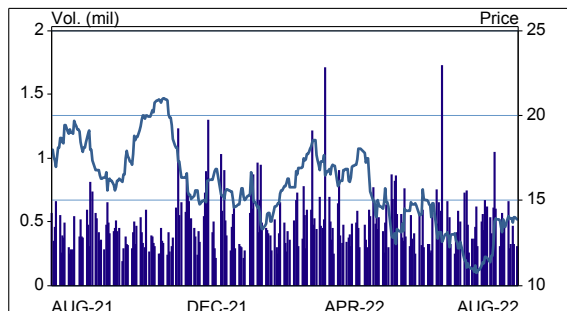


MAG Silver Corp (MAG)
Rating: Buy

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**2Q22 Financial Results; Ongoing Drilling Across Asset Base;
Update on Deer Park and Larder Projects; Reiterate Buy**

Stock Data		08/15/2022	
Price		\$13.88	
Exchange		NYSE American	
Price Target		\$16.50	
52-Week High		\$21.73	
52-Week Low		\$10.32	
Enterprise Value (M)		\$1,324	
Market Cap (M)		\$1,369	
Shares Outstanding (M)		98.7	
3 Month Avg Volume		491,260	
Short Interest (M)		2.55	
Balance Sheet Metrics			
Cash (M)		\$44.7	
Total Debt (M)		\$0.0	
Total Cash/Share		\$0.45	
General: All figures in US\$ unless otherwise noted.			
EPS (\$) Diluted			
Full Year - Dec	2020A	2021A	2022E
FY	(0.08)	0.06	0.67
Revenue (\$M)			
Full Year - Dec	2020A	2021A	2022E
FY	0.0	0.0	189.6



On August 15, MAG Silver announced its 2Q22 financial results. During the quarter, the Juanicipio joint venture (JV) recorded \$55.2M in revenue and net income of \$27.4M. Notably, this compares favorably to revenue of \$11.3M and net income of \$11.0M on a 100% basis during 2Q21. In turn, MAG recognized \$12.3M related to its 44% share of equity income in Juanicipio during the most recent quarter, compared with \$4.8M in 2Q21. The company ultimately reported net income of \$7.6M, or \$0.08 per share, during 2Q22, which compares quite favorably to net income of \$3.3M, or \$0.03 per share, during 2Q21. Notably, we do not put much emphasis on recent financials as Juanicipio has not yet completed its final electrical tie-in, though we stress that this is expected to be completed in the next few weeks.

2022 exploration updates across asset base. Through 1H22, the JV has spent \$3.6M on a 100% basis with five drill rigs currently active at surface. Importantly, these rigs are presently running in tandem with ongoing underground definition and geotechnical drilling. For now, one rig is testing the new Cesantoni target in the northwest part of the Juanicipio concession. In contrast, a five-hole, 5,000-meter drill program remains ongoing at the company's Deer Trail project as three directional holes have now been completed with assay results pending. Lastly, a drilling program has been initiated to drill below and lateral to the already identified mineralization at site at the recently acquired Larder Project in Northern Ontario.

We reiterate our Buy rating on shares of MAG Silver and our PT of \$16.50. Our overall valuation for Juanicipio remains based on a DCF of anticipated operations while utilizing an unchanged 7.0% discount rate. We note that this figure is slightly lower than the discount rates applied to most other Mexican assets throughout our coverage universe. In our view, the lower discount rate nonetheless accurately accounts for MAG's high-grade orebody, profitable JV agreement, and extensive production potential.

Near-term catalysts. Looking ahead, we reiterate that commissioning of the new electrical system at the Juanicipio processing plant is expected to occur in the coming weeks. We also highlight that management reiterates Juanicipio's targeted ramp-up to 85 - 90% of nameplate capacity by the end of 2022, as well as the delivery of concentrates from its Juanicipio facility in 2H22, as over 100,000 tonnes of material remains stockpiled at site.

Risks. (1) Commodity price risk; (2) increase in capital through commissioning of Juanicipio; (3) operating and technical risks; (4) political risk; and (5) JV-related risks.

H.C. Wainwright & Co. 1868

Source: H.C. Wainwright & Co. estimates

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RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of August 15, 2022				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	564	87.58%	131	23.23%
Neutral	62	9.63%	12	19.35%
Sell	2	0.31%	0	0.00%
Under Review	16	2.48%	1	6.25%

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