



MAG SILVER CORP.

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

For the six months ended June 30, 2018 and 2017

Dated: August 13, 2018

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

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MAG SILVER CORP.**Condensed Interim Consolidated Statements of Financial Position**

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

	Note	June 30, 2018	December 31, 2017
ASSETS			
CURRENT			
Cash and cash equivalents	3	\$ 151,404	\$ 160,395
Accounts receivable	4	392	160
Prepaid expenses		434	287
TOTAL CURRENT ASSETS		152,230	160,842
INVESTMENTS	5	2,443	3,096
EQUIPMENT	6	42	47
INVESTMENT IN ASSOCIATE	7	62,146	57,074
EXPLORATION AND EVALUATION ASSETS	8	2,169	1,433
TOTAL ASSETS		\$ 219,030	\$ 222,492
LIABILITIES			
CURRENT			
Trade and other payables		\$ 465	\$ 936
COMMITMENTS AND CONTINGENCIES	7,8,15		
DEFERRED INCOME TAXES	16	1,419	1,317
TOTAL LIABILITIES		1,884	2,253
EQUITY			
Share capital	9	392,916	392,554
Equity reserve		18,168	17,719
Accumulated other comprehensive income		(120)	1,214
Deficit		(193,818)	(191,248)
TOTAL EQUITY		217,146	220,239
TOTAL LIABILITIES AND EQUITY		\$ 219,030	\$ 222,492
SUBSEQUENT EVENT	17		

See accompanying notes to the condensed interim consolidated financial statements

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

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

		For the three months ended June 30		For the six months ended June 30	
	Note	2018	2017	2018	2017
EXPENSES					
Accounting and audit		\$ 95	\$ 62	\$ 163	\$ 128
Amortization	6	4	4	8	8
Filing and transfer agent fees		12	32	246	243
Foreign exchange loss (gain)		47	(122)	77	(203)
General office expenses		297	265	495	420
Legal		55	41	163	118
Management compensation and consulting fees		460	427	934	857
Mining taxes and other property costs		113	165	482	519
Share based payment expense	9b,c,d	407	1,170	811	1,537
Shareholder relations		132	140	272	282
Travel		91	82	172	172
		1,713	2,266	3,823	4,081
INTEREST INCOME		783	416	1,465	778
GAIN ON SALE OF EXPLORATION AND EVALUATION ASSETS, NET OF TRANSACTION COSTS	8	1,151	-	1,151	-
CHANGE IN FAIR VALUE OF WARRANTS	5	(51)	124	(521)	104
EQUITY PICK UP FROM ASSOCIATE	7	(1,623)	404	(740)	976
LOSS FOR THE PERIOD BEFORE INCOME TAX		\$ (1,453)	\$ (1,322)	\$ (2,468)	\$ (2,223)
DEFERRED INCOME TAX (EXPENSE) RECOVERY	16	(1,300)	-	(102)	589
LOSS FOR THE PERIOD		\$ (2,753)	\$ (1,322)	\$ (2,570)	\$ (1,634)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
UNREALIZED (LOSS) GAIN ON EQUITY SECURITIES, NET OF TAXES	5	(239)	253	(1,334)	266
TOTAL COMPREHENSIVE LOSS		\$ (2,992)	\$ (1,069)	\$ (3,904)	\$ (1,368)
BASIC AND DILUTED LOSS PER SHARE		\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING					
BASIC AND DILUTED		85,507,628	80,759,425	85,499,155	80,737,706

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.

