



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)



Management's Responsibilities over Financial Reporting

The condensed interim consolidated financial statements of First Majestic Silver Corp. (the "Company") are the responsibility of the Company's management. The condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*", as issued by the International Accounting Standards Board and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the condensed interim consolidated financial statements prior to their submission to the Board of Directors for approval.

The condensed interim consolidated financial statements have not been audited.

A handwritten signature in black ink, appearing to be 'K Neumeyer', written in a cursive style.

Keith Neumeyer
President & CEO
November 3, 2021

A handwritten signature in black ink, appearing to be 'R Polman', written in a cursive style.

Raymond Polman, CPA, CA
Chief Financial Officer
November 3, 2021

TABLE OF CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| | |
|--|-------------------|
| Condensed Interim Consolidated Statements of Earnings (Loss) | 1 |
| Condensed Interim Consolidated Statements of Comprehensive Income (Loss) | 2 |
| Condensed Interim Consolidated Statements of Cash Flows | 3 |
| Condensed Interim Consolidated Statements of Financial Position | 4 |
| Condensed Interim Consolidated Statements of Changes in Equity | 5 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

General

| | |
|--|-------------------|
| Note 1. Nature of Operations | 6 |
| Note 2. Basis of Presentation | 6 |
| Note 3. Significant Accounting Policies, Estimates and Judgments | 6 |
| Note 4. Acquisition of Jerritt Canyon Canada Ltd. | 8 |

Statements of Earnings (Loss)

| | |
|---|--------------------|
| Note 5. Segmented Information | 11 |
| Note 6. Revenues | 13 |
| Note 7. Cost of Sales | 14 |
| Note 8. General and Administrative Expenses | 14 |
| Note 9. Mine Holding Costs | 14 |
| Note 10. Investment and Other Income (Loss) | 15 |
| Note 11. Finance Costs | 15 |
| Note 12. Earnings or Loss per Share | 15 |

Statements of Financial Position

| | |
|--|--------------------|
| Note 13. Inventories | 16 |
| Note 14. Other Financial Assets | 16 |
| Note 15. Mining Interests | 16 |
| Note 16. Property, Plant and Equipment | 19 |
| Note 17. Right-of-Use Assets | 20 |
| Note 18. Restricted Cash | 21 |
| Note 19. Trade and Other Payables | 22 |
| Note 20. Debt Facilities | 22 |
| Note 21. Lease Liabilities | 24 |
| Note 22. Share Capital | 26 |

Other items

| | |
|--|--------------------|
| Note 23. Financial Instruments and Related Risk Management | 29 |
| Note 24. Supplemental Cash Flow Information | 33 |
| Note 25. Contingencies and Other Matters | 34 |

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 and 2020**

Condensed Interim Consolidated Financial Statements - Unaudited

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

The Condensed Interim Consolidated Statements of Earnings (Loss) provide a summary of the Company's financial performance and net earnings or loss over the reporting periods.

| | Note | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-----------|-------------------------------------|--------------------|------------------------------------|--------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Revenues | <u>6</u> | \$124,646 | \$125,881 | \$379,241 | \$246,801 |
| Mine operating costs | | | | | |
| Cost of sales | <u>7</u> | 92,006 | 60,275 | 244,849 | 136,297 |
| Cost of sales - standby costs | <u>7</u> | — | — | — | 10,112 |
| Depletion, depreciation and amortization | | 29,122 | 17,573 | 73,335 | 39,006 |
| | | 121,128 | 77,848 | 318,184 | 185,415 |
| Mine operating earnings | | 3,518 | 48,033 | 61,057 | 61,386 |
| General and administrative expenses | <u>8</u> | 6,213 | 5,520 | 20,075 | 17,650 |
| Share-based payments | | 3,069 | 1,703 | 9,431 | 6,028 |
| Mine holding costs | <u>9</u> | 3,344 | 4,184 | 9,571 | 14,566 |
| Loss on divestiture of exploration projects | | — | (6,421) | — | 3,685 |
| Acquisition costs | <u>4</u> | 127 | — | 1,950 | — |
| Foreign exchange loss (gain) | | 1,676 | 5,340 | (903) | 8,743 |
| Operating (loss) earnings | | (10,911) | 37,707 | 20,933 | 10,714 |
| Investment and other (loss) income | <u>10</u> | (4,863) | 2,741 | (3,684) | 7,460 |
| Finance costs | <u>11</u> | (4,027) | (3,650) | (11,927) | (11,056) |
| Unrealized gain (loss) on foreign currency derivatives | | — | 7,541 | — | (4,862) |
| Earnings (loss) before income taxes | | (19,801) | 44,339 | 5,322 | 2,256 |
| Income taxes | | | | | |
| Current income tax expense | | 6,678 | 3,842 | 25,540 | 5,851 |
| Deferred income tax (recovery) expense | | (8,073) | 9,551 | (19,266) | 7,863 |
| | | (1,395) | 13,393 | 6,274 | 13,714 |
| Net (loss) earnings for the period | | (\$18,406) | \$30,946 | (\$952) | (\$11,458) |
| (Loss) earnings per common share | | | | | |
| Basic | <u>12</u> | (\$0.07) | \$0.14 | \$0.00 | (\$0.05) |
| Diluted | <u>12</u> | (\$0.07) | \$0.14 | \$0.00 | (\$0.05) |
| Weighted average shares outstanding | | | | | |
| Basic | <u>12</u> | 256,363,759 | 214,919,070 | 240,687,196 | 211,333,281 |
| Diluted | <u>12</u> | 256,363,759 | 233,794,570 | 240,687,196 | 211,333,281 |

Approved and authorized by the Board of Directors for issuance on November 3, 2021



Keith Neumeyer, Director



Douglas Penrose, Director

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 and 2020**

Condensed interim Consolidated Financial Statements - Unaudited

(In thousands of US dollars)

The Condensed Interim Consolidated Statements of Comprehensive Income (Loss) provide a summary of total comprehensive earnings or loss and summarizes items recorded in other comprehensive income that may or may not be subsequently reclassified to profit or loss depending on future events.

| | Note | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-----------------------|-------------------------------------|-----------------|------------------------------------|-------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Net (loss) earnings for the period | | (\$18,406) | \$30,946 | (\$952) | (\$11,458) |
| Other comprehensive (loss) income | | | | | |
| Items that will not be subsequently reclassified to net earnings (loss): | | | | | |
| Unrealized (loss) gain on fair value of investments in marketable securities, net of tax | 14(b) | (7,516) | 1,273 | (12,652) | 7,351 |
| Realized (loss) gain on investments in marketable securities, net of tax | 14(b) | (169) | 83 | (1,425) | 280 |
| Remeasurement of retirement benefit plan | | — | — | — | (455) |
| Other comprehensive (loss) income | | (7,685) | 1,356 | (14,077) | 7,176 |
| Total comprehensive (loss) income | | (\$26,091) | \$32,302 | (\$15,029) | (\$4,282) |

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 and 2020**

Condensed Interim Consolidated Financial Statements - Unaudited

(In thousands of US dollars)

The Condensed Interim Consolidated Statements of Cash Flows provide a summary of movements in cash and cash equivalents during the reporting periods by classifying them as operating, investing or financing activities.

| | Note | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--------------|-------------------------------------|------------------|------------------------------------|------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Operating Activities | | | | | |
| Net (loss) earnings for the period | | (\$18,406) | \$30,946 | (\$952) | (\$11,458) |
| Adjustments for: | | | | | |
| Depletion, depreciation and amortization | | 29,528 | 18,048 | 74,608 | 40,406 |
| Share-based payments | | 3,069 | 1,703 | 9,431 | 6,028 |
| Income tax expense (recovery) | | (1,395) | 13,393 | 6,274 | 13,714 |
| Finance costs | <u>11</u> | 4,027 | 3,650 | 11,927 | 11,056 |
| Acquisition costs | <u>4</u> | 127 | — | 1,950 | — |
| Loss on assets held-for-sale | <u>10</u> | — | — | 2,081 | — |
| Loss (gain) from marketable securities and silver futures derivatives | | 5,169 | (2,497) | 2,358 | (6,497) |
| Loss (gain) on divestiture of exploration projects | <u>15</u> | — | (6,282) | — | 3,894 |
| Fair value adjustment on foreign currency derivatives | | — | (7,541) | — | 4,862 |
| Unrealized foreign exchange loss (gain) | | 486 | 800 | (2,751) | (2,886) |
| Operating cash flows before working capital and taxes | | 22,605 | 52,220 | 104,926 | 59,119 |
| Net change in non-cash working capital items | <u>24</u> | (19,210) | 3,565 | (53,988) | (17,817) |
| Income taxes paid | | (15,383) | (782) | (72,027) | (4,799) |
| Cash (used in) provided by operating activities | | (11,988) | 55,003 | (21,089) | 36,503 |
| Investing Activities | | | | | |
| Restricted cash acquired on the acquisition of Jerritt Canyon | <u>4</u> | — | — | 30,000 | — |
| Reclassification to restricted cash related to the acquisition of Jerritt Canyon | <u>18(a)</u> | (12,505) | — | (12,505) | — |
| Expenditures on mining interests | | (30,291) | (17,492) | (97,720) | (46,724) |
| Acquisition of property, plant and equipment | | (15,757) | (12,574) | (33,716) | (31,664) |
| Deposits paid for acquisition of non-current assets | | (2,805) | (660) | (7,096) | (6,290) |
| Jerritt Canyon acquisition costs, net of cash acquired | <u>4</u> | (127) | — | (925) | — |
| Acquisition of Springpole Silver Stream | <u>15(d)</u> | — | (2,521) | — | (2,521) |
| Other | <u>24</u> | 45 | (275) | 948 | 1,424 |
| Cash used in investing activities | | (61,440) | (33,522) | (121,014) | (85,775) |
| Financing Activities | | | | | |
| Proceeds from prospectus offering, net of share issue costs | <u>22(a)</u> | 17,606 | 112,374 | 66,674 | 126,166 |
| Proceeds from exercise of stock options | | 379 | 7,337 | 13,643 | 10,183 |
| Repayment of lease liabilities | <u>21</u> | (2,734) | (1,803) | (6,260) | (5,220) |
| Finance costs paid | | (1,763) | (1,736) | (4,195) | (3,976) |
| Proceeds from debt facility | <u>20</u> | 30,000 | — | 30,000 | — |
| Repayment of debt facilities | <u>20(b)</u> | — | — | — | (10,000) |
| Dividends declared and paid | <u>22(g)</u> | (1,535) | — | (2,667) | — |
| Shares repurchased and cancelled | <u>22(f)</u> | (42) | — | (42) | (1,694) |
| Cash provided by financing activities | | 41,911 | 116,172 | 97,153 | 115,459 |
| Effect of exchange rate on cash and cash equivalents held in foreign currencies | | (2,782) | (447) | (818) | (2,760) |
| (Decrease) increase in cash and cash equivalents | | (31,517) | 137,653 | (44,950) | 66,187 |
| Cash and cash equivalents, beginning of the period | | 227,109 | 95,230 | 238,578 | 169,009 |
| Cash and cash equivalents, end of period | | \$192,810 | \$232,436 | \$192,810 | \$232,436 |
| Cash | | \$192,810 | \$202,445 | \$192,810 | \$202,445 |
| Short-term investments | | — | 29,991 | — | 29,991 |
| Cash and cash equivalents, end of period | | \$192,810 | \$232,436 | \$192,810 | \$232,436 |
| Supplemental cash flow information | <u>24</u> | | | | |

The accompanying notes are an integral part of the condensed interim consolidated financial statements

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021 AND DECEMBER 31, 2020**

Condensed Interim Consolidated Financial Statements - Unaudited

(In thousands of US dollars)

The Condensed Interim Consolidated Statements of Financial Position provides a summary of assets, liabilities and equity, as well as their current versus non-current nature, as at the reporting date.

| | Note | September 30, 2021 | December 31, 2020 |
|--|-------|--------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$192,810 | \$238,578 |
| Restricted cash | 18(a) | 43,666 | — |
| Trade and other receivables | | 5,540 | 4,271 |
| Value added taxes receivable | 23(c) | 57,378 | 41,641 |
| Inventories | 13 | 71,760 | 32,512 |
| Other financial assets | 14 | 23,482 | 36,319 |
| Prepaid expenses and other | | 5,487 | 2,725 |
| Total current assets | | 400,123 | 356,046 |
| Non-current assets | | | |
| Mining interests | 15 | 987,869 | 509,730 |
| Property, plant and equipment | 16 | 486,849 | 258,220 |
| Right-of-use assets | 17 | 29,351 | 14,330 |
| Deposits on non-current assets | | 10,631 | 14,246 |
| Non-current restricted cash | 18(b) | 66,997 | — |
| Non-current value added taxes receivable | 23(c) | 580 | 15,301 |
| Deferred tax assets | | 69,088 | 69,644 |
| Total assets | | \$2,051,488 | \$1,237,517 |
| Liabilities and Equity | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | \$112,731 | \$76,002 |
| Unearned revenue | 6 | 4,391 | 2,717 |
| Current portion of debt facilities | 20 | 383 | 10,975 |
| Current portion of lease liabilities | 21 | 10,815 | 5,358 |
| Income taxes payable | | 9,326 | 6,574 |
| Total current liabilities | | 137,646 | 101,626 |
| Non-current liabilities | | | |
| Debt facilities | 20 | 186,390 | 141,733 |
| Lease liabilities | 21 | 25,926 | 15,217 |
| Decommissioning liabilities | | 157,942 | 51,471 |
| Other liabilities | | 6,282 | 5,406 |
| Non-current income taxes payable | | 22,031 | 23,099 |
| Deferred tax liabilities | | 122,866 | 48,729 |
| Total liabilities | | \$659,083 | \$387,281 |
| Equity | | | |
| Share capital | | 1,620,423 | 1,087,139 |
| Equity reserves | | 114,501 | 101,997 |
| Accumulated deficit | | (342,519) | (338,900) |
| Total equity | | \$1,392,405 | \$850,236 |
| Total liabilities and equity | | \$2,051,488 | \$1,237,517 |
| Commitments (Note 15; Note 23(c)) | | | |

The accompanying notes are an integral part of the condensed interim consolidated financial statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

Condensed Interim Consolidated Financial Statements - Unaudited

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

The Consolidated Statements of Changes in Equity summarizes movements in equity, including common shares, share capital, equity reserves and retained earnings or accumulated deficit.

| | Share Capital | | Equity Reserves | | | | | Total equity |
|--|--------------------|--------------------|-------------------------------------|---|--|-----------------------|---------------------|--------------------|
| | Shares | Amount | Share-based payments ^(a) | Other comprehensive income(loss) ^(b) | Equity component of convertible debenture ^(c) | Total equity reserves | Accumulated deficit | |
| Balance at December 31, 2019 | 208,112,072 | \$933,182 | \$74,060 | (\$2,532) | \$19,164 | \$90,692 | (\$361,553) | \$662,321 |
| Net loss for the period | — | — | — | — | — | — | (11,458) | (11,458) |
| Other comprehensive income | — | — | — | 7,176 | — | 7,176 | — | 7,176 |
| Total comprehensive loss | — | — | — | 7,176 | — | 7,176 | (11,458) | (4,282) |
| Share-based payments | — | — | 6,028 | — | — | 6,028 | — | 6,028 |
| Shares issued for: | | | | | | | | |
| Prospectus offerings (Note 22(a)) | 10,654,338 | 126,166 | — | — | — | — | — | 126,166 |
| Exercise of stock options (Note 22(b)) | 1,710,079 | 14,551 | (4,368) | — | — | (4,368) | — | 10,183 |
| Acquisition of Springpole Silver Stream (Note 15) | 805,698 | 7,479 | — | — | — | — | — | 7,479 |
| Settlement of restricted share units (Note 22(c)) | 127,000 | 992 | (992) | — | — | (992) | — | — |
| Shares repurchased and cancelled (Note 22(f)) | (275,000) | (1,260) | — | — | — | — | (434) | (1,694) |
| Balance at September 30, 2020 | 221,134,187 | \$1,081,110 | \$74,728 | \$4,644 | \$19,164 | \$98,536 | (\$373,445) | \$806,201 |
| Balance at December 31, 2020 | 221,965,011 | \$1,087,139 | \$75,420 | \$7,413 | \$19,164 | \$101,997 | (\$338,900) | \$850,236 |
| Net loss for the period | — | — | — | — | — | — | (952) | (952) |
| Other comprehensive loss | — | — | — | (14,077) | — | (14,077) | — | (14,077) |
| Total comprehensive loss | — | — | — | (14,077) | — | (14,077) | (952) | (15,029) |
| Share-based payments | — | — | 9,562 | — | — | 9,562 | — | 9,562 |
| Shares issued for: | | | | | | | | |
| Acquisition of Jerritt Canyon (Note 4) | 26,719,727 | 416,561 | 23,150 | — | — | 23,150 | — | 439,711 |
| Sprott Private Placement (Note 4) | 1,705,514 | 26,589 | — | — | — | — | — | 26,589 |
| Prospectus offerings (Note 22(a)) | 4,225,000 | 66,674 | — | — | — | — | — | 66,674 |
| Exercise of stock options (Note 22(b)) | 1,562,564 | 19,179 | (5,536) | — | — | (5,536) | — | 13,643 |
| Acquisition of Springpole Silver Stream (Note 15(d)) | 287,300 | 3,750 | — | — | — | — | — | 3,750 |
| Settlement of restricted share units (Note 22(c)) | 44,137 | 573 | (595) | — | — | (595) | — | (22) |
| Shares repurchased and cancelled (Note 22(f)) | (6,913) | (42) | — | — | — | — | — | (42) |
| Dividend declared and paid (Note 22(g)) | — | — | — | — | — | — | (2,667) | (2,667) |
| Balance at September 30, 2021 | 256,502,340 | \$1,620,423 | \$102,001 | (\$6,664) | \$19,164 | \$114,501 | (\$342,519) | \$1,392,405 |

- Share-based payments reserve records the cumulative amount recognized under IFRS 2 share-based payments in respect of stock options granted, restricted share units and shares purchase warrants issued but not exercised or settled to acquire shares of the Company.
- Other comprehensive income reserve principally records the unrealized fair value gains or losses related to fair value through other comprehensive income ("FVTOCI") financial instruments and re-measurements arising from actuarial gains or losses and return on plan assets in relation to San Dimas' retirement benefit plan.
- Equity component of convertible debenture reserve represents the estimated fair value of its conversion option of \$26.3 million, net of deferred tax effect of \$7.1 million. This amount is not subsequently remeasured and will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance will remain in equity reserves.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

1. NATURE OF OPERATIONS

First Majestic Silver Corp. (the “Company” or “First Majestic”) is in the business of silver production, development, exploration, and acquisition of mineral properties with a focus on silver and gold production in North America. The Company owns four producing mines: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine, the La Encantada Silver Mine, and the recently acquired Jerritt Canyon Gold Mine in Nevada, USA (see Note 4). In addition, the Company owns four mines in suspension: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine, and several exploration stage projects.

First Majestic is incorporated in Canada with limited liability under the legislation of the Province of British Columbia and is publicly listed on the New York Stock Exchange under the symbol “AG”, on the Toronto Stock Exchange under the symbol “FR” and on the Frankfurt Stock Exchange under the symbol “FMV”. The Company’s head office and principal address is located at 925 West Georgia Street, Suite 1800, Vancouver, British Columbia, Canada, V6C 3L2.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements as at and for the year ended December 31, 2020, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain items that are measured at fair value including derivative financial instruments (Note 23(a)) and marketable securities (Note 14). All dollar amounts presented are in thousands of United States dollars unless otherwise specified.

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances, transactions, income and expenses are eliminated on consolidation.

These condensed interim consolidated financial statements were prepared using accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended December 31, 2020 except as outlined in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of its unaudited condensed interim consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management to make assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

In preparing the Company’s unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2021, the Company applied the accounting policies, critical judgments and estimates disclosed in note 3 of its audited consolidated financial statements for the year ended December 31, 2020 and the following accounting policies, critical judgments and estimates in applying accounting policies:

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (continued)

New and amended IFRS standards that are effective for the current year:

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments were applied effective January 1, 2021 and did not have a material impact on the Company's financial statements.

Future Changes in Accounting Policies Not Yet Effective as at September 30, 2021:

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company will recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of that earliest period presented. This amendment will impact the Company's accounting for proceeds from mineral sales prior to reaching commercial production levels intended by management.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

In May 2021, the International Accounting Standards Board issued targeted amendments to IAS 12, Income Taxes. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. With a view to reducing diversity in reporting, the amendments will clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. This amendment is not expected to have a material impact on the Company's financial statements.

Critical Judgments and Estimates

Fair Value Estimates in the Acquisition of Jerritt Canyon (Note 4)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (continued)**Critical Judgments and Estimates (continued)**Classification of current and non-current restricted cash (Note 18)

The Company assesses the classification of the restricted cash between current and non-current based on the following factors:

- an asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the period; and
- it expects to realize the asset within twelve months after the reporting period.

The evaluation was performed based on the available information at the end of the reporting period; if there are changes in the circumstances the Company will reassess the classification.

4. ACQUISITION OF JERRITT CANYON CANADA LTD.**Description of the Transaction**

On April 30, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Jerritt Canyon Canada Ltd. from Sprott Mining Inc. ("Sprott Mining") in exchange for 26,719,727 common shares of First Majestic (the "Consideration Shares"), five million common share purchase warrants, each exercisable for one common share of the Company at a price of \$20 per share for a period of three years (the "Consideration Warrants"). Concurrent with closing of the acquisition, Sprott Mining also completed a private placement consisting of \$30.0 million at a price of \$17.59 per share for a total of 1,705,514 common shares of the Company (the "Private Placement Shares") (together, the "Acquisition Agreement").

Pursuant to closing of the Acquisition Agreement, the Company deposited into escrow an aggregate of \$60.0 million (the "Escrowed Funds"), including \$30.0 million from First Majestic and \$30.0 million proceeds from the Private Placement Shares, representing the estimated tax ("Triggered Tax") due by Jerritt Canyon Canada as a result of a reorganization completed prior to the acquisition of the Jerritt Canyon Gold Mine. The parties have agreed that the estimated amount of such tax liability is approximately \$47.1 million, which amount was paid from the Escrowed Funds and the Purchase Price was thereby increased by \$12.5 million, being the difference between the Triggered Tax amount and \$60 million ("Triggered Tax Adjustment"). In addition, the purchase price was reduced by \$2.8 million by which the closing working capital of Jerritt Canyon was less than zero (the "Working Capital Adjustment").

Jerritt Canyon owns and operates the Jerritt Canyon Gold Mine located in Elko County, Nevada. Jerritt Canyon was discovered in 1972 and has been in production since 1981 having produced over 9.5 million ounces of gold over its 40-year production history. The mine currently operates as an underground mine and has one of three permitted gold processing plants in Nevada that uses roasting in its treatment of ore. This processing plant has a capacity of 3,600 tonnes per day ("tpd") and is currently operating at an average rate of approximately 2,200 tpd due to limited ore production from two underground mines. The property consists of a large, underexplored land package consisting of 30,821 hectares (119 square miles). In 2020, Jerritt Canyon produced 112,749 ounces of gold at a cash cost of \$1,289 per ounce.

Management has concluded that Jerritt Canyon constitutes a business and, therefore, the acquisition is accounted for in accordance with IFRS 3 - Business Combinations.

4. ACQUISITION OF JERRITT CANYON CANADA LTD.**Description of the Transaction (continued)**

For the purpose of these consolidated condensed interim financial statements, the purchase consideration has been allocated on a preliminary basis based on management's best estimates at the time these interim consolidated financial statements were prepared. Any future changes to the purchase price allocation may result in adjustments to mining interests.

The Company is completing a full and detailed valuation of the fair value of the net assets of Jerritt Canyon acquired with the assistance of an independent third party. Therefore, it is likely that the purchase price and fair values of assets acquired, and liabilities assumed will vary from those shown below and the differences may be material. The allocation of the purchase price is based upon management's preliminary estimates and certain assumptions with respect to the fair value increment associated with the assets to be acquired and the liabilities assumed. The actual fair values of the assets and liabilities will be determined as of the date of acquisition and may differ materially from the amounts disclosed below in the assumed preliminary purchase price allocation as further analysis, including the assumption of liabilities including finalization of decommissioning liabilities, identification of contingent liabilities, finalization of the special trust agreement and reclamation bond requirement review with Nevada Division of Environmental Protection ("NDEP"), as well as finalization of working capital adjustments. Consequently, the actual allocation of the purchase price may result in different adjustments than those in these unaudited interim consolidated financial statements.

Total transaction costs of \$2.0 million related to the acquisition were expensed during the year.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

4. ACQUISITION OF JERRITT CANYON CANADA LTD. (continued)

Consideration and Purchase Price Allocation

Total consideration for the acquisition was valued at \$476.5 million on the acquisition date. The preliminary purchase price allocation, which is subject to final adjustments, is estimated as follows:

Total Consideration

| | |
|--|------------------|
| 26,719,727 Consideration Shares issued to Sprott Mining with an accounting fair value of \$15.59 per share ⁽¹⁾ | \$416,561 |
| 1,705,514 Private Placement Shares issued to Sprott Mining with an accounting fair value of \$15.59 per share ⁽¹⁾ | 26,589 |
| 5,000,000 Consideration Warrants issued to Sprott Mining with an accounting fair value of \$4.63 per warrant ⁽²⁾ | 23,150 |
| Estimated Triggered Tax Adjustment | 12,913 |
| Estimated Working Capital Adjustment | (2,758) |
| Total consideration | \$476,455 |

Allocation of Purchase Price

| | |
|---|------------------|
| Cash and cash equivalents | \$1,025 |
| Inventories | 19,304 |
| Trade and other receivables ⁽³⁾ | 135 |
| Other financial assets | 3,581 |
| Prepaid expenses | 1,662 |
| Restricted cash ⁽⁴⁾ | 96,985 |
| Mining interest | 409,930 |
| Property, plant and equipment | 224,034 |
| Deposit on non-current assets | 128 |
| Trade and other payables | (27,159) |
| Lease liabilities | (2,194) |
| Income taxes payable | (47,185) |
| Contingent environmental provision ⁽⁵⁾ | (17,900) |
| Decommissioning liabilities | (87,705) |
| Deferred tax liabilities | (98,186) |
| Net assets acquired | \$476,455 |

(1) Fair values of Consideration Shares and Private Placement Shares were estimated at \$15.59 per shares based on the opening price of First Majestic's common share on the New York Stock Exchange on April 30, 2021, as compared to their deemed price of \$17.59 according to the Acquisition Agreement.

(2) The Consideration Warrants have an exercise price of \$20 per share for a three-year term expiring on April 30, 2024. The fair value of Consideration Warrants were estimated using the Black-Scholes method.

(3) Trade and other receivables are expected to be fully recoverable.

