UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2016**. Commission File Number **001-33574**.

MAG SILVER CORP.

(Exact name of Registrant as specified in its charter)

BRITISH COLUMBIA
(Province or other jurisdiction of incorporation or organization)

1040
(Primary Standard Industrial Classification Code Number (if applicable))

Not Applicable
(I.R.S. Employer Identification Number (if applicable))

Suite 770 – 800 West Pender Street, Vancouver, British Columbia V6C 2V6 Tel: 604-630-1399
(Address and telephone number of Registrant's principal executive offices)

Puglisi & Associates
850 Library Avenue, Suite 204
Newark, DE 19711
Tel: (302) 738-6680
(Name, address (including zip code) and telephone number (including area code)
Of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, without par value	**NYSE MKT LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

For annual reports, indicate by check mark the information filed with this Form:

X Annual information form X Audited annual consolidated financial statements

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report.

80,704,204 outstanding shares of the Registrant's common stock as of the fiscal year ended December 31, 2016.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interac-tive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preced-ing 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ☐ No ☐

EXPLANATORY COMMENT

MAG Silver Corp. (the "Company" or the "Registrant") is a British Columbia corporation and a "foreign private issuer" as defined in Rule 3b-4 promulgated under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") by the U.S. Securities and Exchange Commission (the "SEC"). Under the SEC's rules, the Company is eligible to prepare and file this annual report on Form 40-F, and to present the disclosures herein primarily in accordance with Canadian disclosure requirements, which differ in certain material respects from those which the SEC requires of United States companies.

For example, the Company has prepared its financial statements, which are included as Exhibit 99.2 to this annual report on Form 40-F, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and such statements are not in many respects directly comparable to financial statements of United States companies.

Similarly, and as discussed in greater detail below in "ESTIMATES OF RESOURCES AND RESERVES," the resource and reserve estimates included in the accompanying Annual Information Form (including the Schedules thereto), found at Exhibit 99.1 of this Form 40-F Annual Report, and management's discussion and analysis for the fiscal year ended December 31, 2016 filed as Exhibit 99.2 to this Annual Report on Form 40-F, have been prepared in accordance with the requirements of Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), which differ from the practices used to estimate resources and reserves in reports and other materials filed with the SEC by United States companies.

As a "foreign private issuer" the Company is exempt from certain proxy-related requirements found in Sections 14(a), 14(b), 14(c), and 14(f) of the Exchange Act, and the insider reporting, "short swing profit" and short sale provisions found in Section 16 thereof are not applicable to the Company's common shares.

PRINCIPAL DOCUMENTS

The following documents have been filed by the Company with this Annual Report on Form 40-F, and are incorporated herein by reference:

A. Annual Information Form

The Company's Annual Information Form ("AIF") for the fiscal year ended December 31, 2016: see Exhibit 99.1 of this Annual Report on Form 40-F.

B. Audited Annual Consolidated Financial Statements and accompanying Management's Discussion and Analysis

The Company's Audited Annual Consolidated Financial Statements including the reports of the Independent Registered Public Accounting Firm with respect thereto and accompanying Management's Discussion and Analysis for fiscal year ended December 31, 2016: see Exhibit 99.2 of this Annual Report on Form 40-F. The Company's Audited Annual Consolidated Financial Statements have been prepared in accordance with IFRS.

CAUTIONARY COMMENT ON FORWARD-LOOKING STATEMENTS AND ADJACENT PROPERTY DISCLOSURES

Forward Looking Statements

This Annual Report on Form 40-F contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws (collectively, "forward-looking statements") that are based on the beliefs and estimates of management on the date as of which the statement are made, as well as assumptions made by and information then available to the Company. The Company's documents incorporated herein by reference, contain forward-looking statements concerning anticipated developments in the operations of the Company in future periods, planned exploration and development activities, the adequacy of the Company's financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimates," "potential," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. Information concerning the interpretation of drill results and mineral resource or reserve estimates also may be deemed to be forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those described in the AIF.

For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

Adjacent Property Disclosure

The staff of the SEC takes the position that mining companies, in their filings with the SEC, should describe only those mineral deposits that the companies themselves can economically and legally extract or produce. The AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F contains information regarding adjacent properties on which we have no right to explore or mine, and is considered by management to be of material importance to the Company and its land holdings in the area. Investors are cautioned that mineral deposits on adjacent properties are not necessarily probative of the existence, nature or extent of mineral deposits on our properties.

ESTIMATES OF RESOURCES AND RESERVES

The Company's AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F and management's discussion and analysis for the fiscal year ended December 31, 2016 filed as Exhibit 99.2 to this Annual Report on Form 40-F have been prepared in accordance with the requirements of Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") — *CIM Definition Standards on Mineral Resources and Mineral Reserves* , adopted by the CIM Council, as amended. NI 43-101 is a rule developed by the Canadian Securities Administrators, which establishes standards for disclosure a Canadian public company makes of scientific and technical information concerning its mineral projects, differs from the requirements of SEC Industry Guide 7 ("SEC Industry Guide 7") under the United States Securities Act of 1933, as amended (the "Securities Act").

For example, the terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the CIM standards. These definitions differ from the definitions in SEC Industry Guide 7.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. It should not be assumed that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. 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 may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Annual Report and the documents incorporated by reference herein contains descriptions of mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws.

DISCLOSURE CONTROLS AND PROCEDURES

After evaluating the effectiveness of the Company's disclosure controls and procedures as required by paragraph (b) of Exchange Act Rule 13a-15, the Chief Executive Officer and Chief Financial Officer of the Company have concluded that, as of the end of the period covered by this Annual Report on Form 40-F, the Company's disclosure controls and procedures were effective to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f).

Management recognizes that effective internal control over financial reporting may nonetheless not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has evaluated the effectiveness of the Company's internal control over financial reporting as of the end of the Company's fiscal year ended December 31, 2016 using the framework *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that, as of December 31, 2016, the Company maintained effective internal control over financial reporting.

ATTESTATION REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The required disclosure is included under the heading "Report of Independent Registered Public Accounting Firm" in the Registrant's Audited Annual Consolidated Financial Statements for fiscal year ended December 31, 2016, included as Exhibit 99.2 to this Annual Report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the period covered by this Annual Report on Form 40-F, no changes occurred in the Company's internal control over financial reporting that were identified in connection with the evaluation required by paragraph (e) of Exchange Act Rule 13a-15 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

Not applicable.

AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors has determined that each of Peter Barnes, Richard Colterjohn and Jill Leversage is an "audit committee financial expert" as that term is defined in paragraph (8) of General Instruction B of Form 40-F, and each is an "independent director" as that term is defined under the listing standards applicable to the Company contained in Section 803A of the NYSE MKT Company Guide. A description of the relevant experience of each of such director can be found in the AIF. The SEC has indicated that the designation of a director as an audit committee financial expert does not make that director an "expert" for any purpose, impose any duties, obligations or liability on him or her that are greater than those imposed on members of the Audit Committee and Board of Directors who do not carry this designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

CODE OF ETHICS FOR CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, AND OFFICERS AND DIRECTORS

The Company has adopted a Code of Business Conduct and Ethics (the "Code") for its Chief Executive Officer, Chief Financial Officer, directors and officers. The Company previously furnished the latest version of the Code with the SEC on August 21, 2015 as Exhibit 99.1 to its Form 6-K. Individuals may obtain a copy upon request, addressed to The Secretary, MAG Silver Corp., #770-800 West Pender Street, Vancouver, British Columbia, V6C 2V6. The Company has also posted the Code on its internet website at www.magsilver.com. Amendments to the Code were approved by the directors on June 22, 2015 and since that time there have been no further amendments to the Code. No waivers were granted from the Code during the fiscal year ended December 31, 2016.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed by the Company's current external auditor, Deloitte LLP, in each of the last two fiscal years are as follows.

Presented in US$	**Year ended December 31, 2016**	**Year ended December 31, 2015**
Audit Fees	$ 205,038	$ 169,158
Audit-Related Fees	84,574	30,250
Tax Fees	105,808	69,761
All Other Fees	0	0
Total	$ 395,420	$ 269,169

Note: The Canadian and Euro denominated invoices were converted to US$ at yearly average rates (C$ 2016: 0.7545; 2015: 0.7821) (€ 2016: 1.10702; 2015: 1.10954) obtained from the Bank of Canada.

The nature of the services provided by Deloitte LLP under each of the categories indicated in the table is described below.

Audit Fees

Audit fees are those incurred for professional services rendered by Deloitte LLP for the audit of the Company's annual consolidated financial statements and for the quarterly interim reviews of the Company's unaudited consolidated financial statements.

Audit-Related Fees

Audit-related fees are those incurred for: i) professional services rendered by Deloitte LLP relating to the short form prospectus and ii) professional fees related to the Mexican statutory audit of the Company's wholly-owned subsidiaries.

Tax Fees

Tax fees are those incurred for professional services rendered by Deloitte LLP for: tax compliance, including the review of tax returns, tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax, goods and services tax and value added tax); continued tax planning and advisory services on potential restructuring and spin-out projects; and, preparation of a Transfer Pricing report.

All Other Fees

There are no other fees to report under this category for professional services rendered by Deloitte LLP for the Company.

PRE-APPROVAL POLICIES AND PROCEDURES

It is within the mandate of the Company's Audit Committee to pre-approve all audit and non-audit related fees. The Audit Committee is informed routinely as to the non-audit services actually provided by the auditor pursuant to this pre-approval process. The auditors also present the estimate for the annual audit related services to the Audit Committee for approval prior to undertaking the annual audit of the financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

None.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
Presented in US$ (unless noted otherwise)

	Total	Less than 1 year	1-3 Years	3-5 Years
Property Option Payments, Exploration and Development Expenditures – Total (1)	**$ -**	**$ -**	**$ -**	**$ -**
Office Lease	363,475	129,449	234,026	-
Total Obligations	**$ 363,475**	**$ 129,449**	**$ 234,026**	**$ -**

(1) Although the Company makes cash deposits to Minera Juanicipio as cash is called by the operator Fresnillo, plc (based on annual 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.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Company has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are:

Chair:	Peter Barnes
Members:	Richard Colterjohn
	Jill Leversage

MINE SAFETY DISCLOSURE

Not applicable.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company has filed an Appointment of Agent for Service of Process and Undertaking on Form F-X with respect to the class of securities in relation to which the obligation to file this Form 40-F arises.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report on Form 40-F to be signed on its behalf by the undersigned, thereto duly authorized.

Registrant: **MAG SILVER CORP.**

By: */s/ "George Paspalas"*
Name: George Paspalas
Title: President and Chief Executive Officer
Dated: March 29, 2017

EXHIBITS

23.1	Consent of Deloitte LLP, Independent Registered Public Accounting Firm
23.2	Consent of David Ross, P.Geo.
23.3	Consent of Jason Cox, P.Eng.
23.4	Consent of Holger Krutzelmann, P.Eng.
23.5	Consent of Dr. Peter Megaw, Ph.D., C.P.G.
31.1	Certification by the Chief Executive Officer of the Registrant pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer of the Registrant pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Registrant's Annual Information Form for the fiscal year ended December 31, 2016.
99.2	Registrant's Audited Annual Consolidated Financial Statements and accompanying Management's Discussion and Analysis for the fiscal year ended December 31, 2016.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our reports dated March 29, 2017 relating to the consolidated financial statements of MAG Silver Corp. and the effectiveness of MAG Silver Corp.'s internal control over financial reporting appearing in this Annual Report on Form 40-F of MAG Silver Corp. for the year ended December 31, 2016.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 29, 2017

EXHIBIT 23.2

CONSENT OF DAVID ROSS, P.Geo.

I refer to the technical report prepared by Roscoe Postle Associates Inc. entitled "Technical Report on the Mineral Resource Update for the Juanicipio Joint Venture, Zacatecas State, Mexico", dated June 12, 2014 as amended June 30, 2014 (the "Technical Report") that are referenced in the Registrant's Annual Information Form ("AIF") of MAG Silver Corp. for the fiscal year ended December 31, 2016, filed as Exhibit 99.1 to this Annual Report on Form 40-F with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. I was responsible for preparing, authoring and certifying the Technical Report.

I hereby consent to reference to my name and to the use of the Technical Report in the AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Sincerely,

/s/ "David Ross"
David Ross, P.Geo.
March 27, 2017

EXHIBIT 23.3

CONSENT OF JASON COX, P.Eng.

I refer to the technical report prepared by Roscoe Postle Associates Inc. entitled "Technical Report on the Mineral Resource Update for the Juanicipio Joint Venture, Zacatecas State, Mexico", dated June 12, 2014 as amended June 30, 2014 (the "Technical Report") that are referenced in the Registrant's Annual Information Form ("AIF") of MAG Silver Corp. for the fiscal year ended December 31, 2016, filed as Exhibit 99.1 to this Annual Report on Form 40-F with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. I was responsible for preparing, authoring and certifying the Technical Report.

I hereby consent to reference to my name and to the use of the Technical Report in the AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Sincerely,

/s/ "Jason Cox"
Jason Cox, P.Eng.
March 27, 2017

EXHIBIT 23.4

CONSENT OF HOLGER KRUTZELMANN, P.Eng.

I refer to the technical report prepared by Roscoe Postle Associates Inc. entitled "Technical Report on the Mineral Resource Update for the Juanicipio Joint Venture, Zacatecas State, Mexico", dated June 12, 2014 as amended June 30, 2014 (the "Technical Report") that are referenced in the Registrant's Annual Information Form ("AIF") of MAG Silver Corp. for the fiscal year ended December 31, 2016, filed as Exhibit 99.1 to this Annual Report on Form 40-F with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. I was responsible for preparing, authoring and certifying the Technical Report.

I hereby consent to reference to my name and to the use of the Technical Report in the AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Sincerely,

/s/ "Holger Krutzelmann"
Holger Krutzelmann, P.Eng.
March 27, 2017

EXHIBIT 23.5

CONSENT OF PETER MEGAW, P.Geo.

I, Dr. Peter Megaw, Ph.D., C.P.G., hereby consent to the use of and reference to my name, and the inclusion and incorporation by reference in the Annual Report on Form 40-F of MAG Silver Corp. for the year ended December 31, 2016, of the information prepared by me, that I supervised the preparation of or reviewed by me that is of a scientific or technical nature and all other references to such information included or incorporated by reference in the Annual Report on Form 40-F of MAG Silver Corp. for the year ended December 31, 2016.

Sincerely,

/s/ "Peter Megaw"
Dr. Peter Megaw, Ph.D., C.P.G.
March 27, 2017

EXHIBIT 31.1

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, George Paspalas, certify that:

1. I have reviewed this Annual Report on Form 40-F of MAG Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2017

/s/ "*George Paspalas*"
George Paspalas
Chief Executive Officer

EXHIBIT 31.2

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Larry Taddei, certify that:

1. I have reviewed this Annual Report on Form 40-F of MAG Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2017

/s/ "*Larry Taddei*"
Larry Taddei
Chief Financial Officer

EXHIBIT 32.1

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

In connection with the Annual Report of MAG Silver Corp. (the "Registrant") on Form 40-F for the fiscal year ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George Paspalas, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/*s/ "George Paspalas"*
Name: George Paspalas
Title: Chief Executive Officer
March 29, 2017

EXHIBIT 32.2

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

In connection with the Annual Report of MAG Silver Corp. (the "Registrant") on Form 40-F for the fiscal year ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Larry Taddei, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ "*Larry Taddei*"
Larry Taddei
Chief Financial Officer
March 29, 2017

Exhibit 99.1



ANNUAL INFORMATION FORM

March 29, 2017

MAG Silver Corp.

Suite 770 – 800 West Pender Street
Vancouver, BC, Canada V6C 2V6

An additional copy of this Annual Information Form for the year ended December 31, 2016 may be obtained upon request from the Corporate Secretary of MAG Silver Corp. at the above address or from the company's web site: www.magsilver.com

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INTRODUCTORY NOTES

In this Annual Information Form ("AIF"), unless the context otherwise dictates, "we", "MAG" or the "Company" refers to MAG Silver Corp. and its subsidiaries.

Date of Information

All information in this AIF is as of December 31, 2016 unless otherwise indicated.

Documents Incorporated By Reference

The information provided in this AIF is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. These documents must be read together with this AIF. The documents listed below are not contained within, nor attached to this document. The documents may be accessed by the reader at the following locations:

Type of Document	Effective Date / Period Ended	Date Filed / Posted	Document name which may be viewed at the SEDAR website at www.sedar.com
Amended and Restated Technical Report on the Mineral Resource Update for the Juanicipio Joint Venture, Zacatecas State, Mexico	June 12, 2014 (Amended June 30, 2014)	July 3, 2014	Technical Report (43-101) – English Qualification Certificate(s) and Consent(s)

Cautionary Statement on Forward-Looking Information

This AIF and the documents incorporated by reference herein contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws. Such forward-looking statements and information include, but are not limited to:

- the future price of silver, gold, lead and zinc;
- the estimation of mineral resources;
- preliminary economic estimates relating to the Juanicipio Project (as defined herein);
- estimates of the time and amount of future silver, gold, lead and zinc production for specific operations;
- estimated future development and exploration expenditures and other expenses for specific operations;
- the expected changes to the design of the Juanicipio Project mine plan to increase production capabilities resulting in an incremental increase in capital cost, potential delays in commercial production and an impact on the expected mine life of the project;
- permitting timelines;
- the Company's expectations regarding impairments of mineral properties;
- the Company's expectations regarding its efforts to negotiate with the Ejido Benito Juarez (the "EBJ") to obtain surface access to various portions of the Cinco de Mayo Property;
- the anticipated timing of commercial production, an updated Juanicipio Technical Report (as defined below) and a formal 'production decision' at Minera Juanicipio;

- the Company's expectations regarding the sufficiency of its capital resources and requirements for additional capital;
- the Company's expectations regarding litigation risks, currency fluctuations, environmental risks and reclamation cost;
- changes to governmental laws and regulations; and
- the anticipated impact of the Zacatecas Tax Law (as defined below) and changes to Mexican Value Added Tax legislation (as defined below); and
- the Company's expectations regarding drill results and the anticipated timing of a new resource estimate.

When used in this AIF, any statements that express or involve discussions with respect to predictions, beliefs, plans, projections, objectives, assumptions or future events of performance (often but not always using words or phrases such as "anticipate", "believe", "estimate", "expect", "intend", "plan", "strategy", "goals", "objectives", "project", "potential" or variations thereof or stating that certain actions, events, or results "may", "could", "would", "might" or "will" be taken, occur, or be achieved, or the negative of any of these terms and similar expressions), as they relate to the Company or management, are intended to identify forward-looking statements and information. Such statements reflect the Company's current views with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions.

Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements and information, including, among others:

- the potential for no commercially mineable deposits due to the speculative nature of the Company's business;
- none of the properties in which the Company has an interest having any mineral reserves;
- the Company's properties are primarily in the exploration stage, and most exploration projects do not result in commercially mineable deposits;
- estimates of mineral resources being based on interpretation and assumptions which are inherently imprecise;
- no guarantee of surface rights for the Company's mineral properties;
- no guarantee of the Company's ability to obtain all necessary licenses and permits that may be required to carry out exploration and development of its mineral properties and business activities;
- risks related to all of the properties in which the Company has an interest being located in Mexico;
- the effect of global economic and political instability on the Company's business;
- risks related to maintaining a positive relationship with the communities in which the Company operates;
- risks related to the Company's ability to finance substantial expenditures required for commercial operations on its mineral properties;
- the Company's history of losses and no revenues from operations;
- risks related to the Company's ability to arrange additional financing, and possible loss of the Company's interests in its properties due to a lack of adequate funding;
- risks related to the development of the ramp decline to access and confirm expected mineralization at the Juanicipio Project, particularly, Minera Juanicipio not yet having made a formal "production decision", and no guarantee that the financial results and the contemplated development timeline will be consistent with the Juanicipio Technical Report;
- risks related to a lack of access to a skilled workforce;
- risks relating to the capital requirements for the Juanicipio Project and the timeline to production;

- risks related to title, challenge to title, or potential title disputes regarding the Company's mineral properties;
- risks related to the Company being a minority shareholder of Minera Juanicipio;
- risks related to disputes with joint venture partners;
- risks related to the influence of the Company's significant shareholders over the direction of the Company's business;
- risks related to the continued exploration on and value of the Cinco de Mayo Property;
- the potential for legal proceedings to be brought against the Company;
- risks related to environmental regulations;
- the highly competitive nature of mineral exploration industry;
- risks related to equipment shortages, access restrictions and lack of infrastructure on the Company's mineral properties;
- the Company's dependence upon key personnel, some of whom may not have entered into written agreements with the Company, and other qualified management;
- the Company's dependence on certain related party service providers (Minera Cascabel S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX")) to supervise operations in Mexico;
- risks related to directors being, or becoming, associated with other natural resource companies which may give rise to conflicts of interest;
- currency fluctuations (particularly the C$/US$ and US$/Mexican Peso exchange rates) and inflationary pressures;
- risks related to mining operations generally;
- risks related to fluctuation of mineral prices and marketability;
- the Company being subject to anti-corruption laws, human rights laws, and Mexican foreign investment and income tax laws;
- the Company being subject to Canadian disclosure practices concerning its mineral resources which allow for more disclosure than is permitted for domestic U.S. reporting companies;
- risks related to maintaining adequate internal control over financial reporting;
- funding and property commitments that may result in dilution to the Company's shareholders;
- the volatility of the price of the Company's Common Shares;
- the uncertainty of maintaining a liquid trading market for the Company's Common Shares;
- of the Company being a "passive foreign investment company" which may have adverse U.S. federal income tax consequences for U.S. shareholders;
- the difficulty of U.S. litigants effecting service of process or enforcing any judgments against the Company, as the Company, its principals and assets are located outside of the United States;
- all of the Company's assets being located outside of Canada;
- risks related to the decrease of the market price of the Common Shares if the Company's shareholders sell substantial amounts of Common Shares;
- risks related to dilution to existing shareholders if stock options are exercised;
- risks related to dilution to existing shareholders if deferred share units, restricted share units or performance share units are converted into Common Shares of the Company;
- the history of the Company with respect to not paying dividends and anticipation of not paying dividends in the foreseeable future; and,
- the absence of a market through which the Company's securities, other than Common Shares, may be sold.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and information. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements and information due to a variety of risks, uncertainties and other factors, including without limitation, those referred to in this AIF under the heading "*Risk Factors*" and documents incorporated by reference herein. The Company's forward-looking statements and information are based on the reasonable beliefs, expectations and opinions of management on the date the statements are made and, other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's beliefs, expectations or opinions should change. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements and information.

Currency and Exchange Rates

All dollar amounts referred to in this AIF are expressed in United States dollars ("US$") except where indicated otherwise. The Company's accounts are based on a US$ functional currency and are reported in a US$ presentation currency. All references to "dollars" are "$" are to US$ except where indicated otherwise. All references to "pesos" are to Mexican pesos. The Company incurs expenditures primarily in US$, and to a lesser extent in Canadian dollars ("C$"), and pesos.

The following table sets forth the rate of exchange for the C$ expressed in US$ in effect at the end of the periods indicated, the average of exchange rates in effect on the last day of each month during such periods, and the high and low exchange rates during such periods based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into United States dollars:

Canadian dollars, as expressed in US dollars	**Year Ended December 31,**		
	2016	**2015**	**2014**
Rate at end of period	$0.7448	$0.7233	$0.8620
Average rate for period	$0.7548	$0.7821	$0.9054
High for period	$0.7972	$0.8511	$0.9422
Low for period	$0.6854	$0.7161	$0.8589

The noon rate of exchange on March 29, 2017 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was C$1.00 equals US$0.7478.

The following table sets forth the rate of exchange for the Mexican Peso expressed in US$ in effect at the end of the periods indicated, the average of exchange rates in effect on the last day of each month during such periods, and the high and low exchange rates during such periods based on the exchange rate published by Banco de Mexico in the Official Journal of the Federation to settle liabilities denominated in foreign currency payable in Mexico, for conversion of Mexican Pesos into United States dollars ("Official Closing Rate"):

Mexican pesos, as expressed in U.S. dollars	Year Ended December 31,		
	2016	2015	2014
Rate at end of period	$0.0484	$0.05767	$0.0679
Average rate for period	$0.0533	$0.06317	$0.0748
High for period	$0.0582	$0.06870	$0.0778
Low for period	$0.0475	$0.05755	$0.0676

The Official Closing Rate of exchange on March 29, 2017 as reported by the Banco de Mexico for the conversion of Mexican Pesos into United States dollars was $1.00 Pesos equals US$0.05295.

Metric Equivalents

For ease of reference, the following factors for converting Imperial measurements into metric equivalents are provided:

To convert from Imperial	To metric	Multiply by
Acres	Hectares	0.404686
Tons	Tonnes	0.907185
Troy Ounces/ton ("opt")	Grams/Tonne ("g/t")	34.2857

Financial Data in this AIF

Financial information reported in this AIF is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Defined Terms

A glossary of certain terms used in this AIF is attached as Schedule "B". Terms used and not defined in this AIF that are defined in National Instrument *51-102 - Continuous Disclosure Obligations* shall bear that definition. Other definitions are set out in National Instrument *14-101 - Definitions*.

Cautionary Statement Regarding Non-IFRS Measures

This AIF includes certain terms or performance measures commonly used in the mining industry that are not defined under IFRS, including cash cost per ounce of silver. These terms and measures do not have a standardized meaning prescribed by IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Non-IFRS measures should be read in conjunction with the Company's financial statements.

CORPORATE STRUCTURE

MAG Silver Corp. was originally incorporated under the *Company Act* (British Columbia) on April 21, 1999 under the name "583882 B.C. Ltd." On June 28, 1999, in anticipation of becoming a capital pool company, the Company changed its name to "Mega Capital Investments Inc." On April 22, 2003, the Company changed its name to "MAG Silver Corp." to reflect its new business upon the completion of its qualifying transaction on the TSX Venture Exchange. Effective March 29, 2004, the *Company Act* (British Columbia) was replaced by the *Business Corporations Act* (British Columbia). Accordingly, on July 27, 2005, the Company transitioned under the *Business Corporations Act* (British Columbia) and adopted new articles and concurrently increased its authorized capital from 1,000,000,000 Common Shares to an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares without par value.

The Company's head office is located at Suite 770, 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company's registered office is located at 2600 – 595 Burrard Street, Vancouver, British Columbia Canada, V7X 1L3.

Intercorporate Relationships

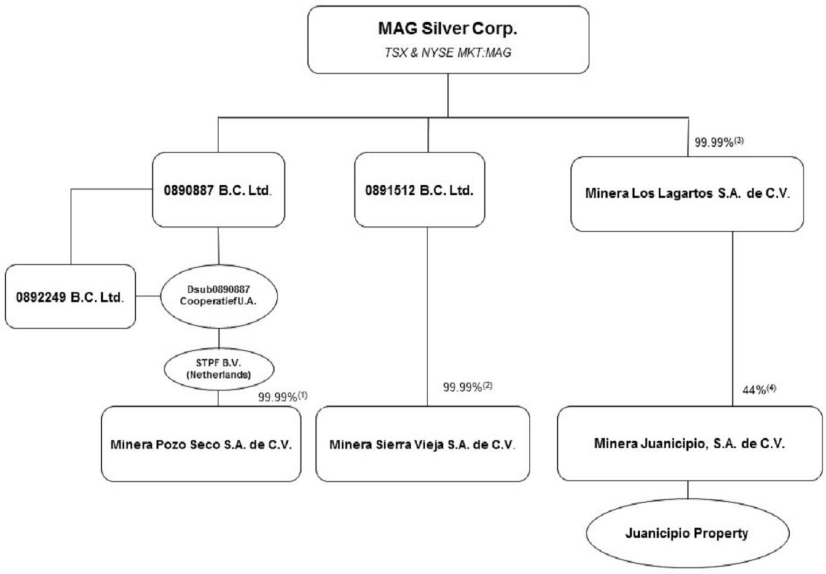
The Company is the registered owner of 99.99% of the issued Class I shares of Minera Los Lagartos, S.A. DE C. V. ("Lagartos"), a corporation incorporated under the laws of Mexico. The remaining 0.01% of the issued Class I shares of Lagartos are held by Dan MacInnis, a director of the Company. The Company effectively has 100% beneficial ownership of Lagartos. The registered and records office of Lagartos is located at Paseo de Los Tamarindos 60, Bosques de Las Lomas, 05120 Mexico, D.F., Mexico.

Lagartos is the registered owner of a 44% interest in Minera Juanicipio, S.A. DE C.V. ("Minera Juanicipio"), and Fresnillo plc ("Fresnillo"), a London Stock Exchange listed company that is controlled by Industrias Peñoles, S.A. DE C.V. ("Peñoles"), holds the remaining 56% interest in Minera Juanicipio. In December 2007, Lagartos and Peñoles established Minera Juanicipio to hold and operate all mineral and surface rights related to the Juanicipio property located in Zacatecas State, Mexico (the "Juanicipio Project"). Minera Juanicipio is governed by a shareholders agreement dated October 10, 2005 (the "Shareholders Agreement"). Pursuant to the Shareholders Agreement each shareholder is to provide funding to Minera Juanicipio pro rata to its interest in Minera Juanicipio, with Fresnillo contributing 56% and MAG, through Lagartos, contributing 44% (the "Juanicipio Joint Venture"). See more detail at "Description of the Business – The Juanicipio Property" below. The registered and records office of Minera Juanicipio is located at Moliere 222- 4th Floor, Los Morales-Palmas, C.P. 11540, México, D.F.

On October 18, 2010 the Company internally restructured its Mexican property holdings. Two new Mexican subsidiaries were created, Minera Pozo Seco S.A. de C.V. ("Minera Pozo Seco") and Minera Sierra Vieja S.A. de C.V., ("Sierra Vieja"), and properties with common attributes were grouped together in order to provide the Company with more flexibility in managing its properties. The Company's 44% interest in Minera Juanicipio remains in Lagartos. See Exhibit I below.

The Company, through various subsidiaries (as detailed in Exhibit 1 below), is the beneficial owner of 99.99% of the issued Class I shares of both Minera Pozo Seco and Sierra Vieja. The remaining 0.01% of the issued Class I shares of each of Minera Pozo Seco and Sierra Vieja are held by Dan MacInnis, a director of the Company. The Company effectively has 100% beneficial ownership of both Minera Pozo Seco and Sierra Vieja. The registered and records office of each is located at Paseo de Los Tamarindos No. 60, 3rd floor, Colonia Bosques de Las Lomas, 05120 Mexico, Federal District, Mexico.

Exhibit 1: Corporate structure as at December 31, 2016



(1) The Company is the registered owner of 99.99% of the issued Class I shares of Minera Pozo Seco, a corporation incorporated under the laws of Mexico. The remaining 0.01% of the issued Class I shares of Pozo Seco are held by Dan MacInnis, a director of the Company, on behalf of the Company.

(2) The Company is the registered owner of 99.99% of the issued Class I shares of Sierra Vieja, a corporation incorporated under the laws of Mexico. The remaining 0.01% of the issued Class I shares of Sierra Vieja are held by Dan MacInnis, a director of the Company, on behalf of the Company.

(3) The Company is the registered owner of 99.99% of the issued Class I shares of Lagartos, a corporation incorporated under the laws of Mexico. The remaining 0.01% of the issued Class I shares of Lagartos are held by Dan MacInnis, a director of the Company, on behalf of the Company.

(4) Lagartos is the registered owner of a 44% interest in Minera Juanicipio a corporation incorporated under the laws of Mexico, which holds the joint ventured Juanicipio Project with Fresnillo, a London Stock Exchange listed company controlled by Peñoles, holds the remaining 56% interest in Minera Juanicipio.

The following table lists the subsidiaries of the Company and a company in which MAG holds a significant interest, together with the jurisdiction of incorporation and the direct or indirect percentage ownership by the Company of each such subsidiary:

Name	Percentage of Ownership	Jurisdiction of Organization
Minera Los Lagartos, S.A. DE C.V.	100%(1)	Mexican Republic
Minera Juanicipio, S.A. DE C.V.	44%(2)	Mexican Republic
0890887 B.C. Ltd.	100%(3)	Canada
0891512 B.C. Ltd.	100%(3)	Canada
0892249 B.C. Ltd.	100%(3)	Canada
DSUB0890887 Cooperatief U.A.	100%(4)	Netherlands
STPF B.V.	100%(5)	Netherlands
Minera Pozo Seco S.A. DE C.V.	100%(6)	Mexico
Minera Sierra Vieja S.A. DE C.V.	100%(6)	Mexico

Notes:

(1) On October 9, 2005 the assets of Lexington Capital Group Inc., previously a subsidiary of the Company, were merged with Lagartos, so that all of the Company's interests in the Juanicipio claim were held by Lagartos.

(2) 44% interest is owned by Lagartos, which in turn is wholly owned by the Company.

(3) 0890887 B.C. Ltd., 0892249 B.C. Ltd., and 0891512 B.C. Ltd. were incorporated on September 21, 2010, September 28, 2010, and October 6, 2010, respectively and are wholly owned by the Company.

(4) DSUB0890887 Cooperatief U.A. was incorporated on October 11, 2010 in the jurisdiction of the Netherlands, and is wholly owned by 0890887 B.C. Ltd. and 0892249 B.C. Ltd.

(5) STPF B.V. was acquired by DSUB0890887 Cooperatief U.A. on October 12, 2010.

(6) Minera Pozo Seco and Sierra Vieja were incorporated in Mexico on September 27, 2010.

GENERAL DEVELOPMENT OF THE BUSINESS

MAG is a company based in Vancouver, British Columbia, Canada focused on the acquisition, exploration and development of district scale projects located in the Mexican Silver Belt. The Company's Common Shares trade on the Toronto Stock Exchange ("TSX") and the NYSE MKT LLC under the symbol MAG. The Company is a "reporting issuer" in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and is a reporting "foreign issuer" in the United States of America.

Juanicipio Project

The Company's material property at the date of this AIF is its 44% joint venture interest in the Juanicipio Project (where underground development is ongoing). Although a formal production decision has not been made at Minera Juanicipio, on October 28, 2013, underground development commenced on the Juanicipio Project, and has been ongoing since, along with exploration drilling on the property. The Company's share of Juanicipio exploration and development costs are funded primarily through its 44% interest in Minera Juanicipio, and to a lesser extent, costs are incurred directly by MAG related to direct project oversight of the ramp development, and of the field and drilling programs executed on the Juanicipio Project.

Other Projects

The Company has interests in other non-material properties to which the exploration and drilling is managed directly by MAG, through contracted service providers in Mexico (drilling companies, assay companies, etc.) as the Company has no direct employees in Mexico. All the work is overseen and supervised at industry market rates, by Cascabel and IMDEX, related companies to MAG (see "INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS" below).

Cinco de Mayo

The Company owns 100% of the mineral concessions comprising the Cinco de Mayo Property. The property is located approximately 190 kilometres northwest of the city of Chihuahua, in northern Chihuahua State, Mexico, and covers approximately 25,113 hectares. The primary concessions of the Cinco de Mayo Property were acquired by way of an option agreement dated February 26, 2004, and the property remains subject to a 2.5% net smelter returns royalty (see "INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS" below). The project consists of four major mineralized zones: the Upper Manto silver-lead-zinc inferred resource; the Pegaso deep discovery; the non-core Pozo Seco high grade molybdenum-gold resource; and the surrounding Cinco de Mayo exploration area.

In late 2012, certain members of the local Ejido challenged the Company's surface right access to the property and have prevented the Company from obtaining the surface access permission required as part of a Federal Government exploration permit process. The Company has been unable to negotiate a renewed surface access agreement with the Ejido, and a full impairment was recognized on the property in the year ended December 31, 2016.

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

For more detail on the propery, see the "2015 Annual Information Form" filed on SEDAR).

Three Year History

Year Ended December 31, 2014

On July 16, 2014, the Company closed a bought deal public financing and issued 7,712,000 common shares, including 392,000 commons shares issued on partial exercise of the over-allotment option, at C$10.25 per share, for gross proceeds of $73,376,306 (C$79,048,000). On August 18, 2014, the underwriters exercised the balance of the over-allotment option in full and issued an additional 706,000 shares at C$10.25 for additional gross proceeds of $6,640,819 (C$7,236,500) bringing total gross proceeds to $80,017,125 (C$86,284,500). As outlined in the offering documents, the majority of the funds raised were designated for the Juanicipio Project, with the balance for working capital and general corporate purposes. As at December 31, 2014, the Company had working capital of $87,033,742 including cash of $86,280,385.

Operational highlights of 2014 for the Juanicipio Project include the following summary.

For the year ended December 31, 2014, the Company's total combined expenditures on the Juanicipio Project amounted to $4,738,177, and included $4,378,000 for its 44% share of cash advances, and a further $360,177 expended directly by the Company on project oversight and on an updated independent resource estimate.

On May 27, 2014 the Company announced an updated independent Mineral Resource estimate for the Juanicipio Project completed by Roscoe Postle Associates Inc. ("RPA"). The updated estimate reflects the results of 40 infill holes drilled in 2012 and 2013, and is based on drill results available as of December 31, 2013. The new estimate demonstrates a conversion of previously classified Inferred Resources into the Indicated category and reports a deep lower grade resource separately. An amended and restated NI 43-101 technical report documenting the updated Mineral Resource estimate and including enhanced cautionary language was filed on SEDAR on July 3, 2014 (the "Juanicipio Technical Report") – see "Mineral Projects" section below.

As part of the Juanicipio Technical Report, RPA reviewed the NI 43-101 technical report, entitled "Technical Report for Minera Juanicipio S.A. de C.V." filed on SEDAR on July 16, 2012 (the "2012 UPEA") carried out by AMC Mining Consultants (Canada) Ltd. ("AMC") and believed that it remained a reasonable representation of the property's economic potential. The results of the 2012 UPEA are included in the Juanicipio Technical Report.

