



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(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
May 10, 2016

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

Raymond Polman, CA
Chief Financial Officer
May 10, 2016

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015**

Condensed Interim Consolidated Financial Statements - Unaudited

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

The Condensed Interim Consolidated Statements of Loss and Comprehensive Loss provide a summary of the Company's financial performance and net earnings or loss over the reporting periods. Also, it provides 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 March 31,	
		2016	2015
Revenues	5	\$ 66,509	\$ 54,569
Cost of sales (excludes depletion, depreciation and amortization)	6	37,262	32,336
Gross margin		29,247	22,233
Depletion, depreciation and amortization		19,878	17,237
Mine operating earnings		9,369	4,996
General and administrative expenses	7	3,875	4,339
Share-based payments		1,147	1,609
Foreign exchange gain		(1,744)	(1,512)
Operating earnings		6,091	560
Investment and other (loss) income	8	(44)	1,792
Finance costs	9	(4,695)	(1,620)
Earnings before income taxes		1,352	732
Income taxes			
Current income tax expense	20	948	143
Deferred income tax expense	20	7,837	1,694
		8,785	1,837
Net loss and comprehensive loss for the period		\$ (7,433)	\$ (1,105)
Loss per common share			
Basic and diluted	10	\$ (0.05)	\$ (0.01)
Weighted average shares outstanding			
Basic and diluted	10	155,692,432	117,594,640

Approved by the Board of Directors



Keith Neumeyer, Director



Douglas Penrose, Director

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

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015**

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 March 31,	
		2016	2015
Operating Activities			
Net loss and comprehensive loss for the period		\$ (7,433)	\$ (1,105)
Adjustments for:			
Depletion, depreciation and amortization		20,067	17,419
Share-based payments		1,147	1,609
Income tax expense	20	8,785	1,837
Finance costs	9	4,695	1,620
Other	23	(2,289)	(4,066)
Operating cash flows before movements in working capital and taxes		24,972	17,314
Net change in non-cash working capital items	23	(1,285)	(8,333)
Income taxes paid		(1,579)	(2,631)
Cash generated by operating activities		22,108	6,350
Investing Activities			
Expenditures on mining interests		(7,790)	(11,366)
Acquisition of property, plant and equipment		(1,658)	(786)
Deposits paid for the acquisition of non-current assets		(56)	(1,259)
Proceeds from disposal of marketable securities		48	-
Cash used in investing activities		(9,456)	(13,411)
Financing Activities			
Proceeds from exercise of stock options		1,614	-
Proceeds from term loan, net of issuance cost	17(a)	33,709	-
Proceeds from revolving credit facility, net of issuance cost	17(b)	16,161	-
Repayment of prepayment facilities	18	(31,604)	(5,689)
Repayment of SilverCrest credit facility	17(b)	(15,000)	-
Repayment of lease obligations		(2,508)	(3,541)
Finance costs paid		(4,450)	(1,132)
Cash used in financing activities		(2,078)	(10,362)
Effect of exchange rate on cash and cash equivalents held in foreign currencies		141	(538)
Increase (decrease) in cash and cash equivalents		10,574	(17,423)
Cash and cash equivalents, beginning of period		51,018	40,345
Cash and cash equivalents, end of period		\$ 61,733	\$ 22,384
Cash		\$ 61,114	\$ 22,384
Short-term investments		619	-
Cash and cash equivalents, end of period		\$ 61,733	\$ 22,384
Supplemental cash flow information	23		

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

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2016 AND DECEMBER 31, 2015**

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	March 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		\$ 61,733	\$ 51,018
Trade and other receivables	11	24,500	24,491
Income taxes receivable		1,567	-
Inventories	12	20,199	22,204
Other financial assets	13	7,751	5,701
Prepaid expenses and other		1,795	1,371
Total current assets		117,545	104,785
Non-current assets			
Mining interests	14	384,911	387,337
Property, plant and equipment	15	251,535	259,741
Deposits on non-current assets		3,526	3,484
Deferred tax assets	20	37,063	34,353
Total assets		\$ 794,580	\$ 789,700
Liabilities and Equity			
Current liabilities			
Trade and other payables	16	\$ 39,286	\$ 41,899
Unearned revenue		1,612	2,231
Current portion of debt facilities	17	9,342	15,000
Current portion of prepayment facilities	18	-	19,859
Current portion of lease obligations	19	9,456	9,594
Income taxes payable		-	618
Total current liabilities		59,696	89,201
Non-current liabilities			
Debt facilities	17	40,780	-
Prepayment facilities	18	-	11,383
Lease obligations	19	5,952	7,357
Decommissioning liabilities		15,650	15,592
Other liabilities		1,332	1,334
Deferred tax liabilities	20	130,870	120,114
Total liabilities		254,280	244,981
Equity			
Share capital	21	559,404	557,477
Equity reserves		60,148	59,061
Accumulated deficit		(79,252)	(71,819)
Total equity		540,300	544,719
Total liabilities and equity		\$ 794,580	\$ 789,700

Commitments (Note 14(d), Note 22(c)); Subsequent events (Note 24))

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

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015**

Condensed Interim Consolidated Financial Statements - Unaudited

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

The Condensed Interim 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			Retained earnings	
	Shares	Amount	Share-based payments ^(a)	Foreign currency translation ^(b)	Total equity reserves	(Accumulated deficit)	Total equity
Balance at December 31, 2014	117,594,640	\$ 430,588	\$ 53,648	\$ (308)	\$ 53,340	\$ 36,605	\$ 520,533
Net loss and total comprehensive loss	-	-	-	-	-	(1,105)	(1,105)
Share-based payments	-	-	1,609	-	1,609	-	1,609
Balance at March 31, 2015	117,594,640	\$ 430,588	\$ 55,257	\$ (308)	\$ 54,949	\$ 35,500	\$ 521,037
Balance at December 31, 2015	155,588,238	\$ 557,477	\$ 59,369	\$ (308)	\$ 59,061	\$ (71,819)	\$ 544,719
Net loss and total comprehensive loss	-	-	-	-	-	(7,433)	(7,433)
Share-based payments	-	-	1,147	-	1,147	-	1,147
Shares issued for:							
Exercise of stock options (note 21(b))	368,782	1,674	(60)	-	(60)	-	1,614
Settlement of liabilities	75,284	253	-	-	-	-	253
Balance at March 31, 2016	156,032,304	\$ 559,404	\$ 60,456	\$ (308)	\$ 60,148	\$ (79,252)	\$ 540,300

- (a) Share-based payments reserve records the cumulative amount recognized under IFRS 2 in respect of options granted and shares purchase warrants issued but not exercised to acquire shares of the Company.
- (b) Foreign currency translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations within the Company into the US dollar presentation currency. All of the Company's entities have the US dollar as their functional currency and, thus, there were no changes in the foreign currency translation reserve.

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)

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 production in Mexico. The Company presently owns and operates six producing silver mines: the Santa Elena Silver/Gold Mine, La Encantada Silver Mine, La Parrilla Silver Mine, Del Toro Silver Mine, San Martin Silver Mine and the La Guitarra Silver Mine.

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”, on the Mexican Stock Exchange under the symbol “AG” 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 1805, 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*”, and International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

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, 2015, with the exception of the adoption of the amendments to IFRSs included in the Annual Improvements 2012-2014 cycle and a number of narrow scope amendments to certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2016. The amendments did not have an impact on the Company’s unaudited condensed interim consolidated financial statements. 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, 2015, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These condensed interim consolidated financial statements have been prepared on an historical cost basis except for certain items that are measured at fair value including derivative financial instruments (Note 22(a)) and marketable securities (Note 13). 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 of First Majestic for the three months ended March 31, 2016 and 2015 were approved and authorized for issue by the Board of Directors on May 10, 2016.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS

The Company’s management makes judgements 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.

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)

3. SIGNIFICANT ESTIMATES AND JUDGMENTS (continued)

In preparing the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016, the Company applied the critical judgements and estimates disclosed in note 3 of its audited consolidated financial statements for the year ended December 31, 2015.

4. SEGMENTED INFORMATION

For the three months ended March 31, 2016, the Company had eight reporting segments (March 31, 2015 – seven), including six operating segments located in Mexico, one retail market segment in Canada and one metal marketing segment in Europe. "Others" consists primarily of the Company's other development and exploration properties (Note 14), debt facilities (Note 17), prepayment facilities (Note 18), intercompany eliminations, and corporate expenses which are not allocated to operating segments.

All of the Company's operations are within the mining industry and its major products are precious metals doré and precious and base metals concentrates which are refined or smelted into pure silver, gold, lead and zinc 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.

Management evaluates segment performance based on mine operating earnings. Therefore, other income and expense items are not allocated to the segments.

	Three Months Ended March 31, 2016					At March 31, 2016	
	Revenue	Cost of sales ⁽¹⁾	Depletion, depreciation and amortization	Mine operating earnings (loss)	Capital expenditures	Total assets	Total liabilities
Mexico							
Santa Elena ⁽²⁾	\$ 23,637	\$ 11,719	\$ 3,820	\$ 8,098	\$ 4,163	\$ 107,898	\$ 18,483
La Encantada	17,238	11,952	4,632	654	619	101,927	28,125
La Parrilla	10,891	5,434	4,748	709	1,480	180,449	45,088
Del Toro	6,148	4,292	3,659	(1,803)	898	163,646	12,801
San Martin	8,792	4,447	1,505	2,840	976	87,311	28,136
La Guitarra	4,307	2,540	1,432	335	1,177	58,362	8,595
Canada							
Coins and Bullion Sales	164	164	-	-	-	306	2
Europe							
Silver Sales	14,082	14,076	-	6	-	4,866	419
Others	(18,750)	(17,362)	82	(1,470)	223	89,815	112,631
Consolidated	\$ 66,509	\$ 37,262	\$ 19,878	\$ 9,369	\$ 9,536	\$ 794,580	\$ 254,280

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)

4. SEGMENTED INFORMATION (continued)

	Three Months Ended March 31, 2015					At December 31, 2015	
	Revenue	Cost of sales ⁽¹⁾	Depletion, depreciation and amortization	Mine operating earnings (loss)	Capital expenditures	Total assets	Total liabilities
Mexico							
Santa Elena ⁽²⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,713	\$ 20,773
La Encantada	9,880	7,953	5,620	(3,693)	3,756	101,092	38,857
La Parrilla	12,379	8,222	4,526	(369)	4,323	179,108	29,506
Del Toro	18,069	8,367	3,141	6,561	3,295	165,587	27,164
San Martin	11,431	5,157	2,189	4,085	2,177	86,291	28,226
La Guitarra	3,406	2,509	1,658	(761)	1,633	56,351	11,920
Canada							
Coins and Bullion Sales	91	123	-	(32)	-	282	1
Europe							
Silver Sales	23,273	23,265	-	8	-	7,413	2,394
Others	(23,960)	(23,260)	103	(803)	575	56,863	86,140
Consolidated	\$ 54,569	\$ 32,336	\$ 17,237	\$ 4,996	\$ 15,759	\$ 789,700	\$ 244,981

(1) Cost of sales excludes depletion, depreciation and amortization.

(2) Santa Elena was acquired on October 1, 2015.

During the three months ended March 31, 2016, the Company had five (March 31, 2015 – four) major customers that account for 100% of its doré and concentrate sales revenue. The Company had three customers that accounted for 40%, 29%, and 20% of total revenue in 2016, and three customers that accounted for 53%, 21% and 20% of total revenue in the three months ended March 31, 2015.

5. REVENUES

Revenues from sale of metal, including by-products, are recorded net of smelting and refining costs. Precious metals contained in doré form are sold and priced on delivery to the customer. Metals in concentrate form are sold and provisionally priced on delivery. Final settlements are based on market price at a predetermined future date, typically one month after delivery.

Revenues for the period are summarized as follows:

	Three Months Ended March 31,	
	2016	2015
Gross revenue from payable metals:		
Silver	\$ 46,203	\$ 44,925
Gold	16,602	3,192
Lead	6,902	9,732
Zinc	3,282	4,962
Gross revenue	\$ 72,989	\$ 62,811
Less: smelting and refining costs	(6,480)	(8,242)
Revenues	\$ 66,509	\$ 54,569
Silver as % of gross revenue	63%	72%

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)

5. REVENUES (continued)

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 a designated area of its underground operations. The selling price is based on the lower of the prevailing market price or \$350 per ounce until fulfillment of 50,000 ounces, after which the price will increase to the lower of the prevailing market price or \$450 per ounce, subject to a 1% annual inflation commencing in April 2014.

During the quarter ended March 31, 2016, the Company delivered 3,273 ounces of gold to Sandstorm under the purchase agreement at an average price of \$357 per ounce, compared to the average market price of \$1,181 per ounce during the period. As at March 31, 2016, the Santa Elena mine has delivered 36,002 cumulative ounces of gold to Sandstorm.

6. 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 March 31,	
	2016	2015
Production costs	\$ 33,676	\$ 29,624
Inventory changes	1,498	711
Cost of goods sold	\$ 35,174	\$ 30,335
Transportation and other selling costs	1,206	1,476
Workers participation costs	131	4
Environmental duties and royalties	319	330
Other costs	432	191
	\$ 37,262	\$ 32,336

7. 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 March 31,	
	2016	2015
Corporate administration	\$ 874	\$ 963
Salaries and benefits	2,025	2,102
Audit, legal and professional fees	488	776
Filing and listing fees	131	129
Directors fees and expenses	168	187
Depreciation	189	182
	\$ 3,875	\$ 4,339

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)

8. INVESTMENT AND OTHER (LOSS) INCOME

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

	Three Months Ended March 31,	
	2016	2015
(Loss) gain from fair value adjustment of prepayment facilities	\$ (1,255)	\$ 468
Gain from investment in marketable securities (Note 13)	1,017	128
Interest income and other	194	2
Equity loss on investment in associates	-	(73)
Gain from investment in derivatives	-	1,267
	\$ (44)	\$ 1,792

9. FINANCE COSTS

Finance costs are primarily related to interest and accretion expense on the Company's prepayment facilities, debt facilities and finance leases. The Company's finance costs in the period are summarized as follows:

	Three Months Ended March 31,	
	2016	2015
Prepayment facilities	\$ 261	\$ 913
Debt facilities (Note 17)	354	-
Finance leases	266	415
Loss on early settlement of prepayment facilities (Note 18)	3,506	-
Silver sales and other	91	95
Accretion of decommissioning liabilities	217	197
	\$ 4,695	\$ 1,620

10. EARNINGS OR LOSS PER SHARE

Basic net 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 per share adjusts basic net earnings per share for the effects of dilutive potential common shares.

The calculations of basic and diluted earnings per share for the periods ended March 31, 2016 and 2015 are based on the following:

	Three Months Ended March 31,	
	2016	2015
Net loss for the period	\$ (7,433)	\$ (1,105)
Weighted average number of shares on issue - diluted ⁽¹⁾	155,692,432	117,594,640
Loss per share - basic and diluted	\$ (0.05)	\$ (0.01)

(1) Diluted weighted average number of shares excludes 12,030,321 (2015 – 8,254,013) options that were anti-dilutive for the period ended March 31, 2016.

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)

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Company are comprised of:

	March 31, 2016	December 31, 2015
Trade receivables	\$ 5,214	\$ 3,249
Value added taxes and other taxes receivable	17,586	19,674
Other	1,700	1,568
	\$ 24,500	\$ 24,491

At March 31, 2016, value added taxes (“VAT”) receivable was related to \$8.6 million (2015 - \$11.1 million) of monthly VAT filings of Nusantara, a subsidiary of the recently acquired SilverCrest Mines Inc. (“SilverCrest”), that were delayed due to a prior audit from the Mexican tax authorities. In March 2016, the Company collected \$4.5 million of the outstanding balance of value added taxes related to the audit of Nusantara. The Company is now proceeding to file the remaining VAT claims for the period from June 2015 to March 2016. The Company believes the balance is fully recoverable within the next twelve months and, therefore, has not provided an allowance against this balance nor reclassified the balance as non-current.