Condensed Interim Consolidated Statements of Changes in Equity

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

	Note	Common shares without par value		Equity Reserve	Currency translation adjustment	Unrealized gain (loss) on equity securities	Accumulated other comprehensive income (loss)	Deficit	Total equity
		Shares	Amount						
Balance, January 1, 2017		80,704,204	\$343,654	\$16,133	\$ 784	\$ 98	\$ 882	\$(184,751)	\$175,918
Stock options exercised	9a,b	45,400	398	(115)	-	-	-	-	283
Stock options exercised cashless	9a,b	127,845	554	(554)	-	-	-	-	-
Restricted and performance share units converted	9a,c	1,700	13	(13)	-	-	-	-	-
Share based payment	9b,c,d	-	-	2,268	-	-	-	-	2,268
Issued for cash	9a	4,599,641	47,935	-	-	-	-	-	47,935
Unrealized gain on equity securities	5	-	-	-	-	332	332	-	332
Net loss		-	-	-	-	-	-	(6,497)	(6,497)
Total Comprehensive Income (Loss)		-	-	-	-	332	332	(6,497)	(6,165)
Balance, December 31, 2017		85,478,790	\$392,554	\$17,719	\$ 784	\$ 430	\$ 1,214	\$(191,248)	\$220,239
Stock options exercised	9a,b	-	-	-	-	-	-	-	-
Stock options exercised cashless	9a,b	58,191	342	(342)	-	-	-	-	-
Restricted and performance share units converted	9a,c	2,495	20	(20)	-	-	-	-	-
Share based payment	9b,c,d	-	-	811	-	-	-	-	811
Unrealized loss on equity securities	5	-	-	-	-	(1,334)	(1,334)	-	(1,334)
Net loss		-	-	-	-	-	-	(2,570)	(2,570)
Total Comprehensive Income (Loss)		-	-	-	-	(1,334)	(1,334)	(2,570)	(3,904)
Balance, June 30, 2018		85,539,476	\$392,916	\$18,168	\$ 784	\$ (904)	\$ (120)	\$(193,818)	\$217,146
<i>Six Month Comparative:</i>									
Balance, January 1, 2017		80,704,204	\$343,654	\$16,133	\$ 784	\$ 98	\$ 882	\$(184,751)	\$175,918
Stock options exercised	9a,b	26,400	255	(72)	-	-	-	-	183
Stock options exercised cashless	9a,b	39,239	221	(221)	-	-	-	-	-
Share based payment	9b,c,d	-	-	1,537	-	-	-	-	1,537
Unrealized gain on equity securities	5	-	-	-	-	266	266	-	266
Net loss		-	-	-	-	-	-	(1,634)	(1,634)
Total Comprehensive Income (Loss)		-	-	-	-	266	266	(1,634)	(1,368)
Balance, June 30, 2017		80,769,843	\$344,130	\$17,377	\$ 784	\$ 364	\$ 1,148	\$(186,385)	\$176,270

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.

Condensed Interim Consolidated Statements of Cash Flows

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

		For the three months ended June 30		For the six months ended June 30	
	Note	2018	2017	2018	2017
OPERATING ACTIVITIES					
Loss for the period		\$ (2,753)	\$ (1,322)	\$ (2,570)	\$ (1,634)
Items not involving cash:					
Amortization	6	4	4	8	8
Change in fair value of warrants	5	51	(124)	521	(104)
Deferred income tax expense (recovery)	16	1,300	-	102	(589)
Equity pick up from associate	7	1,623	(404)	740	(976)
Gain on sale of exploration and evaluation assets, net of transaction costs	8	(1,151)	-	(1,151)	-
Share based payment expense	9b,c,d	407	1,170	811	1,537
Unrealized foreign exchange loss (gain)		49	(128)	66	(206)
Changes in operating assets and liabilities					
Accounts receivable		237	491	(233)	360
Prepaid expenses		124	183	(146)	(205)
Trade and other payables		(609)	(286)	(505)	(288)
Net cash used in operating activities		(718)	(416)	(2,357)	(2,096)
INVESTING ACTIVITIES					
Exploration and evaluation expenditures	8	(389)	(258)	(669)	(258)
Investment in associate	7	(78)	(6,466)	(5,845)	(10,844)
Investment in equity securities	5	-	(515)	-	(526)
Disposition costs from sale of exploration and evaluation assets	8	(51)	-	(51)	-
Purchase of equipment	6	(3)	-	(3)	-
Redemption of term deposits		-	55,000	-	55,000
Net cash (used in) provided by investing activities		(521)	47,761	(6,568)	43,372
FINANCING ACTIVITIES					
Issuance of common shares upon exercise of stock options	9	-	97	-	183
Net cash provided by financing activities		-	97	-	183
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
		(49)	127	(66)	205
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,288)	47,569	(8,991)	41,664
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		152,692	77,442	160,395	83,347
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 151,404	\$ 125,011	\$ 151,404	\$ 125,011

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

1. NATURE OF OPERATIONS

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

The Company is an exploration and development company working on mineral properties that it has a direct or indirect interest in, that have either been 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:

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Head office and principal place of business:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements (“Interim Financial Statements”) are prepared under International Accounting Standards 34 *Interim Financial Reporting* (“IAS 34”) in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required for full annual IFRS financial statements and therefore should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017.

