MAG SILVER CORP.

Management's Discussion & Analysis
For the three and six months ended
June 30, 2017

Dated: August 9, 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 three and six months ended June 30, 2017 and 2016. It is prepared as of August 9, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months and six ended June 30, 2017 and the audited annual consolidated financial statements of the Company for the year ended December 31, 2016, together with the notes thereto which are available on SEDAR and EDGAR or on the Company website at www.magsilver.com.

All dollar amounts referred to in this MD&A are expressed in thousands of United States dollars ("US$") unless otherwise stated. The functional currency of the parent, its Mexican subsidiaries and its investment in associate, is the US$.

The common shares of the company trade on the Toronto Stock Exchange and on the NYSE American (formerly 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 is a "Qualified Person" for purposes of National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("National Instrument 43-101" or "NI 43-101"). Dr. Megaw is not independent as he is an officer and a paid consultant of 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 Americas. 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 Mayo 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 assets associated with the Juanicipio Property are high-grade silver-gold-lead-zinc epithermal vein deposits. 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 and several smaller vein splays – 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 and various mine design upgrades are planned to be incorporated into a revised mine plan and a new MAG technical report for the project (see *Underground Development – Juanicipio Property* below).

Exploration results from drilling in the first quarter of 2015 on the Valdecañas Vein included four 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 up to 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 into 2017, 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. As 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, a full impairment was recognized 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 regain the surface access will continue, although the Company has no current plans to conduct any geological exploration programs on the property.

2. HIGHLIGHTS

- ✓ Fresnillo and the Company are considering alternate mine plans and other project enhancements to maximize the value of both the Bonanza Zone and the new Deep Zone.
- ✓ Processing plant nameplate capacity expected to be increased from 2,650 tonnes per day to 4,000 tonnes per day.
- ✓ Intensified underground development started to allow for the planned increase in mining rate and processing capacity.
- ✓ Permitting based on the upgraded design has commenced according to the operator, Fresnillo.
- ✓ Sinking an internal shaft (or winze) being considered to access the deeper zone sooner.
- ✓ New resource estimate and the design upgrades to be incorporated into a revised mine plan and a new MAG technical report (third quarter of 2017).
- ✓ Independent feasibility study to be prepared by Minera Juanicipio by year end.
- ✓ Formal Minera Juanicipio and respective Joint Venture partner Board approvals expected shortly thereafter.
- ✓ 2017 Minera Juanicipio 20,000 metre exploration drill program commenced in July.
- ✓ Company remains well funded (cash and cash equivalents totaling $125,011 as at June 30, 2017).

3. DEVELOPMENT AND EXPLORATION UPDATE

Total Juanicipio Property expenditures incurred directly by Minera Juanicipio (on a 100% basis) for the three and six months ended June 30, 2017 amounted to approximately $9,273 and $17,578 respectively (June 30, 2016: $3,450 and $6,661 respectively).

Underground Development – Juanicipio Property

Development to date has focused primarily on advancing the ramp decline to the main Valdecañas Vein on the property, in accordance with the recommendations in Juanicipio Technical Report. The ramp reached the uppermost reaches of the Valdecañas Vein in December 2016 and footwall development has now commenced. The ramp and ancillary passage development advance rate remains at or exceeds the levels envisioned in the Juanicipio Technical Report (115 metres per month). Ramp-related surface installations, offices and associated infrastructure have been completed, and construction of additional ventilation raises is on-going.

An engineering review of the impact of significant ongoing drill results coming from the Deep Zone is currently underway with an objective of determining which aspects of the Bonanza Zone development should be modified to accommodate possible future production from this expanding zone. As a new, larger resource estimate incorporating additional drilling is expected to be incorporated into the mine plan, Fresnillo and the Company have been considering alternate mine plans and enhancements to the development of the Juanicipio Project different 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, expanding underground workings to handle increased waste-rock production and sinking an internal shaft (or winze) to access the Deep Zone sooner. Underground development was therefore intensified in the second quarter of 2017 to allow for this planned increase in processing capacity. Additional development contractors have been engaged by Fresnillo and a twinning of the access decline is advancing rapidly with the intent of providing expanded ore and waste hauling capacity. Fresnillo has also indicated that permitting based on the upgraded design has commenced and that permits are expected to be approved prior to year end.

The changes to the mine plan and development scope, if approved by Minera Juanicipio, could result in an incremental increase in capital cost (see *Liquidity and Capital Resources below*), a delay in the start-up of commercial production (see *Outlook* below) and an impact on the expected mine life of the project.

Exploration – Juanicipio Property

Assays from 13 new exploration and infill drill holes from the Deep Zone were released in the first quarter of 2017 (see Press Release February 14, 2017), which along with previously announced results from 14 earlier holes (27 holes total) (see Press Releases April 23, 2015 and August 15, 2016) have:

- confirmed that continuous mineralization extends below the Valdecañas Bonanza Zone mineralization in both the East and West Veins;
- revealed a substantial widening of this deeper mineralization into a well-defined dilatant zone under both veins;
- improved definition of the new "Anticipada Vein", within the vein system; and
- combined to indicate that a major ore-fluid input point underlies the Overlap Zone between the East and West veins

Deep Drilling Programs

The combined drill results from the three drill programs focused on the Valdecañas Deep Zone demonstrate continuity of high-grade, multi-stage precious and base metals mineralization beneath the historic resources of the East and the West Vein Bonanza Zones. Mineralization is traceable in the combined Deep Zones over a strike length exceeding 1300 metres over a vertical range of 100 to 300 metres with widths ranging from approximately 2 metres to over 29 metres. 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. This creates a horizontally-elongated dilatant zone, which remains consistently wide (9.7 metres to 26.5 metres) in the Deep Zone West, which has been traced 550 metres nearly to the western property boundary. Considerable room remains there for expansion to depth. Although less well constrained, changes in vein strike, effectively creating vertical dilatant zones, may explain some of the widening of the vein to the east and west of the Overlap Zone.

Overall the Deep Zone East has been traced 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, but its geometry is more complex than that of the Deep Zone West in part because of its relationship with the newly defined Anticipada Vein. The Anticipada Vein appears to be a hangingwall splay off the Deep Zone East, separating from it near the Overlap Zone and gradually passing farther away from it; ultimately lying more than 100 above the Deep Zone East. Moving eastward the Deep Zone East becomes less consistent while Anticipada becomes stronger in the same direction. These relationships indicate that Anticipada may be the dominant site of deep mineralization towards the east. Over 400 metres of strike length remains to be drilled between the easternmost holes and the eastern property boundary.

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 grams per tonne ("g/t") (9.72 ounces per ton ("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.

Deep Zone East

The best intercept in the Deep Zone East is in hole VM2, which intercepted 36.45 metres (29.85 metres true width) grading 235 g/t (6.87 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

The best hole in the Deep Zone West is P6 which cut 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.