(4) Restricted cash includes \$30.0 million proceeds from the issuance of Private Placement Shares which were deposited into the Escrowed Funds and \$67.0 million in non-current environmental reclamation bonds.

(5) Contingent environmental provision relates to funds required to establish a trust agreement with the Nevada Division of Environmental Protection ("NDEP") to cover post-closure water treatment cost at Jerritt Canyon. Amounts are subject to management review of reclamation plan and cost estimates as well as alternative treatment options after the acquisition. Actual amount may differ significantly from the amount disclosed above.

Financial and operating results of Jerritt Canyon are included in the Company's consolidated financial statements effective April 30, 2021. During the nine months ended September 30, 2021, the acquisition of Jerritt Canyon contributed \$80.5 million of revenues and \$18.1 million of net loss to the Company's financial results since April 30, 2021.

Had the business combination been effected at January 1, 2021, pro forma revenues and net loss of the Company for the nine months ended September 30, 2021 would have been \$431.3 million and \$18.8 million, respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

5. SEGMENTED INFORMATION

All of the Company's operations are within the mining industry and its major products are precious metals doré which are refined or smelted into pure silver and gold and sold to global metal brokers. Transfer prices between reporting segments are set on an arms-length basis in a manner similar to transactions with third parties. Coins and bullion cost of sales are based on transfer prices.

A reporting segment is defined as a component of the Company that:

- engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

For the nine months ended September 30, 2021, the Company's significant reporting segments includes its three operating mines in Mexico, the recently acquired Jerritt Canyon Gold Mine in Nevada, United States, its "non-producing properties" in Mexico which include the La Parrilla, Del Toro, San Martin and La Guitarra mines, which have been placed on suspension. "Others" consists primarily of the Company's corporate assets including cash and cash equivalents, other development and exploration properties (Note 15), debt facilities (Note 20), coins and bullion sales, and corporate expenses which are not allocated to operating segments. The Company's chief operating decision maker ("CODM") evaluates segment performance based on mine operating earnings. Therefore, other income and expense items are not allocated to the segments.

Significant information relating to the Company's reportable operating segments is summarized in the tables below:

| Three Months Ended September 30, 2021 and 2020 | | Revenue | Cost of sales | Depletion, depreciation, and amortization | Mine operating earnings (loss) | Capital expenditures |
|---|-------------|------------------|-----------------|--|--------------------------------------|-------------------------|
| Mexico | | | | | | |
| San Dimas | 2021 | \$46,312 | \$24,104 | \$8,280 | \$13,928 | \$14,153 |
| | 2020 | 72,029 | 30,034 | 9,990 | 32,005 | 11,613 |
| Santa Elena | 2021 | 19,988 | 15,603 | 3,963 | 422 | 15,658 |
| | 2020 | 28,212 | 18,120 | 3,954 | 6,138 | 8,524 |
| La Encantada | 2021 | 16,097 | 8,653 | 1,547 | 5,897 | 2,786 |
| | 2020 | 27,396 | 12,842 | 3,213 | 11,341 | 3,050 |
| Non-producing Properties | 2021 | — | — | 80 | (80) | 574 |
| | 2020 | — | — | 151 | (151) | 932 |
| United States | | | | | | |
| Jerritt Canyon | 2021 | 45,654 | 44,881 | 14,774 | (14,001) | 22,392 |
| | 2020 | — | — | — | — | — |
| Others⁽¹⁾ | 2021 | 1,376 | 1,164 | 478 | (266) | 4,133 |
| | 2020 | 1,131 | 548 | 265 | 318 | 11,155 |
| Intercompany elimination⁽²⁾ | 2021 | (4,781) | (2,399) | — | (2,382) | — |
| | 2020 | (2,887) | (1,269) | — | (1,618) | — |
| Consolidated | 2021 | \$124,646 | \$92,006 | \$29,122 | \$3,518 | \$59,696 |
| | 2020 | \$125,881 | \$60,275 | \$17,573 | \$48,033 | \$35,275 |

(1) The "Others" segment includes revenues of \$1.4 million from coins and bullion sales of 46,572 silver ounces at an average price of \$29.49 per ounce.

(2) Effective January 1, 2021, the Company is presenting its segment revenue, cost of sales and mine operating earnings (loss) on a gross basis, with a new line item to reflect intercompany eliminations. The segmented information for the comparative periods have been adjusted to reflect this change for consistency.

During the nine months ended September 30, 2021, the Company had three (September 30, 2020 - three) customers that accounted for 100% (2020 - 99%) of its sales revenue, with one major metal broker accounting for 92% of total revenue (2020 - 92%).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

5. SEGMENTED INFORMATION (continued)

| Nine Months Ended September 30, 2021 and 2020 | | Revenue | Cost of sales | Depletion, depreciation, and amortization | Mine operating earnings (loss) | Capital expenditures |
|--|------|-----------|---------------|--|--------------------------------------|-------------------------|
| | | | | | | |
| Mexico | | | | | | |
| San Dimas | 2021 | \$178,793 | \$89,757 | \$29,620 | \$59,416 | \$44,137 |
| | 2020 | 146,036 | 81,075 | 23,921 | 41,040 | 29,653 |
| Santa Elena | 2021 | 70,431 | 52,509 | 11,472 | 6,450 | 47,208 |
| | 2020 | 55,938 | 38,279 | 7,834 | 9,825 | 19,972 |
| La Encantada | 2021 | 58,918 | 30,473 | 5,442 | 23,003 | 8,340 |
| | 2020 | 46,554 | 26,308 | 5,975 | 14,271 | 7,135 |
| Non-producing Properties | 2021 | — | — | 315 | (315) | 1,742 |
| | 2020 | 183 | 1,361 | 489 | (1,667) | 3,027 |
| United States | | | | | | |
| Jerritt Canyon | 2021 | 80,510 | 76,594 | 25,073 | (21,157) | 30,506 |
| | 2020 | — | — | — | — | — |
| Others ⁽¹⁾ | 2021 | 8,690 | 4,471 | 1,413 | 2,806 | 31,090 |
| | 2020 | 2,037 | 1,249 | 787 | 1 | 21,585 |
| Intercompany elimination | 2021 | (18,101) | (8,955) | — | (9,146) | — |
| | 2020 | (3,947) | (1,863) | — | (2,084) | — |
| Consolidated | 2021 | \$379,241 | \$244,849 | \$73,335 | \$61,057 | \$163,023 |
| | 2020 | \$246,801 | \$146,409 | \$39,006 | \$61,386 | \$81,372 |

(1) The "Others" segment includes revenues of \$8.7 million from coins and bullion sales of 271,215 silver ounces at an average price of \$32.04 per ounce.

| At September 30, 2021 and December 31, 2020 | | Mining Interests | | Property, plant and equipment | Total mining assets | Total assets | Total liabilities |
|--|------|------------------|-------------|-------------------------------------|---------------------------|-----------------|----------------------|
| | | Producing | Exploration | | | | |
| Mexico | | | | | | | |
| San Dimas | 2021 | \$211,780 | \$27,373 | \$106,089 | \$345,242 | \$480,131 | \$113,132 |
| | 2020 | 204,592 | 17,179 | 112,105 | 333,876 | 439,145 | 105,462 |
| Santa Elena | 2021 | 71,443 | 47,253 | 57,006 | 175,702 | 227,147 | 57,143 |
| | 2020 | 52,892 | 33,951 | 49,245 | 136,088 | 166,525 | 33,467 |
| La Encantada | 2021 | 25,946 | 3,981 | 19,296 | 49,223 | 106,649 | 30,834 |
| | 2020 | 25,865 | 2,955 | 16,555 | 45,375 | 99,185 | 29,354 |
| Non-producing Properties | 2021 | 108,837 | 38,692 | 27,562 | 175,092 | 218,149 | 33,139 |
| | 2020 | 108,837 | 37,004 | 29,888 | 175,730 | 219,109 | 40,274 |
| United States | | | | | | | |
| Jerritt Canyon | 2021 | 276,356 | 141,409 | 221,720 | 639,485 | 730,558 | 240,215 |
| | 2020 | — | — | — | — | — | — |
| Others | 2021 | — | 34,798 | 55,176 | 89,974 | 288,855 | 184,620 |
| | 2020 | — | 26,455 | 50,427 | 76,882 | 313,553 | 178,724 |
| Consolidated | 2021 | \$694,362 | \$293,507 | \$486,849 | \$1,474,718 | \$2,051,488 | \$659,083 |
| | 2020 | \$392,185 | \$117,545 | \$258,220 | \$767,950 | \$1,237,517 | \$387,281 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

6. REVENUES

The majority of the Company's revenues are from the sale of precious metals contained in doré form. The Company's primary products are precious metals of silver and gold. Revenues from sale of metal, including by-products, are recorded net of smelting and refining costs.

Revenues for the period are summarized as follows:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|----------------------------------|-------------|------------------|-------------|---------------------------------|-------------|------------------|-------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| Gross revenue from payable metals: | | | | | | | | |
| Silver | \$43,154 | 34% | \$85,426 | 67% | \$201,917 | 53% | \$157,772 | 63% |
| Gold | 81,966 | 66% | 41,406 | 33% | 179,253 | 47% | 90,934 | 37% |
| Lead | — | 0% | — | 0% | — | 0% | 76 | 0% |
| Gross revenue | 125,120 | 100% | 126,832 | 100% | 381,170 | 100% | 248,782 | 100% |
| Less: smelting and refining costs | (474) | | (951) | | (1,929) | | (1,981) | |
| Revenues | \$124,646 | | \$125,881 | | \$379,241 | | \$246,801 | |

As at September 30, 2021, the Company had \$4.4 million of unearned revenue (December 31, 2020 - \$2.7 million) that has not satisfied performance obligations.

(a) Gold Stream Agreement with Sandstorm Gold Ltd.

The Santa Elena mine has a purchase agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the Company to sell 20% of its gold production over the life of mine from its leach pad and a designated area of its underground operations. The selling price to Sandstorm is the lesser of the prevailing market price or \$450 per ounce, subject to a 1% annual inflation. During the three and nine months ended September 30, 2021, the Company delivered 1,472 and 4,342 ounces (2020 - 1,730 and 4,457 ounces), respectively, of gold to Sandstorm at an average price of \$468 and \$467 per ounce (2020 - \$463 and \$461 per ounce), respectively.

(b) Gold Stream Agreement with Wheaton Precious Metals Corporation

In 2018, the San Dimas mine entered into a purchase agreement with Wheaton Precious Metals International ("WPMI"), a wholly owned subsidiary of Wheaton Precious Metals Corp., which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment) and the prevailing market price, for each gold equivalent ounce delivered. Should the average gold to silver ratio over a six month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as at September 30, 2021 was 70:1.

During the three and nine months ended September 30, 2021, the Company delivered 11,346 and 32,833 ounces (2020 - 9,687 and 27,075 ounces) of gold, respectively, to WPMI at \$618 and \$616 (2020 - \$612 and \$609) per ounce, respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

7. COST OF SALES

Cost of sales excludes depletion, depreciation and amortization and are costs that are directly related to production and generation of revenues at the operating segments. Significant components of cost of sales are comprised of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Consumables and materials | \$25,476 | \$10,559 | \$53,516 | \$26,148 |
| Labour costs | 52,839 | 28,863 | 136,890 | 71,202 |
| Energy | 10,250 | 6,473 | 31,506 | 17,654 |
| Other costs | 11,924 | 1,047 | 20,575 | 7,598 |
| Production costs | \$100,489 | \$46,942 | \$242,487 | \$122,602 |
| Transportation and other selling costs | 569 | 662 | 1,958 | 1,504 |
| Workers participation costs | 4,017 | 2,276 | 10,380 | 11,000 |
| Environmental duties and royalties | 1,492 | 696 | 3,133 | 1,344 |
| Inventory changes | (14,734) | 9,699 | (13,569) | (153) |
| Other | 173 | — | 460 | — |
| Cost of Sales | \$92,006 | \$60,275 | \$244,849 | \$136,297 |
| Cost of Sales - Standby Costs | \$— | \$— | \$— | \$10,112 |

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are incurred to support the administration of the business that are not directly related to production. Significant components of general and administrative expenses are comprised of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Corporate administration | \$2,124 | \$1,067 | \$5,555 | \$3,590 |
| Salaries and benefits | 2,830 | 2,771 | 9,090 | 8,399 |
| Audit, legal and professional fees | 482 | 881 | 3,150 | 3,251 |
| Filing and listing fees | 163 | 103 | 407 | 396 |
| Directors fees and expenses | 208 | 223 | 600 | 614 |
| Depreciation | 406 | 475 | 1,273 | 1,400 |
| | \$6,213 | \$5,520 | \$20,075 | \$17,650 |

9. MINE HOLDING COSTS

The Company's mine holding costs are primarily comprised of labour costs associated with care and maintenance staffs, electricity, security, environmental and community support costs for the following mines which are currently under temporary suspension:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Del Toro | \$831 | \$1,211 | \$2,594 | \$6,081 |
| La Parrilla | 889 | 1,056 | 2,639 | 4,422 |
| San Martin | 698 | 1,097 | 2,038 | 1,989 |
| La Guitarra | 926 | 820 | 2,300 | 2,074 |
| | \$3,344 | \$4,184 | \$9,571 | \$14,566 |

The accompanying notes are an integral part of the condensed interim consolidated financial statements

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

10. INVESTMENT AND OTHER (LOSS) INCOME

The Company's investment and other (loss) income are comprised of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| (Loss) gain from investment in marketable securities (Note 14(a)) | (\$5,169) | \$2,497 | (\$2,891) | \$4,418 |
| Loss on write-down of assets held-for-sale ⁽¹⁾⁽²⁾ | — | — | (2,081) | — |
| Gain from investment in silver futures derivatives | — | — | 593 | 2,079 |
| Interest income and other | 306 | 244 | 695 | 963 |
| | (\$4,863) | \$2,741 | (\$3,684) | \$7,460 |

- (1) In March 2021, the Company entered into an agreement with Condor Gold PLC ("Condor") to sell its AG Mill equipment for gross proceeds of \$6.5 million, including \$3.5 million in cash and \$3.0 million in common shares of Condor. During the nine months ended September 30, 2021, the Company completed the sale and recognized a loss of \$2.1 million, being the difference between the proceeds of disposal and the carrying amount of the project's net assets, as loss on write-down of assets held-for-sale.
- (2) In May 2021, the Company entered into an agreement with Capstone Mining Corp. to sell certain mill equipment for gross proceeds of \$6.4 million in cash, of which \$5.7 million has been received as at September 30, 2021. No gain or loss was recognized as part of this transaction as the equipment were sold at cost.

11. FINANCE COSTS

Finance costs are primarily related to interest and accretion expense on the Company's debt facilities, lease liabilities and accretion of decommissioning liabilities. The Company's finance costs in the periods are summarized as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Debt facilities ⁽¹⁾ (Note 20) | \$2,599 | \$2,674 | \$7,810 | \$7,936 |
| Lease liabilities (Note 21) | 547 | 348 | 1,418 | 1,115 |
| Accretion of decommissioning liabilities | 709 | 571 | 2,276 | 1,740 |
| Silver sales and other | 172 | 57 | 423 | 265 |
| | \$4,027 | \$3,650 | \$11,927 | \$11,056 |

- (1) During the three and nine month periods ended September 30, 2021, finance costs for debt facilities include non-cash accretion expense of \$1.7 million (2020 - \$1.7 million) and \$5.2 million (2020 - \$5.1 million), respectively.

12. EARNINGS OR LOSS PER SHARE

Basic earnings or loss per share is the net earnings or loss available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted net earnings or loss per share adjusts basic net earnings per share for the effects of potential dilutive common shares. The calculations of basic and diluted earnings or loss per share for the periods ended September 30, 2021 and 2020 are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|--------------------|------------------------------------|--------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net (loss) earnings for the period | (\$18,406) | \$30,946 | (\$952) | (\$11,458) |
| Add: finance costs on convertible debt, net of tax | — | 1,691 | — | — |
| Diluted net (loss) earnings for the period | (\$18,406) | \$32,637 | (\$952) | (\$11,458) |
| Weighted average number of shares on issue - basic | 256,363,759 | 214,919,070 | 240,687,196 | 211,333,281 |
| Impact of effect on dilutive securities: | | | | |
| Stock options | — | 2,243,895 | — | — |
| Restricted, performance and deferred share units | — | 304,007 | — | — |
| Convertible debt shares | — | 16,327,598 | — | — |
| Weighted average number of shares on issue - diluted⁽¹⁾ | 256,363,759 | 233,794,570 | 240,687,196 | 211,333,281 |
| Earnings per share - basic | (\$0.07) | \$0.14 | \$0.00 | (\$0.05) |
| Earnings (loss) per share - basic and diluted | (\$0.07) | \$0.14 | \$0.00 | (\$0.05) |

- (1) For the nine months ended September 30, 2021, diluted weighted average number of shares excluded 6,525,871 (2020 - 6,980,689) options, 5,000,000 (2020 - nil) warrants, nil restricted and performance share units (2020 - 304,007) and 16,327,598 (2020 - 16,327,598) common shares issuable under the convertible debentures (Note 20(a)) that were anti-dilutive.

The accompanying notes are an integral part of the condensed interim consolidated financial statements

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

13. INVENTORIES

Inventories consist primarily of materials and supplies and products of the Company's operations, in varying stages of the production process, and are presented at the lower of weighted average cost or net realizable value.

| | September 30, 2021 | December 31, 2020 |
|--------------------------|-----------------------|----------------------|
| Finished goods - doré | \$19,644 | \$2,812 |
| Work-in-process | 7,096 | 2,780 |
| Stockpile | 6,245 | 1,336 |
| Silver coins and bullion | 8,526 | 956 |
| Materials and supplies | 30,249 | 24,628 |
| | \$71,760 | \$32,512 |

The amount of inventories recognized as an expense during the period is equivalent to the total of cost of sales plus depletion, depreciation and amortization for the period.

14. OTHER FINANCIAL ASSETS

As at September 30, 2021, other financial assets consists of the Company's investment in marketable securities comprised of the following:

| | September 30, 2021 | December 31, 2020 |
|-------------------------------------|-----------------------|----------------------|
| FVTPL marketable securities (a) | \$9,977 | \$13,876 |
| FVTOCI marketable securities (b) | 13,505 | 22,443 |
| Total other financial assets | \$23,482 | \$36,319 |

(a) Fair Value through Profit or Loss ("FVTPL") Marketable Securities

Loss in marketable securities designated as FVTPL for the three and nine months ended September 30, 2021 were \$5.2 million (2020 - gain of \$2.5 million) and \$2.9 million (2020 - gain of \$4.4 million), respectively, and were recorded through profit or loss.

(b) Fair Value through Other Comprehensive Income ("FVTOCI") Marketable Securities

Changes in fair value of marketable securities designated as FVTOCI for the three and nine months ended September 30, 2021 were a loss of \$7.7 million (2020 - gain of \$1.4 million) and \$14.1 million (2020 - gain of \$7.4 million), net of tax, and were recorded through other comprehensive income and will not be transferred into earnings or loss upon disposition or impairment.

15. MINING INTERESTS

Mining interests primarily consist of acquisition, development and exploration costs directly related to the Company's operations and projects. Upon commencement of commercial production, mining interests for producing properties are depleted on a units-of-production basis over the estimated economic life of the mine. In applying the units of production method, depletion is determined using quantity of material extracted from the mine in the period as a portion of total quantity of material, based on reserves and resources, considered to be highly probable to be economically extracted over the life of mine plan.

The Company's mining interests are comprised of the following:

| | September 30, 2021 | December 31, 2020 |
|--|-----------------------|----------------------|
| Depletable properties | \$694,362 | \$392,185 |
| Non-depletable properties (exploration and evaluation costs) | 293,507 | 117,545 |
| | \$987,869 | \$509,730 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

Depletable properties are allocated as follows:

| Depletable properties | San Dimas | Santa Elena | La Encantada | Jerritt Canyon | Non-producing Properties ⁽¹⁾ | Total |
|---|-------------------|-------------------|-------------------|-------------------|---|--------------------|
| Cost | | | | | | |
| At December 31, 2019 | \$220,658 | \$61,654 | \$111,590 | \$— | \$494,132 | \$888,034 |
| Additions | 21,263 | 6,218 | 4,201 | — | — | 31,682 |
| Change in decommissioning liabilities | 4,527 | 1,191 | 2,049 | — | 3,059 | 10,826 |
| Transfer from exploration properties | 3,645 | 4,229 | 472 | — | — | 8,346 |
| At December 31, 2020 | \$250,093 | \$73,292 | \$118,312 | \$— | \$497,191 | \$938,888 |
| Additions | 27,127 | 12,282 | 2,023 | 11,192 | — | 52,624 |
| Acquisition of Jerritt Canyon (Note 4) | — | — | — | 275,870 | — | 275,870 |
| Transfer from exploration properties | — | 11,402 | 1,293 | — | — | 12,695 |
| At September 30, 2021 | \$277,220 | \$96,976 | \$121,627 | \$287,062 | \$497,191 | \$1,280,077 |
| Accumulated depletion, amortization and impairment | | | | | | |
| At December 31, 2019 | (\$27,225) | (\$16,608) | (\$88,499) | \$— | (\$388,354) | (\$520,686) |
| Depletion and amortization | (18,277) | (3,792) | (3,948) | — | — | (26,017) |
| At December 31, 2020 | (\$45,502) | (\$20,400) | (\$92,447) | \$— | (\$388,354) | (\$546,703) |
| Depletion and amortization | (19,939) | (5,133) | (3,234) | (10,706) | — | (39,012) |
| At September 30, 2021 | (\$65,441) | (\$25,533) | (\$95,681) | (\$10,706) | (\$388,354) | (\$585,715) |
| Carrying values | | | | | | |
| At December 31, 2020 | \$204,592 | \$52,892 | \$25,865 | \$— | \$108,837 | \$392,185 |
| At September 30, 2021 | \$211,780 | \$71,443 | \$25,946 | \$276,356 | \$108,837 | \$694,362 |

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines.

Non-depletable properties costs are allocated as follows:

| Non-depletable properties | San Dimas ^(a) | Santa Elena ^(b) | La Encantada | Jerritt Canyon ^(c) | Non-producing Properties ⁽¹⁾ | Exploration Projects ⁽²⁾ | Springpole Stream ^(d) | Total |
|---|--------------------------|----------------------------|----------------|-------------------------------|---|-------------------------------------|----------------------------------|------------------|
| At December 31, 2019 | \$8,699 | \$18,592 | \$1,104 | \$— | \$32,938 | \$34,710 | \$— | \$96,043 |
| Exploration and evaluation expenditures | 12,125 | 19,588 | 2,323 | — | 4,066 | 1,142 | 4,356 | 43,601 |
| Change in decommissioning liabilities (Note 20) | — | — | — | — | — | 59 | — | 59 |
| Sale of exploration project | — | — | — | — | — | (13,812) | — | (13,812) |
| Transfer to producing properties | (3,645) | (4,229) | (472) | — | — | — | — | (8,346) |
| At December 31, 2020 | \$17,179 | \$33,951 | \$2,955 | \$— | \$37,004 | \$22,099 | \$4,356 | \$117,545 |
| Exploration and evaluation expenditures | 10,194 | 24,704 | 2,319 | 7,349 | 1,688 | 843 | 7,500 | 54,597 |
| Acquisition of Jerritt Canyon (Note 4) | — | — | — | 134,060 | — | — | — | 134,060 |
| Transfer to producing properties | — | (11,402) | (1,293) | — | — | — | — | (12,695) |
| At September 30, 2021 | \$27,373 | \$47,253 | \$3,981 | \$141,409 | \$38,692 | \$22,942 | \$11,856 | \$293,507 |

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines.

(2) Exploration projects include the La Luz, La Joya, Los Amoles, Jalisco Group of Properties and Jimenez del Tuel projects, as well as the Plomosos project which was sold during 2020.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

(a) San Dimas Silver/Gold Mine, Durango State

The San Dimas Mine is subject to a gold and silver streaming agreement with WPMI which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment commencing in May 2019) and the prevailing market price, for each gold ounce delivered. Should the average gold to silver ratio over a six month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as at September 30, 2021 was 70:1.

(b) Santa Elena Silver/Gold Mine, Sonora State

The Santa Elena Mine is subject to a gold streaming agreement with Sandstorm, which requires the mine to sell 20% of its life of mine gold production from its leach pad and a designated area of its underground operations to Sandstorm. The selling price to Sandstorm is currently the lesser of \$464 per ounce, subject to a 1% annual inflation increase every April, and the prevailing market price.

(c) Jerritt Canyon Gold Mine, Nevada, United States

The Jerritt Canyon Mine is subject to a 0.5% Net Smelter Returns ("NSR") royalty on production of gold and silver from the Jerritt Canyon mines and processing plant. The royalty is applied, at a fixed rate of 0.5%, against proceeds from gold and silver products after deducting treatment, refining, transportation, insurance, taxes and levies charges.

The Jerritt Canyon Mine is also subject to a 2.5% to 5% NSR royalty relating to the production of gold and silver within specific boundary lines at certain mining areas. The royalty is applied, at a fixed rate of 2.5% to 5.0%, against proceeds from gold and silver products.

As at September 30, 2021, total NSR royalty accrual outstanding was \$4.5 million, of which \$4.0 million was payable to Sprott Mining Corp. which will be settled concurrent with the Triggered Tax Adjustment and Working Capital Adjustment.

(d) Springpole Silver Stream, Ontario, Canada

In July 2020, the Company completed an agreement with First Mining Gold Corp. ("First Mining") to purchase 50% of the life of mine payable silver produced from the Springpole Gold Project ("Springpole Silver Stream"), a development stage mining project located in Ontario, Canada. First Majestic agreed to pay First Mining consideration of \$22.5 million in cash and shares, in three milestone payments, for the right to purchase silver at a price of 33% of the silver spot price per ounce, to a maximum of \$7.50 per ounce (subject to annual inflation escalation of 2%, commencing at the start of the third anniversary of production). Commencing with its production of silver, First Mining must deliver 50% of the payable silver which it receives from the offtaker within five business days of the end of each quarter.

Transaction consideration paid and payable by First Majestic is summarized as follows:

- The first payment of \$10.0 million, consisting of \$2.5 million in cash and \$7.5 million in First Majestic shares (805,698 common shares), was paid to First Mining on July 2, 2020;
- The second payment, consisting of \$3.75 million in cash and \$3.75 million in First Majestic shares (287,300 common shares), was paid on January 21, 2021 upon the completion and public announcement by First Mining of the results of a Pre-Feasibility Study for Springpole; and
- The third payment, consisting of \$2.5 million in cash and \$2.5 million in First Majestic shares (based on 20 days volume weighted average price), will be paid upon receipt by First Mining of a Federal or Provincial Environmental Assessment approval for Springpole.

In connection with the agreement, First Mining also granted First Majestic 30 million common share purchase warrants, each of which will entitle the Company to purchase one common share of First Mining at CAD\$0.40 over a period of five years. The fair value of the warrants was measured at \$5.7 million using the Black-Scholes model.