The accounting policies applied in the preparation of the Interim Financial Statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2017, except for policies stated below:

IFRS 2 *Share-based payment*. In June 2016, the IASB issued amendments to IFRS 2 *Share-based Payment* to address certain issues related to the accounting for cash settled awards and the accounting

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

for equity settled awards that include a 'net settlement feature' in respect of employee withholding taxes. The Company adopted this standard as of January 1, 2018 and it had no impact on the consolidated financial statements.

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

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

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

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

These Interim Financial Statements were authorized for issuance by the Board of Directors of the Company on August 13, 2018.

(a) *Basis of consolidation*

These Interim Financial Statements include the accounts of the Company and its controlled subsidiaries. Control exists when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are included in the consolidated financial results of the Company from the effective date that control is obtained up to the effective date of disposal or loss of control. The principal wholly-owned subsidiaries as at June 30, 2018 are Minera Los Lagartos, S.A. de C.V., Minera Pozo Seco S.A. de C.V., and Minera Sierra

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

Vieja S.A. de C.V. All intercompany balances, transactions, revenues and expenses have been eliminated upon consolidation.

These Interim Financial Statements also include the Company's 44% interest in 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 June 30, 2018 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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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

- (i) The Company reviews and assesses the carrying amount of exploration and evaluation assets, and its investment in associates for impairment when facts or circumstances suggest that the carrying amount is not recoverable. Assessing the recoverability of these amounts requires considerable professional technical judgment, and is made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration (see *Notes 2(b) and 2(g)*).
- (ii) In the normal course of operations, the Company may invest in equity investments for strategic reasons. In such circumstances, management considers whether the facts and circumstances pertaining to each investment result in the Company obtaining control, joint control or significant influence over the investee entity. In some cases, the determination of whether or not the Company has control, joint control or significant influence over the investee entities requires the application of significant management judgment to consider individually and collectively such factors as:
 - The purpose and design of the investee entity.
 - The ability to exercise power, through substantive rights, over the activities of the investee entity that significantly affect its returns.
 - The size of the company's equity ownership and voting rights, including potential voting rights.
 - The size and dispersion of other voting interests, including the existence of voting blocks.
 - Other investments in or relationships with the investee entity including, but not limited to, current or possible board representation, loans and other types of financial support, material transactions with the investee entity, interchange of managerial personnel or consulting positions.
 - Other relevant and pertinent factors.

If the Company determines that it controls an investee entity, it consolidates the investee entity's financial statements as further described in note 2(a). If the Company determines that it has joint control (a joint venture) or significant influence (an associate) over an investee entity, then it uses the equity method of accounting to account for its investment in that investee

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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

(e) Financial instruments

The Company adopted all the requirements of IFRS 9 as of January 1, 2018.

Financial assets

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

(i) Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Equity instruments that are held for trading and all equity derivative instruments are classified as FVTPL. Equity derivative instruments such as warrants listed on a recognized exchange are valued at the latest available closing price. Warrants not listed on a recognized exchange, but where a secondary market exists, are valued at independent broker prices (if available) traded within that secondary market. If no secondary market exists, the warrants are valued using the Black Scholes option pricing model. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss in the period in which they arise.

(ii) Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. The Company has made this election on transition to IFRS 9. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

(iii) Amortized costs

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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

Financial liabilities

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

The Company has completed a detailed assessment of its financial instruments as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Equity securities	Available-for-sale	FVTOCI
Equity derivative securities (warrants)	FVTPL	FVTPL
Accounts receivable	Loans and receivable	Amortized cost
Trade and other payables	Amortized cost	Amortized cost

The Company has elected to classify investments in equity securities as FVTOCI as they are not considered to be held for trading, and future changes in value will be reflected in OCI, including gains or losses on disposal of investments.

The adoption of this standard did not have a material impact on the Company's consolidated financial statements but resulted in certain additional disclosures. The carrying value and measurement of all financial instruments remains unchanged as at January 1, 2018 as a result of the adoption of the new standard.