Anticipada Vein

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.

The combined Deep Zone (East, West, and Anticipada) displays strong base metal-dominant mineralization cut by later locally silver-rich quartz veining stages. In some holes, swarms of barren quartz veinlets extend for tens of metres around the mineralized zones. Gold mineralization clearly cuts across both the base metal and silver-dominant vein stages. There are significant orientation differences between these 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 and convergence of all three veins in the Overlap Zone. Notably, the Overlap Zone also appears to coincide with a zone of broad skarn alteration, which exceeds 200 metres wide in Hole P12 and diminishes laterally to the east and west. The highest copper values appear to fall around the edges of the skarn zone. These geologic features continue to support the concept that the Overlap Zone coincides with a major ore-fluid upwelling zone (see Press Release dated August 15, 2016).

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.

4. OUTLOOK

The Company continually looks 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

An independent feasibility study ("FS") has been commissioned by Minera Juanicipio to determine pre-construction optimization of the expanded mine design and the FS is expected to be completed by the end of 2017. Upon completion, Minera Juanicipio is expected to present the FS to both its Board and the respective Joint Venture partner Boards for formal development approval in early 2018. Fresnillo has advised that with the anticipated changes in design scope, Juanicipio will now be in production by the first half of 2020.

On its own behalf, MAG, is preparing an updated technical report expected in the third quarter of 2017, which will incorporate the new resource estimate and the expected design upgrades in the mine plan.

On the exploration front, the Technical Committee approved a 20,000-metre exploration drill program for the Juanicipio Property to test various targets within the property boundaries. Dr. Peter Megaw, the Company's Chief Exploration Officer, and the MAG exploration team have been involved with Fresnillo in selecting drill targets for this program. Drilling commenced in July.

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 regain the surface access will continue, but the Company has no current plans to conduct any geological exploration programs on the property.

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

5. 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.

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Joint venture oversight expenditures incurred 100% by MAG	$ 173	$ 113	$ 493	$ 188
Cost recoveries	-	-	-	(104)
Cash contributions to Minera Juanicipio	6,160	2,024	10,340	5,091
Total for the current period	6,333	2,137	10,833	5,175
Equity pick up of current income (loss) for the period	404	(600)	976	(643)
Balance, beginning of the period	42,384	34,235	37,312	31,240
Balance, end of the period	$ 49,121	$ 35,772	$ 49,121	$ 35,772

During the three and six months ended June 30, 2017, the Company incurred expenditures towards the preparation of an updated Juanicipio Technical Report and oversight expenditures on the Juanicipio Property, totaling $173 and $493 respectively (June 30, 2016: $113 and $188 respectively) and made joint venture advances to Minera Juanicipio of $6,160 and $10,340 respectively (June 30, 2016: $2,024 and $5,091 respectively).

In the three and six months ended June 30, 2017, the Company recorded a 44% equity income from its Investment in Associate of $404 and $976 respectively (June 30, 2016: $600 and $643 loss respectively). The equity income pick up from Minera Juanicipio is a result of the strengthening of the Mexican Peso relative to the US$, and the Company's related 44% share of an exchange gain and a deferred tax recovery recognized in Minera Juanicipio.

6. EXPLORATION AND EVALUATION ASSETS

The Company holds various mineral property claims in Mexico upon which full impairments have been previously recognized in prior years. Expenditures 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. Rather they are expensed as part of 'mining concession taxes and other property costs.'

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. With the continuing Ejido impasse, the Company recognized a full impairment charge relating to the property in 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.

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

In the three and six months ended June 30, 2017, the Company expensed expenditures of $95 and $370 (June 30, 2016: $237 and $650 respectively capitalized as exploration and evaluation assets) on the property. In addition to land taxes for the first half of 2017 of $171 (June 30, 2016: $142), 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.

7. REVIEW OF FINANCIAL RESULTS

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
EXPENSES				
Accounting and audit	$ 62	$ 80	$ 128	$ 163
Amortization	4	4	8	8
Filing and transfer agent fees	32	7	243	170
Foreign exchange gain	(122)	(23)	(203)	(292)
General office expenses	265	266	420	404
Legal	41	38	118	95
Management compensation and consulting fees	427	437	857	864
Mining concession taxes and other property costs	165	43	519	84
Share based payment expense	1,170	1,193	1,537	1,772
Shareholder relations	140	120	282	243
Travel	82	59	172	143
	2,266	2,224	4,081	3,654
Interest Income	416	303	778	416
Gain on sale of marketable securities	-	1,152	-	1,152
Change in fair value of warrants	124	-	104	-
Equity pick up from Associate	404	(600)	976	(643)
Loss for the period	$ (1,322)	$ (1,369)	$ (2,223)	$ (2,729)
Deferred income tax (expense) recovery	-	(858)	589	(795)
Loss for the period	$ (1,322)	$ (2,227)	$ (1,634)	$ (3,524)

Three Months Ended June 30, 2017 vs. Three Months Ended June 30, 2016

The Company's net loss for the three months ended June 30, 2017 decreased to $1,322 from $2,227 in the comparable three months ended June 30, 2016.

Share based payment expense (a non-cash item) was the largest expense in the quarter ended June 30, 2017 and amounted to $1,170 (June 30, 2016: $1,193). 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, and the fair value of performance share units with a market condition is determined using a Monte Carlo pricing model.

Although no stock options or were granted in the quarter ended June 30, 2017 (June 30, 2016: nil), the Company recorded $232 (June 30, 2016: $249) of share based payment expense relating to stock options vesting to employees in the period. The Company also granted no restricted share units ("RSUs") or performance share units ("PSUs") in the quarter ended June 30, 2017 (June 30, 2016: nil and nil respectively), but recorded a share based payment expense of $102 (June 30, 2016: $91) relating to RSUs and PSUs vesting to employees in the period.

The Company granted 66,325 DSUs to directors in the quarter ended June 30, 2017 (June 30, 2016: 63,287) and granted and additional 3,024 deferred share units (June 30, 2016: 2,151) to directors who elected to receive their retainer and meeting fees for the period in DSUs rather than in cash. Included in the current quarter's expense was $836 share based payment expense from these grants which all vest immediately (June 30, 2016: $853).

A foreign exchange gain of $122 was recorded in the quarter ended June 30, 2017 (June 30, 2016: $23), resulting from holding Canadian dollar ("C$") cash while the C$ marginally strengthened against the US$ in the period. 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.

With the strengthening of the Mexican Peso against the US dollar ("US$") from 18.71 Pesos/US$ on March 31, 2017 to 18.03 on June 30, 2017, the Company recorded a 44% equity income pick-up amounting to $404 (June 30, 2016: $600 equity loss pick up) from Minera Juanicipio (as described above in *Investment in Associate*).