The economic analysis in the Juanicipio Technical Report is preliminary in nature and is based, in part, on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that a preliminary economic assessment will be realized.

The underground work to the end of 2014 included mine permitting, surface preparation, the commencement of the first 2,500 metres of underground decline development, and infill drilling on the Valdecañas Vein. The majority of the infill drilling was completed in 2013, with the results to December 31, 2013 included in the updated Mineral Resource estimate above. In 2014, the initial ramp decline was advanced primarily utilizing a continuous miner until March 2014, when the contractor hired by Fresnillo to construct the ramp decline on behalf of Minera Juanicipio, received its full explosives permit from the Mexican Ministry of Defense. The development of the ramp decline then advanced from March to December, 2014, with conventional drill and blast cycles as well as with the continuous miner, depending on ground conditions. The continuous miner was retired in mid-December, 2014 and the ramp subsequently advanced exclusively with drilling and blasting. Late in 2014, based on actual conditions and geotechnical drill holes, it appeared that the near-surface zone of variable rock quality had been passed and that the expected better rock quality zone had been reached.

Year Ended December 31, 2015

At December 31, 2015, the Company had working capital of $75,223,126, including cash of $75,423,681.

Operational highlights of 2015 for the Juanicipio Project include the following summary.

Development

Underground development continued on the Juanicipio Project through 2015 in accordance with the recommendations made in the Juanicipio Technical Report. According to the timeline within that report, the first 33 months of development focuses primarily on the ramp decline. In 2015, the decline development reached consistently better rock quality, and the ramp development advance rate began to exceed the levels envisioned in the Juanicipio Technical Report (115 metres per month) with the cumulative ramp having advanced to the 2,170 metre mark at December 31, 2015. In addition to the ramp advance, two ventilation raises have been bored and brought into service, the mechanical shop and multi-use buildings have been completed, electrical lines and substations have been installed and road-widening is substantially complete, with culverts in all major drainages.

Exploration

Exploration results from drilling in the first quarter of 2015 on the Valdecañas Vein were reported by the Company in April 2015 (see *"Subsequent Drilling"* in *"Mineral Projects, Juanicipio Project"* below). Four new exploration step-out holes (P1-P4) were targeted approximately 100 metres below the existing "Deep Zone" Indicated and Inferred Resources reported in Juanicipio Technical Report. The four holes were drilled on nominal 150 metre centres over a strike length of approximately 500 metres below the en echelon overlap zone between the East and West Valdecañas Veins and include the three widest and deepest intercepts to date on the property.

These intercepts widen progressively up to 32.09 metres (true widths) towards the east in the central portion of the property, extending the widening Deep Zone to depth. The intercepts also show amounts of calc-silicate (skarn) alteration in and around the veins and the first significant copper ("Cu") values (0.2-0.8% Cu) for the entire area, both of which are indicators of higher temperature mineralization conditions. The high silver and gold in Holes P2 and P3 coincide with zones of overprinted quartz veins that cut across earlier base-metal rich calc-silicate vein stages, indicating superimposition of an additional precious-metals rich vein stage. The appearance of copper and strong skarn alteration in this area, combined with the later cross-cutting silver-gold rich veining, suggests that Minera Juanicipio may have hit an ore-fluid upwelling zone, which could open up a new exploration target zone along the entire Valdecañas vein system.

Upon reviewing the drill results of the four new deep exploration holes at a Minera Juanicipio Technical Committee meeting, Fresnillo and MAG jointly agreed to an additional 10,000 metre $1.5 million (MAG's 44% share is $0.7 million) 2015 and 2016 drill program to further delineate the extent of the new deep zone. In addition to this, a portion of the budget designated for surface exploration drill holes that were pending permitting in the third quarter of 2015, was reallocated to underground drilling beneath the East Vein. A drill station was carved out along the decline at approximately 2,000m down ramp. Surface and underground drilling commenced in November 2015 and continued through year end into 2016.

Year Ended December 31, 2016

On March 1, 2016, the Company closed a bought deal public offering and issued 8,905,000 common shares at $7.30 per share for gross proceeds of $65,006,500, and on March 4, 2016, the Company closed the associated over-allotment option fully exercised by the underwriters, and issued a further 1,335,750 common shares at a price of $7.30 for additional gross proceeds of $9,750,975.

At December 31, 2016, the Company had working capital of $139,141,858 including cash and term deposits of $138,346,996.

Operational highlights of 2016 for the Juanicipio Project include the following summary.

Development

MAG and Fresnillo continue to progress the Juanicipio Project in accordance with the recommendations of the Juanicipio Technical Report, with the development focused primarily on the ramp decline advancing towards the main Valdecañas Vein of the property. The entry portal, surface explosives magazines, surface offices and associated infrastructure have been completed, and the ramp decline has advanced with drilling and blasting. The ramp and ancillary passage development advance rate remained at or exceeding the levels envisioned in the Juanicipio Technical Report (115 metres per month), and the ramp reached the uppermost reaches of the Valdecañas Vein in December 2016 and footwall development has commenced.

Exploration

The deep drilling programs to further delineate the extent of the new deep zone that were approved and commenced in the second half of 2015, were completed in 2016. On August 15, 2016, drill results were released and confimed the extension of wide high-grade mineralization from the Deep Zone discovery on the Minera Juanicipio joint venture property (see *"Subsequent Drilling"* in *"Mineral Projects, Juanicipio Project"* below). The drilling also resulted in the discovery of the "Anticipada Vein", a newly recognized vein of unclear geometry lying about 100 metres into the hanging wall of the East Vein.

In April 2016, the Joint Venture Technical Committee approved a supplemental $1,200 budget (MAG's 44% share is $528) for additional 2016 deep and shallow in-fill drilling as well as protection and exploration holes along and ahead of the path of the decline as it approaches the Valdecañas Vein. This supplemental drill program was for a combined 8,900 metres of surface and underground drilling, and continued through year end into 2017.

Current Fiscal Year (Subsequent to December 31, 2016)

In February 2017, the Company reported on 13 exploration and infill drill holes that further extend wide, high-grade mineralization in the Deep Zones of the Valdecañas Vein System on the Minera Juanicipio joint venture property (see *"Subsequent Drilling"* in *"Mineral Projects, Juanicipio Project"* below). The Deep Zone West has now been traced over 550 meters in strike length, almost to the western claim boundary, with vein widths ranging from 11.4 meters to 26.5 meters and a minimum vertical height of 200 meters. The Deep Zone East is continuous over 750 meters of strike length with widths ranging from 5.6m to 29.9m over a vertical extent up to 300m and appears more irregular than the Deep Zone West. Both Deep Zones show elevated gold with the highest gold appearing in Hole VM6 in the Deep Zone East, which cut 5.20 meters (true width) grading 333 g/t (9.72 opt) silver, 16.87 g/t gold; *4.47% lead,* 3.77% zinc, 1.04% copper, including: 1.44 meters (true width) grading 854 g/t (24.91 opt silver); 54.67 g/t gold, 3.21% lead, 2.72% zinc, 2.28% copper.

Significantly, the recently discovered Anticipada Vein (see *"Subsequent Drilling"* in *"Mineral Projects, Juanicipio Project"* below) , which lies in the hangingwall of the Deep Zone East has also been extended to over 700 meters in length, with widths ranging from 2.0 meters to 12.8 meters and a vertical extent of 100 meters to 350 meters. The best Anticipada intercept was Hole VM6 which cut 5.60 meters (true width) grading 177 g/t (5.15 opt) silver, 7.36 g/t gold, 2.39% lead, 6.31% zinc and 0.12% copper, including: 3.15 meters (true width) grading 283 g/t (8.25 opt silver); 12.62 g/t gold, 3.62% lead, 8.42% zinc, 0.17% copper.

Quality Assurance and Control: The samples 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 other recognized lab). 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.

Development Update

The results from three drilling campaigns carried out during 2015 and 2016 have: confirmed that continuous mineralization extends below the Valdecañas Bonanza Grade mineralization; revealed a substantial widening of this deeper mineralization into a well-defined dilatant zone; and, resulted in the discovery of the new *"Anticipada Vein",* within the vein system. A new resource estimate incorporating the drilling results from these programs is in progress and is expected to be completed in the second quarter of 2017.

Given the potential size of these additional mineralized zones, the Joint Venture partners, led by JV Operator Fresnillo plc, have been considering project design enhancements to maximize the value of both the Bonanza Zone and the new deeper zone. Considerations include increasing the processing plant nameplate capacity from 2,650 tonnes per day to 4,000 tonnes per day and sinking an internal shaft (or winze) to access the deeper zone sooner. The changes in design scope could result in an incremental increase in the project capital cost and slide the anticipated project start-up from the second half of 2018 to the first half of 2019. Fresnillo plc, has indicated that permitting based on the upgraded design has already commenced, and that they expect their Board to give formal project approval in the second quarter 2017.

The new resource estimate and these design upgrades will be incorporated into a revised mine plan and a new MAG technical report for the project, is expected to be completed in the second quarter of 2017 concurrent with the project approval.

For more information on the Company's progress and intentions for its material property please refer to the "Mineral Projects" section below.

DESCRIPTION OF THE BUSINESS

General

The Company is in the mineral acquisition, exploration and development business. The Company is in the exploration and development stage and there is no assurance that a commercially viable mineral deposit exists on any of its properties. In the case of the Company's primary asset, the Juanicipio Project, Minera Juanicipio has not completed a pre-feasibility study or feasibility study on the project, and accordingly, there is no estimate of mineral reserves. Rather, the decision to devlelop the Juanicipio Project has been based upon a preliminary economic assessment of the project, which is preliminary in nature and is based, in part, on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the economic results presented in a preliminary economic assessment will be realized (see "*Risks Relating to the Development of the Juanicipio Project*" below).

Principal Markets

The Company is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and is a reporting "foreign issuer" in the United States of America.

The Company's Common Shares were listed and posted for trading on the TSX Venture Exchange (formerly CDNX) on April 19, 2000 under the symbol "MGA". Concurrent with the Company's name change to MAG Silver Corp. on April 22, 2003, the trading symbol was changed to "MAG". On July 9, 2007, the Company's Common Shares were listed on the American Stock Exchange (now the NYSE MKT LLC) under the symbol "MVG". On October 5, 2007, the Company delisted from the TSX Venture Exchange concurrent with its listing on the TSX, with the Company's Common Shares continuing to trade under the symbol "MAG". On June 27, 2016, the Company changed it's symbol on the NYSE MKT LLC from "MVG" to "MAG".

Adjacent Property Disclosure

The staff of the United States Securities and Exchange Commission (the "SEC") take the position that mining and mineral exploration companies, in their filings with the SEC, should describe only those mineral deposits that the companies themselves can economically and legally extract or produce. This AIF contains information regarding adjacent properties on which we have no right to explore or mine, and is considered by management to be of material importance to the Company and its land holdings in the area. Investors are cautioned that mineral deposits on adjacent properties do not necessarily indicate and certainly do not prove the existence, nature or extent of mineral deposits on our properties.

Cautionary Note to Investors Concerning Estimates of Mineral Resources

This AIF uses the terms "Indicated Mineral Resources" and "Inferred Mineral Resources". MAG advises investors that although these terms comply with Canadian reporting standards under NI 43-101, the SEC does not recognize these terms and U.S. companies are generally not permitted to disclose resources in documents that they file with the SEC. Furthermore, disclosure of "contained ounces" is permitted under Canadian regulations; however, the SEC permits issuers to report mineralization that does not constitute "reserves" by SEC standards only as in place tonnage and grade without reference to unit measures.

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, and economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resources will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them to enable them to be categorized as mineral resources and, accordingly, 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 Mineral Resource exists, or is economically or legally mineable indicated and inferred mineral resources that are not mineral resources do not have demonstrated economic viability.

Technical Information

Unless otherwise indicated, scientific or technical information in this AIF is based on information prepared by employees of MAG or its joint venture partners, as applicable, under the supervision of, or that has been reviewed and approved by, Dr. Peter Megaw, Ph.D., C.P.G., who is a "Qualified Person" as defined in NI 43-101. A "Qualified Person" means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, has experience relevant to the subject matter of the mineral project, and is a member in good standing of a professional association.

Passive Foreign Investment Company

The Company believes it is a Passive Foreign Investment Company ("PFIC"), as that term is defined in Section 1297 of the Internal Revenue Code of 1986, as amended, and believes it will be a PFIC for the foreseeable future. Consequently, 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.

Employees

The Company's business is administered from its head office in Vancouver, British Columbia, Canada. As of December 31, 2016, the Company had eight full time employees (excluding directors), and no part time employees.

Specialized Skill and Knowledge

Many aspects of MAG's business require specialized skill and knowledge. Such skills and knowledge include the areas of geology, engineering, accounting and mine planning. MAG has found that it has been able to locate and retain such employees when needed.

Competitive Conditions

Competition in the mineral exploration and production industry is intense. The Company competes with a number of large, established mining companies with greater financial resources and technical facilities, for the acquisition and development of mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants and the equipment required to continue the Company's exploration activities.

Economic Dependence

The Juanicipio Project, in which the Company owns a 44% joint venture interest, is considered the only material property of the Company. The Company's interest in the Juanicipio Project is held through its indirect 44% ownership of Minera Juanicipio, and is governed by the terms of the Shareholders Agreement with Fresnillo which holds the other 56% interest. As a minority stakeholder in the Project, the Company is subject to various risks (see "*Risks Related to Minority Interest Investment in the Juanicipio Project* " below).

Please consult the Company's public filings at www.sedar.com and www.sec.gov for further, more detailed information concerning these matters.

CARRYING ON BUSINESS IN MEXICO

The Company's current property interests are all located in Mexico. A summary of the regulatory regime material to the business and affairs of the Company is provided below.

Mining Regulations

The exploration and exploitation of minerals in Mexico may be carried out by Mexican citizens or Mexican companies incorporated under Mexican law by means of obtaining concessions (currently covering exploration and exploitation). Concessions are granted by the Mexican federal government for a period of fifty years from the date of their recording in the Public Registry of Mining. The term of mining concessions previously issued by the Mexican federal government (for exploration and/or exploitation) was automatically extended by the enactment of the 2006 amendments to the Mexican Mining Law. Likewise, due to such amendments, the holders of mining concessions for exploration were automatically authorized to carry out not only exploration work, but also exploitation works.

Holders of concessions may, within the five years prior to the expiration of such concessions, apply for their renewal for the same period of time. Failure to apply prior to the expiration of the term of the concession will result in termination of the concession. Concessions are subject to annual work requirements and payment of mining duties which are assessed and levied on a semi-annual basis. Such concessions may be transferred or assigned by their holders, but such transfers or assignments must comply with the requirements established by the Mexican Mining Law and be registered before the Public Registry of Mining in order to be valid against third parties. Such recordation has to be requested within the fifteen business days following the execution or notarization of the corresponding assignment of rights agreement.

Although the Law of Foreign Investment (*Ley de Inversión Extranjera*) provides that mineral concessions may also be obtained by foreign citizens or foreign corporations, the Mexican Mining Law provides that such concessions may only be granted to Mexican citizens or Mexican corporations. Thus, foreign citizens or corporations may only obtain mineral concessions through the establishment of a subsidiary in Mexico. Foreign investment in Mexican companies must comply with certain requirements set forth in the Law of Foreign Investment.

The Mexican Mining Law does not require payment of finder's fees or royalties to the Government, except for: i) a mining royalty fee of 7.5% and the 0.5% extraordinary governmental fee on precious metals, (see below "Income Tax Regime Effective January 1, 2014); and ii) a discovery premium or economic consideration in connection with claims or allotments contracted directly from the Mexican Geological Service that have been awarded pursuant to a public bid process. None of the property interests held by Lagartos, Minera Pozo Seco or Sierra Vieja are under such fee regimes at the present time. However, holders of mining concessions are required to pay mining concession fees which are assessed and levied on a semi-annual basis, and that increase over time the longer the concessions are held.

Foreign Investment Regulation

Foreign investment regulation in Mexico is primarily governed by the Law of Foreign Investment and its Regulations. Foreign investment of up to 100% in Mexican mining companies is freely permitted. Companies with foreign investment in their capital stock must be registered with the National Registry of Foreign Investment which is maintained by the Ministry of Economy, and file certain reports and notices, including in certain circumstances, and under a criteria determined by the Law of Foreign Investment an annual report and/or quarterly reports with respect to the operations carried out during the preceding fiscal year which is necessary in order to renew their certificate of recordation with such Registry.

Environmental Regulations

Mexico has federal, state and municipal laws and regulations, as well as international agreements related to the protection of the environment and natural resources ("Environmental Laws"), including laws and regulations concerning water pollution, air pollution, noise pollution, hazardous substances and forest protection. The main federal Environmental Law in Mexico is the Ley General del Equilibrio Ecológico y la Protección al Ambiente (the "General Law of Ecological Balance and Environmental Protection" or the "General Law"), pursuant to which general environmental rules and policies have been promulgated addressing air pollution, hazardous substances and environmental impact among various others.

Another federal law particularly relevant for the mining sector is the Ley General para la Gestión Integral de los Residuos (the "General Law for Integrated Waste Management") and its regulations the Reglamento de la Ley General para la Prevención y Gestión Integral de los Residuos (the "Regulations to the General Law for Integrated Waste Prevention and Management"), which regulate the generation, handling, transportation, storage and final disposal of hazardous waste, as well as the import and export of hazardous materials and hazardous wastes, and assign liability for ownership and possession of contaminated sites and for contaminating activities. The Ley General de Desarrollo Forestal Sustentable and its regulations (the "Forestry Protection Laws") are also relevant, as they address reforestation obligations and compensation measures on projects which may have a deforestation impact, which may include mining projects.

On June 7, 2013, the Ley Federal de Responsabilidad Ambiental (Federal Law of Environmental Liability) was enacted, under which any person or entity that directly or indirectly (for action or omission) causes damage to the environment, will be held liable and obliged to: i) repair the damage, or in the event that such repair is not possible; ii) pay compensatory damages, subject to a corresponding judicial, administrative or criminal proceeding.

Applicable Environmental Laws contemplate the creation and regulation of Natural Protected Areas (Areas Naturales Protegidas) which along with Ecological Ordinance Programs (Programas de Ordenamiento Ecológico) constitute two of the main instruments that will regulate the use of land in the areas within their jurisdiction, including restrictions on certain activities and sectors, such as the mining sector.

In addition, there are a series of "Mexican Official Norms" which are technical standards issued by competent regulatory authorities, pursuant to the Ley General de Metrología y Normalización and to other laws that include the aforementioned Environmental Laws, which establish standards relating to air emissions, waste water discharges, the generation, handling and disposal of hazardous wastes (including specific Mexican Official Norms for the handling of mining tailings, which are considered mining hazardous wastes) and noise control, among others. There are Mexican Official Norms regarding soil contamination (mainly with total petroleum hydrocarbons and heavy metals) and waste management (the "Ecological Standards"). Of particular importance to the mining sector are Mexican Official Norms NOM-120-SEMARNAT-2011 regulating environmental protection of mining activities in certain zones, and NOM-141-SEMARNAT-2003 which addresses certain aspects of tailings (jales de minería) from mining activities, among other Ecological Standards applicable to mining activities.

The Secretaría de Medio Ambiente y Recursos Naturales (the "Ministry of the Environment and Natural Resources" or "SEMARNAT", for its initials in Spanish) is the federal agency in charge of establishing and overseeing environmental regulation at the federal level, including the General Law and federal statutes and the Environmental Laws, as well as the Ecological Standards. On enforcement matters the SEMARNAT acts mainly through the "Procuraduría Federal de Protección al Ambiente" (the "Federal Bureau of Environmental Protection" or "PROFEPA", for its initials in Spanish) and in certain cases through other governmental entities under its control, such as the Comisión Nacional del Agua (or National Water Commission).

Environmental Laws also regulate environmental protection in the mining industry in Mexico. In order to comply with these laws, a series of permits, licenses and authorizations must be obtained by a concession holder during the exploration and exploitation stages of a mining project. Generally, these permits and authorizations are issued on a timely basis after the completion of an application and the fulfillment of the necessary requirements by a concession holder. Additionally, periodic reporting of hazardous wastes and federal air emissions and federal waste water discharges to Federal authorities is required under the Environmental Laws. To the best of the Company's knowledge, all of the Company's property interests are currently in compliance with the Environmental Laws.

In the exploration stage, the cost of complying with such Environmental Laws is included in the exploration budget. Until such time as the Company conducts larger more invasive procedures, such as trenching or bulk sampling, there is only nominal cost associated with compliance with the Environmental Laws. The Company's programs are not yet sufficiently advanced to allow an estimate of the future cost of such environmental compliance.

Currency

The official monetary unit of Mexico is the Mexican peso. The currency exchange rate freely floats and the country has no currency exchange restrictions. Nevertheless, following the devaluation of the Mexican peso in December, 1994, uncertainties continue with respect to the financial situation of Mexico. See "Description of the Business - Risk Factors", specifically those risk factors dealing with currency fluctuation and inflation.

The following table presents a five-year history of the average annual exchange rates to convert one United States dollar into Mexican pesos, calculated by using the average of the exchange rates on the last day of each month during the given year.

Year	Average Exchange Rate (Mxn peso/US$)
2016	18.6774
2015	15.8299
2014	13.3609
2013	12.8411
2012	13.1657

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 goods and services at a rate of 16%. Exports and other specified items may be subject to a 0% rate. Proprietors selling goods or services must collect VAT on behalf of the government. Goods or services purchased incur a credit for VAT paid. The resulting net VAT is then remitted to, or collected from, the Government of Mexico through a formalized filing process.

The Company has traditionally held a VAT receivable balance due to the expenditures it incurs whereby VAT is paid to the vendor or service provider. Collections of these receivables from the Government of Mexico often take months and sometimes years to recover, but the Company has to date been able to recover all of its VAT paid. However, amendments to Mexican VAT legislation took effect January 1, 2017, and may impact the Company's ability to recover VAT paid after January 1, 2017 (no impact on VAT paid up to and including December 31, 2016). Although still subject to interpretation and confirmation of intent, it now appears that companies in a pre-operative/exploration stage should not apply for VAT refunds until the company has taxable sales; or in the alternative, if VAT credits are filed for and recovered and the exploration activities later cease without success, the Company may have to refund the tax authorities for the amounts previously recovered on an inflation adjusted basis.

These changes may effectively increase the non-Juanicipio administrative and exploration costs of the Company conducting business in Mexico by 16% in 2017 and beyond. However, the changes are not expected to have any impact on Minera Juanicipio and its ability to recover VAT paid, given the expectation it will be in production by 2019.

Income Tax Regime Effective January 1, 2014

The Mexican Senate approved Tax Reform changes in Mexico that became effective January 1, 2014, that in part, adversely affect operating mining companies in Mexico. The changes affecting the Mexican mining industry include: the elimination of a planned reduction in the corporate tax rate from 30% to 28% by 2015 (corporate tax rate will remain 30% indefinitely); a mining royalty fee of 7.5% on income before tax, depreciation, and interest; an extraordinary governmental fee on precious metals, including gold and silver, of 0.5% of gross revenues; and, changes affecting the timing of various expense deductions for tax purposes. Once Minera Juanicipio or any of the Company's other properties are in production, they will be subjected to this tax regime. Possible tax planning opportunities may exist to reduce the impact of the tax changes. Managements' assessment of the tax reform changes is that they do not have an impact on the viability of the Juanicipio Project.

Under the new tax regime, mining concession holders that fail to develop mining works in accordance with the Mining Law, during a consecutive two year period within the first eleven years of the term of the concession, will pay on a semi-annual basis an additional mining fee equivalent to 50% to the maximum current mining duty. If the failure to carry out works remains unchanged, starting on the twelfth year, the additional fee will be doubled.

An additional component of the Mexican tax reform also includes a 10% dividend tax, to be withheld on all dividends paid to foreign residents of Mexico. With the existing Canadian-Mexico tax treaties, this dividend tax rate will be reduced to 5%. Prior to the tax reform, there was no dividend withholding tax on dividends paid from Mexico to Canadian corporations out of tax paid earnings.

Tax Law for the State of Zacatecas .

On December 31, 2016, the Government of the State of Zacatecas published the Tax Law for the State of Zacatecas (*Ley de Hacienda del Estado de Zacatecas*, the "Zacatecas Tax Law"), which came into effect on January 1, 2017.

As provided for in the Zacatecas Tax Law, certain so called "environmental duties" were established for operations carried out within the State of Zacatecas. Such new duties are the following:

I. Duty for Environmental Remediation in the Extraction of Minerals (*Remediación Ambiental en la Extracción de Minerales*). This duty applies for the extraction activities of the soil and sub-soil of materials that constitute deposits of the same nature to the materials of the soil, through open-pit processes. This duty does not apply to the substances and minerals subject to the Mining Law (*i.e.*, substances and minerals subject to provisions of Article 4 of the Mining Law, such as gold, silver, lead, zinc, copper, etc.).

II. Duty for Emissions of Gases to the Atmosphere (*De la Emisión de Gases a la Atmósfera*). This duty applies to emissions caused to the atmosphere of certain substances generated in productive processes.

III. Duty for Emissions of Pollutants to the Soil, Sub-soil and Water (*De la Emisión de Contaminantes al Suelo, Subsuelo y Agua*). This duty applies to those pollutants deposited, scrapped or released to the soil, subsoil or water deposits.

IV. Duty for the Deposit or Storage of Waste (*Del Impuesto al Depósito o Almacenamiento de Residuos*). This duty applies to the deposit or storage of waste in public or private landfills.

In addition, the Zacatecas Tax Law also includes certain other amendments and adjustments to pre-existing taxes in Zacatecas such as the payroll tax.

Minera Juanicipio's operations are located in the State of Zacatecas, and this new tax law will apply to the Juanicipio development once it is in production. Managements' assessment of this tax however, is that it will not have an impact on the viability of the Juanicipio Project.

Other general tax amendments are referred to in the "Mexican Foreign Investment and Income Tax Laws apply to the Company" section below.

RISK FACTORS

The exploration, development and mining of natural resources are highly speculative in nature and are subject to significant risks. The risk factors noted below do not necessarily comprise all those faced by the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company. If any of the following risks actually occur, the business of the Company may be harmed and its financial condition and results of operations may suffer significantly, along with a possible significant decline in the value and/or share price of the Company's publicly traded stock.

The Company's securities should be considered a highly speculative investment and investors should 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. Without limiting the foregoing, the following risk factors should be given special consideration when evaluating an investment in the Company's securities.

Risks Relating to the Company's Business Operations

Mineral exploration and development is a highly speculative business and most exploration projects do not result in the discovery of commercially mineable deposits.

Exploration for minerals is a highly speculative venture necessarily involving substantial risk. The expenditures made by the Company described herein may not result in discoveries of commercial quantities of minerals. The failure to find an economic mineral deposit on any of the Company's exploration concessions will have a negative effect on the Company.

None of the properties in which the Company has an interest has any mineral reserves.

Currently, there are no mineral reserves (within the meaning of NI 43-101) on any of the properties in which the Company has an interest. Only those mineral deposits that the Company can economically and legally extract or produce, based on a comprehensive evaluation of cost, grade, recovery and other factors, are considered mineral reserves. The resource estimates contained in the Company's technical reports are indicated and inferred resource estimates only and no assurance can be given that any particular level of recovery of silver or other minerals from mineralized material will in fact be realized or that an identified mineralized deposit will ever qualify as a commercially mineable (or viable) reserve. In particular, inferred mineral resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. Further, the economic assessment contained in the Juanicipio Technical Report is preliminary in nature, and actual capital costs, operating costs, production, economic returns and other estimates contained in studies or estimates prepared by or for the Company may differ from those described therein and herein, and there can be no assurance that actual costs will not be higher than anticipated. Substantial additional work, including mine design and mining schedules, metallurgical flow sheets and process plant designs, would be required in order to determine if any economic deposits exist on the Company's properties. Substantial expenditures would be required to establish mineral reserves through drilling and metallurgical and other testing techniques. The costs, timing and complexities of upgrading the mineralized material to proven or probable reserves may be greater than the value of the Company's reserves on a mineral property and may require the Company to write-off the costs capitalized for that property in its financial statements. The Company cannot provide any assurance that future feasibility studies will establish mineral reserves at its properties. The failure to establish mineral reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

Most exploration projects do not result in commercially mineable deposits.

The Company's property interests are primarily at the exploration stage. None of the Company's properties have known commercial quantities of minerals. Development of mineral properties involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The commercial viability of a mineral deposit is dependent upon a number of factors which are beyond the Company's control, including the attributes of the deposit, commodity prices, government policies and regulation and environmental protection. Fluctuations in the market prices of minerals may render resources and deposits containing relatively lower grades of mineralization uneconomic. Further exploration or delineation will be required before a final evaluation as to the economic and legal feasibility of any of the Company's properties is determined. Even if the Company completes its exploration programs and is successful in identifying mineral deposits, it will have to spend substantial funds on further drilling and engineering studies before it will know if it has a commercially viable mineral deposit or reserve. Most exploration projects do not result in the discovery of commercially mineable deposits of ores.

Estimates of reserves and resources, mineral deposits and production costs can be affected by such factors as environmental permit regulations and requirements, indigenous communities' rights, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. As a result, there is a risk such estimates are inaccurate. For example, the Juanicipio Technical Report includes a resource estimate prepared by RPA in accordance with NI 43-101. The grade of precious and base metals ultimately discovered may differ from the indicated drilling results. If the grade of the resource was lower, there would be a negative impact on the economics of the Juanicipio Project. There can be no assurance that precious metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The probability of an individual prospect ever having reserves is extremely remote. If a property does not contain any reserves, any funds spent on exploration of that property will be lost. The failure of the Company to find an economic mineral deposit on any of its exploration concessions will have a negative effect on the Company.

Estimates of mineral resources are based on interpretation and assumptions and are inherently imprecise.

The mineral resource figures referred to in the Juanicipio Technical Report, this AIF and the documents incorporated herein by reference have been determined and valued based on assumed future prices, cut-off grades and operating costs. However, until mineral deposits are actually mined and processed, any mineral resources must be considered as estimates only. Fresnillo prepares its own internal resources estimates annually in respect of the Juanicipio Project and such estimates may be materially different than those relied upon by the Company. Any such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. In addition, the grade and/or quantity of precious metals ultimately recovered may differ from that indicated by drilling results. There can be no assurance that precious and base metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The grade of the reported mineral resource estimates are uncertain in nature and it is uncertain whether further technical studies will result in an upgrade to them. Further drilling on the mineralized zones is required to complement the current bulk sample and add confidence in the continuity of mineralized zones in comparison to the current block model. Any material change in the quantity of mineralization, grade or ore to waste ratio or extended declines in market prices for silver and precious metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition.

Rights to use the surface of the Company's mineral properties are not guaranteed.

The majority of the Company's mineral properties are located in remote and relatively uninhabited areas. Some properties, like the Juanicipio Project, are near towns and other habitations, but there are currently no areas of interest to the Company within its mineral concessions that are overlain by significant habitation or industrial users. However, there are potential overlapping surface usage issues in some areas. Some surface rights are owned by local communities or "Ejidos" and some surface rights are owned by private ranching or residential interests. The Company will be required to negotiate the acquisition of surface rights in those areas where it may wish to develop mining operations. In some areas the Company has been required or is in the process of negotiating compensation for surface rights holders in order to secure right of access. In some areas, surface right compensation has been negotiated and is awaiting formal government expropriation in its favour. The Company's interest in a property or project could be adversely affected by an inability to obtain surface access permissions, or by challenges, regardless of merit, to existing surface access agreements.

There is no guarantee that licenses and permits required by the Company or Minera Juanicipio to conduct business will be obtained, which may result in an impairment or loss in the Company's mineral properties.

The Company's current and anticipated future operations, including further exploration, development activities and commencement of production on the Company's properties, require permits from various national, provincial, territorial and local governmental authorities. The Company may not be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. In addition, the grant of required licenses and permits may be delayed for reasons outside the Company's control. For example, the Company has been prevented from obtaining the Soil Use Change Permit required for the Cinco de Mayo Property due to the opposition from certain members of the local ejido. In addition, development permitting delays resulting from a Mexican government changeover delayed the start of the decline development at the Juanicipio Project. Failure to obtain such licenses and permits on a timely basis, or failure to comply with the terms of any such licenses and permits that the Company does obtain, may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration, development or mining work, which may result in increased costs, delay in activities or the Company losing its interest in its mineral properties.

The properties in which the Company has an interest are in Mexico.

The Company's operations are currently conducted in a foreign jurisdiction, Mexico, and, as such, the Company's operations are exposed to various levels of political, economic and other such risks and uncertainties as extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. In addition, there have recently been reports of increased domestic and international political unrest, police and military enforcement action against drug cartels and a corresponding increase in violent crime in Mexico.

In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. Mexico's status as a developing country may make it more difficult for the Company to obtain any required financing for its projects.

Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability in Mexico are beyond the control of the Company and its joint venture partner, Fresnillo, and may adversely affect the Company's business, including its interest in the Juanicipio Project.

Economic and political instability may affect the Company's business.

The volatile global economic environment has created market uncertainty and volatility in recent years. From mid-calendar 2008 until early 2009 there was a negative trend with regard to the market for metal commodities and related products as a result of global economic uncertainty, reduced confidence in financial markets, bank failures and credit availability concerns. Similar instability in the market for metal commodities has been experienced since April 2013, and continues today. These macro-economic events negatively affected the mining and minerals sectors in general, and the Company's market capitalization has been significantly reduced in periods of market instabilities. Many industries, including the mining industry, are impacted by these market conditions. Global financial conditions remain subject to sudden and rapid destabilizations in response to economic shocks. A slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's growth and profitability. Future economic shocks may be precipitated by a number of causes, including the ongoing European debt situation, a continued rise in the price of oil and other commodities, the volatility of metal prices, geopolitical instability, terrorism, the devaluation and volatility of global stock markets and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favorable to the Company or at all. In such an event, the Company's operations and financial condition could be adversely impacted.

There are no assurances with respect to the relative strength and stability of future metal markets. Although the Company remains financially strong, its liquidity and long term ability to raise the capital required to execute its business plans may be affected by market volatilities.

The Company's future profitability and the viability of development depends in part upon the world market price of silver, and other metals such as gold, lead and zinc. Prices fluctuate widely and are affected by numerous factors beyond the Company's control. The price of silver is influenced by factors including industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of silver and other metals by producers and speculators as well as other global or regional political, social or economic events. The supply of silver and other metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers, which could increase due to improved mining and production methods.

Prices and availability of commodities consumed or used in connection with exploration and development and mining, such as natural gas, diesel, oil and electricity, also fluctuate, and these fluctuations affect the costs of production at various operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a material adverse impact on the Company's operating costs or the timing and costs of various projects.

The Company assesses on a quarterly basis the carrying values of its mineral properties. Should market conditions and commodity prices worsen and persist in a worsened state for a prolonged period of time, an impairment of the Company's mineral properties may be required.

Community relations may affect the Company's business, including its interest in the Juanicipio Project.

Maintaining a positive relationship with the communities in which we operate, including with respect to the Juanicipio Project, is critical to continuing successful exploration and development. Community support for operations is a key component of a successful exploration or development project. As a business in the mining industry, we may come under pressure in the jurisdictions in which we explore or develop, to demonstrate that other stakeholders benefit and will continue to benefit from our commercial activities. We may face opposition with respect to our current and future development and exploration projects which could materially adversely affect our business, results of operations, financial condition and share price.

Risks Relating to Financing the Company's Business Operations

Substantial expenditures are required for commercial operations and if financing for such expenditures is not available on acceptable terms, the Company may not be able to justify commercial operations.

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, resources may not be discovered in sufficient quantities to justify commercial operations, or the funds required for development may not be obtained at all or on terms acceptable to the Company.

The Company's expenditures are currently funded from its cash balances, which are the proceeds of previous equity financings. The Company may require significant additional capital in the future to meet its project-related expenditures, as it is unlikely that the Company will generate sufficient operating cash flow to meet all of its future expenditure requirements.

The Company has a history of losses and values attributed to the Company's assets may not be realizable.

The Company has a history of losses and has no revenues from operations. None of the Company's properties is currently in production, and there is no certainty that the Company will succeed in placing any of its properties into production in the near future, if at all. The Company has no proven history of performance, revenues, earnings or success. The amounts attributed to the Company's exploration concessions in its financial statements represent acquisition and exploration costs and should not be taken to represent realizable value with certainty. The Company anticipates continued losses for the foreseeable future until it can successfully place one or more of its properties into commercial production on a profitable basis. It could be years before the Company receives any revenues from any production of metals, if ever. If the Company is unable to generate revenues with respect to its properties, the Company will not be able to earn profits which would adversely affect its business and prospects.

The Company's future liquidity will depend upon its ability to arrange significant additional debt or equity financing.

The Company's future liquidity is dependent upon the ability of the Company to obtain the necessary financing to complete the development of its interests and future profitable production or, alternatively, upon the Company's ability to dispose of its interests on a profitable basis. Given the Company has incurred losses from inception and does not have any operating cash flow, there can be no assurance that additional capital or financing will be available if needed or that, if available, the terms of such financings will be acceptable to the Company. If the Company raises additional funds through the sale of equity securities or securities convertible into equity securities, shareholders may have their equity interest in the Company diluted.

Adequate funding may not be available, resulting in the possible loss of the Company's interests in its properties.

Sufficient funding may not be available to the Company for further exploration and development of its property interests. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties. If the Company becomes unable to meet its share of costs incurred under agreements to which it is a party, the Company may have its property interests subject to such agreements reduced as a result or even face termination of such agreements. The Company also has options to acquire interests in properties in Mexico and in order to obtain ownership of such properties it must make payments to the current owners and incur certain exploration expenditures on those properties. Accordingly, additional financing will be required to secure ownership of these properties. Failure of the Company to make the requisite payments in the prescribed time periods will result in the Company losing its entire interest in the subject property and the Company will no longer be able to conduct certain aspects of its business as described in this AIF.