Impairment

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

(f) Cash and cash equivalents

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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

(g) Exploration and evaluation assets

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

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

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

Impairment

Management reviews the carrying amount of exploration and evaluation assets for impairment when facts or circumstances suggest that the carrying amount is not recoverable. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration. When the results of this review indicate that indicators of impairment exist, the Company estimates the recoverable amount of the deferred exploration costs and related mining rights by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of the rights. When the carrying amounts of exploration and evaluation assets are estimated to exceed their recoverable amounts, an impairment loss is recorded in 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.

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

(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
Office equipment	30% declining balance

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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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 June 30, 2018 or December 31, 2017.

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 \$402 and capitalized a corresponding asset as at June 30, 2018 (December 31, 2017: \$393) (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) Income (Loss) per common share

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

Diluted income (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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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 June 30, 2018, the Company had 2,858,226 (June 30, 2017: 2,785,065) 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 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 June 30, 2018. These include:

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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

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

	Interest Rate	June 30, 2018	December 31, 2017
Cash at bank and on hand	0 - 2.03%	\$ 26,404	\$ 30,395
Term deposit (less than 90 days)	2.21 - 2.36%	125,000	130,000
Cash and cash equivalents		\$ 151,404	\$ 160,395

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

4. ACCOUNTS RECEIVABLE

	June 30, 2018	December 31, 2017
Goods and services tax ("GST") recoverable	\$ 22	\$ 23
Mexican value added tax ("IVA") recoverable	172	30
Interest receivable	198	107
	\$ 392	\$ 160

5. INVESTMENTS

The Company holds investments as follows:

	June 30, 2018	December 31, 2017
Equity securities (strategically acquired)	\$ 2,303	\$ 2,435
Warrants	140	661
	\$ 2,443	\$ 3,096

During the three and six months ended June 30, 2018, the Company recorded an unrealized loss of \$239 and \$1,334 respectively, net of nil tax, in other comprehensive income (loss) (June 30, 2017: \$253 and \$266 unrealized gain respectively) on investments in equity securities and designated as FVTOCI instruments. The following table summarizes the movements of equity securities:

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

		June 30, 2018	December 31, 2017
Equity securities, beginning of period	\$	2,435	\$ 550
Additions		1,202	1,553
Unrealized (loss) gain for the period		(1,334)	332
Equity securities, end of period	\$	2,303	\$ 2,435

During the three and six months ended June 30, 2018, the Company recorded an unrealized loss of \$51 and \$521 respectively, in the statement of loss, on warrants held and designated as FVTPL (June 30, 2017: \$124 and \$104 unrealized gain respectively). The following table summarizes the movements in warrants:

		June 30, 2018	December 31, 2017
Warrants, beginning of period	\$	661	\$ 168
Additions		-	151
Change in fair value of warrants		(521)	342
Warrants, end of period	\$	140	\$ 661

6. EQUIPMENT

Cost	Computer and Office Equipment
Balance, January 1, 2017	\$ 454
Additions	13
Balance, December 31, 2017	467
Additions	3
Balance, June 30, 2018	\$ 470

Accumulated Depreciation	Computer and Office Equipment
Balance, January 1, 2017	\$ 400
Amortization	20
Balance, December 31, 2017	420
Amortization	8
Balance, June 30, 2018	\$ 428

Carrying Amounts	Computer and Office Equipment
At December 31, 2017	\$ 47
At June 30, 2018	\$ 42

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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 11.4% of the common shares of the Company as at June 30, 2018, 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:

	June 30, 2018	December 31, 2017
Joint venture oversight expenditures incurred 100% by MAG	\$ 159	\$ 754
Cash contributions to Minera Juanicipio ⁽¹⁾	5,653	18,700
Total for the current period	5,812	19,454
Equity pick up of current (loss) income for the period ⁽²⁾	(740)	308
Balance, beginning of period	57,074	37,312
Balance, end of period	\$ 62,146	\$ 57,074

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

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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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