Other expenses incurred during the quarter ended June 30, 2017 included accounting and audit of $62 (June 30, 2016: $80), amortization of $4 (June 30, 2016: $4), filing & transfer agent fees of $32 (June 30, 2016: $7), general office expenses of $265 (June 30, 2016: $266), legal of $41 (June 30, 2016: $38), management compensation and consulting fees of $427 (June 30, 2016: $437), mining concession taxes and other property costs of $165 (June 30, 2016: $43), shareholder relations expenses of $140 (June 30, 2016: $120) and travel of $82 (June 30, 2016: $59), and were all either comparable with the prior period's expense or the change was not significant to the overall operations during the period.

In other income and expenses during the quarter ended June 30, 2017, the Company recorded interest income on its cash and cash equivalents of $416 (June 30, 2016: $303). During the quarter ended June 30, 2017, the Company also recognized an unrealized gain of $124 (June 30, 2016: nil) on warrants held and designated as fair value through profit and loss.

Six Months Ended June 30, 2017 vs. Six Months Ended June 30, 2016

The Company's net loss for the six months ended June 30, 2017 amounted to $1,634 (June 30, 2016: $3,524).

A foreign exchange gain of $203 was recorded in the six months ended June 30, 2017 compared to $292 in the same period last year. The foreign exchange gain resulted primarily from holding cash denominated in Canadian dollars ("C$"), while the US$ weakened against the C$ (from December 31, 2016 to June 30, 2017, the US$/C$ exchange rate changed from .7448 to 0.7706). A portion of the Company's cash is used to fund Canadian dollar expenditures and is held in C$ (US$ equivalent of $5,405 as at June 30, 2017). The C$ cash is exposed to exchange risk relative to the US$, and results in a gain or loss as the exchange rate fluctuates.

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

Share based payment expense incurred in the six months ended June 30, 2017 amounted to $1,537 (June 30, 2016: $1,772). The Company granted no stock options in the six months ended June 30, 2017 (June 30, 2016: nil) and recorded $454 (June 30, 2016: $477) of share based payment expense relating to stock options vesting to employees in the period. The Company also granted no RSUs and no PSUs in the period ended June 30, 2017 (June 30, 2016: nil and nil respectively) and recorded a share based payment expense of $203 (June 30, 2016: $396) relating to RSUs and PSUs vesting to employees in the period. In the six months ended June 30, 2017, $880 of share based payment expense (June 30, 2016: $899) was also recorded on 66,325 DSUs (June 30, 2016: 63,287) granted under the Company's DSU plan and an additional 5,940 DSUs (June 30, 2016: 5,405) granted to directors who elected to receive their retainer and meeting fees for the period in DSUs rather than in cash.

Mining concession taxes and other property costs in the six months ended June 30, 2017 of $519 (June 30, 2016: $84) relate primarily to Cinco de Mayo and other properties as outlined above in 'Exploration and Evaluation Assets.'

Other expenses incurred during the six months ended June 30, 2017 included accounting and audit of $128 (June 30, 2016: $163), amortization of $8 (June 30, 2016: $8), filing & transfer agent fees of $243 (June 30, 2016: $170), general office expenses of $420 (June 30, 2016: $404), legal of $118 (June 30, 2016: $95), management compensation and consulting fees $857 (June 30, 2016: $864), shareholder relations expenses of $282 (June 30, 2016: $243) and travel of $172 (June 30, 2016: $143), and were all either comparable with the prior period's expense or the change was not significant to the overall operations during the period.

In other income and expenses, the Company earned interest income on its cash and cash equivalents of $778 (June 30, 2016: $416) during the six months ended June 30, 2017, and recorded its 44% equity pick up from Minera Juanicipio as described above in Investment in Associate. In addition, the Company recorded an unrealized gain of $104 (June 30, 2016: nil) on warrants held and designated as fair value through profit and loss.

The Company recorded a deferred tax recovery of $589 for the six months ended June 30, 2017 (June 30, 2016: $795 deferred tax expense) related to the reversal of the deferred tax liability that was set up at December 31, 2016 in relation to temporary differences between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US$), and changes in the exchange rate can give rise to temporary differences that result in deferred tax liability. With the strengthening of the Mexican Peso against the US$ from 20.66 Pesos/US$ on December 31, 2017 to 18.03 on June 30, 2017, the previously recognized deferred tax liability was reversed in the period.

Other Comprehensive Income (Loss):

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Loss for the period	$ (1,322)	$ (2,227)	$ (1,634)	$ (3,524)
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	253	(214)	266	1,112
Reclassification to gain on sale of available-for-sale securities	-	(1,152)	-	(1,152)
Total comprehensive loss	$ (1,069)	$ (3,593)	$ (1,368)	$ (3,564)

In Other Comprehensive Income and Loss ("OCI") during three and six months ended June 30, 2017, the Company recorded an unrealized gain of $253 and $266 respectively (June 30, 2016: $214 loss and $1,112 gain respectively) on available-for-sale securities it has strategically acquired.

8. 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
June 30, 2017	$416	$(1,322)	$(0.02)
March 31, 2017	$362	$(312)	$(0.00)
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)

Notes:

(1) The Company's only source of revenue during the quarters listed above was interest earned on bank cash, cash equivalents and term deposit balances. The amount of interest revenue earned correlates directly to the amount of cash, cash equivalents and term deposits on hand during the period referenced and prevailing interest rates. At 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 discussed when applicable in "Review of Financial Results" above.

9. CASH FLOWS

The following table summarizes cash flow activities for the three and six months ended June 30, 2017:

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Operations	$ (804)	$ (741)	$ (1,964)	$ (1,756)
Changes in non-cash working capital	388	(537)	(132)	(684)
Operating activities	(416)	(1,278)	(2,096)	(2,440)
Investing activities	47,761	(111,034)	43,372	(114,742)
Financing activities	97	1,124	183	72,318
Change in cash during the period	47,442	(111,188)	41,459	(44,864)
Effects of exchange rate changes on cash	128	18	206	298
Cash, beginning of period	77,442	142,028	83,347	75,424
Cash, end of period	$ 125,012	$ 30,858	$ 125,012	$ 30,858
Term Deposits, end of period	$ -	$ 110,000	$ -	$ 110,000

Operating Activities

During the three and six months ended June 30, 2017, the Company used $804 and $1,964 in cash for operations before changes in non-cash working capital, compared to $741 and $1,756 respectively, in the three and six months ended June 30, 2016. The Company's non-cash working capital in the corresponding three and six month periods, decreased by $388 and increased by $132 respectively (June 30, 2016: decreased by $537 and $684 respectively). The total use of cash from operating activities in the three and six months ended June 30, 2017 was $416 and $2,096 respectively, (June 30, 2016: $1,278 and $2,440 respectively).