First Mining shall have the right to repurchase 50% of the silver stream for \$22.5 million at any time prior to the commencement of production at Springpole leaving the Company with a reduced silver stream of 25% of life of mine payable silver production.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

(d) Springpole Silver Stream, Ontario, Canada (continued)

As at September 30, 2021, the Company has paid \$17.5 million in consideration to First Mining as part of the agreement, of which \$5.7 million was allocated to other financial assets and \$11.8 million was allocated to the Springpole Silver Stream recognized within exploration and evaluation assets.

First Mining is a related party with two independent board members who are also directors and/or officers of First Majestic.

16. PROPERTY, PLANT AND EQUIPMENT

The majority of the Company's property, plant and equipment is used in the Company's operating mine segments. Property, plant and equipment is depreciated using either the straight-line or units-of-production method over the shorter of the estimated useful life of the asset or the expected life of mine. Where an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Assets under construction are recorded at cost and re-allocated to land and buildings, machinery and equipment or other when they become available for use.

Property, plant and equipment are comprised of the following:

| | Land and Buildings ⁽¹⁾ | Machinery and Equipment | Assets under Construction ⁽²⁾⁽³⁾ | Other | Total |
|--|-----------------------------------|-------------------------|---|-------------------|--------------------|
| Cost | | | | | |
| At December 31, 2019 | \$198,412 | \$456,655 | \$27,645 | \$24,438 | \$707,150 |
| Additions | — | 2,096 | 47,266 | 391 | 49,753 |
| Transfers and disposals | 917 | 9,873 | (19,242) | 3,822 | (4,630) |
| At December 31, 2020 | \$199,329 | \$468,624 | \$55,669 | \$28,651 | \$752,273 |
| Additions | 34 | 2,591 | 52,948 | 229 | 55,802 |
| Acquisition of Jerritt Canyon (Note 4) | 32,992 | 185,469 | 5,516 | 57 | 224,034 |
| Transfers and disposals | 4,763 | 8,669 | (29,391) | 3,132 | (12,827) |
| At September 30, 2021 | \$237,118 | \$665,353 | \$84,742 | \$32,069 | \$1,019,282 |
| Accumulated depreciation, amortization and impairment | | | | | |
| At December 31, 2019 | (\$129,040) | (\$326,300) | \$— | (\$15,171) | (\$470,511) |
| Depreciation and amortization | (4,188) | (19,833) | — | (2,555) | (26,576) |
| Transfers and disposals | 72 | 2,754 | — | 208 | 3,034 |
| At December 31, 2020 | (\$133,156) | (\$343,379) | \$— | (\$17,518) | (\$494,053) |
| Depreciation and amortization | (9,204) | (25,105) | — | (2,139) | (36,448) |
| Transfers and disposals | — | 125 | — | 24 | 149 |
| Loss on disposal of equipment | — | — | — | (2,081) | (2,081) |
| At September 30, 2021 | (\$142,360) | (\$368,359) | \$— | (\$21,714) | (\$532,433) |
| Carrying values | | | | | |
| At December 31, 2020 | \$66,173 | \$125,245 | \$55,669 | \$11,133 | \$258,220 |
| At September 30, 2021 | \$94,758 | \$296,994 | \$84,742 | \$10,355 | \$486,849 |

(1) Included in land and buildings is \$11.2 million (2020 - \$11.2 million) of land which is not subject to depreciation.

(2) Assets under construction includes certain innovation projects, such as high-intensity grinding ("HIG") mills and related modernization, plant improvements, other mine infrastructures and equipment overhauls.

(3) Transfers and disposals in construction in progress includes the sale of the AG mill and certain mill equipment to Condor Gold PLC and Capstone Mining Corp. as disclosed in Note 10.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment, including land and buildings, machinery and equipment, assets under construction and other assets above are allocated by mine as follow:

| | San Dimas | Jerritt Canyon | Santa Elena | La Encantada | Non-producing Properties ⁽¹⁾ | Other | Total |
|--|-------------------|-------------------|-------------------|--------------------|---|-------------------|--------------------|
| Cost | | | | | | | |
| At December 31, 2019 | \$136,303 | \$— | \$90,762 | \$137,302 | \$297,240 | \$45,543 | \$707,150 |
| Additions | 10,384 | — | 7,933 | 4,209 | 272 | 26,955 | 49,753 |
| Transfers and disposals | 41 | — | (1,364) | 1,999 | (3,751) | (1,555) | (4,630) |
| At December 31, 2020 | \$146,728 | \$— | \$97,331 | \$143,510 | \$293,761 | \$70,943 | \$752,273 |
| Additions ⁽²⁾ | 6,816 | 11,965 | 10,222 | 3,998 | 54 | 22,747 | 55,802 |
| Acquisition of Jerritt Canyon (Note 4) | — | 224,034 | — | — | — | — | 224,034 |
| Transfers and disposals | 1,664 | — | 5,591 | 1,504 | (7,166) | (14,420) | (12,827) |
| At September 30, 2021 | \$155,208 | \$235,999 | \$113,144 | \$149,012 | \$286,649 | \$79,270 | \$1,019,282 |
| Accumulated depreciation, amortization and impairment | | | | | | | |
| At December 31, 2019 | (\$19,747) | \$— | (\$42,975) | (\$122,566) | (\$266,190) | (\$19,033) | (\$470,511) |
| Depreciation and amortization | (15,032) | — | (6,451) | (2,646) | (592) | (1,855) | (26,576) |
| Transfers and disposals | 156 | — | 1,340 | (1,743) | 2,909 | 372 | 3,034 |
| At December 31, 2020 | (\$34,623) | \$— | (\$48,086) | (\$126,955) | (\$263,873) | (\$20,516) | (\$494,053) |
| Depreciation and amortization | (13,405) | (14,279) | (5,164) | (1,742) | (203) | (1,655) | (36,448) |
| Transfers and disposals | (1,091) | — | (2,888) | (1,019) | 4,989 | 158 | 149 |
| Write-down on assets held-for-sale | — | — | — | — | — | (2,081) | (2,081) |
| At September 30, 2021 | (\$49,119) | (\$14,279) | (\$56,138) | (\$129,716) | (\$259,087) | (\$24,094) | (\$532,433) |
| Carrying values | | | | | | | |
| At December 31, 2020 | \$112,105 | \$— | \$49,245 | \$16,555 | \$29,888 | \$50,427 | \$258,220 |
| At September 30, 2021 | \$106,089 | \$221,720 | \$57,006 | \$19,296 | \$27,562 | \$55,176 | \$486,849 |

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines.

(2) Additions classified in "Other" primarily consist of innovation projects and construction-in-progress.

17. RIGHT-OF-USE ASSETS

The Company entered into operating leases to use certain land, building, mining equipment and corporate equipment for its operations. The Company is required to recognize right-of-use assets representing its right to use these underlying leased asset over the lease term. Right-of-use asset is initially measured at cost, equivalent to its obligation for payments over the term of the leases, and subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is recorded on a straight-line basis over the shorter period of lease term and useful life of the underlying asset.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

17. RIGHT-OF-USE ASSETS (continued)

Right-of-use assets are comprised of the following:

| | Land and Buildings | Machinery and Equipment | Other | Total |
|-------------------------------|--------------------|-------------------------|-------------|-----------------|
| At December 31, 2019 | \$4,207 | \$7,812 | \$15 | \$12,034 |
| Additions | 1,939 | 554 | — | 2,494 |
| Remeasurements | 2,789 | (10) | — | 2,779 |
| Depreciation and amortization | (848) | (2,106) | (7) | (2,961) |
| Disposals | — | (16) | — | (16) |
| At December 31, 2020 | \$8,087 | \$6,234 | \$8 | \$14,330 |
| Additions | 609 | 17,516 | — | 18,126 |
| Remeasurements | 360 | 637 | — | 997 |
| Depreciation and amortization | (976) | (3,004) | (5) | (3,985) |
| Disposals | (117) | — | — | (116) |
| At September 30, 2021 | \$7,963 | \$21,384 | \$4 | \$29,351 |

18. RESTRICTED CASH

Restricted cash is comprised of the following:

(a) Current

| | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| Escrowed funds for the acquisition of Jerritt Canyon ⁽¹⁾ | \$12,505 | \$— |
| SAT Primero tax dispute ⁽²⁾ | 31,161 | — |
| | \$43,666 | \$— |

- As part of the acquisition of Jerritt Canyon (Note 4), the Company was required to hold certain funds in escrow to settle the payment for trigger tax provisions along with any adjustments to working capital. As at September 30, 2021, \$12.5 million remains in escrow which the Company expects to be settled within the next twelve months.
- In connection with the Primero Empresa Minera, S.A. de C.V. ("PEM") tax ruling (Note 25(b)), the tax authority has frozen a PEM bank account with funds of \$31.2 million (633 million MXN) as a guarantee against certain disputed tax assessments. This balance consists of VAT refunds that the Company has received which were previously withheld by the tax authority. The Company does not agree with Servicio de Administracion Tributaria's ("SAT") position and has challenged it through the relevant legal channels.

(b) Non-Current

| | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| Nevada Division of Environmental Protection bond ⁽¹⁾ | \$39,727 | \$— |
| Chartis Commutation Account ⁽²⁾ | 27,270 | — |
| | \$66,997 | \$— |

- Jerritt Canyon is required to provide a surety bond to the Nevada Division of Environmental Protection ("NDEP") and the US Forestry Service to fund the ongoing reclamation and mine closure obligations. To meet this surety requirement, the Company has on deposit \$39.7 million in money market accounts. The money market account principal balance plus interest earned on the principal is used to fund ongoing reclamation and mine closure obligations.
- The Company owns an environmental risk transfer program (the "ERTP") for Jerritt Canyon from American Insurance Group ("AIG"). As part of the ERTP, \$27.3 million is on deposit in an interest-bearing account with AIG (the "Commutation Account"). The Commutation Account principal plus interest earned on the principal is used to fund ongoing reclamation and mine closure obligations. The Company can elect to extinguish all rights under the policy, which would release AIG from reclamation cost and financial assurance liabilities, and substitute with replacement bonds. AIG would pay Jerritt Canyon the remaining balance in the Commutation Account.

The accompanying notes are an integral part of the condensed interim consolidated financial statements

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

19. TRADE AND OTHER PAYABLES

The Company's trade and other payables are primarily comprised of amounts outstanding for purchases relating to mining operations, exploration and evaluation activities and corporate expenses. The normal credit period for these purchases is usually between 30 to 90 days.

Trade and other payables are comprised of the following items:

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Trade payables | \$34,053 | \$31,262 |
| Trade related accruals | 37,103 | 18,635 |
| Payroll and related benefits | 23,421 | 21,427 |
| Estimated Triggered Tax Adjustment and Working Capital Adjustment payable, net (Note 4) | 10,155 | — |
| NSR royalty liabilities (Note 15(c)) | 4,479 | — |
| Environmental duty | 2,015 | 2,156 |
| Other accrued liabilities | 1,505 | 2,522 |
| | \$112,731 | \$76,002 |

20. DEBT FACILITIES

The movement in debt facilities during the nine months ended September 30, 2021 and year ended December 31, 2020, respectively, are comprised of the following:

| | Convertible Debentures (a) | Revolving Credit Facility (b) | Total |
|--|----------------------------------|-------------------------------------|------------------|
| Balance at December 31, 2019 | \$136,607 | \$19,211 | \$155,818 |
| Finance costs | | | |
| Interest expense | 2,984 | 763 | 3,747 |
| Accretion | 6,168 | 678 | 6,846 |
| Proceeds from drawdown of Revolving Credit Facility | — | 10,000 | 10,000 |
| Repayments of principal | — | (19,969) | (19,969) |
| Payments of finance costs | (2,934) | (800) | (3,734) |
| Balance at December 31, 2020 | \$142,825 | \$9,883 | \$152,708 |
| Net proceeds from debt financing | \$— | \$30,000 | \$30,000 |
| Finance costs | | | |
| Interest expense | 2,225 | 422 | 2,647 |
| Accretion | 4,875 | 288 | 5,163 |
| Transaction costs | — | (320) | (320) |
| Payments of finance costs | (2,934) | (491) | (3,425) |
| Balance at September 30, 2021 | \$146,991 | \$39,782 | \$186,773 |
| Statements of Financial Position Presentation | | | |
| Current portion of debt facilities | \$1,092 | \$9,883 | \$10,975 |
| Non-current portion of debt facilities | 141,733 | — | 141,733 |
| Balance at December 31, 2020 | \$142,825 | \$9,883 | \$152,708 |
| Current portion of debt facilities | \$383 | \$— | \$383 |
| Non-current portion of debt facilities | 146,608 | 39,782 | 186,390 |
| Balance at September 30, 2021 | \$146,991 | \$39,782 | \$186,773 |

The accompanying notes are an integral part of the condensed interim consolidated financial statements

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

20. DEBT FACILITIES (continued)

(a) Convertible Debentures

During the first quarter of 2018, the Company issued \$156.5 million of unsecured senior convertible debentures (the "Notes"). The Company received net proceeds of \$151.1 million after transaction costs of \$5.4 million. The Notes mature on March 1, 2023 and bear an interest rate of 1.875% per annum, payable semi-annually in arrears in March and September of each year.

The Notes are convertible into common shares of the Company at any time prior to maturity at a conversion rate of 104.3297 common shares per \$1,000 principal amount of Notes converted, representing an initial conversion price of \$9.59 per common share, subject to certain anti-dilution adjustments. In addition, if certain fundamental changes occur, holders of the Notes may be entitled to an increased conversion rate.

The Company may not redeem the Notes before March 6, 2021, except in the event of certain changes in Canadian tax law. At any time on or after March 6, 2021 and until maturity, the Company may redeem all or part of the Notes for cash if the last reported share price of the Company's common shares for 20 or more trading days in a period of 30 consecutive trading days exceeds 130% of the conversion price or \$12.47 per common share. The redemption price is equal to the sum of: (i) 100% of the principal amount of the notes to be redeemed and (ii) accrued and unpaid interest, if any, to the redemption date.

The Company is required to offer to purchase for cash all of the outstanding Notes upon a fundamental change, at a cash purchase price equal to 100% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest, if any, to the fundamental change purchase date.

The component parts of the convertible debentures, a compound instrument, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is an equity instrument.

At initial recognition, net proceeds of \$151.1 million from the Notes were allocated into its debt and equity components. The fair value of the debt portion was estimated at \$124.8 million using a discounted cash flow model method with an expected life of five years and a discount rate of 6.14%. This amount is recorded as a financial liability on an amortized cost basis using the effective interest method using an effective interest rate of 6.47% until extinguished upon conversion or at its maturity date.

The conversion option is classified as equity and was estimated based on the residual value of \$26.3 million. This amount is not subsequently remeasured and will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance will remain in equity reserves. Deferred tax liability of \$7.1 million related to taxable temporary difference arising from the equity portion of the convertible debenture was recognized in equity reserves.

Transaction costs of \$5.4 million that relate to the issuance of the convertible debentures were allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method.

(b) Revolving Credit Facility

On April 1, 2021, the Company renewed its senior secured revolving credit facility ("Revolving Credit Facility") with the Bank of Nova Scotia and Bank of Montreal by extending the maturity date from May 10, 2021 to November 30, 2022 and reducing the credit limit from \$75.0 million to \$50.0 million. Interest on the drawn balance will accrue at LIBOR plus an applicable range of 2.25% to 3.5% while the undrawn portion is subject to a standby fee with an applicable range of 0.563% to 0.875%, dependent on certain financial parameters of First Majestic. During the third quarter, the Company drew down \$30 million from the revolving credit facility which was paid back subsequent to quarter end. As at September 30, 2021, the applicable rates were 2.3% and 0.5625%, respectively.

These debt facilities are guaranteed by certain subsidiaries of the Company and are also secured by a first priority charge against the assets of the Company, and a first priority pledge of shares of the Company's subsidiaries.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

20. DEBT FACILITIES (continued)

(b) Revolving Credit Facility (continued)

The Revolving Credit Facility includes financial covenants, to be tested quarterly on a consolidated basis, requiring First Majestic to maintain the following: (a) a leverage ratio based on net indebtedness to rolling four quarters adjusted EBITDA of not more than 3.00 to 1.00; (b) an interest coverage ratio, based on rolling four quarters adjusted EBITDA divided by interest payments, of not less than 4.00 to 1.00; and (c) tangible net worth of not less than \$563.5 million plus 50% of its positive earnings subsequent to June 30, 2018. The debt facilities also provide for negative covenants customary for these types of facilities and allows the Company to enter into finance leases, excluding any leases that would have been classified as operating leases in effect immediately prior to the implementation of IFRS 16 - Leases, of up to \$30.0 million. As at September 30, 2021 and December 31, 2020, the Company was in compliance with these covenants.

21. LEASE LIABILITIES

The Company has finance leases, operating leases and equipment financing liabilities for various mine and plant equipment, office space and land. Finance leases and equipment financing obligations require underlying assets to be pledged as security against the obligations and all of the risks and rewards incidental to ownership of the underlying asset being transferred to the Company. For operating leases, the Company controls but does not have ownership of the underlying right-of-use assets.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

Certain lease agreements may contain lease and non-lease components, which are generally accounted for separately. For certain equipment leases, such as vehicles, the Company has elected to account for the lease and non-lease components as a single lease component.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

21. LEASE LIABILITIES (continued)

The movement in lease liabilities during the nine months ended September 30, 2021 and year ended December 31, 2020 are comprised of the following:

| | Finance Leases | Operating Leases ⁽¹⁾ | Equipment Financing ⁽²⁾ | Total |
|--|-------------------|------------------------------------|---------------------------------------|-----------------|
| Balance at December 31, 2019 | \$50 | \$18,951 | \$2,935 | \$21,936 |
| Additions | — | 2,494 | — | 2,494 |
| Remeasurements | — | 2,779 | — | 2,779 |
| Finance costs | — | 1,396 | 83 | 1,479 |
| Repayments of principal | (50) | (5,353) | (2,303) | (7,706) |
| Payments of finance costs | — | — | (126) | (126) |
| Foreign exchange gain | — | (281) | — | (281) |
| Balance at December 31, 2020 | \$— | \$19,986 | \$589 | \$20,575 |
| Acquisition of Jerritt Canyon (Note 4) | 2,194 | — | — | 2,194 |
| Additions | — | 18,126 | — | 18,126 |
| Remeasurements | — | 997 | — | 997 |
| Disposals | — | (126) | — | (126) |
| Finance costs | 21 | 1,389 | 8 | 1,418 |
| Repayments of principal | (609) | (5,174) | (477) | (6,260) |
| Payments of finance costs | (21) | — | (7) | (28) |
| Foreign exchange loss | — | (155) | — | (155) |
| Balance at September 30, 2021 | \$1,585 | \$35,043 | \$113 | \$36,741 |
| Statements of Financial Position Presentation | | | | |
| Current portion of lease liabilities | \$— | \$4,820 | \$538 | \$5,358 |
| Non-current portion of lease liabilities | — | 15,166 | 51 | 15,217 |
| Balance at December 31, 2020 | \$— | \$19,986 | \$589 | \$20,575 |
| Current portion of lease liabilities | \$1,011 | \$9,691 | \$113 | \$10,815 |
| Non-current portion of lease liabilities | 574 | 25,352 | — | 25,926 |
| Balance at September 30, 2021 | \$1,585 | \$35,043 | \$113 | \$36,741 |

(1) Operating leases primarily relate to equipment and building rental contracts, land easement contracts and service contracts that contain embedded leases for property, plant and equipment. These operating leases have remaining lease terms of one to ten years, some of which include options to terminate the leases within a year, with incremental borrowing rates ranging from 4.2% to 12.4%.

(2) Equipment financing bears an interest rate of LIBOR plus 4.60% and is secured by certain equipment of the Company and is subject to various covenants, including the requirement for First Majestic to maintain a leverage ratio based on total debt to rolling four quarters adjusted EBITDA. As of September 30, 2021 and year ended December 31, 2020, the Company was in compliance with these covenants. As at September 30, 2021, the net book value of property, plant and equipment includes \$0.7 million (December 31, 2020 - \$1.9 million) of equipment pledged as security for the equipment financing.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

22. SHARE CAPITAL

(a) Authorized and issued capital

The Company has unlimited authorized common shares with no par value.

The movement in the Company's issued and outstanding capital during the periods is summarized in the consolidated statements of changes in equity.

| | Nine Months Ended September 30, 2021 | | Nine Months Ended September 30, 2020 | |
|----------------------------|---|-----------------|---|-----------------|
| | Number of Shares | Net Proceeds | Number of Shares | Net Proceeds |
| ATM program ⁽¹⁾ | 4,225,000 | \$66,674 | 5,654,338 | \$67,896 |
| Prospectus offering | — | — | 5,000,000 | 58,280 |
| | 4,225,000 | \$66,674 | 10,654,338 | \$126,176 |

(1) In May 2021, the Company filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares is to be made through "at-the-market distributions" ("ATM"), as defined in the Canadian Securities Administrators' National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. During the three and nine months ended September 30, 2021, the Company sold 4,225,000 (2020 - 5,654,338) common shares of the Company under the ATM program at an average price of \$15.78 (2020 - \$12.31) for gross proceeds of \$68.6 million (2020 - \$69.6 million), or net proceeds of \$66.7 million (2020 - \$67.9 million) after costs. At September 30, 2021, the Company completed \$68.6 million of the ATM program.

(b) Stock options

Under the terms of the Company's 2020 Long-Term Incentive Plan ("LTIP"), the maximum number of shares reserved for issuance under the LTIP is 8% of the issued shares on a rolling basis. Options may be exercisable over periods of up to ten years as determined by the Board of Directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval. All stock options granted are subject to vesting with 25% vesting on first anniversary from the date of grant, and 25% vesting each six months thereafter.

The following table summarizes information about stock options outstanding as at September 30, 2021:

| Exercise prices (CAD\$) | Options Outstanding | | | Options Exercisable | | |
|-------------------------|----------------------|---|--|----------------------|---|--|
| | Number of Options | Weighted Average Exercise Price (CAD \$/Share) | Weighted Average Remaining Life (Years) | Number of Options | Weighted Average Exercise Price (CAD \$/Share) | Weighted Average Remaining Life (Years) |
| 5.01 - 10.00 | 2,260,159 | 8.62 | 7.11 | 1,806,409 | 8.57 | 6.91 |
| 10.01 - 15.00 | 2,276,743 | 12.61 | 5.25 | 1,169,871 | 11.42 | 1.90 |
| 15.01 - 20.00 | 1,232,446 | 16.14 | 8.61 | 297,598 | 15.93 | 7.83 |
| 20.01 - 250.00 | 756,523 | 21.86 | 8.88 | 64,273 | 25.85 | 0.42 |
| | 6,525,871 | 12.96 | 6.95 | 3,338,151 | 10.56 | 5.11 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

22. SHARE CAPITAL (continued)

(b) Stock options (continued)

The movements in stock options issued during the nine months ended September 30, 2021 and year ended December 31, 2020 are summarized as follows:

| | Nine Months Ended September 30, 2021 | | Year Ended December 31, 2020 | |
|--------------------------------|---|--|---------------------------------|--|
| | Number of Options | Weighted Average Exercise Price (CAD \$/Share) | Number of Options | Weighted Average Exercise Price (CAD \$/Share) |
| Balance, beginning of the year | 7,074,092 | 12.07 | 7,583,439 | 10.70 |
| Granted | 1,300,000 | 19.17 | 2,621,924 | 13.46 |
| Exercised | (1,562,564) | 10.80 | (2,473,926) | 7.50 |
| Cancelled or expired | (285,657) | 30.91 | (657,345) | 18.96 |
| Balance, end of the period | 6,525,871 | 12.96 | 7,074,092 | 12.07 |

During the nine months ended September 30, 2021, the aggregate fair value of stock options granted was \$9.3 million (December 31, 2020 - \$12.1 million), or a weighted average fair value of \$7.14 per stock option granted (2020 - \$4.63).

During the nine months ended September 30, 2021, total share-based payments expense related to stock options was \$6.7 million (December 31, 2020 - \$7.0 million).

The following weighted average assumptions were used in estimating the fair value of stock options granted using the Black-Scholes Option Pricing Model:

| Assumption | Based on | Nine Months Ended September 30, 2021 | Year Ended December 31, 2020 |
|-----------------------------|---|---|---------------------------------|
| Risk-free interest rate (%) | Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life | 1.00 | 1.03 |
| Expected life (years) | Average of the expected vesting term and expiry term of the option | 5.94 | 5.83 |
| Expected volatility (%) | Historical and implied volatility of the precious metals mining sector | 49.00 | 49.00 |
| Expected dividend yield (%) | Annualized dividend rate as of the date of grant | — | — |

The weighted average closing share price at date of exercise for the nine months ended September 30, 2021 was CAD\$12.96 (December 31, 2020 - CAD\$15.61).

(c) Restricted Share Units

The Company adopted the 2019 LTIP to allow the Company to grant to its directors, employees and consultants non-transferable Restricted Share Units ("RSU's") based on the value of the Company's share price at the date of grant. Unless otherwise stated, the awards typically have a graded vesting schedule over a three-year period and can be settled either in cash or equity upon vesting at the discretion of the Company. The Company intends to settle all RSU's in equity.

The associated compensation cost is recorded as share-based payments expense against equity reserves.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

22. SHARE CAPITAL (continued)

(c) Restricted Share Units (continued)

The following table summarizes the changes in RSU's for the nine months ended September 30, 2021 and the year ended December 31, 2020:

| | Nine Months Ended September 30, 2021 | | Year Ended December 31, 2020 | |
|------------------------------------|--------------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| | Number of shares | Weighted Average Fair Value (CAD\$) | Number of shares | Weighted Average Fair Value (CAD\$) |
| Outstanding, beginning of the year | 184,483 | 15.66 | 128,944 | 10.36 |
| Granted | 312,991 | 17.19 | 211,192 | 15.72 |
| Settled | (39,949) | 15.93 | (127,000) | 10.32 |
| Forfeited | (27,421) | 16.56 | (28,653) | 15.93 |
| Outstanding, end of the period | 430,104 | 16.69 | 184,483 | 15.66 |

During the nine months ended September 30, 2021, total share-based payments expense related to RSUs was \$1.5 million (December 31, 2020 - \$0.8 million).

(d) Performance Share Units

The Company adopted the 2019 LTIP to allow the Company to grant to its directors, employees and consultants non-transferable Performance Share Units ("PSU's"). The amount of units to be issued on the vesting date will vary from 0% to 200% of the number of PSU's granted, depending on the Company's total shareholder return compared to the return of a selected group of peer companies. Unless otherwise stated, the awards typically vest three years from the grant date. The fair value of a PSU is based on the value of the Company's share price at the date of grant and will be adjusted based on actual units issued on the vesting date. The Company intends to settle all PSU's in equity.