The Company may not have sufficient funds to: (a) make the minimum expenditures to maintain its properties in good standing under Mexican law; (b) make the corresponding payments of semi-annual governmental (mining) duties to maintain its properties in good standing under Mexican law; and (c) make the minimum expenditures to earn its interest in such properties. In such event, in respect of any of the properties, the Company may seek to enter into a joint venture or sell the subject property or elect to terminate its option.

The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and additional capital may not be available when needed, if at all.

Risks Relating to the Development of the Juanicipio Project

Minera Juanicipio has not yet made a formal "Production Decision" at the Juanicipio Project .

Although a requirement of the Minera Juanicipio shareholders' agreement, a feasibility study confirming the economic feasibility of the Juanicipio Project is not contemplated by the Joint Venture partners prior to a development decision. The decision in 2013 to commence the underground development and the access decline at the Juanicipio Project was made based on the results of the 2012 UPEA, which has since been superseded and replaced by the Juanicipio Technical Report. A production decision is expected to be based on a further updated preliminary economic assessment. The annual development budgets for 2014, 2015 and 2016 were consistent with the recommendations of the 2012 UPEA and were unanimously approved by both shareholders of Minera Juanicipio. However, the Company and Fresnillo have been considering alternate mine plans and other changes that may result in an increase in capital costs, the amount of which is yet to be determined. There is a risk that such increases could be greater than anticipated. A preliminary first quarter 2017 development budget has been presented for consideration by Minera Juanicipio, but further development budgets and a formal timeline to production have yet to be considered by Minera Juanicipio. Although Fresnillo has indicated in its public presentations that it expects Minera Juanicipio to be in production by the first half of 2019, there are no assurances that a formal development decision will be made or that production will be achieved by that date. Changes to the mine plan may delay the timeline to production.

The contemplated development of the Juanicipio Project may be adversely impacted by lack of access and availability of infrastructure, power and water.

The development of the Juanicipio Project will require access to and an ability to maintain adequate and reliable infrastructure, including roads, power sources and water systems. If the required infrastructure is not readily available, it may have to be built, and there is no assurance that it can be built in a timely manner or at all. There is no assurance that we can access and maintain the infrastructure needed, or, where necessary, obtain rights of way, government authorizations and permits to construct, or upgrade the same at a reasonable cost, in a timely manner, or at all. Access to infrastructure may also be interrupted by natural causes, such as drought, floods, earthquakes and other weather phenomena, or man-made causes, such as blockades, sabotage, conflicts, government issues, political events, protests, rationing or competing uses.

Inadequate, inconsistent, or costly infrastructure could compromise many aspects of the project's feasibility, viability and profitability, including, but not limited to the construction schedule, capital and operating costs.

The contemplated development of the Juanicipio Project may be adversely impacted by a lack of access to a skilled workforce.

The development of the Juanicipio Project will depend on availability of a skilled workforce, including but not limited to mining and mineral, metallurgical and geological engineers, geologists, environmental and safety specialists, and mining operators to explore and develop the project. Inadequate access to an available skilled workforce, could compromise many aspects of the project's feasibility, viability and profitability, including, but not limited to the construction schedule, capital and operating costs.

The financial results and the contemplated development timeline to production may not be consistent with the Juanicipio Technical Report*.*

Minera Juanicipio has not completed a pre-feasibility study or feasibility study on the Juanicipio Project and, accordingly, there is no estimate of mineral reserves. Rather, any decision to continue the development of the Juanicipio Project will be based upon the results of the 2012 UPEA, until, and if and when, further technical studies are completed by the Juanicipio Joint Venture.

The Juanicipio Technical Report includes the same preliminary economic assessment as the 2012 UPEA, but the Juanicipio Technical Report was commissioned independently by MAG, and not by the Juanicipio Joint Venture. The preliminary economic assessment set out in the Juanicipio Technical Report is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the estimates described in the Juanicipio Technical Report will be realized. As a result, there are additional risks in commencing and completing construction based upon the Juanicipio Technical Report including additional risks as to the size and grade of the resource, capital and operating costs, mineral recovery and financial viability. There is no guarantee that the construction will be completed or, if completed, that production will begin or that operating or financial results will be consistent with the Juanicipio Technical Report.

The Juanicipio Project capital requirements and timeline to production contemplated in the Juanicipio Technical Report are subject to volatility and uncertainty.

The development of the Juanicipio Project will use a significant amount of commodities, consumables and other materials. Prices for steel, concrete, fuel and other materials, commodities and consumables required for mine development can be volatile and price changes can be substantial, occur over short periods of time and be affected by factors beyond control of the project operator. Higher costs for construction materials like steel and concrete, or tighter supplies can affect the costs and timing of the project development.

The development of the Juanicipio Project will also utilize significant amounts of large and small equipment that may be critical to the development and construction of the project. Repeated and/or unexpected equipment failures and/or unavailability of equipment could cause interruptions or delays in the development and construction, and could have a material adverse effect on the project costs and timeline.

The Juanicipio Technical Report estimated total project capital of US$302 million for the Juanicipio Project inclusive of capitalized operating costs (MAG's 44% share is US$133 million), over 3.5 years from the start of development. Neither Minera Juanicipio, nor the Company has completed a pre-feasibility study or feasibility study on the Juanicipio Project and, accordingly, these estimates are subject uncertainty. The Juanicipio Technical Report is preliminary in nature and there is no certainty that the estimates described in the Juanicipio Technical Report will be realized. The Company and Fresnillo have been considering alternate mine plans and other changes to development of the Juanicipio Project. These changes are expected to result in an incremental increase in capital cost, a slight delay in the start-up of commercial production and an extension of mine life, but there is a risk that such changes will have a more significant adverse impact on capital costs or timing to start-up than is currently expected.

Risks Relating to the Company's Property Titles

The Company's mineral properties are subject to title risk and any challenge to the title to any of such properties may have a negative impact on the Company.

The Company's mineral property rights, including its indirect interest in the Juanicipio Project, may be subject to prior unregistered agreements, transfers and claims and title may be affected by, among other things, undetected defects. Title to, and the area of, the mineral interests held by the Company may be disputed. A full investigation of legal title to the Company's property interests has not been carried out at this time. Accordingly, title to these property interests may be in doubt. Other parties may dispute title or access to the properties in which the Company has an interest. The Company's property interests may also be subject to prior unregistered agreements or transfers or land claims and title may be affected by such undetected defects. Any challenge to the title or access to any of the properties in which the Company has an interest may have a negative impact on the Company as the Company will incur delay and expenses in defending such challenge and, if the challenge is successful, the Company may lose any interest it may have in the subject property.

Title opinions provide no guarantee of title and any challenge to the title to any properties may have a negative impact on the Company.

Although the Company has or will receive title opinions for any concessions in which it has or will acquire a material interest, there is no guarantee that title to such concessions will not be challenged or impugned. In Mexico, a title opinion does not provide absolute comfort that the holder has unconditional or absolute title. Any challenge to the title or access to any of the properties in which the Company has an interest, including its indirect interest in the Juanicipio Project, may have a negative impact on the Company as the Company will incur expenses in defending such challenge and, if the challenge is successful, the Company may lose any interest it may have in the subject property.

Titles to the properties in which the Company has an interest that are not registered in the name of the Company may result in potential title disputes having a negative impact on the Company.

All of the agreements under which the Company may earn interests in properties , including any indirect interest acquired through Minera Juanicipio, have either been registered or been submitted for registration with the Mexican Public Registry of Mining, but title relating to the properties in which the Company may earn its interests may be held in the names of parties other than the Company. Any of such properties may become the subject of an agreement which conflicts with the agreement pursuant to which the Company may earn its interest, in which case the Company may incur expenses in resolving any dispute relating to its interest in such property and such a dispute could result in the delay, indefinite postponement of further exploration and development of properties or the possible loss of such properties.

Risks Related to Minority Interest Investment in the Juanicipio Project

The Company is a minority shareholder of Minera Juanicipio and therefore may be dependent on, and subject to, the decisions of the majority shareholder.

The terms of the Shareholders Agreement governing the operation of Minera Juanicipio, as well as its corporate by-laws provide effective control to Fresnillo over many of the activities of Minera Juanicipio since it holds a majority (56%) of the shares of Minera Juanicipio. While a limited number of decisions of the shareholders or the directors of Minera Juanicipio require a special majority of 60%, and in one instance 75%, giving the Company an effective veto over any such decisions, the Company is a minority shareholder of Minera Juanicipio and is dependent on Fresnillo to manage the affairs of Minera Juanicipio and to do so in compliance with the Shareholders Agreement, the by-laws of Minera Juanicipio and applicable law. If Fresnillo manages the affairs of Minera Juanicipio in a manner that results in violations of applicable laws, such violation may have an adverse impact on the Company.

Fresnillo, as operator of the Juanicipio Project, has the ability to take certain actions, legal or otherwise, which may result in the shareholders of Minera Juanicipio having to fund cash calls. The Shareholders Agreement calls for adjustments to the interests of the shareholders in Minera Juanicipio where either shareholder fails to fund cash calls within certain specified periods. If the Company fails to fund cash calls, it risks having its interest reduced, may lose its effective veto power over certain decisions and ultimately could be diluted out of Minera Juanicipio altogether. Fresnillo is a much larger entity with far greater access to financial resources than the Company.

The Company holds its Juanicipio Project interest through a joint venture and therefore may be adversely impacted by disputes with its joint venture partner.

The Company's interest in the Juanicipio Project is also subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events, for example, could have a material adverse impact on the Company's operations and financial condition or the viability of its interests held through joint ventures: disagreement with joint venture partners on how to conduct business efficiently; inability of joint venture partners to meet their obligations to the joint venture or third parties; or litigation arising between joint venture partners.

The joint venture in respect of the Juanicipio Project is organized through a corporation (Minera Juanicipio) that is formed under and governed by the laws of Mexico. The laws in Mexico do not provide all of the same protections that are available to shareholders of corporations that are formed under the laws of Canada or the United States. Accordingly, any dispute between the Company and Fresnillo as the shareholders of Minera Juanicipio could have a materially adverse effect on the Company.

In 2010, MAG initiated arbitration proceedings with the International Court of Arbitration of the International Chamber of Commerce (the "ICC"), and in May 2011, the Company announced that it had received a favourable unanimous ruling, dated April 28, 2011, of a three member arbitral panel of the International Court of Arbitration of the ICC with respect to the arbitration proceedings against its joint venture partner, Fresnillo. In its ruling, the arbitral tribunal awarded MAG U.S.$1.86 million in damages. Although this dispute between the Company and Fresnillo was ultimately determined in favour of the Company, there can be no guarantee that future disputes between the parties will not arise and lead to further litigation proceedings, the outcome of which is uncertain.

The Company has significant shareholders that may able to exert influence over the direction of the Company's business.

Based upon the Company's review of the insider reports filed with System for Electronic Disclosure by Insiders ("SEDI") with respect to Fresnillo and their respective affiliates, and filed on the SEC's EDGAR system with respect to BlackRock, Inc. ("BlackRock"), Tocqueville Asset Management L.P. ("Tocqueville"), and Van Eck Associates Corp. ("Van Eck") and their respective affiliates , as at the date of this AIF, the Company believes that each respectively hold approximately 12.1%, 16.0%, 7.6% and 9.2%, respectively, of the Company's Common Shares. Accordingly, Fresnillo, BlackRock, Tocqueville, and Van Eck , either in unison and/or individually, may have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders of the Company for approval, including business combinations and any proposed sale of all or substantially all of the Company's assets. Unless full participation of shareholders takes place in such shareholder meetings, Fresnillo, BlackRock, Toqueville, and or Van Eck, may be able to approve on its own, or effectively prevent the approval, of any such significant corporate transactions.

Further, the significant ownership of Common Shares by Fresnillo, BlackRock, Toqueville, and Van Eck may affect the market price and liquidity of the Common Shares. The effect of these rights and their influence may impact the price that investors are willing to pay for Common Shares. If any of these parties sells a substantial number of Common Shares in the public market, the market price of the shares could decrease.

The presence of a dominant shareholder like Fresnillo, that is the operator of the Juanicipio Project; and has substantial property holdings surrounding the Juanicipio Project, may give rise to potential conflicts of interest, as Fresnillo's interests may differ from, or be adverse to, the interests of the Company's other shareholders. Without the consent and cooperation of Fresnillo, Minera Juanicipio may be prevented from entering into transactions that would be beneficial to the Company and its other shareholders.

Other Business Risks

The Company or Minera Juanicipio may be subject to litigation, the disposition of which could negatively affect the Company's profits to varying degrees.

All industries, including the mining industry, are subject to legal claims, with and without merit. Due to the nature of its business, each of the Company and Minera Juanicipio may, in the future, be subject to claims (including class action claims and claims from government regulatory bodies) based on allegations of negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with its operations or investigations relating thereto. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's operations and financial position. Results of litigation are inherently uncertain and there can be no assurances as to the final outcome. The Company's liability insurance may not fully cover such claims. See also "The Company holds interests through joint ventures and therefore may be adversely impacted by disputes with joint venture partners."

Environmental regulations are becoming more onerous to comply with, and the cost of compliance with environmental regulations and changes in such regulations may reduce the profitability of the Company's operations and Minera Juanicipio's operations.

Environmental legislation on a global basis is evolving in a manner that will ensure stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessment of proposed development, the possibility of affected parties pursuing class action lawsuits and a higher level of responsibility for companies and their officers, directors and employees. The Company's operations and the operations of Minera Juanicipio at the Juanicipio Project are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. Failure to comply with such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and more stringent fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with environmental regulations and changes in such regulations may reduce the profitability of the Company's operations and the operations of Minera Juanicipio. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and Minera Juanicipio and may cause material changes or delays in the Company's and Minera Juanicipio's intended activities. The environmental impact assessments may impose the condition to the Company or Minera Juanicipio of obtaining the authorization from the indigenous communities where the mining activities are to be carried out.

Mineral exploration is a highly competitive industry.

The mineral exploration industry is intensely competitive in all of its phases and the Company must compete in all aspects of its operations with a substantial number of large established mining companies with greater liquidity, greater access to credit and other financial resources, newer or more efficient equipment, lower cost structures, more effective risk management policies and procedures and/or greater ability than the Company to withstand losses. The Company's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or devote greater resources to the expansion of their operations, than the Company can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Competition could adversely affect the Company's ability to acquire suitable new producing properties or prospects for exploration in the future. Competition could also affect the Company's ability to raise financing to fund the exploration and development of its properties or to hire qualified personnel. The Company may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company may face equipment shortages, access restrictions and a lack of infrastructure.

The majority of the Company's interests in mineral properties are located in remote and relatively uninhabited areas. Such mineral properties, including the Company's interest in the Juanicipio Project, will require adequate infrastructure, such as roads, bridges and sources of power and water, for future exploration and development activities. The lack of availability of these items on terms acceptable to the Company or the delay in availability of these items could prevent or delay exploitation or development of the Company's mineral properties. In addition, unusual weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect our operations and profitability. Natural resource exploration, development, processing and mining activities are dependent on the availability of mining, drilling and related equipment in the particular areas where such activities are conducted. A limited supply of such equipment or access restrictions may affect the availability of such equipment to the Company and Minera Juanicipio and may delay exploration, development or extraction activities. Certain equipment may not be immediately available, or may require long lead time orders. A delay in obtaining necessary equipment could have a material adverse effect on the Company's operations and financial results.

The Company is dependent on its key personnel, some of whom may not have entered into written agreements with the Company and none of whom is insured by the Company.

The Company is dependent upon the continued availability and commitment of its key management, employees and consultants, whose contributions to immediate and future operations of the Company are of central importance. The Company relies on its President & CEO, George Paspalas, and its other officers, who have entered into written employment agreements with the Company, for the day-to-day operation of the Company, its projects and the execution of the Company's business plan. The Company has not obtained "key man" insurance for any of its management. The loss of any member of the senior management team could impair the Company's ability to execute its business plan and could therefore have a material adverse effect on the Company's business, results of operations and financial condition. The loss of George Paspalas in particular could have a negative impact on the Company until he is replaced.

The Company is dependent on Cascabel and IMDEX to oversee its operations in Mexico.

The Company is dependent upon the continued availability and commitment of Cascabel and IMDEX for the day-to-day supervision of the Company's operations in Mexico. The Company also relies heavily on Dr. Peter Megaw, a principal of Cascabel and IMDEX, for the planning, execution and assessment of the Company's exploration programs. Dr. Megaw and his team developed the geologic concepts and directed the acquisition of all the Company's projects, including the Juanicipio Project. Dr. Megaw was a director of MAG from February 6, 2006 to June 23, 2014 and has since been appointed the Company's Chief Exploration Officer (although he is still remunerated through IMDEX). IMDEX is paid a fee for his services based on fair market rates and his submission of invoices for services rendered. The Company has not obtained "key man" insurance for Dr. Megaw. The loss of Dr. Megaw, or the services of Cascabel and IMDEX, could impair the Company's ability to execute its business plan in Mexico, and could therefore have a material adverse effect on the Company's business, results of operations and financial condition.

If either the Company or Minera Juanicipio is unable to hire, train, deploy and manage qualified personnel in a timely manner, particularly in Mexico, its ability to manage and grow its business will be impaired.

Recruiting and retaining qualified personnel is critical to the Company's and Minera Juanicipio's success. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff may be required, particularly in Mexico. The Company or Minera Juanicipio may not be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If the Company or Minera Juanicipio is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

It may be particularly difficult to find or hire qualified personnel in the mining industry who are situated in Mexico, to obtain all of the necessary services or expertise in Mexico, or to conduct operations on the Company's projects (including the Juanicipio Project) at reasonable rates. If qualified personnel cannot be obtained in Mexico, the Company or Minera Juanicipio may need to obtain those services outside of Mexico, which will require work permits and compliance with applicable laws and could result in delays and higher costs to the Company.

Conflicts of interest may arise among the Company's directors as a result of their involvement with other natural resource companies.

Most of the Company's directors do not devote their full time to the affairs of the Company. All of the directors and some of the officers of the Company are also directors, officers and shareholders of other natural resource or public companies, and as a result they may find themselves in a position where their duty to another company conflicts with their duty to the Company. Although the Company has policies which address such potential conflicts and the *Business Corporations Act* (British Columbia), has provisions governing directors in the event of such a conflict, none of the Company's constating documents or any of its other agreements contains any provisions mandating a procedure for addressing such conflicts of interest. There is no assurance that any such conflicts will be resolved in favour of the Company. If any such conflicts are not resolved in favour of the Company, the Company may be adversely affected.

Foreign currency fluctuations and inflationary pressures may have a negative impact on the Company's financial position and results.

The Company's property interests in Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position and results. Option agreements to acquire property interests in Mexico may result in option payments by the Company denominated in Mexican pesos, Canadian or U.S. dollars over a period of years. Exploration and development programs to be conducted by the Company in Mexico will be partially funded in Mexican pesos and any appreciation in Mexican currency against the U.S. dollar will increase the costs of carrying out operations in Mexico.

The Company has determined that its functional currency is the U.S. dollar; however, it maintains a portion of cash balances in Canadian dollars and Mexican pesos in order to fund expenditures in such currencies. The Company is therefore exposed to currency risks and exchange losses may be realized on a devaluation of either the Canadian dollar or Mexican peso.

The steps taken by management to address foreign currency fluctuations may not eliminate all adverse effects and, accordingly, the Company may suffer losses due to adverse foreign currency fluctuations. The Company also bears the risk of incurring losses occasioned as a result of inflation in Mexico.

Mining operations generally involve a high degree of risk and potential liability and insurance coverage may not cover all potential risks associated with the Company's operations.

Unusual or unexpected formations, power outages, labour disruptions, indigenous communities complaints, industrial accidents, flooding, explosions, cave-ins, seismic activity, rock bursts, landslides, pollution, inclement weather, fire, mechanical equipment failure and the inability to obtain suitable or adequate machinery, equipment or labour are several of the hazards and risks involved in the conduct of exploration programs in the Company's mineral properties, including the Juanicipio Project, any of which could result in personal injury or death, damage to property, environmental damage and possible legal liability for any or all damage. There was a fatality at the Juanicipio Project in 2014. Safety measures have been implemented by the Company or its joint venture partner, Fresnillo, but there are no assurances that these measures will be successful in preventing or mitigating future accidents. The Company maintains insurance against risks in the operation of its business in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage and the Company's insurance may not cover all potential risks associated with the Company's operations, including the operations in the Juanicipio Project. There can be no assurance that any such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk. Losses resulting from any uninsured events may cause the Company to incur significant costs that could have a material adverse effect on the Company's operations and financial condition. In addition, from time to time the Company and Minera Juanicipio may be subject to governmental investigations and claims and litigation filed on behalf of persons who are harmed while at its properties or otherwise in connection with the Company's operations. To the extent that the Company or Minera Juanicipio is subject to personal injury or other claims or lawsuits in the future, it may not be possible to predict the ultimate outcome of these claims and lawsuits due to the nature of personal injury litigation. Similarly, if the Company or Minera Juanicipio is subject to governmental investigations or proceedings, it may incur significant penalties and fines, and enforcement actions against it could result in the closing of certain of the Company's mining operations. If claims and lawsuits or governmental investigations or proceedings are finally resolved against the Company or Minera Juanicipio, as applicable, the Company's financial performance, financial position and results of operations could be materially adversely affected.

Metal prices and marketability fluctuate and any decline in metal prices may have a negative effect on the Company.

Metal prices, including gold, silver, zinc and lead prices, have fluctuated widely in recent years. The marketability and price of any metals that may be acquired or produced by the Company may be affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of potential reserves to processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business.

Declines in metal prices may have a negative effect on the Company and on the trading value of its shares .

Risks Relating to the Regulatory Environment

The Company is subject to anti-corruption laws.

The Company is subject to anti-corruption laws under the *Canadian Corruption of Foreign Public Officials Act*, and the *U.S. Foreign Corrupt Practices Act*, which generally prohibit companies from bribing or making other prohibited payments to foreign public officials in order to obtain or retain an advantage in the course of business. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur in Mexico or any other jurisdiction in which the Company may conduct business. The Company cannot ensure that its employees or the employees of Minera Juanicipio or other agents will not engage in such prohibited practices, for which the Company or Minera Juanicipio could face severe penalties, reputational damage and other consequences that could have a material adverse effect on the Company's business and financial condition. The Company has adopted a Code of Business Conduct and Ethics to promote legal and ethical business conduct by its directors, officers and employees. However, the Company cannot provide assurance that this code, or other policies or procedures that it may adopt, will be sufficient to protect against corrupt activity. In particular, the Company may not be able to prevent or detect corrupt activity by employees or third parties, such as sub-contractors or joint venture partners, for which the Company might be held responsible.

The Company may be required by human rights laws to take actions that delay the advancement of its projects.

There are various international and national laws, codes, resolutions, conventions, guidelines and other materials that relate to human rights (including rights with respect to health and safety and the environment surrounding our operations). Many of these materials impose obligations on government and companies to respect human rights. Some mandate that government consult with communities surrounding our projects regarding government actions that may affect local stakeholders, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national materials pertaining to human rights continue to evolve and be defined. One or more groups of people may oppose the Company's current and future operations or further development or new development of its projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities, and may have a negative impact on its reputation. Opposition by such groups to the Company's or Minera Juanicipio's operations may require modification of, or preclude the operation or development of, its projects or may require the Company or Minera Juanicipio to enter into agreements with such groups or local governments with respect to its projects, in some cases causing considerable delays to the advancement of its projects.

Mexican Foreign Investment and Income Tax Laws apply to the Company.

Under the Foreign Investment Law of Mexico, there is presently no limitation on foreign capital participation in mining operations; however, the applicable laws may change in a way which may adversely impact the Company and its ability to repatriate profits. Under Mexican Income Tax Law, dividends paid out of "previously taxed net earnings" are not subject to Mexican corporate taxes. Otherwise, dividends are subject to the Mexican income tax at the corporate level, which presently is 30% over a gross up basis (amount of the dividend times 1.4286), payable by the Mexican company as an advance of its annual income tax. As of January 1, 2014, there is a new withholding tax on dividends paid by a Mexican company to Mexican individuals and non-Mexican shareholders of 10% applicable only to "previously tax net earnings" generated as of 2014: "previously tax net earnings" generated until 2013 are not subject to this withholding tax. This withholding tax rate may be reduced under the applicable Tax Treaties to Avoid Double Taxation entered by Mexico.

Corporations with their tax residence in Mexico are taxed on their worldwide income, which include all profits from operations, income from investments not relating to the regular business of the corporation and capital gains. The current corporate income tax rate in Mexico is 30%. As of January 1, 2014, a mining royalty fee is in effect in Mexico of 7.5% on income before tax, depreciation, and interest, as well as an extraordinary governmental fee on precious metals, including gold and silver, of 0.5% of gross revenues, as described above under "Income Tax – New Tax Regime Effective January 1, 2014". Among the amendments for 2014, Mexican companies are no longer allowed to partially deduct certain expenses such as fringe benefits paid to its employees which in turn are tax exempted for the same employees (e.g. food coupons, pension and retirement funds additional to those provided for under the Mexican Security Law).

The IETU Flat Tax (Impuesto Empresarial a Tasa Única) which was structured as an alternative minimum tax was repealed effective January 1, 2014.

The VAT is an indirect tax levied on the value added to goods and services, and is imposed on corporations that carry out activities within Mexican territory, including (i) the sale or other disposition of property; (ii) the rendering of independent services; (iii) the granting of temporary use of property; or (iv) the importation of goods and services. The standard value added tax rate is 16%.

The Company's activities in the properties are subject to extensive laws and regulations governed by Mexican regulators.

The Company's activities, including but not limited to the operations at the Juanicipio Project are subject to extensive laws and regulations governing worker health and safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species, indigenous communities' rights and other matters. Specifically, the Company's Mexican mining concessions are subject to regulation by the Mexican Department of Economy - Direccion General of Mines ("DGM"), the environmental protection agency of Mexico ("SEMARNAT"), Comisión Nacional del Aqua ("CONAGUA"), which regulates water rights, and the Mexican Mining Law. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards.

The Company follows Canadian disclosure practices concerning its Mineral Resources which allow for more disclosure than is permitted for domestic U.S. reporting companies.

The Company's mineral resource estimates are not directly comparable to those made by domestic U.S. reporting companies subject to the SEC's reporting and disclosure requirements, as the Company reports resources in accordance with Canadian practices. These practices are different from the practices used to report resource estimates in reports and other materials filed by domestic U.S. reporting companies with the SEC in that the Canadian practice is to report measured, indicated and inferred resources. In the United States, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that all or any part of indicated resources will ever be converted into reserves. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC permits issuers to report mineralization that does not constitute "reserves" by SEC standards only as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this AIF may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. See *"Cautionary Note for United States Investors'.*

The Company may fail to maintain adequate internal control over financial reporting pursuant to the requirements of the Sarbanes-Oxley Act.

Management has documented and tested its internal control procedures in order to satisfy the requirements of Section 404 of the *Sarbanes-Oxley Act* ("SOX"). SOX requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting. The Company may fail to maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented or amended from time to time, and the Company may not be able to conclude, on an ongoing basis, that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price or the market value of its securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. If the Company expands, the challenges involved in implementing appropriate internal control over financial reporting will increase and will require that the Company continues to monitor its internal control over financial reporting. Although the Company intends to expend time and incur costs, as necessary, to ensure ongoing compliance, it cannot be certain that it will be successful in complying with Section 404 of SOX.

Risks Relating to the Company's Securities

Funding and property commitments may result in dilution to the Company's shareholders.

The Company may sell equity securities in public offerings (including through the sale of securities convertible into equity securities) and may issue additional equity securities to finance operations, exploration, development, acquisitions or other projects. The Company cannot predict the size of future issuances of equity securities or the size and terms of future issuances of debt instruments or other securities convertible into equity securities or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares. Any transaction involving the issuance of previously authorized but unissued Common Shares, or securities convertible into Common Shares, would result in dilution, possibly substantial, to security holders. Exercises of presently outstanding share options may also result in dilution to security holders.

The board of directors of the Company (the "Board") has the authority to authorize certain offers and sales of additional securities without the vote of, or prior notice to, shareholders. Based on the need for additional capital to fund expected expenditures and growth, it is likely that the Company will issue additional securities to provide such capital. Such additional issuances may involve the issuance of a significant number of Common Shares at prices less than the current market price for the Common Shares.

Sales of substantial amounts of the Company's securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Company's securities and dilute investors' earnings per share. A decline in the market prices of Company's securities could impair the Company's ability to raise additional capital through the sale of securities should the Company desire to do so.

The price of the Company's Common Shares is volatile.

Publicly quoted securities are subject to a relatively high degree of price volatility. It should be expected that continued fluctuations in price will occur, and no assurances can be made as to whether the price per share will increase or decrease in the future. In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The factors influencing such volatility include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in precious metal prices or other mineral prices, currency exchange fluctuations and the Company's financial condition or results of operations as reflected in its earnings reports. Other factors unrelated to the performance of the Company that may have an effect on the price of the Common Shares include the following: the extent of analyst coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the securities of the Company that persists for a significant period of time could cause the Company's securities to be delisted from an exchange, further reducing market liquidity.

Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

There is no assurance of a sufficient liquid trading market for the Company's Common Shares in the future .

Shareholders of the Company may be unable to sell significant quantities of Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all. There can be no assurance that there will be sufficient liquidity of the Company's Common Shares on the trading market, and that the Company will continue to meet the listing requirements of the TSX or the NYSE MKT or achieve listing on any other public listing exchange.

The Company is a "passive foreign investment company", which may have adverse U.S. federal income tax consequences for U.S. Holders of Offered Shares.

U.S. investors should be aware that they could be subject to certain adverse U.S. federal income tax consequences in the event that we are classified as a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes. The determination of whether we are a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and the determination will depend on the composition of our income, expenses and assets from time to time and the nature of the activities performed by our officers and employees. We believe that MAG was a PFIC for the 2016 financial year. Prospective investors should carefully read the tax discussion in any applicable prospectus supplement for more information and consult their own tax advisers regarding the likelihood and consequences of the Company being treated as a PFIC for U.S. federal income tax purposes, including the advisability of making certain elections that may mitigate certain possible adverse U.S. federal income tax consequences but may result in an inclusion in gross income without receipt of such income.

The Company, its principals and assets are located outside of the United States, which makes it difficult for U.S. litigants to effect service of process, or enforce, any judgments obtained against the Company or its officers or directors.

All of the Company's assets are located outside of the United States and the Company does not currently maintain a permanent place of business within the United States. In addition, most of the directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for U.S. litigants to effect service of process or enforce any judgments obtained against the Company or its officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. In addition, there is uncertainty as to whether the courts of Canada, Mexico and other jurisdictions would recognize or enforce judgments of United States courts obtained against the Company or its directors and officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in Canada, Mexico or other jurisdictions against the Company or its directors and officers predicated upon the securities laws of the United States or any state thereof. Further, any payments as a result of judgments obtained in Mexico could be in pesos and service of process in Mexico must be effectuated personally and not by mail.

All of the Company's mineral assets are located outside of Canada.

All of the Company's mineral assets are located outside of Canada. As a result, it may be difficult for investors to enforce within Canada any judgments obtained against the Company or its officers or directors, including judgments predicated upon the civil liability provisions of applicable securities laws. In addition, there is uncertainty as to whether the courts of Mexico and other jurisdictions would recognize or enforce judgments of Canadian courts obtained against the Company or its directors and officers predicated upon the civil liability provisions of the securities laws of Canada, or be competent to hear original actions brought in Mexico or other jurisdictions against the Company or its directors and officers predicated upon the securities laws of Canada. Further, any payments as a result of judgments obtained in Mexico should be in pesos and service of process in Mexico must be effectuated personally and not by mail.

The Company has outstanding common share equivalents which, if exercised, could cause dilution to existing shareholders.

As at March 29, 2017, the Company had 2,726,800 common share equivalents issued consisting of common shares issuable upon the exercise of 2,166,772 outstanding exercisable stock options (with a weighted average exercise price of C$8.69 per share), or issuable upon the conversion of 186,723 restricted and performance share units ("RSUs and PSUs") and 373,305 deferred share units ("DSUs") each convertible into one common share. Stock options are likely to be exercised when the market price of the Company's Common Shares exceeds the exercise price of such stock options. RSUs and PSUs may be converted at any time by the holder subject to vesting conditions, and the DSUs may only be converted by a departing director or employee of the Company. The exercise of any of these instruments and the subsequent resale of such Common Shares in the public market could adversely affect the prevailing market price and the Company's ability to raise equity capital in the future at a time and price which it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional Common Shares and the Company may grant additional share purchase warrants, stock options, RSUs, PSUs and DSUs. Any share issuances from the Company's treasury will result in immediate dilution to existing shareholders' percentage interest in the Company.

The Company has not paid dividends and may not pay dividends in the foreseeable future.

Payment of dividends on the Company's Common Shares is within the discretion of the Company's Board and will depend upon the Company's future earnings if any, its capital requirements and financial condition, and other relevant factors. The Company anticipates that all available funds will be invested to finance the growth of its business for the foreseeable future.

There is currently no market through which our securities, other than our Common Shares, may be sold.

There is currently no market through which our securities, other than our Common Shares, may be sold and, unless otherwise specified in the applicable prospectus supplement, our preferred shares, debt securities, subscription receipts, units and warrants will not be listed on any securities or stock exchange or any automated dealer quotation system. As a consequence, purchasers may not be able to resell preferred shares, debt securities, subscription receipts, units or warrants purchased under this prospectus. This may affect the pricing of our securities, other than our Common Shares, in the secondary market, the transparency and availability of trading prices, the liquidity of these securities and the extent of issuer regulation. There can be no assurance that an active trading market for our securities, other than our Common Shares, will develop or, if developed, that any such market, including for our Common Shares, will be sustained.

MINERAL PROJECTS

The Company's material property at the date of this AIF is its 44% (Fresnillo plc 56%) joint venture interest in the Juanicipio Project.

All of the Company's mining concessions are located in Mexico and are issued by the Federal Government of Mexico. All of the concessions held by the Company directly, through option agreement, or through Minera Juanicipio are up to date with respect to Mexican Mining Concession Taxes and work filing requirements.

The majority of the Company's mineral properties are located in remote and relatively uninhabited areas. There are currently no areas of interest to the Company within its mineral concessions that are overlain by significant habitation or industrial users. Notwithstanding this there are potential surface usage issues in some areas. Some surface rights are owned by local communities or "Ejidos" and some surface rights are owned by private ranching or dwelling interests. Exploration activities are not typically materially impacted by competing surface rights issues, although in some areas the Company has been required to negotiate compensation for surface rights holders in order to secure right of access. The Company is required to negotiate either leases or acquire surface rights outright in those areas where it may wish to develop mining operations. At the Juanicipio Project, Minera Juanicipio has acquired some surface rights overlying the Valdecañas and Juanicipio Veins.

In some of the more remote property locations, the access to water, power and basic infrastructure is limited or non-existent. Any mining operations undertaken in such areas will need to take the supply of such requirements into consideration. For the Juanicipio property, the available supply or the ability to establish supply, of water, power and infrastructure is considered to be adequate or manageable.

Juanicipio Project

The following summary of the Juanicipio Project is extracted from a technical report titled *"Technical Report on the Mineral Resource Update for the Juanicipio Joint Venture, Zacatecas State, Mexico" prepared by David Ross, Jason Cox and Holger Knutzelmann all of RPA (the "Juanicipio Technical Report*"), which was filed on SEDAR July 3, 2014 and dated June 12, 2014 as amended June 30, 2014 with the exception to the section titled "Subsequent Drilling" below. The complete report can be viewed on SEDAR at www.sedar.com. The detailed disclosure, including project description and location, climate, local resources, infrastructure, physiography, history, geological setting, exploration, mineralization, drilling sampling, and Mineral Resource estimates, are contained in the Juanicipio Technical Report. The Juanicipio Technical Report is incorporated by reference into this AIF. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the Juanicipio Technical Report.

Fresnillo and the Company have been considering alternate mine plans and other enhancements to the development of the Juanicipio Project from what is set out in the Juanicipio Technical Report. These possible changes include an increase in production rate from 2,650 tonnes per day to 4,000 tonnes per day and sinking an internal shaft (or winze) to access the deeper zone sooner. In addition, a new resource estimate incorporating further drilling will be incorporated into the mine plan. These changes, if approved by Minera Juanicipio, could result in a incremental increase in capital cost, a delay in the start-up of commercial production and an impact on the expected mine life of the project. A technical report incorporating these changes is expected to be completed in the second quarter of 2017 at the same time as a formal production decision is made by Minera Juanicipio.

Executive Summary

RPA was retained by MAG to update the mineral resource estimate and prepare an independent Technical Report on the Juanicipio Joint Venture in Zacatecas State, Mexico. This Technical Report conforms to NI 43-101. MAG requires this report to support the updated mineral resource estimate for the property prepared by RPA and disclosed in a press release. RPA has visited the property several times, most recently on May 27, 2014. This Technical Report was amended as of June 30, 2014, to include enhanced cautionary language.

The Juanicipio Project is owned by Minera Juanicipio, a joint venture between Fresnillo plc (Fresnillo, 56%) and MAG (44%), with Fresnillo acting as the operator. The major asset associated with the Juanicipio Joint Venture is a silver-gold-lead-zinc epithermal vein deposit.

An updated Preliminary Economic Assessment ("PEA") was carried out by AMC Mining Consultants (Canada) Ltd. ("AMC") in 2012 (the "2012 PEA"). The study defined Juanicipio as an economically robust, high-grade underground silver project exhibiting minimal financial or development risks that will produce an average of 15.1 million payable ounces of silver over the first full six years of commercial production and 10.3 million payable ounces per year over a 14.8 year total mine life. The 2012 PEA did not take into account any potential mining, processing, or infrastructure synergies from any association with the adjoining property owned by Fresnillo. The 2012 PEA was based on the resource estimate and model developed by Strathcona Mineral Services ("Strathcona") dated November 2011.