As at March 31, 2016, other receivables include a total amount of \$1.2 million (2015 - \$1.1 million) receivable from First Mining Finance Corp. (“First Mining”), a related party, which is repayable on demand and bears an interest rate of 9% per annum.

12. 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 and net realizable value. Inventories of the Company are comprised of:

	March 31, 2016	December 31, 2015
Finished goods - doré and concentrates	\$ 1,290	\$ 3,194
Work-in-process	1,281	1,282
Stockpile	545	93
Silver coins and bullion	191	212
Materials and supplies	16,892	17,423
	\$ 20,199	\$ 22,204

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. As at March 31, 2016, mineral inventories, which consist of stockpile, work-in-process and finished goods, include a \$0.2 million (December 31, 2015 - \$0.8 million) write-down which was recognized in cost of sales during the period.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

13. OTHER FINANCIAL ASSETS

As at March 31, 2016, other financial assets consist of the Company's investment in marketable securities and foreign exchange derivatives.

(a) Marketable Securities

These marketable securities are classified as FVTPL financial assets, with changes in fair value recorded through profit or loss.

	March 31, 2016	December 31, 2015
First Mining Finance Corp. (TSX.V: FF)	\$ 4,474	\$ 3,564
Sprott Physical Silver Trust (NYSE: PSLV)	2,485	2,108
SilverCrest Metals Inc. (TSX.V: SIL)	-	29
	\$ 6,959	\$ 5,701

During the three months ended March 31, 2016, the Company recognized an unrealized gain of \$1.0 million (March 31, 2015 - \$0.1 million) related to fair value adjustments to its FVTPL marketable securities.

(b) Foreign Exchange Derivatives

As at March 31, 2016, the Company carried foreign exchange forward contracts, with expiries in April and May 2016, to hedge its exposure on the Mexican peso. These forward contracts have a fair value of \$0.8 million as at March 31, 2016 (December 31, 2015 – liability of \$0.3 million) based on market quoted price.

14. MINING INTERESTS

Mining interests primarily consist of acquisition, exploration, development and field support 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:

	March 31, 2016	December 31, 2015
Producing properties	\$ 306,143	\$ 309,295
Exploration properties (non-depletable)	78,768	78,042
	\$ 384,911	\$ 387,337

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

14. MINING INTERESTS (continued)

Producing properties are allocated as follows:

Producing properties	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Total
Cost							
At December 31, 2014	\$ -	\$ 72,491	\$ 125,559	\$ 61,913	\$ 67,327	\$ 66,259	\$ 393,549
Acquired from SilverCrest	15,519	-	-	-	-	-	15,519
Additions	2,240	5,002	9,115	8,427	5,115	6,340	36,239
Change in decommissioning liabilities	(105)	(195)	(406)	(3)	(34)	(119)	(862)
Transfer from exploration properties	-	4,177	7,656	17,606	7,588	17,397	54,424
At December 31, 2015	\$ 17,654	\$ 81,475	\$ 141,924	\$ 87,943	\$ 79,996	\$ 89,877	\$ 498,869
Additions	2,590	527	1,117	540	776	817	6,367
At March 31, 2016	\$ 20,244	\$ 82,002	\$ 143,041	\$ 88,483	\$ 80,772	\$ 90,694	\$ 505,236
Accumulated depletion and impairment							
At December 31, 2014	\$ -	\$ (14,549)	\$ (24,816)	\$ (12,402)	\$ (30,687)	\$ (34,696)	\$ (117,150)
Depletion and amortization	(544)	(15,019)	(7,287)	(5,898)	(2,953)	(5,509)	(37,210)
Impairment	-	(12,543)	(5,803)	(2,212)	-	(14,656)	(35,214)
At December 31, 2015	\$ (544)	\$ (42,111)	\$ (37,906)	\$ (20,512)	\$ (33,640)	\$ (54,861)	\$ (189,574)
Depletion and amortization	(570)	(2,441)	(2,727)	(1,731)	(931)	(1,119)	(9,519)
At March 31, 2016	\$ (1,114)	\$ (44,552)	\$ (40,633)	\$ (22,243)	\$ (34,571)	\$ (55,980)	\$ (199,093)
Carrying values							
At December 31, 2015	\$ 17,110	\$ 39,364	\$ 104,018	\$ 67,431	\$ 46,356	\$ 35,016	\$ 309,295
At March 31, 2016	\$ 19,130	\$ 37,450	\$ 102,408	\$ 66,240	\$ 46,201	\$ 34,714	\$ 306,143

Exploration properties are allocated as follows:

Exploration properties	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other	Total
Cost								
At December 31, 2014	\$ -	\$ 8,345	\$ 15,261	\$ 35,310	\$ 15,175	\$ 34,794	\$ 37,379	\$ 146,264
Acquired from SilverCrest	-	-	-	-	-	-	432	432
Exploration and evaluation expenditures	-	1,879	1,188	2,046	461	380	1,308	7,262
Change in decommissioning liabilities	-	-	-	-	-	-	(266)	(266)
Impairment	-	(1,456)	(463)	(635)	-	(5,233)	(13,439)	(21,226)
Transfer to producing properties	-	(4,177)	(7,656)	(17,606)	(7,588)	(17,397)	-	(54,424)
At December 31, 2015	\$ -	\$ 4,591	\$ 8,330	\$ 19,115	\$ 8,048	\$ 12,544	\$ 25,414	\$ 78,042
Exploration and evaluation expenditures	138	3	197	142	199	45	2	726
At March 31, 2016	\$ 138	\$ 4,594	\$ 8,527	\$ 19,257	\$ 8,247	\$ 12,589	\$ 25,416	\$ 78,768

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

The Santa Elena Mine has a gold streaming agreement with Sandstorm, which requires the mine to sell 20% of its life of mine gold production from a designated area of its underground operations to Sandstorm. The selling price is based on the lower of the prevailing market price or \$350 per ounce until fulfillment of 50,000 ounces, after which the price will increase to the lower of the prevailing market price or \$450 per ounce, adjusted for a 1% annual inflation commencing in April 2014. As at March 31, 2016, the Santa Elena mine has delivered 36,002 cumulative ounces of gold to Sandstorm.

(b) La Parrilla Silver Mine, Durango State

The La Parrilla Silver Mine has a net smelter royalty ("NSR") agreement of 1.5% of sales revenue associated with the Quebradillas Mine within the La Parrilla mining complex, with a maximum cumulative payable of \$2.5 million. During the three months ended March 31, 2016, the Company paid royalties of \$nil (2015 - \$0.1 million), respectively. As at March 31, 2016, total royalties paid to date for the Quebradillas NSR are \$2.4 million (December 31, 2015 - \$2.4 million).

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

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14. MINING INTERESTS (continued)

(c) Del Toro Silver Mine, Zacatecas State

In 2013, the Company entered into several option agreements to acquire six mineral properties adjacent to the Del Toro Silver Mine, consisting of 492 hectares of mineral rights. If fully exercised, total option payments will amount to \$3.3 million, of which \$2.9 million has been paid, and \$0.2 million is due in each of October 2016 and 2017.

(d) La Guitarra Silver Mine, State of Mexico

In 2014, the Company entered into two agreements to acquire 757 hectares of adjacent mineral rights at the La Guitarra Mine. The total purchase price amounted to \$5.4 million, of which \$5.2 million is settled in common shares of First Majestic and \$0.2 million in cash. As at March 31, 2016, the Company has paid \$3.9 million, consisting of \$0.2 million in cash and \$3.7 million in common shares. The remaining balance of \$1.5 million will be settled in three equal annual payments in October based on the Company's volume weighted average market price at the time of the payments.

15. PROPERTY, PLANT AND EQUIPMENT

The majority of the Company's property, plant and equipment are used in the Company's six operating mine segments. Property, plant and equipment are 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 machinery and equipment when they become available for use.

Property, plant and equipment are comprised of the following:

	Land and Buildings ⁽¹⁾	Machinery and Equipment ⁽²⁾	Assets under Construction	Other	Total
Cost					
At December 31, 2014	\$ 120,635	\$ 238,317	\$ 21,206	\$ 11,636	\$ 391,794
Acquired from SilverCrest	703	64,116	-	-	64,819
Additions	415	4,412	13,499	415	18,741
Transfers and disposals	6,531	9,203	(16,820)	331	(755)
At December 31, 2015	\$ 128,284	\$ 316,048	\$ 17,885	\$ 12,382	\$ 474,599
Additions	39	1,213	980	210	2,442
Transfers and disposals	311	2,167	(2,550)	(17)	(89)
At March 31, 2016	\$ 128,634	\$ 319,428	\$ 16,315	\$ 12,575	\$ 476,952
Accumulated depreciation, amortization and impairment					
At December 31, 2014	\$ (29,574)	\$ (88,632)	\$ -	\$ (6,550)	\$ (124,756)
Depreciation and amortization	(4,976)	(29,791)	-	(1,533)	(36,300)
Transfers and disposals	(423)	(1,356)	-	(42)	(1,821)
Impairment	(25,536)	(26,395)	-	(50)	(51,981)
At December 31, 2015	\$ (60,509)	\$ (146,174)	\$ -	\$ (8,175)	\$ (214,858)
Depreciation and amortization	(1,205)	(9,059)	-	(316)	(10,580)
Transfers and disposals	-	21	-	-	21
At March 31, 2016	\$ (61,714)	\$ (155,212)	\$ -	\$ (8,491)	\$ (225,417)
Carrying values					
At December 31, 2015	\$ 67,775	\$ 169,874	\$ 17,885	\$ 4,207	\$ 259,741
At March 31, 2016	\$ 66,920	\$ 164,216	\$ 16,315	\$ 4,084	\$ 251,535

(1) Included in land and buildings is \$5.9 million (December 31, 2015 - \$8.2 million) of land which is not subject to depreciation.

(2) Included in property, plant and equipment is \$25.7 million (December 31, 2015 - \$25.5 million) of equipment under finance lease (Note 19).

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

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15. 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:

	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other	Total
Cost								
At December 31, 2014	\$ -	\$ 100,359	\$ 92,872	\$ 113,329	\$ 44,485	\$ 20,732	\$ 20,017	\$ 391,794
Acquired from SilverCrest	64,819	-	-	-	-	-	-	64,819
Additions	763	6,903	3,738	2,197	3,482	1,055	603	18,741
Transfers and disposals	-	1,815	(325)	(433)	(2,362)	542	8	(755)
At December 31, 2015	\$ 65,582	\$ 109,077	\$ 96,285	\$ 115,093	\$ 45,605	\$ 22,329	\$ 20,628	\$ 474,599
Additions	1,435	89	166	216	1	315	220	2,442
Transfers and disposals	30	1,148	(3,763)	2,422	(221)	320	(25)	(89)
At March 31, 2016	\$ 67,047	\$ 110,314	\$ 92,688	\$ 117,731	\$ 45,385	\$ 22,964	\$ 20,823	\$ 476,952
Accumulated depreciation and amortization and impairment								
At December 31, 2014	\$ -	\$ (36,939)	\$ (28,542)	\$ (24,684)	\$ (18,390)	\$ (12,056)	\$ (4,145)	\$ (124,756)
Depreciation and amortization	(2,935)	(11,546)	(8,809)	(5,456)	(5,003)	(1,205)	(1,346)	(36,300)
Transfers and disposals	-	(283)	(619)	(776)	280	(412)	(11)	(1,821)
Impairment	-	(14,545)	(3,687)	(24,580)	-	(2,549)	(6,620)	(51,981)
At December 31, 2015	\$ (2,935)	\$ (63,313)	\$ (41,657)	\$ (55,496)	\$ (23,113)	\$ (16,222)	\$ (12,122)	\$ (214,858)
Depreciation and amortization	(3,250)	(2,191)	(2,031)	(1,928)	(574)	(313)	(293)	(10,580)
Transfers and disposals	(2)	(561)	1,683	(1,019)	120	(214)	14	21
At March 31, 2016	\$ (6,187)	\$ (66,065)	\$ (42,005)	\$ (58,443)	\$ (23,567)	\$ (16,749)	\$ (12,401)	\$ (225,417)
Carrying values								
At December 31, 2015	\$ 62,647	\$ 45,764	\$ 54,628	\$ 59,597	\$ 22,492	\$ 6,107	\$ 8,506	\$ 259,741
At March 31, 2016	\$ 60,860	\$ 44,249	\$ 50,683	\$ 59,288	\$ 21,818	\$ 6,215	\$ 8,422	\$ 251,535

16. 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 office expenses. The normal credit period for these purchases is between 30 to 90 days.

Trade and other payables are comprised of the following items:

	March 31, 2016	December 31, 2015
Trade payables	\$ 26,312	\$ 28,291
Accrued liabilities	12,974	13,608
	\$ 39,286	\$ 41,899

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

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17. DEBT FACILITIES

In February 2016, the Company entered into an agreement with The Bank of Nova Scotia and Investec Bank PLC for a senior secured debt facility (the “Debt Facilities”) consisting of a \$35.0 million term loan and a \$25.0 million revolving credit facility. The 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.

The Debt Facilities include financial covenants, to be tested quarterly on a consolidated basis, requiring First Majestic to maintain the following: (a) a leverage ratio based on total debt to rolling four quarters adjusted EBITDA less 50% of sustaining capital expenditures 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 \$436.0 million plus 80% of its positive earnings subsequent to December 31, 2015. The Debt Facilities also provide for negative covenants customary for these types of facilities and allows the Company to enter into capital leases up to \$30.0 million.

Details of the Debt Facilities are as follow:

(a) Term loan

The \$35.0 million term loan is repayable in 11 equal quarterly instalments of \$3.2 million in principal plus related interest, with the first instalment due in August 2016. It bears an interest rate of LIBOR plus an applicable range from 3.25% to 4.00%, depending on certain financial parameters of the Company. During the three months ended March 31, 2016, the Company incurred \$0.2 million in interest (2015 –\$nil) related to the term loan at an effective interest rate of 6.3%. Proceeds from the term loan were primarily used to settle the prepayment facilities (Note 18).

(b) Revolving credit facility

The \$25.0 million revolving credit facility matures in three years on February 8, 2019 and bears the same interest rate as the term loan plus a relevant standby fee from 0.81% to 1.00% from the undrawn portion of the facility. Proceeds from the revolving credit facility were used to replace the prior SilverCrest’s \$15.0 million credit facility that was due to expire in June 2016. As at March 31, 2016, \$16.1 million has been drawn from the facility, leaving \$8.9 million available for withdrawal. During the three months ended March 31, 2016, the Company incurred \$0.1 million in interest (2015 –\$nil) related to the revolving credit facility.

18. PREPAYMENT FACILITIES

In February 2016, the Company settled its prepayment facilities with Bank of America Merrill Lynch (“BAML”) for \$31.6 million. As a result of the early settlement, the Company incurred \$3.5 million in accelerated interest and option payments.

During the three months ended March 31, 2016, prior to the early settlement, the Company recorded an unrealized loss of \$1.3 million (2015 - gain of \$0.5 million) on the prepayment facilities and \$0.3 million (2015 – \$0.9 million) in interest expense.