	June 30, 2018	December 31, 2017
Cash	\$ 1,586	\$ 9,639
IVA and other receivables	6,395	3,861
Prepays	122	-
Total current assets	8,103	13,500
Minerals, surface rights, exploration & development expenditures	134,611	116,117
Total assets	\$ 142,714	\$ 129,617
Payables to Peñoles and other vendors	\$ 1,523	\$ 1,217
Total current liabilities	1,523	1,217
Provision for reclamation and remediation costs	402	393
Deferred income tax liability	8,579	6,962
Total liabilities	10,504	8,572
Shareholders equity	132,210	121,045
Total liabilities and equity	\$ 142,714	\$ 129,617
	June 30, 2018	December 31, 2017
Deferred income tax (expense) recovery	\$ (1,617)	\$ 965
Exchange loss	(66)	(265)
Net (loss) income	\$ (1,683)	\$ 700
MAG's 44% equity pick up	\$ (740)	\$ 308

Evaluation and exploration expenditures and initial development expenditures, capitalized directly by Minera Juanicipio for the six months ended June 30, 2018 amounted to \$18,494 (June 30, 2017: \$17,578).

Subsequent to the quarter end, the Company advanced \$8,470 to Minera Juanicipio, representing its 44% share of a \$19,250 cash call to fund July, August and September development and exploration expenditures on the Juanicipio property.

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

In 2017, the Company entered into an earn-in option agreement with a private group whereby the Company can earn up to a 100% interest in a prospective land claim package. The Company paid \$75

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

upon signing the agreement. To earn 100% interest in the property, the Company must make combined remaining cash payments of \$425 over the second, third, fourth and fifth annual anniversaries of the agreement, and fund a cumulative aggregate of \$2,925 in exploration expenditures over a five-year period through May 2022. To June 30, 2018, the Company has incurred the following exploration and evaluation expenditures on the property (June 30, 2017 – \$294):

	Three months ended June 30, 2018	Six months ended June 30, 2018	Year ended December 31, 2017
Exploration and evaluation assets:			
Acquisition costs of mineral and surface rights	\$ -	\$ -	\$ 75
Assays	49	64	103
Camp and site costs	30	33	95
Geological and geophysical	307	461	806
Land taxes and government fees	8	116	196
Legal, community and other consultation costs	28	34	47
Travel	27	28	111
Total for the period	449	736	1,433
Balance, beginning of period	1,720	1,433	-
Balance, end of period	\$ 2,169	\$ 2,169	\$ 1,433

Included in exploration and evaluation assets at June 30, 2018 are trade and payables of \$81 (December 31, 2018: \$13), a non-cash investing activity.

The Company holds various mineral property claims in Mexico upon which full impairments have been recognized in prior years. As a result, expenditures now incurred to maintain such claims, and in the case of Cinco de Mayo, to potentially restore surface access, are not capitalized as exploration and evaluation assets, but rather are expensed as part of ‘mining taxes and other property costs’ on the statement of loss and comprehensive loss.

On June 22, 2018, the Company sold its previously impaired Lagartos concessions in the Zacatecas Silver District to Defiance Silver Corp (“Defiance”) for consideration of 5,000,000 shares of Defiance. The Defiance shares, valued at \$1,202 upon closing, are included in ‘equity securities’ in Investments (see Note 5). Transactions costs on the sale of the property was \$51.

9. SHARE CAPITAL

(a) Issued and outstanding

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

As at June 30, 2018, there were 85,539,476 shares outstanding (June 30, 2017: 80,769,843).

On November 28, 2017, the Company closed a non-brokered private placement offering and issued 4,599,641 common shares at \$10.47 per share, for gross proceeds of \$48,158. The Company paid legal and filing costs of \$223 resulting in net proceeds of \$47,935.

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

During the six months ended June 30, 2018, no stock options were exercised for cash (June 30, 2017: 26,400 stock options were exercised for cash proceeds \$183). In addition, 135,000 stock options were exercised under a less dilutive cashless exercise provision of the plan (June 30, 2017: 75,000 stock options), whereby 58,191 shares were issued in settlement of the stock options (June 30, 2017: 39,239 shares) and the remaining 76,809 options were cancelled (June 30, 2017: 35,761 stock options).

During the year ended December 31, 2017, 45,400 stock options were exercised for cash proceeds of \$283. An additional 225,000 stock options were exercised under a less dilutive cashless exercise provision of the plan, whereby 127,845 shares were issued in settlement of the stock options and the remaining 97,155 options were cancelled.

During the six months ended June 30, 2018, 2,495 restricted share units were converted into shares (June 30, 2017: nil).