The following table summarizes the changes in PSU's granted to employees and consultants for the nine months ended September 30, 2021 and the year ended December 31, 2020:

| | Nine Months Ended September 30, 2021 | | Year Ended December 31, 2020 | |
|------------------------------------|--------------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| | Number of shares | Weighted Average Fair Value (CAD\$) | Number of shares | Weighted Average Fair Value (CAD\$) |
| Outstanding, beginning of the year | 109,035 | 15.61 | — | — |
| Granted | 184,050 | 17.15 | 122,575 | 15.65 |
| Forfeited | (17,569) | 16.56 | (13,540) | (15.93) |
| Outstanding, end of the period | 275,516 | 16.58 | 109,035 | 19.57 |

During the nine months ended September 30, 2021, total share-based payments expense related to PSUs was \$0.9 million (year ended December 31, 2020 - \$0.5 million).

(e) Deferred Share Units

The Company adopted the 2019 LTIP to allow the Company to grant to its directors, employees and consultants non-transferable Deferred Share Units ("DSU's"). Unless otherwise stated, the awards typically vest immediately at the grant date. The fair value of a DSU is based on the value of the Company's share price at the date of grant. The Company intends to settle all DSU's in equity.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

22. SHARE CAPITAL (continued)

(e) Deferred Share Units (continued)

The following table summarizes the changes in DSU's granted to directors for the nine months ended September 30, 2021:

| | Nine Months Ended September 30, 2021 | |
|------------------------------------|---|--|
| | Number of shares | Weighted Average Fair Value (CAD\$) |
| Outstanding, beginning of the year | — | — |
| Granted | 31,040 | 18.08 |
| Settled | (5,855) | 17.08 |
| Outstanding, end of the period | 25,185 | 18.31 |

During the nine months ended September 30, 2021, total share-based payments expense related to Deferred Share Units was \$0.4 million (year ended December 31, 2020 - \$nil).

(f) Share Repurchase Program and Share Cancellation

The Company has an ongoing share repurchase program to repurchase up to 5% of the Company's issued and outstanding shares. The normal course issuer bids will be carried through the facilities of the Toronto Stock Exchange and alternative Canadian marketplaces. During the year ended December 31, 2020, the Company repurchased and cancelled 275,000 common shares for a total consideration of \$1.7 million through a normal course issuer bid in the open market as approved by the Toronto Stock Exchange. No shares were repurchased during the nine months ended September 30, 2021.

The Company cancelled 6,913 shares pursuant to section 4.4 of the plan of arrangement between Primero Mining Corp. ("Primero") and the Company with an effective date of May 10, 2018 that states that any former shareholder of Primero who does not surrender their shares on the third anniversary of the effective date would cease the right to any of the Company's shares and as such would automatically be cancelled.

(g) Dividend

The Company declared the following dividends during the nine months ended September 30, 2021:

| Declaration Date | Record Date | Dividend per Common Share |
|---------------------------------|-------------------|------------------------------|
| May 6, 2021 | May 17, 2021 | \$0.0045 |
| August 16, 2021 | August 26, 2021 | \$0.0060 |
| November 4, 2021 ⁽¹⁾ | November 17, 2021 | \$0.0049 |

(1) These dividends were declared subsequent to the period end and have not been recognized as distributions to owners during the period presented.

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

The Company's financial instruments and related risk management objectives, policies, exposures and sensitivity related to financial risks are summarized below.

(a) Fair value and categories of financial instruments

Financial instruments included in the consolidated statements of financial position are measured either at fair value or amortized cost. Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in an arm's-length transaction between knowledgeable and willing parties.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(a) Fair value and categories of financial instruments (continued)

The Company uses various valuation techniques in determining the fair value of financial assets and liabilities based on the extent to which the fair value is observable. The following fair value hierarchy is used to categorize and disclose the Company's financial assets and liabilities held at fair value for which a valuation technique is used:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: All inputs which have a significant effect on the fair value are observable, either directly or indirectly, for substantially the full contractual term.

Level 3: Inputs which have a significant effect on the fair value are not based on observable market data.

There were no transfers between levels 1, 2 and 3 during the nine months ended September 30, 2021 and year ended December 31, 2020.

The table below summarizes the valuation methods used to determine the fair value of each financial instrument:

| Financial Instruments Measured at Fair Value | Valuation Method |
|--|--|
| Marketable securities - common shares | Marketable securities and silver future derivatives are valued based on quoted market prices for identical assets in an active market (Level 1) as at the date of statements of financial position. Marketable securities - stock warrants are valued using the Black-Scholes model based on the observable market inputs. |
| Marketable securities - stock warrants | |
| Silver futures derivatives | |
| Financial Instruments Measured at Amortized Cost | Valuation Method |
| Cash and cash equivalents | Approximated carrying value due to their short-term nature |
| Restricted cash | |
| Trade and other receivables | Approximated carrying value as discount rate on these instruments approximate the Company's credit risk. |
| Trade and other payables | |
| Debt facilities | |

The following table presents the Company's fair value hierarchy for financial assets and financial liabilities that are measured at fair value:

| | September 30, 2021 | | | December 31, 2020 | | |
|---------------------------------|--------------------|------------------------|----------|-------------------|------------------------|----------|
| | Carrying value | Fair value measurement | | Carrying value | Fair value measurement | |
| | | Level 1 | Level 2 | | Level 1 | Level 2 |
| Financial assets | | | | | | |
| Marketable securities (Note 14) | \$ 23,482 | \$ 20,187 | \$ 3,295 | \$ 36,319 | \$ 30,996 | \$ 5,323 |

The Company's objectives when managing capital are to maintain financial flexibility to continue as a going concern while optimizing growth and maximizing returns of investments from shareholders.

(b) Capital risk management

The Company monitors its capital structure and, based on changes in operations and economic conditions, may adjust the structure by repurchasing shares, issuing new shares, issuing new debt or retiring existing debt. The Company prepares annual budget and quarterly forecasts to facilitate the management of its capital requirements. The annual budget is approved by the Company's Board of Directors.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

The capital of the Company consists of equity (comprising of issued capital, equity reserves and retained earnings or accumulated deficit), debt facilities, lease liabilities, net of cash and cash equivalents as follows:

| | September 30, 2021 | December 31, 2020 |
|---------------------------------|-----------------------|----------------------|
| Equity | \$1,392,405 | \$850,236 |
| Debt facilities | 186,773 | 152,708 |
| Lease liabilities | 36,741 | 20,575 |
| Less: cash and cash equivalents | (192,810) | (238,578) |
| | \$1,423,109 | \$784,941 |

The Company's investment policy is to invest its cash in highly liquid short-term investments with maturities of 90 days or less, selected with regards to the expected timing of expenditures from operations. The Company expects that its available capital resources will be sufficient to carry out its development plans and operations for at least the next 12 months.

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenants under the debt facilities (Note 20) and lease liabilities. As at September 30, 2021 and December 31, 2020, the Company was in compliance with these covenants.

(c) Financial risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, commodity price risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to chartered banks, trade receivables in the ordinary course of business, value added taxes receivable and other receivables.

As at September 30, 2021, value added taxes ("VAT") receivable was \$58.0 million (December 31, 2020 - \$56.9 million), of which \$34.8 million (December 31, 2020 - \$37.9 million) relates to PEM. SAT has commenced processing VAT refund requests by PEM in June 2021 and the Company expects the amounts to be refunded within the next twelve months.

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through three international customers. All of the Company's customers have good ratings and payments of receivables are scheduled, routine and fully received within 60 days of submission; therefore, the balance of trade receivables owed to the Company in the ordinary course of business is not significant.

The carrying amount of financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk. With the exception to the above, the Company believes it is not exposed to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. Cash flow forecasting is performed regularly to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and our holdings of cash and cash equivalents.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Liquidity Risk (continued)

The following table summarizes the maturities of the Company's financial liabilities as at September 30, 2021 based on the undiscounted contractual cash flows:

| | Carrying Amount | Contractual Cash Flows | Less than 1 year | 2 to 3 years | 4 to 5 years | After 5 years |
|--------------------------|------------------|------------------------|------------------|------------------|-----------------|----------------|
| Trade and other payables | \$112,731 | \$112,731 | \$112,731 | \$— | \$— | \$— |
| Debt facilities | 186,773 | 202,058 | 3,926 | 198,132 | — | — |
| Lease liabilities | 36,741 | 42,126 | 10,854 | 18,222 | 11,586 | 1,464 |
| Other liabilities | 6,282 | 6,282 | — | — | — | 6,282 |
| | \$342,527 | \$363,197 | \$127,511 | \$216,354 | \$11,586 | \$7,746 |

At September 30, 2021, the Company had working capital of \$262.5 million (December 31, 2020 – \$254.4 million). Total available liquidity at September 30, 2021 was \$272.5 million, including \$10.0 million of undrawn revolving credit facility.

The Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months. If the Company needs additional liquidity to meet obligations, the Company may consider drawing on its debt facility, securing additional debt financing and/or equity financing.

Currency Risk

The Company is exposed to foreign exchange risk primarily relating to financial instruments that are denominated in Canadian dollars or Mexican pesos, which would impact the Company's net earnings or loss. To manage foreign exchange risk, the Company may occasionally enter into short-term foreign currency derivatives, such as forwards and options, to hedge its cash flows.

The sensitivity of the Company's net earnings or loss and comprehensive income or loss due to changes in the exchange rates of the Canadian dollar and the Mexican peso against the U.S. dollar is included in the table below:

| | September 30, 2021 | | | | | | | |
|-----------------|---------------------------|-----------------|------------------------------|------------------------|--------------------------|-----------------------------|-----------------------------------|--------------------------------------|
| | Cash and cash equivalents | Restricted cash | Value added taxes receivable | Other financial assets | Trade and other payables | Foreign currency derivative | Net assets (liabilities) exposure | Effect of +/- 10% change in currency |
| Canadian dollar | \$49,482 | \$12,505 | \$— | \$6,906 | (\$2,853) | \$— | \$66,040 | \$6,604 |
| Mexican peso | 33,431 | 31,161 | 54,535 | — | (41,577) | 12,000 | 89,550 | 8,955 |
| | \$82,913 | \$43,666 | \$54,535 | \$6,906 | (\$44,430) | \$12,000 | \$155,590 | \$15,559 |

The Company utilizes certain derivatives to manage its foreign exchange exposures to the Mexican Peso. During the three and nine months ended September 30, 2021, the Company had an unrealized loss of \$0.05 million (2020 - unrealized gain of \$7.5 million and unrealized loss of \$4.9 million) on fair value adjustments to its foreign currency derivatives. As at September 30, 2021, the Company held \$12.0 million in foreign currency derivatives (2020 - \$23.6 million).

Commodity Price Risk

The Company is exposed to commodity price risk on silver and gold, which have a direct and immediate impact on the value of its related financial instruments and net earnings. The Company's revenues are directly dependent on commodity prices that have shown volatility and are beyond the Company's control. The Company does not use derivative instruments to hedge its commodity price risk to silver.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Commodity Price Risk (continued)

The following table summarizes the Company's exposure to commodity price risk and their impact on net earnings:

| | September 30, 2021 | | |
|--------------------------|--|--------------|----------------|
| | Effect of +/- 10% change in metal prices | | |
| | Silver | Gold | Total |
| Metals in doré inventory | \$3,085 | \$281 | \$3,366 |
| | \$3,085 | \$281 | \$3,366 |

Interest Rate Risk

The Company is exposed to interest rate risk on its short-term investments, debt facilities and lease liabilities. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. The Company's interest bearing financial assets comprise of cash and cash equivalents which bear interest at a mixture of variable and fixed rates for pre-set periods of time.

As at September 30, 2021, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities and lease liabilities. Based on the Company's interest rate exposure at September 30, 2021, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

24. SUPPLEMENTAL CASH FLOW INFORMATION

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net change in non-cash working capital items: | | | | |
| Decrease (increase) in trade and other receivables | \$3,449 | (\$3,628) | (\$1,134) | (\$839) |
| Decrease (increase) in value added taxes receivable | 19,659 | (7,534) | (437) | (9,548) |
| (Increase) decrease in inventories | (15,203) | 9,627 | (15,618) | (1,452) |
| Decrease (increase) in prepaid expenses and other | 713 | 782 | (1,100) | (1,434) |
| Decrease (increase) in income taxes payable | 9,208 | 332 | 1,174 | (507) |
| (Decrease) Increase in trade and other payables | (5,875) | 3,986 | (5,712) | (4,037) |
| (Increase) in restricted cash (Note 18(a)) | (31,161) | — | (31,161) | — |
| | (\$19,210) | \$3,565 | (\$53,988) | (\$17,817) |
| Non-cash investing and financing activities: | | | | |
| Acquisition of Jerritt Canyon (Note 4) | \$— | \$— | \$466,300 | \$— |
| Transfer of share-based payments reserve upon settlement of RSUs | \$139 | \$76 | \$595 | \$992 |
| Transfer of share-based payments reserve upon exercise of options | \$193 | \$3,262 | \$5,536 | \$4,368 |
| Acquisition of mining interests | \$— | \$— | (\$3,750) | \$— |

As at September 30, 2021, cash and cash equivalents include \$5.7 million (December 31, 2020 - \$6.4 million) that are held in trust as bonds for tax audits in Mexico, that are expected to be resolved within the next twelve months.

25. CONTINGENCIES AND OTHER MATTERS

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Company.

(a) Claims and Legal Proceedings Risks

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements or information and the Company has made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: availability of time on court calendars in Canada and elsewhere; the recognition of Canadian judgments under Mexican law; the possibility of settlement discussions; the risk of appeal of judgment; and the insufficiency of the defendant's assets to satisfy the judgment amount. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to the Company. First Majestic carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, the Company may be involved in disputes with other parties in the future which may result in a significant impact on our financial condition, cash flow and results of operations.

Although the Company has taken steps to verify ownership and legal title to mineral properties in which it has an interest, according to the usual industry standards for the stage of mining, development and exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, and title may be affected by undetected defects. However, management is not aware of any such agreements, transfers or defects.

(b) Primero Tax Rulings

When Primero, the previous owner of San Dimas acquired the San Dimas Mine in August 2010, it had a Silver Purchase Agreement ("Old Stream Agreement") that required its subsidiary PEM to sell 100% of the silver produced from the San Dimas mine to WPMI, up to 6 million ounces and 50% of silver produced thereafter, at the lower of: (i) the spot market price and (ii) \$4.04 per ounce plus an annual increase of 1%.

In order to reflect commercial realities and the effects of the Old Stream Agreement, for Mexican income tax purposes, PEM recognized the revenue on these silver sales based on its actual realized revenue ("PEM Realized Price") instead of at spot market prices.

To obtain assurance that the SAT would accept the PEM Realized Price as the price to use to calculate Mexican income taxes, Primero applied for and received an Advance Pricing Agreement ("APA") from the SAT. The APA confirmed that the PEM Realized Price would be used as Primero's basis for calculating taxes owed by PEM on the silver sold under the Old Stream Agreement. PEM believed that the intent of an APA was to have SAT provide tax certainty and as a result made significant investments in Mexico based on that certainty. On October 4, 2012, PEM received the APA Ruling from SAT which confirmed the appropriate price for sales of silver under the Old Stream Agreement was the PEM Realized Price. Under Mexican tax law, an APA ruling is generally applicable for a five year period and this ruling was made effective for 2010 to 2014.

In February 2016, PEM received a legal claim from the SAT seeking to nullify the APA. The legal claim initiated did not identify any different basis for paying taxes.

In 2019, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$242.2 million (4,919 million MXN) inclusive of interest, inflation, and penalties. In 2021, the SAT also issued a reassessment against PEM for the 2013 tax year in the total amount of \$134.1 million (2,723 million MXN) (collectively, the "Reassessments"). The Company believes that the Reassessments were issued in violation of the terms of the APA. The key items in the Reassessments include reassessments based on the market price of silver, denial of the deductibility of interest expense and service fees, SAT technical error related to double counting of taxes, and interest and penalties.

25. CONTINGENCIES AND OTHER MATTERS (continued)**(b) Primero Tax Rulings (continued)**

The Company continues to defend the APA in the Mexican legal proceedings, and initiated proceedings under relevant tax treaties between the competent tax authorities of Mexico, Canada, Luxembourg and Barbados, all of which were subsequently dismissed on a unilateral basis by the SAT ("Dismissals") in May 2020. The Company believes that the Dismissals have no legal basis and breach international obligations regarding double taxation treaties, and that the APA remains valid and legally binding. The Company will continue disputing the Reassessments, exhausting its domestic and international remedies.

While the Company continues to vigorously defend the validity of the APA and its transfer pricing position, it is also engaging in various proceedings with the SAT seeking to resolve matters and bring tax certainty through a negotiated solution. Despite these extensive efforts and ongoing legal challenges to the Reassessments and the Dismissals, in April 2020 and February 2021, SAT issued notifications to PEM to attempt to secure amounts it claims are owed pursuant to its reassessments issued. These notifications impose certain restrictions on PEM including its ability to dispose of its concessions and real properties, and to restrict access to funds within its bank account, the latter as disclosed in the Note 18(a)2.

The Company has challenged SAT's Reassessments and Dismissals through all domestic means available to it, including annulment suits before the Mexican Federal Tax Court on Administrative Matters ("Federal Court"), which has yet to be resolved, and a complaint before Mexico's Federal Taxpayer Defense Attorney's Office (known as "PRODECON"), which determined that PEM has all legal remedies at its disposal and it has already challenged every SAT ruling, thus the matter must be decided by Mexican Courts. The Company believes that these actions are neither fair nor equitable and are discriminatory against the Company as a foreign investor and amount to a denial of justice under international law, in addition to violating various provisions of the Federal Constitution of the United Mexican States and Mexican domestic law, and Mexican court precedents. As a result, on May 13, 2020, the Company provided to the Government of Mexico notice of its intention to initiate an international arbitration proceeding ("Notice of Intent") pursuant to the North American Free Trade Agreement ("NAFTA"). The Notice of Intent initiated a 90-day period for the Government of Mexico to enter into good faith and amicable negotiations with the Company to resolve the dispute. On August 11, 2020, the 90-day period expired without any resolution of the dispute.

In September 2020, the Company was served with a decision made by the Federal Court to nullify the APA granted to PEM. The Federal Court's decision directs SAT to re-examine the evidence and basis for the issuance of the APA with retroactive effect, for the following key reasons:

- (i) SAT's errors in analyzing PEM's request for the APA and the evidence provided in support of the request; and
- (ii) SAT's failure to request from PEM certain additional information before issuing the APA.

The Company's legal advisors reviewed the written reasons and are of the view that the Federal Court's decision is flawed both due to SAT's procedural irregularities and failure to address the relevant evidence and legal authorities. In addition, they consider that the laws applied to PEM in the decision are unconstitutional. As a result, the Company filed an appeal of the decision to the Mexican Circuit Courts on November 30, 2020. Since two writs of certiorari were filed before the Mexican Supreme Court of Justice, on April 15, 2021, the Plenary of the Supreme Court i) admitted one of those writs, ii) requested the Circuit Court to send the amparo file and iii) assigned such writ to the Second Chamber of the Supreme Court for issuing the corresponding decision. The other writ of certiorari has not been admitted by the Plenary of the Supreme Court. Therefore, the Company is currently waiting for the Supreme Court to issue a resolution towards such writs of certiorari.

The Company intends to continue to challenge the actions of the SAT in Mexican courts, however due to the ongoing COVID-19 crisis, the Mexican courts continues to be available only on a restricted basis for further hearings on these matters.

On March 2, 2021, the Company announced that it submitted a Request for Arbitration to the International Centre for Settlement of Investment Disputes ("ICSID"), on its own behalf and on behalf of PEM, based on Chapter 11 of NAFTA. On March 31, 2021, the Notice of Registration of the Request for Arbitration was issued by the ICSID Secretariat. Once the NAFTA Arbitration Panel (the "Tribunal") was fully constituted by the appointment of all three panel members on August 20, 2021, the NAFTA Arbitration Proceedings (the "NAFTA Proceedings") were deemed to have commenced. The first session of the NAFTA Proceedings was held by videoconference on September 24, 2021 to commence discussions regarding the procedural rules which govern the NAFTA Proceedings. These rules were finalized upon the issuance by the Tribunal of Procedural Order No. 1 on October 21, 2021.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

25. CONTINGENCIES AND OTHER MATTERS (continued)

Primero Tax Rulings (continued)

If the SAT were successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver in connection with the Old Stream Agreement for 2010 through 2014. If the SAT were successful in retroactively nullifying the APA and issuing reassessments, it would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. Should the Company ultimately be required to pay tax on its silver revenues based on market prices without any mitigating adjustments, the incremental income tax for the years 2010-2018 would be approximately \$223.1 million (4,531 million MXN), before interest or penalties.

Based on the Company's assessments with third party advisors, the Company believes PEM filed its tax returns compliant with applicable Mexican law and, therefore, no liability has been recognized in the financial statements.

To the extent it is ultimately determined that the appropriate price of silver sales under the Old Stream Agreement is significantly different from the PEM Realized Price and while PEM would have rights of appeal in connection with any reassessments, it is likely to have a material effect on the Company's business, financial position and results of operations.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

| | |
|---|---------------------------|
| <u>COMPANY OVERVIEW</u> | <u>3</u> |
| <u>2021 THIRD QUARTER HIGHLIGHTS</u> | <u>4</u> |
| OVERVIEW OF OPERATING RESULTS | |
| <u>Summary of Selected Quarterly Production Results</u> | <u>6</u> |
| <u>Consolidated Operations</u> | <u>7</u> |
| <u>San Dimas Silver/Gold Mine</u> | <u>8</u> |
| <u>Santa Elena Silver/Gold Mine</u> | <u>10</u> |
| <u>La Encantada Silver Mine</u> | <u>12</u> |
| <u>Jerritt Canyon Gold Mine</u> | <u>13</u> |
| <u>La Parrilla Silver Mine</u> | <u>15</u> |
| <u>Del Toro Silver Mine</u> | <u>15</u> |
| <u>San Martin Silver Mine</u> | <u>15</u> |
| <u>La Guitarra Silver Mine</u> | <u>15</u> |
| <u>Springpole Silver Stream</u> | <u>16</u> |
| OVERVIEW OF FINANCIAL PERFORMANCE | |
| <u>Third Quarter 2021 vs 2020</u> | <u>17</u> |
| <u>Year to Date 2021 vs 2020</u> | <u>19</u> |
| <u>Summary of Selected Quarterly Results</u> | <u>21</u> |
| OTHER DISCLOSURES | |
| <u>Liquidity, Capital Resources and Contractual Obligations</u> | <u>21</u> |
| <u>Management of Risks and Uncertainties</u> | <u>23</u> |
| <u>Other Financial Information</u> | <u>28</u> |
| <u>Subsequent Events</u> | <u>29</u> |
| <u>Accounting Policies, Judgments and Estimates</u> | <u>29</u> |
| <u>Non-GAAP Measures</u> | <u>31</u> |
| <u>Management's Report on Internal Control Over Financial Reporting</u> | <u>38</u> |
| <u>Cautionary Statements</u> | <u>39</u> |

MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This Management’s Discussion and Analysis of Results of Operations and Financial Condition (“MD&A”) should be read in conjunction with the unaudited consolidated financial statements of First Majestic Silver Corp. (“First Majestic” or “the Company”) for the nine months ended September 30, 2021 which are prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, and audited consolidated financial statements of the Company as at and for the year ended December 31, 2020, as some disclosures from the annual consolidated financial statements have been condensed or omitted. All dollar amounts are expressed in United States (“US”) dollars and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences.

This MD&A contains “forward-looking statements” that are subject to risk factors set out in a cautionary note contained at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of November 3, 2021 unless otherwise stated.

COMPANY OVERVIEW

First Majestic is a multinational mining company headquartered in Vancouver, Canada, focused on primary silver and gold production in North America, pursuing the exploration and development of its existing mineral properties and acquiring new assets. The Company owns one producing mine in the USA, the Jerritt Canyon Gold Mine, three producing mines in Mexico: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine, the La Encantada Silver Mine, four mines currently in care and maintenance in Mexico: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine.

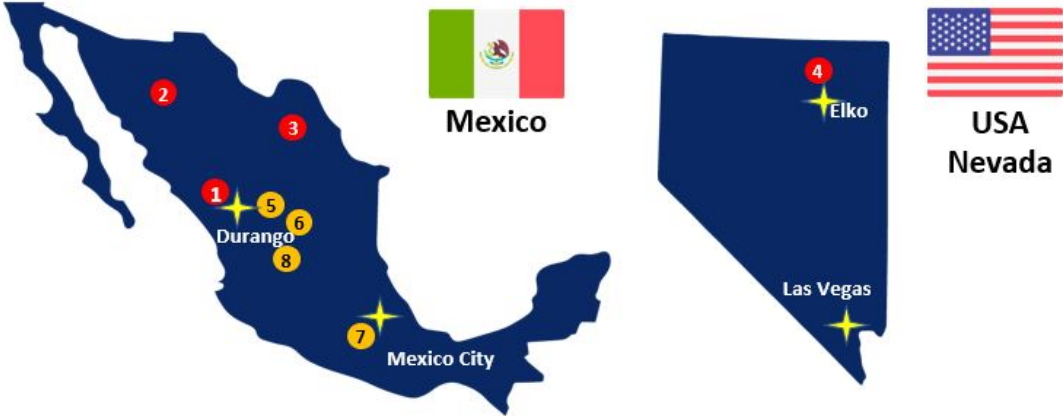
First Majestic is publicly listed on the New York Stock Exchange under the symbol “AG”, on the Toronto Stock Exchange under the symbol “FR” and on the Frankfurt Stock Exchange under the symbol “FMV”.