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19. LEASE OBLIGATIONS

The Company has finance leases for various mine and plant equipment. These leases have terms of 36 to 60 months with interest rates ranging from 4.8% to 6.9%. Assets under finance leases are pledged as security against lease obligations. The following is a schedule of future minimum lease payments due under the Company's finance lease contracts:

	March 31, 2016	December 31, 2015
Less than one year	\$ 10,201	\$ 10,441
More than one year but not more than five years	6,241	7,700
Gross payments	16,442	18,141
Less: future finance charges	(1,034)	(1,190)
Present value of minimum lease payments	\$ 15,408	\$ 16,951
Statement of Financial Position Presentation		
Current portion of lease obligations	\$ 9,456	\$ 9,594
Non-current portion of lease obligations	5,952	7,357
Present value of minimum lease payments	\$ 15,408	\$ 16,951

20. INCOME TAXES

The following is a reconciliation of income taxes calculated at the combined Canadian federal and provincial statutory tax rate to the income tax expense for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Net earnings before tax	\$ 1,352	\$ 732
Combined statutory tax rate	26.00%	26.00%
Income tax expense computed at statutory tax rate	\$ 352	\$ 190
Reconciling items:		
Effect of different foreign statutory tax rates on earnings of subsidiaries	(144)	(244)
Impact of foreign exchange on deferred income tax assets and liabilities	(5,024)	3,093
Forfeited loss carryforwards due to deconsolidation tax liability credit ⁽¹⁾	16,949	-
Change in unrecognized deferred income tax asset ⁽¹⁾	(9,891)	(425)
7.5% mining royalty in Mexico	3,214	(1,001)
Other non-deductible expenses	182	196
Impact of inflationary adjustments	2,388	107
Other	759	(79)
Income tax expense	\$ 8,785	\$ 1,837
Current income tax expense	\$ 948	\$ 143
Deferred income tax expense	7,837	1,694
Income tax expense	\$ 8,785	\$ 1,837

- (1) In November 2015, the Mexican Tax Authorities enacted a new 2016 Mexican Tax Reform which introduced a provision that enables companies to settle a portion of its tax deconsolidation liability against past loss carryforwards that were reinstated by virtue of the Mexican Tax Reform of 2013. To claim this credit, the Company has to apply its past loss carryforwards at a discounted rate of 15% as compared to the Mexican corporate tax rate of 30%.

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

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20. INCOME TAXES (continued)

In March 2016, the Company elected to apply this new provision to reduce its deconsolidation tax liability by \$14.7 million. As the Company was carrying these tax loss carryforwards as a deferred tax asset valued at \$21.4 million, this effectively resulted in a one-time net \$6.7 million deferred tax expense related to the value of tax loss carryforwards being written off during the period.

21. 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 period is summarized in the consolidated statements of changes in equity.

(b) Stock options

Under the terms of the Company's Stock Option Plan, the maximum number of shares reserved for issuance under the Plan is 10% of the issued shares on a rolling basis. Options may be exercisable over periods of up to five 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 March 31, 2016:

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)
2.01 - 5.00	3,004,460	4.78	4.73	15,380	4.23	0.21
5.01 - 10.00	4,476,299	6.48	3.26	2,603,667	6.55	2.93
10.01 - 15.00	2,348,392	10.74	2.82	1,631,664	10.71	2.78
15.01 - 20.00	1,278,400	16.64	0.71	1,278,400	16.64	0.71
20.01 - 25.40	1,561,216	21.66	1.71	1,561,216	21.66	1.71
	12,668,767	9.76	3.08	7,090,327	12.65	2.22

The movements in stock options issued during the three months ended March 31, 2016 and the year ended December 31, 2015 are summarized as follows:

	Three Months Ended March 31, 2016		Year Ended December 31, 2015	
	Number of Options	Weighted Average Exercise Price (CAD\$/Share)	Number of Options	Weighted Average Exercise Price (CAD\$/Share)
Balance, beginning of the period	10,416,254	11.05	6,084,458	15.24
Granted	2,946,002	4.83	5,346,702	6.35
Exercised	(368,782)	5.74	-	-
Cancelled or expired	(324,707)	10.85	(1,014,906)	11.43
Balance, end of the period	12,668,767	9.76	10,416,254	11.05

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

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21. SHARE CAPITAL (continued)

(b) Stock options (continued)

During the three months ended March 31, 2016, the aggregate fair value of stock options granted was CAD\$4.7 million (2015– CAD\$6.5 million), or a weighted average fair value of CAD\$1.61 per stock option granted (2015 – CAD\$1.21).

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	Three Months Ended March 31, 2016	Year Ended December 31, 2015
Risk-free interest rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	0.59	0.80
Expected life (years)	Average of the expected vesting term and expiry term of the option	3.38	2.40
Expected volatility (%)	Historical and implied volatility of the precious metals mining sector	46.01	45.07
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	0.00	0.00

The weighted average closing share price at date of exercise for the three months ended March 31, 2016 was CAD\$8.28. No options were exercised in the three months ended March 31, 2015.

22. 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 condensed interim 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.

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.

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22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

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

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
Cash equivalents (short-term investments)	Assumed to approximate carrying value
Trade receivables (related to concentrate sales)	Receivables that are subject to provisional pricing and final price adjustment at the end of the quotational period are estimated based on observable forward price of metal per London Metal Exchange (Level 2)
Marketable securities Silver futures derivatives Foreign exchange derivatives	Based on quoted market prices for identical assets in an active market (Level 1) as at the date of statements of financial position
Financial Instruments Measured at Amortized Costs	Valuation Method
Cash and cash equivalents Trade and other receivables Trade and other payables	Approximated carrying value due to their short-term nature
Finance leases Debt facilities	Assumed to approximate carrying value

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

	March 31, 2016			December 31, 2015		
	Carrying value	Fair value measurement		Carrying value	Fair value measurement	
		Level 1	Level 2		Level 1	Level 2
Financial assets						
Trade receivables	\$ 2,233	\$ -	\$ 2,233	\$ 2,233	\$ -	\$ 2,233
Marketable securities	6,959	6,959	-	5,701	5,701	-
Foreign exchange derivatives	792	792	-	-	-	-
Financial liabilities						
Prepayment facilities	-	-	-	31,242	(1,750)	32,992

There were no transfers between levels 1, 2 and 3 during the three months ended March 31, 2016 and 2015.

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22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(b) Capital risk management

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.

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.

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

	March 31, 2016	December 31, 2015
Equity	\$ 540,300	\$ 544,719
Debt facilities	50,122	15,000
Prepayment facilities	-	31,242
Lease obligations	15,408	16,951
Less: cash and cash equivalents	(61,733)	(51,018)
	\$ 544,097	\$ 556,894

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 continuing 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 17). As at March 31, 2016 and December 31, 2015, 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 trade receivables in the ordinary course of business and VAT and other receivables (Note 11).

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through four international customers. Additionally, silver-lead concentrates and related base metal by-products are sold primarily through two international organizations with good credit ratings. Payments of receivables are scheduled, routine and 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.

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22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and contractual obligations.

The following table summarizes the maturities of the Company's financial liabilities and commitments based on the undiscounted contractual cash flows:

	Carrying Amount as at March 31, 2016	Contractual Cash Flows	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$ 39,286	\$ 39,286	\$ 39,286	\$ -	\$ -	\$ -
Debt facilities	50,122	55,808	11,561	44,247	-	-
Finance lease obligations	15,408	16,442	10,201	6,181	60	-
	\$ 104,816	\$ 111,536	\$ 61,048	\$ 50,428	\$ 60	\$ -

At March 31, 2016, the Company had working capital of \$57.9 million (2015 – \$15.6 million). 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.

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. The foreign currency derivatives are not designated as hedging instruments for accounting purposes.

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

	March 31, 2016						
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$ 2,563	\$ 1,211	\$ 4,474	\$ (984)	\$ -	\$ 7,264	\$ 726
Mexican peso	2,579	18,075	-	(20,094)	7,000	7,560	756
	\$ 5,142	\$ 19,286	\$ 4,474	\$ (21,078)	\$ 7,000	\$ 14,824	\$ 1,482

	December 31, 2015						
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$ 1,980	\$ 1,297	\$ -	\$ (1,027)	\$ -	\$ 2,250	\$ 225
Mexican peso	1,894	20,643	-	(18,258)	3,675	7,954	795
	\$ 3,874	\$ 21,940	\$ -	\$ (19,285)	\$ 3,675	\$ 10,204	\$ 1,020

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)

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Commodity Price Risk

The Company is exposed to commodity price risk on silver, gold, lead and zinc, 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:

	March 31, 2016				
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	
Metals subject to provisional price adjustments	\$ 466	\$ 74	\$ 203	\$ 102	\$ 845
Metals in doré and concentrates inventory	77	56	34	4	171
	\$ 543	\$ 130	\$ 237	\$ 106	\$ 1,016

	December 31, 2015				
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	
Metals subject to provisional price adjustments	\$ 428	\$ 44	\$ 201	\$ 77	\$ 750
Metals in doré and concentrates inventory	174	198	36	18	426
Prepayment facilities	-	-	(2,833)	(480)	(3,313)
	\$ 602	\$ 242	\$ (2,596)	\$ (385)	\$ (2,137)

Interest Rate Risk

The Company is exposed to interest rate risk on its short-term investments and debt facilities. 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 March 31, 2016, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities. The Company's finance leases bear interest at fixed rates.

Based on the Company's interest rate exposure at March 31, 2016, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. SUPPLEMENTAL CASH FLOW INFORMATION

		Three Months Ended March 31,	
	Note	2016	2015
Adjustments to reconcile net earnings to operating cash flows before movements in working capital:			
Gains from silver derivatives and marketable securities	13	\$ (1,017)	\$ (1,395)
Loss (gain) on fair value adjustment on prepayment facilities	18	586	(1,218)
Equity loss on investment in associates		-	73
Unrealized foreign exchange gain and other		(1,858)	(1,526)
		\$ (2,289)	\$ (4,066)
Net change in non-cash working capital items:			
Increase in trade and other receivables		\$ (9)	\$ (1,965)
Decrease in inventories		2,039	958
Increase in prepaid expenses and other		(424)	(747)
(Decrease) increase in income taxes payable		(877)	587
Decrease in trade and other payables		(2,014)	(7,166)
		\$ (1,285)	\$ (8,333)

24. SUBSEQUENT EVENTS

The following significant events occurred subsequent to March 31, 2016:

- In April 2016, the Company announced a CAD\$50.0 million bought-deal private placement with a syndicate of underwriters for the issuance of 4,566,000 common shares at a price of CAD\$10.95 per common share, with an overallotment option to purchase up to an additional 15% of the number of shares issued. The private placement is scheduled to close on or before May 12, 2016;
- 479,300 stock options were exercised for proceeds of CAD\$3.1 million;
- 50,000 stock options with a five year expiry and an average exercise price of CAD\$8.45 were granted; and
- 24,625 stock options were cancelled or expired.

Pursuant to the above subsequent events, the Company has 156,511,604 common shares outstanding as at the date on which these consolidated financial statements were approved and authorized for issue by the Board of Directors (see Note 2).



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED MARCH 31, 2016

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 condensed interim consolidated financial statements of First Majestic Silver Corp. ("First Majestic" or "the Company") for the three months ended March 31, 2016 and the audited consolidated financial statements for the year ended December 31, 2015, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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 May 10, 2016 unless otherwise stated.

BUSINESS OVERVIEW

First Majestic is a mining company focused on silver production in México, pursuing the development of its existing mineral property assets and acquiring new assets. During the quarter ended March 31, 2016, the Company owned and operated six producing silver mines: the Santa Elena Silver/Gold Mine, La Encantada Silver Mine, La Parrilla Silver Mine, Del Toro Silver Mine, San Martin Silver Mine and the La Guitarra Silver 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", on the Mexican Stock Exchange under the symbol "AG" and on the Frankfurt Stock Exchange under the symbol "FMV".

2016 FIRST QUARTER PERFORMANCE

Key Performance Metrics	2016-Q1	2015-Q4	Change	2015-Q1	Change
Operational					
Ore Processed / Tonnes Milled	789,591	883,377	(11%)	631,609	25%
Silver Ounces Produced	3,074,173	3,055,442	1%	2,776,855	11%
Silver Equivalent Ounces Produced	5,083,095	4,820,408	5%	3,905,270	30%
Cash Costs per Ounce ⁽¹⁾	\$5.00	\$6.04	(17%)	\$8.22	(39%)
All-in Sustaining Cost per Ounce ⁽¹⁾	\$8.97	\$11.28	(20%)	\$13.88	(35%)
Total Production Cost per Tonne ⁽¹⁾	\$42.72	\$41.44	3%	\$46.90	(9%)
Average Realized Silver Price per Ounce (\$/eq. oz.) ⁽¹⁾	\$15.08	\$15.21	(1%)	\$17.05	(12%)
Financial (in \$millions)					
Revenues	\$66.5	\$66.0	1%	\$54.6	22%
Mine Operating Earnings ⁽²⁾	\$9.4	\$3.9	141%	\$5.0	88%
Earnings (loss) before income taxes	\$1.4	(\$115.9)	101%	\$0.7	85%
Income taxes (expense) recovery, current and deferred ⁽³⁾	(\$8.8)	\$12.9	(168%)	(\$1.8)	(378%)
Net Loss	(\$7.4)	(\$103.0)	93%	(\$1.1)	(573%)
Operating Cash Flows before Working Capital and Taxes ⁽²⁾	\$25.0	\$17.5	42%	\$17.3	44%
Cash and Cash Equivalents	\$61.7	\$51.0	21%	\$22.4	176%
Working Capital (Deficit) ⁽¹⁾	\$57.8	\$15.6	271%	(\$12.6)	559%
Shareholders					
Loss per Share ("EPS") - Basic	(\$0.05)	(\$0.66)	93%	(\$0.01)	(408%)
Adjusted EPS ⁽¹⁾ (see page 32)	\$0.03	(\$0.02)	250%	(\$0.00)	1177%
Cash Flow per Share ⁽¹⁾	\$0.16	\$0.11	42%	\$0.15	9%

(1) The Company reports non-GAAP measures which include cash costs per ounce produced, all-in sustaining cost per ounce, 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 may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 30 to 33 for a reconciliation of non-GAAP to GAAP measures.

(2) The Company reports additional GAAP measures which include mine operating earnings and operating cash flows before working capital and taxes. These additional financial measures are intended to provide additional information and do not have a standardized meaning prescribed by IFRS. See "Additional GAAP Measures" on page 33.

(3) Income tax expense in the current quarter includes a one-time non-cash deferred tax expense of \$6.7 million related to an election to apply historical loss carryforwards against the deconsolidation tax liability during the period.

2016 FIRST QUARTER HIGHLIGHTS

First Quarter Production Summary	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Ore Processed / Tonnes Milled	242,539	189,140	151,916	86,869	75,863	43,265	789,591
Silver Ounces Produced	661,292	830,787	575,969	311,400	480,413	214,312	3,074,173
Silver Equivalent Ounces Produced	1,725,417	832,957	1,001,359	578,556	580,922	363,884	5,083,095
Cash Costs per Ounce	(\$3.34)	\$8.49	\$5.39	\$9.52	\$5.83	\$8.27	\$5.00
All-in Sustaining Cost per Ounce	\$1.68	\$9.33	\$7.06	\$10.76	\$7.52	\$12.91	\$8.97
Total Production Cost per Tonne	\$42.05	\$34.91	\$35.29	\$53.30	\$53.32	\$66.88	\$42.72

Operational

- In the first quarter, the Company produced a new record of 5,083,095 silver equivalents ounces, an increase of 5% compared to the fourth quarter of 2015. The increase in production was primarily attributed to increased production from the Santa Elena and La Encantada mines, which increased production 15% and 16%, respectively, compared to the previous quarter. Silver production in the quarter was 3,074,173 ounces which was comparable to the previous quarter.
- Cash cost per ounce in the quarter was \$5.00, a decrease of 17% or \$1.04 per ounce compared to the previous quarter. Improvements in cash cost per ounce was the result of the ongoing company-wide cost reduction efforts and a focus on producing profitable ounces, which resulted in decreases in cash cost per ounce at most of the Company's operations. As part of this effort, the Company was able to increase production by 5% while reducing throughput by 11%, resulting in significant cost savings in contractor, haulage, energy and reagents. Cash costs also benefited from an 8% weakening of the Mexican pesos against the U.S. dollar in the quarter.
- All-in sustaining cost per ounce ("AISC") in the first quarter was \$8.97, a decrease of 20% or \$2.31 per ounce compared to the previous quarter. The decrease in AISC was primarily attributed to reduction in cash cost per ounce, as well as decreases in general and administrative expenses and sustaining capital expenditures. Sustaining capital expenditures were also partially deferred due to a slow initiation of exploration and development activities at the beginning of the year. Sustaining costs are expected to increase slightly in the next quarter to catch up with program targets without any change in the anticipated annual outlook for sustaining costs.

