



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**  
**(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  
August 6, 2020

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

Raymond Polman, CPA, CA  
Chief Financial Officer  
August 6, 2020

## TABLE OF CONTENTS

### CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

---

<a href="#">Condensed Interim Consolidated Statements of Earnings (Loss)</a> .....	<a href="#">1</a>
<a href="#">Condensed Interim Consolidated Statements of Comprehensive Income (Loss)</a> .....	<a href="#">2</a>
<a href="#">Condensed Interim Consolidated Statements of Cash Flows</a> .....	<a href="#">3</a>
<a href="#">Condensed Interim Consolidated Statements of Financial Position</a> .....	<a href="#">4</a>
<a href="#">Condensed Interim Consolidated Statements of Changes in Equity</a> .....	<a href="#">5</a>

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

---

#### General

<a href="#">Note 1. Nature of Operations</a> .....	<a href="#">6</a>
<a href="#">Note 2. Basis of Presentation</a> .....	<a href="#">6</a>
<a href="#">Note 3. Significant Accounting Policies, Estimates and Judgments</a> .....	<a href="#">6</a>

#### Statements of Earnings (Loss)

<a href="#">Note 4. Segmented Information</a> .....	<a href="#">7</a>
<a href="#">Note 5. Revenues</a> .....	<a href="#">9</a>
<a href="#">Note 6. Cost of Sales</a> .....	<a href="#">10</a>
<a href="#">Note 7. General and Administrative Expenses</a> .....	<a href="#">11</a>
<a href="#">Note 8. Mine Holding Costs</a> .....	<a href="#">11</a>
<a href="#">Note 9. Investment and Other Income (Loss)</a> .....	<a href="#">11</a>
<a href="#">Note 10. Finance Costs</a> .....	<a href="#">12</a>
<a href="#">Note 11. Earnings or Loss per Share</a> .....	<a href="#">12</a>

#### Statements of Financial Position

<a href="#">Note 12. Inventories</a> .....	<a href="#">12</a>
<a href="#">Note 13. Other Financial Assets</a> .....	<a href="#">13</a>
<a href="#">Note 14. Mining Interests</a> .....	<a href="#">14</a>
<a href="#">Note 15. Property, Plant and Equipment</a> .....	<a href="#">16</a>
<a href="#">Note 16. Right-of-Use Assets</a> .....	<a href="#">18</a>
<a href="#">Note 17. Trade and Other Payables</a> .....	<a href="#">18</a>
<a href="#">Note 18. Other Financial Liabilities</a> .....	<a href="#">18</a>
<a href="#">Note 19. Debt Facilities</a> .....	<a href="#">19</a>
<a href="#">Note 20. Lease Liabilities</a> .....	<a href="#">21</a>
<a href="#">Note 21. Share Capital</a> .....	<a href="#">22</a>

#### Other items

<a href="#">Note 22. Financial Instruments and Related Risk Management</a> .....	<a href="#">25</a>
<a href="#">Note 23. Supplemental Cash Flow Information</a> .....	<a href="#">29</a>
<a href="#">Note 24. Contingencies and Other Matters</a> .....	<a href="#">29</a>
<a href="#">Note 25. Subsequent Events</a> .....	<a href="#">31</a>