The economic analysis in the PEA is preliminary in nature and is based, in part, on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA will be realized.

On October 28, 2013, MAG announced that the Joint Venture had commenced underground development. The ramp advancement work is being conducted by a contractor using a conventional drill and blast method.

Conclusions

MAG and joint venture partner Fresnillo have made a major discovery of low-sulphidation epithermal vein mineralization, located in the southwest part of the world-class Fresnillo silver mining district. The discovery is located in the northeast corner of the property and consists of two silver-gold-lead-zinc epithermal structures known as the Valdecañas and Juanicipio vein systems. Most exploration on the property has focused on these two vein systems. There is good exploration potential remaining at the Juanicipio Vein and elsewhere on the property, which remains largely underexplored. A significant exploration budget is warranted.

The updated Mineral Resource estimate reflects the drill results available as of December 31, 2013 including 40 new infill diamond drill holes completed since the previous resource estimate. The new estimate demonstrates a conversion of previously classified Inferred Resources into the Indicated category and reports a deep lower grade resource separately. The Mineral Resources on the Juanicipio Project are contained within the Valdecañas Vein system and the Juanicipio Vein. The updated resource estimate uses a cut-off of US$70/tonne Net Smelter Return ("NSR"), which includes values for silver, gold and base metals.

The Valdecañas and Juanicipio Veins display the vertical grade transition from upper silver rich zones to deep gold and base metal dominant areas that is typical of Fresnillo District veins, and epithermal silver veins in general. Previous resource estimates were largely based on the upper silver rich zones with limited influence from the deep base metal dominant zone. The recent infill drilling has greatly improved discrimination of the vertical compositional zonations, allowing the updated Mineral Resource estimate reported here to be manually divided into the upper Bonanza Grade Silver Zone ("BGS Zone") and the Deep Zone (Tables 1-1 and 1-2). This division highlights both the improved confidence in the BGS Zone, through conversion of previously categorized Inferred Resources into Indicated Resources, and the initial definition of the Deep Zone.

The increased drill density provides a better understanding of the vein geometry and indicates that that the Valdecañas Vein comprises two overlapping "en-echelon" veins rather than a single vein offset by a fault. This reveals an area of overlap, with incrementally increased tonnage, especially in the BGS Zone. A number of new holes, targeted below the limits of the previous resource estimate, intersected significant widths (10.5 m to 25.8 m true thickness) of lower grade mineralization, which combined with previous deep intercepts led to the definition of the new Deep Zone resource.

TABLE 1-1 MINERAL RESOURCES BY METAL ZONE (100% BASIS)
MAG Silver Corp. - Juanicipio Joint Venture

Zone/Classification	Tonnage (Mt)	Grade Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Contained Metal Ag (M oz)	Au (k oz)	Pb (M lb)	Zn (M lb)
Bonanza Grade Silver Zone									
Indicated	8.3	601	1.7	2.0	3.7	160	448	365	676
Inferred	2.4	626	1.9	1.4	2.2	48	146	74	114
Deep Zone									
Indicated	1.8	93	1.7	1.4	2.6	5	97	54	102
Inferred	2.7	146	2.0	2.1	3.4	13	173	128	203

Notes:

1. CIM definitions were followed for the classification of Mineral Resources.
2. Mineral Resources are estimated at an incremental NSR cut-off value of US$70/tonne
3. NSR values are calculated in US$ using factors of $0.57 per g/t Ag, $30.11 per g/t Au, $9.07 per % Pb, and $12.21 per % Zn. These factors are based on metal prices of US$21.50/oz Ag, US$1,250/oz Au, $0.91/lb Pb, and $0.99/lb Zn and estimated recoveries and smelter terms.
4. The Mineral Resource estimate uses drill hole data available as of December 31, 2013.
5. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
6. Totals may not add correctly due to rounding.
7. Mineral Resource estimates are being updated based on recent drilling.

Combining the BSG Zone and the Deep Zone into a total resource by category, results in an overall increase in tonnage and a lower overall silver grade (Table 1-2).

TABLE 1-2 JUANICIPIO JOINT VENTURE MINERAL RESOURCES (100% BASIS)
MAG Silver Corp. - Juanicipio Joint Venture

Classification	Tonnage (Mt)	Grade Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Contained Metal Ag (M oz)	Au (k oz)	Pb (M lb)	Zn (M lb)
Indicated	10.1	511	1.7	1.9	3.5	166	544	419	778
Inferred	5.1	372	2.0	1.8	2.8	61	319	202	317

Notes:

1. CIM definitions were followed for the classification of Mineral Resources.
2. Mineral Resources are estimated at an incremental NSR cut-off value of US$70 per tonne.
3. NSR values are calculated in US$ using factors of $0.57 per g/t Ag, $30.11 per g/t Au, $9.07 per % Pb, and $12.21 per % Zn. These factors are based on metal prices of $21.50/oz Ag, $1,250/oz Au, $0.91/lb Pb, and $0.99/lb Zn and estimated recoveries and smelter terms.
4. The Mineral Resource estimate uses drill hole data available as of December 31, 2013.
5. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
6. Totals may not add correctly due to rounding.

In RPA's opinion the Juanicipio Project has the potential to be developed into an economically robust, high-grade underground silver project. Further drilling and investigation work aimed at upgrading Inferred Mineral Resources and increasing the geotechnical and hydrogeological understanding of the deposit is required to form a firm base for the next stage of project design and evaluation.

RPA notes several changes since the 2012 PEA that would have an insignificant impact on the overall economic results:

- Updated Mineral Resource as described in this report
- Metal Prices
- Payment Terms for concentrate
- Cost Escalation
- New Gold and Silver Tax (0.5% Gross Revenue)
- New Mining Tax (7.5% on EBITDA)
- Increased Corporate Tax rate (30% from 28%)
- Increase in cut-off grade used to report Mineral Resources

RPA would expect an updated PEA to have similar economic results as the 2012 PEA, and believes that the 2012 PEA remains a reasonable representation of the property's economic potential.

Recommendations

The Juanicipio Project hosts a significant silver-gold-lead-zinc deposit and merits considerable additional exploration and development work. RPA recommends a budget of US$22.6 million (Table 1-3) for 2014 to advance the access ramp to the Valdecañas vein system and to explore elsewhere on the property. Work should include:

- Continuing to advance the underground access ramp. The budget in the 2012 PEA estimates this work to be $11.4 million with MAG's 44% share being $5 million.
- 10,000 m of drilling at the Valdecañas vein system to obtain a drill hole spacing no greater than 100 m in both the along-strike and up- and down-dip directions.
- 10,000 m of drilling for a property-wide exploration program including mapping, and drilling of new targets. Key criteria should be known mineralization, lineaments, and alteration.

In addition to the ramp advancement and continued drilling, RPA recommends the continuation of the environmental, engineering, and metallurgical studies as recommended in the 2012 PEA.

TABLE 1-3 PROPOSED BUDGET (100% BASIS)
MAG Silver Corp. - Juanicipio Joint Venture

Item	US$ M
Ramp advancement	11.4
Drilling (~20,000 m)	3.6
Interpretation, resource update, etc.	0.1
Geotechnical and Engineering Studies	1.2
Metallurgical and Mill Design Studies	1.1
Permitting and Environmental Work	0.9
Operating Costs / Office	1.2
Infrastructure Studies	1.0
Sub-total	20.5
Contingency (10%)	2.1
Total	**22.6**

Technical Summary

Property Description and Location

The Juanicipio Joint Venture consists of a single concession covering 7,679.21 ha in central Zacatecas State, Mexico. It is centred at approximately 102° 58' east longitude and 23° 05' north latitude.

Land Tenure

The Juanicipio 1 exploitation concession has a 50 year life from the date it was issued and will expire on December 12, 2055. The Juanicipio Joint Venture holds the surface ownership over the area of interest in the northeast portion of the property which encompasses the Valdecañas Vein system, Juanicipio Vein, and the proposed tailings storage site north of the Juanicipio 1 mining concession.

Site Infrastructure

Site infrastructure consists of the following items:

- a series of roads used to access drill sites, the decline and the mill site,
- an underground access portal, and the start of an underground access ramp,
- a surface explosive magazine, and
- interim power lines.

History

Silver mineralization in the Fresnillo area was discovered in 1554. Although no records exist prior to the 1970s, the Juanicipio Project was likely prospected sporadically over the years because of its proximity to the Fresnillo mining area.

Industrias Peñoles S.A. de C.V. ("Peñoles") drilled several holes to the northeast of the property in the 1970s and 1980s. Detailed exploration of the areas adjoining the Juanicipio Project was initiated by Fresnillo in 2006 based on results from the Valdecañas Vein discovery.

From 1998 to 2001, Minera Sunshine S.A. de C.V. ("Minera Sunshine") completed an exploration program consisting of property-wide geological mapping, preliminary rock chip sampling, and Landsat image and air photo analysis. This was followed by more detailed geological mapping in areas of interest, additional Landsat image analysis, detailed geochemical sampling, and a limited Natural Source Audio Magnetotelluric ("NSAMT") geophysical survey. Drilling targets were identified, prioritized and fully permitted but never drilled due to Minera Sunshine's bankruptcy.

In July 2002, Minera Lagartos S.A. de C.V. ("Minera Lagartos") optioned the Juanicipio 1 concession. On August 8, 2002, MAG entered into an agreement whereby it could acquire 98% of the issued and outstanding shares of Minera Lagartos. This agreement was later amended such that MAG could acquire a 99% interest in Minera Lagartos and a beneficial ownership of the remaining 1% interest.

From May 2003 to June 2004, MAG completed 10 drill holes for a total of 7,595 m and during this exploration program, discovered the Juanicipio Vein and cut what would later be discovered to be the upper and deep parts of the Valdecañas Vein outside of the thick and high grade Bonanza Zone.

On April 4, 2005, MAG announced that it had entered into a joint venture agreement with Peñoles whereby Peñoles could earn a 56% interest in the property. Fresnillo, then Peñoles' wholly-owned operating division, and MAG formed a new company, Minera Juanicipio, to operate the joint venture.

On July 25, 2008, MAG filed a technical report on the Juanicipio Project which included an initial Mineral Resource estimate. That report covered work on the property to December 31, 2007. The Mineral Resource estimate was then updated by RPA (then Scott Wilson RPA) in early 2009 based on drill hole results available to January 29, 2009. On September 14, 2009, MAG announced the results of the independent preliminary assessment by Tetra Tech WEI Inc. for development of the Valdecañas Vein as a potential stand-alone silver mine. On December 1, 2010, MAG announced a Juanicipio resource estimation and update prepared by RPA (then Scott Wilson RPA). A NI 43-101 technical report to support the resource update was filed on SEDAR on January 14, 2011. On November 10, 2011, MAG announced an updated Juanicipio resource estimate prepared by Strathcona on behalf of Minera Juanicipio. On December 19, 2011, MAG announced an updated resource estimate by RPA. On June 14, 2012, MAG announced an updated PEA study prepared by AMC on behalf of Minera Juanicipio. The 2012 PEA was based on the resource model prepared by Strathcona.

Geology

The Juanicipio Project lies on the western flank of the Central Altiplano, just east of the Sierra Madre Occidental range. Basement rocks underlying the western Altiplano are a late Palaeozoic to Mesozoic assemblage of marine sedimentary and submarine volcanic rocks belonging to the Guerrero Terrane that were obducted onto older Palaeozoic and Precambrian continental rocks during the early Jurassic. These were then overlapped by a Jurassic-Cretaceous epi-continental marine and volcanic arc sequence that in the Fresnillo area is represented by the Proaño and Chilitos formations. The late Cretaceous to early Tertiary Laramide Orogeny folded and thrust faulted the basement rocks in the entire area and preceded the emplacement of mid-Tertiary plutons and related dykes and stocks.

On the Juanicipio Project, the dominant structural features are: (i) 340° to 020°, or north-south structures; (ii) 290° to 310° trending, steeply dipping faults; and (iii) lesser 040° to 050° structures. From field observations, the north-south structures appear to be steeply dipping normal faults that cut and down-drop blocks of silicified tuff, especially in the vicinity of Linares Canyon. More important to the silicification appears to be the 290° to 310° trending, steeply to moderately dipping faults. These faults occur where silicification and advanced argillic alteration are most intense and may have served as major hydrothermal fluid pathways.

The two significant silver-gold epithermal structures discovered to date on the Juanicipio Project are known as the Valdecañas and Juanicipio vein systems. Both veins strike east-southeast and dip 35° to 55° southwest. The Valdecañas structure hosts the majority of the Mineral Resources currently estimated on the property.

Mineralization consists of precious metal rich, banded, or brecciated quartz-pyrargyrite-acanthite-polybasite-galena-sphalerite veins. The veins have undergone multiple mineralizing events as suggested by various stages of brecciation and quartz sealing, local rhythmic microcrystalline quartz-pyrargyrite banding, and open-space cocks-comb textures and vuggy silica. The vein exhibits the characteristic metal zoning of the principal veins in the Fresnillo district, observed as a change from silver and gold rich zones at the top to increased base metals in the deeper intersections.

Mineral Resources

A set of cross sections and plan views were interpreted to construct three-dimensional wireframe models of the mineralized veins using the descriptive logs, a minimum NSR value of approximately US$70 per tonne, and a minimum thickness of two metres. Prior to compositing to two metre lengths, high grades were cut to 6,000 g/t Ag, 16 g/t Au, and 15% for both lead and zinc. Classification into the Indicated and Inferred categories was guided by the drill hole density and the apparent continuity of the mineralized zones.

The updated Mineral Resource estimate dated December 31, 2013 is listed in Table 1-1.

The following summary sections are summarized from the NI 43-101 Technical Report on the Juanicipio Project prepared by AMC dated July 1, 2012. In RPA's opinion, these sections remain reasonable for this stage of study.

Geotechnical Considerations

Cretaceous sedimentary rocks, which host the veins, are overlain by Tertiary volcanic rocks across the majority of the project site, except for two surface outcrops located southwest of the Valdecañas Vein. Rock quality in moderate to slightly weathered Cretaceous sedimentary rocks typically consists of poor to fair quality rocks with localized zones of high fracture frequency. Rock quality within the Tertiary volcanic rocks varies greatly from extremely poor to good. Veins are characterized by typically good rock quality, but geotechnical data relating to the veins is extremely limited.

Hydrogeological information on the project area has not yet been collected. The study assumes that the rock mass in the project area will be generally dry except in fault zones, which have been assumed to produce medium inflows.

Mining Methods

AMC considered use of the following stoping methods at the project:

- Down-hole benching with uncemented rockfill (modified Avoca).
- Long-hole open stoping ("LHOS") with cemented backfill.
- Cut-and-fill with uncemented backfill.

In AMC's opinion, LHOS with cemented backfill is the most suitable method for the veins, mainly because of the higher recovery achievable using this method. LHOS with cemented backfill can be used in both steeply dipping and shallow dipping parts of the deposit. It is envisaged that some steeper dipping lower grade parts of the veins will be mined using the lower cost Avoca method.

Truck haulage, shaft hoisting, and conveying were considered for transferring ore and waste from the mine workings to surface. The trucking option was selected on the basis of its lower up-front capital cost and lower overall net present cost. However, there are relatively small cost differences between the options and the trucking option is sensitive to future increases in fuel and labour costs. In AMC's opinion ongoing consideration is warranted on the option of constructing a hoisting shaft to a depth of about 450 m.

It is envisaged that access to the mine will be via a decline driven at a nominal gradient of 1:7. The access decline will connect to a number of internal declines providing access to stoping levels positioned at either 15 m or 20 m vertical intervals, depending on the dip of the vein. It is envisaged that mining will be carried out using modern trackless mining equipment. The proposed mine ventilation circuit will include a number of ventilation shafts, raise bored from surface.

Mineral Processing

Two sets of metallurgical test work were carried out in 2008 and 2009, on metallurgical samples composited from drill holes samples taken from the Valdecañas Vein. No metallurgical test work has yet been carried out relating to the Juanicipio Vein.

The proposed process plant consists of a comminution circuit followed by the sequential flotation of a silver-rich lead concentrate, a zinc concentrate, and a gold-rich pyrite concentrate.

It is envisaged that the process plant will commence operation at a throughput rate of 850,000 tpa, which will be increased to 950,000 tpa when production from the Juanicipio Vein commences.

Estimated mill recoveries and concentrate grades are summarized in Table 1-4.

TABLE 1-4 MILL RECOVERIES AND CONCENTRATE GRADES
MAG Silver Corp. - Juanicipio Joint Venture

	Gold	Silver	Lead	Zinc
Recoveries to lead concentrate	69%	81%	93%	8%
Lead concentrate grades	30.3 g/t	10,265 g/t	43.0%	6.7%
Recoveries to zinc concentrate	3%	7%	1%	87%
Zinc concentrate grades	0.95 g/t	637 g/t	0.33%	52.0%
Recovery to pyrite concentrate	19%	6%	–	–

Project Infrastructure

A 9.8 km access road, mostly over hilly terrain, will be required to access the site. A two-lane unsealed road suitable for use by heavy vehicles hauling concentrates is proposed.

Power would be supplied to a main substation at the site via a 115 kV overhead power line from an existing power line and substation located to the north of the property. The line would have a length of approximately 5.2 km. The average power demand for the site is estimated at 11.9 MW.

Three water catchment dams are envisaged for the site. The dams would be used to store water from the mine dewatering system and from rainfall. A hydrogeological study will be carried out during further studies.

The Joint Venture has purchased 125 ha of relatively flat-lying land suitable and adequate for the proposed five million cubic metres tailings storage facility ("TSF"). This land lies to the northeast of the proposed mill site along the proposed access road from the JV area to the regional highway. The necessary detailed environmental and geotechnical studies for this TSF site have been outlined but not yet initiated.

Project Development and Production Schedule

Following satisfactory completion of further studies, and subject to the application for and grant of the necessary permits and licenses, it is estimated that it will take approximately three and a half years to develop the project from the start of the box cut and portal to mill start-up.

The estimated tonnage and grade of material mined and processed that forms the basis for the economic assessment is set out in Table 1-5. Mill feed from vein development comprises approximately 19% of total mill feed, with the remainder from stoping operations. An updated resource taking into account recent drilling is being prepared and is expected in the second quarter of 2017.

TABLE 1-5 TONNAGE OF MATERIAL MINED AND PROCESSED AS A BASIS FOR THE PRELIMINARY ECONOMIC ASSESSMENT
MAG Silver Corp. - Juanicipio Joint Venture

		Grade				Contained Metal			
	Million Tonnes	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Au (koz)	Ag (Moz)	Pb (Mlb)	Zn (Mlb)
Material derived from Indicated Resources	5.3	1.88	667	2.1	4.1	318	113	242	472
Material derived from Inferred Resources	4.9	1.46	408	1.6	2.9	230	65	169	311
External dilution	0.2	1.80	209	1.8	3.0	9	1	6	11
Waste	3.0	0	0	0	0	0	0	0	0

Note: The tonnage and grades of the material mined and processed were derived from the 2011 Strathcona Mineral Resources. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability

The tonnages and grades shown in Table 1-5 do not reflect the 2014 updated Mineral Resource estimate that includes 40 new infill diamond drill holes completed since the previous resource estimate, but rather have been derived from the Mineral Resource estimate and vein model prepared in 2011 by Strathcona by applying a $65 NSR cut-off grade to the resource model and then allowing for dilution, and design and mining losses. Metal prices used in the NSR calculation were $1,210 per ounce gold, $22.10 per ounce silver, $0.94 per pound lead, and $0.90 per pound zinc and an exchange rate of 12.50 Mexican pesos to one U.S. dollar. In developing the tonnage and grade estimates, stope blocks that were in contact with the property boundaries were excluded and zero grades have been assumed for the dilution material.

Capital and Operating Costs

Project capital is estimated at $302 million, inclusive of capitalized operating costs (costs usually related to the operation of the mine, but incurred prior to first concentrate production). Sustaining capital of $267 million results mainly from the need for ongoing mine development after concentrate production commences, including development of the Juanicipio Vein, and the need for mobile equipment replacements over the mine life.

Total site operating costs have been estimated at approximately $67/t milled. The unit costs are broken down as follows:

- Mining: $43.92/t milled.
- Milling: $19.18/t milled.
- General and Administration: $3.46/t milled.

Project Revenue

Project economics have been analyzed using the following metal prices (Base Case Prices), which are based on the three year trailing average prices to the year ending December 2011:

- Silver price = $23.39/oz
- Gold price = $1,257/oz
- Lead price = $0.95/lb
- Zinc price = $0.91/lb

It is envisaged that silver rich zinc concentrate will be sold primarily to smelters in the Asian region. Lead concentrate could potentially be sold to a smelter in Mexico or exported to offshore smelters. The gold-rich pyrite concentrate will be sold to a customer able to recover the gold and silver values.

Economic Analysis

The economic analysis in the PEA is preliminary in nature and is based, in part, on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA will be realized.

Table 1-6 summarizes the results of the economic analysis. Employee profit sharing ("PTU") is not included in the financial estimates and the net present value ("NPV") and internal rate of return ("IRR") of the project may fluctuate depending on how the project is structured once it is in operation.

TABLE 1-6 SUMMARY OF FINANCIAL RESULTS
MAG Silver Corp. - Juanicipio Joint Venture

Item	Units	Value
Revenue	$M	4,992
Cash flow before tax	$M	3,013
Tax	$M	851
Cash flow after tax	$M	2,162
Discount rate	%	5%
NPV before tax (5% discount rate)	$M	1,762
IRR before tax	%	54%
NPV after tax (5% discount rate)	$M	1,233
IRR after tax	%	43%
Peak debt	$M	(302)
Payback from Year 1 (approximate)	yrs	5.6
Payback from mill start-up (approximate)	yrs	2.1
Project life from Year 1	yrs	19

Note: PTU is not included in the financial estimates.

Subsequent to the year ended December 31, 2016, it was announced that Fresnillo and the Company have been considering alternate mine plans and other enhancements to the development of the Juanicipio Project from what is set out in the Juanicipio Technical Report. These possible changes include an increase in production rate from 2,650 tonnes per day to 4,000 tonnes per day and sinking an internal shaft (or winze) to access the deeper zone sooner. In addition, a new resource estimate incorporating further drilling will be incorporated into the mine plan. These changes, if approved by Minera Juanicipio, could result in a incremental increase in capital cost, a delay in the start-up of commercial production and an impact on the expected mine life of the project. A technical report incorporating these changes is expected to be completed in the second quarter of 2017 at the same time as a formal production decision is made by Minera Juanicipio.

Sensitivity

The NPV of the project is most sensitive to changes in the silver price and will have similar sensitivity to silver head grade. The NPV is less sensitive to costs. The project maintains a positive NPV over the range of sensitivities tested.

Subsequent Drilling

The assay results below are not included in the Juanicipio Technical Report.

Deep Drilling Program (2015)

Four new exploration step-out holes were targeted approximately 100 metres below the existing "Deep Zone" Indicated and Inferred Resources. The four holes were drilled on 150 metre centres over a strike length of approximately 500 metres below the en echelon overlap zone between the East and West Valdecañas Veins and include the three widest and deepest intercepts to date on the property (see Table 1-7).

These intercepts widen progressively up to 32.09 metres (true widths) towards the east in the central portion of the property, significantly extending the widening Deep Zone to depth. The intercepts also show significant amounts of calc-silicate (skarn) alteration in and around the veins and the first significant copper values for the entire area; both indications of higher temperature mineralization conditions. The high silver and gold in Holes P2 and P3 coincide with zones of overprinted quartz veins that cut across earlier base-metal rich calc-silicate vein stages, indicating superimposition of an additional precious-metals rich vein stage.

Table 1-7: Exploration Step Out Holes P1-P4(1)(4)

Hole-ID Valdecañas Vein West ("W") East ("E")	From	To	Interval (m) (3)	True Width (m) (2)(3)	Gold (g/t) (3)	Silver (g/t) (3)	Silver (opt)(3)	Lead (%)	Zinc (%)	Copper (%)
P1 (W)	941.80	955.30	13.50	11.69	1.45	103	3.0	2.24	4.31	0.18
Incl	941.80	949.20	7.40	6.41	1.96	169	4.9	3.60	7.03	0.26
Incl	943.00	947.20	4.20	3.64	3.12	213	6.2	3.25	8.19	0.32
P2 (W)	981.50	1010.15	28.65	22.06	2.98	195	5.7	5.36	6.64	0.45
Incl	984.55	986.20	1.65	1.27	0.61	267	7.8	11.75	13.67	0.21
Incl	992.65	994.90	2.25	1.73	11.40	97	2.8	2.25	4.87	0.25
Incl	995.95	1008.95	13.00	10.01	3.85	308	9.0	8.67	8.39	0.73
Incl	999.95	1002.95	3.00	2.31	0.48	466	13.6	4.58	10.02	1.70
Incl	1006.95	1008.95	2.00	1.54	14.55	403	11.8	16.33	16.50	0.22
Incl	1006.95	1007.95	1.00	0.77	16.00	564	16.5	20.00	14.20	0.20
*or**	*1006.95*	*1007.95*	*1.00*	*0.77*	*84.70*	*564*	*16.5*	*20.00*	*14.20*	*0.20*
P3-2 (E)	761.50	764.25	2.75	2.12	1.13	467	13.6	2.39	6.38	0.04
and (W)	940.20	974.55	34.35	26.45	2.65	405	11.8	3.22	4.09	0.37
Incl	948.25	950.25	2.00	1.54	9.45	172	5.0	7.78	6.78	0.30
incl	959.55	972.80	13.25	10.20	4.94	919	26.8	5.25	4.87	0.62
incl	963.55	964.55	1.00	0.77	16.00	770	22.5	7.98	18.35	0.62
*or**	*963.55*	*964.55*	*1.00*	*0.77*	*161.5*	*770*	*22.5*	*7.98*	*18.35*	*0.62*
incl	969.20	972.80	3.60	2.77	8.26	2,804	81.8	4.99	2.66	1.04
*or**	*969.20*	*972.80*	*3.60*	*2.77*	*8.26*	*8,751*	*255.2*	*4.99*	*2.66*	*1.04*
incl	969.80	970.80	1.00	0.77	11.50	6,000	175.0	8.28	2.90	2.18
*or**	*969.80*	*970.80*	*1.00*	*0.77*	*11.50*	*27,411*	*799.5*	*8.28*	*2.90*	*2.18*
P4 (W)	1006.00	1051.20	45.20	32.09	0.80	137	4.0	1.50	6.50	0.82
incl	1006.00	1023.25	17.25	12.25	1.50	118	3.4	2.77	14.52	0.44
incl	1007.55	1017.30	9.75	6.92	2.29	127	3.7	3.79	18.78	0.33
incl	1010.55	1014.25	3.70	2.63	0.42	128	3.7	5.10	25.24	0.27
incl	1015.25	1017.30	2.05	1.46	9.43	201	5.9	2.69	16.87	0.78
incl	1039.35	1050.20	10.85	7.70	0.17	326	9.5	1.79	3.86	2.36
incl	1039.35	1042.35	3.00	2.13	0.11	672	19.6	5.65	6.78	4.18

(1) Cross section and longitudinal sections diagrams available at www.magsilver.com/s/NewsReleases.asp?ReportID=704889.

(2) True widths were estimated/measured from cross sections.

(3) Legend: metres ("m"); grams per tonne ("g/t"); ounces per ton ("opt").

(4) Unless otherwise indicated with an asterick (*) as uncapped, all silver assays over 6,000 g/t were capped at 6,000 g/t and all gold assays over 16 g/t were capped at 16 g/t, consistent with the capping used for the existing Indicated and Inferred Resources (Amended Technical Report).

Deep Drilling Program (2015 & 2016)

The drill results from twelve (12) step-out exploration holes were released in August 2016 (Table 1-8), and demonstrate the continuity of high-grade, multi-stage precious and base metals mineralization now beneath both the East and the West Vein Bonanza Zones. Mineralization is traceable over a strike length exceeding 800 metres and to a depth of 200 to 300 metres beneath the current resource estimate. Mineralization widths range from approximately 5 metres to over 29 metres with the thickest intercepts occurring where the dip of the veins steepen creating thickened "dilatant zones" that remain open to depth and laterally to the joint venture boundaries: approximately 450 metres to the west and over 700 metres to the east.

Valdecañas is an en echelon vein system comprised of overlapping East and West Veins, and the new Deep Zone, collectively the mineralization below the East and the West Vein Bonanza Zones.

Deep Zone East Vein
New Discovery of Deep Zone East: The best intercept is in hole VM2, with 29.85 metres (true width) grading 235 grams per tonne ("g/t") (6.87 ounces per ton "opt") silver, 0.50 g/t gold, 4.76% lead, 5.79% zinc, 0.99% copper; including 7.21 metres (true width) carrying 475 g/t (13.86 opt) silver; 0.66 g/t gold, 1.91% lead, 5.27% zinc and 2.38% copper. Higher grade zones within the overall intercept include very high-grade lead (>40%) and high-grade silver (1,290 g/t) associated with the highest copper values (6.79%) reported to date on the property (Table 1-8).

Deep Zone West Vein
P6 is the best new hole in the Deep Zone West cutting 22.90 metres (true width) grading 119 g/t (3.47 opt) silver, 1.13 g/t gold, 4.18% lead, 11.89% zinc and 0.27% copper; including 2.87 metres (true width) grading 292 g/t (8.52 opt) silver, 4.48 g/t gold, 13.24% lead, 24.92% zinc and 0.55% copper (Table 1-8). This hole is a 100 metre offset to Hole P3, the best hole of the previous program.

Anticipada Vein

The drilling also resulted in the discovery of the "Anticipada Vein" (VANT in Table 1-8), a newly recognized vein of unclear geometry lying about 100 metres into the hanging wall of the East Vein. It has been cut in five holes and swells from 0.8 metres (true width) in Hole VM2 to 6.68 metres (true width) in Hole P13 where it grades 105 g/t (3.06 opt) silver, 2.69 g/t gold, 3.59% lead, 10.79% zinc and 0.23% copper.

Table 1-8: Exploration Step Out and Infill Drill Holes (1)

Hole-ID	Vein[1]	From	To	Interval	True Width[2]	Au (g/t)	Ag (g/t)	Ag (opt)	Pb (%)	Zn (%)	Cu (%)
P5	V1W	1016.20	1033.15	16.95	15.37	1.59	110	3.20	2.85	7.21	0.30
incl.	V1W	1021.15	1033.15	12.00	10.88	2.14	140	4.07	3.51	8.83	0.41
incl.	V1W	1021.15	1029.95	8.80	7.98	2.77	163	4.77	4.18	10.24	0.42
incl.	V1W	1027.35	1029.95	2.60	2.36	5.99	211	6.14	4.29	12.73	0.47
P6	V1W	1057.65	1102.50	44.85	34.35	0.78	84	2.46	2.98	8.66	0.19
incl.	V1W	1072.60	1102.50	29.90	22.90	1.13	119	3.47	4.18	11.89	0.27
incl.	V1W	1077.75	1102.50	24.75	18.96	1.34	126	3.68	4.19	12.42	0.30
incl.	V1W	1094.40	1102.50	8.10	6.20	2.84	237	6.92	9.32	18.32	0.43
incl.	V1W	1096.80	1100.55	3.75	2.87	4.48	292	8.52	13.24	24.92	0.55
incl.	V1W	1099.55	1100.55	1.00	0.77	16.00	365	10.65	13.00	13.60	0.96
P7	V1W	1152.55	1163.95	11.40	8.73	0.03	49	1.42	0.61	2.69	0.19
incl.	V1W	1154.50	1157.20	2.70	2.07	0.06	117	3.41	2.06	6.88	0.50
P8	V1W	1031.95	1050.45	18.50	14.17	0.17	50	1.47	1.17	3.10	0.21
incl.	V1W	1035.50	1041.10	5.60	4.29	0.44	130	3.80	2.90	7.15	0.56
P9	V1W	1086.60	1090.00	3.40	2.10	0.04	12	0.34	1.21	0.69	0.01
and	SK	1178.90	1233.00	54.10	34.77	0.00	18	0.54	0.11	1.45	0.09
P10	V1W	1119.50	1127.30	7.80	5.98	1.17	87	2.53	0.87	6.40	0.34
incl.	V1W	1120.30	1124.45	4.15	3.18	2.09	149	4.34	1.47	11.51	0.58
P11	V1E	935.25	978.35	43.10	27.70	1.72	75	2.18	1.96	3.36	0.23
incl.	V1E	946.95	948.20	1.25	0.80	16.00	95	2.77	2.61	3.89	0.36
incl.	V1E	953.10	954.30	1.20	0.77	10.80	99	2.89	0.15	0.62	0.62
incl.	V1E	976.00	977.20	1.20	0.77	3.52	478	13.94	20.00	18.10	0.56
P12	VANT	1110.15	1116.05	5.90	4.52	0.44	136	3.98	1.94	1.92	0.68
incl.	VANT	1111.15	1113.35	2.20	1.68	0.38	260	7.59	4.93	2.33	1.62
and	V1E	1206.50	1220.25	13.75	10.53	0.01	113	3.29	0.71	3.98	0.54
and	SK	1220.25	1262.75	42.50	NA	0.01	7	0.21	0.13	0.94	0.03
P13	VANT	1030.15	1040.55	10.40	6.68	2.69	105	3.06	3.59	10.79	0.23
incl.	VANT	1035.95	1039.05	3.10	1.99	5.05	127	3.72	2.48	14.31	0.34
and	V1E	1141.65	1149.00	7.35	5.63	0.16	147	4.27	1.07	3.28	0.40
incl.	V1E	1144.45	1145.45	1.00	0.77	0.07	387	11.29	5.92	10.15	1.58
VM1	VANT	718.65	722.00	3.35	3.42	0.74	40	1.15	0.76	6.55	0.06
and	V1E	792.50	798.75	6.25	5.12	1.04	130	3.81	1.15	3.00	0.64
incl.	V1E	793.90	794.60	0.70	0.57	4.02	435	12.69	0.29	7.94	2.34
VM2	VANT	779.45	780.60	1.15	0.80	0.12	350	10.21	7.79	15.45	0.67
and	V1E	889.75	926.20	36.45	29.85	0.50	235	6.87	4.76	5.79	0.99
incl.	V1E	896.50	905.30	8.80	7.21	0.66	475	13.86	1.91	5.27	2.38
incl.	V1E	904.40	905.30	0.90	0.74	0.03	1290	37.63	4.35	13.05	6.79
incl.	V1E	913.85	915.50	1.65	1.35	2.16	716	20.88	40.35	12.55	0.17
VM3	VANT	720.00	723.55	3.55	2.91	0.18	191	5.57	0.36	1.06	0.02
and	V1E	822.20	837.40	15.20	13.16	1.42	122	3.56	4.71	2.75	0.46
incl.	V1E	827.75	828.75	1.00	0.87	4.30	378	11.03	26.65	4.08	0.96

1 V1W = Valdecañas Vein West; V1E = Valdecañas Vein East; VANT = Anticipada Vein; SK = zone of skarn alteration.

2 True widths were estimated from cross sections and core angles. Where indicated as "NA" the true width of the structure cannot be reasonably estimated.

3 All silver assays over 6,000 g/t were capped at 6,000 g/t and all gold assays over 16 g/t were capped at 16 g/t, consistent with the capping used for the existing Indicated and Inferred Resources.

Deep Drilling Program (2016 & 2017)

Thirteen (13) exploration and infill drill holes that further extend wide, high-grade mineralization in the Deep Zones (Table 1-9) of the Valdecañas Vein System, were reported by the Company in February 2017. The Deep Zone West has now been traced over 550 meters ("m") in strike length, almost to the western claim boundary, with vein widths ranging from 11.4m to 26.5m and a minimum vertical height of 200m. The best hole from this zone reported here is P17 which cut 9.70m (true width) grading 120 grams per tonne ("g/t") (3.51 ounces per ton ("opt")) silver, 2.46 g/t gold, 5.55% lead, 5.08% zinc, 0.21% copper. The Deep Zone East is continuous over 750m of strike length with widths ranging from 5.6m to 29.9m over a vertical extent up to 300m and appears more irregular than the Deep Zone West. Both Deep Zones show elevated gold with the highest gold appearing in Hole VM6 in the Deep Zone East, which cut 5.20m (true width) grading 333 g/t (9.72 opt) silver, 16.87 g/t gold; *4.47% lead, 3.77% zinc, 1.04% copper, including: 1.44m (true width) grading 854 g/t (24.91 opt silver); 54.67 g/t gold, 3.21% lead, 2.72% zinc, 2.28% copper* (Table 1-9).

Significantly, the recently discovered *Anticipada Vein*, which lies in the hangingwall of the Deep Zone East has also been extended to over 700m in length, with widths ranging from 2.0m to 12.8m and a vertical extent of 100m to 350m. The best new Anticipada intercept is Hole VM6 which cut 5.60m (true width) grading 177 g/t (5.15 opt) silver, 7.36 g/t gold, 2.39% lead, 6.31% zinc and 0.12% copper, including: 3.15m (true width) grading 283 g/t (8.25 opt silver); 12.62 g/t gold, 3.62% lead, 8.42% zinc, 0.17% copper.