Financial

- Generated revenues of \$66.5 million in the quarter, an increase of 22% or \$11.9 million compared to the first quarter of 2015 primarily due to 36% increase in silver equivalent ounces sold, related to the acquisition of the Santa Elena mine in October 2015, partially offset by a 12% reduction in average realized silver price.
- The Company recognized mine operating earnings of \$9.4 million compared to mine operating earnings of \$5.0 million in the first quarter of 2015. The increase in mine operating earnings was primarily driven by an increase in production levels and a decrease in production costs, partially offset by a decline in silver prices.
- Earnings before income taxes of \$1.4 million were \$0.6 million higher than the same quarter of the prior year, primarily due to an increase in mine operating earnings, decrease in general and administrative and share-based payments expenses, partially offset by higher finance costs related to debt restructuring during the quarter.
- Cash flow from operations before movements in working capital and income taxes in the quarter was \$25.0 million (\$0.16 per share) compared to \$17.3 million (\$0.15 per share) in the first quarter of 2015.
- In the Mexican Tax Reform of 2013, the Mexican Tax Authorities forced the reversal of the benefits of tax consolidation which required that the Company recognize a net liability of \$31.2 million at that time. In November 2015, the Mexican Tax Authorities introduced a provision which enable companies to settle a portion of its tax deconsolidation liability against past loss carryforwards at a discounted rate of 15% as compared to the Mexican corporate tax rate of 30%. In March 2016, the Company applied this new provision to reduce its deconsolidation tax liability by \$14.7 million. As the Company was previously carrying these tax loss carryforwards as a deferred tax asset valued at \$21.4 million, this effectively resulted in a one-time net \$6.7 million deferred tax expense related to the value of tax loss carryforwards being written off during the period.
- Ignoring the impact of the one-time settlement of tax losses against the deconsolidation liability, the Company generated a net loss of \$0.7 million (loss per share of \$0.00) compared to a net loss of \$1.1 million (loss per share of \$0.01) in the first quarter of 2015.

- Adjusted net earnings for the quarter were \$4.6 million (adjusted EPS of \$0.03), after excluding non-cash and non-recurring items including share-based payments, gains from marketable securities, loss from prepayment facilities, financing fees related to early debt settlement and deferred income tax expense (see “Adjusted EPS” on page 32).

Corporate Developments

- In February 2016, the Company closed a \$60.0 million debt financing agreement, consisting of a \$35.0 million term loan and \$25.0 million revolving credit facility, with a consortium of lenders. The three year term loan includes a six month repayment holiday and bears an interest rate of LIBOR plus an applicable range from 3.25% to 4.00%, depending on certain financial parameters of the Company. Proceeds from the term loan were used primarily to settle the remaining balance of the Company’s BAML lead and zinc prepayment facilities and associated call options. The revolving credit facility expires in three years and bears the same interest as the term loan, and a relevant standby fee from 0.81% to 1.00% for the undrawn portion of the facility. The revolving credit facility was used to replace the prior SilverCrest \$15.0 million credit line due to expire in June 2016, with the remainder available for general working capital purposes. The debt financing added approximately \$32.0 million to the Company’s working capital by deferring \$28.5 million in 2016 debt repayments and adding \$3.5 million to treasury after early settlement of the BAML prepayment facilities.
- On April 22, 2016, the Company announced a CAD\$50.0 million bought-deal private placement with a syndicate of underwriters for the issuance of 4,566,000 common shares at a price of CAD\$10.95 per common share, with an overallotment option to purchase up to an additional 15% of the number of shares issued. The offering is scheduled to close on or before May 12, 2016.

REVIEW OF OPERATING RESULTS

Selected Production Results on a Mine-by-Mine Basis for the Past Eight Quarters

Production Highlights	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Ore processed/tonnes milled								
La Encantada	189,140	242,109	252,377	189,811	167,270	186,411	169,659	183,177
La Parrilla	151,916	149,504	166,815	178,736	172,647	175,830	178,252	171,617
Del Toro	86,869	111,448	124,093	162,089	157,934	175,552	134,474	174,645
San Martin	75,863	83,442	87,883	89,506	88,362	96,651	92,498	96,278
La Guitarra	43,265	42,249	43,864	42,494	45,396	49,084	46,313	45,307
Santa Elena	242,539	254,625	-	-	-	-	-	-
Consolidated	789,591	883,377	675,032	662,637	631,609	683,528	621,196	671,024
Silver equivalent ounces produced								
La Encantada	832,957	716,023	669,994	605,299	548,124	792,605	813,701	1,079,122
La Parrilla	1,001,359	1,051,679	919,167	985,107	1,080,445	1,159,177	1,168,240	1,142,432
Del Toro	578,556	586,672	750,458	1,159,484	1,327,628	1,264,751	712,860	899,710
San Martin	580,922	576,675	766,733	696,580	682,071	698,605	584,822	510,697
La Guitarra	363,884	382,953	451,684	356,089	267,002	332,389	243,913	223,262
Santa Elena	1,725,417	1,506,405	-	-	-	-	-	-
Consolidated	5,083,095	4,820,408	3,558,035	3,802,558	3,905,270	4,247,527	3,523,536	3,855,223
Silver ounces produced								
La Encantada	830,787	714,057	668,124	602,869	544,735	788,369	806,055	1,073,636
La Parrilla	575,969	605,605	585,414	620,839	622,237	646,283	705,928	716,045
Del Toro	311,400	331,225	424,413	664,969	841,026	817,754	495,714	730,580
San Martin	480,413	485,227	642,473	597,328	571,937	592,698	509,046	449,045
La Guitarra	214,312	245,358	272,885	230,499	196,920	229,463	163,696	128,912
Santa Elena	661,292	673,969	-	-	-	-	-	-
Consolidated	3,074,173	3,055,442	2,593,309	2,716,503	2,776,855	3,074,567	2,680,439	3,098,218
Cash cost per ounce								
La Encantada	\$ 8.49	\$ 11.00	\$ 12.64	\$ 14.65	\$ 14.27	\$ 11.50	\$ 11.39	\$ 8.67
La Parrilla	\$ 5.39	\$ 7.18	\$ 10.11	\$ 10.72	\$ 7.75	\$ 7.42	\$ 5.87	\$ 5.76
Del Toro	\$ 9.52	\$ 9.25	\$ 8.91	\$ 4.34	\$ 5.09	\$ 7.03	\$ 15.94	\$ 14.70
San Martin	\$ 5.83	\$ 7.20	\$ 5.62	\$ 6.25	\$ 6.29	\$ 7.32	\$ 9.60	\$ 10.02
La Guitarra	\$ 8.27	\$ 7.02	\$ 3.62	\$ 6.74	\$ 11.28	\$ 9.45	\$ 10.91	\$ 9.48
Santa Elena	\$ (3.34)	\$ (2.84)	-	-	-	-	-	-
Consolidated	\$ 5.00	\$ 6.04	\$ 8.77	\$ 8.74	\$ 8.22	\$ 8.51	\$ 10.41	\$ 9.63
All-in sustaining cost per ounce								
La Encantada	\$ 9.33	\$ 14.29	\$ 16.01	\$ 18.32	\$ 17.85	\$ 17.76	\$ 17.32	\$ 14.25
La Parrilla	\$ 7.06	\$ 9.98	\$ 14.43	\$ 14.48	\$ 12.58	\$ 11.09	\$ 11.77	\$ 11.42
Del Toro	\$ 10.76	\$ 11.30	\$ 11.89	\$ 6.97	\$ 7.25	\$ 10.16	\$ 25.39	\$ 20.44
San Martin	\$ 7.52	\$ 9.83	\$ 8.87	\$ 9.62	\$ 8.69	\$ 9.54	\$ 14.11	\$ 15.89
La Guitarra	\$ 12.91	\$ 14.24	\$ 9.68	\$ 13.32	\$ 17.71	\$ 17.21	\$ 27.74	\$ 23.39
Santa Elena	\$ 1.68	\$ 1.44	-	-	-	-	-	-
Consolidated	\$ 8.97	\$ 11.28	\$ 14.41	\$ 14.49	\$ 13.88	\$ 14.43	\$ 19.89	\$ 18.18
Production cost per tonne								
La Encantada	\$ 34.91	\$ 30.92	\$ 31.93	\$ 44.21	\$ 43.96	\$ 45.29	\$ 50.82	\$ 46.47
La Parrilla	\$ 35.29	\$ 38.99	\$ 40.62	\$ 46.49	\$ 42.64	\$ 42.68	\$ 44.48	\$ 45.58
Del Toro	\$ 53.30	\$ 45.22	\$ 47.59	\$ 42.99	\$ 47.87	\$ 46.83	\$ 66.95	\$ 62.70
San Martin	\$ 53.32	\$ 54.22	\$ 58.71	\$ 56.09	\$ 58.06	\$ 59.34	\$ 64.57	\$ 55.38
La Guitarra	\$ 66.88	\$ 57.02	\$ 52.92	\$ 54.58	\$ 48.88	\$ 47.30	\$ 48.01	\$ 47.44
Santa Elena	\$ 42.05	\$ 44.45	-	-	-	-	-	-
Consolidated	\$ 42.72	\$ 41.44	\$ 41.81	\$ 46.80	\$ 46.90	\$ 47.15	\$ 54.34	\$ 51.81

Operating Results – Consolidated Operations

Key Performance Metrics	2016-Q1	2015-Q4	Change	2015-Q1	Change
Production					
Ore processed/tonnes milled	789,591	883,377	(11%)	631,609	25%
Average silver grade (g/t)	161	146	10%	186	(14%)
Recovery (%)	75%	74%	2%	74%	2%
Total silver ounces produced	3,074,173	3,055,442	1%	2,776,855	11%
Total payable silver ounces produced	2,993,547	2,970,551	1%	2,650,629	13%
Gold ounces produced	16,870	14,534	16%	2,970	468%
Pounds of lead produced	8,637,429	9,040,601	(4%)	11,286,880	(23%)
Pounds of zinc produced	4,030,810	4,227,296	(5%)	6,349,692	(37%)
Total production - ounces silver equivalent	5,083,095	4,820,408	5%	3,905,270	30%
Underground development (m)	10,007	9,261	8%	9,828	2%
Diamond drilling (m)	6,697	5,819	15%	5,425	23%
Costs					
Mining cost per ounce	\$4.10	\$4.20	(2%)	\$4.22	(3%)
Milling cost per ounce	5.07	5.70	(11%)	4.82	5%
Indirect cost per ounce	2.10	2.41	(13%)	2.14	(2%)
Total production cost per ounce	\$11.27	\$12.32	(9%)	\$11.18	1%
Transport and other selling costs per ounce	0.40	0.44	(9%)	0.56	(28%)
Smelting and refining costs per ounce	2.16	2.28	(5%)	3.11	(30%)
Environmental duty and royalties per ounce	0.11	0.10	7%	0.12	(14%)
Cash cost per ounce before by-product credits	\$13.94	\$15.14	(8%)	\$14.97	(7%)
Deduct: By-product credits	(8.95)	(9.11)	(2%)	(6.75)	33%
Cash cost per ounce	\$5.00	\$6.04	(17%)	\$8.22	(39%)
Workers' Participation	0.04	0.02	108%	-	0%
General and administrative expenses	1.22	1.46	(16%)	1.57	(22%)
Share-based payments	0.38	0.26	49%	0.61	(37%)
Accretion of decommissioning liabilities	0.07	0.09	(20%)	0.07	(3%)
Sustaining capital expenditures	2.25	3.41	(34%)	3.41	(34%)
All-In Sustaining Costs per ounce	\$8.97	\$11.28	(20%)	\$13.88	(35%)
Mining cost per tonne	\$15.54	\$14.14	10%	\$17.69	(12%)
Milling cost per tonne	19.21	19.18	0%	20.23	(5%)
Indirect cost per tonne	7.97	8.12	(2%)	8.98	(11%)
Total production cost per tonne	\$42.72	\$41.44	3%	\$46.90	(9%)

Production

Total production for the quarter was 5,083,095 silver equivalent ounces and consisted of 3,074,173 ounces of silver, 16,870 ounces of gold, 8,637,429 pounds of lead and 4,030,810 pounds of zinc. Compared to the previous quarter, total production increased by 5% primarily attributed to an increase in production from the Santa Elena and La Encantada mines. Compared to the previous quarter, Santa Elena increased production by 15%, primarily due to a 20% increase in gold production. Production at La Encantada increased 16% compared to the previous quarter due to a 43% increase in silver grades, partially offset by 22% decrease in tonnes milled.

Total ore processed during the quarter amounted to 789,591 tonnes, reflecting an 11% decrease compared to the previous quarter. The decrease in tonnes was primarily due to reduced processing rates at the La Encantada and Del Toro mines. During the quarter, the processing plant at La Encantada operated at a reduced throughput rate due to several mechanical malfunctions within the crushing and grinding area, filtration and thickener tanks. A major maintenance plan to repair the areas was completed in early April and throughput rates have returned to normal operating levels by late April. Del Toro's

reduced rate of throughput was due to reliance on the narrow veins of the Perseverancia mine and the Lupita vein, as well as presence of excess water and soft ground conditions in the San Juan Orebody #3. Several veins, including San Juan, Perseverancia and Dolores mines, are currently being developed to expand throughput.

Cash Cost per Ounce

Cash cost per ounce (after by-product credits) for the quarter was \$5.00 per payable ounce of silver, an improvement of 17% from \$6.04 per ounce in the fourth quarter of 2015 and 39% from \$8.22 per ounce in the first quarter of 2015. The decrease in cash cost per ounce was primarily the result of ongoing company-wide cost reduction efforts and a focus on producing only profitable ounces, which resulted in decreases in cash cost per ounce in most of the Company's operations. As part of this effort, the Company was able to increase overall production by 5% despite reducing throughput by 11%, resulting in significant cost savings in contractor, haulage, energy and reagents. Santa Elena, the Company's recently acquired mine, had a negative cash cost of (\$3.34) per ounce, which also contributed to the significant reduction in the Company's consolidated cash cost.

All-In Sustaining Cost per Ounce

Consolidated AISC for the quarter was \$8.97 per ounce, a 20% improvement compared to \$11.28 per ounce in the previous quarter and a 35% reduction compared to \$13.88 per ounce in the first quarter of 2015. AISC reduced significantly due to reduction in cash costs per ounce, as well as decreases in general and administrative expenses and sustaining capital expenditures. AISC was also lower due to the recent addition of the Santa Elena mine, which had an AISC of \$1.68 per ounce in the quarter. Sustaining capital expenditures were also partially deferred due to a slow initiation of exploration and development activities at the beginning of the year. Sustaining costs are expected to increase slightly in the next quarter to catch up with program targets without any change in the anticipated annual outlook for sustaining costs.

Head Grades and Recoveries

The average silver head grade for the quarter was 161 grams per tonne ("g/t"), a 10% increase from 146 g/t in the fourth quarter of 2015. The increase in average head grade for the quarter was primarily attributed to the Company's focus on producing higher grade profitable ounces by processing higher grade ore through the mill. Head grade at La Encantada had the largest increase from 157 g/t to 224 g/t due to a discovery of a higher grade area in December.

Compared to the same quarter of the prior year, the decrease in silver head grade was primarily due to Santa Elena's reprocessing lower grade heap leach material blended with fresh mined ore. The lower silver head grades were offset by higher gold grades.

Combined recoveries of silver for all mines in the quarter were 75% compared to 74% in the previous quarter and 74% in the first quarter of 2015. The Company continues to improve recoveries through mining dilution control and continuous optimization of metallurgical testing, resulting in higher silver recoveries at five of the Company's six operating mines.

Development and Exploration

A total of 10,007 metres of underground development was completed during the quarter, compared to 9,261 metres developed in the previous quarter and 9,828 metres completed in the first quarter of 2015. The increase in mine development compared to the previous quarter was due to a push to develop new production areas.