Investing Activities

During the three and six months ended June 30, 2017, the net cash provided by investing activities of $47,761 and $43,372 respectively, was primarily from a redemption of term deposits previously not classified as 'cash equivalents' (June 30, 2016: purchase of term deposits not classified as 'cash equivalents' of $111,034 and $114,742, respectively). The Company also used cash to fund advances to Minera Juanicipio, which combined with MAG's Juanicipio expenditures on its own account, totaled $6,466 and $10,844 respectively (June 30, 2016: $2,119 and $5,153 respectively). The Company makes cash advances to Minera Juanicipio as 'cash called' by operator Fresnillo, based on approved joint venture budgets.

Financing Activities

In the three months ended June 30, 2017, 14,000 stock options, were exercised for cash proceeds of $97 (June 30, 2016: 176,750 stock options were exercised for cash proceeds of $1,169).

In the six months ended June 30, 2017, 26,400 stock options, were exercised for cash proceeds of $183 (June 30, 2016: 247,750 stock options were exercised for cash proceeds of $1,664). During the six months ended June 30, 2017, an additional 75,000 stock options were exercised under a less dilutive cashless exercise provision of the plan (June 30, 2016: 1,103,334 stock options), whereby 39,239 shares were issued in settlement of the stock options (June 30, 2016: 312,924 shares), and the remaining 35,761 stock options were cancelled (June 30, 2016: 790,410 stock options).

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

10. FINANCIAL POSITION

The following table summarizes the Company's financial position as at:

	June 30, 2017	June 30, 2016
Cash and cash equivalents	$ 125,011	$ 30,858
Term deposits	-	110,000
Other current assets	2,269	772
Total current assets	127,280	141,630
Equipment	46	48
Investment in associate	49,121	35,772
Exploration and evaluation assets	294	53,517
Total assets	$ 176,741	$ 230,967
Total current liabilities	$ 471	$ 339
Deferred income taxes	-	5,960
Total liabilities	471	6,299
Total equity	176,270	224,668
Total liabilities and equity	$ 176,741	$ 230,967

Total current assets decreased from $141,630 at June 30, 2016 to $127,280 as at June 30, 2017. Cash and cash equivalents totaled $125,011 at June 30, 2017 compared to $30,858 at June 30, 2016, with the increase primarily attributable to the redemption of term deposits not classified as 'cash equivalents.' Other current assets as at June 30, 2017 included investments of $1,614 (June 30, 2016: $22), prepaid expenses of $387 (June 30, 2016: $363) and accounts receivable of $268 (June 30, 2016: $387). The accounts receivable is comprised primarily of interest receivable earned on its cash and cash equivalents.

The increase from June 30, 2016 to June 30, 2017 in Investment in Associate from $35,772 to $49,121 reflects the Company's ongoing investment in Minera Juanicipio as discussed in "Investing Activities" above. The decrease from June 30, 2016 to June 30, 2017 in Exploration and Evaluation assets from $53,517 to $294, reflects the impairments recognized on the Cinco de Mayo and Guigui Properties in the year ended December 31, 2016.

Current liabilities at June 30, 2017 amounted to $471 (June 30, 2016: $339) and are attributable to accrued exploration and administrative expenses. The deferred income taxes decreased to nil at June 30, 2017 (June 30, 2016: $5,960) as a result of a deferred tax recovery recognized in conjunction with the impairments on the Cinco de Mayo and Guigui Properties in 2016.

The variation in total equity is due primarily to the aforementioned property impairments recognized, net of deferred taxes, during the year ended December 31, 2016.

11. LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Company had working capital of $126,809 (June 30, 2016: $141,291) including cash and cash equivalents of $125,011 (June 30, 2016: $140,858 cash and term deposits). The Company has no debt and has sufficient working capital to maintain all of its properties and execute 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 (see *Underground Development – Juanicipio Property* above).

Funding of the Juanicipio Property 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) from the start of development to the point of projected cash flow. As envisioned under the Juanicipio Technical Report, the initial development has been focused on the ramp decline, with the majority of the capital costs 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 June 30, 2017, approximately $61,132 of the Juanicipio development has been funded by the joint venture partners (MAG's share funded to June 30, 2017 is approximately $26,898), leaving approximately $240,868 (MAG's 44% share is approximately $105,982) of remaining mine development expenditures to complete the Juanicipio mine according to the Juanicipio Technical Report. Given the progress to date, and the Company's cash and cash equivalents on hand ($125,011) as at June 30, 2017, 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 current Juanicipio Technical Report. However, as noted in the '*Underground Development – Juanicipio Property*' and '*Outlook*' above, given the potential size of the additional mineralized zones, the Joint Venture partners, led by the 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 enhancements in design scope could result in an incremental increase in the project capital cost, and according to Fresnillo, with a planned feasibility study, the anticipated project start-up is now expected to be in the first half of 2020. Accordingly, the complete development of the Juanicipio Property 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.

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 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.

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	**$1,985**
Development expenditures at the Juanicipio Property	$71,470	**$28,040** (3)	$50,000	**$ -** (3)
Development contingency at the Juanicipio Property	$ -	**$ -**	$7,500	**$ -**

(1) Cash calls advanced Minera Juanicipio 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 US$/C$ 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. Therefore, more was expended than outlined in the July 9, 2014 offering document.

(3) As the initial development is focused 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 (2017-2019).

12. 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.

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

	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Property Option Payments, Exploration and Development Expenditures – Total	$ 3,056	$ 131	$ 1,175	$ 1,750	$ -
Minera Juanicipio [1]	-	-	-	-	-
Office Lease	304	129	175	-	-
Total Obligations	$ 3,360	$ 260	$ 1,350	$ 1,750	$ -

[1] Although the Company makes cash advances to Minera Juanicipio as cash called by the operator Fresnillo (based on approved Minera Juanicipio budgets), they are not contractual obligations. The Company intends, however, to continue to fund its share of cash calls and avoid dilution of its ownership interest in Minera Juanicipio.

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.

13. SHARE CAPITAL INFORMATION

The Company's authorized capital consists of an unlimited number of common shares without par value. As at August 9, 2017, the following common shares, stock options, RSUs and DSUs were outstanding:

	Number of Shares	Exercise Price or Conversion Ratio	Remaining Life
Capital Stock	80,796,899		
Stock Options	2,098,772	$5.35 - $17.55	0.8 to 4.3 years
Performance Share Units("PSUs") [1]	140,203 [1]	1:1	3.3 to 4.3 years
Restricted Share Units("RSUs")	46,520	1:1	1.9 to 2.9 years
Deferred Share Units ("DSUs")	445,570	1:1	n/a [2]
Fully Diluted	83,527,964		

[1] Includes 69,085 PSUs where vesting is subject to a market price performance factor measured over a three-year performance period to 2019, 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.

14. 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.

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

Tax Law for the State of Zacatecas.