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 and 2019**

Condensed Interim Consolidated Financial Statements - Unaudited

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

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

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
<b>Revenues</b>	<u>5</u>	<b>\$34,855</b>	<b>\$83,669</b>	<b>\$120,920</b>	<b>\$170,479</b>
<b>Mine operating costs</b>					
Cost of sales	<u>6</u>	26,187	62,772	76,022	122,119
Cost of sales - standby costs	<u>6</u>	9,166	—	10,112	—
Depletion, depreciation and amortization		7,264	16,691	21,433	33,901
		<b>42,617</b>	<b>79,463</b>	<b>107,567</b>	<b>156,020</b>
<b>Mine operating (loss) earnings</b>		<b>(7,762)</b>	<b>4,206</b>	<b>13,353</b>	<b>14,459</b>
General and administrative expenses	<u>7</u>	5,846	5,966	12,130	12,466
Share-based payments		1,947	2,017	4,325	4,092
Mine holding costs	<u>8</u>	5,603	394	10,382	1,202
Loss on sale of exploration project	<u>14</u>	—	—	10,106	—
Foreign exchange loss (gain)		6,229	(748)	3,403	(3,117)
<b>Operating loss</b>		<b>(27,387)</b>	<b>(3,423)</b>	<b>(26,993)</b>	<b>(184)</b>
Unrealized gain (loss) on foreign currency derivatives	<u>18</u>	10,251	—	(12,403)	—
Investment and other income (loss)	<u>9</u>	5,259	(87)	4,719	1,931
Finance costs	<u>10</u>	(3,550)	(3,742)	(7,406)	(7,447)
<b>Loss before income taxes</b>		<b>(15,427)</b>	<b>(7,252)</b>	<b>(42,083)</b>	<b>(5,700)</b>
<b>Income taxes</b>					
Current income tax expense		795	500	2,009	3,964
Deferred income tax (recovery) expense		(6,254)	4,215	(1,688)	(577)
		<b>(5,459)</b>	<b>4,715</b>	<b>321</b>	<b>3,387</b>
<b>Net loss for the period</b>		<b>(\$9,968)</b>	<b>(\$11,967)</b>	<b>(\$42,404)</b>	<b>(\$9,087)</b>
<b>(Loss) earnings per common share</b>					
Basic	<u>11</u>	<b>(\$0.05)</b>	<b>(\$0.06)</b>	<b>(\$0.20)</b>	<b>(\$0.05)</b>
Diluted	<u>11</u>	<b>(\$0.05)</b>	<b>(\$0.06)</b>	<b>(\$0.20)</b>	<b>(\$0.05)</b>
<b>Weighted average shares outstanding</b>					
Basic	<u>11</u>	<b>209,645,317</b>	<b>200,965,605</b>	<b>209,520,684</b>	<b>198,413,338</b>
Diluted	<u>11</u>	<b>209,645,317</b>	<b>200,965,605</b>	<b>209,520,684</b>	<b>198,413,338</b>

Approved by the Board of Directors



Keith Neumeyer, Director



Douglas Penrose, Director

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 and 2019**

Condensed Interim Consolidated Financial Statements - Unaudited

(In thousands of US dollars)

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

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
<b>Net loss for the period</b>		<b>(\$9,968)</b>	<b>(\$11,967)</b>	<b>(\$42,404)</b>	<b>(\$9,087)</b>
<b>Other comprehensive income (loss)</b>					
Items that will not be subsequently reclassified to net earnings (loss):					
Unrealized gain (loss) on fair value of investments in marketable securities	<a href="#">13(b)</a>	5,785	(33)	6,078	117
Realized gain on investments in marketable securities	<a href="#">13(b)</a>	197	123	197	123
Remeasurement of retirement benefit plan		—	—	(455)	—
<b>Other comprehensive income</b>		<b>5,982</b>	<b>90</b>	<b>5,820</b>	<b>240</b>
<b>Total comprehensive loss</b>		<b>(\$3,986)</b>	<b>(\$11,877)</b>	<b>(\$36,584)</b>	<b>(\$8,847)</b>