At quarter end, nine diamond drill rigs were active at the Company's six operating mines. During the quarter, a total of 6,697 metres were drilled compared to 5,819 metres drilled in the fourth quarter and 5,425 metres drilled in the first quarter of 2015. The Company's exploration program is expected to ramp up in the second quarter, focusing on underground expansion of known ore bodies at all six of the Company's mines.

Santa Elena Silver/Gold Mine, Sonora, México

The Santa Elena Silver/Gold Mine is located approximately 150 km northeast of the city of Hermosillo, Sonora, Mexico and is comprised of mining concessions that total 51,172 hectares. First Majestic acquired the Santa Elena mine with the acquisition of SilverCrest Mines Inc. on October 1, 2015. The Santa Elena operating plan involves the combined processing of ore from its underground reserves, the remaining reserves in the open pit, and spent ore from the previous heap leach pad with a 3,000 tpd cyanidation circuit. The Company owns 100% of the Santa Elena mine.

SANTA ELENA	2016-Q1	2015-Q4	Change
PRODUCTION			
Ore processed/tonnes milled	242,539	254,625	(5%)
Average silver grade (g/t)	98	96	2%
Recovery (%)	87%	86%	1%
Total silver ounces produced	661,292	673,969	(2%)
Total payable silver ounces produced	660,300	672,958	(2%)
Gold ounces produced	13,383	11,110	20%
Total production - ounces silver equivalent	1,725,417	1,506,405	15%
Underground development (m)	2,480	1,738	43%
Diamond drilling (m)	146	198	(26%)
COST			
Mining cost per ounce	\$4.75	\$6.02	(21%)
Milling cost per ounce	9.02	8.60	5%
Indirect cost per ounce	1.68	2.20	(24%)
Total production cost per ounce	\$15.44	\$16.82	(8%)
Transport and other selling costs per ounce	0.15	0.14	9%
Smelting and refining costs per ounce	0.33	0.46	(27%)
Environmental duty and royalties per ounce	0.19	0.21	(10%)
Cash cost per ounce before by-product credits	\$16.12	\$17.63	(9%)
Deduct: By-product credits	(19.46)	(20.47)	(5%)
Cash cost per ounce	(\$3.34)	(\$2.84)	18%
Accretion of decommissioning liabilities	0.06	0.14	(60%)
Sustaining capital expenditures	4.96	4.14	20%
All-In Sustaining Costs per ounce	\$1.68	\$1.44	16%
Mining cost per tonne	\$12.92	\$15.90	(19%)
Milling cost per tonne	24.56	22.73	8%
Indirect cost per tonne	4.56	5.82	(22%)
Total production cost per tonne	\$42.05	\$44.45	(5%)

The Santa Elena mine has a gold streaming agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the mine to sell 20% of its gold production from a designated area of its underground operations over the life of mine to Sandstorm. The selling price is based on the lower of the prevailing market price or \$350 per ounce until fulfillment of 50,000 ounces, after which the price will increase to the lower of the prevailing market price or \$450 per ounce, adjusted for a 1% annual inflation commencing in April 2014. As at March 31, 2016, the Santa Elena mine has delivered 36,002 ounces of gold to Sandstorm to date.

During the quarter, Santa Elena exceeded guidance by producing 661,292 silver ounces and 13,383 ounces of gold for a total quarterly production of 1,725,417 silver equivalent ounces, an increase of 15% compared to 1,506,405 silver equivalent ounces in the previous quarter primarily due to higher gold production as a result of higher gold grades.

Silver recoveries increased to 87%, up from 86% compared to the previous quarter. Gold grades and recoveries averaged 1.82 g/t and 94%, respectively, compared to 1.47 g/t and 92% in the previous quarter. Improvement in recoveries were attributed to throughput control and mill enhancements made to improve finer grinding.

The mill processed a total of 242,539 tonnes during the quarter, consisting of 118,337 tonnes (equivalent to 1,300 tpd) of underground ore and 124,202 tonnes (equivalent to 1,365 tpd) from the above ground heap leach pad.

Cash costs in the first quarter achieved negative cash costs of (\$3.34) per payable silver ounce, attributed primarily to high by-product credits from the mine's high gold production and cost synergies and savings from negotiations with certain contractors and suppliers.

A total of 2,480 metres of underground development were completed in the first quarter compared to 1,738 metres of development in the previous quarter. In the quarter, the Company began developing a 380 metres portal ramp to access the Tortugas vein, which runs in a north-south direction perpendicular to the main vein. The Tortugas vein target is approximately 130 metres away from current development and is expected to be reached by the second quarter.

One underground drill rig was active on the Santa Elena property during the quarter, with 146 metres drilled compared to 198 metres drilled in the previous quarter. The intent of the drilling program was to delineate the planned stopes in the Santa Elena main vein and to locate the hanging-wall fault that drives the stope width when it gets closer to the main vein.

La Parrilla Silver Mine, Durango, México

The La Parrilla Silver Mine, located approximately 65 kilometres southeast of the city of Durango, Durango State, México, is a complex of producing underground operations consisting of the Rosarios / La Rosa and La Blanca mines which are interconnected through underground workings, and the San Marcos, Vacas and Quebradillas mines which are connected via above-ground gravel roads. The total mining concessions consist of 69,460 hectares and the Company owns 45 hectares and leases an additional 69 hectares of surface rights, for a total of 114 hectares of surface rights. La Parrilla includes a 2,000 tpd dual-circuit processing plant consisting of a 1,000 tpd cyanidation circuit and a 1,000 tpd flotation circuit, central laboratory, buildings, offices and associated infrastructure. The Company owns 100% of the La Parrilla Silver Mine.

LA PARRILLA	2016-Q1	2015-Q4	Change	2015-Q1	Change
PRODUCTION					
Ore processed/tonnes milled	151,916	149,504	2%	172,647	(12%)
Average silver grade (g/t)	144	156	(8%)	142	1%
Recovery (%)	82%	81%	1%	79%	4%
Total silver ounces produced	575,969	605,605	(5%)	622,237	(7%)
Total payable silver ounces produced	527,922	555,539	(5%)	554,762	(5%)
Gold ounces produced	223	266	(16%)	269	(17%)
Pounds of lead produced	3,767,247	4,187,628	(10%)	1,629,240	131%
Pounds of zinc produced	4,030,810	4,227,296	(5%)	6,349,692	(37%)
Total production - ounces silver equivalent	1,001,359	1,051,679	(5%)	1,080,445	(7%)
Underground development (m)	1,790	1,692	6%	2,077	(14%)
Diamond drilling (m)	1,517	2,145	(29%)	1,437	6%
COST					
Mining cost per ounce	\$4.38	\$2.86	53%	\$5.89	(26%)
Milling cost per ounce	3.88	5.09	(24%)	5.15	(25%)
Indirect cost per ounce	1.90	2.54	(25%)	2.23	(15%)
Total production cost per ounce	\$10.15	\$10.49	(3%)	\$13.27	(23%)
Transport and other selling costs per ounce	0.85	1.04	(18%)	1.10	(23%)
Smelting and refining costs per ounce	6.24	6.16	1%	5.78	8%
Environmental duty and royalties per ounce	0.12	0.11	18%	0.20	(39%)
Cash cost per ounce before by-product credits	\$17.36	\$17.79	(2%)	\$20.35	(15%)
Deduct: By-product credits	(11.97)	(10.61)	13%	(12.60)	(5%)
Cash cost per ounce	\$5.39	\$7.18	(25%)	\$7.75	(31%)
Accretion of decommissioning liabilities	0.06	0.06	(2%)	0.07	(13%)
Sustaining capital expenditures	1.61	2.73	(41%)	4.76	(66%)
All-In Sustaining Costs per ounce	\$7.06	\$9.98	(29%)	\$12.58	(44%)
Mining cost per tonne	\$15.22	\$10.61	43%	\$18.93	(20%)
Milling cost per tonne	13.48	18.93	(29%)	16.55	(19%)
Indirect cost per tonne	6.59	9.45	(30%)	7.16	(8%)
Total production cost per tonne	\$35.29	\$38.99	(9%)	\$42.64	(17%)

Total production from the La Parrilla mine was 1,001,359 silver equivalent ounces during the quarter, a decrease of 5% compared to 1,051,679 equivalent ounces of silver in the previous quarter. During the quarter, the lead circuit processed an average lead grade of 1.8% with recoveries of 87% for total lead production of 3,767,247 pounds, representing a 10% decrease compared to the previous quarter. The decrease in lead production was primarily attributed to lower head grades. The zinc circuit processed an average zinc grade of 2.4% with recoveries of 70% for total zinc production of 4,030,810 pounds, representing a 5% decrease compared to the previous quarter primarily due to lower head grades. Compared to the first quarter of 2015, total production decreased 7% from 1,080,445 equivalent ounces of silver. The decrease was primarily attributed to a 12% decrease in throughput, partially offset by higher silver and lead grades.

During the quarter, the flotation circuit processed 109,410 tonnes (1,202 tpd) with an average silver grade of 157 g/t and an 88% recovery while the cyanidation circuit processed 42,506 tonnes (467 tpd) with an average silver grade of 109 g/t and a 60% recovery for total production of 1,001,359 silver equivalent ounces. Throughput and head grades for the cyanidation circuit are expected to improve in the second half of the year upon development of the San Marcos mine in the second quarter.

Cash cost in the quarter was \$5.39 per ounce, a decrease of 25% compared to the previous quarter and a decrease of 31% compared to the first quarter of 2015. The improvement in production costs was attributed to management's decision to leave higher cost ounces in the ground, resulting in the planned reduction of cyanidation circuit throughput to 500 tpd and significant savings in contractor, electricity, reagent and maintenance costs. Total production cost for the quarter was \$35.29 per tonne, a 9% decrease compared to the previous quarter and a 17% decrease compared to the same quarter of 2015.

A total of 1,790 metres of underground development were completed in the quarter, compared to 1,692 metres in the fourth quarter of 2015 and 2,077 metres in the first quarter of 2015. A total of 1,517 metres of diamond drilling were completed in the quarter compared to 2,145 metres of diamond drilling in the fourth quarter of 2015 and 1,437 metres in the first quarter of 2015. Two underground drill rigs were active during the quarter as the focus of the 2016 exploration program is on the Rosarios mine and Intermedia veins, where drilling results have indicated potential for the lateral expansion of known structures.

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. The mine is comprised of 4,076 hectares of mining rights and surface land ownership of 1,343 hectares. La Encantada consists of a 4,000 tpd cyanidation plant, a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, airstrip and the infrastructure required for such an operation. The mine is accessible via a 1.5 hour flight from Torreon, Coahuila to the mine's private airstrip or via mostly paved road from the closest town, Muzquiz, which is 225 kilometres away. The Company owns 100% of the La Encantada Silver Mine.

LA ENCANTADA	2016-Q1	2015-Q4	Change	2015-Q1	Change
PRODUCTION					
Ore processed/tonnes milled	189,140	242,109	(22%)	167,270	13%
Average silver grade (g/t)	224	157	43%	176	27%
Recovery (%)	61%	58%	5%	58%	6%
Total silver ounces produced	830,787	714,057	16%	544,735	53%
Total payable silver ounces produced	827,464	711,201	16%	542,556	53%
Gold ounces produced	27	26	4%	47	(43%)
Total production - ounces silver equivalent	832,957	716,023	16%	548,124	52%
Underground development (m)	1,189	960	24%	2,989	(60%)
Diamond drilling (m)	-	450	(100%)	828	(100%)
COST					
Mining cost per ounce	\$2.13	\$3.31	(36%)	\$3.82	(44%)
Milling cost per ounce	4.15	5.25	(21%)	6.76	(39%)
Indirect cost per ounce	1.70	1.97	(14%)	2.98	(43%)
Total production cost per ounce	\$7.98	\$10.53	(24%)	\$13.56	(41%)
Transport and other selling costs per ounce	0.20	0.20	1%	0.22	(8%)
Smelting and refining costs per ounce	0.31	0.31	1%	0.45	(30%)
Environmental duty and royalties per ounce	0.03	0.00	100%	0.09	(65%)
Cash cost per ounce before by-product credits	\$8.53	\$11.03	(23%)	\$14.32	(40%)
Deduct: By-product credits	(0.04)	(0.03)	33%	(0.05)	(20%)
Cash cost per ounce	\$8.49	\$11.00	(23%)	\$14.27	(41%)
Workers' Participation	0.05	(0.00)	(1650%)	(0.01)	(622%)
Accretion of decommissioning liabilities	0.06	0.07	(11%)	0.10	(39%)
Sustaining capital expenditures	0.73	3.21	(77%)	3.48	(79%)
All-In Sustaining Costs per ounce	\$9.33	\$14.28	(35%)	\$17.85	(48%)
Mining cost per tonne	\$9.32	\$9.73	(4%)	\$12.38	(25%)
Milling cost per tonne	18.17	15.41	18%	21.93	(17%)
Indirect cost per tonne	7.42	5.78	28%	9.65	(23%)
Total production cost per tonne	\$34.91	\$30.92	13%	\$43.96	(21%)

A total of 832,957 equivalent ounces of silver were produced by the La Encantada processing plant during the quarter. Production in the first quarter increased by 16% from 716,023 equivalent ounces of silver in the fourth quarter of 2015. The increase was primarily due to a 43% increase in silver grades as a result of mining from newly discovered higher grade stopes, offset by a 22% reduction in throughput. Compared to the same quarter of the prior year, total production increased by 52% due to a 27% increase in silver grade and 13% increase in tonnes milled.

Tonnage milled in the quarter was 189,140 tonnes, compared to 242,109 tonnes in the previous quarter but was 13% higher than the first quarter of 2015 due to the plant expansion that was completed in the third quarter of 2015. During the quarter, the processing plant operated at a reduced throughput rate due to several mechanical malfunctions within the crushing and

grinding area, filtration and thickener tanks. A maintenance plan to repair the areas was completed in early April and throughput rates have returned to normal operating levels by late April.

Cash cost per ounce for the quarter was \$8.49 compared to \$11.00 in the previous quarter and \$14.27 in the same quarter of the previous year. Improvement in cash cost per ounce was primarily attributed to management's decision to produce profitable ounces by focusing on mining higher grade stopes accessed from the San Francisco and Buenos Aires vein systems. In addition, a new high grade area was discovered in close proximity of the San Javier breccia and is undergoing development planning. Total production cost per tonne for the quarter was \$34.91, a 13% increase compared to the fourth quarter of 2015 and 21% lower compared to the first quarter of 2015.

In an effort to reduce energy costs, the Company signed a three year contract with a liquefied natural gas ("LNG") supplier to convert the entire operation's power generation from diesel to natural gas. Construction of the LNG power generation plant commenced in September 2015 and was completed in February and initial testing and commissioning has commenced. The Company estimates La Encantada will realize approximately 20% reduction in energy costs as a result of this power generation conversion once its fully operational by the end of the second quarter of 2016.

The average head grade in the quarter was 224 g/t, an increase of 43% compared to the previous quarter and a 27% increase from 176 g/t in the first quarter of 2015. The increase in head grades was attributed to higher ore grades being accessed from the San Francisco and Buenos Aires vein systems.

A total of 1,189 metres were developed underground in the quarter compared to 960 metres in the fourth quarter of 2015 and 2,989 metres in the first quarter of 2015. Mine development efforts are currently focused on the preparation of the San Francisco and Buenos Aires vein systems in order to increase production.

No drilling was done at La Encantada during the first quarter due to a lack of drilling stations. The 2016 drilling program commenced in April and will focus on the the expansion of the San Francisco and Buenos Aires vein systems and other areas located in close proximity to current operating areas.

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 1,047 hectares of mining claims and 209 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 which is currently in care and maintenance pending increased budgets in development and exploration. First Majestic owns 100% of the Del Toro Silver Mine.

