

**April 28, 2020**
**MAG Silver Corp (MAG)**  
**Rating: Buy**

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**C\$60M Private Placement With Eric Sprott; Above Ground Operations Temporarily Halted by Mexican Decree; Reiterate Buy**

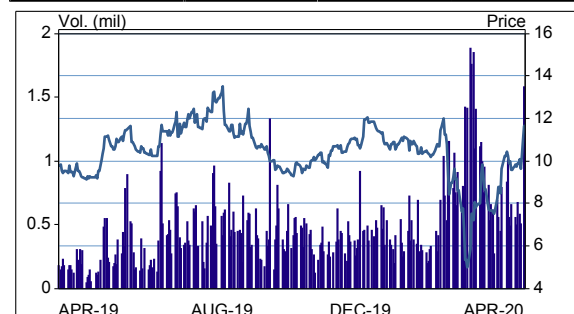
Stock Data		04/27/2020
Price		\$11.64
Exchange		NYSE American
Price Target		\$16.50
52-Week High		\$14.00
52-Week Low		\$3.84
Enterprise Value (M)		\$945
Market Cap (M)		\$1,060
Shares Outstanding (M)		91.1
3 Month Avg Volume		726,362
Short Interest (M)		3.04

Shares Outstanding (M): Pro forma for 4.5M shares in private placement.

Balance Sheet Metrics		
Cash (M)		\$115.0
Total Debt (M)		\$0.0
Total Cash/Share		\$1.26

Cash (M): Pro forma for C\$60M private placement.  
General: All figures in US\$ unless otherwise noted.

EPS Diluted			
Full Year - Dec	2019A	2020E	2021E
FY	(0.05)	(0.01)	0.58
Revenue (\$M)			
Full Year - Dec	2019A	2020E	2021E
FY	0.0	45.3	507.6



**Non-brokered private placement for C\$60M.** On April 27, 2020, MAG Silver announced a non-brokered private placement with Mr. Eric Sprott. Terms of the transaction call for the issuance of 4.5M common shares at a price of C\$13.25 per common share. The gross proceeds amount to C\$60M, which MAG intends to use for continued exploration and development of Juanicipio, as well as for working capital and general corporate purposes. We include the private placement in our model on a pro forma basis, and expect the transaction to close on or before April 30, 2020. We expect MAG to require an additional \$20 — 30M of capital before starting up production at site following the expected proceeds from this private placement.

**Market responds positively to financing.** Shares of MAG increased by 21% on April 27, 2020. This compares with a 1% increase in the Global X Silver Miners ETF (SIL). As there was no additional news we attribute the strong performance to MAG having one more well-respected shareholder on its register.

**Above ground operations temporarily suspended.** On April 22, 2020, MAG Silver announced that the Mexican Government had ordered the temporary shutdown of non-essential businesses until May 30, 2020 to reduce the spread of the COVID-19 virus. As a result, Fresnillo (FRES.L; not rated), who remains a joint venture partner responsible for Juanicipio's operations, has temporarily halted surface exploration and construction work at site while simultaneously reducing underground operations which now abide by a variety of strict hygienic protocols. Going forward we expect these actions to slightly delay the commencement of production compared with prior expectations of a ramp-up by mid-FY20. Despite the temporary suspension, we emphasize the firm's partnership with Fresnillo, a company that maintains a rich history of mining operations in Mexico and knows how to mine the area efficiently. We further stress a continued strong relationship with local, state, and federal governing bodies.

**We reiterate our Buy rating on MAG Silver and our PT of \$16.50 per share.** Our valuation for Juanicipio remains based on a DCF of anticipated operations, utilizing an unchanged 7.0% discount rate, which accounts for the extensive production potential at site. While COVID-19 disruptions are likely to slightly delay the start of production at Juanicipio, we nonetheless expect this impact to be minor and temporary. Additionally, we already accounted for some delay at Juanicipio, and therefore have not made any additional changes to our production estimates. We continue to believe that the market is not yet fully appreciating the near-term producing nature of the mine, as evident by the overwhelming support of Mr. Sprott.

**Risks.** (1) Commodity price risk; (2) increase in capital required to construct Juanicipio; (3) operating and technical risks; (4) political risk; and (5) JV-related risks.