IN PRODUCTION

- 1 San Dimas
- 2 Santa Elena
- 3 La Encantada
- 4 Jerritt Canyon

PROJECTS

- 5 La Parrilla
- 6 Del Toro
- 7 La Guitarra
- 8 San Martin



2021 THIRD QUARTER HIGHLIGHTS

| Key Performance Metrics | 2021-Q3 | 2021-Q2 | Change Q3 vs Q2 | 2020-Q3 | Change Q3 vs Q3 | 2021-YTD | 2020-YTD | Change |
|--|-----------|-----------|--------------------|-----------|--------------------|------------|------------|--------|
| Operational | | | | | | | | |
| Ore Processed / Tonnes Milled | 943,126 | 826,213 | 14% | 655,920 | 44% | 2,383,584 | 1,588,621 | 50% |
| Silver Ounces Produced | 3,302,086 | 3,274,026 | 1% | 3,158,866 | 5% | 9,484,135 | 8,145,421 | 16% |
| Silver Equivalent Ounces Produced | 7,319,441 | 6,435,023 | 14% | 5,201,085 | 41% | 18,294,760 | 14,901,518 | 23% |
| Cash Costs per Silver Equivalent Ounce ⁽¹⁾ | \$14.09 | \$13.89 | 1% | \$9.48 | 49% | \$13.65 | \$8.56 | 60% |
| All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾ | \$19.93 | \$19.42 | 3% | \$14.01 | 42% | \$19.60 | \$13.25 | 48% |
| Total Production Cost per Tonne ⁽¹⁾ | \$106.52 | \$104.94 | 2% | \$71.56 | 49% | \$101.73 | \$77.18 | 32% |
| Average Realized Silver Price per Ounce ⁽¹⁾ | \$23.10 | \$27.32 | (15%) | \$22.58 | 2% | \$25.74 | \$19.74 | 30% |
| Financial (in \$millions) | | | | | | | | |
| Revenues | \$124.6 | \$154.1 | (19%) | \$125.9 | (1%) | \$379.2 | \$246.8 | 54% |
| Mine Operating Earnings | \$3.5 | \$29.4 | (88%) | \$48.0 | (93%) | \$61.1 | \$61.4 | (1%) |
| Net (Loss) Earnings | (\$18.4) | \$15.6 | NM | \$30.9 | NM | (\$1.0) | (\$11.5) | (92%) |
| Operating Cash Flows before Movements in Working Capital and Taxes | \$22.6 | \$51.2 | (56%) | \$52.2 | (57%) | \$104.9 | \$59.1 | 77% |
| Cash and Cash Equivalents | \$192.8 | \$227.1 | (15%) | \$232.4 | (17%) | \$192.8 | \$232.4 | (17%) |
| Working Capital ⁽¹⁾ | \$262.5 | \$276.3 | (5%) | \$266.7 | (2%) | \$262.5 | \$266.7 | (2%) |
| Shareholders | | | | | | | | |
| (Loss) Earnings per Share ("EPS") - Basic | (\$0.07) | \$0.06 | NM | \$0.14 | NM | \$0.00 | (\$0.05) | (93%) |
| Adjusted EPS ⁽¹⁾ | (\$0.07) | \$0.05 | NM | \$0.12 | NM | \$0.01 | \$0.06 | (90%) |
| Cash Flow per Share ⁽¹⁾ | \$0.09 | \$0.21 | (58%) | \$0.24 | (64%) | \$0.44 | \$0.28 | 56% |

NM - Not meaningful

(1) The Company reports non-GAAP measures which include cash costs per silver equivalent ounce produced, all-in sustaining cost per silver equivalent ounce produced, total production cost per tonne, average realized silver price per ounce sold, working capital, adjusted EPS and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and the methods used by the Company to calculate such measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 31 to 37 for a reconciliation of non-GAAP to GAAP measures.

| Third Quarter Production Summary | San Dimas | Santa Elena | La Encantada | Jerritt Canyon | Consolidated |
|--|-----------|-------------|--------------|----------------|--------------|
| Ore Processed / Tonnes Milled | 214,205 | 234,862 | 263,645 | 230,415 | 943,126 |
| Silver Ounces Produced | 1,888,371 | 508,641 | 905,074 | — | 3,302,086 |
| Gold Ounces Produced | 20,767 | 7,498 | 114 | 26,145 | 54,525 |
| Silver Equivalent Ounces Produced | 3,422,032 | 1,061,657 | 913,481 | 1,922,270 | 7,319,441 |
| Cash Costs per Silver Equivalent Ounce | \$8.29 | \$17.09 | \$12.25 | N/A | \$14.09 |
| All-in Sustaining Cost per Silver Equivalent Ounce | \$11.58 | \$21.10 | \$15.28 | N/A | \$19.93 |
| Cash cost per AuEq Ounce | N/A | N/A | N/A | \$1,735 | N/A |
| All-In sustaining costs per AuEq Ounce | N/A | N/A | N/A | \$2,286 | N/A |
| Total Production Cost per Tonne | \$128.67 | \$75.76 | \$41.08 | \$192.17 | \$106.52 |

Operational Highlights

- **Total production:** During the quarter, total production was 7.3 million silver equivalent ounces, consisting of 3.3 million ounces of silver and 54,525 ounces of gold, representing an increase of 1% and 17%, respectively, compared to the previous quarter primarily due to a 39% or 7,383 ounce increase in gold production from the Jerritt Canyon operation in Nevada.
- **Withheld 1.4 million ounces of silver:** At the end of the quarter, the Company held 1.4 million ounces of silver in inventory due to suppressed silver prices in the third quarter. Silver sales resumed in the fourth quarter. Furthermore, the Company has not withheld sales of any of its gold production.
- **Cash cost per silver equivalent ("AgEq") ounce** for the quarter was \$14.09 per ounce, compared to \$13.89 per ounce in the previous quarter. The increase in cash cost per AgEq ounce was due to the addition of Jerritt Canyon which was producing at a higher cash cost compared to the previous quarter which was affected by a 14-day planned maintenance of the dual roasters. This resulted in lower production during the period, which was partially offset by the lower cash costs at San Dimas and La Encantada.
- **All-in sustaining cost ("AISC") per AgEq ounce** in the third quarter was \$19.93 per ounce compared to \$19.42 per ounce in the previous quarter. The increase in AISC per AgEq ounce was primarily attributed to the increase in sustaining capital costs related to the Tailings Storage Facility 2 ("TSF2") lift project at Jerritt Canyon. The increase in AISC was partially offset by increased production at San Dimas and La Encantada.
- **Major capital projects continue at Jerritt Canyon:** During the quarter, the Company completed the structural fill for the tailings lift on TSF2 and installed approximately 25% of the new liner. In addition, the semi-annual maintenance overhaul for the dual roasters was completed on October 4, 2021. As a result of this planned 14-day maintenance shutdown of the dual roasters, there was an increase in the ore stockpile to approximately 30,000 tonnes during the planned 14-day major maintenance shutdown.
- **Stockpiling higher grade material at Ermitaño:** During the quarter, the Company continued extracting mineralized material from the development of the Ermitaño ore deposit at Santa Elena. At quarter end, a total of 45,271 tonnes of mineralized material grading 4.0 g/t gold and 41 g/t silver have been placed in surface stockpiles. Over the next few months, the Company anticipates initial batch test processing to begin at the Santa Elena processing plant.
- **27 active drill rigs:** The Company completed a total of 79,066 metres in exploration drilling across the Company's mines during the quarter. At the end of the quarter, a total of 27 exploration drill rigs were active consisting of 12 rigs at San Dimas, six at Jerritt Canyon, seven rigs at Santa Elena and two rigs at La Encantada.

Financial Highlights

- In the third quarter, the Company generated revenues of \$124.6 million compared to \$125.9 million in the third quarter of 2020. The decrease in revenues was primarily attributed to inventory changes consisting of withheld sales of 1.4 million ounces of silver which remained in inventory at quarter end, and 970,000 ounces of silver withheld from the second quarter of 2020 and sold in the third quarter of 2020. The realized price of silver averaged \$23.10 per ounce during the quarter, a 2% increase compared to \$22.58 in the third quarter of 2020. Had the Company sold the withheld inventory, the Company would have generated approximately \$33.2 million in additional revenue using the quarterly average realized price of \$23.10 per ounce.
- The Company realized mine operating earnings of \$3.5 million compared to mine operating earnings of \$48.0 million in the third quarter of 2020. The decrease in mine operating earnings was primarily attributed to lower silver ounces sold along with higher costs primarily attributed to the first full quarter of operations of Jerritt Canyon.
- Net loss for the quarter was \$18.4 million (EPS of (\$0.07)) compared to net earnings of \$30.9 million (EPS of \$0.14) in the third quarter of 2020. The decrease in net earnings was primarily attributed to the reduction in revenue as a result of the decision to withhold the sale of 1.4 million ounces of silver at the end of the quarter.
- Adjusted net loss (a non-GAAP measure) for the quarter, normalized for non-cash or unusual items such as unrealized gain or loss on marketable securities, share-based payments and deferred income taxes for the quarter ended September 30, 2021, was \$18.1 million (Adjusted EPS of (\$0.07)) compared to adjusted net earnings of \$25.7 million (Adjusted EPS of \$0.12) in the third quarter of 2020.
- Operating cash flow before movements in working capital and taxes in the quarter was an inflow of \$22.6 million (\$0.09 per share) compared to a cash inflow of \$52.2 million (\$0.24 per share) in the third quarter of 2020.
- As of September 30, 2021, the Company had cash and cash equivalents of \$192.8 million and working capital of \$262.5 million.

OVERVIEW OF OPERATING RESULTS

Selected Production Results for the Past Eight Quarters

| PRODUCTION HIGHLIGHTS | 2021 | | | 2020 | | | | 2019 |
|---|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | Q3 | Q2 ⁽⁴⁾ | Q1 | Q4 | Q3 | Q2 ⁽²⁾ | Q1 | Q4 |
| Ore processed/tonnes milled | | | | | | | | |
| San Dimas | 214,205 | 202,382 | 199,466 | 208,648 | 189,918 | 114,390 | 200,109 | 182,265 |
| Santa Elena | 234,862 | 234,381 | 185,358 | 168,276 | 204,577 | 89,590 | 177,834 | 196,640 |
| La Encantada | 263,645 | 242,839 | 229,421 | 248,408 | 261,425 | 129,579 | 221,200 | 221,049 |
| Jerritt Canyon | 230,415 | 146,611 | — | — | — | — | — | — |
| Non-producing properties ⁽¹⁾ | — | — | — | — | — | — | — | 26,528 |
| Consolidated | 943,126 | 826,213 | 614,245 | 625,332 | 655,920 | 333,559 | 599,142 | 626,482 |
| Silver equivalent ounces produced | | | | | | | | |
| San Dimas | 3,422,032 | 3,176,725 | 2,910,946 | 3,477,061 | 3,125,662 | 2,395,633 | 3,672,169 | 3,516,117 |
| Santa Elena | 1,061,657 | 1,140,398 | 884,332 | 901,630 | 1,091,026 | 595,651 | 1,593,400 | 1,592,397 |
| La Encantada | 913,481 | 847,502 | 745,018 | 1,098,800 | 984,397 | 514,092 | 929,487 | 991,856 |
| Jerritt Canyon | 1,922,270 | 1,270,398 | — | — | — | — | — | — |
| Non-producing properties ⁽¹⁾ | — | — | — | — | — | — | — | 133,042 |
| Consolidated | 7,319,441 | 6,435,023 | 4,540,296 | 5,477,492 | 5,201,085 | 3,505,376 | 6,195,057 | 6,233,412 |
| Silver ounces produced | | | | | | | | |
| San Dimas | 1,888,371 | 1,868,031 | 1,716,143 | 1,941,286 | 1,678,075 | 1,102,931 | 1,677,376 | 1,658,721 |
| Santa Elena | 508,641 | 565,453 | 453,528 | 418,153 | 502,375 | 222,100 | 550,133 | 619,321 |
| La Encantada | 905,074 | 840,541 | 738,354 | 1,093,521 | 978,416 | 509,544 | 924,472 | 987,630 |
| Non-producing properties ⁽¹⁾ | — | — | — | — | — | — | — | 82,752 |
| Consolidated | 3,302,086 | 3,274,026 | 2,908,024 | 3,452,959 | 3,158,866 | 1,834,575 | 3,151,980 | 3,348,424 |
| Gold ounces produced | | | | | | | | |
| San Dimas | 20,767 | 19,227 | 17,448 | 19,980 | 18,268 | 12,042 | 21,308 | 21,713 |
| Santa Elena | 7,498 | 8,453 | 6,327 | 6,294 | 7,428 | 3,677 | 10,842 | 11,391 |
| Jerritt Canyon | 26,145 | 18,762 | — | — | — | — | — | — |
| Consolidated | 54,410 | 46,442 | 23,775 | 26,274 | 25,696 | 15,719 | 32,150 | 33,104 |
| Cash cost per Ounce⁽³⁾ | | | | | | | | |
| San Dimas (per AgEq Ounce) | \$ 8.29 | \$ 10.17 | \$ 10.00 | \$ 8.49 | \$ 7.74 | \$ 6.43 | \$ 7.15 | \$ 6.86 |
| Santa Elena (per AgEq Ounce) | \$ 17.09 | \$ 16.70 | \$ 20.18 | \$ 16.50 | \$ 13.81 | \$ 11.44 | \$ 9.25 | \$ 8.73 |
| La Encantada (per AgEq Ounce) | \$ 12.25 | \$ 13.66 | \$ 13.77 | \$ 10.42 | \$ 10.16 | \$ 9.55 | \$ 10.80 | \$ 10.15 |
| Jerritt Canyon (per AuEq Ounce) | \$ 1,735 | \$ 1,407 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Consolidated (per AgEq Ounce) | \$ 14.09 | \$ 13.89 | \$ 12.61 | \$ 10.21 | \$ 9.48 | \$ 7.76 | \$ 8.25 | \$ 8.23 |
| All-in sustaining cost per Ounce⁽³⁾ | | | | | | | | |
| San Dimas (per AgEq Ounce) | \$ 11.58 | \$ 14.22 | \$ 14.31 | \$ 12.32 | \$ 10.74 | \$ 10.70 | \$ 9.86 | \$ 10.01 |
| Santa Elena (per AgEq Ounce) | \$ 21.10 | \$ 21.31 | \$ 25.66 | \$ 21.76 | \$ 16.36 | \$ 15.02 | \$ 10.60 | \$ 10.70 |
| La Encantada (per AgEq Ounce) | \$ 15.28 | \$ 15.97 | \$ 16.30 | \$ 12.39 | \$ 12.12 | \$ 11.76 | \$ 13.33 | \$ 12.69 |
| Jerritt Canyon (per AuEq Ounce) | \$ 2,286 | \$ 1,679 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Consolidated (per AgEq Ounce) | \$ 19.93 | \$ 19.42 | \$ 19.35 | \$ 16.12 | \$ 14.01 | \$ 13.95 | \$ 12.23 | \$ 12.81 |
| Production cost per tonne | | | | | | | | |
| San Dimas | \$ 128.67 | \$ 153.43 | \$ 140.29 | \$ 135.13 | \$ 120.60 | \$ 129.67 | \$ 126.33 | \$ 127.19 |
| Santa Elena | \$ 75.76 | \$ 79.17 | \$ 94.15 | \$ 86.32 | \$ 71.44 | \$ 74.50 | \$ 81.04 | \$ 68.77 |
| La Encantada | \$ 41.08 | \$ 45.71 | \$ 42.99 | \$ 43.72 | \$ 36.04 | \$ 36.80 | \$ 43.82 | \$ 43.92 |
| Jerritt Canyon | \$ 192.17 | \$ 177.30 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Consolidated | \$ 106.52 | \$ 104.94 | \$ 90.03 | \$ 85.68 | \$ 71.56 | \$ 78.78 | \$ 82.41 | \$ 78.62 |

1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines which are currently placed on temporary suspension.

2) In response to the COVID-19 pandemic, the Mexican Ministry of Health issued a decree requiring non-essential businesses, including mining, to temporarily suspend activities until May 23, 2020. As a result, production and costs were adversely affected during the quarter.

3) Effective January 1, 2021, the Company is reporting its cash costs and all-in sustaining costs on a per silver equivalent ("AgEq") ounce basis. Cash cost and AISC per AgEq Ounce for previous comparative periods were updated based on the new metric. See "Non-GAAP" section.

4) Jerritt Canyon production was from April 30, 2021 to June 30, 2021, or 62 days.

Operating Results – Consolidated Operations

| CONSOLIDATED | 2021-Q3 | 2021-Q2 | 2021-Q1 | 2021-YTD | 2020-YTD | Change Q3 vs Q2 | Change '21 vs '20 |
|--|-----------|-----------|-----------|------------|------------|-----------------|-------------------|
| Ore processed/tonnes milled | 943,126 | 826,213 | 614,245 | 2,383,584 | 1,588,621 | 14% | 50% |
| Average silver grade (g/t) | 122 | 137 | 166 | 138 | 181 | (11%) | (24%) |
| Average gold grade (g/t) | 2.00 | 1.80 | 1.26 | 1.74 | 1.50 | 11% | 16% |
| Silver recovery (%) | 90% | 90% | 89% | 89% | 88% | 0% | 1% |
| Gold recovery (%) | 90% | 91% | 96% | 92% | 96% | (1%) | (4%) |
| Production | | | | | | | |
| Silver ounces produced | 3,302,086 | 3,274,026 | 2,908,024 | 9,484,135 | 8,145,421 | 1% | 16% |
| Gold ounces produced | 54,525 | 46,544 | 23,873 | 124,942 | 73,738 | 17% | 69% |
| Silver equivalent ounces produced | 7,319,441 | 6,435,023 | 4,540,296 | 18,294,760 | 14,901,518 | 14% | 23% |
| Cost | | | | | | | |
| Cash cost per AgEq Ounce | \$14.09 | \$13.89 | \$12.61 | \$13.65 | \$8.56 | 1% | 59% |
| All-In sustaining costs per AgEq Ounce | \$19.93 | \$19.42 | \$19.35 | \$19.60 | \$13.25 | 3% | 48% |
| Total production cost per tonne | \$106.52 | \$104.94 | \$90.03 | \$101.73 | \$77.18 | 2% | 32% |
| Underground development (m) | 11,827 | 13,490 | 13,707 | 39,024 | 25,131 | (12%) | 55% |
| Diamond drilling (m) | 79,066 | 53,608 | 39,552 | 172,225 | 97,460 | 47% | 77% |

Production

Total production in the third quarter was 7.3 million silver equivalent ounces, consisting of 3.3 million ounces of silver and 54,525 ounces of gold, representing an increase of 1% and 17%, respectively, compared to the previous quarter primarily due to a 39% increase in gold production from the Jerritt Canyon operation in Nevada.

Total ore processed amounted to 943,126 tonnes, representing a 14% increase compared to the previous quarter. The increase in tonnes processed was primarily due to a 57% increase in tonnes milled at Jerritt Canyon while operating for a full quarter under First Majestic's control, in addition to a 9% increase in tonnes milled at La Encantada and a 6% increase in tonnes milled at San Dimas.

Consolidated silver grades in the quarter averaged 122 g/t compared to 137 g/t in the previous quarter and consolidated gold grades averaged 2.00 g/t compared to 1.80 g/t in the prior quarter. Consolidated silver grades at the three Mexican mines decreased 4% compared to the prior quarter primarily due to slightly lower grades at San Dimas and La Encantada. Gold grades increased by 11% when compared to the prior quarter due to higher gold grades at Jerritt Canyon and San Dimas during the quarter. Consolidated silver and gold recoveries both averaged 90%.

Cash Cost and All-In Sustaining Cost per Ounce

Cash cost per silver equivalent ("AgEq") ounce for the quarter was \$14.09 per ounce, compared to \$13.89 per ounce in the previous quarter. The increase in cash cost per AgEq ounce was due to the addition of Jerritt Canyon which was producing at a higher cash cost compared to the previous quarter as a result of a 14-day planned maintenance of the dual roaster. This resulted in lower production during the period, which was partially offset by the lower cash costs at San Dimas and La Encantada.

All-in Sustaining Cost ("AISC") per AgEq ounce in the third quarter was \$19.93 per ounce compared to \$19.42 per ounce in the previous quarter. The increase in AISC per AgEq ounce was primarily attributed to the increase in sustaining capital costs related to the Tailings Storage Facility 2 ("TSF2") lift project at Jerritt Canyon. The increase in AISC was partially offset by decreases at San Dimas and La Encantada as a result of increased rates of production.

Development and Exploration

During the quarter, the Company completed 11,827 metres of underground development and 79,066 metres of diamond drilling, compared to 13,490 metres and 53,608 metres, respectively, in the previous quarter.

The Company completed a total of 79,066 metres in exploration drilling across the Company's mines during the quarter. At the end of the quarter, a total of 27 exploration drill rigs were active consisting of twelve rigs at San Dimas, six at Jerritt Canyon, seven rigs at Santa Elena and two rigs at La Encantada.

San Dimas Silver/Gold Mine, Durango, México

The San Dimas Silver/Gold Mine is located approximately 130 km northwest of Durango, Durango State, Mexico and consists of 71,868 hectares of mining claims located in the states of Durango and Sinaloa, Mexico. San Dimas is one of the country's most prominent silver and gold mines and the largest producing underground mine in the state of Durango with over 250 years of operating history. The San Dimas operating plan involves processing ore from several underground mining areas with a 2,500 tpd capacity milling operation which produces silver/gold doré bars. The mine is accessible via a 40-minute flight from the Durango International Airport to the private airstrip in the town of Tayoltita, or by improved roadway. The Company owns 100% of the San Dimas mine.

| San Dimas | 2021-Q3 | 2021-Q2 | 2021-Q1 | 2021-YTD | 2020-YTD | Change Q3 vs Q2 | Change '21 vs '20 |
|--|-----------|-----------|-----------|-----------|-----------|-----------------|-------------------|
| Total ore processed/tonnes milled | 214,205 | 202,382 | 199,466 | 616,053 | 504,417 | 6% | 22% |
| Average silver grade (g/t) | 289 | 301 | 285 | 291 | 292 | (4%) | 0% |
| Average gold grade (g/t) | 3.14 | 3.07 | 2.83 | 3.02 | 3.30 | 2% | (8%) |
| Silver recovery (%) | 95% | 95% | 94% | 95% | 94% | 0% | 1% |
| Gold recovery (%) | 96% | 96% | 96% | 96% | 96% | 0% | 0% |
| Production | | | | | | | |
| Silver ounces produced | 1,888,371 | 1,868,031 | 1,716,143 | 5,472,545 | 4,458,381 | 1% | 23% |
| Gold ounces produced | 20,767 | 19,227 | 17,448 | 57,442 | 51,618 | 8% | 11% |
| Silver equivalent ounces produced | 3,422,032 | 3,176,725 | 2,910,946 | 9,509,703 | 9,193,464 | 8% | 3% |
| Cost | | | | | | | |
| Cash cost per AgEq Ounce | \$8.29 | \$10.17 | \$10.00 | \$9.44 | \$7.16 | (18%) | 32% |
| All-In sustaining costs per AgEq Ounce | \$11.58 | \$14.22 | \$14.31 | \$13.30 | \$10.38 | (19%) | 28% |
| Total production cost per tonne | \$128.67 | \$153.43 | \$140.29 | \$140.56 | \$124.93 | (16%) | 13% |
| Underground development (m) | 5,237 | 6,637 | 8,242 | 20,116 | 17,700 | (21%) | 14% |
| Diamond drilling (m) | 32,086 | 26,382 | 24,078 | 82,546 | 61,123 | 22% | 35% |

During the third quarter, San Dimas produced 1,888,371 ounces of silver and 20,767 ounces of gold representing an increase of 1% and 8%, respectively, compared to the prior quarter for total production of 3,422,032 silver equivalent ounces, compared to 3,176,725 silver equivalent ounces in the prior quarter.

The mill processed a total of 214,205 tonnes of ore with average silver and gold grades of 289 g/t and 3.14 g/t, respectively, compared to 202,382 tonnes milled with average silver and gold grades of 301 g/t and 3.07 g/t in the previous quarter. The Central Block and Sinaloa Graben areas contributed approximately 62% and 29%, respectively, of the total production during the quarter. In addition, the Tayoltita, El Cristo and West Block areas contributed approximately 9% of total production in the quarter. Silver and gold grades are expected to increase in the fourth quarter as a major high-grade area within the Jessica vein of the Central Block was brought into production in September.

Silver and gold recoveries averaged 95% and 96%, respectively, during the quarter which were consistent with the prior quarter.

In the third quarter, cash cost per AgEq ounce was \$8.29 per ounce compared to \$10.17 per ounce in the prior quarter. The decrease in cash costs during the quarter was primarily due to lower energy costs as the mine was able to generate more

energy from its hydroelectric plant, compared to higher cost of electricity that was required from the national grid in the prior quarter. Costs were further reduced as a result of an 8% increase in silver equivalent ounces produced along with a 21% reduction in ore development metres compared to the prior quarter .

AISC per AgEq ounce for the quarter was \$11.58 per ounce compared to \$14.22 per ounce in the prior quarter, primarily due to a decrease in cash costs and a decrease in sustainable investments in property, plant and equipment and development costs.

The San Dimas mine is subject to a gold and silver streaming agreement with Wheaton Precious Metals International Ltd. ("WPMI"), a wholly owned subsidiary of Wheaton Precious Metals Corp., which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 per ounce of gold (subject to a 1% annual inflation adjustment commencing in May 2019) and the prevailing market price, for each gold ounce delivered. Should the average gold to silver ratio over a six month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as at September 30, 2021 was 70:1. During the third quarter, the Company delivered 11,346 ounces (2020 - 9,285 ounces) of gold to WPMI at \$618 (2020 - \$612) per ounce.

A total of 5,237 metres of underground development was completed in the third quarter, compared to 6,637 metres in the prior quarter. During the third quarter, 10 underground drills completed 32,086 metres compared to 26,382 metres in the prior quarter. Exploration drilling in the quarter continued to focus in the Central, Sinaloa, Tayoltita and El Cristo Blocks.

Santa Elena Silver/Gold Mine, Sonora, México

The Santa Elena Silver/Gold Mine is located approximately 150 kilometres northeast of the city of Hermosillo, Sonora, Mexico. The operating plan for Santa Elena involves the processing of ore in a 3,000 tpd cyanidation circuit from a combination of underground reserves and spent ore from the previous heap leach pad. The Company owns 100% of the Santa Elena mine including mining concessions totaling over 102,244 hectares, inclusive of the Ermitaño concessions and ore deposit.

| SANTA ELENA | 2021-Q3 | 2021-Q2 | 2021-Q1 | 2021-YTD | 2020-YTD | Change Q3 vs Q2 | Change '21 vs '20 |
|--|-----------|-----------|---------|-----------|-----------|-----------------|-------------------|
| Total ore processed/tonnes milled | 234,862 | 234,381 | 185,358 | 654,600 | 472,000 | 0% | 39% |
| Underground tonnes | | | | | | | |
| Tonnes milled | 160,012 | 166,969 | 122,401 | 449,382 | 316,860 | (4%) | 42% |
| Average silver grade (g/t) | 92 | 100 | 106 | 99 | 117 | (8%) | (15%) |
| Average gold grade (g/t) | 1.23 | 1.39 | 1.37 | 1.33 | 1.92 | (12%) | (31%) |
| Heap leach tonnes | | | | | | | |
| Tonnes milled | 74,849 | 67,412 | 62,957 | 205,217 | 155,141 | 11% | 32% |
| Average silver grade (g/t) | 37 | 33 | 35 | 35 | 34 | 12% | 3% |
| Average gold grade (g/t) | 0.63 | 0.62 | 0.61 | 0.62 | 0.65 | 2% | (5%) |
| Silver recovery (%) | 91% | 93% | 93% | 92% | 93% | (2%) | (1%) |
| Gold recovery (%) | 96% | 96% | 96% | 96% | 96% | 0% | 0% |
| Production | | | | | | | |
| Silver ounces produced | 508,641 | 565,453 | 453,528 | 1,527,621 | 1,274,608 | (10%) | 20% |
| Gold ounces produced | 7,498 | 8,453 | 6,327 | 22,279 | 21,948 | (11%) | 2% |
| Silver equivalent ounces produced | 1,061,657 | 1,140,398 | 884,332 | 3,086,388 | 3,280,078 | (7%) | (6%) |
| Cost | | | | | | | |
| Cash cost per AgEq Ounce | \$17.09 | \$16.70 | \$20.18 | \$17.83 | \$11.17 | 2% | 60% |
| All-In sustaining costs per AgEq Ounce | \$21.10 | \$21.31 | \$25.66 | \$22.48 | \$13.32 | (1%) | 69% |
| Total production cost per tonne | \$75.76 | \$79.17 | \$94.15 | \$82.18 | \$75.64 | (4%) | 9% |
| Underground development (m) | 4,195 | 4,994 | 4,500 | 13,689 | 3,820 | (16%) | 258% |
| Diamond drilling (m) | 19,609 | 17,915 | 12,607 | 50,130 | 20,584 | 9% | 144% |

During the third quarter, Santa Elena produced 1,061,657 silver equivalent ounces, consisting of 508,641 ounces of silver and 7,498 ounces of gold, representing a decrease of 10% and 11%, respectively compared to the prior quarter.