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 and 2019**

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 June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
<b>Operating Activities</b>					
Net loss for the period		(\$9,968)	(\$11,967)	(\$42,404)	(\$9,087)
Adjustments for:					
Depletion, depreciation and amortization		7,733	17,149	22,358	34,813
Share-based payments		1,947	2,017	4,325	4,092
Income tax expense		(5,459)	4,715	321	3,387
Finance costs	<a href="#">10</a>	3,550	3,742	7,406	7,447
Loss on sale of exploration project	<a href="#">14</a>	—	—	10,176	—
Unrealized (gain) loss on foreign currency derivatives	<a href="#">18</a>	(10,251)	—	12,403	—
Other	<a href="#">23</a>	(3,966)	2,073	(7,686)	782
<b>Operating cash flows before movements in working capital and taxes</b>		<b>(16,414)</b>	<b>17,729</b>	<b>6,899</b>	<b>41,434</b>
Net change in non-cash working capital items	<a href="#">23</a>	(10,619)	1,634	(21,382)	11,880
Income taxes paid		(3,515)	(3,805)	(4,017)	(5,041)
<b>Cash (used in) generated by operating activities</b>		<b>(30,548)</b>	<b>15,558</b>	<b>(18,500)</b>	<b>48,273</b>
<b>Investing Activities</b>					
Expenditures on mining interests		(9,460)	(17,754)	(29,232)	(37,589)
Acquisition of property, plant and equipment		(7,074)	(8,817)	(19,090)	(18,946)
Deposits paid for acquisition of non-current assets		(4,112)	(1,009)	(5,630)	(1,649)
Proceeds from sale of marketable securities		393	195	393	195
Purchase of marketable securities		(773)	—	(773)	—
Proceeds from settlement of silver futures		2,079	195	2,079	824
<b>Cash used in investing activities</b>		<b>(18,947)</b>	<b>(28,158)</b>	<b>(52,253)</b>	<b>(57,165)</b>
<b>Financing Activities</b>					
Proceeds from ATM program, net of share issue costs	<a href="#">21(a)</a>	—	16,028	13,792	48,486
Proceeds from exercise of stock options		1,005	908	2,846	2,060
Repayment of lease liabilities	<a href="#">20</a>	(1,638)	(1,042)	(3,417)	(2,048)
Finance costs paid		(284)	(631)	(2,240)	(2,930)
Repayment of Scotia debt facility	<a href="#">19</a>	—	—	(10,000)	—
Shares repurchased and cancelled	<a href="#">21(e)</a>	—	—	(1,694)	—
<b>Cash (used in) provided by financing activities</b>		<b>(917)</b>	<b>15,263</b>	<b>(713)</b>	<b>45,568</b>
Effect of exchange rate on cash and cash equivalents held in foreign currencies		455	419	(2,313)	850
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(50,412)</b>	<b>2,663</b>	<b>(71,466)</b>	<b>36,676</b>
Cash and cash equivalents, beginning of the period		145,187	91,457	169,009	57,013
<b>Cash and cash equivalents, end of period</b>		<b>\$95,230</b>	<b>\$94,539</b>	<b>\$95,230</b>	<b>\$94,539</b>
Cash		\$90,760	\$94,539	\$90,760	\$94,539
Short-term investments		4,470	—	4,470	—
<b>Cash and cash equivalents, end of period</b>		<b>\$95,230</b>	<b>\$94,539</b>	<b>\$95,230</b>	<b>\$94,539</b>
<b>Supplemental cash flow information</b>	<a href="#">23</a>				

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

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT JUNE 30, 2020 AND DECEMBER 31, 2019**

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	June 30, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$95,230	\$169,009
Trade and other receivables		1,506	4,295
Value added taxes receivable		31,431	29,637
Income taxes receivable		280	—
Inventories	<u>12</u>	43,539	30,517
Other financial assets	<u>13</u>	16,659	7,488
Prepaid expenses and other		4,249	2,033
<b>Total current assets</b>		<b>192,894</b>	<b>242,979</b>
<b>Non-current assets</b>			
Mining interests	<u>14</u>	466,204	463,391
Property, plant and equipment	<u>15</u>	241,577	236,639
Right-of-use assets	<u>16</u>	12,851	12,034
Deposits on non-current assets		6,196	2,189
Non-current income taxes receivable		16,045	19,551
Deferred tax assets		84,070	51,141
<b>Total assets</b>		<b>\$1,019,837</b>	<b>\$1,027,924</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	<u>17</u>	\$50,637	\$59,123
Other financial liabilities	<u>18</u>	11,421	—
Unearned revenue	<u>5</u>	19	4,486
Current portion of debt facilities	<u>19</u>	10,556	1,175
Current portion of lease liabilities	<u>20</u>	6,017	6,920
Income taxes payable		—	149
<b>Total current liabilities</b>		<b>78,650</b>	<b>71,853</b>
<b>Non-current liabilities</b>			
Debt facilities	<u>19</u>	138,580	154,643
Lease liabilities	<u>20</u>	14,379	15,016
Decommissioning liabilities		34,240	40,528
Other liabilities		4,468	4,675
Deferred tax liabilities		104,514	78,888
<b>Total liabilities</b>		<b>\$374,831</b>	<b>\$365,603</b>
<b>Equity</b>			
Share capital		950,582	933,182
Equity reserves		98,815	90,692
Accumulated deficit		(404,391)	(361,553)
<b>Total equity</b>		<b>\$645,006</b>	<b>\$662,321</b>
<b>Total liabilities and equity</b>		<b>\$1,019,837</b>	<b>\$1,027,924</b>