On December 31, 2016, the State Government of Zacatecas, Mexico published a new Tax Law for the State (Ley de Hacienda del Estado de Zacatecas, the "Zacatecas Tax Law"), which came into effect on January 1, 2017. There have been several constitutional challenges launched against the validity of the tax by various companies. As well, the Federal Government of Mexico is challenging its constitutionality. The outcomes of these challenges are not known at this time.

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. This tax, if upheld, will apply to the Juanicipio project 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 Property.

Value Added Tax ("VAT") also known as "IVA"

In Mexico, VAT is charged on the sale of goods, rendering of services, lease of goods and importation of the majority of goods and services at a rate of 16%. Proprietors selling goods or services must collect VAT on behalf of the government. Goods or services purchased incur a credit for VAT paid. The resulting net VAT is then remitted to, or collected from, the Government of Mexico through a formalized filing process.

The Company has traditionally held a VAT receivable balance due to the expenditures it incurs whereby VAT is paid to the vendor or service provider. Collections of these receivables from the Government of Mexico often take months and sometimes years to recover, but 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. 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. 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 developed and brought into production.

15. 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.

16. RISKS AND UNCERTAINTIES

The Company's securities should be considered a highly speculative investment and investors are directed to carefully consider all of the information disclosed in the Company's Canadian and U.S. regulatory filings prior to making an investment in the Company, including the risk factors discussed under the heading "Risk Factors" in the Company's most recent Annual Information Form ("AIF") dated March 29, 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.

The proposed scope changes described above in '*Underground Development – Juanicipio Property*' and the timeline to production referred to above in the '*Outlook*' are still under review by Minera Juanicipio, and there are no assurances that production will be achieved by the first half of 2020, or at all.

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 June 30, 2017).

17. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

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

18. 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.

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

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Fees related to Dr. Megaw:				
Exploration and marketing services	$ 63	$ 64	$ 133	$ 134
Travel and expenses	25	22	53	44
Other fees to Cascabel and IMDEX:				
Administration for Mexican subsidiaries	26	30	55	60
Field exploration services	128	164	239	327
	$ 242	$ 280	$ 480	$ 565

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 and IMDEX. Included in trade and other payables at June 30, 2017 is $169 related to these services (June 30, 2016: $165).

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

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:

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

Significant subsidiaries of the Company are as follows:

Name	Country of Incorporation	Principal Activity	MAG' effective interest 2017 (%)	2016
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 June 30, 2017, as publicly reported. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio.

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

	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Salaries and other short term employee benefits	$ 178	$ 251	$ 435	$ 499
Share based payments	947	978	1,105	1,462
	$ 1,125	$ 1,229	$ 1,540	$ 1,961

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

19. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in 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 unaudited condensed interim consolidated financial statements as at June 30, 2017 and the audited annual consolidated financial statements of the Company for the year ended 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 does create measurement uncertainty concerning the estimate of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognizes the fair value of liabilities for reclamation and closure costs in the period in which they are incurred. A corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the 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.

20. CHANGES IN ACCOUNTING STANDARDS

(i) Adoption of new and amended IFRS pronouncements

Certain pronouncements were issued by the IASB that are mandatory for accounting periods after December 31, 2016. Pronouncements that are not applicable to the Company have been excluded from those described below. The following new standards have been adopted effective January 1, 2017:

IAS 7 *Statements of cash flows*. As of January 1, 2017, the Company adopted the amendments within IAS 7 which require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption of the amendments to IAS 7 did not have a significant impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 12 ***Income taxes***. Beginning January 1, 2017, the Company adopted the amendments to IAS 12 which provide clarification on the requirements to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The adoption of the amendments to IAS 12 did not have a significant impact on the Company's unaudited condensed interim consolidated financial statements.

(ii) Recent accounting pronouncement

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective at June 30, 2017. 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.

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.

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.

21. 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 June 30, 2017 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 June 30, 2017.

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 unaudited condensed interim consolidated financial statements and MD&A for the three and six months ended June 30, 2017 were approved by the Board on August 9, 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 June 30, 2017 and have concluded that the Company's internal control over financial reporting is effective.

There have been no changes in internal controls over financial reporting during the period ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

22. SUBSEQUENT EVENT

Subsequent to June 30, 2017, the Company:

1. Issued 23,056 commons shares pursuant to the exercise of 50,000 stock options with an exercise price of C$9.15 exercised under a less dilutive cashless exercise provision of the plan, whereby 23,056 shares were issued in settlement of the stock options, and the remaining 26,944 were cancelled; and,

2. Issued 4,000 common shares pursuant to the exercise of stock options with an exercise price of C$10.04 for proceeds of C$40.

23. 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.

MAG SILVER CORP.

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

For the three and six months ended June 30, 2017

Dated: August 9, 2017

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 *(Unaudited)*

(In thousands of US dollars, except shares)

	Note		June 30, 2017		December 31, 2016
ASSETS					
CURRENT					
Cash and cash equivalents	3	$	125,011	$	83,347
Term deposits	3		-		55,000
Accounts receivable	4		268		628
Investments	5		1,614		718
Prepaid expenses			387		181
TOTAL CURRENT ASSETS			127,280		139,874
EQUIPMENT	6		46		54
INVESTMENT IN ASSOCIATE	7		49,121		37,312
EXPLORATION AND EVALUATION ASSETS	8		294		-
TOTAL ASSETS		$	176,741	$	177,240
LIABILITIES					
CURRENT					
Trade and other payables		$	471	$	733
COMMITMENTS AND CONTINGENCIES	7,15				
DEFERRED INCOME TAXES	16		-		589
TOTAL LIABILITIES			471		1,322
EQUITY					
Share capital	9		344,130		343,654
Equity reserve			17,377		16,133
Accumulated other comprehensive income			1,148		882
Deficit			(186,385)		(184,751)
TOTAL EQUITY			176,270		175,918
TOTAL LIABILITIES AND EQUITY		$	176,741	$	177,240
SUBSEQUENT EVENTS	17				