The mill processed a total of 234,862 tonnes during the quarter, consisting of 160,012 tonnes from the underground mine ore and 74,849 tonnes from the above ground heap leach pad compared to 234,381 total tonnes in the prior quarter. Underground production rates were slightly lower than budget due to the loss of the main ventilation fan in August which restricted mining in the 290 level of the Main vein. A new ventilation fan was successfully installed in September and underground rates returned to normal levels.

During the quarter, silver and gold grades from underground ore averaged 92 g/t and 1.23 g/t, respectively, compared to 100 g/t and 1.39 g/t in the prior quarter. Above ground heap leach pad averaged 37 g/t and 0.63 g/t, compared to 33 g/t and 0.62 g/t in the prior quarter.

Silver and gold recoveries in the third quarter averaged 91% and 96%, respectively, consistent with the previous quarter.

Cash cost per AgEq ounce in the third quarter was \$17.09 per ounce compared to \$16.70 per ounce in the previous quarter. The increase in cash cost was primarily attributed to a 7% decrease in production due to lower grades compared to the previous quarter.

AISC per AgEq ounce for the quarter was \$21.10 per ounce compared to \$21.31 per ounce in the prior quarter. The decrease was primarily attributed to a decrease in sustainable mine development metres.

The Santa Elena mine is subject to a gold streaming agreement with Sandstorm Gold Ltd. (“Sandstorm”), which requires the mine to sell 20% of its gold production from the leach pad and a designated area of its Santa Elena underground operations over the life of mine to Sandstorm. The selling price to Sandstorm is currently the lesser of \$450 per ounce (subject to a 1% annual inflation increase every April) and the prevailing market price. During the quarter, the Company delivered 1,472 ounces (2020 - 1,730 ounces) of gold to Sandstorm at an average selling price of \$468 per ounce of gold (2020 - \$463 per ounce).

In the third quarter, Santa Elena completed a total of 4,195 metres of underground development, compared to 4,994 metres in the previous quarter.

At the Ermitaño project approximately four kilometres from the Santa Elena processing plant, extraction of mineralized material from the development of the Ermitaño orebody continued with a total of 45,271 tonnes of material grading 4.0 g/t gold and 41 g/t silver are now on the surface in stockpiles. The Company is planning to begin initial batch testing at the Santa Elena processing plant in the coming weeks. In addition, the main access road connecting the new mine to the Santa Elena processing plant was completed in October.

During the third quarter, the lab at Santa Elena completed and passed its ISO 9001 surveillance audit determining the facility is fully compliant with the management system quality standards for sample preparation, geochemical and assay services.

A total of seven drill rigs, consisting of four surface rigs and three underground rigs, were active at the end of the quarter, completing 19,609 metres compared to 17,915 metres in the prior quarter. At Santa Elena, near-mine drilling focused on the Santa Elena main, Alejandra del Bajo and Fenix veins. Brownfield drilling was carried out at Santa Elena Norte vein while greenfield drilling targeted the El Colmillo area. Drilling at Santa Elena demonstrates the continuity of the deep ore shoot at the Alejandra del Bajo vein and intersects a significant vein width in the deep main vein zone. Drilling at Ermitaño continues to delineate significant vein widths in the eastern extension and at the Ermitaño-Splay infill.

The Santa Elena mine team is currently working with the Ermitaño project team to begin shipping ore from the Ermitaño stockpile to be processed in the Santa Elena plant in the fourth quarter.

La Encantada Silver Mine, Coahuila, México

The La Encantada Silver Mine is an underground mine located in the northern México State of Coahuila, 708 kilometres northeast of Torreon. La Encantada has 4,076 hectares of mineral concessions and surface land ownership of 1,343 hectares. La Encantada also has a 4,000 tpd cyanidation plant, a camp with 120 houses as well as administrative offices, laboratory, general store, hospital, airstrip and all the necessary infrastructure required for such an operation. The mine is accessible via a two-hour flight from the Durango International Airport to the mine's private airstrip, or via an improved road from the closest city, Muzquiz, Coahuila State, which is 225 kilometres away. The Company owns 100% of the La Encantada Silver Mine.

| LA ENCANTADA | 2021-Q3 | 2021-Q2 | 2021-Q1 | 2021-YTD | 2020-YTD | Change Q3 vs Q2 | Change '21 vs '20 |
|--|---------|---------|---------|-----------|-----------|-----------------|-------------------|
| Ore processed/tonnes milled | 263,645 | 242,839 | 229,421 | 735,905 | 612,204 | 9% | 20% |
| Average silver grade (g/t) | 134 | 138 | 131 | 134 | 158 | (3%) | (15%) |
| Silver recovery (%) | 80% | 78% | 77% | 78% | 78% | 2% | 0% |
| Production | | | | | | | |
| Silver ounces produced | 905,074 | 840,541 | 738,354 | 2,483,969 | 2,412,432 | 8% | 3% |
| Gold ounces produced | 114 | 102 | 97 | 314 | 172 | 12% | 83% |
| Silver equivalent ounces produced | 913,481 | 847,502 | 745,018 | 2,506,001 | 2,427,976 | 8% | 3% |
| Cost | | | | | | | |
| Cash cost per AgEq Ounce | \$12.25 | \$13.66 | \$13.77 | \$13.18 | \$10.28 | (10%) | 28% |
| All-In sustaining costs per AgEq Ounce | \$15.28 | \$15.97 | \$16.30 | \$15.81 | \$12.50 | (4%) | 26% |
| Total production cost per tonne | \$41.08 | \$45.71 | \$42.99 | \$43.19 | \$39.01 | (10%) | 11% |
| Underground development (m) | 722 | 827 | 965 | 2,514 | 2,786 | (13%) | (10%) |
| Diamond drilling (m) | 5,196 | 4,905 | 2,867 | 12,968 | 10,510 | 6% | 23% |

During the quarter, La Encantada produced 905,074 silver ounces, representing a 8% increase in production compared to the previous quarter primarily due to a 9% increase in tonnes processed. The La Prieta and San Javier caving areas contributed approximately 77% and 3%, respectively, of the total production during the quarter. In addition, previously mined backfill areas contributed approximately 20% of total production during the quarter.

The mill processed a total of 263,645 tonnes with an average silver grade and recovery during the quarter of 134 g/t and 80%, respectively, compared to 138 g/t and 78%, respectively, in the previous quarter.

Cash cost per AgEq ounce for the quarter was \$12.25 compared to \$13.66 in the previous quarter. The decrease in cash cost per AgEq ounce was primarily due to the 8% increase in silver equivalent ounces produced.

AISC per AgEq ounce for the quarter was \$15.28 per ounce, a decrease of 4% compared to \$15.97 per ounce in the previous quarter primarily due to the decrease in cash cost per AgEq ounce.

A total of 722 metres of underground development were completed in the third quarter compared to 827 metres in the prior quarter. One underground and one surface drill completed 5,196 metres of drilling compared to 4,905 metres in the previous quarter.

During the third quarter, the Company entered into a surface access agreement with the Tenochtitlan Ejido to gain access to the 10,100 hectares of land owned by the Ejido's, covering the Company's 4,076 hectares of mineral concessions at La Encantada. This new agreement allows the Company, for the first time since owning the mine, to initiate surface exploration programs on this large Ejido land package.

Jerritt Canyon Gold Mine, Nevada, United States

The Jerritt Canyon Gold Mine is an underground mine located in Northern Nevada, United States. Jerritt Canyon was discovered in 1972 and has been in production since 1981 having produced over 9.5 million ounces of gold over its 40-year production history. The mine currently operates as an underground mine and has one of three permitted gold processing plants in Nevada that uses roasting in its treatment of ore. This processing plant has a capacity of 4,000 tonnes per day (“tpd”). The property consists of a large, under explored land package consisting of 30,821 hectares (119 square miles). Jerritt Canyon is 100% owned by the Company.

| Jerritt Canyon | 2021-Q3 | 2021-Q2 | 2021-YTD | Change Q3 vs Q2 |
|--|-----------|-----------|-----------|-----------------|
| Ore processed/tonnes milled | 230,415 | 146,611 | 377,026 | 57% |
| Average gold grade (g/t) | 4.19 | 4.03 | 4.13 | 4% |
| Gold recovery (%) | 84% | 84% | 84% | 0% |
| Production | | | | |
| Gold ounces produced | 26,145 | 18,762 | 44,907 | 39% |
| Gold equivalent ounces produced | 26,145 | 18,762 | 44,907 | 39% |
| Silver equivalent ounces produced | 1,922,270 | 1,270,398 | 3,192,668 | 51% |
| Cost | | | | |
| Cash cost per AuEq Ounce | \$1,735 | \$1,407 | \$1,598 | 23% |
| All-In sustaining costs per AuEq Ounce | \$2,286 | \$1,679 | \$2,032 | 36% |
| Total production cost per tonne | \$192.17 | \$177.30 | \$186.46 | 8% |
| Underground development (m) | 1,673 | 1,032 | 2,705 | 62% |
| Diamond drilling (m) | 22,175 | 4,406 | 26,581 | 403% |

During the quarter, Jerritt Canyon produced 26,145 ounces of gold, representing a 39% increase compared to the prior quarter. The increase was primarily due to achieving a full quarter of production under the Company's ownership as well as improved underground mine and plant production rates, whereas the prior quarter only included two months of production since the April 30, 2021 acquisition date.

The mill processed a total of 230,415 tonnes with an average gold grade and recovery of 4.19 g/t and 84%, respectively, compared to 146,611 tonnes with an average grade and recovery of 4.03 g/t and 84%, respectively in the prior quarter. Increased ore development rates and processing of lower ore grade from surface material continued during the quarter which resulted in higher average tonnage and ore grades processed in the plant.

The SSX and Smith mines contributed approximately 42% and 38%, respectively, of the total production during the quarter. In addition, numerous lower grade surface stockpiles contributed approximately 20% of total production during the quarter.

Cash cost per AuEq ounce for the quarter was \$1,735 compared to \$1,407 in the prior quarter primarily due to a 14-day planned major maintenance of the dual roasters at the end of the current quarter as well as the new Nevada State mineral tax effective July 1, 2021. AISC per AuEq ounce for the quarter was \$2,286 per ounce, compared to \$1,679 in the prior quarter primarily due to the TSF2 tailings lift project.

The majority of permitting, preparation and construction activities for the TSF2 12 foot (3.7 metres) tailings lift project, occurred during the quarter with completion expected in the fourth quarter. The estimated cost of \$12.3 million lift will be expected to provide over two years of additional deposition storage for tailings material at the site. In addition, construction activities on the TSF2 advanced with the completion of the structural fill and approximately 25% of the new liner installation. The lift project remains ahead of schedule with expected completion in November. The majority of the lift costs are captured in the third quarter and as a result, the mine is expecting AISC to decrease in the fourth quarter and normalize at the beginning of 2022 after the completion of the lift.

The semi-annual maintenance overhaul of the dual roasters was completed on October 4th. There was an increase in the ore stockpile to approximately 30,000 tonnes during the planned 14-day major maintenance shutdown. This large surface stockpile is expected to be completely processed during the fourth quarter. Currently, the processing plant is operating at a rate of 3,000 tonnes per day.

A total of six drill rigs, consisting of three surface rigs and three underground rigs, were active at the end of the quarter. A total of 1,673 metres of underground development were drilled during the quarter.

At the end of the quarter, the underground connection drift between the SSX and Smith mines was approximately 75% complete and the project remains on schedule for completion by the end of the year. The new connection is expected to reduce transportation bottlenecks and improve movement efficiencies of personnel and equipment. In addition, the connection drift is expected to support future exploration activities.

Since the acquisition announcement in January 2021, First Majestic has been developing a long-term mine and exploration plan for the future of the operation. The Company has identified numerous projects that will be implemented over the next 12 to 24 months to improve production and reduce costs at the mine and processing plant, including:

1. Connect the two underground Smith and SSX producing mines with an underground development drift which will be used for future ore haulage and exploration activities
2. Obtain permits for potential pushbacks of past-producing open pits for future mill feed
3. Test over 25 high-priority exploration targets, both near-mine and greenfield
4. Evaluate and complete ore purchase opportunities with third parties to fill roaster excess capacity
5. Execute a roaster expansion capacity study for future growth
6. Optimize the water treatment plant for mine dewatering prioritization
7. Complete the lift upgrade and develop a long-term TSF plan
8. Optimize the underground mining plan and execution of mining with the mine contractor

It should be noted that many of the anticipated benefits from these modifications are not yet reflected in the forecasted operating results and are expected to take several quarters to materialize.

In late October, the Company executed an agreement with the Nevada Division of Environmental Protection ("NDEP") relating to funds required to establish a trust agreement to cover post-closure water treatment cost at Jerritt Canyon. The estimated costs are \$17.6 million and would need to be funded by October 31, 2022.

La Parrilla Silver Mine, Durango, México

The La Parrilla Silver Mine, located approximately 65 kilometres southeast of the city of Durango in Durango State, México, is a complex of producing underground operations consisting of the Rosarios, La Blanca and San Marcos mines which are inter-connected through underground workings, and the Vacas and Quebradillas mines which are connected via above-ground gravel roads. The total mining concessions consist of 69,478 hectares. The Company owns 60 hectares, and leases an additional 107 hectares of surface rights, for a total of 167 hectares of surface rights. La Parrilla includes a 2,000 tpd sequential processing plant consisting of a 1,000 tpd cyanidation circuit and a 1,000 tpd flotation circuit, an ISO 9001 certified central laboratory, metallurgical pilot plant, buildings, offices and associated infrastructure. The Company owns 100% of the La Parrilla Silver Mine.

Operations at the La Parrilla mine have been temporarily suspended since September 2019. The Company is in discussions with the La Parrilla Ejido to continue the long-term land use agreement at La Parrilla.

Del Toro Silver Mine, Zacatecas, México

The Del Toro Silver Mine is located 60 kilometres to the southeast of the Company's La Parrilla mine and consists of 3,815 hectares of mining concessions and 219 hectares of surface rights. The Del Toro operation represents the consolidation of three historical silver mines, the Perseverancia, San Juan and Dolores mines, which are approximately one and three kilometres apart, respectively. Del Toro includes a 2,000 tpd flotation circuit and a 2,000 tpd cyanidation circuit. First Majestic owns 100% of the Del Toro Silver Mine.

Operations at the Del Toro mine has been temporarily suspended since January 2020 in order to improve overall operating cash flows and profit margins while focusing on the exploration program in the area. The exploration program will continue to test near mine, brownfield and greenfield targets in an effort to develop new resources necessary to support a potential reopening in the future, subject to a sufficient improvement in mineral economics to justify a restart.

San Martin Silver Mine, Jalisco, México

The San Martin Silver Mine is an underground mine located near the town of San Martin de Bolaños in the Bolaños river valley, in the northern portion of the State of Jalisco, México. San Martin has 33 contiguous mining concessions in the San Martin de Bolaños mining district covering mineral rights for 12,795 hectares, plus an application to acquire a new mining concession covering 24,723 hectares. In addition, the mine owns 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located, and an additional 640 hectares of surface rights. The 1,300 tpd mill and processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks and a Merrill-Crowe doré production system. The mine can be accessed via small plane, 150 kilometres from Durango, or 250 kilometres by paved road north of Guadalajara, Jalisco. The San Martin Silver Mine is 100% owned by the Company.

In July 2019, the Company temporarily suspended all mining and processing activities at the San Martin operation due to lower economics and growing insecurity in the area and safety concerns for our workforce. The Company continues to work with government authorities to secure the area and continued to maintain the mine and plant facilities, including advancing a buttressing project on the TSF2 tailing impoundment. The re-opening date is contingent on economics and security conditions in the region and cannot be determined at this time.

La Guitarra Silver Mine, México State, México

The La Guitarra Silver Mine is located in the Temascaltepec Mining District in the State of México, México, approximately 130 kilometres southwest from México City. The La Guitarra mine covers 39,714 hectares of mining claims and has a 500 tpd flotation processing plant, buildings and related infrastructure. The Company owns 100% of the La Guitarra Silver Mine.

The La Guitarra milling and mining operations were placed under care and maintenance effective August 3, 2018 and the Company is currently reviewing strategic options including the potential sale of the operation. The Company will continue with remediation programs to prepare the operation for a potential reopening in the future, subject to sufficient improvement in the economic situation to justify a restart of the operation. Ongoing care and maintenance activities include pumping, de-watering of the underground mine and water treatment continue.

Springpole Silver Stream, Ontario, Canada

In July 2020, the Company completed an agreement with First Mining Gold Corp. ("First Mining") to purchase 50% of the life of mine payable silver produced from the Springpole Gold Project ("Springpole Silver Stream"), a development stage mining project located in Ontario, Canada. First Majestic agreed to pay First Mining consideration of \$22.5 million in cash and shares, in three milestone payments, for the right to purchase silver at a price of 33% of the silver spot price per ounce, to a maximum of \$7.50 per ounce (subject to annual inflation escalation of 2%, commencing at the start of the third anniversary of production). Commencing with its production of silver, First Mining must deliver 50% of the payable silver which it receives from the offtaker within five business days of the end of each quarter.

Transaction consideration paid and payable by First Majestic is summarized as follows:

- The first payment of \$10.0 million, consisting of \$2.5 million in cash and \$7.5 million in First Majestic shares (805,698 common shares) was paid to First Mining on July 2, 2020;
- The second payment of \$7.5 million, consisting of \$3.75 million in cash and \$3.75 million in First Majestic shares (287,300 common shares) was paid in on January 21, 2021 upon the completion and public announcement by First Mining of the results of a Pre-Feasibility Study for Springpole; and
- The third payment consisting of \$2.5 million in cash and \$2.5 million in First Majestic shares (based on 20 days volume weighted average price) is payable upon receipt by First Mining of a Federal or Provincial Environmental Assessment approval for Springpole.

First Mining shall have the right to repurchase 50% of the silver stream for \$22.5 million at any time prior to the commencement of production at Springpole leaving the Company with a reduced silver stream of 25% of life of mine payable silver production.

Springpole is one of Canada's largest, undeveloped gold projects with permitting underway. In January 2021, First Mining announced positive results of its Pre-Feasibility Study ("PFS") which supports a 30,000 tonnes-per-day open pit mining operation over an 11 year mine life. First Mining announced resources of 24.3 million ounces of silver in the Indicated category and 1.4 million ounces of silver in the Inferred category, plus 4.6 million ounces of gold in the Indicated category and 0.3 million ounces of gold in the Inferred category.

The Springpole Project also includes large land holdings of 41,913 hectares which are fully encompassed under the silver streaming agreement.

First Mining is a related party with two independent board members who are directors and/or officers of First Majestic.

OVERVIEW OF FINANCIAL PERFORMANCE

For the quarters ended September 30, 2021 and 2020 (in thousands of dollars, except for per share amounts):

| | Third Quarter 2021 | Third Quarter 2020 | Variance % |
|---|-----------------------|-----------------------|-----------------|
| Revenues | \$124,646 | \$125,881 | (1%) (1) |
| Mine operating costs | | | |
| Cost of sales | 92,006 | 60,275 | 53% (2) |
| Depletion, depreciation and amortization | 29,122 | 17,573 | 66% (3) |
| | 121,128 | 77,848 | 56% |
| Mine operating earnings | 3,518 | 48,033 | (93%) |
| General and administrative expenses | 6,213 | 5,520 | 13% |
| Share-based payments | 3,069 | 1,703 | 80% |
| Mine holding costs | 3,344 | 4,184 | (20%) (4) |
| Loss on divestiture of exploration projects | — | (6,421) | (100%) (5) |
| Acquisition costs | 127 | — | 100% |
| Foreign exchange loss | 1,676 | 5,340 | (69%) |
| Operating (loss) earnings | (10,911) | 37,707 | NM |
| Unrealized gain on foreign currency derivatives | — | 7,541 | (100%) (6) |
| Investment and other (loss) income | (4,863) | 2,741 | NM (7) |
| Finance costs | (4,027) | (3,650) | (10%) |
| (Loss) earnings before income taxes | (19,801) | 44,339 | NM |
| Current income tax expense | 6,678 | 3,842 | (74%) |
| Deferred income tax (recovery) expense | (8,073) | 9,551 | NM |
| Income tax (recovery) expense | (1,395) | 13,393 | (110%) (8) |
| Net (loss) earnings for the period | (\$18,406) | \$30,946 | NM (9) |
| (Loss) earnings per share (basic) | (\$0.07) | \$0.14 | NM (9) |
| (Loss) earnings per share (diluted) | (\$0.07) | \$0.14 | NM (9) |

NM - Not meaningful

1. **Revenues** in the quarter decreased \$1.2 million compared to the same quarter of the previous year primarily attributed to:

- a decrease in payable silver equivalent ounces sold mainly attributed to inventory changes consisting of:
 - 1.4 million ounces of silver withheld in inventory in anticipation of higher silver prices in the fourth quarter;
 - 970,000 ounces of silver and 6,000 ounces of gold which were sold in the third quarter of 2020 that were held as finished goods inventory at the end of the second quarter of 2020; and

partially offset by:

- 26,195 ounces of gold sold by Jerritt Canyon.

Had the Company sold the withheld inventory of 1.4 million ounces of silver, the Company would have generated approximately \$33.2 million in additional revenue using the quarterly average realized price of \$23.10 per ounce;

Partially offset by:

- a 2% increase in realized silver price per ounce sold, which averaged \$23.10 during the quarter compared to \$22.58 in the third quarter of 2020, resulting in a \$3.6 million increase in revenues.

2. **Cost of sales** in the quarter increased \$31.7 million compared to the same quarter of the previous year primarily due to:

- the addition of the Jerritt Canyon mine which incurred \$44.9 million in cost of sales during its first full quarter of operations;
- a stronger Mexican Peso against the U.S. Dollar, which averaged 9% higher compared to the third quarter of 2020;

Partially offset by:

- a \$24.4 million decrease in change in inventory expense due to a \$14 million reduction in inventory expense from the 1.4 million silver ounces of withheld inventory in the third quarter of 2021 compared to an inventory expense of \$9.7 million in the third quarter of 2020 related to 0.9 million silver ounces withheld at the end of the second quarter of 2020.

3. **Depletion, depreciation and amortization** in the quarter increased \$11.5 million compared to the same quarter of the previous year, primarily as a result of:

- the addition of the Jerritt Canyon mine which incurred \$14.8 million during the quarter, a full three month operating period;

Partially offset by:

- a decrease of \$3.5 million at San Dimas and La Encantada during the quarter primarily due to the withheld inventory which resulted in a deferral of depletion, depreciation and amortization expenses relating to these withheld ounces.

4. **Mine holding costs** decreased by \$0.8 million compared to the same quarter of 2020, primarily due to a decrease in labour costs at Del Toro, San Martin and La Parrilla following restructuring that took place in 2020.

5. **Gain on divestiture of exploration project** \$6.4 million during the same quarter of the previous year relates to the arrangement to option the La Joya project to Silver Dollar Resources Inc. in September 2020.

6. **Fair value adjustment on foreign currency derivatives** a gain of \$7.5 million in the third quarter of the prior year related to mark-to-market adjustments on the Company's foreign currency derivatives, which were fully settled as at December 31, 2020. The Company utilized these foreign currency options and swaps to hedge cash flows relating to mining operations, exploration and evaluation activities and corporate expenses in Mexican Pesos.

7. **Investment and other (loss) income** decrease of \$7.6 million compared to the third quarter of the prior year, primarily due to a \$5.2 million unrealized loss on investment compared to an unrealized gain of \$2.7 million in the same quarter of the prior year.

8. During the quarter, the Company recorded an **income tax recovery** of \$1.4 million compared to an expense of \$13.4 million in the third quarter of 2020. The increase in income tax recovery was primarily due to inflationary effects on the tax loss carryforwards, the foreign exchange impact on the Company's Mexican Peso denominated future income tax liability balances and timing differences on the deductibility of capital expenditures for tax and accounting purposes.

9. As a result of the foregoing, **net loss** for the quarter was \$18.4 million (EPS of (\$0.07)) compared to net earnings of \$30.9 million (EPS of \$0.14) in the same quarter of the prior year.