Commitments (Note [16](#); Note [22\(c\)](#)); Subsequent event (Note [21\(a\)](#); Note [25](#))

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

Condensed Interim Consolidated Financial Statements - Unaudited

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

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

	Share Capital		Equity Reserves					Accumulated deficit	Total equity
	Shares	Amount	Share-based payments <sup>(a)</sup>	Other comprehensive income(loss) <sup>(b)</sup>	Equity component of convertible debenture <sup>(c)</sup>	Total equity reserves			
<b>Balance at December 31, 2018</b>	<b>193,873,335</b>	<b>\$827,622</b>	<b>\$71,715</b>	<b>(\$2,849)</b>	<b>\$19,164</b>	<b>\$88,030</b>	<b>(\$321,079)</b>	<b>\$594,573</b>	
Net loss for the period	—	—	—	—	—	—	(9,087)	(9,087)	
Other comprehensive income	—	—	—	240	—	240	—	240	
<b>Total comprehensive loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>240</b>	<b>—</b>	<b>240</b>	<b>(9,087)</b>	<b>(8,847)</b>	
Share-based payments	—	—	4,092	—	—	4,092	—	4,092	
Shares issued for:									
Exercise of stock options (Note 21(b))	508,874	2,568	(508)	—	—	(508)	—	2,060	
At-the-Market Distributions (Note 21(a))	8,039,363	48,486	—	—	—	—	—	48,486	
Settlement of restricted share units (Note 21(c))	100,000	642	(642)	—	—	—	—	—	
Shares cancelled	1,661	7	—	—	—	—	—	7	
<b>Balance at June 30, 2019</b>	<b>202,523,233</b>	<b>\$879,325</b>	<b>\$74,657</b>	<b>(\$2,609)</b>	<b>\$19,164</b>	<b>\$91,212</b>	<b>(\$330,166)</b>	<b>\$640,371</b>	
<b>Balance at December 31, 2019</b>	<b>208,112,072</b>	<b>\$933,182</b>	<b>\$74,060</b>	<b>(\$2,532)</b>	<b>\$19,164</b>	<b>\$90,692</b>	<b>(\$361,553)</b>	<b>\$662,321</b>	
Net loss for the period	—	—	—	—	—	—	(42,404)	(42,404)	
Other comprehensive income	—	—	—	5,820	—	5,820	—	5,820	
<b>Total comprehensive loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,820</b>	<b>—</b>	<b>5,820</b>	<b>(42,404)</b>	<b>(36,584)</b>	
Share-based payments	—	—	4,325	—	—	4,325	—	4,325	
Shares issued for:									
Exercise of stock options (Note 21(b))	490,159	3,952	(1,106)	—	—	(1,106)	—	2,846	
At-the-Market Distributions (Note 21(a))	1,304,338	13,792	—	—	—	—	—	13,792	
Settlement of restricted share units (Note 21(c))	117,000	916	(916)	—	—	(916)	—	—	
Shares repurchased and cancelled (Note 21(e))	(275,000)	(1,260)	—	—	—	—	(434)	(1,694)	
<b>Balance at June 30, 2020</b>	<b>209,748,569</b>	<b>\$950,582</b>	<b>\$76,363</b>	<b>\$3,288</b>	<b>\$19,164</b>	<b>\$98,815</b>	<b>(\$404,391)</b>	<b>\$645,006</b>	

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



## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 1. NATURE OF OPERATIONS

First Majestic Silver Corp. (the “Company” or “First Majestic”) is in the business of silver production, development, exploration, and acquisition of mineral properties with a focus on silver production in Mexico. The Company owns three producing mines: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine and the La Encantada Silver Mine, four mines in suspension: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine, and several development and exploration stage projects.