DEL TORO	2016-Q1	2015-Q4	Change	2015-Q1	Change
PRODUCTION					
Ore processed/tonnes milled	86,869	111,448	(22%)	157,934	(45%)
Average silver grade (g/t)	143	132	8%	212	(33%)
Recovery (%)	78%	70%	11%	78%	(0%)
Total silver ounces produced	311,400	331,225	(6%)	841,026	(63%)
Total payable silver ounces produced	294,943	313,720	(6%)	796,577	(63%)
Gold ounces produced	97	70	39%	182	(47%)
Pounds of lead produced	4,870,181	4,852,973	0%	9,657,640	(50%)
Total production - ounces silver equivalent	578,556	586,672	(1%)	1,327,628	(56%)
Underground development (m)	1,201	1,460	(18%)	1,686	(29%)
Diamond drilling (m)	1,278	55	2224%	2,285	(44%)
COST					
Mining cost per ounce	\$7.76	\$6.90	12%	\$3.82	103%
Milling cost per ounce	4.54	5.86	(23%)	4.10	11%
Indirect cost per ounce	3.40	3.30	3%	1.57	117%
Total production cost per ounce	\$15.70	\$16.06	(2%)	\$9.49	65%
Transport and other selling costs per ounce	0.92	0.89	3%	0.69	34%
Smelting and refining costs per ounce	6.35	5.83	9%	4.79	33%
Environmental duty and royalties per ounce	0.09	0.08	10%	0.11	(16%)
Cash cost per ounce before by-product credits	\$23.05	\$22.87	1%	\$15.07	53%
Deduct: By-product credits	(13.53)	(13.61)	(1%)	(9.99)	35%
Cash cost per ounce	\$9.52	\$9.25	3%	\$5.09	87%
Accretion of decommissioning liabilities	0.13	0.11	14%	0.05	159%
Sustaining capital expenditures	1.11	1.93	(42%)	2.11	(47%)
All-In Sustaining Costs per ounce	\$10.76	\$11.30	(5%)	\$7.25	49%
Mining cost per tonne	\$26.33	\$19.43	36%	\$19.27	37%
Milling cost per tonne	15.41	16.50	(7%)	20.69	(26%)
Indirect cost per tonne	11.56	9.29	24%	7.91	46%
Total production cost per tonne	\$53.30	\$45.22	18%	\$47.87	11%

During the first quarter, the Del Toro mine processed 86,869 tonnes of ore with an average silver grade of 143 g/t. Del Toro produced a total of 578,556 silver equivalent ounces, consistent with 586,672 ounces produced in the previous quarter.

Compared to the same quarter of the prior year, production decreased by 56% due to a 45% decrease in tonnes milled and 33% lower silver grades as mining occurred in lower grade areas and narrow veins of the Perseverancia mine and Lupita vein, as well as the lack of production from San Juan orebody #3 due to soft ground conditions and the presence of excess water. Several veins, including San Juan, Santa Teresa, Perseverancia and Dolores mines, are currently being developed to provide fresh ore to expand throughput. Metallurgical silver recoveries improved 11% from 70% in the previous quarter to 78% in the current quarter and was consistent with the same quarter of the prior year.

Lead grades and recoveries averaged 4.1% and 62%, respectively, producing a total of 4,870,181 pounds of lead, relatively consistent compared to the previous quarter. Modification to the conditioner tank was completed in April to improve lead recoveries in the flotation circuit.

Cash cost per ounce for the quarter was \$9.52, consistent with \$9.25 per ounce in the previous quarter and an increase of 87% compared to \$5.09 in the same quarter of the prior year. The increase in cash cost per ounce compared to the prior year was primarily due to a combination of a 45% decrease in throughput and 33% decrease in head grades, partially offset by higher by-product credits as a result of improvements in dilution control which yielded higher lead head grades and recoveries.

Total underground development at Del Toro in the current quarter was 1,201 metres compared to 1,460 metres in the fourth quarter of 2015 and 1,686 metres in the same quarter of the prior year. The decrease in development metres compared to the prior year was due to the ongoing budget constraints in the first quarter but is expected to return to normal in the second half of 2016.

At quarter end, two drill rigs were active at Del Toro and a total of 1,278 metres were completed compared to 55 metres in the previous quarter and 2,285 metres in the same quarter of 2015. Drilling at Del Toro was focused on expansion of known structures in the Lupita area. Future explorations targets include the Santa Teresa, San Nicolas and Carmen Consuelo veins.

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. The mine comprises of 33 contiguous mining concessions in the San Martin de Bolaños mining district that cover mineral rights for 37,518 hectares, including the application to acquire two new mining concessions covering 29,676 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 1,296 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 by air from Durango or 250 kilometres by paved road north of Guadalajara City. The San Martin mine is 100% owned by the Company.

SAN MARTIN	2016-Q1	2015-Q4	Change	2015-Q1	Change
PRODUCTION					
Ore processed/tonnes milled	75,863	83,442	(9%)	88,362	(14%)
Average silver grade (g/t)	243	231	5%	258	(6%)
Recovery (%)	81%	78%	4%	78%	4%
Total silver ounces produced	480,413	485,227	(1%)	571,937	(16%)
Total payable silver ounces produced	479,933	484,742	(1%)	570,221	(16%)
Gold ounces produced	1,261	1,222	3%	1,511	(17%)
Total production - ounces silver equivalent	580,922	576,675	1%	682,071	(15%)
Underground development (m)	2,093	1,487	41%	2,010	4%
Diamond drilling (m)	3,113	2,059	51%	266	1070%
COST					
Mining cost per ounce	\$2.97	\$3.03	(2%)	\$3.39	(12%)
Milling cost per ounce	3.71	4.19	(11%)	4.12	(10%)
Indirect cost per ounce	1.75	2.11	(17%)	1.49	17%
Total production cost per ounce	\$8.43	\$9.33	(10%)	\$9.00	(6%)
Transport and other selling costs per ounce	0.26	0.23	13%	0.13	93%
Smelting and refining costs per ounce	0.24	0.22	8%	0.27	(11%)
Environmental duty and royalties per ounce	0.10	0.08	19%	0.10	(7%)
Cash cost per ounce before by-product credits	\$9.02	\$9.86	(9%)	\$9.50	(5%)
Deduct: By-product credits	(3.19)	(2.66)	20%	(3.21)	(1%)
Cash cost per ounce	\$5.83	\$7.20	(19%)	\$6.29	(7%)
Workers' Participation	0.19	0.13	39%	(0.01)	(1785%)
Accretion of decommissioning liabilities	0.07	0.07	1%	0.07	6%
Sustaining capital expenditures	1.42	2.42	(41%)	2.34	(39%)
All-In Sustaining Costs per ounce	\$7.52	\$9.83	(24%)	\$8.69	(14%)
Mining cost per tonne	\$18.77	\$17.58	7%	\$21.86	(14%)
Milling cost per tonne	23.48	24.36	(4%)	26.59	(12%)
Indirect cost per tonne	11.07	12.28	(10%)	9.61	15%
Total production cost per tonne	\$53.32	\$54.22	(2%)	\$58.06	(8%)

During the quarter, the San Martin mine processed a total of 75,863 tonnes compared to 83,442 tonnes in the previous quarter and 88,362 tonnes in the same quarter of the prior year. The average head grade was 243 g/t, an increase of 5% compared to the previous quarter and a 6% decrease compared to the same quarter of the prior year.

Quarterly production of 580,922 silver equivalent ounces was consistent with the previous quarterly production of 576,675 ounces and a 15% decrease from the 682,071 ounces produced in the same quarter of the prior year. Compared to the same

quarter of the prior year, total production decreased due to a 14% decrease in throughput and 6% decrease in silver grades, partially offset by a 4% increase in recoveries.

Silver recovery in the quarter was 81%, a 4% increase compared to 78% in the previous quarter and an increase of 4% compared to 78% in the same quarter of the prior year. The increase in recovery was attributed to barren solution control and washing efficiency.

During the quarter, total production cost was \$53.32 per tonne, consistent with \$54.22 per tonne in the previous quarter and an 8% improvement compared to same quarter of 2015. Cash cost per ounce was \$5.83, a 19% decrease from \$7.20 per ounce in the previous quarter and a 7% decrease compared to the \$6.29 per ounce in the first quarter of 2015. The decrease in production costs was a result of lower throughput with higher grades, which resulted in significant reductions in contractor, energy and reagent costs.

A total of 2,093 metres of underground development was completed in the quarter compared to 1,487 metres of development in the previous quarter and 2,010 metres of development in the first quarter of 2015.

During the quarter, a total of 3,113 metres of diamond drilling were completed compared with 2,059 metres drilled in the previous quarter and 266 metres drilled in the first quarter of 2015. Two underground drill rigs were active at the San Martin property during the quarter, focusing on extending the preparation of mining levels in the mineralized zones of the Rosario and Guitarrona veins, the exploration program will be focused on the La Lima Intermedia and La Veladora areas.

La Guitarra Silver Mine, México State, México

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

LA GUITARRA	2016-Q1	2015-Q4	Change	2015-Q1	Change
PRODUCTION					
Ore processed/tonnes milled	43,265	42,249	2%	45,396	(5%)
Average silver grade (g/t)	189	212	(11%)	160	18%
Recovery (%)	82%	85%	(4%)	84%	(3%)
Total silver ounces produced	214,312	245,358	(13%)	196,920	9%
Total payable silver ounces produced	202,985	232,391	(13%)	186,513	9%
Gold ounces produced	1,878	1,840	2%	961	95%
Total production - ounces silver equivalent	363,884	382,953	(5%)	267,002	36%
Underground development (m)	1,254	1,924	(35%)	1,066	18%
Diamond drilling (m)	643	912	(29%)	609	6%
COST					
Mining cost per ounce	\$6.66	\$3.73	79%	\$4.61	44%
Milling cost per ounce	3.00	3.12	(4%)	3.41	(12%)
Indirect cost per ounce	4.59	3.52	30%	3.87	19%
Total production cost per ounce	\$14.25	\$10.37	38%	\$11.90	20%
Transport and other selling costs per ounce	0.49	0.48	2%	0.66	(26%)
Smelting and refining costs per ounce	3.54	3.82	(7%)	4.42	(20%)
Environmental duty and royalties per ounce	0.14	0.12	17%	0.13	8%
Cash cost per ounce before by-product credits	\$18.42	\$14.78	25%	\$17.10	8%
Deduct: By-product credits	(10.15)	(7.76)	31%	(5.82)	74%
Cash cost per ounce	\$8.27	\$7.02	18%	\$11.28	(27%)
Workers' Participation	-	-	0%	0.08	(100%)
Accretion of decommissioning liabilities	0.10	0.08	29%	0.11	(8%)
Sustaining capital expenditures	4.53	7.13	(36%)	6.24	(27%)
All-In Sustaining Costs per ounce	\$12.91	\$14.24	(9%)	\$17.71	(27%)
Mining cost per tonne	\$31.25	\$20.51	52%	\$18.95	65%
Milling cost per tonne	14.08	17.14	(18%)	14.02	0%
Indirect cost per tonne	21.55	19.37	11%	15.91	35%
Total production cost per tonne	\$66.88	\$57.02	17%	\$48.88	37%

During the first quarter, La Guitarra produced 214,312 silver ounces and 1,878 gold ounces for a total quarterly production of 363,884 silver equivalent ounces. Compared to the previous quarter, total production decreased by 5% due to an 11% decrease in silver grades and a 4% decrease in recoveries. Compared to the same quarter of the prior year, production increased by 36% attributed to an 18% increase in head grades. Approximately 60% of the production ore came from the Coloso area and the remaining 40% was extracted from the older La Guitarra area during the quarter.

A total of 43,265 tonnes of ore were processed during the quarter consisting of an average silver head grade of 189 g/t with recoveries of 82% compared to 42,249 tonnes of ore with silver head grades of 212 g/t and recoveries of 85% in the previous quarter. La Guitarra is advancing the previously announced 800 metre cross-cut development from the Coloso area to the Nazareno area. By the end of the quarter, the Company had advanced a total of 560 metres have been completed, and 240 metres remain to be developed before gaining access to the Nazareno vein.

Average production cost for the quarter was \$66.88 per tonne, a 17% increase compared to the previous quarter and 37% increase compared to the same quarter of the prior year. Cash cost in this quarter was \$8.27 per ounce, an 18% increase compared to the previous quarter and a 27% decrease compared to the same quarter of 2015. The increase in production cost and cash cost was primarily attributed to higher costs associated with drifting into the narrow veins of Jessica and Joya Larga in the Coloso area, which required the Company to change its mining method to lower volume stope-ramping and shrinkage mining to improve dilution control, resulting in an increase in preparation of sills in ore and ore extraction infrastructure.

A total of 1,254 metres of underground development was completed during the quarter compared to 1,924 metres in the previous quarter and 1,066 metres in the first quarter of 2015. During the quarter, two underground drill rigs were active at the La Guitarra property and 643 metres of diamond drilling were completed compared to 912 metres during the previous quarter and 609 metres in the same quarter of the prior year. The drilling program is currently focused on the Jessica and La Joya veins in order to confirm high grade ore shoots to assist underground mining activities and further delineate Reserves and Resources.

In 2014, the Company entered into two agreements to acquire 757 hectares of adjacent mineral rights at the La Guitarra Silver Mine. The total purchase price amounted to \$5.4 million, of which \$5.2 million is to be settled in common shares of First Majestic and \$0.2 million in cash. As at March 31, 2016, the Company has paid the \$0.2 million and issued \$3.7 million in common shares. The remaining balance of \$1.5 million in common shares will be issued in three equal annual payments based on the Company's volume weighted average market price at the time of the payments.

EXPLORATION PROJECTS

Plomosas Silver Project, Sinaloa, Mexico

The Plomosas Silver Project, which was acquired during the 2012 Silvermex acquisition, consists of 13 mining concessions covering 6,986 hectares, which include the adjacent Rosario and San Juan historic mines located in the Sinaloa State, México.

The two key areas of interest within the property's boundaries are the historic operations of the Rosario and San Juan mines. Extensive facilities and infrastructure are in place on the property, including a fully functional mining camp facility for 120 persons, a 20 year surface rights agreement in good standing, a 30 year water use permit, a tailings dam, a 60 kilometre 33 kilovolt power line, an infirmary, offices, shops and warehouses, and an assay lab. Extensive underground development pre-existing at the Rosario and San Juan mines will allow for easy access to mineralized zones. This existing development is expected to allow First Majestic to accelerate exploration and development in the future.

The Company is currently utilizing the mining camp infrastructure to maintain the old structures under care and maintenance. Future plans include drilling and development in order to prepare a NI 43-101 Technical report with resource estimates and a Preliminary Economic Assessment, but these works are suspended until economic conditions improve.

La Luz Silver Project, San Luis Potosi, México

The La Luz Silver Project is located 25 kilometres west of the town of Matehuala in San Luis Potosi State, México, near the village of Real de Catorce. The Company owns 100% of the La Luz project and all of the associated mining claims of what was historically known as the Santa Ana Mine and consists of 36 mining concessions covering 4,977 hectares, with estimated historical production of 230 million ounces between 1773 and 1990. In July 2013, the Company completed the acquisition of an additional 21 hectares of surface rights covering 29 adjacent properties for \$1.0 million. The total surface rights on different properties at La Luz amount to 26 hectares.

To date, the company has completed a Baseline Study and the Geo-hydrologic Study... However, there has been opposition to mining in the La Luz area from certain indigenous people (Huicholes) and non-government organizations ("NGOs"). An injunction was placed by the Company to defend against the indigenous people's attempts to obtain a constitutional decree to declare certain areas in San Luis Potosi as natural protected areas, including areas within which the La Luz mine has been duly granted mining concessions. These constitutional legal matters are being addressed in the Mexican courts by the Company. . The Company has submitted three different legal orders to obtain approvals to present its final permit applications. The Company has obtained one positive resolution and the remaining orders remain in front of the court. There is currently no estimate of when a final resolution can be expected. The Company is ready to submit the Environmental Impact Statement, the Risk Study and the Change of Use of Land Studies to government authorities once the courts resolve the outstanding constitutional matters. The Company is unable at this time to estimate when these legal constitutional matters will be resolved.