For the year to date ended September 30, 2021, and 2020 (in thousands of dollars, except for per share amounts):

| | Year to date 2021 | Year to date 2020 | Variance % 21 vs '20 |
|---|----------------------|----------------------|-------------------------|
| Revenues | \$379,241 | \$246,801 | 54 % (1) |
| Mine operating costs | | | |
| Cost of sales | 244,849 | 136,297 | 80 % (2) |
| Cost of sales - standby costs | — | 10,112 | (100%) (3) |
| Depletion, depreciation and amortization | 73,335 | 39,006 | 88 % (4) |
| | 318,184 | 185,415 | 72 % |
| Mine operating earnings | 61,057 | 61,386 | (1%) |
| General and administrative | 20,075 | 17,650 | 14 % |
| Share-based payments | 9,431 | 6,028 | 56 % |
| Acquisition costs | 1,950 | — | 100 % (5) |
| Mine holding costs | 9,571 | 14,566 | (34%) (6) |
| Loss on divestiture of exploration projects | — | 3,685 | (100%) (7) |
| Foreign exchange (gain) loss | (903) | 8,743 | (110%) |
| Operating earnings | 20,933 | 10,714 | 95 % |
| Fair value adjustment on foreign currency derivatives | — | (4,862) | (100%) (8) |
| Investment and other (loss) income | (3,684) | 7,460 | (149%) (9) |
| Finance costs | (11,927) | (11,056) | (8%) |
| Earnings before income taxes | 5,322 | 2,256 | NM |
| Current income tax expense | 25,540 | 5,851 | NM |
| Deferred income tax (recovery) expense | (19,266) | 7,863 | NM |
| Income tax expense | 6,274 | 13,714 | (54%) (10) |
| Net loss for the period | (\$952) | (\$11,458) | NM (11) |
| Earnings (loss) per share (basic and diluted) | \$0.00 | (\$0.05) | NM (11) |

NM - Not meaningful

- Revenues** in the nine months ended September 30, 2021 increased \$132.4 million or 54% compared to same period of the previous year, primarily attributed to the increase in production from the Mexican operations attributed to the reduced effect of the temporary COVID-19 Suspension and units operating with limited workforce levels in the third quarter of the previous year, as well as the following factors:
 - \$87.4 million increase due to a 30% increase in realized silver price per ounce sold, which averaged \$25.74 compared to \$19.74 in the prior year; and
 - \$45.0 million increase due to a 16% increase in payable silver equivalent ounces sold compared to the prior year mainly due to the addition of Jerritt Canyon and partially offset by the 1.4 million ounces of silver withheld in inventory in anticipation of higher prices in the fourth quarter. Had the Company sold the withheld inventory, the Company would have generated approximately \$33.2 million in additional revenue using the quarterly average realized price of \$23.10 per ounce.
- Cost of sales** in the year increased \$108.6 million or 80% compared to 2020 as a result of the following factors:
 - the addition of the Jerritt Canyon mine on April 30, 2021, which contributed \$76.6 million to cost of sales since its acquisition by First Majestic;
 - a 26% increase in throughput from the Mexican operations compared to 2020 primarily attributed to an increase in operational days due to lower impact from the COVID-19 Suspension;

- a stronger Mexican Peso against the U.S. Dollar, which averaged 8% higher compared to the same period of 2020;

Partially offset by:

- a \$13.4 million increase in change in inventory expense due to approximately 1.4 million ounces of silver withheld as finished goods inventory in the third quarter of 2021 due to lower silver prices.
3. **Standby costs** in 2020 were primarily related to direct costs incurred at the San Dimas (\$3.5 million), Santa Elena (\$2.0 million) and La Encantada (\$1.7 million) mines during the temporary COVID-19 Suspensions, as well as \$2.0 million incurred during a 13-day union work stoppage at San Dimas during the third quarter of 2020.
 4. **Depletion, depreciation and amortization** in the year increased \$34.3 million or 88% compared to the previous year primarily as a result of the addition of the Jerritt Canyon mine, which contributed \$25.1 million during the year, and \$8.6 million increase from Mexican operations due to an increase in throughput and higher mining interest and property plant and equipment balances.
 5. **Acquisition costs** of \$2.0 million relates to due diligence costs and closing fees incurred in connection with the acquisition of the Jerritt Canyon Canada Ltd. which closed on April 30, 2021.
 6. **Mine holding costs** for the year decreased \$5.0 million compared to the previous year primarily due to a decrease in labour costs at Del Toro, San Martin and La Parrilla following restructuring that took place in early 2020.
 7. **Loss on divestiture of exploration projects** in 2020 related to \$10.1 million loss on the sale of the Plomosas project to GR Silver Mining Ltd. in March 2020.
 8. **Fair value adjustment on foreign currency derivatives** of \$4.9 million loss during 2020 related to mark-to-market adjustments on the Company's foreign currency derivatives, which have been fully settled as at December 31, 2020. The Company utilized these foreign currency options and swaps to hedge cash flows relating to mining operations, exploration and evaluation activities and corporate expenses in Mexican Pesos.
 9. **Investment and other income** in the year decreased \$11.1 million primarily due to a \$2.8 million unrealized loss on investment compared to an unrealized gain of \$4.4 million in the same quarter of the prior year as well as a \$2.1 million write-down on assets held-for-sale in relation to the sale of certain AG mill equipment to Condor Gold PLC.
 10. During the nine months ended September 30, 2021, the Company recorded an **income tax expense** of \$6.3 million, compared to \$13.7 million in 2020. The decrease in income tax expense was primarily driven by the inflationary adjustment on Mexican tax bases, timing differences on the deductibility of capital expenditures for tax and accounting purposes, and the foreign exchange impact on the Company's Mexican Peso denominated future income tax liability balances.
 11. As a result of the foregoing, **net loss** for the nine months ended September 30, 2021 was \$1.0 million (EPS of \$0.00), compared to net loss of \$11.5 million (EPS of (\$0.05)) in the prior year.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for each of the most recent eight quarters:

| Selected Financial Information | 2021 | | | 2020 | | | 2019 | |
|--|------------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Revenue | \$124,646 | \$154,073 | \$100,522 | \$117,075 | \$125,881 | \$34,855 | \$86,065 | \$96,476 |
| Cost of sales | \$92,006 | \$95,782 | \$57,061 | \$58,008 | \$60,275 | \$26,187 | \$49,835 | \$55,033 |
| Cost of sales - standby costs | \$— | \$— | \$— | \$— | \$— | \$9,166 | \$946 | \$— |
| Depletion, depreciation and amortization | \$29,122 | \$28,868 | \$15,345 | \$15,399 | \$17,573 | \$7,264 | \$14,169 | \$17,502 |
| Mine operating earnings (loss) | \$3,518 | \$29,423 | \$28,116 | \$43,668 | \$48,033 | (\$7,762) | \$21,115 | \$23,941 |
| Net (loss) earnings after tax | (\$18,406) | \$15,599 | \$1,855 | \$34,545 | \$30,946 | (\$9,968) | (\$32,436) | (\$39,946) |
| (Loss) earnings per share - basic | (\$0.07) | \$0.06 | \$0.01 | \$0.16 | \$0.14 | (\$0.05) | (\$0.15) | (\$0.19) |
| (Loss) earnings per share - diluted | (\$0.07) | \$0.06 | \$0.01 | \$0.15 | \$0.14 | (\$0.05) | (\$0.15) | (\$0.19) |

During the third quarter of 2021, mine operating earnings were \$3.5 million compared to earnings of \$29.4 million in the previous quarter. Net loss for the quarter was \$18.4 million compared to earnings of \$15.6 million in the prior quarter, as the Company withheld 1.4 million ounces of silver in inventory in anticipation of higher silver prices in the fourth quarter.

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at September 30, 2021, the Company had cash and cash equivalents of \$192.8 million, comprised primarily of cash held with reputable financial institutions and is invested in cash accounts and in highly liquid short-term investments with maturities of three months or less. With the exception of \$5.7 million held in-trust for tax audits in Mexico, the Company's cash and cash equivalents are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Working capital as at September 30, 2021 was \$262.5 million compared to \$254.4 million at December 31, 2020. Total available liquidity at September 30, 2021 was \$272.5 million, including \$10.0 million of undrawn revolving credit facility. Subsequent to September 30, 2021, the Company repaid \$30 million of debt that had been drawn down from the Scotiabank revolving credit facility.

The following table summarizes the Company's cash flow activity during the period:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash flow | | | | |
| Cash (used in) generated by operating activities | (\$11,988) | \$55,003 | (\$21,089) | \$36,503 |
| Cash used in investing activities | (61,440) | (33,522) | (121,014) | (85,775) |
| Cash generated by financing activities | 41,911 | 116,172 | 97,153 | 115,459 |
| (Decrease) increase in cash and cash equivalents | (\$31,517) | \$137,653 | (\$44,950) | \$66,187 |
| Effect of exchange rate on cash and cash equivalents held in foreign currencies | (2,782) | (447) | (818) | (2,760) |
| Cash and cash equivalents, beginning of the period | 227,109 | 95,230 | 238,578 | 169,009 |
| Cash and cash equivalents, end of period | \$192,810 | \$232,436 | \$192,810 | \$232,436 |

The Company's cash flows from operating, investing and financing activities during the nine months ended September 30, 2021 are summarized as follows:

- **Cash used in operating activities** of \$21.1 million, primarily due to:
 - \$104.9 million in operating cash flows from operating activities before movements in working capital and taxes;net of:
 - \$72.0 million in income taxes paid during the period;
 - \$54.0 million in net change in non-cash working capital items during the period, including \$0.4 million increase in VAT receivables, \$15.6 million increase in inventories, \$31.2 increase in restricted cash (PEM frozen bank account), net of \$5.7 million decrease in trade and other payables; and
- **Cash used in investing activities** of \$121.0 million, primarily related to:
 - \$97.7 million spent on mine development and exploration activities;
 - \$33.7 million spent on purchase of property, plant and equipment;
 - \$12.5 million reclassification of restricted cash for the acquisition of Jerritt Canyon (escrow funds);
 - \$7.1 million spent on deposits on non-current assets;
 - \$1.8 million spent on the purchase of marketable securities;net of:
 - \$30.0 million of restricted cash acquired through the acquisition of Jerritt Canyon; and
 - \$2.2 million of net proceeds from the disposal of marketable securities.
- **Cash provided by financing activities** of \$97.2 million, primarily consists of the following:
 - \$66.7 million of net proceeds from the issuance of shares through the ATM;
 - \$13.6 million of net proceeds from the exercise of stock options;
 - \$30.0 million of net proceeds from the drawdown on the Scotiabank revolving credit facility;net of:
 - \$6.3 million on repayment of lease obligations.
 - \$4.2 million payment of financing costs; and
 - \$2.7 million payment on dividends paid.

As of September 30, 2021 the Company had received \$31.2 million (633 million MXN) related to value added tax filings. In connection with the PEM tax ruling, the tax authority has frozen a PEM bank account with funds of \$31.2 million as a guarantee against certain disputed tax assessments. This balance consists of VAT refunds that the Company has received which were previously withheld by the tax authority. The Company does not agree with SAT's position and is challenging the assessments through the relevant legal channels. Additionally, as part of the acquisition of Jerritt Canyon, the Company was required to hold certain funds in escrow to settle the payment for trigger tax provisions along with any adjustments to working capital. As at September 30, 2021, \$12.5 million remained in escrow which the Company expects to be settled within the next twelve months.

Capital Resources

The Company's objective when managing capital is to maintain financial flexibility to continue as a going concern while optimizing growth and maximizing returns of investments from shareholders.

The Company monitors its capital structure and based on changes in operations and economic conditions, may adjust the structure by repurchasing shares, issuing new shares, issuing new debt or retiring existing debt. The Company prepares an annual budget and quarterly forecasts to facilitate the management of its capital requirements. The annual budget is approved by the Company's Board of Directors.

The Company is not subject to any externally imposed capital requirements with the exception of complying with banking covenants defined in its debt facilities. As at September 30, 2021 and December 31, 2020, the Company was fully in compliance with these covenants.

Contractual Obligations and Commitments

As at September 30, 2021, the Company's contractual obligations and commitments are summarized as follows:

| | Contractual Cash Flows | Less than 1 year | 2 to 3 years | 4 to 5 years | After 5 years |
|--------------------------------------|---------------------------|---------------------|------------------|-----------------|------------------|
| Trade and other payables | \$112,731 | \$112,731 | \$— | \$— | \$— |
| Debt facilities | 202,058 | 3,926 | 198,132 | — | — |
| Lease liabilities | 42,126 | 10,854 | 18,222 | 11,586 | 1,464 |
| Other liabilities | 6,282 | — | — | — | 6,282 |
| Purchase obligations and commitments | 36,387 | 36,387 | — | — | — |
| | \$399,584 | \$163,898 | \$216,354 | \$11,586 | \$7,746 |

At September 30, 2021, the Company had working capital of \$262.5 million (2020 – \$254.4 million) and total available liquidity of \$272.5 million (2020 – \$319.4 million), including \$10.0 million of undrawn revolving credit facility.

The Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months.

MANAGEMENT OF RISKS AND UNCERTAINTIES

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, commodity price risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to chartered banks, trade receivables in the ordinary course of business, value added taxes receivable and other receivables.

As at September 30, 2021, value added taxes ("VAT") receivable was \$58.0 million (December 31, 2020 - \$56.9 million), of which \$34.8 million (December 31, 2020 - \$37.9 million) relates to PEM. SAT has commenced processing VAT refund requests by PEM in June 2021 and the Company expects the amounts to be refunded within the next twelve months.

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through three international customers. All of the Company's customers have good ratings and payments of receivables are scheduled, routine and fully received within 60 days of submission; therefore, the balance of trade receivables owed to the Company in the ordinary course of business is not significant.

The carrying amount of financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk. With the exception to the above, the Company believes it is not exposed to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. Cash flow forecasting is performed regularly to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and our holdings of cash and cash equivalents.

Currency Risk

The Company is exposed to foreign exchange risk primarily relating to financial instruments that are denominated in Canadian dollars or Mexican pesos, which would impact the Company's net earnings or loss. To manage foreign exchange risk, the Company may occasionally enter into short-term foreign currency derivatives, such as forwards and options, to hedge its cash flows.

The sensitivity of the Company's net earnings or loss and comprehensive income or loss due to changes in the exchange rates of the Canadian Dollar and the Mexican Peso against the U.S. Dollar is included in the table below:

| | September 30, 2021 | | | | | | | |
|-----------------|---------------------------|-----------------|------------------------------|------------------------|--------------------------|-----------------------------|-----------------------------------|--------------------------------------|
| | Cash and cash equivalents | Restricted Cash | Value added taxes receivable | Other financial assets | Trade and other payables | Foreign exchange derivative | Net assets (liabilities) exposure | Effect of +/- 10% change in currency |
| Canadian dollar | \$49,482 | \$12,505 | \$— | \$6,906 | (\$2,853) | \$— | \$66,040 | \$6,604 |
| Mexican peso | 33,431 | 31,161 | 54,535 | — | (41,577) | 12,000 | 89,550 | 8,955 |
| | \$82,913 | \$43,666 | \$54,535 | \$6,906 | (\$44,430) | \$12,000 | \$155,590 | \$15,559 |

Commodity Price Risk

The Company is exposed to commodity price risk on silver and gold, which have a direct and immediate impact on the value of its related financial instruments and net earnings. The Company's revenues are directly dependent on commodity prices that have shown volatility and are beyond the Company's control. The Company does not use derivative instruments to hedge its commodity price risk to silver.

The following table summarizes the Company's exposure to commodity price risk and their impact on net earnings:

| | September 30, 2021 | | |
|--------------------------|--|--------------|----------------|
| | Effect of +/- 10% change in metal prices | | |
| | Silver | Gold | Total |
| Metals in doré inventory | \$3,085 | \$281 | \$3,366 |
| | \$3,085 | \$281 | \$3,366 |

Political and Country Risk

First Majestic currently conducts foreign operations in México and the United States, and as such the Company's operations are exposed to various levels of political and economic risks by factors outside of the Company's control. These potential factors include, but are not limited to: royalty and tax increases or claims by governmental bodies, expropriation or nationalization, foreign exchange controls, high rates of inflation, extreme fluctuations in foreign currency exchange rates, import and export tariffs and regulations, lawlessness, cancellation or renegotiation of contracts and environmental and permitting regulations. The Company currently has no political risk insurance coverage against these risks.

The Company is unable to determine the impact of these risks on its future financial position or results of operations. Changes, if any, in mining or investment policies or shifts in political attitude in foreign countries may substantively affect the Company's exploration, development and production activities.

Uncertainty in the Calculation of Mineral Reserves, Resources and Silver Recovery

There is a degree of uncertainty attributable to the calculation of Mineral Reserves and Mineral Resources (as defined in NI 43-101). Until Mineral Reserves or Mineral Resources are actually mined, extracted and processed, the quantity of minerals and their grades must be considered estimates only. In addition, the quantity of Mineral Reserves and Mineral Resources may vary depending on, among other things, applicable metal prices. Any material change in the quantity of Mineral Reserves, Mineral Resources, grade or mining widths may affect the economic viability of some or all of the Company's mineral properties and may have a material adverse effect on the Company's operational results and financial condition. Mineral Reserves on the Company's properties have been calculated on the basis of economic factors at the time of calculation; variations in such factors may have an impact on the amount of the Company's Mineral Reserves. In addition, there can be no assurance that silver recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue.

Public Health Crises

Global financial conditions and the global economy in general have, at various times in the past and may in the future, experience extreme volatility in response to economic shocks or other events, such as the ongoing situation concerning

COVID-19. Many industries, including the mining industry, are impacted by volatile market conditions in response to the widespread outbreak of epidemics, pandemics or other health crises. Such public health crises and the responses of governments and private actors can result in disruptions and volatility in economies, financial markets and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could impact commodity prices, interest rates, credit ratings, credit risk and inflation.

The Company's business could be materially adversely affected by the effects of the COVID-19 pandemic. As at the date of this MD&A, the global reactions to the spread of COVID-19 have led to, among other things, significant restrictions in many jurisdictions on travel and gatherings of individuals, quarantines, temporary business closures and a general reduction in consumer activity. Although quarantines have been lifted in many jurisdictions, certain jurisdictions that have previously lifted quarantines have been required to re-impose them. While these effects are expected to be temporary, the duration of the disruptions to business internationally and the related financial impact on the Company and the economy in general cannot be estimated with any degree of certainty at this time. In addition, the increasing number of individuals infected with COVID-19 has resulted in a widespread global health crisis that has adversely affected global economies and financial markets and could result in a protracted economic downturn that could have an adverse effect on the demand for precious metals and the Company's future prospects.

In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business, including without limitation, employee health, workforce availability and productivity, limitations on travel, supply chain disruptions, increased insurance premiums, increased costs and reduced efficiencies, the availability of industry experts and personnel, restrictions on the Company's exploration and drilling programs and/or the timing to process drill and other metallurgical testing and the slowdown or temporary suspension of operations at some or all of the Company's properties, resulting in reduced production volumes. Although the Company has the capacity to continue certain administrative functions remotely, many other functions, including mining operations, cannot be conducted remotely.

On March 24, 2020, the Mexican federal government implemented a decree imposing certain preventive measures aimed at mitigating the impact of COVID-19. The decree temporarily suspended certain activities relating to physical gatherings and the transit or movement of individuals and was subsequently amended to restrict access and require the closure of the Company's mines from April 3, 2020. On May 13, 2020, the Mexican government officially confirmed that mining was deemed essential and operations were permitted to restart on May 18, 2020. On May 23, 2020, Mexican government authorized the Company to restart its mining operations, however, there can be no guarantee that the decree will not be amended in the future to impose more severe measures or restrictions or that state governments in those jurisdictions in which the Company's facilities are located will not pass similar decrees reducing or preventing access to the Company's facilities, potentially causing disruption or closure of one or more of the Company's mines.

As a result of the temporary closures of its facilities, the Company experienced loss of production at its facilities during the second and third financial quarters of 2020. In early November 2020, the Company's three operating mines had returned to normal operations. Worker availability is a challenge but has been gradually improving and is being mitigated by increasing the use of temporary workers and contractors. The Company constructed a Polymerase Chain Reaction ("PCR") laboratory test facilities on site at San Dimas and partnered with test labs at Santa Elena to speed up COVID-19 testing capabilities at its mine sites. Preventative control measures to protect the safety and health of our employees, contractors and communities in which we operate, including social distancing, remote working, cancellation of any non-essential visits to the mines, comprehensive sanitation measures for the workplace and company transportation, as well as pre-screening for virus symptoms remain in effect.

The Company continues to monitor the government health measures and in the areas where our mines operate, currently there are no COVID-19 restrictions at this time.

There is no guarantee that the Company will not experience significant disruptions to or additional closures of some or all of its active mining operations due to COVID-19 restrictions in the future. Any such disruptions or closures could have a material adverse effect on the Company's production, revenue, net income and business. In addition, parties with whom the Company does business or on whom the Company is reliant, including suppliers and refineries may also be adversely impacted by the COVID-19 crisis which may in turn cause further disruption to the Company's business, including delays or halts in availability or delivery of consumables and delays or halts in refining of ore from the Company's mines. Any long-term closures or suspensions may also result in the loss of personnel or the workforce in general as employees seek employment elsewhere.

The impact of COVID-19 and government responses thereto may also continue to have a material impact on financial markets and could constrain the Company's ability to obtain equity or debt financing in the future, which may have a material and adverse effect on its business, financial condition and results of operations.

Environmental and Health and Safety Risks

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety. Environmental laws and regulations are complex and have tended to become more stringent over time. The Company is required to obtain governmental permits and in some instances air, water quality, and mine reclamation rules and permits. The Company has complied with environmental taxes applied to the use of certain fossil fuels according to the Kyoto Protocol. Although the Company makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its future obligations for these costs. Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. While the health and safety of our people and responsible environmental stewardship are our top priorities, there can be no assurance that First Majestic has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially and adversely affect the Company's business, results of operations or financial condition.

On August 26, 2021, the NDEP issued 10 Notices of Alleged Violation (collectively the "NOAV") that alleged the Company doing business as Jerritt Canyon Gold, LLC had violated various air permit conditions and regulations applicable to operations at the Jerritt Canyon in Elko County, Nevada. The NOAV are related to compliance with emission monitoring, testing, recordkeeping requirements, and emission and throughput limits.

The Company filed a Notice of Appeal on September 3, 2021, challenging the NOAV before the Nevada State Environmental Commission ("NSEC"). The Company raised various defenses to the NOAV, including that the Company is not liable for the violations because it was never the owner/operator of Jerritt Canyon during the period the alleged violations began (on April 30, 2021, the Company acquired Jerritt Canyon Canada Ltd, which, through subsidiaries, owns and operates the Jerritt Canyon). There is currently no hearing scheduled or any scheduling order in the matter, and the parties have yet to engage in discovery. At this time the estimated amount cannot be reliably determined.

Claims and Legal Proceedings Risks

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements or information and the Company has made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: availability of time on court calendars in Canada and elsewhere; the recognition of Canadian judgments under Mexican law; the possibility of settlement discussions; the risk of appeal of judgment; and the insufficiency of the defendant's assets to satisfy the judgment amount. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to the Company. First Majestic carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, the Company may be involved in disputes with other parties in the future which may result in a significant impact on our financial condition, cash flow and results of operations.

Although the Company has taken steps to verify ownership and legal title to mineral properties in which it has an interest, according to the usual industry standards for the stage of mining, development and exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, and title may be affected by undetected defects. However, management is not aware of any such agreements, transfers or defects.

Primero Tax Rulings

When Primero, the previous owner of San Dimas acquired the San Dimas Mine in August 2010, it had a Silver Purchase Agreement ("Old Stream Agreement") that required its subsidiary PEM to sell 100% of the silver produced from the San Dimas mine to WPMI, up to 6 million ounces and 50% of silver produced thereafter, at the lower of: (i) the spot market price and (ii) \$4.04 per ounce plus an annual increase of 1%.

In order to reflect commercial realities and the effects of the Old Stream Agreement, for Mexican income tax purposes, PEM recognized the revenue on these silver sales based on its actual realized revenue ("PEM Realized Price") instead of at

spot market prices.

To obtain assurance that the SAT would accept the PEM Realized Price as the price to use to calculate Mexican income taxes, Primero applied for and received an Advance Pricing Agreement (“APA”) from the SAT. The APA confirmed that the PEM Realized Price would be used as Primero’s basis for calculating taxes owed by PEM on the silver sold under the Old Stream Agreement. PEM believed that the intent of an APA was to have SAT provide tax certainty and as a result made significant investments in Mexico based on that certainty. On October 4, 2012, PEM received the APA Ruling from SAT which confirmed the appropriate price for sales of silver under the Old Stream Agreement was the PEM Realized Price. Under Mexican tax law, an APA ruling is generally applicable for a five year period and this ruling was made effective for 2010 to 2014.

In February 2016, PEM received a legal claim from the SAT seeking to nullify the APA. The legal claim initiated did not identify any different basis for paying taxes.

In 2019, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$242.2 million (4,919 million MXN) inclusive of interest, inflation, and penalties. In 2021, the SAT also issued a reassessment against PEM for the 2013 tax year in the total amount of \$134.1 million (2,723 million MXN) (collectively, the “Reassessments”). The Company believes that the Reassessments were issued in violation of the terms of the APA. The key items in the Reassessments include reassessments based on the market price of silver, denial of the deductibility of interest expense and service fees, SAT technical error related to double counting of taxes, and interest and penalties.

The Company continues to defend the APA in the Mexican legal proceedings, and initiated proceedings under relevant tax treaties between the competent tax authorities of Mexico, Canada, Luxembourg and Barbados, all of which were subsequently dismissed on a unilateral basis by the SAT (“Dismissals”) in May 2020. The Company believes that the Dismissals have no legal basis and breach international obligations regarding double taxation treaties, and that the APA remains valid and legally binding. The Company will continue disputing the Reassessments, exhausting its domestic and international remedies.

While the Company continues to vigorously defend the validity of the APA and its transfer pricing position, it is also engaging in various proceedings with the SAT seeking to resolve matters and bring tax certainty through a negotiated solution. Despite these extensive efforts and ongoing legal challenges to the Reassessments and the Dismissals, in April 2020 and February 2021, SAT issued notifications to PEM to attempt to secure amounts it claims are owed pursuant to its reassessments issued. These notifications impose certain restrictions on PEM including its ability to dispose of its concessions and real properties, and to restrict access to funds within its bank account, the latter as disclosed in the Note 18(a)2.

The Company has challenged SAT’s Reassessments and Dismissals through all domestic means available to it, including annulment suits before the Mexican Federal Tax Court on Administrative Matters (“Federal Court”), which has yet to be resolved, and a complaint before Mexico’s Federal Taxpayer Defense Attorney’s Office (known as “PRODECON”), which determined that PEM has all legal remedies at its disposal and it has already challenged every SAT ruling, thus the matter must be decided by Mexican Courts. The Company believes that these actions are neither fair nor equitable and are discriminatory against the Company as a foreign investor and amount to a denial of justice under international law, in addition to violating various provisions of the Federal Constitution of the United Mexican States and Mexican domestic law, and Mexican court precedents. As a result, on May 13, 2020, the Company provided to the Government of Mexico notice of its intention to initiate an international arbitration proceeding (“Notice of Intent”) pursuant to the North American Free Trade Agreement (“NAFTA”). The Notice of Intent initiated a 90-day period for the Government of Mexico to enter into good faith and amicable negotiations with the Company to resolve the dispute. On August 11, 2020, the 90-day period expired without any resolution of the dispute.

In September 2020, the Company was served with a decision made by the Federal Court to nullify the APA granted to PEM. The Federal Court’s decision directs SAT to re-examine the evidence and basis for the issuance of the APA with retroactive effect, for the following key reasons:

- (i) SAT’s errors in analyzing PEM’s request for the APA and the evidence provided in support of the request; and
- (ii) SAT’s failure to request from PEM certain additional information before issuing the APA.