Table 1-9: Exploration Step Out Holes(3)

Hole-ID	Vein1	From	To	Interval	True Width2	Au (g/t)	Ag (g/t)	Ag (opt)	Pb (%)	Zn (%)	Cu (%)
P17	V1W	1242.00	1252.90	10.90	9.70	120	3.51	2.46	5.55	5.08	0.21
Incl.	V1W	1250.10	1250.75	0.65	0.57	379	11.05	4.89	16.2	13.65	0.8
VM6	VANT	783.50	790.60	7.10	5.60	177	5.15	7.36	2.39	6.31	0.12
incl.	VANT	784.50	788.50	4.00	3.15	283	8.25	12.62	3.62	8.42	0.17
and	V1E	961.20	972.55	11.35	5.20	333	9.72	16.87	4.47	3.77	1.04
incl.	V1E	963.65	966.80	3.15	1.44	854	24.91	54.67	3.21	2.72	2.28
P18	VANT	1110.10	1114.15	4.05	3.95	58	1.70	1.09	0.68	2.27	0.08
and	V1E	1174.75	1182.85	8.10	6.90	109	3.18	2.00	1.27	3.23	0.57
P16	VANT	889.60	892.10	2.50	2.30	69	2.00	0.17	2.25	11.66	0.08
and	V1E	1067.95	1069.30	1.35	1.10	13	0.38	0.12	0.16	4.43	0.07
P19	TBD	737.30	739.30	2.00	1.40	888	25.90	0.84	0.82	2.03	0.07
and	VANT	878.50	881.00	2.50	2.00	17	0.50	0.33	0.54	2.83	0.03
and	V1E	1012.65	1013.25	0.60	0.45	39	1.14	0.11	0.15	0.18	0.11

Table 1-10: Infill Drill Holes (3)

Hole-ID	Vein1	From	To	Interval	True Width2	Au (g/t)	Ag (g/t)	Ag (opt)	Pb (%)	Zn (%)	Cu (%)
RV3	V1W	676.45	680.25	3.80	2.90	138	4.04	0.25	0.04	0.77	0.01
RV2	V1W	833.85	838.50	4.65	3.30	112	3.26	1.04	0.58	1.61	0.05
and	V2W	855.65	859.15	3.50	3.00	206	6.02	0.30	0.63	1.46	0.04
RV1	V1E	709.65	711.30	1.65	1.50	38	1.11	0.07	0.11	0.17	0.01
and	V1W	891.90	899.80	7.90	6.40	229	6.69	5.16	7.63	8.39	0.56
and	TBD	967.50	971.30	3.80	2.60	53	1.54	3.00	0.60	4.20	0.13
RV5	V1W	535.10	540.35	5.25	3.50	2009	58.59	6.94	0.36	0.74	0.03
RV4	TBD	411.70	418.15	6.45	N/A	271	7.91	4.80	0.00	0.01	0.01
and	V1E	786.70	787.40	0.70	0.50	379	11.05	0.49	8.32	0.60	0.02
and	V1W	938.25	948.05	9.80	6.00	151	4.39	2.50	2.46	3.92	0.21
VM10	V1E	274.60	274.80	0.20	0.20	697	20.33	0.62	0.00	0.01	0.00
and	V1W	290.06	291.43	1.37	1.37	449	13.10	1.25	0.03	0.02	0.00
RV6	VANT	934.75	949.85	15.10	9.60	203	5.93	1.97	6.20	7.82	0.39
incl.	VANT	945.90	949.85	3.95	2.83	340	9.91	3.75	14.74	13.40	0.30
and	V1E	1011.40	1014.20	2.80	1.50	60	1.74	0.14	0.93	0.64	0.41
P14	VANT	1163.15	1164.40	1.25	1.25	23	0.67	0.42	0.44	3.38	0.03
and	V1E	1227.10	1229.90	2.80	2.40	60	1.76	0.43	0.28	1.40	0.38
and	V1W	1258.40	1261.20	2.80	2.30	4	0.11	0.11	0.02	0.04	0.00

(1) V1W = Valdecañas Vein West; V1E = Valdecañas Vein East; V2W = West Footwall Vein; VANT = Anticipada Vein; SK = zone of skarn alteration; TBD = To be determined.
(2)True widths were estimated from cross sections and core angles. Where indicated as "NA" the true width of the structure cannot be reasonably estimated.
(3)Uncapped assays.

Drilling results from the Deep Zone show the typical thickening and complementary thinning of a classic "dilatant zone" stemming from steepening and flattening of the veins. The horizontally-elongated dilatant zone in the Deep Zone West remains consistently wide (9.7m to 26.5m) towards the western property boundary with considerable room for expansion downwards and along strike to depth. The Deep Zone East-Anticipada Vein geometries appear more complex, with the Deep Zone East becoming less consistent eastward while Anticipada becomes stronger in the same direction. The emerging relationships indicate that Anticipada may be the dominant site of deep mineralization towards the east.

An updated resource taking into account recent drilling is being prepared and is expected in the second quarter of 2017.

Qualified Person: Dr. Peter Megaw, Ph.D., C.P.G., has acted as the qualified person as defined in National Instrument 43-101 for this disclosure and supervised the preparation of the technical information in this report. Dr. Megaw has a Ph.D. in geology and more than 35 years of relevant experience focused on silver and gold exploration in Mexico. He is a Certified Professional Geologist (CPG 10227) by the American Institute of Professional Geologists and an Arizona Registered Geologist (ARG 21613). Dr. Megaw is not independent as he is Chief Exploration Officer (CXO) and a Shareholder of MAG and is a vendor of projects, other than Juanicipio, whereby he may receive royalties. Dr. Megaw is satisfied that the results are verified based on an inspection of the core, a review of the sampling procedures, the credentials of the professionals completing the work and the visual nature of the silver and base metal sulphides within a district where he is familiar with the style and continuity of mineralization.

Quality Assurance and Control: The samples 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 other recognized lab). 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.

Other Properties

The Company intends to maintain the mineral concessions of its 100% owned Cinco de Mayo Property in good standing, and will continue its efforts to restore its the surface access to the property. However, the Company has no current plans to conduct any exploration programs on the property, as further exploration and drilling can only resume on the property upon obtaining a surface access agreement with the local ejido.

The Company is constantly analyzing and reviewing other possible exploration opportunities that could offer it the potential to find geological discoveries through exploration.

DIVIDENDS

The Company has neither declared nor paid dividends on its Common Shares. The Company has no present intention of paying dividends on its Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized capital consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares without par value, of which 80,755,843 Common Shares were issued and outstanding and no Preferred Shares were issued and outstanding as at March 29, 2017. All of the issued shares are fully paid and non-assessable.

Common Shares

A holder of a Common Share is entitled to one vote for each Common Share held on all matters to be voted on by the Company's shareholders. Each Common Share is equal to every other Common Share and all Common Shares participate equally on liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of our assets among the Company's shareholders for the purpose of winding up its affairs after the Company has paid out its liabilities. The shareholders are entitled to receive *pro rata* such dividends as may be declared by the Board of Directors out of funds legally available therefore and to receive *pro rata* the remaining property of the Company upon dissolution. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provisions for redemption, retraction, purchase or cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation, modification, amendment or variation of such rights or such provisions are contained in the *Business Corporations Act* (British Columbia) and the articles of the Company.

Shareholder Rights Plan

On May 13, 2016, the Board of Directors of the Company approved a shareholder rights plan (the "Rights Plan") in the form set forth in the shareholder's rights plan agreement between the Company and Computershare Investor Services Inc. dated as of May 13, 2016. On June 15, 2016, the Rights Plan was approved by the shareholders at the annual and special meeting of Shareholders and by the Toronto Stock Exchange. A copy of the Rights Plan may be obtained by request in writing to the Company at Suite 770 – 800 West Pender Street, Vancouver, BC V6C 2V6 or viewed in electronic format at www.sedar.com and at www.sec.gov.

MARKET FOR SECURITIES

Trading Price and Volume

The following table provides information as to the high and low prices of the Company's Common Shares during the 12 months of the most recently completed financial year as well as the volume of shares traded for each month:

Toronto Stock Exchange

Month	High (C$)	Low (C$)	Volume
January 2016	10.14	8.79	3,295,028
February 2016	11.42	9.11	4,805,798
March 2016	12.95	9.29	7,123,202
April 2016	16.33	11.95	5,906,752
May 2016	18.58	15.3	6,665,612
June 2016	18.30	15.19	9,403,787
July 2016	20.68	17.81	5,068,207
August 2016	22.59	18.88	5,358,376
September 2016	23.32	19.03	9,429,720
October 2016	21.04	17.43	6,009,375
November 2016	21.75	15.13	4,982,239
December 2016	18.22	12.75	6,664,840

New York Stock Exchange

Month	High (US$)	Low (US$)	Volume
January 2016	7.19	6.12	121,442
February 2016	8.25	6.52	566,081
March 2016	9.94	6.93	598,517
April 2016	13.01	9.12	289,800
May 2016	14.36	11.76	342,897
June 2016	14.34	11.51	317,937
July 2016	15.98	12.72	267,746
August 2016	17.42	14.40	258,144
September 2016	18.02	14.49	284,455
October 2016	15.99	13.19	280,382
November 2016	16.27	11.15	374,980
December 2016	13.73	9.55	494,202

Prior Sales

The Company issued the following Offered Shares and securities convertible into such Offered Shares during the 12 months of the most recently completed financial year.

Common Shares

Date of Issuance	Number of Common Shares Issued	Price per Common Share (C$ unless noted othewise)	Reason for Issuance
January 5, 2016	6,000	9.28	Excercise of options
February 18, 2016	6,000	10.44	Excercise of options
March 1, 2016	8,905,000	US 7.30	Financing
March 4, 2016	1,335,750	US 7.30	Financing Over-Allotment
March 10, 2016	24,000	10.44	Exercise of options
March 11, 2016	8,845	8.90	Cashless exercise of options
March 11, 2016	3,085	10.44	Exercise of options
March 16, 2016	6,000	10.04	Exercise of options
March 22, 2016	7,000	9.15	Exercise of options
March 22, 2016	41,053	10.44	Cashless exercise of options
March 23, 2016	16,944	10.44	Cashless exercise of options
March 30, 2016	7,602	10.44	Cashless exercise of options
April 5, 2016	50,000	10.44	Exercise of options
April 7, 2016	6,500	10.04	Exercise of options
April 12, 2016	5,000	9.15	Exercise of options
April 12, 2016	10,000	10.04	Exercise of options
April 19, 2016	6,250	10.02	Exercise of options
April 20, 2016	5,000	9.15	Exercise of options
April 20, 2016	10,000	10.44	Exercise of options
April 21, 2016	26,369	12.19	Cashless exercise of options
April 21, 2016	8,247	9.16	Cashless exercise of options
April 25, 2016	7,692	10.44	Cashless exercise of options
April 25, 2016	15,384	10.44	Cashless exercise of options
May 2, 2016	1,922	10.02	Cashless exercise of options
May 2, 2016	26,904	10.44	Cashless exercise of options
May 6, 2016	3,000	9.15	Exercise of options
May 16, 2016	6,000	9.28	Exercise of options
May 18, 2016	17,025	5.86	Cashless exercise of options
May 18, 2016	5,773	9.28	Cashless exercise of options
May 19, 2016	60,000	5.86	Exercise of options
May 24, 2016	48,076	12.19	Cashless exercise of options

Date of Issuance	Number of Common Shares Issued	Price per Common Share (C$ unless noted othewise)	Reason for Issuance
June 6, 2016	41,557	9.15 / 5.86	Cashless exercise of options
June 10, 2016	15,000	9.15	Exercise of options
June 10, 2016	36,446	9.15	Cashless exercise of options
July 4, 2016	10,000	9.15	Exercise of options
July 5, 2016	25,000	9.61	inducement opt exercise
July 6, 2016	2,000	9.15	Excercise of options
July 6, 2016	1,855	9.15	Excercise of options
July 6, 2016	25,000	9.15	Excercise of options
July 11, 2016	10,000	9.28	Excercise of options
July 13, 2016	6,500	9.28	Excercise of options
July 13, 2016	5,000	9.15	Excercise of options
July 13, 2016	40,000	9.15	Excercise of options
July 21, 2016	1,000	10.04	RSU exercise
July 21, 2016	30,000	9.15	Excercise of options
July 26, 2016	1,000	10.04	RSU exercise
July 27, 2016	15,000	5.86	Excercise of options
August 9, 2016	20,000	9.15	Excercise of options
September 2, 2016	7,500	9.28	Excercise of options
September 2, 2016	40,000	9.15	Excercise of options
September 2, 2016	50,000	9.15	Excercise of options
September 6, 2016	50,000	10.04	Excercise of options
September 7, 2016	5,000	9.28	Excercise of options
September 7, 2016	5,000	5.86	Excercise of options
September 16, 2016	686	10.04	RSU exercise
September 16, 2016	314	10.02	RSU exercise
September 21, 2016	5,000	10.02	Excercise of options
September 22, 2016	12,747	9.16	Cashless exercise of options
September 26, 2016	30,000	9.15	Excercise of options
September 26, 2016	40,000	5.86	Excercise of options
November 2, 2016	10,000	5.86	Excercise of options
November 2, 2016	10,000	9.15	Excercise of options
November 7, 2016	1,100	9.28	Excercise of options
December 12, 2016	1,000	10.02	RSU exercise
December 12, 2016	4,980	10.04	RSU exercise
December 22, 2016	11,952	10.04	RSU exercise
December 22, 2016	4,990	10.02	RSU exercise
December 22, 2016	8,081	9.28	PSU exercise
December 22, 2016	1,996	10.02	RSU exercise
December 22, 2016	2,693	9.28	PSU exercise

Stock Options

Date of Issuance	Number of Stock Options Issued	Exercise Price (C$)	Reason for Issuance
December 6, 2016	227,773	17.55	2017 option grant

Restricted and performance Share Units under the Share Unit Plan ("RSUs" and "PSUs")

Date of Grant	Number Granted	Share Unit Value (C$)	Reason for Issuance
December 6, 2016	69,085 (1) (PSU)	17.55	2017 grant

(1) The number PSUs to vest is subject to a market price performance factor measured over a three-year performance period, resulting in a PSU payout range from 0% (nil PSUs) to 200% (138,170 PSUs).

Deferred Share Units

Date of Grant	Number of DSUs Granted	DSU Value (C$)	Reason for Issuance
March 31, 2016	3,254	12.48	Elected DSUs for director fees
June 15, 2016	63,287	16.59	2016 grant
June 30, 2016	2,151	16.09	Elected DSUs for director fees
September 30, 2016	1,663	19.77	Elected DSUs for director fees
December 31, 2016	2,409	14.78	Elected DSUs for director fees

DIRECTORS AND OFFICERS

The following were Directors and Officers of the Company as at December 31, 2016.

Name, Occupation and Security Holding as at March 29, 2017

Name & Position(1)	Principal Occupation or Employment during the past 5 years	No. of Shares(5)(6)	No. of Options/price DSU, RSU, PSU(11)
GEORGE N. PASPALAS (8) President, CEO, Director (since Oct 15/13) British Columbia, Canada	President and CEO of the Company since Oct 15, 2013. Mr. Paspalas was President and Chief Executive Officer of Aurizon Mines from Aug 2011 to Jun 2013. Mr. Paspalas is also a lead director of Pretivm Resources Inc. since 2013.	25,000	**Options** 500,000/$5.35 125,000/$10.04 62,500/$10.02 125,000/$9.28 64,102/$17.55 **RSU & PSU** 78,594 **DSU** 39,886

Name & Position(1)	Principal Occupation or Employment during the past 5 years	No. of Shares(5)(6)	No. of Options/price DSU, RSU, PSU(11)
DANIEL T. MACINNIS(9) Director (since Feb 1/05) British Columbia, Canada	Founder and President of MacXplore Consulting Services Ltd. President and CEO of the Company from Feb 2005 to Oct 2013. Mr. MacInnis was also a director of MAX Resources Corp. from 2008 to 2015 and is currently a director of Balmoral Resources Inc. since 2014.	318,137	**Options** 150,000/$5.86 **DSU** 39,547
JONATHAN A. RUBENSTEIN(4) Director (Since Feb 26/07) Chairman (Since Oct 12/07) British Columbia, Canada	Professional Director. Currently also a director of: Detour Gold (since 2009); Eldorado Gold (since 2009); Roxgold (since 2012); and Dalradian Resources Inc. (since 2013). Formerly a director of: Troon Ventures (2009 to 2014); and Rio Novo Gold (2010 to 2012). Formerly a lawyer in private practice, with focus on corporate and securities law.	99,923	**DSU** 57,059
RICHARD M. COLTERJOHN(2)(3) Director (since Oct 16/07) Ontario, Canada	Managing Partner at Glencoban Capital Management Inc., a merchant banking firm, since 2002. Mr. Colterjohn currently serves as a Chairman and Director of AuRico Metals Inc. (since 2015); Director of Roxgold Inc. (since 2012); and Director of Harte Gold Inc. (since Feb 2017). He served as a Director of AuRico Gold Inc. (from 2010 to 2015). Formerly Mr. Colterjohn was an Investment Banker with a focus on the mining sector.	26,406	**DSU** 39,547
DEREK C. WHITE(3)(9) Director (since Oct 16/07) British Columbia, Canada	Principal, Traxys Capital Partners LLP from Oct. 2015 to present, a private equity group focused on mining and minerals sectors. Mr. White was formerly President & CEO of KGHM International Ltd. from 2012 to 2015. Mr. White holds an undergraduate degree in Geological Engineering and is a Chartered Accountant. Mr. White was also a director of Laurentian Goldfields Ltd. from 2008 to 2013 and a director of Magellan Minerals Ltd. from 2006 to May 2016. Mr. White currently serves as a director of Orca Gold Inc.	12,059	**Options** 10,000/$9.15 10,000/$5.86 **DSU** 45,989
PETER D. BARNES(2)(4) Director (since Oct 5/12) British Columbia, Canada	Professional Director and a Fellow of the Institute of Chartered Accountants of BC. Co-founder of Silver Wheaton Corp in 2004 and CEO from 2006 to 2011. Executive Vice President and CFO of Goldcorp Inc. from 2005 to 2006. Director of Richmont Mines Inc. and several private companies. Member of the Institute of Corporate Directors and was a member of the Silver Institute's Board of Directors from 2009 to 2011.	73,076	**Options** 60,000/$5.86 **DSU** 39,547

Name & Position(1)	Principal Occupation or Employment during the past 5 years	No. of Shares(5)(6)	No. of Options/price DSU, RSU, PSU(11)
RICHARD P. CLARK(3)(4)(8) Director (since Oct 5/12) British Columbia, Canada	President and CEO of Orca Gold Inc. from Aug 2016 to present. Mr. Clark is a lawyer with a geological background. Mr. Clark has been a senior executive with the Lundin Group of companies for past 17 years. Formerly President, CEO and director of RB Energy Inc. (formerly Sirocco Mining Inc.) from 2011 to 2015. He currently serves as director of Lucara Diamond Corp. and a director of Orca Gold Inc.	40,000	**Options** 60,000/$5.86 **DSU** 51,549
JILL LEVERSAGE(2)(9) Director (since Dec 22/14) British Columbia, Canada	Ms. Leversage is a Chartered Business Valuator and a Fellow of the Institute of Chartered Accountants of BC. From 2013 to 2015, Managing Director at Highland West Capital Ltd., and as a financial consultant from 2012 to 2013. From 2002 to 2012 served as Managing Director, Corporate & Investment Banking for TD Securities Inc. Ms. Leversage also currently serves as a Director and Chair of the Audit Committee for the Capital Markets Authority Implementation Organization and as a Director and Chair of the HR and Governance Committee of Partnerships BC. She is a former director of Eagle Star Minerals Corp. from 2011 to 2013, Delta Gold Corporation from 2012 to 2015, and Catalyst Paper Corporation 2013 to 2017.	6,750	**DSU** 60,181
PETER K. MEGAW(8)(10) Chief Exploration Officer (June 23/14) Arizona, USA	President of IMDEX and co-founder of Minera Cascabel S.A. DE C.V. since 1988, a geological consulting company; consulting geologist for the Company since its inception in 2003. From 2003 to 2014 he served as a director of the Company. Dr. Megaw was formerly also a director of Candente Gold Corp. from 2009 to 2015 and is currently a director of Minaurum Gold Corp.	351,854(7)	**Options** 37,500/$10.02 75,000/$9.28 55,555/$17.55 **RSU & PSU** 52,126
LARRY TADDEI(8) Chief Financial Officer British Columbia, Canada	CFO of the Company since June 22, 2010. Mr. Taddei has been a Chartered Professional Accountant ("CPA, CA", formerly Chartered Accountant) since 1990.	87,866	**Options** 90,000/$5.86 60,000/10.04 37,500/$10.02 75,000/$9.28 35,042/$17.55 **RSU & PSU** 22,257

Name & Position(1)	Principal Occupation or Employment during the past 5 years	No. of Shares(5)(6)	No. of Options/price DSU, RSU, PSU(11)
MICHAEL J. CURLOOK Vice President, Investor Relations and Communications British Columbia, Canada	Vice President, Investor Relations and Communications of the Company since March 4, 2013. Previously Head of Investor Relations and Communications of Great Basin Gold Ltd from 2008 to 2012.	29,669	**Options** 75,000/$9.61 25,000/$10.04 15,000/$10.02 30,000/$9.28 13,675/$17.55 **RSU & PSU** 8,250
JODY L. HARRIS Corporate Secretary British Columbia, Canada	Corporate Secretary of the Company since May 8, 2007.	5,747	**Options** 25,000/$5.86 17,500/$10.04 10,000/$10.02 20,000/$9.28 8,974/$17.55 **RSU & PSU** 7,444

Notes:

(1) Each director's term of office expires at the next annual general meeting of shareholders of the Company.
(2) Member of Audit Committee.
(3) Member of Compensation Committee.
(4) Member of Corporate Governance and Nomination Committee.
(5) Includes beneficial, direct and indirect shareholdings.
(6) Does not include stock options and other rights to purchase or acquire shares.
(7) Of these shares, 11,085 shares are held by Minera Cascabel SA de CV, a private company owned in part by Mr. Megaw.
(8) Member of the Disclosure Committee.
(9) Member of the Sustainability Committee.
(10) Ceased to be a director on June 23, 2014 becoming an officer as of that date.
(11) Includes grants made under the Company's Share Unit Plan ("RSU and PSU") and Directors' Deferred Share Unit Plan ("DSU").

There are 80,755,843 Common Shares issued and outstanding as at March 29, 2017. As of March 29, 2017, directors and officers of the Company as a group own or control 1,076,487 Common Shares of the Company representing approximately 1.33% of its issued and outstanding Common Shares.

Cease trade orders, bankruptcies, penalties or sanctions

Richard Clark is the Chairman and Director of Orca Gold Inc. From January 2014 to May 2015 Mr. Clark was President, Chief Executive Officer and Director of RB Energy Inc.("RBI"). On October 14, 2014, RBI applied for and obtained an Initial Order (the "Order") to commence proceedings under the Companies' Creditors Arrangement Act (the "CCAA") in the Québec Superior Court (the "Court"). The Court issued the Order in respect of RBI and its Canadian subsidiaries. The Order granted an initial stay of creditor proceedings to November 13, 2014 which was extended to April 30, 2015. In May 2015 the Court appointed a receiver, Duff & Phelps Canada Restructuring Inc., under the Bankruptcy and Insolvency Act, and terminated the CCAA proceedings. The TSX de-listed RBI's common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements of the TSX. Since that time, RBI's common shares have been suspended from trading. Mr. Clark resigned as a Director and ceased employment as President and CEO of RBI on May 8, 2015.

Other than as described above, none of the other directors or officers is currently, or has been within the past ten years, (A) a director, chief executive officer or chief financial officer of any company that (i) was subject to an order that was issued while such person was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to an order that was issued after such person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while such person was acting as a director, chief executive officer or chief financial officer, or (B) a director or executive officer of any company that, or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company, while such person was acting in such capacity, or within a year of such person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. None of the management nominees has within the past ten years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person. None of the management nominees has been subject to (1) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (2) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for such person.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will disclose his interest in the matter and abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the laws of British Columbia and they shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed under the heading "Interest of Management and Others in Material Transactions" below, the directors and officers of the Company are not aware of any such conflicts of interests.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics (the "Code") that applies to all of its directors, officers and employees, including the Chief Executive Officer and Chief Financial Officer. The Code includes provisions covering conflicts of interest, ethical conduct, compliance with applicable government laws, rules and regulations, and accountability for adherence to the Code. A copy of the Code is posted on the Company's website, at www.magsilver.com.

Audit Committee

The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the Company's external auditors. See Audit Committee Charter attached hereto as Schedule "A".

Audit Committee Composition and Background

The Audit Committee is currently comprised of Peter Barnes (Chairman), Richard Colterjohn and Jill Leversage. All three members of the Audit Committee are (i) independent within the meaning of such term in National Instrument 52-110 - *Audit Committees* ("NI 52-110") and (ii) financially literate under NI 52-110, meaning they are able to read and understand the Company's financial statements and to understand the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set forth below:

Peter Barnes, FCPA, FCA, D.Sc (Econ)., ICD.D - Mr. Barnes has over 25 years of senior management experience and was co-founder of Silver Wheaton Corp. in 2004 and CEO from 2006 to 2011. Mr. Barnes was Executive Vice President and CFO of Goldcorp Inc. from 2005 to 2006. He is a member of the Institute of Corporate Directors and was a member of the Silver Institute's Board of Directors from 2009 to 2011. He presently also serves as a Director of Richmont Mines and several private companies. In 2010, Mr. Barnes was honoured with the Ernst & Young Entrepreneur Of The Year Special Citation Award for Innovative Global Strategies, along with the Pacific region award for Mining and Metals.

Richard Colterjohn, B.Comm, MBA – Mr. Colterjohn has been Managing Partner at Glencoban Capital Management Inc., a private merchant banking firm since 2002. He also was the founder, President and CEO of Centenario Copper Corporation, a development stage copper company active in Chile from 2006 to 2009. Since 2002, he has also served as a director of eight other Canadian public mining sector companies: AuRico Metals Inc. (ongoing), Roxgold Inc. (ongoing), Harte Gold Inc. (ongoing), AuRico Gold Inc., Canico Resource Corp., Cumberland Resources Ltd., Viceroy Exploration Ltd., and Explorator Resources Inc. Prior to April 2002, Mr. Colterjohn was Managing Director at UBS Bunting Warburg Inc., an investment dealer.

Jill Leversage, FCA, CBV – Ms. Leversage has over 30 years' experience in financial services in Vancouver. From 2013-2015 Managing Director at Highland West Capital Ltd., a private merchant bank and as financial consultant from 2012 -2013. Served as Managing Director, Corporate & Investment Banking for TD Securities Ltd. from 2002-2012. Ms. Leversage also currently serves as a Director and Chair of the Audit Committee for the Capital Markets Authority Implementation Organization and as a Director and Chair of the HR and Governance Committee of Partnerships BC. She is a former director of Eagle Star Minerals Corp. from 2011 to 2013, Delta Gold Corporation from 2012 to 2015, and Catalyst Paper Corporation 2013 to 2017. Ms. Leversage is a Chartered Business Valuator and a Fellow of the Institute of Chartered Professional Accountants of BC.

The Board of Directors has determined that each of the Audit Committee members is an "audit committee financial expert" within the meaning of the regulations promulgated by the United States Securities and Exchange Commission and an "independent director" as that term is defined by the rules contained in the NYSE MKT LLC Company Guide.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on any of the exemptions in Section 2.4, 3.2, 3.3(2), 3.4, 3.5 or 3.6 of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 or on section 3.8 of NI 52-110. No non-audit services were approved pursuant to a de minimis exemption to the pre-approval requirement.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company.

External Auditor Service Fees

The aggregate fees by the Company's current external auditor, Deloitte LLP, in each of the last two fiscal years are as follows.

	Year ended December 31, 2016 US$	Year ended December 31, 2015 US$
Audit Fees	$ 205,038	$ 169,158
Audit-Related Fees	84,574	30,250
Tax Fees	105,808	69,761
All Other Fees	0	0
Total	$ 395,420	$ 269,169

Note: The Canadian and Euro denominated invoices were converted to US$ at yearly average rates (C$ 2016: 0.7545; 2015: 0.7821) (€ 2016: 1.10702; 2015: 1.10954) from Bank of Canada.

The nature of the services provided by Deloitte LLP under each of the categories indicated in the table is described below.

Audit Fees

Audit fees are those incurred for professional services rendered by Deloitte LLP for the audit of the Company's annual consolidated financial statements, for the interim reviews of the Company's unaudited consolidated financial statements, additional services provided in connection with statutory and regulatory filings or engagements, including for the Company's wholly owned subsidiaries, Minera Los Lagartos, S.A. de C.V., Minera Pozo Seco S.A. de C.V., and Minera Sierra Vieja S.A. de C.V.

Audit-Related Fees

Audit-related fees are those incurred for: i) professional services rendered by Deloitte LLP relating to the short form prospectus and ii) professional fees related to the Mexican statutory audit.

Tax Fees *(tax compliance, tax advice and tax planning)*

Tax fees are those incurred for professional services rendered by Deloitte LLP for: tax compliance, including the review of tax returns, tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax, goods and services tax, payroll tax and value added tax); continued tax planning and advisory services on potential restructuring and spin-out projects; and, preparation of a Transfer Pricing report.

All Other Fees

There are no other fees to report under this category for professional services rendered by Deloitte LLP for the Company.

Compensation Committee

The Compensation Committee is currently comprised of all independent directors: Richard Colterjohn (Chairperson), Richard Clark and Derek White. The primary objective of this committee is to discharge the Board of Director's responsibilities relating to compensation and benefits of the executive officers and directors of the Company. The Compensation Committee Charter may be obtained under the Company's profile at www.sedar.com and at www.sec.gov.

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is currently comprised of all independent directors: Richard Clark (Chairperson), Peter Barnes, and Jonathan Rubenstein The primary objective of this committee is to assist the Board of Directors in fulfilling its oversight responsibilities by (a) identifying individuals qualified to become Board and Board committee members, and recommending to the Board director nominees for appointment or election to the Board, and (b) developing and recommending to the Board corporate governance guidelines for the Company and making recommendations to the Board with respect to corporate governance practices. The Corporate Governance and Nomination Committee Charter may be obtained under the Company's profile at www.sedar.com and at www.sec.gov.

Disclosure Committee

The Disclosure Committee is comprised of George Paspalas (Chairperson), Larry Taddei, Peter Megaw and Richard Clark. The primary objective of this operational committee is to ensure the Company and all applicable persons meet their obligations under the provisions of securities laws and stock exchange rules by establishing a process for the timely disclosure of all material information, ensuring that all applicable persons understand their obligations to preserve the confidentiality of undisclosed material information and ensuring that all appropriate parties who have undisclosed material information know they are prohibited from insider trading and tipping under applicable law, stock exchange rules and the Timely Disclosure, Confidentiality and Insider Trading Policy, which may be obtained under the Company's profile at www.sedar.com and at www.sec.gov.

Sustainability Committee

The Sustainability Committee is comprised of Jill Leversage (Chairperson), Derek White and Dan MacInnis. The primary objective of this committee is the overall responsibility for overseeing the development and implementation of policies and procedures for ensuring a safe, healthy work environment and sustainable development.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no pending or contemplated legal proceedings to which our Company is a party or of which any of our properties is the subject, 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 surface access negotiations with the local Ejido (see "General Development of the Business" above).

As of December 31, 2016, the Company is not subject to:

(a) any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2016; or

(b) any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or

(c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the financial year ended December 31, 2016.

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected or is reasonably expected to materially affect the Company, except as otherwise disclosed in this AIF and as follows:

Dr. Peter Megaw, of Arizona, USA, became a member of the Board of Directors of the Company on February 6, 2006 and ceased to be a member of the Board of Directors on June 23, 2014. Dr. Megaw has since been appointed Chief Exploration Officer of the Company, although he continues to be remunerated through IMDEX as outlined below, with the exception of equity incentives (stock options and restricted and performance share units), which are granted directly to Dr. Megaw.

Dr. Megaw is a principal of Minera Bugambilias, S.A. de C.V. ("Bugambilias") and Minera Coralillo, S.A. de C.V. ("Coralillo"). The Company acquired the mineral claims of the Batopilas property in 2005 from Bugambilias and Bugambilias has retained a NSR royalty interest in that property, although a full impairment has been recognized on the property by the Company effective December 31, 2014. The Company acquired the mineral claims of the Guigui property in 2002 from Coralillo and Coralillo has retained a NSR royalty interest in that property although a full impairment has been recognized on the property by the Company effective December 31, 2016. As noted above in "Other Business Risks," Dr. Megaw is also a principal of IMDEX and Cascabel. 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. A full impairment has been recognized on the Cinco de Mayo Property by the Company effective December 31, 2016. Further, Cascabel has been and will continue to be retained by the Company as a consulting geological firm compensated at industry standard rates.

The Company accrued or paid Cascabel and IMDEX the following fees under the Field Services Agreement:

YEAR ENDED DECEMBER 31, 2016	**Cascabel & IMDEX**	**IMDEX related to Dr. Megaw**	**US$ Total**
General consulting, marketing, investor relations	67,125	345,700	**412,825**
Exploration management, field costs and travel reimbursement	619,162	59,018	**678,180**
Total	686,287	404,718	**1,091,005**
YEAR ENDED DECEMBER 31, 2015	**Cascabel & IMDEX**	**IMDEX/Peter**	**US$ Total**
General consulting, marketing, investor relations	102,188	398,400	**500,588**
Exploration management, field costs and travel reimbursement	1,019,947	112,416	**1,132,363**
Total	$ 1,122,135	$ 510,816	**$ 1,632,951**

Within the Field Services Agreement between the MAG and Cascabel/IMDEX, a 'Right of First Refusal' has been granted to MAG for any silver properties Cascabel/IMDEX may come across. As part of this agreement, Cascabel/IMDEX have agreed to grant MAG the right of first refusal to examine all silver properties currently in their control, or brought to their attention by others. MAG, and solely at MAG's discretion, may lease, option, purchase, joint venture or otherwise acquire an interest in such silver properties as may be known or offered by Cascabel/IMDEX to MAG. In recognition of the work carried out by Cascabel/IMDEX to introduce such properties to MAG, a reasonably negotiated Finder's Fee may be payable by MAG on any new property of merit.

Upon the retirement of Dan MacInnis as President & Chief Executive Officer, on October 15, 2013, the Company entered into a consulting contract with a private company controlled by Mr. MacInnis. The consulting contract expired on December 31, 2015 and was not renewed. No consulting fees were paid in the year ended December 31, 2016 (December 31, 2015: C$11,000). Mr. MacInnis remains as a member of the Board of Directors.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent and registrar for its Common Shares is:

Computershare Investor Services Inc.
3rd floor – 510 Burrard Street
Vancouver, British Columbia
Canada V6C 3B9

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business of the Company, the only contracts material to the Company and that were entered into within the most recently completed financial year of the Company or before the most recently completed financial year of the Company but still in effect, are:

- the Shareholders Agreement dated October 10, 2005 between the Company, Peñoles and others relating to Minera Juanicipio. See "Description of the Business – General – Economic Dependence", above.

INTERESTS OF EXPERTS

The Company's technical reports, including the following listed reports are available on the SEDAR website at www.sedar.com and on the SEC's EDGAR website at www.sec.gov.

David Ross, P.Geo., Jason Cox, P.Eng., and Holger Krutzelmann, P.Eng., all of Roscoe Postle Associates Inc., are the authors responsible for the preparation of the Technical Report entitled "Technical Report on the Mineral Resource Update for the Juanicipio Joint Venture, Zacatecas State, Mexico", dated June 12, 2014 as amended June 30, 2014 and filed on SEDAR on July 3, 2014, which is incorporated by reference herein. This report replaces and supercedes the previously filed reports with respect to the Juanicipio Project.

To the knowledge of the Company, having made reasonable enquiry, none of the experts listed above, or any "designated professional" of such expert, has any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or any of its associates or affiliates.

The Company's auditors, Deloitte LLP, have prepared the report of the independent registered public accounting firm attached to the Company's audited consolidated financial statements for the most recent financial year end. Deloitte LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information, including details as to directors' and officers' remuneration and indebtedness, principal holders of the Company's Common Shares and of options to purchase Common Shares and certain other matters, is contained in the Company's Information Circular for the annual general and special meeting held on June 15, 2016, which is incorporated herein by reference.

Additional financial information is provided in the Company's consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2016.

Copies of the above and additional information relating to the Company may be obtained on the Company's website at www.magsilver.com; on the SEDAR website at www.sedar.com; on the SEC's EDGAR website at www.sec.gov or by calling the Company's investor relations personnel at 604-630-1399.

Schedule "A"

MAG SILVER CORP.

(the "Corporation")

AUDIT COMMITTEE CHARTER

1. General

The Board of Directors of the Corporation (the "Board") has established an Audit Committee (the "Committee") to assist the Board in fulfilling its oversight responsibilities. The Committee will review and oversee the financial reporting and accounting process of the Corporation, the system of internal control and management of financial risks, the external audit process, and the Corporation's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Committee will maintain effective working relationships with the Board, management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the Corporation's business, operations and risks.

The Corporation's independent auditor is ultimately accountable to the Board and to the Committee. The Board and Committee, as representatives of the Corporation's shareholders, have the ultimate authority and responsibility to evaluate the independent auditor, to nominate annually the independent auditor to be proposed for shareholder approval, to determine appropriate compensation for the independent auditor, and where appropriate, to replace the outside auditor. In the course of fulfilling its specific responsibilities hereunder, the Committee must maintain free and open communication between the Corporation's independent auditors, Board and Corporation management. The responsibilities of a member of the Committee are in addition to such member's duties as a member of the Board.

2. Members

The Board will in each year appoint a minimum of three (3) directors as members of the Committee. All members of the Committee shall be non-management directors and shall be independent within the meaning of all applicable U.S. and Canadian securities laws and the rules of the Toronto Stock Exchange and the NYSE MKT LLC, unless otherwise exempt from such requirements.

None of the members of the Committee may have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years.