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss *(Unaudited)*

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

	Note	For the three months ended June 30 2017	For the three months ended June 30 2016	For the six months ended June 30 2017	For the six months ended June 30 2016
EXPENSES					
Accounting and audit		$ 62	$ 80	$ 128	$ 163
Amortization	6	4	4	8	8
Filing and transfer agent fees		32	7	243	170
Foreign exchange gain		(122)	(23)	(203)	(292)
General office expenses		265	266	420	404
Legal		41	38	118	95
Management compensation and consulting fees		427	437	857	864
Mining concession taxes and other property costs		165	43	519	84
Share based payment expense	9b,c,d	1,170	1,193	1,537	1,772
Shareholder relations		140	120	282	243
Travel		82	59	172	143
		2,266	2,224	4,081	3,654
INTEREST INCOME		416	303	778	416
GAIN ON SALE OF AVAILABLE-FOR-SALE SECURITIES	5	-	1,152	-	1,152
CHANGE IN FAIR VALUE OF WARRANTS	5	124	-	104	-
EQUITY PICK UP FROM ASSOCIATE	7	404	(600)	976	(643)
LOSS FOR THE PERIOD BEFORE INCOME TAX		$ (1,322)	$ (1,369)	$ (2,223)	$ (2,729)
DEFERRED INCOME TAX (EXPENSE) RECOVERY	16	-	(858)	589	(795)
LOSS FOR THE PERIOD		$ (1,322)	$ (2,227)	$ (1,634)	$ (3,524)
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	253	(214)	266	1,112
RECLASSIFICATION TO GAIN ON SALE OF AVAILABLE-FOR-SALE SECURITIES	5	-	(1,152)	-	(1,152)
		253	(1,366)	266	(40)
TOTAL COMPREHENSIVE LOSS		$ (1,069)	$ (3,593)	$ (1,368)	$ (3,564)
BASIC AND DILUTED LOSS PER SHARE		$ (0.02)	$ (0.03)	$ (0.02)	$ (0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		80,759,425	79,911,683	80,737,706	76,399,679

See accompanying notes to the condensed interim consolidated financial statements

MAG SILVER CORP.

Condensed Interim Consolidated Statements of Changes in Equity (*Unaudited*)

(In thousands of US dollars, except shares)

	Note	Common shares without par value: Shares	Common shares without par value: 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, 2016		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 Income (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
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 available-for-sale 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
Six Month Comparative:									
Balance, January 1, 2016		69,407,386	$ 262,218	$ 19,993	$ 784	$ 52	$ 836	$(128,905)	$154,142
Stock options exercised	9a,b	247,750	2,381	(717)	-	-	-	-	1,664
Stock options exercised cashless	9a,b	312,924	3,768	(3,768)	-	-	-	-	-
Share based payment expense	9b,c,d	-	-	1,772	-	-	-	-	1,772
Issued for cash	9a	10,240,750	70,654	-	-	-	-	-	70,654
Unrealized gain on available-for-sale securities	5	-	-	-	-	1,112	1,112	-	1,112
Gain on available-for-sale securities	5					(1,152)	(1,152)	-	(1,152)
Net loss		-	-	-	-	-	-	(3,524)	(3,524)
Total Comprehensive Loss		-	-	-	-	(40)	(40)	(3,524)	(3,564)
Balance, June 30, 2016		80,208,810	$ 339,021	$ 17,280	$ 784	$ 12	$ 796	$(132,429)	$224,668

See accompanying notes to the condensed interim consolidated financial statements

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

(In thousands of US dollars, unless otherwise stated)

	Note	For the three months ended June 30 2017	For the three months ended June 30 2016	For the six months ended June 30 2017	For the six months ended June 30 2016
OPERATING ACTIVITIES					
Loss for the period		$ (1,322)	$ (2,227)	$ (1,634)	$ (3,524)
Items not involving cash:					
Amortization	6	4	4	8	8
Change in fair value of warrants	5	(124)	-	(104)	-
Deferred income tax expense (recovery)	16	-	858	(589)	795
Equity pick up from associate	7	(404)	600	(976)	643
Gain on sale of available-for-sale securities	5	-	(1,152)	-	(1,152)
Share based payment expense	9b,c,d	1,170	1,193	1,537	1,772
Unrealized foreign exchange gain		(128)	(17)	(206)	(298)
Changes in operating assets and liabilities					
Accounts receivable		491	(186)	360	(60)
Prepaid expenses		183	93	(205)	(213)
Trade and other payables		(286)	(444)	(287)	(411)
Net cash used in operating activities		(416)	(1,278)	(2,096)	(2,440)
INVESTING ACTIVITIES					
Exploration and evaluation expenditures	8	(258)	(277)	(258)	(940)
Investment in associate	7	(6,466)	(2,119)	(10,844)	(5,153)
Investment in securities	5	(515)	-	(526)	-
Net proceeds from sale of available-for-sale securities	5	-	1,369	-	1,369
Purchase of equipment	6	-	(7)	-	(18)
Redemption (purchase) of term deposits	3	55,000	(110,000)	55,000	(110,000)
Net cash used in investing activities		47,761	(111,034)	43,372	(114,742)
FINANCING ACTIVITIES					
Issuance of common shares upon exercise of stock options	9	97	1,169	183	1,664
Issuance of common shares, net of share issue costs	9	-	(45)	-	70,654
Net cash from financing activities		97	1,124	183	72,318
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		128	18	206	298
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		47,570	(111,170)	41,665	(44,566)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		77,442	142,028	83,347	75,424
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 125,012	$ 30,858	$ 125,012	$ 30,858

See accompanying notes to the condensed interim 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 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:
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Vancouver, British Columbia,
Canada V7X 1L3

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 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, 2016.

The accounting policies set out below have been applied consistently by the Company and its subsidiaries to all periods presented herein.

These Interim 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 Interim Financial Statements were authorized for issuance by the Board of Directors of the Company on August 9, 2017.

(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, 2017 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 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, 2017, 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 profit or 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 profit or 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. 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 June 30, 2017 or December 31, 2016.

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 $373 and capitalized a corresponding asset as at June 30, 2017 (Dec. 31, 2016: $313) (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 June 30, 2017, the Company had 2,785,065 (June 30, 2016: 3,017,584) 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

(i) Adoption of new and amended IFRS pronouncements

Certain pronouncements were issued by the IASB that are mandatory for accounting periods after December 31, 2016. Pronouncements that are not applicable to the Company have been excluded from those described below. The following new standards have been adopted effective January 1, 2017:

IAS 7 *Statements of cash flows*. As of January 1, 2017, the Company adopted the amendments within IAS 7 which require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption of the amendments to IAS 7 did not have a significant impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 12 *Income taxes*. Beginning January 1, 2017, the Company adopted the amendments to IAS 12 which provide clarification on the requirements to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The adoption of the amendments to IAS 12 did not have a significant impact on the Company's unaudited condensed interim consolidated financial statements.

(ii) Recent accounting pronouncements

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective at June 30, 2017. 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.

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.

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.

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

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 AND 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		June 30, 2017		December 31, 2016
Cash at bank and on hand	.95-1.28%	$	20,011	$	33,347
Term deposits (less than 90 days)	1.41-1.43%		105,000		50,000
Cash and cash equivalents		$	125,011	$	83,347

Term deposits classified as 'cash equivalents' are comprised of non-redeemable bank term deposits with a term to maturity of less than three months from date of acquisition.

	Interest Rate		June 30, 2017		December 31, 2016
Term deposits	-	$	-	$	55,000

Term deposits not classified as 'cash equivalents' are comprised of non-redeemable bank term deposits with a term to maturity in excess of three months from date of acquisition.