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

### 2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, and International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). 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, 2019, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain items that are measured at fair value including derivative financial instruments (Note [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 were prepared using accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended December 31, 2019.

### 3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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

In preparing the Company’s unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020, the Company applied the critical judgments and estimates disclosed in note 3 of its audited consolidated financial statements for the year ended December 31, 2019 and the following amendments to accounting policies:

#### [Amendments to IFRS 3 Definition of a Business](#)

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

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

#### Amendments to IFRS 3 Definition of a Business (continued)

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020. The Company will assess the impact of these amendments on future acquisitions to all business combinations and asset acquisitions.

#### Amendments to IFRS 16 Leases

To provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19 the International Accounting Standards Board ("IASB") proposed an amendment to IFRS 16 which provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. This amendment did not have a significant impact to the Company's financial statements as the Company has not received any COVID-19 related rent concessions as of the date of these financial statements.

### 4. SEGMENTED INFORMATION

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

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

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

For the three and six months ended June 30, 2020, the Company's reporting segments includes its three operating mines in Mexico. Effective January 1, 2020, the Company no longer considers the La Parrilla, Del Toro, San Martin and La Guitarra mines, which have been placed on suspension, as significant reporting segments. Accordingly, these mines have been grouped as "non-producing properties" category for the three and six months ended June 30, 2020 and 2019. "Others" consists primarily of the Company's corporate assets including cash and cash equivalents, other development and exploration properties (Note 14), debt facilities (Note 19), intercompany eliminations, and corporate expenses which are not allocated to operating segments. Management evaluates segment performance based on mine operating earnings. Therefore, other income and expense items are not allocated to the segments. The segmented information for the comparative periods have been adjusted to reflect the Company's reporting segments for the reporting periods ended June 30, 2020 for consistency.

## 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)

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

Three Months Ended June 30, 2020 and 2019		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
<b>Mexico</b>						
<b>San Dimas</b>	<b>2020</b>	<b>\$25,233</b>	<b>\$24,373</b>	<b>\$5,150</b>	<b>(\$4,290)</b>	<b>\$5,238</b>
	2019	46,007	28,086	6,918	11,003	9,180
<b>Santa Elena</b>	<b>2020</b>	<b>5,137</b>	<b>6,231</b>	<b>1,089</b>	<b>(2,183)</b>	<b>4,046</b>
	2019	19,792	13,704	2,921	3,167	4,648
<b>La Encantada</b>	<b>2020</b>	<b>3,864</b>	<b>4,148</b>	<b>622</b>	<b>(906)</b>	<b>1,294</b>
	2019	7,194	8,312	2,702	(3,820)	3,597
<b>Non-producing Properties</b>	<b>2020</b>	<b>—</b>	<b>—</b>	<b>147</b>	<b>(147)</b>	<b>—</b>
	2019	10,618	12,564	3,889	(5,835)	6,283
<b>Others</b>	<b>2020</b>	<b>621</b>	<b>601</b>	<b>256</b>	<b>(236)</b>	<b>5,464</b>
	2019	58	106	261	(309)	6,031
<b>Consolidated</b>	<b>2020</b>	<b>\$34,855</b>	<b>\$35,353</b>	<b>\$7,264</b>	<b>(\$7,762)</b>	<b>\$16,042</b>
	2019	<b>\$83,669</b>	<b>\$62,772</b>	<b>\$16,691</b>	<b>\$4,206</b>	<b>\$29,739</b>