Jalisco Group of Properties, Jalisco, México

The Company owns a group of mining claims totalling 5,245 hectares located in various mining districts located in Jalisco State, México. During 2008, surface geology and mapping began with the purpose of defining future drill targets. However, exploration has since been discontinued as the Company focuses its capital investment on other more mature and higher priority projects.

REVIEW OF FINANCIAL PERFORMANCE

For the quarters ended March 31, 2016 and 2015 (in thousands of dollars, except for per share amounts):

	First Quarter 2016	First Quarter 2015	Variance %	
Revenues	\$ 66,509	\$ 54,569	22%	(1)
Cost of sales (excludes depletion, depreciation and amortization)	37,262	32,336	15%	(2)
Gross margin	29,247	22,233	32%	
Depletion, depreciation and amortization	19,878	17,237	15%	(3)
Mine operating earnings	9,369	4,996	88%	(4)
General and administrative expenses	3,875	4,339	-11%	(5)
Share-based payments	1,147	1,609	-29%	
Foreign exchange gain	(1,744)	(1,512)	15%	
Operating earnings	6,091	560	988%	
Investment and other (loss) income	(44)	1,792	-102%	(6)
Finance costs	(4,695)	(1,620)	190%	(7)
Earnings before income taxes	1,352	732	85%	
Current income tax expense	948	143	563%	
Deferred income tax expense	7,837	1,694	363%	
Income tax expense	8,785	1,837	378%	(8)
Net loss for the period	\$ (7,433)	\$ (1,105)	573%	(9)
Loss per share (basic and diluted)	\$ (0.05)	\$ (0.01)	408%	(9)

1. **Revenues** in the quarter increased 22% compared to the same quarter of the previous year due to the following significant contributors:

- **Silver equivalent ounces sold** increased by 1,338,519 ounces or 36% compared to the first quarter of 2015, primarily attributed to incremental production from the Santa Elena mine, which was acquired in October 2015;

Partially offset by:

- **Average realized silver price** in the quarter decreased by 12% or \$1.97 per ounce compared to the same quarter of the prior year as a result of commodity market pressure on silver prices. Average realized silver price in the quarter was \$15.08 per ounce compared to \$17.05 per ounce in the first quarter of 2015.

2. **Cost of sales** in the quarter increased 15% compared to the same quarter of the previous year as a result of the following factors:

- the **addition of the Santa Elena Mine**, which produced 1.7 million silver equivalent ounces in the quarter but added \$11.7 million to the Company's cost of sales;

Partially offset by:

- **weakening of the Mexican pesos against the U.S. dollar**, as a significant portion of the Company's operating costs are incurred in Mexican pesos, which weakened by 21% against the U.S. dollar compared to the first quarter of 2015; and
- the Company's **ongoing effort to reduce costs** through headcount reductions, renegotiating contractors and suppliers contracts, and improving efficiencies, which resulted in significant cost reductions in mining contractor, mineral haulage, diesel and explosives.

3. The increase in **depletion, depreciation and amortization** was attributed to a combination of the following:
- the **addition of the Santa Elena mine** in October 2015, which contributed \$3.8 million to depletion, depreciation and amortization during the quarter;
 - **Revisions to life of mines** at the end of 2015 accelerated depletion and depreciation rates applied to mining interests and property, plant and equipment depreciated under the units-of-production method. Life of mine estimates were reduced at the end of 2015 to reflect lower Reserves and Resources estimates with higher cut-off grades based on lower metal prices;
- partially offset by:
- **Impairment charge on non-current assets** recognized in the fourth quarter of 2015, which resulted in a \$87.2 million decrease in depletable mining interests and depreciable property, plant and equipment, which results in lower depletion, depreciation and amortization in subsequent periods.
4. **Mine operating earnings** during the quarter increased \$4.4 million from the first quarter of 2015 due to a \$7.0 million increase in gross margin offset by \$2.6 million higher depletion, depreciation and amortization. Gross margin was primarily affected by a 36% increase in silver equivalent ounces sold and lower cash costs per ounce, partially offset by 12% decrease in average realized silver price.
5. **General and administrative** expenses decreased compared to the first quarter of 2015, primarily due to:
- **Audit, legal and professional fees** decreased by \$0.3 million or 37% due to higher costs incurred in the prior year associated with the Hector Davila litigation; and
 - **Salaries and benefits** decreased by \$0.1 million or 5%, primarily due to headcount reductions, partially offset additional employees from the acquisition of SilverCrest.
6. The Company's **investment and other income or loss** is primarily comprised of gain or losses on the following:
- \$1.3 million loss on fair value adjustment of **prepayment facilities**, which contains commodity price swaps and call options on a portion of the Company's lead and zinc production, compared to a gain of \$0.5 million in the first quarter of 2015;
- Offset by:
- \$1.0 million gain on investment in **marketable securities**, compared to a \$0.1 million in the first quarter of 2015; and
 - \$0.2 million in **interest income and other**.
7. **Finance costs** increased \$3.1 million compared to the first quarter of 2015, primarily due to a \$3.5 million loss related to prepayment of interest expenses embedded in the **early settlement of BAML prepayment facilities** in February 2016, which resulted in accelerated interest and accretion expense plus call option payments. The debt restructuring improved the Company's working capital by approximately \$32.0 million.
8. During the quarter, the Company recorded an **income tax expense** of \$8.8 million compared to an income tax expense of \$1.8 million in the quarter ended March 31, 2015. In November 2015, the Mexican Tax Authorities introduced a provision which enable companies to settle a portion of its tax deconsolidation liability against past loss carryforwards at a discounted rate of 15% as compared to the Mexican corporate tax rate of 30%. In March 2016, the Company elected to apply this new provision to reduce its deconsolidation tax liability by \$14.7 million. As the Company was previously carrying these tax loss carryforwards as a deferred tax asset valued at \$21.4 million, this effectively resulted in a one-time net \$6.7 million deferred tax expense related to the value of tax loss carryforwards being written off during the period. Without the effect of this one-time adjustment, the Company's income tax expense for the quarter was \$2.1 million compared to \$1.8 million in the quarter ended March 31, 2015.
9. As a result of the foregoing, **net loss** for the quarter ended March 31, 2016 was \$7.4 million (Loss per share of \$0.05) compared to a loss of \$1.1 million (Loss per share of \$0.01) in the same quarter of 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	2016	2015				2014		
	Q1 ⁽¹⁾	Q4 ⁽²⁾	Q3 ⁽³⁾	Q2 ⁽⁴⁾	Q1 ⁽⁵⁾	Q4 ⁽⁶⁾	Q3 ⁽⁷⁾	Q2 ⁽⁸⁾
Revenue	\$ 66,509	\$ 66,012	\$ 44,673	\$ 54,190	\$ 54,569	\$ 72,480	\$ 40,770	\$ 66,927
Cost of sales	\$ 37,262	\$ 39,479	\$ 30,545	\$ 33,314	\$ 32,336	\$ 44,873	\$ 31,973	\$ 42,727
Depletion, depreciation and amortization	\$ 19,878	\$ 22,651	\$ 17,716	\$ 17,435	\$ 17,237	\$ 21,774	\$ 10,588	\$ 14,699
Mine operating earnings (loss)	\$ 9,369	\$ 3,882	\$ (3,588)	\$ 3,441	\$ 4,996	\$ 5,833	\$ (1,791)	\$ 9,501
Net (loss) earnings after tax	\$ (7,433)	\$ (102,961)	\$ (1,780)	\$ (2,578)	\$ (1,105)	\$ (64,568)	\$ (10,450)	\$ 7,590
(Loss) earnings per share (basic)	\$ (0.05)	\$ (0.66)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.55)	\$ (0.09)	\$ 0.06
(Loss) earnings per share (diluted)	\$ (0.05)	\$ (0.66)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.55)	\$ (0.09)	\$ 0.06

- During the first quarter of 2016, mine operating earnings was \$9.4 million, compared to \$3.9 million in the quarter ended December 31, 2015. The increase in mine operating earnings was primarily attributed to decrease in cost of sales as a result of ongoing company-wide efforts to reduce costs and focus on producing profitable ounces. Net loss for the quarter was \$7.4 million compared to a net loss of \$103.0 million in the fourth quarter of 2015. Net loss in the current quarter was primarily affected by a one-time net \$6.7 million deferred income tax expense related to the value of tax loss carryforwards being written off. Net loss in the previous period was primarily due to a \$108.4 million, or \$70.2 million net of tax, impairment of non-current assets.
- During the fourth quarter of 2015, mine operating earnings was \$3.9 million, compared to loss of \$3.6 million in the quarter ended September 30, 2015. The increase in mine operating earnings was primarily driven by the addition of the Santa Elena mine, which had mine operating earnings of \$9.4 million during the quarter. Net loss for the quarter was \$103.0 million, compared to a loss of \$1.8 million in the previous quarter primarily due to a \$108.4 million, or \$70.2 million net of tax, impairment of non-current assets due to reduction in market consensus on long-term silver price forecasts and the consequential impact on the Company's reserves and resources.
- During the third quarter of 2015, mine operating loss was \$3.6 million, compared to earnings of \$3.4 million in the quarter ended June 30, 2015. The decrease in mine operating earnings was primarily driven by a decrease in silver prices and less silver equivalent ounces sold. Net loss for the quarter was \$1.8 million, compared to a loss of \$2.6 million in the previous quarter due to a decrease in mine operating earnings and investment and other losses related to fair value adjustment of prepayment facilities and derivatives, net of deferred income tax recovery related to taxation effects on foreign currency translation.
- During the second quarter of 2015, mine operating earnings was \$3.4 million compared to \$5.0 million in the quarter ended March 31, 2015. The decrease in mine operating earnings was primarily driven by a decrease in silver prices and silver equivalent ounces sold. Net loss for the quarter was \$2.6 million, compared to a loss of \$1.1 million in the previous quarter due to decrease in mine operating earnings and investment and other losses related to fair value adjustment of prepayment facilities and derivatives.
- During the first quarter of 2015, mine operating earnings was \$5.0 million compared to \$5.8 million in the quarter ended December 31, 2014. The decrease in mine operating earnings was primarily driven by decrease in silver prices and silver equivalent ounces sold, as approximately 934,000 ounces of silver sales that were suspended in the fourth quarter of 2014 and sold in the quarter ended December 31, 2014. Net loss for the quarter was \$1.1 million, compared to a loss of \$64.6 million in the previous quarter due to a non-cash impairment charge of \$102.0 million, or \$66.0 million net of tax, recognized at the end of the previous quarter.
- In the quarter ended December 31, 2014, mine operating earnings was \$5.8 million compared to mine operating loss of \$1.8 million in the quarter ended September 30, 2014. The increase in mine operating earnings was attributed to approximately 934,000 ounces of silver sales that were suspended at the end of the fourth quarter of 2014 due to declining silver prices and rolled into sales of the fourth quarter. Net loss for the quarter was \$64.6 million compared to \$10.5 million in the previous quarter due to a non-cash impairment charge of \$102.0 million, or \$66.0 million net of tax, related to some of the Company's non-current assets during the quarter and related taxation effects.

7. In the quarter ended September 30, 2014, mine operating loss was \$1.8 million compared to mine operating earnings of \$9.5 million in the quarter ended September 30, 2014. The decrease in mine operating earnings was primarily attributed to the Company's decision to suspend approximately 934,000 in silver sales near the end of the quarter as a result of significant decline in silver prices during the quarter. Net earnings also decreased \$18.0 million compared to the preceding quarter as a result of a decrease in mine operating earnings and a one-time litigation gain of \$14.1 million recognized in the second quarter of 2014.

8. In the quarter ended June 30, 2014, mine operating earnings decreased by 43% to \$9.5 million compared to \$16.6 million in the quarter ended March 31, 2014. Net earnings increased by 27% to \$7.6 million from \$6.0 million in the quarter ended March 31, 2014. The increase in net earnings was primarily attributed to \$14.1 million litigation gain, partially offset by decrease in mine operating earnings due to 6% decrease in average realized silver price and higher depletion, depreciation and amortization due to increase in production rate.

Liquidity

As at March 31, 2016, the Company held cash and cash equivalents of \$61.7 million compared to \$51.0 million at December 31, 2015. Cash and cash equivalents is primarily comprised of cash held with reputable financial institutions and are invested in cash accounts and in highly liquid short-term investments with maturities of three months or less. The funds 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.

Cash and cash equivalents increased by \$10.7 million during the period. The Company's cash flows from operating, investing and financing activities during the year are summarized as follows:

- Cash provided from operating activities of \$22.1 million;
- Cash used in investing activities of \$9.5 million, primarily related to:
 - \$7.8 million spent on mine development and exploration activities; and
 - \$1.7 million spent on purchase of property, plant and equipment and deposits for the acquisition of non-current assets;
- Cash used in financing activities of \$2.1 million, including:
 - \$31.6 million was spent on repayment of prepayment facilities;
 - \$15.0 million was spent on repayment of SilverCrest's credit facility;
 - \$2.5 million was spent on repayment of lease obligations; and
 - \$4.5 million was spent on financing costs;offset by:
 - \$49.9 million net proceeds from new debt financing closed in February 2016; and
 - \$1.6 million proceeds from exercise of stock options.

Capital expenditures on mineral properties have decreased compared to the prior year as the Company suspended some discretionary capital expenditures due to the decline in silver prices over the past year, as well as efforts by the Company to cut costs and re-negotiate its contracts with contractors and suppliers.

Working capital as at March 31, 2016 was \$57.8 million compared to \$15.6 million at December 31, 2015. To improve the Company's working capital position, the Company closed a \$60.0 million debt financing agreement in February 2016, consisting of a \$35.0 million three year term loan and a \$25.0 million revolving credit facility with a three year expiry. Proceeds from the \$35.0 million term loan were used primarily to settle the remaining balance of the Company's prepayment facilities and to provide the Company with a six month repayment holiday. The revolving credit facility was used to replace SilverCrest's \$15.0 million credit line which would have been due in July 2016, extending repayment to February 2019.

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 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 covenants defined in the debt facilities. As at March 31, 2016 and December 31, 2015, the Company was fully in compliance with these covenants.

Contractual Obligations and Commitments

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

	Contractual Cash Flows	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$ 39,286	\$ 39,286	\$ -	\$ -	\$ -
Debt facilities	55,808	11,561	44,247	-	-
Finance lease obligations	16,442	10,201	6,181	60	-
Purchase obligations and commitments	1,651	1,651	-	-	-
	\$ 113,187	\$ 62,699	\$ 50,428	\$ 60	\$ -

Management is of the view that the above contractual obligations and commitments will be sufficiently funded by current working capital, future operating cash flows, and available debt facilities as at the date of this MD&A.

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 trade receivables in the ordinary course of business and VAT and other receivables.

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through four international customers. Additionally, concentrates and related base metal by-products are sold primarily through two international organizations with good credit ratings. Payments of receivables are scheduled, routine and 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.

Value added tax ("VAT") receivables are generated on the purchase of supplies and services for operations, which are refundable from the Mexican government. At March 31, 2016, value added taxes receivable was related to \$8.6 million (2015 - \$11.1 million) of monthly VAT filings of Nusantara, a subsidiary of the recently acquired SilverCrest Mines Inc., that were delayed due to a prior audit from the Mexican tax authorities. In March 2016, the Company collected \$4.5 million of the outstanding balance of value added taxes related to the audit of Nusantara. The Company is now proceeding to file the remaining VAT claims for the period from June 2015 to March 2016. The Company believes the balance is fully recoverable within the next twelve months and, therefore, has not provided an allowance against this balance nor reclassified the balance as non-current.

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 has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and contractual obligations. Based on the Company's current operating plan, the Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet its ongoing operating requirements as they arise for at least the next 12 months. If commodity prices in the metals markets were to decrease significantly, or the Company was to deviate significantly from its operating plan, the Company may need a further injection of capital to address its cash flow requirements.