During the year ended December 31, 2017, 682 restricted share units and 1,018 performance share units were converted into shares.

(b) Stock options

The Company may enter into Incentive Stock Option Agreements with officers, employees, and consultants. On June 15, 2017, the Shareholders re-approved the Company's rolling Stock Option Plan (the "Plan"). The maximum number of common shares that may be issuable under the Plan is set at 5% of the number of issued and outstanding common shares on a non-diluted basis at any time, provided that the number of common shares issued or issuable under the combined Plan and Share Unit Plan (*Note 9(c)*) shall not exceed 5% of the issued and outstanding common shares of the Company on a non-diluted basis. Options granted under the Plan have a maximum term of 5 years. As at June 30, 2018, there were 1,734,294 stock options outstanding under the Plan and 400,000 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 period:

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

	Period ended June 30, 2018	Weighted average exercise price (C\$/option)	Year ended December 31, 2017	Weighted average exercise price (C\$/option)
Outstanding, beginning of period	2,269,294	\$ 9.50	2,254,172	\$ 8.71
Granted	-	-	285,522	13.91
Exercised for cash	-	-	(45,400)	8.19
Exercised cashless	(135,000)	7.94	(225,000)	7.46
Outstanding, end of period	2,134,294	\$ 9.59	2,269,294	\$ 9.50

During the six months ended June 30, 2018, 135,000 stock options were exercised (June 30, 2017: 101,400), with a weighted average market share price at the date of exercise of C\$14.12 (June 30, 2017: C\$18.62).

The following table summarizes the Company's stock options outstanding and exercisable as at June 30, 2018:

	Exercise price (\$C\$/option)	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
(1)	5.35	400,000	400,000	0.29
	5.86	380,000	380,000	0.13
	9.16	21,666	21,666	2.20
	9.28	368,333	368,333	2.43
	10.02	187,500	187,500	1.98
	10.04	263,500	263,500	1.00
	13.91	285,522	-	4.43
	17.55	227,773	75,925	3.43
	C\$5.35 - C\$17.55	2,134,294	1,696,924	1.78

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

During the six months ended June 30, 2018, the Company recorded share based payment expense of \$455 (June 30, 2017: \$454) relating to stock options vested to employees and consultants in the period.

(c) Restricted and performance share units

On June 15, 2017, the Shareholders re-approved a share unit plan (the "Share Unit Plan") for the benefit of the Company's officers, employees and consultants. The Share Unit Plan provides for the issuance of common shares from treasury, in the form of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs"). The maximum number of common shares that may be issuable under the Share Unit Plan is set at 1.5% of the number of issued and outstanding common shares

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

on a non-diluted basis, provided that the number of common shares issued or issuable under the combined Share Unit Plan and Stock Option Plan (*Note 9(b)*) shall not exceed 5% of the issued and outstanding common shares on a non-diluted basis. RSUs and PSUs granted under the Share Unit Plan have a term of 5 years unless otherwise specified by the Board, and each unit entitles the participant to receive one common share of the Company subject to vesting criteria, and in the case of PSUs, performance criteria.

In the six months ended June 30, 2018, 2,495 RSUs and no PSUs were converted and settled in common shares. (June 30, 2017: nil and nil respectively). As at June 30, 2018, there were 43,343 RSUs and 227,850 PSUs issued and outstanding under the Share Unit Plan, of which 43,343 RSUs and 29,151 PSUs have vested and are convertible into common shares of the Company. Included in the PSUs at June 30, 2018, are 157,750 PSUs with vesting conditions subject to a market share price performance factor measured over a three-year performance period, resulting in a PSU payout range from 0% or nil PSUs to 200% or 315,500 PSUs. The Company estimated the fair value of the PSUs on grant date using the Monte Carlo simulation model.

In the six months ended June 30, 2018, the Company recognized a share-based payment expense of \$298 (June 30, 2017: \$203) relating to RSUs and PSUs vesting in the period.

(d) Deferred share units

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

During the six months ended June 30, 2018, no DSUs were granted under the plan (June 30, 2017: 66,325) and nil DSUs (June 30, 2017: 5,940) were granted to directors who elected to receive their retainer and meeting fees in the form of DSUs rather than cash. A DSU share-based payment expense of \$58 (June 30, 2017: \$880) was recognized in the six months ended June 30, 2018. 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 June 30, 2018, there are 452,739 DSUs issued and outstanding under the DSU Plan, all of which have vested.