Six Months Ended June 30, 2020		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
<b>Mexico</b>						
<b>San Dimas</b>	<b>2020</b>	<b>\$72,947</b>	<b>\$50,440</b>	<b>\$13,931</b>	<b>\$8,576</b>	<b>\$18,040</b>
	2019	86,892	51,468	13,190	22,234	17,377
<b>Santa Elena</b>	<b>2020</b>	<b>27,726</b>	<b>20,159</b>	<b>3,880</b>	<b>3,687</b>	<b>11,448</b>
	2019	39,925	26,471	5,209	8,245	9,469
<b>La Encantada</b>	<b>2020</b>	<b>19,158</b>	<b>13,466</b>	<b>2,762</b>	<b>2,930</b>	<b>4,085</b>
	2019	18,767	17,347	6,186	(4,766)	6,447
<b>Non-producing Properties</b>	<b>2020</b>	<b>183</b>	<b>1,361</b>	<b>338</b>	<b>(1,516)</b>	<b>2,095</b>
	2019	24,656	26,510	8,797	(10,651)	12,535
<b>Others</b>	<b>2020</b>	<b>906</b>	<b>708</b>	<b>522</b>	<b>(324)</b>	<b>10,430</b>
	2019	239	323	519	(603)	12,621
<b>Consolidated</b>	<b>2020</b>	<b>\$120,920</b>	<b>\$86,134</b>	<b>\$21,433</b>	<b>\$13,353</b>	<b>\$46,098</b>
	<b>2019</b>	<b>\$170,479</b>	<b>\$122,119</b>	<b>\$33,901</b>	<b>\$14,459</b>	<b>\$58,449</b>

## 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)

At June 30, 2020 and December 31, 2019	Mining Interests		Property, plant and equipment	Total mining assets	Total assets	Total liabilities	
	Producing	Exploration					
<b>Mexico</b>							
<b>San Dimas</b>	<b>2020</b>	<b>\$197,242</b>	<b>\$10,221</b>	<b>\$114,043</b>	<b>\$321,506</b>	<b>\$382,113</b>	<b>\$74,604</b>
	2019	193,433	8,699	116,556	318,688	375,359	61,476
<b>Santa Elena</b>	<b>2020</b>	<b>49,660</b>	<b>20,737</b>	<b>47,720</b>	<b>118,117</b>	<b>140,363</b>	<b>24,058</b>
	2019	45,046	18,592	47,787	111,425	134,666	23,867
<b>La Encantada</b>	<b>2020</b>	<b>23,898</b>	<b>1,383</b>	<b>14,953</b>	<b>40,234</b>	<b>79,568</b>	<b>20,542</b>
	2019	23,091	1,104	14,736	38,931	71,255	21,563
<b>Non-producing Properties</b>	<b>2020</b>	<b>105,778</b>	<b>35,011</b>	<b>30,773</b>	<b>171,562</b>	<b>211,979</b>	<b>34,014</b>
	2019	105,778	32,938	31,050	169,766	213,061	36,261
<b>Others</b>	<b>2020</b>	<b>—</b>	<b>22,275</b>	<b>34,088</b>	<b>56,363</b>	<b>205,815</b>	<b>221,613</b>
	2019	—	34,710	26,510	61,220	233,582	222,436
<b>Consolidated</b>	<b>2020</b>	<b>\$376,578</b>	<b>\$89,627</b>	<b>\$241,577</b>	<b>\$707,782</b>	<b>\$1,019,838</b>	<b>\$374,831</b>
	2019	\$367,348	\$96,043	\$236,639	\$700,030	\$1,027,923	\$365,603

During the three and six months ended June 30, 2020, the Company had three (June 30, 2019 - five) customers that accounted for 100% of its sales revenue, with one major customer accounting for 89% of total revenue (2019 - one major customer for 83%).

### 5. REVENUES

The majority of the Company's revenues are from the sale of precious metals contained in doré form. Historically some of the production was from metals in concentrate form. The Company's primary products are precious metals of silver and gold. Historically, the Company has also produced industrial metals of lead and zinc from its sales of concentrates. Revenues from sale of metal, including by-products, are recorded net of smelting and refining costs.

Revenues for the period are summarized as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
<b>Gross revenue from payable metals:</b>								
Silver	\$20,332	58%	\$46,844	55%	\$72,346	59%	\$99,332	57%
Gold	14,826	42%	34,843	41%	49,528	41%	66,874	39%
Lead	2	—%	1,893	2%	76	—%	4,422	3%
Zinc	—	—%	1,451	2%	—	—%	2,686	2%
<b>Gross revenue</b>	<b>35,160</b>	<b>100%</b>	<b>85,031</b>	<b>100%</b>	<b>121,950</b>	<b>100%</b>	<b>173,314</b>	<b>100%</b>
Less: smelting and refining costs	(305)		(1,362)		(1,030)		(2,835)	
<b>Revenues</b>	<b>\$34,855</b>		<b>\$83,669</b>		<b>\$120,920</b>		<b>\$170,479</b>	

As at June 30, 2020, the Company had \$Nil unearned revenue (December 31, 2019 - \$4.5 million) that has not satisfied performance obligations.