All members of the Committee shall be able to read and understand fundamental financial statements and must be financially literate within the meaning of all applicable U.S. and Canadian securities laws or become financially literate within a reasonable period of time following his or her appointment. Additionally, at least one member of the Committee shall be financially sophisticated and shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, which may include being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

3. Duties

The Committee will have the following duties:

- Gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.
- Gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review any legal matters which could significantly impact the financial statements as reported on by the Corporation's counsel and engage outside independent counsel and other advisors whenever as deemed necessary by the Committee to carry out its duties.
- Review the Corporation's annual and quarterly financial statements, including Management's Discussion and Analysis with respect thereto, and all annual and interim earnings press releases, prior to public dissemination, including any certification, report, opinion or review rendered by the external auditors and determine whether they are complete and consistent with the information known to Committee members; determine that the auditors are satisfied that the financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Pay particular attention to complex and/or unusual transactions such as those involving derivative instruments and consider the adequacy of disclosure thereof.
- Focus on judgmental areas, for example those involving valuation of assets and liabilities and other commitments and contingencies.
- Review audit issues related to the Corporation's material associated and affiliated companies that may have a significant impact on the Corporation's equity investment.
- Meet with management and the external auditors to review the annual financial statements and the results of the audit.
- Evaluate the fairness of the interim financial statements and related disclosures including the associated Management's Discussion and Analysis, and obtain explanations from management on whether:
  - actual financial results for the interim period varied significantly from budgeted or projected results;
  - generally accepted accounting principles have been consistently applied;
  - there are any actual or proposed changes in accounting or financial reporting practices; or
  - there are any significant or unusual events or transactions which require disclosure and, if so, consider the adequacy of that disclosure.

- Review the external auditors' proposed audit scope and approach and ensure no unjustifiable restriction or limitations have been placed on the scope.

- Recommend to the Board an external auditor to be nominated for appointment by the Corporation's shareholders. Subject to the appointment of the Corporation's external auditor by the Corporation's shareholders, the Committee will be directly responsible for the appointment, compensation, retention and oversight of the work of external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Corporation's external auditor shall report directly to the Committee.

- Review with the Corporation's management, on a regular basis, the performance of the external auditors, the terms of the external auditor's engagement, accountability and experience.

- The Committee Chair will pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor. The decisions of the Committee Chair relating to the pre-approval of non-audit services must be presented to the full Committee at its next scheduled Committee meeting.

- Consider at least annually the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services obtained by the Corporation, including:

    - insuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Company, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;
    - considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor; and
    - as necessary, taking, or recommending that the Board take, appropriate action to oversee the independence of the independent auditor.

- Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure contained in the Corporation's financial statements, Management's Discussion and Analysis and annual and interim earnings press releases; and must periodically assess the adequacy of those procedures.

- Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

- Establish a procedure for:

    - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and

- the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.

- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately in the absence of management.

- Endeavour to cause the receipt and discussion on a timely basis of any significant findings and recommendations made by the external auditors.

- Ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business.

- Review and oversee all related party transactions.

- Perform other functions as requested by the Board.

- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist, and set the compensation to be paid to such special counsel or other experts.

- Review and re-assess annually the adequacy of this Charter and recommend updates to this charter; receive approval of changes from the Board.

- With regard to the Corporation's internal control procedures, the Committee is responsible to:

  - review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those related to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management; and

  - review compliance under the Corporation's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate; and

  - review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

- periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

- Comply with Rule 10A – 3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934.

- The Committee Chair will participate in shareholder engagement in regards to matters arising in respect to the Committee's responsibilities.

- Review and approve financial summaries and disclosure made in accordance with the *Extractive Sector Transparency Measures Act*.

4. Chair

The Committee will in each year appoint the Chair of the Committee from among the members of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will not have a casting vote.

5. Meetings

The Committee will meet as often as is required to fulfill its responsibilities or at least once every calendar quarter. Special meetings shall be convened as required. Notices calling meetings shall be sent to all members of the Committee, all Board members and the external auditor. The external auditor of the Corporation must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Committee. At the request of the external auditor, the Committee must convene a meeting of the Committee to consider any matter that the external auditor believes should be brought to the attention of the Board or shareholders of the Corporation.

The Committee may invite such other persons (e.g. without limitation, the President or Chief Financial Officer) to its meetings, as it deems appropriate. In-camera sessions will be held during, or after, every Committee meeting (including special meetings) for which any guests including non-independent directors, shall be asked to leave. The CEO shall not attend in-camera sessions of the Committee unless his/her presence is deemed appropriate for a portion of the in-camera session, after which the CEO will be requested to leave.

6. Quorum

A majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing, or by any combination of the foregoing, will constitute a quorum.

7. Removal and Vacancy

A member may resign from the Committee, and may also be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a director of the Corporation. The Board will fill vacancies in the Committee by appointment from among the directors in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all of the Committee's powers.

8. Authority

The Committee may:

- engage independent counsel and other advisors as it determines necessary to carry out its duties.
- set and pay the compensation for any advisors employed by the Committee; and
- communicate directly with the internal and external auditors.

The Committee may also, within the scope of its responsibilities, seek any information it requires from any employee and from external parties, to obtain outside legal or professional advice, and to ensure the attendance of Corporation officers at meetings as appropriate.

9. Secretary and Minutes

The Chair of the Committee will appoint a member of the Committee or other person to act as Secretary of the Committee for purposes of a meeting of the Committee. The minutes of the Committee meetings shall be in writing and duly entered into the books of the Corporation, and will be circulated to all members of the Board.

10. Funding

The Committee shall be provided with appropriate funding, as determined by the Committee, for payment of (a) compensation to any registered public accounting firm engaged for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; (b) compensation to any advisers employed by the Committee; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carry out its duties.

Schedule "B"

Glossary

The following is a glossary of certain terms used in this AIF.

"Ag" is the elemental symbol for silver.

"alluvium" is unconsolidated surficial sediments deposited by water.

"alteration" usually refers to chemical reactions in a rock mass resulting from the passage of hydrothermal fluids.

"anomalous" is a value, or values, in which the amplitude is statistically between that of a low contrast anomaly and a high contrast anomaly in a given data set.

"Au" is the elemental symbol for gold.

"basalt" is volcanic rock, low in quartz content, generally fine grained and dark coloured.

"calcite" refers to calcium carbonate mineral. It is a common constituent of many rock types as well as occurring in veins and alteration assemblages.

"carbonate" refers to minerals which have the formula "X"CO3. Calcite is the most common carbonate mineral. Also rocks composed dominantly of carbonate minerals such as calcite.

"Cascabel" is Minera Cascabel, S.A. DE C.V., a company incorporated pursuant to the laws of the Mexican Republic.

"Common Shares" is the Common Shares without par value in the capital of the Company.

"Company" or "MAG" is MAG Silver Corp., a company under the *Business Corporations Act* (British Columbia).

"Conglomerate" is sedimentary rock composed of gravel and coarser fragments.

"concession" is a defined area for which mineral tenure has been granted by the Mexican government for a period of 50 years to allow exploration and exploitation and may be renewed for another 50 years.

"Cretaceous" is the geological period extending from 135 million to 63 million years ago.

"exploitation" is works aimed at preparation and development of the area comprised by the mineral deposit, as well as work aimed at detaching and extracting the minerals products or substances existing therein.

"exploration" is works performed on land aimed at identifying deposits of minerals or substances, as well as quantifying and evaluating the economically utilizable reserves they contain.

"fault" is a fracture in rock where there has been displacement of the two sides.

"flow" is volcanic rock comprised of flow lava.

"fracture" refers to breaks in a rock, usually due to intensive folding or faulting.

"g/t" refers to grams per tonne (34.2857 g/t = 1.0 troy ounce/ton).

"grade" refers to the concentration of each ore metal in a rock sample, usually given as weight percent. Where extremely low concentrations are involved, the concentration may be given in grams per tonne (g/t) or ounces per ton (oz/t). The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit.

"greywacke" refers to sandstone composed largely of sand-sized rock fragments.

"hydrothermal" refer to hot fluids, usually mainly water, in the earth's crust which may carry metals and other compounds in solution to the site of ore deposition or wall rock alteration.

"igneous" is a rock formed by the cooling of molten silicate material.

"intrusive" is a rock mass formed below the earth's surface from magma which has intruded into a pre-existing rock mass.

"Juanicipio Project" is the Juanicipio project described commencing on page 43 of this AIF.

"Lagartos" is Minera Los Lagartos, S.A. DE C.V., a company incorporated pursuant to the laws of the Mexican Republic, the principal of which is the Company.

"magma" refers to molten rock formed within the crust or upper mantle of the earth.

"mill" refers to a facility for processing ore to concentrate and recover valuable minerals.

"Minera Juanicipio" is Minera Juanicipio, S.A. DE C.V., a company incorporated pursuant to the laws of the Mexican Republic, the principals of which are Fresnillo (56%) and the Company (44%).

"Mineral Reserve" is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. The economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

"Mineral Resource" is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Industry Guide 7 does not provide for the disclosure of "Mineral Resource estimates".

"mineralization" usually implies minerals of value occurring in rocks.

"net smelter returns royalty" or "NSR" refers to payment of a percentage of mining revenues after deducting applicable smelter charges.

"NSAMT" is Natural Source Audio-frequency Magneto Tellurics.

"ore" is a natural aggregate of one or more minerals which may be mined and sold at a profit, or from which some part may be profitably separated.

"outcrop" is an exposure of rock at the earth's surface.

"oz" is the metric ounce.

"oz/t or opt" refers to troy ounces per ton.

"Pozo Seco", is Minera Pozo Seco, S.A. de C.V., a company incorporated pursuant to the laws of the Mexican Republic, the principal of which is the Company.

"pyrite" is iron sulphide mineral.

"quartz" refers to Si02, a common constituent of veins, especially those containing gold and silver mineralization.

"replacement" refers to the process whereby one mineral is chemically substituted by a later mineral.

"SEC" is the Securities and Exchange Commission of the United States of America.

"silicification" refers to the replacement of the constituents of a rock by quartz.

"skarn" refers to the alteration of carbonate rocks near an intrusion dominated by garnet and pyroxene minerals.

"Sierra Vieja", is Minera Sierra Vieja, S.A. de C.V., a company incorporated pursuant to the laws of the Mexican Republic, the principal of which is the Company.

"tailings" is the material rejected from a mill after recoverable valuable minerals have been extracted.

"Tertiary" is the geological period extending from 63 million to 2 million years ago.

"tonne" or "T" is the Metric ton = 1,000 kilograms or 1,000,000 grams.

"VAT" is an acronym for "Value Added Tax" which, in Mexico, is charged on all 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. (In Mexico it is referred to as "IVA").

"veinlets" are small veins, generally measuring only a few millimetres in thickness, filling fractures in rocks.

"veins" refer to the mineral deposits that are found filling openings in rocks created by faults or replacing rocks on either side of faults.

"volcaniclastic" refer to the coarse-grained sedimentary rocks (sandstone or conglomerate) composed of fragments of volcanic rocks.

EXHIBIT 99.2

MAG SILVER CORP.

Consolidated Financial Statements
(expressed in thousands of US dollars)

For the year ended December 31, 2016

Dated: March 29, 2017

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

VANCOUVER OFFICE
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Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying consolidated financial statements, management's discussion and analysis ("MD&A") and all financial information in the Annual Report for MAG Silver Corp. (the "Company") are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management, under the supervision, and with the participation of, the Chief Executive Officer and the Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian and U.S. securities regulations. We, as Chief Executive Officer and Chief Financial Officer, will certify our annual filings with the Canadian Securities Administrators, as required in Canada by National Instrument 52-109 – *Certification of Disclosure*, and in the United States with the U.S. Securities and Exchange Commission as required by the Securities Exchange Act of 1934, as amended.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A, considers the report of the external auditors, assesses the adequacy of our internal controls, including management's assessment described below, examines and approves the fees and expenses for the audit services, and recommends the independent auditors to the Board of Directors for the appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, our internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders and management's assessment of the internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of MAG Silver Corp. ("MAG" or "the Company") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or caused to be designed under the supervision of the President and Chief Executive Office, and the Chief Financial Officer, and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS as issued by the IASB. It includes those policies and procedures that:

i. pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of MAG;

ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS as issued by the IASB, and that MAG's receipts and expenditures are made only in accordance with authorizations of management and MAG's directors; and

iii. provided reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of MAG's assets that could have a material effect on the Company's consolidated financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of MAG's internal control over financial reporting as of December 31, 2016, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2016, MAG's internal control over financial reporting was effective.

The effectiveness of MAG's internal control over financial reporting, as of December 31, 2016, has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited the Company's consolidated financial statements as of and for the year ended December 31, 2016, as stated in their report.

/s/ "George Paspalas"
George Paspalas
Chief Executive Officer

/s/ "Larry Taddei"
Larry Taddei
Chief Financial Officer

March 29, 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
MAG Silver Corp.

We have audited the accompanying consolidated financial statements of MAG Silver Corp. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MAG Silver Corp. and subsidiaries as at December 31, 2016 and December 31, 2015, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter
We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

"/s/ Deloitte LLP"

Chartered Professional Accountants
March 29, 2017
Vancouver, Canada

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
MAG Silver Corp.

We have audited the internal control over financial reporting of MAG Silver Corp. and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in *Internal Control—Integrated Framework (2013) i*ssued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2016 of the Company and our report dated March 29, 2017 expressed an unmodified/unqualified opinion on those financial statements.

"/s/ Deloitte LLP"

Chartered Professional Accountants
March 29, 2017
Vancouver, Canada

MAG SILVER CORP.
Consolidated Statements of Financial Position

(In thousands of US dollars, except shares)

	Note	December 31, 2016	December 31, 2015
ASSETS			
CURRENT			
Cash and cash equivalents	3	$ 83,347	$ 75,424
Term deposits	3	55,000	-
Accounts receivable	4	628	327
Investments	5	718	279
Prepaid expenses		181	150
TOTAL CURRENT ASSETS		139,874	76,180
EQUIPMENT	6	54	38
INVESTMENT IN ASSOCIATE	7	37,312	31,240
EXPLORATION AND EVALUATION ASSETS	8	-	52,806
TOTAL ASSETS		$ 177,240	$ 160,264
LIABILITIES			
CURRENT			
Trade and other payables		$ 733	$ 957
COMMITMENTS	7,15		
DEFERRED INCOME TAXES	16	589	5,165
TOTAL LIABILITIES		1,322	6,122
EQUITY			
Share capital	9	343,654	262,218
Equity reserve		16,133	19,993
Accumulated other comprehensive income		882	836
Deficit		(184,751)	(128,905)
TOTAL EQUITY		175,918	154,142
TOTAL LIABILITIES AND EQUITY		$ 177,240	$ 160,264
SUBSEQUENT EVENTS	17		

ON BEHALF OF THE BOARD (approved on March 27, 2017)

/s/ "Peter Barnes"
Peter Barnes, Director

/s/ "Jill Leversage"
Jill Leversage, Director

See accompanying notes to the consolidated financial statements

MAG SILVER CORP.
Consolidated Statements of Loss and Comprehensive Loss

(In US dollars except for shares and per share amounts)

	Note	For the years ended December 31 2016	2015
EXPENSES			
Accounting and audit		$ 615	$ 469
Amortization	6	23	16
Filing and transfer agent fees		182	184
Foreign exchange loss		36	2,135
General office expenses		719	651
Legal		256	344
Management compensation and consulting fees		2,397	1,965
Property investigation costs		257	217
Impairment of exploration and evaluation assets	8	53,893	-
Option to acquire mineral interest written off	8	-	4,292
Share based payment expense	9b,c,d	2,263	3,090
Shareholder relations		515	526
Travel		250	289
		61,406	14,178
INTEREST INCOME		1,115	289
GAIN ON SALE OF AVAILABLE-FOR-SALE SECURITIES	5	1,152	-
GAIN ON WARRANTS (MARK-TO-MARKET)	5	44	-
IMPAIRMENT OF AVAILABLE-FOR-SALE SECURITIES	5	-	(92)
EQUITY PICK UP FROM ASSOCIATE	7	(1,327)	(1,366)
LOSS FOR THE YEAR BEFORE INCOME TAX		$ (60,422)	$ (15,347)
DEFERRED INCOME TAX RECOVERY (EXPENSE)	16	4,576	(1,482)
LOSS FOR THE YEAR		$ (55,846)	$ (16,829)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to profit or loss:			
UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES, NET OF TAXES	5	1,198	(22)
RECLASSIFICATION TO GAIN ON SALE OF AVAILABLE-FOR-SALE SECURITIES	5	(1,152)	-
		46	(22)
TOTAL COMPREHENSIVE INCOME (LOSS)		$ (55,800)	$ (16,851)
BASIC AND DILUTED LOSS PER SHARE		$ (0.71)	$ (0.24)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		78,482,056	69,214,848

See accompanying notes to the consolidated financial statements

MAG SILVER CORP.
Consolidated Statements of Changes in Equity

(In thousands of US dollars, except shares)

	Note	Common shares without par value Shares	Amount	Equity Reserve	Currency translation adjustment	Unrealized gain (loss) on available-for-sale securities	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance, January 1, 2015		68,860,536	$ 257,023	$ 19,486	$ 784	$ 74	$ 858	$(112,076)	$ 165,291
Stock options exercised	9a,b	424,900	3,769	(1,172)	-	-	-	-	2,597
Stock options exercised cashless	9a,b	121,150	1,418	(1,418)	-	-	-	-	-
Restricted share units converted	9a,c	800	8	(8)	-	-	-	-	-
Share based payment	9b,c,d	-	-	3,105	-	-	-	-	3,105
Unrealized loss on available-for-sale securities	5	-	-	-	-	(22)	(22)	-	(22)
Net loss		-	-	-	-	-	-	(16,829)	(16,829)
Total Comprehensive Loss		-	-	-	-	(22)	(22)	(16,829)	(16,851)
Balance, December 31, 2015		69,407,386	$ 262,218	$ 19,993	$ 784	$ 52	$ 836	$(128,905)	$ 154,142
Stock options exercised	9a,b	691,705	6,632	(1,973)	-	-	-	-	4,659
Stock options exercised cashless	9a,b	325,671	3,823	(3,823)	-	-	-	-	-
Restricted and performance share units converted	9a,c	38,692	327	(327)	-	-	-	-	-
Share based payment	9b,c,d	-	-	2,263	-	-	-	-	2,263
Issued for cash	9a	10,240,750	70,654	-	-	-	-	-	70,654
Unrealized gain on available-for-sale securities	5	-	-	-	-	1,198	1,198		1,198
Gain on sale of available-for-sale securities	5	-	-	-	-	(1,152)	(1,152)		(1,152)
Net loss		-	-	-	-	-	-	(55,846)	(55,846)
Total Comprehensive Loss		-	-	-	-	46	46	(55,846)	(55,800)
Balance, December 31, 2016		80,704,204	$ 343,654	$ 16,133	$ 784	$ 98	$ 882	$(184,751)	$ 175,918

See accompanying notes to the consolidated financial statements

MAG SILVER CORP.
Consolidated Statements of Cash Flows

(In thousands of US dollars, unless otherwise stated)

	Note	For the years ended December 31 2016	2015
OPERATING ACTIVITIES			
Loss for the year		$ (55,846)	$ (16,829)
Items not involving cash:			
Amortization	6	23	16
Deferred income tax expense (recovery)	16	(4,576)	1,482
Equity pick up from associate	7	1,327	1,366
Impairment of exploration and evaluation assets	8	53,893	-
Gain on sale of available-for-sale securities	5	(1,152)	-
Gain on warrants (mark-to-market)	5	(44)	-
Impairment of investment in available-for-sale securities	5	-	92
Option to acquire mineral interest written off	8	-	4,292
Share based payment expense	9b,c,d	2,263	3,090
Unrealized foreign exchange loss		28	2,132
Changes in operating assets and liabilities			
Accounts receivable		(301)	257
Prepaid expenses		(31)	206
Trade and other payables		(24)	225
Net cash used in operating activities		(4,440)	(3,671)
INVESTING ACTIVITIES			
Expenditures under Option to acquire Mineral interest	8	-	(1,121)
Exploration and evaluation expenditures	8	(1,323)	(2,106)
Investment in associate	7	(7,363)	(5,009)
Net proceeds from sale of available-for-sale securities	5	1,369	-
Purchase of equipment	6	(39)	(2)
Investment in securities	5	(566)	(28)
Purchase of term deposits	3	(55,000)	-
Net cash used in investing activities		(62,922)	(8,266)
FINANCING ACTIVITIES			
Issuance of common shares upon exercise of stock options	9	4,659	2,597
Issuance of common shares, net of share issue costs	9	70,654	-
Net cash from financing activities		75,313	2,597
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		(28)	(1,516)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		7,923	(10,856)
CASH, BEGINNING OF YEAR		75,424	86,280
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 83,347	$ 75,424
TERM DEPOSITS (Maturities in excess of 90 days)	3	$ 55,000	$ -

See accompanying notes to the consolidated financial statements

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 is an exploration and development company working on mineral properties in Mexico that it has either staked or acquired by way of option agreement. The Company has not yet determined whether these mineral properties contain any economically recoverable ore reserves. 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:
2600 – 595 Burrard Street
Vancouver, British Columbia,
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Head office and principal place of business:
770 – 800 West Pender Street
Vancouver, British Columbia,
Canada V6C 2V6

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of December 31, 2016. IFRS comprises IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standing Interpretations Committee (SICs). The accounting policies set out below have been applied consistently by the Company and its subsidiaries to all periods presented herein.

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments, which are stated at their fair value.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 27, 2017.

(a) Basis of consolidation

These consolidated 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 December 31, 2016 are Minera Los Lagartos, S.A. de C.V., Minera Pozo Seco S.A. de C.V., and Minera Sierra Vieja S.A. de C.V. All intercompany balances, transactions, revenues and expenses have been eliminated upon consolidation.

These consolidated financial statements also include the Company's 44% interest in the Juanicipio Joint Venture (*Note 7*), 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 the significant accounting policies used in their preparation to those used by the Company.

(b) Investments in Associates

The Company conducts a portion 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. 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 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.

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 December 31, 2016, 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 net realizable value and any impairment of exploration and evaluation assets and of investment in associates, recoveries 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 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 judgement, 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)*).

(e) Financial instruments

Measurement – initial recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition plus attributable transaction costs, except for financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL"). The directly attributable transactions costs of financial assets and liabilities classified as FVTPL are expensed in the period in which they are incurred.

Classification and measurement – subsequent to initial recognition

The Company classifies financial instruments as either held-to-maturity, available-for-sale, FVTPL, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities, are subsequently measured at amortized cost. Instruments classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Available-for-sale instruments are measured at fair value with mark-to-market gains and losses recognized in other comprehensive income ("OCI").

The Company has designated its cash and cash equivalent with original maturities less than 90 days, as FVTPL, which is measured at fair value. Term deposits with original maturities in excess of 90 days and accounts receivable are classified as loans and receivables, which are measured at amortized cost. Trade and other payables are classified as other liabilities, which are measured at amortized cost.

Investment in securities such as warrants, that meet the definition of a derivative are classified as FVTPL and are measured at fair value with unrealized gains and losses recognized in profit or loss. Warrants listed on a recognized exchange are valued at the latest available close. 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. All of the Company's investment in securities have been designated as available-for-sale, and are reported at fair value. Other comprehensive income includes the gains and losses from available-for-sale securities which are not included in profit or loss until realized, and currency translation adjustments on its net investment in foreign operations.

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. Financial assets are considered impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Company invested has had a negative effect on the estimated future cash flows of that asset.

For available-for-sale financial assets, a significant or prolonged decline in fair value is evidence that the asset may be impaired. If such evidence exists, the cumulative loss that has been recognized in accumulated other comprehensive income (loss) is removed and recognized as an impairment of investment in the consolidated statement of loss. The Company evaluates whether a decline in value is significant or prolonged through analysis of the facts and circumstances of the financial assets, the market price of the actively traded securities, the severity of the loss, the financial position and near-term prospects of the investment, length of time the fair value has been below costs, evidence that the carrying amount is recoverable within a reasonable period of time, management's intent and ability to hold the financial assets for a period of time sufficient to allow for any anticipated recovery of fair value and management's market view and outlook. If the value of the previously impaired available-for-sale asset subsequently recovers, additional unrealized gains are recorded in other comprehensive income (loss) and the previously recognized impairment is not reversed.

For financial assets measured at amortized cost, an impairment loss recognized in consolidated statement of loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Any reversal of impairment is recognized in consolidated statement of loss.

(f) Cash, cash equivalents and term deposits

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

Term deposits are comprised of bank term deposits with an original term to maturity in excess of three months from date of acquisition.

(g) Exploration and evaluation assets

The Company is in the exploration stage with respect to its activities and accordingly 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.

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. The Company has performed an assessment for impairment indicators of each property as of December 31, 2016 (see *Note 8*). 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 the statement of loss. The cash-generating unit for assessing impairment is a geographic region and shall be no larger than the operating 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) Equipment

Equipment is recorded at cost less accumulated amortization and impairment losses if any, and is amortized at the following annual rates:

Computer equipment	30% declining balance
Field equipment	30% declining balance
Leasehold improvements	straight line over lease term

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment, and depreciated over their respective useful lives.

(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:

(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. There was no provision recorded by the Company for closure and reclamation as at December 31, 2016 or December 31, 2015.

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 $313 and capitalized a corresponding asset as at December 31, 2016 (December 31, 2015: $360) (see *Note 7*).

(k) Functional currency and presentation currency

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

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 December 31, 2016, the Company had 2,814,200 (December 31, 2015: 4,299,976) 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 the consolidated statements of 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.

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 December 31, 2016. These include:

IFRS 2 *Share-based payments.* In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment to address certain issues related to the accounting for cash settled awards and the accounting for equity settled awards that include 'net settlement feature' in respect of employee withholding taxes. The amendments apply for annual periods on or after January 1, 2018 with early adoption permitted. The Company will adopt this standard on the effective date, and is currently evaluating the impact this standard may have on its consolidated financial statements.

IAS 7 ***Statements of cash flows***. In January 2016, the IASB issued amendments to IAS 7 to be applied prospectively for annual periods on or after January 1, 2017 with early adoption permitted. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities. The Company will adopt these amendments on the effective date, and they are not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 9 ***Financial Instruments***. In July 2014, the IASB issued the final version of IFRS 9 which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The standard is effective for annual periods beginning on or after of January 1, 2018, with early adoption permitted. The Company will adopt this standard on the effective date and is currently evaluating the impact this standard may have on its consolidated financial statements.

IAS 12 ***Income taxes***. In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The Company currently does not have debt instruments and the amendments are not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 15 ***Revenue from Contracts with Customers.*** The final standard on revenue from contracts with customers was issued on May 8, 2014. In July 2015, the IASB determined that the revised effective date for IFRS 15 would be for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. Entities have the full option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company's only source of revenue in the current and prior periods is interest income from high interest savings accounts and term deposits, but the Company is currently evaluating the impact this standard may have on its consolidated financial statements once revenue from contracts with customers is generated.

IFRS 16 ***Leases***. In January 2016, the IASB published a new accounting standard, IFRS 16 – *Leases* (IFRS 16) which replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company will adopt this standard on the effective date, and is currently evaluating the impact this standard may have on its consolidated financial statements.

IFRIC 22 ***Foreign currency transactions and advance consideration***. In December 2016, the IASB issued IFRS interpretation, IFRIC 22 which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when a related non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency is derecognized. The standard is effective for annual periods beginning on or after January 1, 2018 with early application permitted. The Company will adopt this standard on the effective date and is currently evaluating the impact this standard may have on its consolidated financial statements.

3. CASH, CASH EQUIVALENTS AND TERM DEPOSITS

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	December 31, 2016	December 31, 2015
Cash at bank and on hand	0-1.95%	$ 33,347	$ 75,424
Short-term deposit	0.99%	50,000	-
Cash and cash equivalents		$ 83,347	$ 75,424

Term deposits are comprised of bank term deposits with an original term to maturity in excess of three months from date of acquisition.

The Company has invested in non-redeemable bank term deposits, with a term to maturity in excess of three months from the date of acquisition, as follows:

	Interest Rate	December 31, 2016	December 31, 2015
Term deposit with maturity of April 18, 2017	1.20%	$ 55,000	$ -

4. ACCOUNTS RECEIVABLE

	December 31, 2016	December 31, 2015
Goods and services tax ("GST") recoverable	$ 19	$ 21
Mexican value added tax ("IVA") recoverable	37	301
Interest receivable	572	5
	$ 628	$ 327

All amounts are expected to be recovered within a year.

5. INVESTMENTS

The Company holds investments as follows:

	December 31, 2016	December 31, 2015
Available-for-sale securities	$ 550	$ 279
Fair value through profit or loss - warrants	168	-
	$ 718	$ 279

During the year ended December 31, 2016, the Company recorded an unrealized gain of $44 (December 31, 2015: nil) in the statement of loss on the above warrants designated as fair value through profit and loss.

The Company recorded an unrealized gain of $1,198, net of nil tax, in other comprehensive income (loss) (December 31, 2015: unrealized loss of $22) on investments designated as available-for-sale instruments. The Company received proceeds of $1,369 (December 31, 2015: nil) on the sale of certain available-for-sale securities, and realized a gain net of commission of $1,152 (December 31, 2015: nil). The following table summarizes the movements in available-for-sale securities:

	December 31, 2016	December 31, 2015
Available-for-sale securities, beginning of year	$ 279	$ 365
Purchase of available-for-securities	442	28
Unrealized gain for the year	1,198	(22)
Impairment for the year	-	(92)
Sale of available-for-sale securities	(1,369)	-
Available-for-sale securities, end of year	$ 550	$ 279

Available-for-sale financial assets are assessed at each reporting date for objective evidence of a significant or prolonged decline in fair value, requiring impairment recognition. For the year ended December 31, 2016, after management's review and based on objective evidence, no impairment was recognized in the consolidated statement of loss (December 31, 2015: $92).

6. EQUIPMENT

Cost	Computer equipment	Field & Office equipment	Leasehold improvements	Total
Balance January 1, 2015	$ 252	$ 161	$ 7	$ 420
Additions	-	2	-	2
Balance December 31, 2015	252	163	7	422
Additions	39	-	-	39
Balance, December 31, 2016	$ 291	$ 163	$ 7	$ 461

Accumulated depreciation	Computer equipment	Field & Office equipment	Leasehold improvements	Total
Balance as at January 1, 2015	$ 215	$ 146	$ 7	$ 368
Amortization	11	5	-	16
Balance as at December 31, 2015	226	151	7	384
Amortization	19	4	-	23
Balance, December 31, 2016	$ 245	$ 155	$ 7	$ 407

Carrying amounts	Computer equipment	Field & Office equipment	Leasehold improvements	Total
At December 31, 2015	$ 26	$ 12	$ -	$ 38
At December 31, 2016	$ 46	$ 8	$ -	$ 54

7. INVESTMENT IN ASSOCIATE ("MINERA JUANICIPIO S.A. DE C.V.")

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 12% of the common shares of the Company as at December 31, 2016, 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 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:

	December 31, 2016	December 31, 2015
Joint venture oversight expenditures incurred 100% by MAG	$ 262	$ 212
Cash contributions to Minera Juanicipio (1)	7,137	4,796
Total for the current year	7,399	5,008
Equity pick up of current loss for the year (2)	(1,327)	(1,366)
Balance, beginning of year	31,240	27,598
Balance, end of year	**$ 37,312**	**$ 31,240**

(1) Represents the Company's 44% share of Minera Juanicipio cash contributions for the year.
(2) Represents the Company's 44% share of Minera Juanicipio's loss for the year, as determined by the Company.

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

	December 31, 2016	December 31, 2015
Cash	$ 3,573	$ 377
IVA and other receivables	842	4,442
Prepaids	-	18
Total current assets	4,415	4,837
Minerals, surface rights, exploration & development expenditures	82,017	67,513
Total assets	$ 86,432	$ 72,350
Payables to Peñoles and other vendors	$ 348	$ 1,262
Total current liabilities	348	1,262
Provision for reclamation and remediation costs	313	360
Deferred income tax liability	7,926	5,793
Total liabilities & equity	8,587	7,415
Shareholders' equity	77,845	64,935
Total liabilities & equity	$ 86,432	$ 72,350

	December 31, 2016	December 31, 2015
Deferred income tax expense	$ 2,134	$ 2,403
Exchange Loss	881	702
Net loss	$ 3,015	$ 3,105
MAG's 44% equity pick up	$ 1,327	$ 1,366

Evaluation and exploration expenditures and initial development expenditures, capitalized directly by Minera Juanicipio for the year ended December 31, 2016 amounted to $14,821 (December 31, 2015: $9,791).

There are no direct operating expenses or income in Minera Juanicipio, as all mineral, surface rights, and exploration and development expenditures are capitalized.

8. EXPLORATION AND EVALUATION ASSETS

The Company has the following exploration and evaluation assets:

	US$ Year ended December 31, 2016		
	Cinco de Mayo (a)	Guigui (b)	Total
Exploration and evaluation assets			
Camp costs, travel & transport	$ 88	$ 3	$ 91
Geological & geophysical	39	28	67
Land taxes and gov't fees	253	83	336
Legal, community and other consultation costs	590	3	593
Total for the period	970	117	1,087
Balance, January 1, 2016	48,859	3,947	52,806
Less: Impairment	(49,829)	(4,064)	(53,893)
Balance, December 31, 2016	$ -	$ -	$ -

	US$ Year ended December 31, 2015		
	Cinco de Mayo (a)	Guigui (b)	Total
Exploration and evaluation assets			
Acquisition costs of mineral & surface rights	$ 123	$ 34	$ 157
Camp costs, travel & transport	167	81	248
Drilling & drilling preparation	-	365	365
Geochemical & metallurgical	-	35	35
Geological & geophysical	54	159	213
Land taxes and gov't fees	266	97	363
Legal, community & other consultation costs	921	23	944
Total for the year	1,531	794	2,325
Balance January 1, 2015	47,328	3,153	50,481
Balance, December 31, 2015	$ 48,859	$ 3,947	$ 52,806

At December 31, 2016, trade and other payables includes exploration and evaluation asset expenditures of $68 (December 31, 2015: $336), a non-cash investing activity.

(a) Cinco de Mayo Property

Under the terms of an agreement dated February 26, 2004, the Company acquired a 100% interest in the Cinco de Mayo property (the "Cinco de Mayo Property"), subject to a 2.5% net smelter returns ("NSR") royalty. Subsequent to the initial acquisition, several additional auxiliary mining concessions either internal or adjacent to the Cinco de Mayo property were acquired on a 100% basis from various vendors. During the year ended December 31, 2009, the Company also purchased 41 surface rights in the Cinco de Mayo area for $660 from local Ejido members, who along with the Federal Agrarian Authority ratified the purchase. Certain members of the Ejido challenged the purchase of these surface rights in late 2012 and have prevented the Company from obtaining the surface access permission required as part of a Federal Government exploration permit process. Since that time, the Company has undertaken various activities and incurred legal, community, strategic and consulting fees in an attempt to regain access to the property. During the year, the Company failed to make the progress that had been previously anticipated at December 31, 2015. The Ejido leadership has not agreed to meet with the Company to discuss a basis of a possible resolution, and they have not organized a formal Ejido Assembly to provide their members an opportunity to re-establish the Company's surface access to the property. As well, while the Company has succeeded in gaining support from both the Federal and State Governments to advance its efforts, progress towards an access resolution has been very slow.

Management and the Board of Directors considered alternative options for the property during strategy sessions held in early 2017. With the continuing Ejido impasse, the Company has concluded that as at December 31, 2016, the likelihood of regaining surface access is indeterminable. The Company has therefore recognized an impairment charge of $49,829 ($44,891 after tax) in the year ended December 31, 2016 relating to the Cinco de Mayo Property.

The Company continues to believe that the Property has significant geological potential and will continue to maintain its mineral concessions in good standing. Efforts to restore the surface access will continue, although the Company has no current plans to conduct any geological exploration programs on the property.

(b) Guigui Property

The Guigui project is a 100% interest in a 4,500-hectare property in the Santa Eulalia Mining District of Chihuahua, Mexico, and is subject to a royalty of 2.5% of the net smelter returns obtained from the property. The Company filed for and obtained an additional 3,800 hectare "Guiguito" concession in 2013, and the combined property now consists of roughly 8,300 hectares.

A review of the exploration results on the property failed to meet the Company's criteria for continued exploration, and therefore an impairment charge of $4,064 ($3,838 after tax) was recognized against the Guigui Property during the year ended December 31, 2016.

During the year ended December 31, 2015, the Company wrote down advances and direct exploration expenditures totaling $4,292 under the Company's 'option to acquire mineral interest,' as a review of exploration results on the Salamandra property failed to meet the Company's criteria for continued exploration.

9. SHARE CAPITAL

(a) Issue and outstanding

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

At December 31, 2016, there were 80,704,204 shares outstanding (December 31, 2015: 69,407,386).

On March 1, 2016, the Company closed a bought deal public offering of 8,905,000 common shares at $7.30 per share, for gross proceeds of $65,006. On March 4, 2016, the over-allotment option granted to the underwriters to purchase up to an additional 1,335,750 common shares was exercised in full for additional gross proceeds of $9,751 for total gross proceeds of $74,757. The Company paid a commission to the underwriters of $3,497 and legal and filing costs totaled an additional $606 resulting in net proceeds of $70,654.

During the year ended, December 31, 2016, 27,918 restricted share units were converted into shares (December 31, 2015: 800).

During the year ended, December 31, 2016, 10,774 performance share units were converted into shares (December 31, 2015: nil).

During the year ended December 31, 2016, 691,705 stock options were exercised for cash proceeds of $4,659. An additional 1,125,001 stock options were exercised under a less dilutive cashless exercise provision of the plan, whereby 325,671 shares were issued in settlement of the stock options, and the remaining 799,330 options were cancelled.

During the year ended December 31, 2015, 424,900 stock options were exercised for cash proceeds of $2,597. An additional 504,785 stock options were exercised under a less dilutive cashless exercise provision of the plan, whereby 121,150 shares were issued in settlement of the stock options, and the remaining 383,635 options were cancelled.