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MAG Silver Corp		2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<u>Juancipio</u>															
Tonnes Milled		100,000	1,080,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000
Silver Grade (g/t)		625	660	680	740	550	550	320	230	230	230	360	305	310	310
Recovery Rate		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Annual Silver production ('000s of oz)		1,750	19,954	27,411	29,829	22,171	22,171	12,899	9,271	9,271	9,271	14,512	12,295	12,496	12,496
Growth			1040%	37%	9%	-26%	0%	-42%	-28%	0%	0%	57%	-15%	2%	0%
Silver Sales Price		\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50	\$ 17.50
Gold Grade (g/t)		1.4	1.5	1.7	1.5	1.3	1.3	1.6	1.1	1.2	1.2	1.6	1.3	1.4	1.4
Recovery Rate		80.4%	80.6%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%	80.8%
Annual Gold Production ('000s of oz)		4	40	63	54	47	47	59	41	42	43	58	46	49	49
Growth			1005%	57%	-13%	-13%	-1%	26%	-31%	4%	3%	33%	-21%	7%	0%
Gold Sales Price		\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575	\$ 1,575
Silver:Gold Ratio		90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0
Silver Equivalent ('000s of oz)		324	3,582	5,635	4,886	4,234	4,202	5,309	3,648	3,811	3,908	5,211	4,136	4,430	4,430
Lead Grade		1.6%	1.6%	1.6%	1.5%	1.1%	1.2%	1.5%	1.7%	1.9%	1.4%	1.4%	2.0%	1.6%	1.6%
Recovery Rate		93.4%	93.6%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%
Annual Lead Production ('000s of pounds)		3,253	36,103	48,241	44,667	33,054	36,329	44,667	50,028	55,090	42,285	42,583	58,663	48,836	48,836
Growth			1010%	34%	-7%	-26%	10%	23%	12%	10%	-23%	1%	38%	-17%	0%
Lead Sales Price per pound		\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85
Value of Lead (in '000s of \$)		2,765	30,688	41,005	37,967	28,096	30,880	37,967	42,523	46,826	35,942	36,195	49,864	41,511	41,511
Silver Equivalent ('000s of oz)		158	1,754	2,343	2,170	1,605	1,765	2,170	2,430	2,676	2,054	2,068	2,849	2,372	2,372
Zinc Grade		3.2%	3.1%	3.1%	3.2%	2.4%	2.3%	2.5%	2.9%	3.0%	2.5%	3.0%	3.4%	3.2%	3.2%
Recovery Rate		87.4%	87.6%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%	87.8%
Annual Zinc Production ('000s of pounds)		6,224	65,075	86,965	89,474	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801
Growth			946%	34%	3%	-26%	-3%	10%	14%	6%	-19%	24%	11%	-6%	0%
Zinc Sales Price per pound		\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Value of Zinc (in '000s)		6,224	65,075	86,965	89,474	65,781	63,552	69,684	79,718	84,735	68,290	84,457	93,376	87,801	87,801
Silver Equivalent ('000s of oz)		356	3,719	4,969	5,113	3,759	3,632	3,982	4,555	4,842	3,902	4,826	5,336	5,017	5,017
Silver & Gold		2,074	23,536	33,046	34,715	26,405	26,372	18,208	12,919	13,082	13,180	19,723	16,431	16,926	16,926
Base Metal Credits (in '000s)		8,989	95,763	127,970	127,441	93,877	94,432	107,651	122,242	131,562	104,232	120,652	143,240	129,312	129,312
Total Silver Equivalents & Base Metals		2,587	29,008	40,358	41,997	31,769	31,768	24,360	19,904	20,600	19,136	26,617	24,616	24,315	24,315
Total Cash Cost per ounce of silver equivalent		\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86	\$ 4.86
Revenue from Silver ('000s)		\$ 30,617	\$ 349,186	\$ 479,690	\$ 522,016	\$ 387,985	\$ 387,985	\$ 225,737	\$ 162,248	\$ 162,248	\$ 162,248	\$ 253,954	\$ 215,155	\$ 218,682	\$ 218,682
% of total revenue		67.6%	68.8%	67.9%	71.0%	69.8%	69.8%	53.0%	46.6%	45.0%	48.4%	54.5%	49.9%	51.4%	51.4%
Revenue from Gold ('000s)		\$ 5,672	\$ 62,685	\$ 98,607	\$ 85,498	\$ 74,098	\$ 73,528	\$ 92,908	\$ 63,838	\$ 66,688	\$ 68,398	\$ 91,198	\$ 72,388	\$ 77,518	\$ 77,518
% of total revenue		12.5%	12.3%	14.0%	11.6%	13.3%	13.2%	21.8%	18.3%	18.5%	20.4%	19.6%	16.8%	18.2%	18.2%
Revenue from Lead ('000s)		\$ 2,765	\$ 30,688	\$ 41,005	\$ 37,967	\$ 28,096	\$ 30,880	\$ 37,967	\$ 42,523	\$ 46,826	\$ 35,942	\$ 36,195	\$ 49,864	\$ 41,511	\$ 41,511
% of total revenue		6.1%	6.0%	5.8%	5.2%	5.1%	5.6%	8.9%	12.2%	13.0%	10.7%	7.8%	11.6%	9.8%	9.8%
Revenue from Zinc ('000s)		\$ 6,224	\$ 65,075	\$ 86,965	\$ 89,474	\$ 65,781	\$ 63,552	\$ 69,684	\$ 79,718	\$ 84,735	\$ 68,290	\$ 84,457	\$ 93,376	\$ 87,801	\$ 87,801
% of total revenue		13.7%	12.8%	12.3%	12.2%	11.8%	11.4%	16.3%	22.9%	23.5%	20.4%	18.1%	21.7%	20.6%	20.6%
Total Revenue		\$ 45,278	\$ 507,635	\$ 706,268	\$ 734,955	\$ 555,960	\$ 555,944	\$ 426,295	\$ 348,328	\$ 360,498	\$ 334,879	\$ 465,803	\$ 430,783	\$ 425,513	\$ 425,513
Gross Profit (in '000s of \$)		32,704	366,657	510,127	530,847	401,562	401,551	307,907	251,592	260,383	241,878	336,443	311,149	307,342	307,342
CapEx		(20,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Tax @ 30.0% plus 7.5% EBITDA & 0.5% revenue	30.0%	-	-	-	(123,558)	(115,737)	(115,733)	(87,694)	(70,832)	(73,464)	(67,924)	(96,239)	(88,665)	(87,525)	(87,525)
Net effective operating cash flow		12,704	351,657	495,127	392,289	270,825	270,817	205,213	165,760	171,918	158,954	225,205	207,484	204,817	204,817
Cash Flow Discount Rate	7.0%														
Present Value		12,704	328,652	432,463	320,225	206,611	193,089	136,742	103,227	100,058	86,461	114,483	98,574	90,941	84,992
% owned by MAG		44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%	44%
Value to MAG Shareholders		5,590	144,607	190,284	140,899	90,909	84,959	60,166	45,420	44,026	38,043	50,372	43,373	40,014	37,396
Total Current Value	\$ 1,039,985	Note: Fresnillo owns 56%, MAG the remaining 44%													
Fully Diluted Shares ('000s)	93,506														
Juancipio NAV per share	\$ 11.12														
Multiple	1.3														
Juancipio current value	\$ 1,351,980														
Juancipio Value per share	\$ 14.46														
Cinco de Mayo value	\$ 35,000														
Multiple	1.0														
Cinco de Mayo fair value	\$ 35,000														
Plus Cash & Equivalents	\$ 115,020	\$ 1.23 per share	As of 12/31/19; Pro forma for CS60M private placement												
Plus Finished Goods	\$ -														
Plus Exploratory Assets	\$ 25,000	\$ 0.27 per share	exploratory assets per share												
Less Debt	\$ -														
Total Current Value ('000s of US\$)	\$ 1,527,000														
Basic shares	91,108	Pro forma for 4.5M shares in private placement.													
Options, DSU's, RSU's, and PSU's	2,397														
Fully Diluted Shares ('000s)	93,506														
NAV per share	\$ 16.33														
NAV multiple	1.00														
Price target	\$ 16.33														
Rounded (\$0.50) price target	\$ 16.50														
Current MAG share price	\$ 11.64	29.5% discount to price target as of 4/27/20													