#### (a) Gold Stream Agreement with Sandstorm Gold Ltd.

The Santa Elena mine has a purchase agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the Company to sell 20% of its gold production over the life of mine from its leach pad and a designated area of its underground operations. The selling price to Sandstorm is the lesser of the prevailing market price or \$450 per ounce, subject to a 1% annual inflation. During the six months ended June 30, 2020, the Company delivered 2,727 ounces (2019 - 3,914 ounces) of gold to Sandstorm at an average price of \$460 per ounce (2019 - \$457 per ounce).

## NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

### 5. REVENUES (continued)

#### (b) Gold Stream Agreement with Wheaton Precious Metals Corporation

In 2018, the San Dimas mine entered into a purchase agreement with Wheaton Precious Metals International ("WPMI"), which entitles Wheaton Precious Metals Corp. ("WPM") to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment) and the prevailing market price, for each gold equivalent ounce delivered. Should the average gold to silver ratio over a six month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. Effective April 1, 2020, the fixed gold to silver exchange ratio was revised to 90:1. In the event the average gold to silver price ratio falls below 90:1 for a period of six months or more, the 70:1 exchange ratio will be reinstated.

During the six months ended June 30, 2020, the Company delivered 17,388 ounces (2019 - 21,795 ounces) of gold to WPM at \$607 (2019 - \$603) per ounce.

### 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Consumables and materials	\$5,669	\$12,064	\$15,589	\$24,488
Labour costs	15,016	33,735	42,339	61,922
Energy	3,403	10,322	11,181	19,583
Other costs	2,190	1,312	6,551	5,597
<b>Production costs</b>	<b>\$26,278</b>	<b>\$57,433</b>	<b>\$75,660</b>	<b>\$111,590</b>
Transportation and other selling costs	320	734	842	1,541
Workers participation costs	6,726	3,479	8,724	5,074
Environmental duties and royalties	252	341	648	677
Inventory changes	(7,389)	785	(9,852)	3,237
	<b>\$26,187</b>	<b>\$62,772</b>	<b>\$76,022</b>	<b>\$122,119</b>

Cost of sales for the three and six months ended June 30, 2020 included standby costs of \$9.2 million and \$10.1 million, respectively, primarily related to direct costs incurred at the San Dimas (\$3.5 million), Santa Elena (\$2.0 million) and La Encantada (\$1.7 million) mines due to temporary suspensions following Mexico's Ministry of Health's Federal Decree requiring all non-essential businesses, including mining, to temporarily suspend activities throughout most of April and May in response to the global pandemic. In addition, the Company incurred \$2.0 million in standby costs related to the 13-day union work stoppage at San Dimas in June 2020.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Corporate administration	\$1,246	\$1,282	\$2,523	\$2,322
Salaries and benefits	2,463	2,629	5,628	6,152
Audit, legal and professional fees	1,323	1,267	2,370	2,428
Filing and listing fees	138	127	293	260
Directors fees and expenses	207	204	391	393
Depreciation	469	457	925	911
	<b>\$5,846</b>	<b>\$5,966</b>	<b>\$12,130</b>	<b>\$12,466</b>

### 8. MINE HOLDING COSTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Del Toro	\$2,688	\$—	\$4,870	\$—
La Parrilla	1,648	—	3,367	—
San Martin	892	—	892	—
La Guitarra	376	394	1,254	1,202
	<b>\$5,604</b>	<b>\$394</b>	<b>\$10,383</b>	<b>\$1,202</b>

### 9. INVESTMENT AND OTHER INCOME (LOSS)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gain (loss) from investment in marketable securities (Note 13(a))	\$3,289	(\$1,314)	\$1,921	(\$161)
Gain (loss) from investment in silver futures derivatives	1,789	46	2,079	(490)
Interest income and other	181	1,181	719	2,582
	<b>\$5,259</b>	<b>(\$87)</b>	<b>\$4,719</b>	<b>\$1,931</b>