(b) Stock options

The Company has entered into Incentive Stock Option Agreements ("Agreements") with officers, employees and consultants, and prior to June 24, 2014, also with directors. On June 24, 2014, the Shareholders re-approved the Company's 8% rolling Stock Option Plan (the "Plan"). The maximum number of common shares that may be issuable under the Plan is set at 8% of the number of issued and outstanding common shares on a non-diluted basis at any time, provided that (i) the number of common shares issued or issuable under all share compensation arrangements (including under the Share Unit Plan and Deferred Share Unit Plan – see Notes 9(c) and 9(d), respectively) shall not exceed 8% 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 December 31, 2016, there were 1,679,172 stock options outstanding under the Plan and 575,000 inducement options outstanding outside of 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 year:

	Year ended December 31, 2016	Weighted average exercise price (C$/option)	Year ended December 31, 2015	Weighted average exercise price (C$/option)
Balance outstanding, January 1, 2016	3,843,105	$ 8.71	4,361,540	$ 8.47
Granted	227,773	17.55	701,250	9.48
Expired	-	-	(290,000)	10.02
Exercised for cash	(691,705)	8.79	(424,900)	7.64
Exercised cashless	(1,125,001)	$ 10.46	(504,785)	7.86
Balance outstanding, December 31, 2016	2,254,172	$ 8.71	3,843,105	$ 8.71

During the year ended December 31, 2016, 227,773 stock options were granted with a weighted average grant date fair value of $1,103 or $4.84 per option (December 31, 2015: 701,250 stock options granted with fair value of $1,887 or $2.69 per option).

During the year ended December 31, 2016, 1,816,706 stock options were exercised (December 31, 2015: 929,685), with a weighted average market share price at the date of exercise of C$16.33 (December 31, 2015: C$9.98).

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

	December 31, 2016	December 31, 2015
Risk-free interest rate	0.94%	0.80%
Expected volatility	54%	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.

The following table summarizes the Company's stock options outstanding and exercisable as at December 31, 2016:

	Exercise price ($C/option)	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
(1)	5.35	500,000	500,000	1.79
	5.86	455,000	455,000	1.46
	9.15	135,000	135,000	0.59
	9.16	21,666	-	3.70
	9.28	384,733	264,733	3.93
(1)	9.61	75,000	75,000	1.17
	10.02	187,500	133,333	3.48
	10.04	267,500	267,500	2.50
	17.55	227,773	-	4.93
	C$5.35 - C$17.55	2,254,172	1,830,566	2.56

(1) Inducement options issued outside the Company's Plan as an incentive to attract senior officers for employment.

During the year ended December 31, 2016, the Company recorded share based payment expense of $796 (December 31, 2015: $1,569) relating to stock options vested to employees and consultants in the year.

(c) Restricted and performance share units

On June 24, 2014, the Shareholders approved a share unit plan (the "Share Unit Plan") for the benefit of the Company's 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 0.75% of the number of issued and outstanding common shares on a non-diluted basis, provided that (i) the number of common shares issued or issuable under all share compensation arrangements (including under the Plan and Deferred Share Unit Plan – see Notes 9(b) and 9(d), respectively) shall not exceed 8% 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.

Restricted Share Units ("RSUs")

Under the Share Unit Plan, each RSU entitles participants to receive one common share of the Company subject to vesting criteria. During the year ended December 31, 2016 no RSUs were granted (December 31, 2015: 19,960) and 27,918 RSUs (December 31, 2015: 800) were converted and settled in common shares. As at December 31, 2016, there were 46,520 RSUs issued and outstanding under the Share Unit Plan, of which 39,850 are vested and convertible into common shares of the Company. In the year ended December 31, 2016, the Company recognized a share-based payment expense of $111 (December 31, 2015: $258) relating to RSUs vesting in the year.

Performance Share Units ("PSUs")

Under the Share Unit Plan, each PSU entitles participants to receive one common share of the Company if certain performance and vesting criteria have been met. During the year ended December 31, 2016, 69,085 PSUs were granted (December 31, 2015: 81,892) and vest after three years of service from date of grant. The number PSUs to vest is subject to a market price performance factor measured over a three-year performance period, resulting in a PSU payout range from 0% (nil PSUs) to 200% (138,170 PSUs). The Company estimated the fair value of the PSUs on grant date using a Monte Carlo simulation model.

In the year ended December 31, 2016, 10,774 PSUs (December 31, 2015: nil) were converted and settled in common shares. As at December 31, 2016, there were 140,203 PSUs issued and outstanding under the Share Unit Plan, of which 30,169 PSUs have vested and are convertible into common shares of the Company. In the year ended December 31, 2016, the Company recognized a share-based payment expense of $394 (December 31, 2015: $16) relating to PSUs vesting in the year.

(d) Deferred share units

On June 24, 2014, the Shareholders approved a Deferred Share Unit Plan (the "DSU Plan") for the benefit of the Company's non-executive directors. On June 22, 2015, the Shareholders approved an amendment to the DSU Plan to allow participation by employees. 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, and employees may elect to receive all or a portion of their annual incentive 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 0.75% of the number of issued and outstanding common shares on a non-diluted basis, provided that (i) the number of common shares issued or issuable under all share compensation arrangements (including under the Plan and the Share Unit Plan – see Notes 9(b) and 9(c), respectively) shall not exceed 8% of the issued and outstanding common shares on a non-diluted basis.

During the year ended December 31, 2016, 63,287 DSUs (December 31, 2015: 123,932) were granted under the Company's DSU plan. In addition, 9,477 DSUs (December 31, 2015: 53,137) were granted to directors who elected to receive their retainer and meeting fees for the year in the form of DSUs. The resulting cumulative DSU share-based payment expense of $962 (December 31, 2015: $1,247) was recognized in the year ended December 31, 2016. 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.

As at December 31, 2016, there are 373,305 DSUs issued and outstanding under the DSU Plan, all of which have vested except for 4,990 DSUs.

As at December 31, 2016, there are 2,239,200 common shares issuable under the combined share compensation arrangements referred to above (the Plan, the Share Unit Plan and the DSU Plan) representing 2.77% of the issued and outstanding common shares on a non-diluted basis, and there are 4,217,136 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 income and deficit), net of cash and term deposits.

Capital as defined above is summarized in the following table:

	December 31, 2016	December 31, 2015
Equity	$ 175,918	$ 154,142
Cash, cash equivalents and term deposits	(138,347)	(75,424)
	$ 37,571	$ 78,718

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 does not pay out dividends.

As at December 31, 2016, 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 ($139,142 as at December 31, 2016) to maintain all of its properties and currently planned programs for a period in excess of 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 project related expenditures (see Note 15), as the Company is currently not generating cash flow from operations, and it may not therefore generate sufficient operating cash flows to meet all of its future expenditure requirements. Future liquidity may depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.

11. FINANCIAL RISK MANAGEMENT

The Company's operations consist of the acquisition, exploration and development of projects in the Mexican silver belt. 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.

(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 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 the prior year.

(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 December 31, 2016, the Company had a receivable of $37 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 term deposits, and accounts receivable, as follows:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 83,347	$ 75,424
Term deposits	55,000	-
Accounts receivable (see Note 4)	628	327
	$ 138,975	$ 75,751

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

Exposure to currency risk

As at December 31, 2016, 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:

December 31, 2016 (in 000's of US$ equivalent)	Mexican peso	Canadian dollar
Cash	$ 44	$ 7,681
Accounts receivable	37	26
Prepaid	5	-
Investments	-	718
Accounts payable	(137)	(395)
Net assets exposure (US$ equivalent)	$ (51)	$ 8,030

December 31, 2015 (in 000's of US$ equivalent)	Mexican peso	Canadian dollar
Cash	$ 54	$ 6,338
Accounts receivable	301	25
Prepaid	9	-
Marketable securities	-	279
Option to acquire mineral interest	-	-
Accounts payable	(185)	(321)
Net assets exposure (US$ equivalent)	$ 179	$ 6,321

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 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 December 31, 2016 is 1,051 pesos (December 31, 2015: 3,115 pesos). A 10% appreciation in the peso against the US$ would result in loss at December 31, 2016 of $5 (December 31, 2015: $18 gain), while a 10% depreciation in the peso relative to the US$ would result in an equivalent gain.

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 in C$. The carrying amount of the Company's net Canadian denominated monetary assets at December 31, 2016 is C$11,842 (December 31, 2015: C$8,749). A 10% appreciation in the C$ against the US$ would result in gain at December 31, 2016 of $882 while a 10% depreciation in the C$ relative to the US$ would result in an equivalent loss.

(d) Interest rate risk

The Company's interest revenue earned on cash 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, accounts receivable, investments, and trade and other payables. The carrying values of cash, accounts receivable, and trade and other payables 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.

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 fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's financial assets and liabilities are categorized as follows:

	Year ended December 31, 2016				
	FVTPL	Available for sale	Loans and receivables	Other liabilities	Total
Financial assets					
Cash and cash equivalents	$ 83,347	$ -	$ -	$ -	$ 83,347
Term deposits	-	-	55,000	-	55,000
Accounts receivables (Note 4)	-	-	628	-	628
Investments (Note 5)	168	550	-	-	718
Financial liabilities					
Trade and other payables	-	-	-	733	733

	Year ended December 31, 2015				
	FVTPL	Available for sale	Loans and receivables	Other liabilities	Total
Financial assets					
Cash	$ 75,424	$ -	$ -	$ -	$ 75,424
Accounts receivables (Note 4)	-	-	327	-	327
Investments (Note 5)	-	279	-	-	279
Financial liabilities					
Trade and other payables	-	-	-	957	957

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

	Year ended December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 83,347	$ -	$ -	$ 83,347
Term deposits	55,000	-	-	55,000
Investments (Note 5) (1)	15	703	-	718
	$ 138,362	$ 703	$ -	$ 139,065

	Year ended December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash	$ 75,424	-	-	$ 75,424
Marketable securities (Note 5) (1)	279	-	-	279
	$ 75,703	$ -	$ -	$ 75,703

(1) The fair value of available-for-sale 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 available-for-sale securities are classified within Level 1 of the fair value hierarchy. The fair values of available-for-sale 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 year ended December 31, 2016 or during year ended December 31, 2015.

13. SEGMENTED INFORMATION

The Company operates in one operating segment, being the exploration of mineral properties in Mexico. Substantially all of the Company's long term assets are located in Mexico 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 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 all the Company's projects, including the Juanicipio Project and the Cinco de Mayo Property.

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

	Year ended Dec 31, 2016	2015
Fees related to Dr. Megaw:		
Exploration and marketing services	$ 346	$ 398
Travel and expenses	59	112
Other fees to Cascabel and IMDEX:		
Administration for Mexican subsidiaries	121	121
Field exploration services	565	1,002
	$ 1,091	$ 1,633

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 typical of industry standards. The services provided do not include drilling and assay work which are contracted out independently from Cascabel & IMDEX. Included in trade and other payables at December 31, 2016 is $255 related to these services (December 31, 2015: $356).

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 Company is also obligated to a 2.5% NSR royalty to Cascabel on the Guigui mining concessions.

Upon the retirement of Dan MacInnis, former President & Chief Executive Officer, on October 15, 2013, the Company had entered into a consulting contract with a private company controlled by Mr. MacInnis who remains a director of the Company. As the contract was not renewed in 2016, no consulting fees were paid in the year ended December 31, 2016 (December 31, 2015: C$11) and there are no payables related to such services as at December 31, 2016 (December 31, 2015: nil).

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

The immediate parent and ultimate controlling party of the consolidated group is MAG Silver Corp. (incorporated in British Columbia, Canada).

The details of the Company's significant subsidiaries and ownership interests are as follows:

Significant subsidiaries of the Company are as follows:

Name	Country of Incorporation	Principal Activity	MAG' effective interest 2016 (%)	2015 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Sierra Vieja S.A. de C.V.	Mexico	Exploration	100%	100%

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

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. Fresnillo is the operator of Minera Juanicipio, and with its affiliates, beneficially owns 12% of the common shares of the Company as at December 31, 2016, 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 7).

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

	Year ended December 31, 2016	2015
Salaries and other short term employee benefits	$ 1,412	$ 1,438
Share based payments (Note 9(b), (c), and (d))	1,507	1,751
	$ 2,919	$ 3,189

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

As at December 31, 2016, the Company's contractual obligations and commitments are summarized as follows:

	Office Lease
2017	129
2018	132
2019	135
	$ 396

As these consolidated financial statements have been prepared using the accrual basis of accounting (except for cash flow information), these commitments are not recorded as liabilities until incurred or until due under the terms of the option agreement.

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.

Other contractual obligations include a 2.5% NSR royalty under the terms of an agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property, and a 2.5% NSR royalty on the interest in the Guigui mining concessions (Note 8).

The Company makes cash deposits to Minera Juanicipio from time to time as cash called by operator Fresnillo (Note 7). The scale and scope of the Juanicipio project could require development capital in the years ahead exceeding the Company's on hand cash resources. It is unlikely that the Company will generate sufficient operating cash flow to meet these ongoing obligations in the foreseeable future. Accordingly, the Company may need to raise additional capital by issuance of equity in the future.

16. INCOME TAXES

The income taxes recognized in profit or loss is as follows:

	December 31 2016	December 31 2015
Current tax recovery (expense)	$ -	$ -
Deferred tax recovery (expense)	4,576	(1,482)
Total income tax (expense) recovery	**$ 4,576**	**$ (1,482)**

The deferred tax expenses for the years ended December 31, 2016 and December 31, 2015 relate to the impact of foreign exchange on tax attributes and the reversal of the accrued mining royalty in Mexico due to the write-offs of mineral properties. The deferred tax expenses and the corresponding deferred income tax liabilities are non-cash items and will only be realized once the Company's exploration properties are developed and in production.

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax provision due to the following:

	December 31 2016	December 31 2015
Loss for the year before income taxes	$ (60,422)	$ (15,347)
Statutory tax rate	26.00%	26.00%
Recovery of income taxes computed at statutory rates	$ 15,710	$ 3,990
Share based payments	(588)	(803)
Mexican inflationary adjustments	1,156	(638)
Higher effective tax rate on loss in foreign jurisdiction	2,279	118
Unrecognized deferred tax assets	(12,054)	4,441
Mexican income tax impact of mining royalty in Mexico	(1,105)	-
Impact of foreign exchange and other	(4,504)	(8,590)
Impact of 7.5% mining royalty in Mexico	3,682	-
Total income tax (expense) recovery	**$ 4,576**	**$ (1,482)**

The approximate tax effect of each item that gives rise to the Company's unrecognized and recognized deferred tax assets and liabilities as at December 31, 2016 and 2015 are as follows:

	December 31 2016	December 31 2015
Tax Losses - deferred tax assets	2,753	8,491
Excess of tax value of exploration and evaluation assets and investment in associate over book values	1,558	2,202
Unrealized foreign exchange	(1,467)	(1,907)
Investments	(21)	-
Excess of book value of exploration and evaluation assets and investment in associate over tax values	(3,412)	(13,951)
Net deferred tax liability	**(589)**	**(5,165)**

The Company's movement of net deferred tax liabilities is described below:

	December 31 2016	December 31 2015
At January 1	$ (5,165)	$ (3,683)
Deferred income tax recovery (expense)	4,576	(1,482)
At December 31	**$ (589)**	**$ (5,165)**

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	2016	2015
Tax losses and tax values in excess of book values	$ 52,924	$ 34,302
Excess of tax value of exploration and evaluation assets over book values	23,432	4,846
Financing fees	4,857	2,612
Cumulative eligible capital	388	405
Other	762	504
Total	**$ 82,363**	**$ 42,669**

At December 31, 2016, the Company has non-capital loss carry forwards in Canada aggregating $28,261 (2015: $28,904) which expire over the period between 2026 to 2036, available to offset future taxable income in Canada, and the Company has capital loss carry forwards in Canada of $259 (2015: $2,520) which are available only to offset future capital gains for Canadian tax purposes and may be carried forward indefinitely.

At December 31, 2016, the Company has tax loss carry forwards in Mexico aggregating $28,884 (2015: $31,945) which expire over the period 2018 to 2026, available to offset future taxable income in Mexico.

At December 31, 2016, the Company has $98 (December 31, 2015: $101) included in cash that is held by foreign subsidiaries, and hence not available to fund domestic operations unless the funds were repatriated. There are no taxes payable on the funds should the Company choose to repatriate them, however, the Company does not intend to repatriate these funds in the next year.

17. SUBSEQUENT EVENT

Subsequent to December 31, 2016 the Company:

1. Issued 12,400 common shares pursuant to the exercise of stock options with an exercise price of C$9.28 for proceeds of C$115; and,

2. Issued 39,239 common shares pursuant to the exercise of 75,000 stock options with an exercise price of C$9.15 exercised under a less dilutive cashless exercise provision of the plan, whereby 39,239 shares were issued in settlement of the stock options, and the remaining 35,761 options were cancelled.



MAG SILVER CORP.

Management's Discussion & Analysis
For the year ended December 31, 2016

Dated: March 29, 2017

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

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The following Management's Discussion and Analysis ("MD&A") focuses on the financial condition and results of operations of MAG Silver Corp. ("MAG" or the "Company") for the years ended December 31, 2016 and 2015. It is prepared as of March 29, 2017 and should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2016 and 2015, 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$") unless otherwise stated. The functional currency of the parent and the functional currency of its Mexican subsidiaries and investment in associate is the US$.

The common shares of the company trade on the Toronto Stock Exchange and on the NYSE MKT both under the symbol MAG. The Company is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and is a reporting "foreign issuer" in the United States of America. The Company believes it is a Passive Foreign Investment Company ("PFIC"), as that term is defined in Section 1297 of the U.S. Internal Revenue Code of 1986, as amended, and believes it will be a PFIC for the foreseeable future. Consequently, 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, were based upon information prepared by or under the supervision of Dr. Peter Megaw, Ph.D., C.P.G., a certified professional geologist who i**s** a "Qualified Person" for purposes of National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("National Instrument 43-101" or "NI 43-101"). Dr. Megaw is not independent as he is an officer and a paid consultant of the Company (see *Related Party Transactions* below).

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this MD&A, including any information relating to the Company's future oriented financial information are forward-looking statements within the meaning of the 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 that address estimates of the anticipated impact of the exploration drilling results, future production levels, expectations regarding mine production and development programs and capital costs, expected trends in mineral prices and statements that describe future plans, objectives or goals. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from results projected in such forward-looking statements, including, but not limited to, changes in commodities prices, changes in mineral production performance, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions, political risk, currency risk, capital cost inflation and those other risks and uncertainties identified under the heading "Risks and Uncertainties" in this MD&A and other risk factors and forward-looking statements listed in the Company's most recently filed Annual Information Form dated March 29, 2017 ("AIF"). The AIF is deemed to be incorporated by reference into this MD&A, and we direct the reader to read the AIF in conjunction with this MD&A, in order to have a better understanding of the Company's business and the associated risks facing the business.

Although the Company believes the expectations expressed in such forward-looking statements are based on what the Company's management considers to be reasonable assumptions, based on the information currently available to it, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Assumptions have been made including, but not limited to, the Company's ability to carry on its various exploration and development activities including project development timelines, the timely receipt of required approvals and permits, the price of the minerals the Company produces, the costs of operating, exploration and development expenditures, the impact on operations of the Mexican Tax Regime, and the Company's ability to obtain adequate financing. The Company cannot assure you that actual events, performance or results will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. The forward-looking statements in this MD&A speak only as of the date hereof and we do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change other than as required by applicable law. There is no certainty that any forward-looking statement will come to pass and investors should not place undue reliance upon forward-looking statements. More information about the Company including its AIF and recent financial reports is available on SEDAR at www.sedar.com and on the U.S. Securities and Exchange Commission's EDGAR website at www.sec.gov.

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

This MD&A uses the terms "Indicated Mineral Resources" and "Inferred Mineral Resources". MAG advises investors that although these terms are recognized and required by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects), the U.S. Securities and Exchange Commission does not recognize these terms. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. In addition, "Inferred Mineral Resources" have a great amount of uncertainty as to their existence. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them to enable them to be categorized as mineral reserves and, accordingly, Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for a "Preliminary Economic Assessment" as defined under NI 43-101. Investors are cautioned not to assume that part or all of an Inferred Resource exists, or is economically or legally mineable.

1. DESCRIPTION OF BUSINESS

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

Juanicipio Property

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

The major asset associated with the Juanicipio Property is a high-grade silver-gold-lead-zinc epithermal vein deposit. Exploration and development programs for the Juanicipio Property are designed by the Minera Juanicipio Technical Committee, and approved by the Minera Juanicipio Board of Directors. The Company's share of costs is funded primarily through its 44% interest in Minera Juanicipio, and to a lesser extent, incurred directly by the Company to cover expenses related to parallel technical studies and analyses commissioned by the Company, as well as direct project oversight. Minera Juanicipio is governed by a shareholders agreement and corporate by-laws, pursuant to which each shareholder is to provide funding pro rata to its interest in Minera Juanicipio, 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 Property on October 28, 2013. The development program is based on recommendations made to Minera Juanicipio in a 2012 Preliminary Economic Assessment carried out by AMC Mining Consultants (Canada) Ltd. ("AMC") (see Press Release dated June 14, 2012) ("2012 PEA"). The 2012 PEA was subsequently superseded in 2014 by Roscoe Postle Associates Inc. ("RPA") in their amended and restated NI 43-101 Technical Report documenting a 2014 updated Mineral Resource estimate, filed on SEDAR on July 3, 2014 (the "Juanicipio Technical Report") (see Press Release dated May 27, 2014).

The Juanicipio Technical Report defines Juanicipio as an economically robust, high-grade underground silver project exhibiting minimal financial or development risks that will produce an annual average of 15.1 million payable ounces of silver over the first full six years of commercial production and 10.3 million payable ounces per year over a 14.8 year total mine life. The PEA within the Juanicipio Technical Report was based on a resource estimate and model developed by Strathcona Mineral Services ("Strathcona") dated November 2011. As a point of definition, the Valdecañas Vein is an en echelon system comprised of overlapping East and West Veins – the term "Valdecañas Vein" is used to refer to this en echelon system at times. The 2014 Juanicipio Technical Report included an updated Juanicipio resource based on in-fill drill results from a 2012-2013 drill program, and manually divided the resource into the Bonanza Grade Silver Zone ("BGS Zone") and the Deep Zone. The BGS Zone resource veins have a similar footprint as prior resource estimates (see Press Releases dated November 10, 2011 and December 19, 2011), with the higher drill density converting a significant proportion of the previous Inferred Resource into the Indicated category. With minimal change to the BGS Zone footprint, the Juanicipio Technical Report stated that the results of the 2012 PEA remained a reasonable representation of the property's economic potential.

The economic analysis in the Juanicipio Technical Report is preliminary in nature and is based, in part, on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that a Preliminary Economic Assessment will be realized.

With additional drilling success since the Juanicipio Technical Report was issued in 2014, a new resource estimate, along with various mine design upgrades, are planned to be incorporated into a revised mine plan and a new MAG technical report for the project, expected to be completed in the second quarter of 2017 (see Outlook below).

Exploration results from drilling in the first quarter of 2015 on the Valdecañas Vein included four new exploration step-out holes (P1-P4) targeted approximately 100 metres below the existing Indicated and Inferred Resources reported in the Juanicipio Technical Report. The four holes were drilled on nominal 150 metre centres over a strike length of approximately 500 metres below the en echelon overlap zone between the East and West Valdecañas Veins and included the three widest and deepest intercepts to date on the property (see Press Release dated April 23, 2015). This new "Deep Zone" was expanded through drilling in 2016 with twelve step-out holes, ranging in depth from 850 to over 1,200 metres. Results and assays for these holes, confirming and extending the wide high-grade mineralization in the Deep Zone discovery, were released in 2016 (see Press Release dated August 15, 2016). The holes demonstrate continuous high-grade, multi-stage precious and base metals mineralization over a strike length exceeding 800 metres and to a depth of 200 to 300 metres beneath both the East and the West Vein Bonanza Zones as defined by the current resource estimate in the Juanicipio Technical Report. The discovery of the "Anticipada Vein" which lies 100 metres into the hangingwall of the Deep Zone East, was also announced in the year ended December 31, 2016 (see Press Release dated August 15, 2016). Drilling of the Deep Zones continued through year-end, and the zone effectively remains open to depth and laterally along its entire strike length to the joint venture boundary in both directions (see "Exploration - Juanicipio Property" below).

Cinco de Mayo Property

The Company owns 100% of the mineral concessions comprising the Cinco de Mayo Property. The property is located approximately 190 kilometres northwest of the city of Chihuahua, in northern Chihuahua State, Mexico, and covers approximately 25,113 hectares. The primary concessions of the Cinco de Mayo Property were acquired by way of an option agreement dated February 26, 2004, and the property remains subject to a 2.5% net smelter returns royalty (see Related Party Transactions below). The project consists of four major mineralized zones: the Upper Manto silver-lead-zinc inferred resource; the Pegaso deep discovery; the non-core Pozo Seco high grade molybdenum-gold resource; and the surrounding Cinco de Mayo exploration area.

The Company has been unable to negotiate a renewed surface access agreement with the local Ejido controlling the surface access to key portions of the property, and an impairment was recognized in the year ended December 31, 2016 (see 'Exploration and Evaluation Assets' below).

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

2. HIGHLIGHTS

- ✓ At Juanicipio, as a result of the significant mineralized discoveries beneath the Bonanza zone, Fresnillo plc and the Company have been considering alternate mine plans and other project enhancements to maximize the value of both the Bonanza Zone and the new Deep Zone. Considerations include increasing the processing plant nameplate capacity from 2,650 tonnes per day to 4,000 tonnes per day and sinking an internal shaft (or winze) to access the deeper zone sooner.

- ✓ Fresnillo has indicated that permitting based on the upgraded design has already commenced, and that they expect their Board to give formal project approval in the second quarter 2017. For MAG, a new resource estimate and these design upgrades are planned to be incorporated into a revised mine plan and a new MAG technical report for the project, expected to be completed in the second quarter of 2017 concurrent with the project approval.

- ✓ Drilling to further delineate the extent of the new Valdecañas Deep Zone was ongoing throughout the year, and assays released during the year (see Press Release August 15, 2016) and subsequent to year end (see Press Release February 14, 2017). The results from these drilling campaigns have:

    - confirmed that continuous mineralization extends below the Valdecañas Bonanza Grade mineralization in both the East and West Veins;
    - revealed a substantial widening of this deeper mineralization into a well-defined dilatant zone; and,
    - resulted in the discovery of the new "Anticipada Vein", within the vein system.

- ✓ A 20,000 metre 2017 exploration drill program for Minera Juanicipio is expected to be approved at the next Technical Committee Meeting.

- ✓ Advancement of the underground ramp decline at the Juanicipio Property continues to progress at rates exceeding those envisioned in the Juanicipio Technical Report, with the ramp having reached the uppermost reaches of the Valdecañas Vein in December 2016 and footwall development has commenced.

- ✓ In March 2016, the Company closed a $65,006 bought deal financing along with a fully exercised over-allotment option (additional gross proceeds of $9,751), for total gross proceeds of $74,757.

- ✓ The Company remains well funded, with cash, cash equivalents, and term deposits totaling $138,347 as at December 31, 2016.

3. FINANCING ACTIVITIES

Financing

On March 1, 2016, the Company closed a bought deal public offering and issued 8,905,000 common shares at $7.30 per share, for gross proceeds of $65,006. On March 4, 2016, the underwriters exercised in full an associated 15% over-allotment option, and the Company issued an additional 1,335,750 common shares for additional gross proceeds of $9,751. Total gross proceeds were $74,757, and the Company paid commission to the underwriters of $3,497 and legal and filing costs totaled an additional $606, resulting in net proceeds of $70,654. As outlined in the public offering document, the Company intends to use the net proceeds of the offering primarily to fund development and exploration expenditures at the Juanicipio Property and for working capital and general corporate purposes (see "*Liquidity and Capital Resources*" below).

4. DEVELOPMENT AND EXPLORATION ACTIVITIES

Underground Development – Juanicipio Property

According to the Juanicipio Technical Report timeline, the first 33 months of development focuses primarily on the ramp decline advancing towards the main Valdecañas Vein of the property. To date, the entry portal, surface explosives magazines, surface offices and associated infrastructure have been completed, and the ramp decline is currently advancing with drilling and blasting. The ramp and ancillary passage development advance rate remains at or exceeding the levels envisioned in the Juanicipio Technical Report (115 metres per month). The ramp reached the uppermost reaches of the Valdecañas Vein in December 2016, passing, as designed, through a zone of weak mineralization that lies between the two uppermost "lobes" of the BGSZ. Footwall development has commenced and construction of additional ventilation raises and surface installations continues.

Exploration – Juanicipio Property

Deep Drilling Program

In 2015, Fresnillo and MAG agreed to an additional 10,000 metre, nine hole, $1,500 (MAG's 44% share was $660) 2015 and 2016 drill program to further trace the extent of the new Valdecañas Deep Zone and expand the mineralization hit in holes P1-P4 in 2015 (see Press Release of April 23, 2015). As well, a portion of the 2015 exploration budget for surface drill holes that was pending permitting was reallocated to underground drilling beneath the East Valdecañas Vein to test it at depths comparable to Holes P1-P4 drilled under the Valdecañas West Vein. A drill station was carved out along the decline at approximately 2,000 metres down ramp. The surface and underground drilling commenced in November 2015 and was completed in June, 2016.

Twelve step-out exploration holes, ranging in depth from 850 to over 1,200 metres were completed, and as expected with such depth, several holes required multiple attempts to reach target depths. Assays for these holes were released in the third quarter (see Press Release dated August 15, 2016). The drill results of these holes confirm and extend the wide high-grade mineralization from the Deep Zone discovery announced April 23, 2015. The holes demonstrate continuity of high-grade, multi-stage precious and base metals mineralization now beneath both the East and the West Vein Bonanza Zones. Mineralization is traceable over a strike length exceeding 800 metres and to a depth of 200 to 300 metres beneath the current resource estimate (see Press Release dated May 27, 2014). Mineralization widths range from approximately 5 metres to over 29 metres with the thickest intercepts occurring where the dip of the veins steepen creating thickened "dilatant zones" that remain open to depth and laterally to the joint venture boundaries: approximately 300 metres to the west and 700 metres to the east.

Deep Zone East

The best intercept in the discovery and extension of the Deep Zone in the East Valdecañas Vein is in hole VM2, the deepest and eastern most hole in the East Vein. VM2 intercepted 36.45 metres (29.85 metres true width) grading 235 g/t (6.87 ounces per ton "opt") silver, 0.50 g/t gold, 4.76% lead, 5.79% zinc, 0.99% copper; including 8.80 m (true width of 7.21 metres) carrying 475 g/t (13.86 opt) silver; 0.66 g/t gold, 1.91% lead, 5.27% zinc and 2.38% copper. Higher grade zones within the overall intercept include very high-grade lead (>40%) and high-grade silver (1,290 g/t) associated with the highest copper values (6.79%) reported to date on the property.

Deep Zone West

P6 is the best new hole in the Deep Zone West cutting 29.90 metres (22.90 metres true width) grading 119 g/t (3.47 opt) silver, 1.13 g/t gold, 4.18% lead, 11.89% zinc and 0.27% copper; including 3.75 metres (2.87 metres true width) grading 292 g/t (8.52 opt) silver, 4.48 g/t gold, 13.24% lead, 24.92% zinc and 0.55% copper. This hole is a 100 metre offset to Hole P3, the best hole of the previous program.

Anticipada Vein

The drilling also resulted in the discovery of the "Anticipada Vein," a newly recognized vein of unclear geometry lying about 100 metres into the hanging wall of the East Vein. It has been cut in five holes and swells from 1.15 metres (0.8 metres true width) in Hole VM2 to 10.40 metres (6.68 metres true width) in Hole P13 where it grades 105 g/t (3.06 opt) silver, 2.69 g/t gold, 3.59% lead, 10.79% zinc and 0.23% copper. It remains open in several directions.

The combined Deep Zone displays strong base metal mineralization stages cut by later quartz veining stages. In some holes, swarms of barren quartz veinlets extend for tens of metres around the mineralized zones. There are significant orientation differences between the various vein stages suggesting structural complexity not seen higher in the system. The interpretation of increased structural complexity is reinforced by the geometry of the Anticipada Vein. The narrowness of the intercepts in Holes P7 and P9 appears to indicate downward flattening of the vein. Although less well constrained, changes in vein strike may explain the widening of the vein to the east and west of the overlap zone between the East and West Veins. Notably, the overlap zone also appears to coincide with the zone of broadest skarn alteration, which exceeds 200 metres wide in Hole P12. The highest copper values appear to fall around the edges of the skarn zone. These geologic data continue to support the concept that the overlap zone coincides with a major ore-fluid upwelling zone (see Press Release dated August 15, 2016).

During the year, the Joint Venture Technical Committee approved a supplemental $1,200 budget (MAG's 44% share is $528) for additional 2016 deep and shallow in-fill drilling as well as protection and exploration holes along and ahead of the path of the decline as it approached the Valdecañas Vein. The supplemental drill program was for a combined 8,900 metres of surface and underground drilling, with assays released subsequent to the year end on February 14, 2017. The Company reported on 13 exploration and infill drill holes that further extend wide, high-grade mineralization in the Deep Zones of the Valdecañas Vein System (see Press Release of February 14, 2017).

The Deep Zone West has now been traced over 550 meters in strike length, almost to the western claim boundary, with vein widths ranging from 11.4 meters to 26.5 meters and a minimum vertical height of 200 meters. The best hole from this zone is P17 which cut 9.70 meters (true width) grading 120 g/t (3.51 opt) silver, 2.46 g/t gold, 5.55% lead, 5.08% zinc, 0.21% copper. The Deep Zone East is continuous over 750 meters of strike length with widths ranging from 5.6 meters to 29.9 meters over a vertical extent up to 300 meters and appears more irregular than the Deep Zone West. Both Deep Zones show elevated gold with the highest gold appearing in Hole VM6 in the Deep Zone East, which cut 5.20 meters (true width) grading 333 g/t (9.72 opt) silver, 16.87 g/t gold; 4.47% lead, 3.77% zinc, 1.04% copper, including: 1.44 meters (true width) grading 854 g/t (24.91 opt silver); 54.67 g/t gold, 3.21% lead, 2.72% zinc, 2.28% copper.

Significantly, the recently discovered Anticipada Vein, which lies in the hangingwall of the Deep Zone East has also been extended to over 700 meters in length, with widths ranging from 2.0 meters to 12.8 meters and a vertical extent of 100 meters to 350 meters. The best Anticipada intercept was Hole VM6 which cut 5.60 meters (true width) grading 177 g/t (5.15 opt) silver, 7.36 g/t gold, 2.39% lead, 6.31% zinc and 0.12% copper, including: 3.15 meters (true width) grading 283 g/t (8.25 opt silver); 12.62 g/t gold, 3.62% lead, 8.42% zinc, 0.17% copper.

Drilling results to date from the Deep Zone show the typical thickening and complementary thinning of a classic "dilatant zone" stemming from steepening and flattening of the veins. The horizontally-elongated dilatant zone in the Deep Zone West remains consistently wide (9.7m to 26.5m) towards the western property boundary with considerable room for expansion downwards and along strike to depth. The Deep Zone East-Anticipada Vein geometries appear more complex, with the Deep Zone East becoming less consistent eastward while Anticipada becomes stronger in the same direction. The emerging relationships indicate that Anticipada may be the dominant site of deep mineralization towards the east.

Qualified Person: Dr. Peter Megaw, Ph.D., C.P.G., has acted as the qualified person as defined in National Instrument 43-101 for this disclosure and supervised the preparation of the technical information in this MD&A. Dr. Megaw has a Ph.D. in geology and more than 35 years of relevant experience focused on silver and gold exploration in Mexico. He is a Certified Professional Geologist (CPG 10227) by the American Institute of Professional Geologists and an Arizona Registered Geologist (ARG 21613). Dr. Megaw is not independent as he is Chief Exploration Officer (CXO) and a Shareholder of MAG and is a vendor of projects, other than Juanicipio, whereby he may receive royalties. Dr. Megaw is satisfied that the results are verified based on an inspection of the core, a review of the sampling procedures, the credentials of the professionals completing the work and the visual nature of the silver and base metal sulphides within a district where he is familiar with the style and continuity of mineralization.

Quality Assurance and Control: The samples 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 other recognized lab). The bulk reject is subsequently sent to CIDT (Center for Investigation and Technical Development) of Peñoles in Torreon, Mexico for metallurgical testing where a fourth assay for each sample is analyzed and a calculated head grade is received on the basis of a concentrate balance. The CIDT also does a full microscopic, XRF and XRD mineralogical analysis.

5. OUTLOOK

The Company intends to enhance its project portfolio through successful exploration and project development. Although the Company's working capital position remains strong, the Company continues to execute its business plan prudently, with an on-going focus on high-grade, district scale potential properties.

Minera Juanicipio

To date, the Juanicipio Technical Report has provided the framework on which the Technical Committee guides the continued advancement of the project. However, an engineering review of the impact of the significant drill results coming from Deep Zone is currently underway with an objective of determining whether aspects of the Bonanza Zone development should be modified to accommodate possible future production from this zone. Fresnillo and the Company have been considering alternate mine plans and other enhancements to the development of the Juanicipio Project from what is set out in the Juanicipio Technical Report. Considerations include increasing the processing plant nameplate capacity from 2,650 tonnes per day to 4,000 tonnes per day and sinking an internal shaft (or winze) to access the deeper zone sooner. In addition, a new resource estimate incorporating further drilling is expected to be incorporated into the mine plan. These changes, if approved by Minera Juanicipio, could result in an incremental increase in capital cost, a delay in the start-up of commercial production and an impact on the expected mine life of the project.