As at June 30, 2018, there are 2,458,226 common shares issuable under the combined share compensation arrangements referred to above (the Plan, the Share Unit Plan and the DSU Plan) representing 2.87% of the issued and outstanding common shares on a non-diluted basis, and there are 2,674,143 share-based awards available for grant under these combined share compensation arrangements.

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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, cash equivalents and term deposits.

Capital as defined above is summarized in the following table:

	June 30, 2018	December 31, 2017
Equity	\$ 217,146	\$ 220,239
Cash and cash equivalents	(151,404)	(160,395)
	\$ 65,742	\$ 59,844

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 June 30, 2018, 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 (\$151,765 as at June 30, 2018) 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 future project and other related expenditures (see *Note 15*) as the Company is currently not generating any cash flow from operations. 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 primarily in the Americas. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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 December 31, 2017.

(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 June 30, 2018, the Company had a receivable of \$172 from the Mexican government for value added tax (*Note 4*). Management expects the balance to be fully recoverable within the year.

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

	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 151,404	\$ 160,395
Accounts receivable (<i>Note 4</i>)	392	160
	\$ 151,796	\$ 160,555

(b) *Liquidity risk*

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

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

(c) *Currency risk*

The Company is exposed to the financial risks related to the fluctuation of foreign exchange rates, both in the Mexican peso and Canadian dollar, relative to the US\$. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign exchange rates. The Company is also exposed to inflation risk in Mexico.

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

Exposure to currency risk

As at June 30, 2018, 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:

June 30, 2018 (in US\$ equivalent)	Mexican peso		Canadian dollar	
Cash	\$	318	\$	1,328
Accounts receivable		172		24
Prepaid		3		-
Investments		-		2,443
Accounts payable		(101)		(172)
Net assets exposure	\$	392	\$	3,623

Mexican peso relative to the US\$

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

An appreciation/depreciation in the Mexican peso against the US\$ will also result in a gain/loss to the extent that the Company holds net monetary assets (liabilities) in pesos. Specifically, the Company's foreign currency exposure is comprised of peso denominated cash, prepayments and value added taxes receivable, net of trade and other payables. The carrying amount of the Company's net peso denominated monetary assets at June 30, 2018 is 7,775 pesos (June 30, 2017: 325 net peso monetary liabilities). A 10% appreciation in the peso against the US\$ would result in a gain at June 30, 2018 of \$39 (June 30, 2017: \$2 loss), while a 10% depreciation in the peso relative to the US\$ would result in an equivalent loss.

C\$ relative to the US\$

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

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

An appreciation/depreciation in the C\$ against the US\$ will result in a gain/loss to the extent that MAG, the parent entity, holds net monetary assets (liabilities) in C\$. The carrying amount of the Company's net Canadian denominated monetary assets at June 30, 2018 is C\$4,770 (June 30, 2017: C\$8,867). A 10% appreciation in the C\$ against the US\$ would result in gain at June 30, 2018 of

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

\$362 (June 30, 2017: \$683 gain) while a 10% depreciation in the C\$ relative to the US\$ would result in an equivalent loss.

(d) Interest rate risk

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

12. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The Company's financial instruments include cash and cash equivalents, accounts receivable, investments, and trade and other payables. The carrying values of cash and cash equivalents, 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 Company's financial assets or liabilities as measured in accordance with the fair value hierarchy described above are:

	Six months ended June 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 151,404	\$ -	\$ -	\$ 151,404
Investments (Note 5) ⁽¹⁾	2,303	140	-	2,443
	\$ 153,707	\$ 140	\$ -	\$ 153,847

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

	Year ended December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 160,395	\$ -	\$ -	160,395
Investments (Note 5) ⁽¹⁾	2,435	661	-	3,096
	\$ 162,830	\$ 661	\$ -	163,491

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

There were no transfers between levels 1, 2 and 3 during the six months ended June 30, 2018. During the year ended December 31, 2017, the Company's investments previously classified within Level 2 were transferred to Level 1 after the securities were listed on the TSX Venture exchange in December 2017, offset by additions to level 2 for warrants acquired during the year.