4. ACCOUNTS RECEIVABLE

		June 30, 2017		December 31, 2016
Goods and services tax ("GST") recoverable	$	17	$	19
Mexican value added tax ("IVA") recoverable		63		37
Interest receivable		188		572
	$	268	$	628

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

5. INVESTMENTS

The Company holds investments as follows:

	June 30, 2017	December 31, 2016
Available-for-sale securities	$ 1,342	$ 550
Fair value through profit or loss - warrants	272	168
	$ 1,614	$ 718

During the three and six months ended June 30, 2017, the Company recorded an unrealized gain of $124 and $104 respectively in the statement of loss, on warrants held and designated as fair value through profit and loss (June 30, 2016: nil and nil).

During the three and six months ended June 30, 2017, the Company recorded an unrealized gain of $253 and $266, net of nil tax, in other comprehensive income (loss) (June 30, 2016: $214 unrealized loss and $1,112 unrealized gain respectively) on investments designated as available-for-sale instruments. The following table summarizes the movements in available-for-sale securities:

	June 30, 2017	December 31, 2016
Available-for-sale securities, beginning of period	$ 550	$ 279
Purchase of available-for-sale securities	526	442
Unrealized gain for the period	266	1,198
Sale of available-for-sale securities	-	(1,369)
Available-for-sale securities, end of period	$ 1,342	$ 550

6. EQUIPMENT

Cost	Computer equipment	Field & Office equipment	Leasehold improvements	Total
Balance, January 1, 2016	$ 252	$ 163	$ 7	$ 422
Additions	39	-	-	39
Balance, December 31, 2016	$ 291	$ 163	$ 7	$ 461
Additions	-	-	-	-
Balance, June 30, 2017	$ 291	$ 163	$ 7	$ 461

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

Accumulated depreciation	Computer equipment	Field & Office equipment	Leasehold improvements	Total
Balance as at January 1, 2016	$ 226	$ 151	$ 7	$ 384
Amortization	19	4	-	23
Balance, December 31, 2016	$ 245	$ 155	$ 7	$ 407
Amortization	7	1	-	8
Balance, June 30, 2017	$ 252	$ 156	$ 7	$ 415

Carrying amounts	Computer equipment	Field & Office equipment	Leasehold improvements	Total
At December 31, 2016	$ 46	$ 8	$ -	$ 54
At June 30, 2017	$ 39	$ 7	$ -	$ 46

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 June 30, 2017, 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:

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

		June 30, 2017		December 31, 2016
Joint venture oversight expenditures incurred 100% by MAG	$	493	$	262
Cash contributions to Minera Juanicipio [(1)]		10,340		7,137
Total for the current period		10,833		7,399
Equity pick up of current income (loss) for the period [(2)]		976		(1,327)
Balance, beginning of period		37,312		31,240
Balance, end of period	$	49,121	$	37,312

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

[(2)] Represents the Company's 44% share of Minera Juanicipio's income (loss) for the period, as estimated 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):

		June 30, 2017		December 31, 2016
Cash	$	7,651	$	3,573
IVA and other receivables		3,054		842
Prepaids		49		-
Total current assets		10,754		4,415
Minerals, surface rights, exploration & development expenditures		99,540		82,017
Total assets	$	110,294	$	86,432
Payables to Peñoles and other vendors	$	395	$	348
Total current liabilities		395		348
Provision for reclamation and remediation costs		373		313
Deferred income tax liability		5,963		7,926
Total liabilities and equity		6,731		8,587
Shareholders equity		103,563		77,845
Total liabilities and equity	$	110,294	$	86,432

		June 30, 2017		December 31, 2016
Deferred income tax recovery (expense)	$	1,963	$	(2,134)
Exchange gain (loss)		255		(881)
Net income (loss)	$	2,218	$	(3,015)
MAG's 44% equity pick up	$	976	$	(1,327)

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

Evaluation and exploration expenditures and initial development expenditures, capitalized directly by Minera Juanicipio for the six months ended June 30, 2017 amounted to $17,578 (June 30, 2016: $6,661).

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 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 upon signing the agreement. To earn 100% interest in the property, the Company must make combined additional cash payments of $425 over the second, third, fourth and fifth anniversaries of the agreement, and fund an aggregate of $2,925 in exploration expenditures over a five-year period through May 2022. The Company has incurred the following exploration and evaluation expenditures on the property to June 30, 2017 (December 31, 2016 – Nil):

Exploration and evaluation assets		
Acquisition costs of mineral and surface rights	$	75
Camp and site costs		40
Geological and geophysical		147
Legal, community and other consultation costs		32
Balance, June 30, 2017 (December 31, 2016 - Nil)	$	294

9. SHARE CAPITAL

(a) Issue and outstanding

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

At June 30, 2017, there were 80,769,843 shares outstanding (June 30, 2016: 80,208,810).

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 six months ended June 30, 2017, 26,400 stock options were exercised for cash proceeds of $183. An additional 75,000 stock options were 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.

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.

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

(b) Stock options

The Company has entered into Incentive Stock Option Agreements ("Agreements") with officers, employees, and directors. 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, 2017, there were 1,577,772 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 period:

	Period ended June 30, 2017	Weighted average exercise price (C$/option)	Year ended December 31, 2016	Weighted average exercise price (C$/option)
Outstanding, beginning of year	2,254,172	$ 8.71	3,843,105	$ 8.71
Granted	-	-	227,773	17.55
Exercised for cash	(26,400)	9.23	(691,705)	8.79
Exercised cashless	(75,000)	9.15	(1,125,001)	10.46
Outstanding, end of period	2,152,772	$ 8.69	2,254,172	$ 8.71

During the six months ended June 30, 2017, no stock options were granted (June 30, 2016: nil).

During the six months ended June 30, 2017, 101,400 stock options were exercised (June 30, 2016: 1,351,084), with a weighted average market share price at the date of exercise of C$18.62 (June 30, 2016: C$14.83).

The following table summarizes the Company's stock options outstanding and exercisable as at June 30, 2017:

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

	Exercise price ($C/option)	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
(1)	5.35	500,000	500,000	1.29
	5.86	455,000	455,000	0.96
	9.15	50,000	50,000	0.09
	9.16	21,666	-	3.20
	9.28	368,333	248,333	3.43
(1)	9.61	75,000	75,000	0.67
	10.02	187,500	187,500	2.98
	10.04	267,500	267,500	2.00
	17.55	227,773	-	4.43
	C$5.35 - C$17.55	2,152,772	1,783,333	2.12

(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, 2017, the Company recorded share based payment expense of $454 (June 30, 2016: $477) relating to stock options vested to employees and consultants in the period.