The Company’s legal advisors reviewed the written reasons and are of the view that the Federal Court’s decision is flawed both due to SAT’s procedural irregularities and failure to address the relevant evidence and legal authorities. In addition, they consider that the laws applied to PEM in the decision are unconstitutional. As a result, the Company filed an appeal of the decision to the Mexican Circuit Courts on November 30, 2020. Since two writs of certiorari were filed before the

Mexican Supreme Court of Justice, on April 15, 2021, the Plenary of the Supreme Court i) admitted one of those writs, ii) requested the Circuit Court to send the amparo file and iii) assigned such writ to the Second Chamber of the Supreme Court for issuing the corresponding decision. The other writ of certiorari has not been admitted by the Plenary of the Supreme Court. Therefore, the Company is currently waiting for the Supreme Court to issue a resolution towards such writs of certiorari.

The Company intends to continue to challenge the actions of the SAT in Mexican courts, however due to the ongoing COVID-19 crisis, the Mexican courts continues to be available only on a restricted basis for further hearings on these matters.

On March 2, 2021, the Company announced that it submitted a Request for Arbitration to the International Centre for Settlement of Investment Disputes ("ICSID"), on its own behalf and on behalf of PEM, based on Chapter 11 of NAFTA. On March 31, 2021, the Notice of Registration of the Request for Arbitration was issued by the ICSID Secretariat. Once the NAFTA Arbitration Panel (the "Tribunal") was fully constituted by the appointment of all three panel members on August 20, 2021, the NAFTA Arbitration Proceedings (the "NAFTA Proceedings") were deemed to have commenced. The first session of the NAFTA Proceedings was held by videoconference on September 24, 2021 to commence discussions regarding the procedural rules which govern the NAFTA Proceedings. These rules were finalized upon the issuance by the Tribunal of Procedural Order No. 1 on October 21, 2021.

If the SAT were successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver in connection with the Old Stream Agreement for 2010 through 2014. If the SAT were successful in retroactively nullifying the APA and issuing reassessments, it would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. Should the Company ultimately be required to pay tax on its silver revenues based on market prices without any mitigating adjustments, the incremental income tax for the years 2010-2018 would be approximately \$223.1 million (4,531 million MXN), before interest or penalties.

Based on the Company's assessments with third party advisors, the Company believes PEM filed its tax returns compliant with applicable Mexican law and, therefore, no liability has been recognized in the financial statements.

To the extent it is ultimately determined that the appropriate price of silver sales under the Old Stream Agreement is significantly different from the PEM Realized Price and while PEM would have rights of appeal in connection with any reassessments, it is likely to have a material effect on the Company's business, financial position and results of operations.

La Encantada Tax Re-assessments

In December 2019, as part of the ongoing annual audits of the tax returns of Minera La Encantada S.A. de C.V. ("MLE"), the SAT issued tax assessments for fiscal 2012 and 2013 in the amount of \$7.7 million (155.5 million MXN) and \$6.2 million (126.6 million MXN), respectively. The key items relate to a forward silver purchase agreement and denial of the deductibility of mine development costs and service fees. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company believes MLE's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns in compliance with applicable Mexican law.

OTHER FINANCIAL INFORMATION

Share Repurchase Program

The Company has an ongoing share repurchase program to repurchase up to 5% of the Company's issued and outstanding shares. The normal course issuer bids will be carried through the facilities of the Toronto Stock Exchange and alternative Canadian marketplaces.

During the year ended December 31, 2020, the Company repurchased and cancelled 275,000 common shares for a total consideration of \$1.7 million, through a normal course issuer bid in the open market as approved by the Toronto Stock Exchange. No shares were repurchased during the nine months ended September 30, 2021.

Off-Balance Sheet Arrangements

At September 30, 2021, the Company had no material off-balance sheet arrangements such as contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Company, other than contingent liabilities and vendor liability and interest, as disclosed in this MD&A and the consolidated financial statements and the related notes.

Related Party Disclosures

Amounts paid to related parties were incurred in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties.

In July 2020, the Company completed the agreement with First Mining Gold Corp., to purchase 50% of the payable silver produced from the Springpole Gold Project for total consideration of \$22.5 million in cash and shares, over three payments, for the silver stream which covers the life of the Springpole project. First Mining is a related party with two independent board members who are directors and/or officers of First Majestic.

With the exception of the agreement with First Mining Gold Corp., there were no transactions with related parties outside of the ordinary course of business during the nine months ended September 30, 2021.

Outstanding Share Data

As at November 2, 2021, the Company has 256,612,414 common shares issued and outstanding.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to September 30, 2021:

Declaration of Quarterly Dividend

On November 3, 2021, the Company's board of directors approved and declared a quarterly common share dividend of \$0.0049 per share, payable on and after November 30, 2021, to common shareholders of record at the close of business on November 17, 2021. These dividends were declared subsequent to the quarter end and have not been recognized as distributions to owners during the quarter ended September 30, 2021.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

The preparation of consolidated financial statements in conformity with IFRS as issued by IASB requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

The Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2021, there were no changes in critical accounting judgments and estimates that were significantly different from those disclosed in the Company's annual MD&A as at and for the year ended December 31, 2020 and the following accounting policies, critical judgments and estimates in applying accounting policies:

New and amended IFRS standards that are effective for the current year:

[Interest Rate Benchmark Reform — Phase 2 \(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16\)](#)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks

arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments were applied effective January 1, 2021 and did not have a material impact on the Company's financial statements.

Future Changes in Accounting Policies Not Yet Effective as at September 30, 2021:

[Property, Plant and Equipment — Proceeds before Intended Use \(Amendments to IAS 16\)](#)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company will recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of that earliest period presented. This amendment will impact the Company's accounting for proceeds from mineral sales prior to reaching commercial production levels intended by management.

[Classification of Liabilities as Current or Non-Current \(Amendments to IAS 1\)](#)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2023, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

[Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction \(Amendments to IAS 12\)](#)

In May 2021, the International Accounting Standards Board issued targeted amendments to IAS 12, Income Taxes. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. With a view to reducing diversity in reporting, the amendments will clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. This amendment is not expected to have a material impact on the Company's financial statements.

Critical Judgments and Estimates

[Fair Value Estimates in the Acquisition of Jerritt Canyon](#)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

Classification of current and non-current restricted cash

The Company assesses the classification of the restricted cash between current and non-current based on the following factors:

- an asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the period; and
- it expects to realize the asset within twelve months after the reporting period.

The evaluation was performed based on the available information at the end of the reporting period; if there are changes in the circumstances the Company will reassess the classification.

NON-GAAP MEASURES

The Company has included certain non-GAAP measures including "Cash costs per silver equivalent ounce", "All-in sustaining cost per silver equivalent ounce", "Production cost per tonne", "Average realized silver equivalent price", "Adjusted earnings per share", "Cash flow per share" and "Working capital" to supplement its consolidated financial statements, which are presented in accordance with IFRS. The terms IFRS and generally accepted accounting principles ("GAAP") are used interchangeably throughout this MD&A.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Effective January 1, 2021, the Company transitioned its cost reporting from Cost per Silver Ounce to Cost per Silver Equivalent ("AgEq") Ounce basis. Management believes the change to using silver equivalent ounce will provide management and investors with an improved ability to evaluate operating performance of the Company, as it eliminates volatility in Cash Cost and AISC per ounce due to market volatility in silver and gold prices as well as timing of by-product credit sales. Prior period comparatives of Cash Cost and AISC per ounce have been updated to be consistent with the new AgEq ounce metric.

Cash Cost per AgEq Ounce, All-In Sustaining Cost per AgEq Ounce and Production Cost per Tonne

Cash costs per AgEq ounce and total production cost per tonne are non-GAAP measures used by the Company to manage and evaluate operating performance at each of the Company's operating mining units, and are widely reported in the mining industry as benchmarks for performance, but do not have a standardized meaning and are disclosed in addition to IFRS measures.

All-in sustaining cost ("AISC") is a non-GAAP measure and was calculated based on guidance provided by the World Gold Council ("WGC"). WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus expansionary capital expenditures. AISC is a more comprehensive measure than cash cost per ounce for the Company's consolidated operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations.

The Company defines sustaining capital expenditures as, *"costs incurred to sustain and maintain existing assets at current productive capacity and constant planned levels of productive output without resulting in an increase in the life of assets, future earnings, or improvements in recovery or grade. Sustaining capital includes costs required to improve/enhance assets to minimum standards for reliability, environmental or safety requirements. Sustaining capital expenditures excludes all expenditures at the Company's new projects and certain expenditures at current operations which are deemed expansionary in nature."*

Expansionary capital expenditure is defined as, *"costs incurred to extend existing assets beyond their current productive capacity and beyond their planned levels of productive output, resulting in an increase in the life of the assets, increasing their future earnings potential, or improving their recoveries or grades which would serve to increase the value of the assets over their useful lives"*. Development and exploration work which moves inferred resources to measured or indicated resources and adds to the Net Present Value of the assets is considered expansionary in nature. Expansionary capital also

includes costs required to improve/enhance assets beyond their minimum standard for reliability, environmental or safety requirements.

Consolidated AISC includes total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, share-based payments, operating lease payments and reclamation cost accretion. AISC by mine does not include certain corporate and non-cash items such as general and administrative expense and share-based payments. The Company believes this measure represents the total sustainable costs of producing silver from current operations, and provides additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver production from current operations, new project and expansionary capital at current operations are not included. Certain other cash expenditures, including tax payments, dividends and financing costs are also not included.

The following tables provide detailed reconciliations of these measures to cost of sales, as reported in notes to our consolidated financial statements.

| (expressed in thousands of U.S. Dollars, except ounce and per ounce amounts) | Three Months Ended September 30, 2021 | | | | |
|---|---------------------------------------|------------------|-----------------|------------------|------------------|
| | San Dimas | Santa Elena | La Encantada | Jerritt Canyon | Consolidated |
| Mining cost | \$11,746 | \$7,424 | \$3,169 | \$23,391 | \$45,730 |
| Milling cost | 6,187 | 6,967 | 4,827 | 14,128 | 32,109 |
| Indirect cost | 9,628 | 3,404 | 2,833 | 6,784 | 22,649 |
| Total production cost (A) | \$27,561 | \$17,794 | \$10,829 | \$44,304 | \$100,488 |
| Add: transportation and other selling cost | 274 | 136 | 88 | 20 | 569 |
| Add: smelting and refining cost | 223 | 94 | 140 | 16 | 473 |
| Add: environmental duty and royalties cost | 296 | 100 | 80 | 1,013 | 1,492 |
| Total cash cost (B) | \$28,354 | \$18,124 | \$11,137 | \$45,353 | \$103,022 |
| Workers' participation | 3,346 | 108 | 520 | — | 3,975 |
| General and administrative expenses | — | — | — | — | 5,807 |
| Share-based payments | — | — | — | — | 3,069 |
| Accretion of decommissioning liabilities | 181 | 79 | 131 | 57 | 710 |
| Sustaining capital expenditures | 7,648 | 2,978 | 1,361 | 14,050 | 26,497 |
| Operating lease payments | 92 | 1,093 | 744 | 300 | 2,609 |
| All-In Sustaining Costs (C) | \$39,621 | \$22,382 | \$13,893 | \$59,760 | \$145,689 |
| Payable silver equivalent ounces produced (D) | 3,420,327 | 1,060,598 | 909,609 | 1,920,310 | 7,310,844 |
| Payable gold equivalent ounces produced (E) | N/A | N/A | N/A | 26,145 | N/A |
| Tonnes milled (F) | 214,205 | 234,862 | 263,645 | 230,415 | 943,126 |
| Cash cost per AgEq ounce (B/D) | \$8.29 | \$17.09 | \$12.25 | \$23.61 | \$14.09 |
| AISC per AgEq ounce (C/D) | \$11.58 | \$21.10 | \$15.28 | \$31.11 | \$19.93 |
| Cash cost per AuEq ounce (B/D) | N/A | N/A | N/A | \$1,735 | N/A |
| AISC per AuEq ounce (C/E) | N/A | N/A | N/A | \$2,286 | N/A |
| Production cost per tonne (A/F) | \$128.67 | \$75.76 | \$41.08 | \$192.17 | \$106.52 |

(expressed in thousands of U.S. Dollars,
except ounce and per ounce amounts)

Three Months Ended September 30, 2020

| | San Dimas | Santa Elena | La Encantada | Consolidated |
|--|------------------|------------------|-----------------|------------------|
| Mining cost | \$10,219 | \$4,536 | \$2,669 | \$17,424 |
| Milling cost | 4,233 | 6,847 | 4,107 | 15,187 |
| Indirect cost | 8,452 | 3,233 | 2,646 | 14,331 |
| Total production cost (A) | \$22,905 | \$14,616 | \$9,422 | \$46,943 |
| Add: transportation and other selling cost | 348 | 133 | 124 | 662 |
| Add: smelting and refining cost | 506 | 166 | 279 | 951 |
| Add: environmental duty and royalties cost | 416 | 142 | 139 | 697 |
| Total cash cost (B) | \$24,175 | \$15,057 | \$9,964 | \$49,253 |
| Workers' participation | 2,146 | 51 | 80 | 2,276 |
| General and administrative expenses | — | — | — | 5,045 |
| Share-based payments | — | — | — | 1,703 |
| Accretion of decommissioning liabilities | 136 | 71 | 116 | 570 |
| Sustaining capital expenditures | 7,047 | 2,460 | 1,075 | 12,735 |
| Operating lease payments | 60 | 192 | 644 | 1,187 |
| All-In Sustaining Costs (C) | \$33,564 | \$17,831 | \$11,879 | \$72,769 |
| Payable silver equivalent ounces produced (D) | 3,124,100 | 1,089,935 | 980,303 | 5,194,338 |
| Tonnes milled (E) | 189,918 | 204,577 | 261,425 | 655,920 |
| Cash cost per AgEq ounce (B/D) | \$7.74 | \$13.81 | \$10.16 | \$9.48 |
| AISC per AgEq ounce (C/D) | \$10.74 | \$16.36 | \$12.12 | \$14.01 |
| Production cost per tonne (A/E) | \$120.60 | \$71.44 | \$36.04 | \$71.56 |

(expressed in thousands of U.S. Dollars,
except ounce and per ounce amounts)

Nine Months Ended September 30, 2021

| | San Dimas | Santa Elena | La Encantada | Jerritt Canyon | Consolidated |
|--|------------------|--------------------|---------------------|-----------------------|---------------------|
| Mining cost | \$36,038 | \$21,972 | \$9,692 | \$38,209 | \$105,911 |
| Milling cost | 21,097 | 21,080 | 13,688 | 22,254 | 78,119 |
| Indirect cost | 29,459 | 10,752 | 8,411 | 9,834 | 58,457 |
| Total production cost (A) | \$86,594 | \$53,803 | \$31,791 | \$70,298 | \$242,486 |
| Add: transportation and other selling cost | 984 | 458 | 324 | 33 | 1,958 |
| Add: smelting and refining cost | 1,064 | 358 | 479 | 27 | 1,928 |
| Add: environmental duty and royalties cost | 1,092 | 356 | 290 | 1,395 | 3,133 |
| Total cash cost (B) | \$89,734 | \$54,975 | \$32,884 | \$71,753 | \$249,505 |
| Workers' participation | 9,364 | 215 | 758 | — | 10,338 |
| General and administrative expenses | — | — | — | — | 18,802 |
| Share-based payments | — | — | — | — | 9,431 |
| Accretion of decommissioning liabilities | 541 | 237 | 393 | 323 | 2,277 |
| Sustaining capital expenditures | 26,553 | 12,122 | 3,344 | 18,678 | 62,277 |
| Operating lease payments | 217 | 1,776 | 2,078 | 515 | 5,712 |
| All-In Sustaining Costs (C) | \$126,409 | \$69,325 | \$39,457 | \$91,269 | \$358,342 |
| Payable silver equivalent ounces produced (D) | 9,504,954 | 3,083,303 | 2,495,405 | 3,189,438 | 18,273,100 |
| Payable gold equivalent ounces produced (E) | N/A | N/A | N/A | 44,907 | N/A |
| Tonnes milled (F) | 616,053 | 654,600 | 735,905 | 377,026 | 2,383,584 |
| Cash cost per AgEq ounce (B/D) | \$9.44 | \$17.83 | \$13.18 | \$22.41 | \$13.65 |
| AISC per AgEq ounce (C/D) | \$13.30 | \$22.48 | \$15.81 | \$28.53 | \$19.60 |
| Cash cost per AuEq ounce (B/D) | N/A | N/A | N/A | \$1,598 | N/A |
| AISC per AuEq ounce (C/E) | N/A | N/A | N/A | \$2,032 | N/A |
| Production cost per tonne (A/E) | \$140.56 | \$82.18 | \$43.19 | \$186.46 | \$101.73 |

(expressed in thousands of U.S. Dollars, except ounce and per ounce amounts)

Nine Months Ended September 30, 2020

| | San Dimas | Santa Elena | La Encantada | Consolidated |
|--|------------------|--------------------|---------------------|----------------------|
| Mining cost | \$27,992 | \$11,491 | \$6,492 | \$45,975 |
| Milling cost | 13,290 | 16,879 | 10,762 | 40,931 |
| Indirect cost | 21,735 | 7,331 | 6,630 | 35,696 |
| Total production cost (A) | \$63,018 | \$35,701 | \$23,884 | \$122,603 |
| Add: transportation and other selling cost | 791 | 263 | 265 | 1,504 |
| Add: smelting and refining cost | 1,133 | 327 | 508 | 1,981 |
| Add: environmental duty and royalties cost | 853 | 298 | 196 | 1,345 |
| Total cash cost (B) | \$65,795 | \$36,589 | \$24,853 | \$127,433 |
| Workers' participation | 10,560 | 151 | 290 | 11,000 |
| General and administrative expenses | — | — | — | 16,250 |
| Share-based payments | — | — | — | 6,028 |
| Accretion of decommissioning liabilities | 416 | 217 | 352 | 1,739 |
| Sustaining capital expenditures | 18,362 | 6,397 | 2,814 | 31,496 |
| Operating lease payments | 233 | 289 | 1,927 | 3,325 |
| All-In Sustaining Costs (C) | \$95,366 | \$43,643 | \$30,236 | \$197,271 |
| Payable silver equivalent ounces produced (D) | 9,188,868 | 3,276,798 | 2,417,859 | 14,883,525.43 |
| Tonnes milled (E) | 504,417 | 472,000 | 612,204 | 1,588,621 |
| Cash cost per AgEq ounce (B/D) | \$7.16 | \$11.17 | \$10.28 | \$8.56 |
| AISC per AgEq ounce (C/D) | \$10.38 | \$13.32 | \$12.50 | \$13.25 |
| Production cost per tonne (A/E) | \$124.92 | \$75.64 | \$39.01 | \$77.19 |

Average Realized Silver Price per Ounce

Revenues are presented as the net sum of invoiced revenues related to delivered shipments of silver doré bars and concentrates, including associated metal by-products of gold, lead and zinc after having deducted refining and smelting charges, and after elimination of intercompany shipments of silver, silver being minted into coins, ingots and bullion products.

The following is an analysis of the gross revenues prior to refining and smelting charges, and shows deducted smelting and refining charges to arrive at the net reportable revenue for the period per IFRS. Gross revenues are divided into payable silver equivalent ounces sold to calculate the average realized price per ounce of silver equivalents sold.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues as reported | \$124,646 | \$125,881 | \$379,241 | \$246,801 |
| Add back: smelting and refining charges | 474 | 951 | 1,929 | 1,981 |
| Gross revenues | 125,120 | 126,832 | 381,170 | 248,782 |
| Less: Sandstorm gold revenues | (689) | (802) | (2,028) | (2,056) |
| Less: Wheaton gold revenues | (7,014) | (5,930) | (20,226) | (16,485) |
| Gross revenues, excluding Sandstorm, Wheaton (A) | \$117,417 | \$120,100 | \$358,916 | \$230,241 |
| Payable silver equivalent ounces sold | 6,061,557 | 6,328,867 | 16,575,585 | 14,294,458 |
| Less: Payable silver equivalent ounces sold to Sandstorm | (112,423) | (138,087) | (308,105) | (418,612) |
| Less: Payable silver equivalent ounces sold to Wheaton | (865,884) | (871,856) | (2,321,765) | (2,209,612) |
| Payable silver equivalent ounces sold, excluding Sandstorm and Wheaton (B) | 5,083,250 | 5,318,924 | 13,945,715 | 11,666,234 |
| Average realized silver price per ounce (A/B) | \$23.10 | \$22.58 | \$25.74 | \$19.74 |
| Average market price per ounce of silver per COMEX | \$24.31 | \$24.35 | \$25.75 | \$19.21 |

Cash Flow per Share

Cash Flow per Share is determined based on operating cash flows before movements in working capital and income taxes, as illustrated in the consolidated statements of cash flow, divided by the weighted average shares outstanding during the period.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Operating Cash Flows before Working Capital and Taxes | \$22,605 | \$52,220 | \$104,926 | \$59,119 |
| Weighted average number of shares on issue - basic | 256,363,759 | 214,919,070 | 240,687,196 | 211,333,281 |
| Cash Flow per Share | \$0.09 | \$0.24 | \$0.44 | \$0.28 |

Adjusted Earnings per Share (“Adjusted EPS”)

The Company uses the financial measure “Adjusted EPS” to supplement information in its consolidated financial statements. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information to evaluate the Company’s performance. The Company excludes certain non-cash and unusual items from net earnings to provide a measure which allows the Company and investors to evaluate the operating results of the underlying core operations. The presentation of Adjusted EPS is not meant to be a substitute for EPS presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measure.

The following table provides a detailed reconciliation of net earnings (losses) as reported in the Company’s consolidated financial statements to adjusted net earnings and Adjusted EPS:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net (loss) earnings as reported | (\$18,406) | \$30,946 | (\$952) | (\$11,458) |
| Adjustments for non-cash or unusual items: | | | | |
| Deferred income tax (recovery) expense | (8,073) | 9,551 | (19,266) | 7,863 |
| Share-based payments | 3,069 | 1,703 | 9,431 | 6,028 |
| Loss (gain) from investment in derivatives and marketable securities | 5,169 | (2,497) | 2,298 | (4,418) |
| Write-down on assets held-for-sale | — | — | 2,081 | — |
| Write-down (recovery) of mineral inventory | — | — | 6,034 | (443) |
| Acquisition costs | 127 | — | 1,950 | — |
| Unrealized (gain) loss on foreign currency derivatives | — | (7,541) | — | 4,862 |
| Standby costs related to COVID-19 Suspension | — | — | — | 7,162 |
| (Gain) loss on divestiture of exploration projects | — | (6,421) | — | 3,685 |
| Adjusted net (loss) earnings | (\$18,114) | \$25,741 | \$1,576 | \$13,281 |
| Weighted average number of shares on issue - basic | 256,363,759 | 214,919,070 | 240,687,196 | 211,333,281 |
| Adjusted EPS | (\$0.07) | \$0.12 | \$0.01 | \$0.06 |

Working Capital and Available Liquidity

Working capital is determined based on current assets and current liabilities as reported in the Company’s consolidated financial statements. The Company uses working capital as a measure of the Company’s short-term financial health and operating efficiency. Available liquidity includes the Company’s working capital and undrawn revolving credit facility.

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Current Assets | \$400,123 | \$356,046 |
| Less: Current Liabilities | (137,646) | (101,626) |
| Working Capital | \$262,477 | \$254,420 |
| Available Undrawn Revolving Credit Facility | 10,000 | 65,000 |
| Available Liquidity | \$272,477 | \$319,420 |

Disclosure Controls and Procedures

The Company's management, with the participation of its President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that, as of September 30, 2021, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's management, with the participation of its CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in the rules of the United States Securities and Exchange Commission and the Canadian Securities Administrators. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB. The Company's internal control over financial reporting includes policies and procedures that:

- maintain records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary for preparation of financial statements in accordance with IFRS as issued by IASB;
- provide reasonable assurance that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

Management excluded from its assessment the internal controls, policies and procedures of Jerritt Canyon, which the Company acquired control on April 30, 2021. Jerritt Canyon's total assets, net assets, total revenues and net profit/loss on a combined basis constitute approximately 35%, 39%, 21% and 1,906%, respectively, of the condensed interim consolidated financial statement amounts as of September 30, 2021. This limitation of scope is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of DC&P or ICFR to exclude a business that the issuer acquired not more than 365 days before the end of the financial period to which the CEO's and CFO's certification of annual filings relates. With the exception of the internal controls of Jerritt Canyon, there have been no significant changes in our internal controls during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, may not prevent or detect all misstatements because of inherent limitations. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

CAUTIONARY STATEMENTS

Cautionary Note regarding Forward-Looking Statements

Certain information contained herein this MD&A constitutes forward-looking statements under applicable securities laws (collectively, "**forward-looking statements**"). These statements relate to future events or the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to: commercial mining operations; anticipated mineral recoveries; projected quantities of future mineral production; statements with respect to the Company's business strategy; future planning processes; anticipated development, expansion, exploration activities and production rates; the estimated cost and timing of plant improvements at the Company's operating mines and development of the Company's development projects; the timing of completion of exploration programs and drilling programs; the repayment of the Debentures; statements with respect to the Company's future financial position including operating efficiencies, cash flow, capital budgets, costs and expenditures; the preparation of technical reports and completion of preliminary economic assessments; the repurchase of the Company's shares; viability of the Company's projects; potential metal recovery rates; the conversion of the Company's securities. All statements other than statements of historical fact may be forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "forecast", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements".

Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, without limitation: the inherent risks involved in the mining, exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project delays or cost overruns or unanticipated excessive operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future, and other factors described in the Company's Annual Information Form under the heading "Risk Factors".

The Company believes that the expectations reflected in any such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included herein this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. Actual results may differ materially from those expressed or implied by such forward-looking statements.

Cautionary Note regarding Reserves and Resources

National Instrument 43-101 (“NI 43-101”), issued by the Canadian Securities Administrators, lays out the standards of disclosure for mineral projects. This includes a requirement that a certified Qualified Person (“QP”) (as defined under the NI 43-101) supervises the preparation of the mineral reserves and mineral resources. Ramon Mendoza, P. Eng., Vice President of Technical Services is a certified QP for the Company and has reviewed this MD&A for QP technical disclosures. All NI 43-101 technical reports can be found on the Company’s website at www.firstmajestic.com or on SEDAR at www.sedar.com.

Cautionary Note to United States Investors Concerning Estimates of Mineral Reserves and Resources

This Management’s Discussion and Analysis has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ in certain material respects from the disclosure requirements of United States securities laws. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian NI 43-101 Standards of Disclosure for Mineral Projects and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) - CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the disclosure requirements promulgated by the Securities and Exchange Commission (the “Commission”) and contained in Industry Guide 7 (“Industry Guide 7”). Under Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report mineral reserves, the three-year historical average price is used in any mineral reserve or cash flow analysis to designate mineral reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

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

Accordingly, information contained in this Management’s Discussion and Analysis may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations of the Commission thereunder.

Additional Information

Additional information on the Company, including the Company’s Annual Information Form and the Company’s audited consolidated financial statements for the year ended December 31, 2020, is available on SEDAR at www.sedar.com and on the Company’s website at www.firstmajestic.com.