Source: H.C. Wainwright &amp; Co. estimates.

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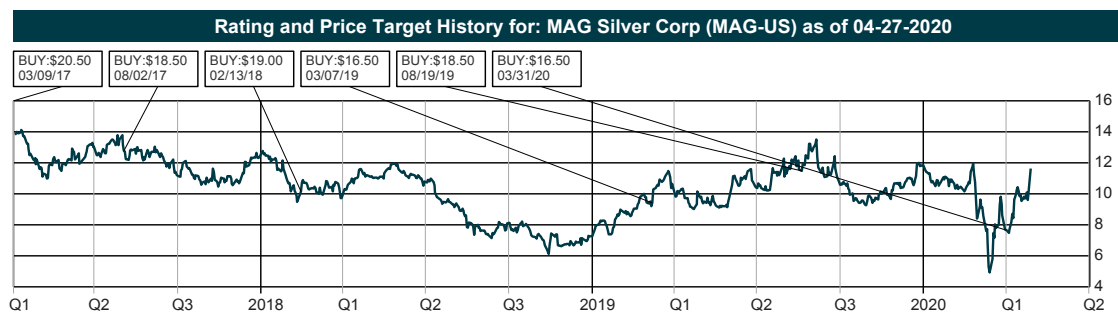
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Distribution of Ratings Table as of April 27, 2020				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	381	90.71%	128	33.60%
Neutral	36	8.57%	6	16.67%
Sell	0	0.00%	0	0.00%
Under Review	3	0.71%	3	100.00%

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