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 and other comprehensive income or loss. To manage foreign exchange risk, the Company may occasionally enter into short-term foreign currency derivatives. As at March 31, 2016, the Company carried \$7.0 million in foreign exchange forward contracts with a weighted average contract rate of 19.3 to 1 (MXN to USD), which expire in April and May 2016, to hedge its exposure on the Mexican peso. These forward contracts have a fair value of \$0.8 million as at March 31, 2016 (December 31, 2015 – liability of \$0.3 million) based on market quoted price. The foreign currency derivatives are not designated as hedging instruments for accounting purposes.

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

	March 31, 2016						
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$ 2,563	\$ 1,211	\$ 4,474	\$ (984)	\$ -	\$ 7,264	\$ 726
Mexican peso	2,579	18,075	-	(20,094)	7,000	7,560	756
	\$ 5,142	\$ 19,286	\$ 4,474	\$ (21,078)	\$ 7,000	\$ 14,824	\$ 1,482

	December 31, 2015						
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$ 1,980	\$ 1,297	\$ -	\$ (1,027)	\$ -	\$ 2,250	\$ 225
Mexican peso	1,894	20,643	-	(18,258)	3,675	7,954	795
	\$ 3,874	\$ 21,940	\$ -	\$ (19,285)	\$ 3,675	\$ 10,204	\$ 1,020

Commodity Price Risk

The Company is exposed to commodity price risk on silver, gold, lead and zinc, 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 but has forward sales agreements to sell a portion of its lead and zinc production at a fixed price. The Company purchased call options on lead and zinc futures to mitigate potential exposure to future price increases in lead and zinc for its lead and zinc forward sales agreements.

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

	March 31, 2016					
	Silver	Gold	Lead	Zinc	Effect of +/- 10% change in metal prices	
Metals subject to provisional price adjustments	\$ 466	\$ 74	\$ 203	\$ 102	\$ 845	
Metals in doré and concentrates inventory	77	56	34	4	171	
	\$ 543	\$ 130	\$ 237	\$ 106	\$ 1,016	

	December 31, 2015				
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	
Metals subject to provisional price adjustments	\$ 428	\$ 44	\$ 201	\$ 77	\$ 750
Metals in doré and concentrates inventory	174	198	36	18	426
Prepayment facilities	-	-	(2,833)	(480)	(3,313)
	\$ 602	\$ 242	\$ (2,596)	\$ (385)	\$ (2,137)

Political and Country Risk

First Majestic currently conducts foreign operations primarily in México, 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 regulations, 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 Company's exploration, development and production activities.

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.

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.

In April 2013, the Company received a positive judgment on the First Silver litigation from the Supreme Court of British Columbia (the "Court"), which awarded the sum of \$93.8 million in favour of First Majestic against Hector Davila Santos (the

“Defendant”). The Company received a sum of \$14.1 million in June 2013 as partial payment of the judgment, leaving an unpaid amount of approximately \$62.8 million (CAD\$81.5 million). As part of the ruling, the Court granted orders restricting any transfer or encumbrance of the Bolaños Mine by the defendant and limiting mining at the Bolaños Mine. The orders also require that the defendant to preserve net cash flow from the Bolaños Mine in a holding account and periodically provide to the Company certain information regarding the Bolaños Mine. However, there can be no guarantee that the remainder of the judgment amount will be collected and it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to recover the balance. Therefore, as at March 31, 2016, the Company has not accrued any of the remaining \$62.8 million (CAD\$81.5 million) unpaid judgment in favour of the Company.

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. No shares were repurchased during the three months ended March 31, 2016 and year ended December 31, 2015.

Off-Balance Sheet Arrangements

At March 31, 2016, 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.

As at March 31, 2016, the Company has a \$1.2 million (2015 - \$1.1 million) promissory notes receivable from First Mining Finance Corp., a related party, which is repayable on demand with an interest rate of 9% per annum. There were no other significant transactions with related parties outside of the ordinary course of business during the period.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to March 31, 2016:

- a) In April 2016, the Company announced a CAD\$50.0 million bought-deal private placement with a syndicate of underwriters for the issuance of 4,566,000 common shares at a price of CAD\$10.95 per common share, with an over-allotment option to purchase up to an additional 15% of the number of shares issued. The private placement is scheduled to close on or about May 12, 2016;
- b) 479,300 stock options were exercised for proceeds of CAD\$3.1 million;
- c) 50,000 stock options with a five year expiry and an average exercise price of CAD\$8.45 were granted; and
- d) 24,625 stock options were cancelled or expired.

Pursuant to the above subsequent events, the Company has 156,511,604 common shares outstanding as at the date on which this MD&A was approved and authorized for issue by the Board of Directors.

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. 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, 2015.

Future Changes in Accounting Policies Not Yet Effective as at March 31, 2016

Revenue Recognition

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers*, and SIC 31 – *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9") to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Finance leases

In January 2016, the IASB published a new accounting standard, IFRS 16 – *Leases* ("IFRS 16") which supersedes IAS 17 – *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, if IFRS 16 – *Revenue from Contracts with Customers*, has also been applied. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

NON-GAAP MEASURES

The Company has included certain non-GAAP measures including “Cash costs per ounce”, “Production cost per tonne”, “All-in sustaining costs per ounce”, “Average realized silver 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.

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

Cash costs per 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”) in June 2013. 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 development 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.”*

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, exploration and evaluation costs, share-based 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 that this measure represents the total sustainable costs of producing silver from current operations, and provides the Company and other stakeholders of the Company with 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 capital 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 a detailed reconciliation 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 March 31, 2016						
	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Production cost (A)	\$ 10,198	\$ 6,602	\$ 5,358	\$ 4,630	\$ 4,045	\$ 2,894	\$ 33,727
Add: transportation and other selling cost	99	168	446	270	124	99	1,206
Add: smelting and refining cost	221	260	3,293	1,872	115	719	6,480
Add: environmental duty and royalties cost	127	26	66	25	47	28	319
Total cash cost before by-product credits (B)	\$ 10,645	\$ 7,056	\$ 9,163	\$ 6,797	\$ 4,331	\$ 3,740	\$ 41,732
Deduct: By-product credits attributed to							
Gold by-product credits	(12,850)	(33)	(127)	-	(1,531)	(2,061)	(16,602)
Lead by-product credits	-	-	(2,913)	(3,990)	-	-	(6,903)
Zinc by-product credits	-	-	(3,282)	-	-	-	(3,282)
Total by-product credits	\$ (12,850)	\$ (33)	\$ (6,322)	\$ (3,990)	\$ (1,531)	\$ (2,061)	\$ (26,787)
Total cash cost (C)	\$ (2,205)	\$ 7,023	\$ 2,841	\$ 2,807	\$ 2,800	\$ 1,679	\$ 14,945
Workers' Participation	-	42	-	-	90	-	132
General and administrative expenses	-	-	-	-	-	-	3,685
Share-based payments	-	-	-	-	-	-	1,147
Accretion of decommissioning liabilities	36	52	33	38	35	21	215
Sustaining capital expenditures	3,277	602	851	328	683	920	6,733
All-In Sustaining Costs (D)	\$ 1,108	\$ 7,719	\$ 3,725	\$ 3,173	\$ 3,608	\$ 2,620	\$ 26,857
Payable silver ounces produced (E)	660,300	827,464	527,922	294,943	479,933	202,985	2,993,547
Tonnes milled (F)	242,539	189,140	151,916	86,869	75,863	43,265	789,591
Total cash cost per ounce, before by-product credits (B/E)	\$ 16.12	\$ 8.53	\$ 17.36	\$ 23.05	\$ 9.02	\$ 18.42	\$ 13.94
Total cash cost per ounce (C/E)	\$ (3.34)	\$ 8.49	\$ 5.39	\$ 9.52	\$ 5.83	\$ 8.27	\$ 5.00
All-in sustaining cost per ounce (D/E)	\$ 1.68	\$ 9.33	\$ 7.06	\$ 10.76	\$ 7.52	\$ 12.91	\$ 8.97
Production cost per tonne (A/F)	\$ 42.05	\$ 34.91	\$ 35.29	\$ 53.30	\$ 53.32	\$ 66.88	\$ 42.72
Gold by-product credits per ounce	\$ (19.46)	\$ (0.04)	\$ (0.24)	\$ -	\$ (3.19)	\$ (10.15)	\$ (5.54)
Lead by-product credits per ounce	-	-	(5.52)	(13.53)	-	-	(2.31)
Zinc by-product credits per ounce	-	-	(6.22)	-	-	-	(1.10)
Total by-product credits per ounce	\$ (19.46)	\$ (0.04)	\$ (11.97)	\$ (13.53)	\$ (3.19)	\$ (10.15)	\$ (8.95)

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Three Months Ended March 31, 2015					
	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Production cost (A)	\$ 7,354	\$ 7,361	\$ 7,560	\$ 5,130	\$ 2,219	\$ 29,624
Add: transportation and other selling cost	119	612	546	76	123	1,476
Add: smelting and refining cost	245	3,204	3,816	153	824	8,242
Add: environmental duty and royalties cost	49	113	84	59	24	329
Total cash cost before by-product credits (B)	\$ 7,767	\$ 11,290	\$ 12,006	\$ 5,418	\$ 3,190	\$ 39,671
Deduct: By-product credits attributed to						
Gold by-product credits	(26)	(249)	-	(1,831)	(1,086)	(3,192)
Lead by-product credits	-	(1,778)	(7,954)	-	-	(9,732)
Zinc by-product credits	-	(4,962)	-	-	-	(4,962)
Total by-product credits	\$ (26)	\$ (6,989)	\$ (7,954)	\$ (1,831)	\$ (1,086)	\$ (17,886)
Total cash cost (C)	\$ 7,741	\$ 4,301	\$ 4,052	\$ 3,587	\$ 2,104	\$ 21,785
Workers' Participation	(5)	-	-	(6)	15	4
General and administrative expenses	-	-	-	-	-	4,157
Share-based payments	-	-	-	-	-	1,609
Accretion of decommissioning liabilities	56	40	40	39	21	196
Sustaining capital expenditures	1,890	2,639	1,681	1,336	1,164	9,030
All-In Sustaining Costs (D)	\$ 9,682	\$ 6,980	\$ 5,773	\$ 4,956	\$ 3,304	\$ 36,781
Payable silver ounces produced (E)	542,556	554,762	796,575	570,223	186,513	2,650,629
Tonnes milled (F)	167,270	172,647	157,934	88,362	45,396	631,609
Total cash cost per ounce, before by-product credits (B/E)	\$ 14.32	\$ 20.35	\$ 15.08	\$ 9.50	\$ 17.10	\$ 14.97
Total cash cost per ounce (C/E)	\$ 14.27	\$ 7.75	\$ 5.09	\$ 6.29	\$ 11.28	\$ 8.22
All-in sustaining cost per ounce (D/E)	\$ 17.85	\$ 12.58	\$ 7.25	\$ 8.69	\$ 17.71	\$ 13.88
Production cost per tonne (A/F)	\$ 43.96	\$ 42.64	\$ 47.87	\$ 58.06	\$ 48.88	\$ 46.90
Gold by-product credits per ounce	\$ (0.05)	\$ (0.45)	\$ -	\$ (3.21)	\$ (5.82)	\$ (1.20)
Lead by-product credits per ounce	-	(3.20)	(9.99)	-	-	(3.67)
Zinc by-product credits per ounce	-	(8.94)	-	-	-	(1.87)
Iron by-product credits per ounce	-	-	-	-	-	-
Total by-product credits per ounce	\$ (0.05)	\$ (12.59)	\$ (9.99)	\$ (3.21)	\$ (5.82)	\$ (6.74)

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 equivalent silver ounces sold to calculate the average realized price per ounce of silver equivalents sold.

	Three Months Ended March 31	
	2016	2015
Revenues as reported	\$ 66,509	\$ 54,569
Add back: smelting and refining charges	6,480	8,242
Gross revenues	72,989	62,811
Less: Sandstorm gold revenues	(1,168)	-
Gross revenues, excluding Sandstorm (A)	\$ 71,821	\$ 62,811
Payable equivalent silver ounces sold	5,022,401	3,683,882
Less: Payable equivalent silver ounces sold to Sandstorm	(260,788)	-
Payable equivalent silver ounces sold, excluding Sandstorm (B)	4,761,613	3,683,882
Average realized price per ounce of silver sold (A/B)⁽¹⁾	\$ 15.08	\$ 17.05
Average market price per ounce of silver per COMEX	\$ 14.87	\$ 16.70
Sandstorm gold revenues	\$ 1,168	\$ -
Payable gold ounces sold	3,273	-
Average realized price per ounce of Sandstorm gold sold	\$ 357	\$ -

(1) Average realized price per ounce of silver sold in each reporting period is affected by mark-to-market adjustments and final settlements on concentrate shipments in prior periods. Concentrates sold to fourth-party smelters are provisionally priced and the price is not settled until a predetermined future date, typically one month after delivery to the customer, based on the market price at that time. The mark-to-market adjustments do not apply to doré sales.

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 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 as reported in the Company’s consolidated financial statements to adjusted net earnings and Adjusted EPS.

	Three Months Ended March 31	
	2016	2015
Net loss as reported	\$ (7,433)	\$ (1,105)
Adjustments for non-cash or unusual items:		
Deferred income tax expense	7,837	1,694
Share-based payments	1,147	1,609
Gain from investment in derivatives and marketable securities	(1,017)	(1,395)
Loss (gain) from fair value adjustment of prepayment facilities	1,255	(468)
Recovery of mineral inventory	(745)	(654)
Loss on early settlement of prepayment facilities	3,506	-
Adjusted net earnings (loss)	\$ 4,550	\$ (319)
Weighted average number of shares on issue - basic	155,692,432	117,594,640
Adjusted EPS	\$ 0.03	\$ (0.00)

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 March 31	
	2016	2015
Operating Cash Flows before Working Capital and Taxes	\$ 24,972	\$ 17,314
Weighted average number of shares on issue - basic	155,692,432	117,594,640
Cash Flow per Share	\$ 0.16	\$ 0.15

Working Capital

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.

	March 31	December 31,
	2016	2015
Current Assets	\$ 117,545	\$ 104,785
Less: Current Liabilities	(59,696)	(89,201)
Working Capital	\$ 57,849	\$ 15,584

ADDITIONAL GAAP MEASURES

The Company uses additional financial measures which should be evaluated in conjunction with IFRS. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The following additional GAAP measures are used:

Gross Margin

Gross margin represents the difference between revenues and cost of sales, excluding depletion, depreciation and amortization. Management believes that this presentation provides useful information to investors to evaluate the Company's mine operating performance prior to non-cash depletion, depreciation and amortization in order to assess the Company's ability to generate operating cash flow.

Mine Operating Earnings

Mine operating earnings represents the difference between gross margin and depletion, depreciation and amortization. Management believes that mine operating earnings provides useful information to investors because mine operating earnings excludes expenses not directly associated with commercial production.

Operating Cash Flows before Working Capital and Taxes

Operating cash flows before working capital and taxes represents cash flows generated from operations before changes in working capital and income taxes paid. Management believes that this measure allows investors to evaluate the Company's pre-tax cash flows generated from operations adjusted for fluctuations in non-cash working capital items due to timing issues and the Company's ability to service its debt.

The terms described above do not have a standardized meaning prescribed by IFRS, therefore the Company's definitions may not be comparable to similar measures presented by other companies.

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 March 31, 2016, 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:

- maintaining 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;
- 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.

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's 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. Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “forecast”, “project”, “intend”, “believe”, “anticipate”, “outlook” and other similar words, or statements that certain events or conditions “may” or “will” occur. 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 undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change other than as required by securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Cautionary Note regarding Reserves and Resources

Mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 (“NI 43-101”), issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and mineral resources. 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 and Jesus Velador, Ph.D., Director of Exploration, are certified QPs for the Company. Ramon Mendoza 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, 2015, is available on SEDAR at www.sedar.com and on the Company's website at www.firstmajestic.com.