13. SEGMENTED INFORMATION

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

14. RELATED PARTY TRANSACTIONS

The Company does not have offices or direct personnel in Mexico, but rather is party to a Field Services Agreement, whereby it has contracted administrative and exploration services in Mexico with MINERA CASCABEL S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX"). Dr. Peter Megaw, the Company's Chief Exploration Officer, is a principal of both IMDEX and Cascabel, and is remunerated by the Company through fees to IMDEX. In addition to corporate executive responsibilities with MAG, Dr. Megaw is responsible for the planning, execution and assessment of the Company's exploration programs, and he and his team developed the geologic concepts and directed the acquisition of the Juanicipio Project.

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Fees related to Dr. Megaw:				
Exploration and marketing services	\$ 68	\$ 63	\$ 135	\$ 133
Travel and expenses	19	25	46	53
Other fees to Cascabel and IMDEX:				
Administration for Mexican subsidiaries	18	26	36	55
Field exploration services	111	128	206	239
	\$ 216	\$ 242	\$ 423	\$ 480

All transactions are incurred in the normal course of business, and are negotiated on terms between the parties which are believed to represent fair market value for all services rendered. A portion of the expenditures are incurred on the Company's behalf, and are charged to the Company on a "cost + 10%" basis. The services provided do not include drilling and assay work which are contracted out independently from Cascabel and IMDEX. Included in trade and other payables at June 30, 2018 is \$179 related to these services (June 30, 2017: \$169).

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

The Company holds various mineral property claims in Mexico upon which full impairments have been recognized. The Company is obligated to a 2.5% NSR royalty on the Cinco de Mayo property payable to the principals of Cascabel under the terms of an option agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the property from Cascabel, and under the terms of assignment agreements entered into by Cascabel with its principals.

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

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

Significant subsidiaries of the Company are as follows:

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

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

is the operator of Minera Juanicipio, and with its affiliates, beneficially owns 11.4% of the common shares of the Company as at June 30, 2018, as publicly reported. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio (see Note 7).

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Salaries and other short term employee benefits	\$ 272	\$ 178	\$ 546	\$ 435
Share based payments (Note 9(b), (c), and (d))	171	947	342	1,105
	\$ 443	\$ 1,125	\$ 888	\$ 1,540

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consists of its Directors, the Chief Executive Officer and the Chief Financial Officer.

15. COMMITMENTS AND CONTINGENCIES

As at June 30, 2018, the Company's contractual obligations and commitments are summarized as follows:

	Property <u>Option Payments</u> (Note 8)	Exploration <u>Commitments</u> (Note 8)	Office and Other <u>Commitments</u>	<u>Total</u>
2018	-	-	79	79
2019	75	-	225	300
2020	100	-	68	168
2021	100	61	72	233
2022	150	750	-	900
	\$ 425	\$ 811	\$ 444	\$ 1,680

As these Interim 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 makes cash deposits to Minera Juanicipio from time to time as cash called by the 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 debt or equity in the future.

MAG SILVER CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of US dollars unless otherwise stated)

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

16. INCOME TAXES

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Deferred income tax (expense) recovery	\$ (1,300)	\$ -	\$ (102)	\$ 589
Total income tax expense (recovery) for the period	\$ (1,300)	\$ -	\$ (102)	\$ 589

The \$102 deferred tax expense for the six months ended June 30, 2018 (June 30, 2017: \$589 deferred tax recovery) is in relation to temporary differences between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US\$), and changes in the exchange rate can give rise to temporary differences that result in deferred tax liability in accordance with IAS 12 Income taxes. With the weakening of the Mexican Peso against the US\$ from 19.74 Pesos/US\$ on December 31, 2017 to 19.86 on June 30, 2018, a deferred tax expense and an associated increase of the previously recognized deferred tax liability was recognized in the current period. The deferred tax expenses and the corresponding deferred income tax liabilities are non-cash items and will only be recognized once the Company's exploration properties are developed and in production.

17. SUBSEQUENT EVENT

Subsequent to the quarter end on July 3, 2018, the Company advanced \$8,470 to Minera Juanicipio, representing its 44% share of a \$19,250 cash call to fund July, August and September development and exploration expenditures on the Juanicipio property.