxes.

Investments of \$1,163 are comprised of equity securities held by MAG as strategic investments (September 30, 2018: \$2,444 comprised of warrants and equity securities).

During the nine months ended September 30, 2019, MAG capitalized \$481 right-of-use asset (September 30, 2018: nil) which is included under property and equipment, and recorded a \$548 lease obligation included in liabilities (September 30, 2018: nil) in compliance with IFRS 16 *Leases* that became effective at January 1, 2019.

The Investment in Juanicipio balance increased from September 30, 2018 to September 30, 2019 from \$71,359 to \$115,053 and reflects MAG Silver's ongoing investment in Minera Juanicipio as discussed in 'Investing Activities' and 'Investment in Juanicipio' both above. Exploration and evaluation assets as at September 30, 2019 increased to \$6,281 (September 30, 2018: \$2,973) reflecting exploration expenditures incurred on the properties described above in 'Exploration and Evaluation Assets.'

Current liabilities at September 30, 2019 amounted to \$436 (September 30, 2018: \$557) and are attributable to accrued exploration and administrative expenses and the current portion of an IFRS 16 lease obligations recognized in 2019. Non-current liabilities of \$2,876 (September 30, 2018: \$541) include the non-current lease obligation of \$477 (September 30, 2018: nil), a deferred income tax liability of \$2,139 at September 30, 2019 (September 30, 2018: \$541) resulting from temporary timing differences between the book and

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tax base of its Mexican non-monetary assets, and \$260 for a reclamation provision (September 30, 2018: nil) on one of the Company's exploration earn-in projects.

11. LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019, MAG Silver had working capital of \$94,895 (September 30, 2018: \$141,865) including cash and cash equivalents of \$94,599 (September 30, 2018: \$141,776). As well, as at September 30, 2019 Minera Juanicipio had working capital of \$24,486 (MAG's attributable 44% share \$10,774) including a cash balance of \$11,610 (MAG's attributable 44% share \$5,108). Other than an office lease obligation under IFRS 16, MAG currently has no debt and believes it has sufficient working capital to maintain all of its properties and currently planned programs well into next year (2020). However, the Company is continually evaluating debt and equity financing alternatives, as it may require additional capital in 2020 and beyond to meet its project-related expenditures, including cash calls in respect to funding its 44% share of the Juanicipio Project.

Funding of the Juanicipio Project Development

The initial capital expenditures for the project, inclusive of capitalized operating costs as estimated by AMC as of January 1, 2018 are \$395,000 (MAG's 44% \$173,800) including all mine development-related costs to be incurred prior to the envisaged commencement of commercial operations in late 2020. Capital costs incurred after start-up are assigned to sustaining capital and are projected to be paid out of operating cash-flows.

The above initial capital expenditure estimate does not represent the remaining initial capital expenditures as of the present date, as it does not reflect the capital expenditures incurred since January 1, 2018 which total approximately \$107,600 to September 30, 2019. MAG therefore estimates the remaining initial capital expenditures on a 100% basis to be approximately \$287,400 (MAG's 44% share being \$126,456 as at September 30, 2019). MAG Silver 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 MAG will generate sufficient operating cash flow to fund such obligations, and accordingly, future liquidity will depend upon its ability to arrange debt or additional equity financings. The Company is currently evaluating several debt proposals and other financing alternatives. The inability of MAG to fund its 44% share of cash calls would result in dilution of its ownership interest in Minera Juanicipio in accordance with the shareholders' agreement.

Actual vs Expected Use of Proceeds – Prior Financings

In the Company's February 23, 2016 Prospectus Supplement to a Short Form Base Shelf Prospectus (the "Offering Document"), MAG provided the expected use of proceeds with respect to the offering. The table below provides a comparison of the Company's estimated actual use of proceeds to date (including cash advanced for such purpose, but not necessarily expended yet at the project level), as compared to the use of proceeds presented in the Offering Document:

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Intended Use of Proceeds	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	\$5,000	\$5,000
Development expenditures at the Juanicipio Property	\$50,000	\$28,304
Development contingency at the Juanicipio Property	\$7,500	\$ -

MAG is still aligned and expending funds in accordance with the February 23, 2016 Offering Document.

12. CONTRACTUAL OBLIGATIONS

The following table discloses the contractual obligations of MAG and its subsidiaries as at September 30, 2019 for committed exploration work and other committed obligations.

	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
		2019	2020-2021	2022-2023	2024 & over
Committed exploration expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Minera Juanicipio ^{(1)&(2)}	-	-	-	-	-
Other commitments	147	75	72	-	-
Total Obligations and Commitments	\$ 147	\$ 75	\$ 72	\$ -	\$ -

⁽¹⁾ Although MAG Silver makes cash advances to Minera Juanicipio as cash called by the operator Fresnillo (based on approved Minera Juanicipio budgets), they are not contractual obligations. MAG 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 \$11,800 and for development contractors of \$59,400 with respect to the Juanicipio Project on a 100% basis have been committed to as at September 30, 2019. As well, Minera Juanicipio has committed to an EPCM contract with Fresnillo to oversee the mine construction and development; on a 100% basis, \$35,200 remains committed through project completion.

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 the projects, 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 earn-in requirements.

MAG 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.