Although Minera Juanicipio has not formally made a "production decision," Fresnillo, the project operator, had repeatedly publicly reported that it expected Juanicipio would be in production by the second half of 2018. Recently, Fresnillo indicated that the changes in design scope were expected to slide the anticipated project start-up from the second half of 2018 to the first half of 2019. Although the Company believes this timeline laid out by the project operator is reasonable in the context of the Juanicipio Technical Report and proposed scope changes, the actual schedule to production is still under review by Minera Juanicipio. There are no assurances that production will be achieved by that date, or at all.

Fresnillo has indicated that permitting based on the upgraded design has already commenced, and that it expects its Board to give formal project approval in the second quarter 2017. For MAG, the new resource estimate and these design upgrades are expected to be incorporated into a revised mine plan and a new MAG technical report for the project, expected to be completed in the second quarter of 2017 concurrent with the project approval.

On the exploration front, expected to be approved at the next JV Technical Committee meeting, Fresnillo plc has also reported a 20,000-metre exploration drill program for Minera Juanicipio in 2017. Dr. Peter Megaw, the Company's Chief Exploration Officer and the MAG exploration team have been involved with Fresnillo in selecting drill targets for the expected 2017 programs.

Currently, there are three drill rigs on the property, two drilling from surface, and one drilling from underground.

Cinco de Mayo

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

6. INVESTMENT IN ASSOCIATE

Minera Juanicipio

Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio") is the corporate entity through which the Company holds its Investment in Associate.

(In thousands of US dollars)	Year ended December 31, 2016	2015
Joint venture oversight expenditures incurred 100% by MAG	$ 262	$ 212
Cash contributions to Minera Juanicipio	7,137	4,796
Total for the current year	7,399	5,008
Equity pick up of current loss for the year	(1,327)	(1,366)
Balance, beginning of year	31,240	27,598
Balance, end of year	**$ 37,312**	**$ 31,240**

During the year ended December 31, 2016, the Company incurred oversight expenditures on the Juanicipio Property of $262 (December 31, 2015: $212) and made joint venture advances to Minera Juanicipio of $7,137 (December 31, 2015: $4,796).

Total Juanicipio Property expenditures incurred directly by Minera Juanicipio for the year ended December 31, 2016 amounted to approximately $14,821 (December 31, 2015: $9,791).

In the year ended December 31, 2016 the Company recorded a 44% equity loss from its Investment in Associate of $1,327 (December 31, 2015: $1,366). The equity loss pick up from Minera Juanicipio is a result of the weakening of the Mexican Peso relative to the US$, and the Company's related 44% share of a foreign exchange loss and deferred tax expense.

7. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the Cinco de Mayo and Guigui properties:

For the year ended	**December 31, 2016**			Dec 31, 2015
(In thousands of US dollars)	Cinco de mayo	Guigui	**Total**	Total
Exploration and evaluation assets				
Acquisition costs of mineral & surface rights	$ -	$ -	$ -	$ 157
Camp costs, travel & transport	88	3	91	248
Drilling & drilling preparation	-	-	-	365
Geological, geochemical & geophysical	39	28	67	248
Land taxes and gov't fees	253	83	336	363
Legal, community and other consultation costs	590	3	593	944
Total for the year	970	117	1,087	2,325
Balance, January 1, 2016	48,859	3,947	52,806	50,481
Less: Impairment	(49,829)	(4,064)	(53,893)	-
Balance, December 31, 2016	$ -	$ -	$ -	$ 52,806

Cinco de Mayo Property

The Company owns 100% of the mineral concessions comprising the Cinco de Mayo Property located in northern part of Chihuahua State, Mexico. In late 2012, certain members of the local Ejido challenged the Company's surface right access to the property and have since prevented the Company from obtaining the surface access permission required as part of a Federal Government exploration permit process. The Company has undertaken various activities since then in an attempt to regain access to the property. In the year ended December 31, 2016, the Company incurred exploration and evaluation expenditures of $970 (December 31, 2015: $1,531) on the property. In addition to land taxes of $228 (December 31, 2015: $263), the main expenditures and focus of work has been preparations for negotiations with the local Ejido which has included meetings with State and Federal authorities, and with several legal and Community Relations advisors in Mexico.

During the year, the Company failed to make the progress that had been previously anticipated at December 31, 2015. The Ejido leadership has not agreed to meet with the Company to discuss a basis of a possible resolution, and they have not organized a formal Ejido Assembly to provide their members an opportunity to re-establish the Company's surface access to the property. As well, while the Company has succeeded in gaining support from both the Federal and State Governments to advance its efforts, progress towards an access resolution has been very slow.

Management and the Board of Directors considered alternative options for the property during strategy sessions held in early 2017. With the continuing Ejido impasse, the Company has concluded that as at December 31, 2016, the likelihood of regaining surface access is indeterminable. The Company has therefore recognized an impairment charge of $49,829 ($44,891 after tax) in the year ended December 31, 2016 relating to the property.

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

Guigui Property

The Guigui project is a 100% interest in a 4,500-hectare property in the Santa Eulalia Mining District of Chihuahua, Mexico, and is subject to a royalty of 2.5% of the net smelter returns obtained from the property. The Company filed for and obtained an additional 3,800 hectare "Guiguito" concession in 2013, and the combined property now consists of roughly 8,300 hectares.

In the year ended December 31, 2016, the Company incurred exploration and evaluation costs of $117 (December 31, 2015: $794) on the Guigui property, consisting primarily of holding costs.

A review of the exploration results on the property failed to meet the Company's criteria for continued exploration, and therefore an impairment charge of $4,064 ($3,838 after tax) was recognized against the Guigui Property during the year ended December 31, 2016.

8. SELECTED ANNUAL INFORMATION

The following table summarizes selected financial data for the Company's three most recently completed financial years. The information set forth below should be read in conjunction with the consolidated audited financial statements and related notes thereto. All figures are reported under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Revenues(1)	$ 1,115	$ 289	$ 238
Net Loss(2)	$ (55,846)	$ (16,829)	$ (16,133)
Net Loss per Share	$ (0.71)	$ (0.24)	$ (0.25)
Total Assets(3)	$ 177,240	$ 160,264	$ 169,523
Long Term Debt	Nil	Nil	Nil
Dividends(4)	Nil	Nil	Nil

Notes:

(1) The Company's only source of revenue during the years ending December 31, 2014 to 2016 was interest income from term deposits and cash deposits in high interest savings accounts held by the Company. The amount of interest earned correlates directly to the amount of cash on hand during the year referenced and prevailing interest rates. The Company does not have any operating revenues.

(2) The Company's normal course of business is to explore and evaluate its mineral properties as appropriate. The loss variation above reflects, amongst other things, the periodic impairment of exploration and evaluation assets (a non-cash charge), share based payment expense (a non-cash charge), and fluctuations in activity levels. The current year's net loss includes a $53,893 impairment of exploration and evaluation assets (see "*Review of Financial Results*" below) compared to a $4,292 write off of an option to acquire a mineral property in 2015, and $6,418 impairment of exploration and evaluation assets in 2014. The current year's net loss also includes share based payment expense of $2,263 compared to $3,090 and $3,502 in 2015 and 2014 respectively.

(3) Included in 'Total Assets' at the end of 2016, the Company held $138,347 in cash, cash equivalents and term deposits, compared to $75,424 at December 31, 2015 and $86,280 at December 31, 2014. In the year ended December 31, 2016 the Company closed a bought deal financing for total gross proceeds of $74,757; no financings were completed in the year ended December 31, 2015, and in the year ended December 31, 2014 the Company closed a bought deal financing for total gross proceeds of $80,017. Included in 'Total Assets' at the end of 2016, the Company had nil exploration and evaluation assets compared to $52,806 at December 31, 2015 and $50,480 at December 31, 2014.

(4) The Company has not declared or paid dividends on its common shares, and has no intent on paying dividends in the near future, as it anticipates that all available funds will be used to finance the operations and growth of its business.

9. REVIEW OF FINANCIAL RESULTS

	Year ended December 31, 2016	2015
EXPENSES		
Accounting and audit	$ 615	$ 469
Amortization	23	16
Filing and transfer agent fees	182	184
Foreign exchange loss	36	2,135
General office expenses	719	651
Legal	256	344
Management compensation and consulting fees	2,397	1,965
Property investigation costs	257	217
Impairment of exploration and evaluation assets	53,893	-
Option to acquire mineral interest written off	-	4,292
Share based payment expense	2,263	3,090
Shareholder relations	515	526
Travel	250	289
	61,406	14,178
Interest income	1,115	289
Gain on sale of available-for-sale securities	1,152	-
Gain on warrants (mark-to-market)	44	-
Impairment of available-for-sale securities	-	(92)
Equity pick up from associate	(1,327)	(1,366)
Loss for the year before income taxes	$ (60,422)	$ (15,347)
Deferred income tax recovery (expense)	4,576	(1,482)
Loss for the year	$ (55,846)	$ (16,829)

Year Ended December 31, 2016 vs. Year Ended December 31, 2015

The Company's net loss for the year ended December 31, 2016 increased to $55,846 from $16,829 in the comparable prior period primarily due to the impairments recognized on the Cinco de Mayo and Guigui properties totaling $53,893 (see "Exploration and Evaluation Assets" above) compared to a $4,292 write off of an option to acquire a mineral property in 2015.

A foreign exchange loss of $36 was recorded in the year ended December 31, 2016 compared to a $2,135 loss in the same period last year. The current period's foreign exchange loss resulted primarily from holding some Peso denominated monetary assets while the Peso weakened against the US$, while in the prior period, the foreign exchange loss resulted from holding Canadian dollar ("C$") cash while the C$ weakened against the US$. A portion of the Company's monetary assets are used to fund Canadian dollar and Mexican Peso expenditures and are held in those respective currencies, and subject to foreign exchange risk.

Management compensation and consulting fees in the year ended December 31, 2016 increased to $2,397 (December 31, 2015: $1,965), as the Company employed an additional staff member and more directors took fees in cash over deferred share units ("DSUs") as compared to the prior year.

Share based payment expense (a non-cash item) on equity incentive grants decreased in the year ended December 31, 2016 and amounted to $2,263 (December 31, 2015: $3,090). The Company granted 227,773 stock options in the year ended December 31, 2016 (December 31, 2015: 701,250) and recorded $796 (December 31, 2015: $1,569) of share based payment expense relating to stock options vesting to employees and consultants in the period. The Company granted no RSUs and 69,085 PSUs in the year ended December 31, 2016 (December 31, 2015: 19,960 RSUs and 81,892 PSUs) and recorded a share based payment expense of $505 (December 31, 2015: $274) relating to RSUs and PSUs vesting to employees and consultants in the period. In the year ended December 31, 2016, $962 of share based payment expense (December 31, 2015: $1,247) was also recorded on 63,287 DSUs (December 31, 2015: 123,932) granted under the Company's DSU plan and an additional 9,477 DSUs (December 31, 2015: 53,137) granted to two directors who elected to receive their retainer and meeting fees for the period in DSUs rather than in cash. The fair value of all stock option share-based payment expense is estimated using the 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. The fair value of the portion of performance share units with market condition is determined using the Monte Carlo pricing model.

Other expenses incurred during the year ended December 31, 2016 included accounting and audit of $615 (December 31, 2015: $469), amortization of $23 (December 31, 2015: $16), filing & transfer agent fees of $182 (December 31, 2015: $184), general office expenses of $719 (December 31, 2015: $651), legal of $256 (December 31, 2015: $344), new property investigation costs of $257 (December 31, 2015: $217), shareholder relations expenses of $515 (December 31, 2015: $526) and travel of $250 (December 31, 2015: $289), 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 during the year ended December 31, 2016, the Company earned interest income on its cash, cash equivalents and term deposits of $1,115 (December 31, 2015: $289), and realized a gain of $1,152 (December 31, 2015: nil) on the sale of available-for-sale securities previously held for strategic reasons. In the current and prior year, the Company also recorded its 44% equity loss from Minera Juanicipio as described above in Investment in Associate.

A deferred (non-cash) tax recovery of $4,576 (December 31, 2015: $1,482 deferred tax expense) was recognized in the year ended December 31, 2016, primarily due to the impairment of Exploration and Evaluation assets in the year.

Other Comprehensive Income (Loss):

In thousands of US dollars	Year ended December 31, 2016	2015
Loss for the year	$ (55,846)	$ (16,829)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on available-for-sale securities, net of tax	1,198	(22)
Reclassification to gain on sale of available-for-sale securities	(1,152)	-
Total comprehensive income (loss)	$ (55,800)	$ (16,851)

In Other Comprehensive Income and Loss ("OCI") during year ended December 31, 2016, the Company recorded an unrealized gain of $1,198 (December 31, 2015: $22 unrealized loss) on available-for-sale securities it had strategically acquired. Upon the sale and disposition of certain available-for-sale securities in the year ended December 31, 2016, $1,152 was reclassified from OCI to gain on sale of available-for-sale securities.

10. SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for each of the last eight quarters (as determined under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS")) (expressed in US$000's except Net Loss per Share):

Quarter Ending	Revenue(1)	Net Loss(2)	Net Loss per Share
December 31, 2016	$ 351	$ (50,337)	$ (0.62)
September 30, 2016	$ 348	$ (1,985)	$ (0.02)
June 30, 2016	$ 303	$ (2,227)	$ (0.03)
March 31, 2016	$ 113	$ (1,297)	$ (0.02)
December 31, 2015	$ 64	$ (10,169)	$ (0.15)
September 30, 2015	$ 66	$ (1,988)	$ (0.03)
June 30, 2015	$ 68	$ (2,136)	$ (0.03)
March 31, 2015	$ 92	$ (2,536)	$ (0.04)

Notes:

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

(2) Net losses by quarter are 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 expense) as described in "Review of Financial Results" above.

11. FOURTH QUARTER

The Company's net loss for the three months ended December 31, 2016 increased to $50,337 (December 31, 2015: $10,169) as the Company recognized an impairment on its Cinco de Mayo and Guigui properties totaling $53,893 in the quarter ended December 31, 2016 (see "Exploration and Evaluation Assets" above) compared to a $4,292 write-off of an option to acquire a mineral property in 2015.

Management compensation and consulting fees in the quarter ended December 31, 2016 increased to $1,104 (December 31, 2015: $824), as the Company employed an additional staff member and more directors took fees in cash over deferred share units ("DSUs") as compared to the comparable prior quarter.

The Company granted 227,773 stock options, 69,085 performance share units ("PSUs") and 2,409 deferred share units ("DSUs) in the quarter ended December 31, 2016 (December 31, 2015: 432,500 stock options, 81,892 PSUs and 88,316 DSUs), and recorded share based payment expense (a non-cash item) of $267 in the current quarter (December 31, 2015: $1,348). The fair value of all stock option share-based payment expense is estimated using the 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. The fair value of the portion of performance share units with market condition is determined using the Monte Carlo pricing model.

Other expenses incurred during the quarter ended December 31, 2016 included accounting and audit of $393 (December 31, 2015: $263), amortization of $9 (December 31, 2015: $4), filing & transfer agent fees of $6 (December 31, 2015: $19), foreign exchange loss of $194 (December 31, 2015: $423), general office expenses of $165 (December 31, 2015: $125), property investigation costs of $73 (December 31, 2015: $30), Legal and shareholder relations expenses of $125 (December 31, 2015: $352) and travel of $65 (December 31, 2015: $70), 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 during the quarter ended December 31, 2016, the Company earned interest income on its cash, cash equivalents and term deposits of $351 (December 31, 2015: $63). The Company also recorded a 44% equity loss pick up from its Investment in Associate, amounting to $308 in the quarter ended December 31, 2016 (December 31, 2015: $1,001). The equity loss pick up relates to the Company's 44% share of a foreign exchange loss and a deferred income tax expense incurred within Minera Juanicipio.

The Company recorded a deferred tax recovery of $5,870 for the quarter ended December 31, 2016 (December 31, 2015: $1,482 deferred tax expense) related primarily to the impairment of Exploration and Evaluation assets in the quarter.

12. CASH FLOWS

The following table summarizes cash flow activities for the year ended December 31, 2016:

(In thousands of US dollars)	Year ended December 31, 2016	2015
Operations	$ (4,084)	$ (4,359)
Changes in non-cash working capital	(356)	688
Operating activities	(4,440)	(3,671)
Investing activities	(62,922)	(8,266)
Financing activities	75,313	2,597
Change in cash and cash equivalents during the year	7,951	(9,340)
Effects of exchange rate changes on cash and cash equivalents	(28)	(1,516)
Cash, beginning of year	75,424	86,280
Cash and cash equivalents, end of year	$ 83,347	$ 75,424
Term deposits, end of year	$ 55,000	$ -

Operating Activities

During the year ended December 31, 2016, the Company used $4,084 in cash for operations, compared to $4,359 in the year ended December 31, 2015. The Company's non-cash working capital in the year ended December 31, 2016, increased by $356 (December 31, 2015: decreased by $688).

Investing Activities

During the year ended December 31, 2016, the Company invested cash of $62,922 compared to $8,266 in the year ended December 31, 2015. The primary investment of cash in the year ended December 31, 2016 was the purchase of term deposit with an initial maturity in excess of 90 days totaling $55,000 (December 31, 2015: nil). The Company also used cash to fund advances to Minera Juanicipio, which combined with MAG's Juanicipio expenditures on its own account, totaled $7,363 in the year ended December 31, 2016 (December 31, 2015: $5,009). The Company makes cash advances to Minera Juanicipio as 'cash called' by operator Fresnillo, based on approved joint venture budgets. In the year ended December 31, 2016, the Company also expended $1,323 (December 31, 2015: $2,107) on its other exploration and evaluation properties.

Financing Activities

During the year ended December 31, 2016, the Company's net cash from financing activities amounted to $75,313, compared to $2,597 in the year ended December 31, 2015.

As discussed in "Financing Activities" above, on March 1, 2016, the Company closed a bought deal public offering and issued 8,905,000 common shares at $7.30 per share, for gross proceeds of $65,006. On March 4, 2016, the underwriters exercised in full an associated 15% over-allotment option, and the Company issued an additional 1,335,750 common shares for additional gross proceeds of $9,751. Total gross proceeds were $74,757, and combined net proceeds amounted to $70,654.

In the year ended December 31, 2016, 691,705 stock options, were exercised for cash proceeds of $4,659 (December 31, 2015: 424,900 stock options were exercised for cash proceeds of $2,597). During the year ended December 31, 2016, an additional 1,125,001 stock options were exercised under a less dilutive cashless exercise provision of the plan (December 31, 2015: 504,785), whereby 325,671 shares were issued in settlement of the stock options (December 31, 2015: 121,150), and the remaining 799,330 options were cancelled (December 31, 2015: 383,635).

13. FINANCIAL POSITION

The following table summarizes the Company's financial position as at:

(In thousands of US dollars)	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 83,347	$ 75,424
Term deposits	55,000	-
Other current assets	1,527	756
Total current assets	139,874	76,180
Equipment	54	38
Investment in associate	37,312	31,240
Exploration and evaluation assets	-	52,806
Total assets	$ 177,240	$ 160,264
Total current liabilities	$ 733	$ 957
Deferred income taxes	589	5,165
Total liabilities	1,322	6,122
Total equity	175,918	154,142
Total liabilities and equity	$ 177,240	$ 160,264

Total current assets increased from $76,180 at December 31, 2015 to $139,874 December 31, 2016. The increase is primarily due to the funds raised from the bought deal financing which closed in the first quarter of 2016 (as referred to above in "Financing Activities"). Cash, cash equivalents and term deposits totaled $138,347 at December 31, 2016 compared to $75,424 at December 31, 2015. Other current assets as at December 31, 2016 included investments of $718 (December 31, 2015: $279), prepaid expenses of $181 (December 31, 2015: $150) and accounts receivable of $628 (December 31, 2015: $327). The accounts receivable is comprised primarily of interest receivable earned on its cash, cash equivalents and term deposits.

The increase from December 31, 2015 to December 31, 2016 in Investment in Associate from $31,240 to $37,312 reflects the Company's ongoing investment in Minera Juanicipio as discussed in "Investing Activities" above. The decrease from December 31, 2015 to December 31, 2016 in Exploration and Evaluation assets from $52,806 to nil, reflects the impairments of the Cinco de Mayo and Guigui Properties in the current year ended December 31, 2016.

Current liabilities at December 31, 2016 amounted to $733 (December 31, 2015: $957) and are attributable to accrued exploration and administrative expenses. The deferred income tax liability decreased to to $589 at December 31, 2016 (December 31, 2015 $5,165) primarily as a result of deferred tax recovery recognized in the year and explained above in the "*Review of Financial Results*."

The variation in total equity is due primarily to the aforementioned public offering completed during the year ended December 31, 2016.

14. LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had working capital of $139,141 (December 31, 2015: $75,223) including cash, cash equivalents and term deposits of $138,347 (December 31, 2015: $75,424). The Company currently has no debt and has sufficient working capital to maintain all of its properties and currently planned programs for a period in excess of the next year. Although the Company believes it is fully funded for its share of the Juanicipio development as envisioned under the Juanicipio Technical Report (see *Funding of the Juanicipio Development* below), the Company may require additional capital in the future to meet its project related expenditures, including its cash calls on the Juanicipio project in light of the scale and scope changes currently being considered.

Funding of the Juanicipio Development

The Juanicipio Technical Report estimated total project capital costs of $302,000 inclusive of capitalized operating costs (MAG's 44% share is $132,880) over 3.5 years from the start of development. As the first 33 months of development, as envisioned under the Juanicipio Technical Report, are primarily focused on the ramp decline, the majority of the capital costs are not expected to be incurred until the latter part of the development schedule. The larger capital expenditures items associated with the mine development have not yet been approved by Minera Juanicipio.

To December 31, 2016, approximately $35,675 of the Juanicipio development has been funded by the joint venture partners (MAG's share funded to December 31, 2016 is approximately $15,697), leaving approximately $266,325 (MAG's 44% share is approximately $117,183) of remaining mine development expenditures to complete the Juanicipio mine according to the Juanicipio Technical Report. In addition, as at December 31, 2016, Minera Juanicipio had cash on hand of $3,573 available to fund expenditures. Given the progress to date, and the Company's cash, cash equivalents and term deposits on hand ($138,347) as at December 31, 2016), the Company believes that it has enough cash to fully fund its 44% share of cash calls for the Juanicipio mine development as envisioned in the Juanicipio Technical Report.

In addition, the Preliminary Economic Assessment set out in the Juanicipio Technical Report is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is no certainty that the Preliminary Economic Assessment set out in the Juanicipio Technical Report will be realized. As a result, there are additional risks in commencing and completing construction based upon the Juanicipio Technical Report including additional risks as to capital and operating costs, development time, mineral recovery and financial viability. There is also no guarantee that the construction will be completed or, if completed, that production will begin or that financial results will be consistent with the Juanicipio Technical Report.

As noted in the Outlook above, given the potential size of the additional mineralized zones, the Joint Venture partners, led by JV Operator Fresnillo plc, have been considering project design enhancements to maximize the value of both the Bonanza Zone and the new deeper zone. Considerations include increasing the processing plant nameplate capacity from 2,650 tonnes per day to 4,000 tonnes per day and sinking an internal shaft (or winze) to access the deeper zone sooner. These changes in design scope could result in an incremental increase in the project capital cost and slide the anticipated project start-up from the second half of 2018 to the first half of 2019.

The new resource estimate, the design upgrades and the associated capital requirements will be incorporated into a revised mine plan and a new MAG technical report for the project, expected to be completed in the second quarter of 2017 concurrent with the project approval. Accordingly, the complete development of the Juanicipio Project may require capital exceeding the Company's cash on hand resources, and the Company may need to raise significant additional capital in the future under such circumstances. Future liquidity may therefore depend upon the Company's ability to arrange debt or additional equity financings. The inability of the Company to fund its 44% share of cash calls would result in dilution of the Company's ownership interest in Minera Juanicipio, in accordance with the shareholders agreement.

Actual vs Expected Use of Proceeds – Prior Financings

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

Intended Use of Proceeds	Expected Use of Proceeds July 9, 2014 (000s of $C)	Estimated Actual Use of Net Proceeds to date (1) (000s of $C)	Expected Use of Proceeds February 23, 2016 (000s of $US)	Estimated Actual Use of Net Proceeds to date (000s of $US)
Exploration expenditures at the Juanicipio Property	$3,000	**$3,350** (2)	$5,000	**$1,903**
Development expenditures at the Juanicipio Property	$71,470	**$19,024** (3)	$50,000	**$ -** (3)
Development contingency at the Juanicipio Property	$ -	**$ -**	$7,500	**$ -**

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

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

(3) As the first 33 months of development focuses primarily on ramp decline, the majority of the capital expenditures are yet to be incurred, and are expected to be incurred in the latter part of the development schedule (2017-2018).

15. CONTRACTUAL OBLIGATIONS

The following table discloses the contractual obligations of the Company (as at the date of this MD&A) for optional mineral property acquisition payments, optional exploration work and committed lease obligations for office rent and equipment. Based on exploration results, the Company will select at its discretion, only certain properties to complete option and purchase arrangements on.

	Total	Less than 1 year	1-3 Years	3-5 Years
Property Option Payments, Exploration and Development Expenditures – Total (1)	**$ -**	**$ -**	**$ -**	**$ -**
Office Lease	363	129	234	-
Total Obligations	**$ 363**	**$ 129**	**$ 234**	**$ -**

(1) Although the Company makes cash advances to Minera Juanicipio as cash called by operator Fresnillo (based on annual 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.

Other contractual obligations include: a 2.5% NSR royalty on the Cinco de Mayo property under the terms of an agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the property; and a 2.5% NSR royalty on the Guigui mining concessions.

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

16. SHARE CAPITAL INFORMATION

The Company's authorized capital consists of an unlimited number of common shares without par value. As at March 29, 2017, the following common shares, stock options, RSUs and DSUs were outstanding:

	Number of Shares	Exercise Price or Conversion Ratio	Remaining Life
Capital Stock	80,755,843		
Stock Options	2,166,772	$5.35 - $17.55	0.4 to 4.7 years
Performance Share Units("PSUs") (1)	140,203 (1)	1:1	3.7 to 4.7 years
Restricted Share Units("RSUs")	46,520	1:1	2.3 to 3.2 years
Deferred Share Units ("DSUs")	373,305	1:1	n/a (2)
Fully Diluted	83,482,643		

(1) Includes 69,085 PSUs where vesting is subject to a market price performance factor measured over a three-year performance period, resulting in a PSU payout range from 0% (nil PSUs) to 200% (138,170 PSUs).

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

17. OTHER ITEMS

The Company is unaware of any undisclosed liabilities or legal actions against the Company and the Company has no legal actions or cause against any third party at this time other than the claims of the Company with respect to its purchase of 41 land rights within the Cinco de Mayo property boundaries, and the associated efforts to regain surface access with the local Ejido. Any resolution to this situation will include a comprehensive CSR program to coincide with the next phases of the Company's exploration activity.

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 Government of the State of Zacatecas, Mexico published the Tax Law for the State of Zacatecas (Ley de Hacienda del Estado de Zacatecas, the "Zacatecas Tax Law"), which came into effect on January 1, 2017.

As provided for in the Zacatecas Tax Law, certain so called "environmental duties" were established for operations carried out within the State of Zacatecas, Mexico. Minera Juanicipio's operations are located in the State of Zacatecas, and this new tax law will apply to the Juanicipio development once it is in production, the effects of which have not been quantified. Managements' assessment of this tax however, is that it will not have an impact on the viability of the Juanicipio Project.

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

In Mexico, VAT is charged on the sale of goods, rendering of services, lease of goods and importation of goods and services at a rate of 16%. Exports and other specified items may be subject to a 0% rate. Proprietors selling goods or services must collect VAT on behalf of the government. Goods or services purchased incur a credit for VAT paid. The resulting net VAT is then remitted to, or collected from, the Government of Mexico through a formalized filing process.

The Company has traditionally held a VAT receivable balance due to the expenditures it incurs whereby VAT is paid to the vendor or service provider. Collections of these receivables from the Government of Mexico often take months and sometimes years to recover, but the Company has to date been able to recover all of its VAT paid. However, amendments to Mexican VAT legislation took effect January 1, 2017, and may impact the Company's ability to recover VAT paid after January 1, 2017 (no impact on VAT paid up to and including December 31, 2016). Although still subject to interpretation and confirmation of intent, it now appears that companies in a pre-operative/exploration stage should not apply for VAT refunds until the company has taxable sales; or in the alternative, if VAT credits are filed for and recovered and the exploration activities later cease without success, the Company may have to refund the tax authorities for the amounts previously recovered on an inflation adjusted basis.

These changes may effectively increase the non-Juanicipio administrative and exploration costs of the Company conducting business in Mexico by 16% in 2017 and beyond. However, the changes are not expected to have any impact on Minera Juanicipio and its ability to recover VAT paid, given the expectation it will be in production by 2019.

18. TREND INFORMATION

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

The nature of the Company's business is demanding of capital for property acquisition costs, exploration commitments, development and holding costs. The Company's liquidity is affected by the results of its own acquisition, exploration and development activities. The acquisition or discovery of an economic mineral deposit on one of its mineral properties may have a favourable effect on the Company's liquidity, and conversely, the failure to acquire or find one may have a negative effect. In addition, access to capital to fund exploration and development companies remains difficult in current public markets, which could limit the Company's ability to meet its objectives.

Surface rights in Mexico are often owned by local communities or "Ejidos" and there has been a recent 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 property. Any further challenge to the access to any of the properties in which the Company has an interest may have a negative impact on the Company, as the Company may incur delays and expenses in defending such challenge and, if the challenge is successful, the Company's interest in a property could be materially adversely affected. Also see "*Risks and Uncertainties*" below.

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

19. RISKS AND UNCERTAINTIES

The Company's securities should be considered a highly speculative investment and investors are directed to carefully consider all of the information disclosed in the Company's Canadian and U.S. regulatory filings prior to making an investment in the Company, including the risk factors discussed under the heading "Risk Factors" in the Company's most recent Annual Information Form ("AIF") dated March 29, 2017 available on SEDAR at www.sedar.com and www.sec.gov.

The volatile global economic environment has created market uncertainty and volatility in recent years. The Company remains financially strong and will monitor the risks and opportunities of the current environment carefully. These macro-economic events have in the past, and may again, negatively affect the mining and minerals sectors in general. The Company will consider its business plans and options carefully going forward.

In the normal course of business, the Company enters into transactions for the purchase of supplies and services denominated in Canadian dollars or Mexican Pesos. The Company also has cash and other monetary assets and liabilities denominated in Canadian dollars and Mexican Pesos. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates (see Note 11(c) in the unaudited condensed interim consolidated financial statements of the Company as at December 31, 2016).

20. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

21. RELATED PARTY TRANSACTIONS

The Company does not have offices or direct personnel in Mexico, but rather is party to a Field Services Agreement, whereby it has contracted administrative and exploration services in Mexico with MINERA CASCABEL S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX"). Dr. Peter Megaw, the Company's Chief Exploration Officer, is a principal of both IMDEX and Cascabel, and is remunerated by the 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 all the Company's projects, including the Juanicipio Project and the Cinco de Mayo Property.

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

	Year ended Dec 31, 2016	2015
Fees related to Dr. Megaw:		
Exploration and marketing services	$ 346	$ 398
Travel and expenses	59	112
Other fees to Cascabel and IMDEX:		
Administration for Mexican subsidiaries	121	121
Field exploration services	565	1,002
	$ 1,091	$ 1,633

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 typical of industry standards. The services provided do not include drilling and assay work which are contracted out independently from Cascabel & IMDEX. Included in trade and other payables at December 31, 2016 is $255 related to these services (December 31, 2015: $356).

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 Company is also obligated to a 2.5% NSR royalty to Cascabel on the Guigui mining concessions.

Upon the retirement of Dan MacInnis, former President & Chief Executive Officer, on October 15, 2013, the Company had entered into a consulting contract with a private company controlled by Mr. MacInnis who remains a director of the Company. As the contract expired on December 31, 2015 and was not renewed in 2016, no consulting fees were paid in the year ended December 31, 2016 (December 31, 2015: C$11) and there are no payables related to such services as at December 31, 2016 (December 31, 2015: nil).

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

The immediate parent and ultimate controlling party of the consolidated group is MAG Silver Corp. (incorporated in British Columbia, Canada).

The details of the Company's significant subsidiaries and ownership interests are as follows:

Significant subsidiaries of the Company are as follows:

Name	Country of Incorporation	Principal Activity	MAG' effective interest 2016 (%)	2015 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Sierra Vieja S.A. de C.V.	Mexico	Exploration	100%	100%

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

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. Fresnillo is the operator of Minera Juanicipio, and with its affiliates, beneficially owns 12% of the common shares of the Company as at December 31, 2016, 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.

	Year ended December 31, 2016	2015
Salaries and other short term employee benefits	$ 1,412	$ 1,438
Share based payments (Note 9(b), (c), and (d))	1,507	1,751
	$ 2,919	$ 3,189

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consists of its Directors, the Chief Executive Officer and the Chief Financial Officer.

22. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), 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 exploration deferred costs, (ii) provision for reclamation and closure, (iii) deferred income tax provision (iv) share based payments and (v) financial instruments, as the main estimates for the following discussion. Please refer to Note 2 of the Company's consolidated financial statements as at December 31, 2016 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 when events or changes in circumstances indicate the carrying values of its properties to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value. IFRS also allows 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 do create measurement uncertainty concerning the estimate of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognizes the fair value of liabilities for reclamation and closure costs in the period in which they are incurred. A corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the life of the asset.

The deferred income tax provision is based on the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying enacted or substantively enacted tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company records only those deferred tax assets that it believes will be probable, that sufficient future taxable profit will be available to recover those assets.

Under IFRS 2 - *Share-based Payments*, stock options are accounted for by the fair value method of accounting. Under this method, the Company is required to recognize a charge to the statement of loss based on an option-pricing model based on certain assumptions including dividends to be paid, historical volatility of the Company's share price, an annual risk free interest rate, forfeiture rates, and expected lives of the options. The fair value of performance share units awarded with market price conditions is determined using a risk-neutral asset pricing model, based on certain assumptions including dividends to be paid, historical volatility of the Company's share price, a risk free interest rate, and correlated stock returns.

Under IAS 39 – *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 fair value, warrants listed on a recognized exchange are valued at the latest available closing price. Warrants not listed on a recognized exchange, but where a secondary market exists, are valued at independent broker prices (if available) traded within that secondary market. If no secondary market exists, the warrants are valued using the Black Scholes option pricing model.

23. CHANGES IN ACCOUNTING STANDARDS

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective at December 31, 2016. These include:

IFRS 2 ***Share-based payments.*** In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment to address certain issues related to the accounting for cash settled awards and the accounting for equity settled awards that include 'net settlement feature' in respect of employee withholding taxes. The amendments apply for annual periods on or after January 1, 2018 with early adoption permitted. The Company will adopt this standard on the effective date, and is currently evaluating the impact this standard may have on its consolidated financial statements.

IAS 7 ***Statements of cash flows***. In January 2016, the IASB issued amendments to IAS 7 to be applied prospectively for annual periods on or after January 1, 2017 with early adoption permitted. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities. The Company will adopt these amendments on the effective date, and they are not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 9 ***Financial Instruments***. In July 2014, the IASB issued the final version of IFRS 9 which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The standard is effective for annual periods beginning on or after of January 1, 2018, with early adoption permitted. The Company will adopt this standard on the effective date and is currently evaluating the impact this standard may have on its consolidated financial statements.

IAS 12 ***Income taxes***. In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The Company currently does not have debt instruments and the amendments are not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 15 ***Revenue from Contracts with Customers.*** The final standard on revenue from contracts with customers was issued on May 8, 2014. In July 2015, the IASB determined that the revised effective date for IFRS 15 would be for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. Entities have the full option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company's only source of revenue in the current and prior periods is interest income from high interest savings accounts and term deposits, but the Company is currently evaluating the impact this standard may have on its consolidated financial statements once revenue from contracts with customers is generated.

IFRS 16 ***Leases***. In January 2016, the IASB published a new accounting standard, IFRS 16 – *Leases* (IFRS 16) which replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company will adopt this standard on the effective date, and is currently evaluating the impact this standard may have on its consolidated financial statements.

IFRIC 22 ***Foreign currency transactions and advance consideration***. In December 2016, the IASB issued IFRS interpretation, IFRIC 22 which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when a related non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency is derecognized. The standard is effective for annual periods beginning on or after January 1, 2018 with early application permitted. The Company will adopt this standard on the effective date and is currently evaluating the impact this standard may have on its consolidated financial statements.

24. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports that it is required to file or submit under applicable securities laws is recorded, processed, summarized and reported in the manner specified by such laws. The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2016 through inquiry and review, as well as by drawing upon their own relevant experience. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as at December 31, 2016.

Internal Control Over Financial Reporting

The Company also maintains a system of internal controls over financial reporting, as defined by National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* in order to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable and in accordance with International Financial Reporting Standards. The Company retains a third party specialist annually to assist in the assessment of its internal control procedures. The Board of Directors approves the financial statements and MD&A before they are publicly filed, and ensures that management discharges its financial responsibilities. The consolidated financial statements and MD&A for the year ended December 31, 2016 were approved by the Board on March 27, 2017. 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 Board of Directors has also appointed a compensation committee composed of non-executive directors whose recommendations are followed with regard to executive compensation. From time to time the board may also form special sub-committees, which must investigate and report to the Board on specific topics.

The Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Company's internal control over financial reporting as of December 31, 2016 and have concluded that the Company's internal control over financial reporting is effective.

There have been no changes in internal controls over financial reporting during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

25. SUBSEQUENT EVENTS

Subsequent to December 31, 2016 the Company:

1. Issued 12,400 common shares pursuant to the exercise of stock options with an exercise price of C$9.28 for proceeds of C$115; and,

2. Issued 39,239 common shares pursuant to the exercise of 75,000 stock options with an exercise price of C$9.15 exercised under a less dilutive cashless exercise provision of the plan, whereby 39,239 shares were issued in settlement of the stock options, and the remaining 35,761 options were cancelled.

26. 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.