(c) Restricted and performance share units

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

Under the Share Unit Plan, each RSU and PSU entitle participants to receive one common share of the Company subject to vesting criteria, and in the case of PSUs, performance criteria. During the six months ended June 30, 2017, no RSUs or PSUs were granted (June 30, 2016: nil and nil respectively). As at June 30, 2017, there were 46,520 RSUs and 140,203 PSUs issued and outstanding under the Share Unit Plan, of which 46,520 RSUs and 30,169 PSUs have vested and are convertible into common shares of the Company. Included in the PSUs as at June 30, 2017, are 69,085 PSUs which vest on December 6, 2019, with the number of PSUs vesting subject to a market price performance factor measured over a three-year performance period from the date of grant. The resulting PSU payout range for these 69,085 PSUs is from 0% (nil PSUs) to 200% (138,170 PSUs), based on the Company’s market price performance relative to a specified peer group of companies.

In the six months ended at June 30, 2017, no RSUs or PSUs (June 30, 2016: nil and nil respectively) were converted and settled in common shares. In the six months ended June 30, 2017, the Company recognized a share-based payment expense of $203 (June 30, 2016: $396) relating to RSUs and PSUs vesting in the period.

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

(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, 2017, 66,325 DSUs were granted under the plan (June 30, 2016: 63,287). In addition, 5,940 DSUs (June 30, 2016: 5,405) were granted to directors who elected to receive their retainer and meeting fees for the period in the form of DSUs rather than cash. A DSU share-based payment expense of $880 (June 30, 2016: $899) was recognized in the six months ended June 30, 2017. 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, 2017, there are 445,570 DSUs issued and outstanding under the DSU Plan, all of which have vested.

As at June 30, 2017, there are 2,210,065 common shares issuable under the combined share compensation arrangements referred to above (the Plan, the Share Unit Plan and the DSU Plan) representing 2.74% of the issued and outstanding common shares on a non-diluted basis, and there are 4,846,191 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, cash equivalents and term deposits.

Capital as defined above is summarized in the following table:

	June 30, 2017	December 31, 2016
Equity	$ 176,270	$ 175,918
Cash, cash equivalents and term deposits	(125,011)	(138,347)
	$ 51,259	$ 37,571

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, 2017, 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 ($126,809 as at June 30, 2017) 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 December 31, 2016.

(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.

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

(iii) Mexican value added tax

As at June 30, 2017, the Company had a receivable of $63 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:

		June 30, 2017		December 31, 2016
Cash and cash equivalents	$	125,011	$	83,347
Term deposits		-		55,000
Accounts receivable (*Note 4*)		268		628
	$	125,279	$	138,975

(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 December 31, 2016.

(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 June 30, 2017, 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, 2017 *(in US$ equivalent)*		Mexican peso		Canadian dollar
Cash	$	49	$	5,405
Accounts receivable		63		22
Prepaid		6		-
Investments		-		1,614
Accounts payable		(136)		(208)
Net assets exposure	$	(18)	$	6,833

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 liabilities at June 30, 2017 is 325 pesos (June 30, 2016: 3,388 net pesos monetary assets). A 10% appreciation in the peso against the US$ would result in loss at June 30, 2017 of $2 (June 30, 2016: $18 gain), while a 10% depreciation in the peso relative to the US$ 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 (liabilities) in C$. The carrying amount of the Company's net Canadian denominated monetary assets at June 30, 2017 is C$8,867 (June 30, 2016: C$10,005). A 10% appreciation in the C$ against the US$ would result in gain at June 30, 2017 of $683 while a 10% depreciation in the C$ 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 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.

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

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:

	Six months ended, June 30, 2017				
	FVTPL	Available for sale	Loans and receivables	Other liabilities	Total
Financial assets					
Cash and cash equivalents	$125,011	$ -	$ -	$ -	$125,011
Accounts receivables (Note 4)	-	-	268	-	268
Investments (Note 5)	272	1,342	-	-	1,614
Financial liabilities					
Trade and other payables	-	-	-	471	471

	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

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

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

	Six months ended, June 30, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 125,011	$ -	$ -	$ 125,011
Investments (Note 5)[(1)]	19	1,595	-	1,614
	$ 125,030	$ 1,595	$ -	$ 126,625

	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

[(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 six months ended June 30, 2017 or during year ended December 31, 2016.

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 the Juanicipio Project.

(Unaudited - 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, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Fees related to Dr. Megaw:				
Exploration and marketing services	$ 63	$ 64	$ 133	$ 134
Travel and expenses	25	22	53	44
Other fees to Cascabel and IMDEX:				
Administration for Mexican subsidiaries	26	30	55	60
Field exploration services	128	164	239	327
	$ 242	$ 280	$ 480	$ 565

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 and IMDEX. Included in trade and other payables at June 30, 2017 is $169 related to these services (June 30, 2016: $165).

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

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	MAG' effective interest 2017 (%)	MAG' effective interest 2016 (%)
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 June 30, 2017, 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*).

(Unaudited - expressed in thousands of US dollars unless otherwise stated)

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Salaries and other short term employee benefits	$ 178	$ 251	$ 435	$ 499
Share based payments (Note 9(b), (c), and (d))	947	978	1,105	1,462
	$ 1,125	$ 1,229	$ 1,540	$ 1,961

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, 2017, the Company's contractual obligations and commitments are summarized as follows:

	Office Lease	Property Option Payments (Note 8)	Exploration Commitments (Note 8)	Total
2017	$ 66	$ -	$ -	$ 66
2018	133	-	131	264
2019	136	75	500	711
2020	-	100	500	600
2021	-	100	750	850
2022	-	150	750	900
	$ 335	$ 425	$ 2,631	$ 3,391

As these condensed interim 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 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 equity in the future.

(Unaudited - 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,	
	2017	2016	2017	2016
Current tax (expense) recovery	$ -	$ -	$ -	$ -
Deferred tax (expense) recovery	-	(858)	589	(795)
Total income tax (expense) recovery	$ -	$ (858)	$ 589	$ (795)

The $589 deferred tax recovery for the six months ended June 30, 2017 (June 30, 2016: $795 deferred tax expense) is related to the reversal of the deferred tax liability that was set up at December 31, 2016 in relation to temporary differences between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US$), 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 strengthening of the Mexican Peso against the US$ from 20.66 Pesos/US$ on December 31, 2016 to 18.03 on June 30, 2017, the previously recognized deferred tax liability was reversed in the 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 EVENTS

Subsequent to June 30, 2017, the Company:

1. Issued 23,056 commons shares pursuant to the exercise of 50,000 stock options with an exercise price of C$9.15 exercised under a less dilutive cashless exercise provision of the plan, whereby 23,056 shares were issued in settlement of the stock options, and the remaining 26,944 were cancelled; and,

2. Issued 4,000 common shares pursuant to the exercise of stock options with an exercise price of C$10.04 for proceeds of C$40.