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13. SHARE CAPITAL INFORMATION

MAG Silver's authorized capital consists of an unlimited number of common shares without par value. As at November 8, 2019, the following common shares, stock options, RSUs, PSUs and DSUs were outstanding:

	Number of Shares	Exercise Price or Conversion Ratio	Remaining Life
Capital Stock	86,524,795	n/a	n/a
Stock Options	1,264,495	\$9.28 - \$17.55	0.9 to 5.0 years
Performance Share Units("PSUs") ⁽¹⁾	242,189	1:1	1.1 to 4.4 years
Restricted Share Units("RSUs")	10,000	1:1	0.6 to 4.2 years
Deferred Share Units ("DSUs") ⁽²⁾	553,914	1:1	n/a ⁽²⁾
Fully Diluted	88,595,393		

⁽¹⁾ Includes three PSU grants of 66,094, 84,391 and 87,664 PSUs respectively, where vesting is subject to a market price performance factor, each measured over a three-year performance period to 2019 and 2022, respectively, which will result in a PSU payout range from 0% (nil PSUs) to 200% (476,298 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.

14. OTHER ITEMS

The Company is unaware of any undisclosed liabilities or legal actions against MAG and MAG 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.

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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. Management's 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 MAG 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 MAG'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 VAT paid that falls into this category, is not material or significant to MAG's overall operations, and to date, VAT refunds continue to be received by the Company.

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.

15. TREND INFORMATION

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

The nature of MAG's business is demanding of capital for property acquisition costs, exploration commitments, development and holding costs. MAG Silver'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 MAG 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.

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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.

16. 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 on these currencies from fluctuations in foreign exchange rates (see Note 11(c) in the consolidated financial statements of the Company as at September 30, 2019).

In addition, there is increasing environmental regulation as a result of public concern over climate change. The Company may have increased costs associated with the compliance of these regulation and a failure to comply may have a material adverse impact on the Company’s performance.

Juanicipio Development Decision

The actual scope, design and operating results of the Juanicipio Project may differ from the scope, design and results envisaged in the 2017 PEA. 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. As a result, there are additional risks as to the extent of capital and operating costs, mineral recovery and financial viability of the project.

17. OFF-BALANCE SHEET ARRANGEMENTS

MAG Silver has no off-balance sheet arrangements.

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18. RELATED PARTY TRANSACTIONS

MAG 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 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 period, the Company incurred expenses with Cascabel and IMDEX as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Fees related to Dr. Megaw:				
Exploration and marketing services	\$ 66	\$ 78	\$ 202	\$ 213
Travel and expenses	13	14	58	60
Other fees to Cascabel and IMDEX:				
Administration for Mexican subsidiaries	14	18	45	54
Field exploration services	72	91	233	297
	\$ 165	\$ 201	\$ 538	\$ 624

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 September 30, 2019 is \$93 related to these services (September 30, 2018: \$143).

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:

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Name	Country of Incorporation	Principal Project	MAG's effective interest	
			2019 (%)	2018 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Juanicipio	100%	100%
Minera Pozo Seco S.A. de C.V.	Mexico	Cinco de Mayo	100%	100%

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio"), created for the purpose of holding and operating the Juanicipio 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 11.3% of the common shares of the Company as at September 30, 2019, 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 period, compensation of key management personnel (including directors) was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and other short term employee benefits	\$ 273	\$ 258	\$ 840	\$ 804
Share based payments	187	172	1,205 ⁽¹⁾	514
	\$ 460	\$ 430	\$ 2,045	\$ 1,318

⁽¹⁾ Includes a DSU grant of \$675 where the comparable 2018 grant occurred after September 30, 2018, and is therefore not comparable to the prior period.

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.

19. 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 unaudited condensed interim consolidated financial statements as at September 30, 2019 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

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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 production 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.

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20. CHANGES IN ACCOUNTING STANDARDS

- (i) Adoption of new and amended IFRS pronouncements.

The Company has adopted the following new accounting pronouncements effective as at January 1, 2019.

IFRS 16 Leases. The Company adopted all the requirements of IFRS 16 *Leases* ("IFRS 16") as of January 1, 2019. IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Company elected the cumulative catch-up approach resulting in no restatement of prior year comparatives. The Company elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense in the profit or loss. Note 8 of the Company's unaudited condensed interim consolidated financial statements as at September 30, 2019, outlines the effect of adopting IFRS 16 requirements on January 1, 2019.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the contract term and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. Right-of-use assets are initially measured at costs, which is comprised of initial amount of the lease liability adjusted for any lease payment made at or before the commencement date.

Right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a modification, a change in the lease term, a change in the fixed lease payments or change in the assessment to purchase the underlying asset.

The Company presents right-of-use asset in the property and equipment line item on the condensed interim consolidated balance sheets and lease liability in the lease obligations line item on the condensed interim consolidated balance sheets.

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 Company

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adopted this standard as of January 1, 2019 and it had no material 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. The Company adopted these amendments as of January 1, 2019 and they had no material impact on the Company's consolidated financial statements.

(ii) Recent accounting pronouncements

IFRS 3 Business Combinations. In October 2018, IASB issued narrow-scope amendments to IFRS 3 **Business Combinations** to improve the definition of a business. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amendment is effective for acquisitions that occur on or after January 1, 2020 with earlier application permitted. The Company will adopt this amendment on the effective date. The effects, if any, of the amended standard on our financial performance and disclosure are dependent on the facts and circumstances of any future acquisition transactions.

21. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

MAG Silver 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 September 30, 2019 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 September 30, 2019.

Internal Control Over Financial Reporting

MAG Silver 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 unaudited condensed interim consolidated financial statements and MD&A for the three and nine months ended September 30, 2019 were approved by the Board on November 5, 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

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their supervision, the design and effectiveness of the Company's internal control over financial reporting as of September 30, 2019 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 period ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, MAG's internal control over financial reporting.

22. 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.