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 10. FINANCE COSTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Debt facilities (Note 19)	\$2,622	\$2,752	\$5,262	\$5,459
Lease liabilities (Note 20)	364	199	767	407
Accretion of decommissioning liabilities	546	606	1,169	1,210
Silver sales and other	18	185	208	371
	<b>\$3,550</b>	<b>\$3,742</b>	<b>\$7,406</b>	<b>\$7,447</b>

### 11. EARNINGS OR LOSS PER SHARE

Basic earnings or loss per share is the net earnings or loss available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted net earnings or loss per share adjusts basic net earnings per share for the effects of potential dilutive common shares.

The calculations of basic and diluted earnings or loss per share for the period ended June 30, 2020 and 2019 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) earnings for the period	(\$9,968)	(\$11,967)	(\$42,404)	(\$9,087)
Weighted average number of shares on issue - basic and diluted <sup>(1)</sup>	209,645,317	200,965,605	209,520,684	198,413,338
(Loss) earnings per share - diluted	(\$0.05)	(\$0.06)	(\$0.20)	(\$0.05)

(1) For the three and six months ended June 30, 2020, diluted weighted average number of shares excluded 8,413,109 (2019 - 9,701,515) options, 330,613 restricted and preferred share units (2019 - nil) and 16,327,598 (2019 - 16,327,598) common shares issuable under the convertible debentures (Note 19(a)) that were anti-dilutive.

### 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 or net realizable value. Inventories of the Company are comprised of:

	June 30, 2020	December 31, 2019
Finished goods - doré and concentrates	\$15,687	\$1,965
Work-in-process	2,124	3,229
Stockpile	1,486	2,130
Silver coins and bullion	155	291
Materials and supplies	24,087	22,902
	<b>\$43,539</b>	<b>\$30,517</b>

As at June 30, 2020, the Company held approximately 970,000 ounces (2019 - 55,000 ounces) of silver and 6,000 ounces (2019 - 1,000 ounces) of gold in its finished goods inventory, which were sold and recognized as revenues subsequent to quarter end for approximately \$25.0 million.

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.

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)

### 13. OTHER FINANCIAL ASSETS

As at June 30, 2020, other financial assets consists of the Company's investment in marketable securities and foreign exchange derivatives comprised of the following:

	June 30, 2020	December 31, 2019
First Mining Gold Corp. (TSX: FF)	\$4,781	\$3,010
Sprott Physical Silver Trust (NYSE: PSLV)	2,644	2,616
<b>FVTPL marketable securities (a)</b>	<b>\$7,425</b>	<b>\$5,626</b>
FVTOCI marketable securities (b)	9,234	880
<b>Total marketable securities</b>	<b>\$16,659</b>	<b>\$6,506</b>
Foreign currency derivatives (Note 19)	—	982
<b>Total other financial assets</b>	<b>\$16,659</b>	<b>\$7,488</b>

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

Gains in marketable securities designated as FVTPL for the three and six months ended June 30, 2020 were \$3.3 million (2019 - loss of \$1.3 million) and \$1.9 million (2019 - loss of \$0.2 million), respectively, and are recorded through profit or loss.

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

As part of considerations received for the sale of the Plomosas Silver Project (see Note 14(c)), the Company received 17,097,500 common shares of GR Silver Mining Ltd. with a fair value of \$1.7 million on March 27, 2020. In May 2020, the Company participated in a private placement by GR Silver Mining Ltd. and acquired an additional 4,000,000 shares and 2,000,000 one-year warrants with a strike price of CAD\$0.40 per share for \$0.8 million. These shares are designated as FVTOCI marketable securities and the warrants are designated as FVTPL marketable securities.

Changes in fair value of marketable securities designated as FVTOCI for the three and six months ended June 30, 2020 were \$6.0 million (2019 - \$0.1 million) and \$6.3 million (2019 - \$0.2 million), respectively, and were recorded through other comprehensive income and will not be transferred into earnings or loss upon disposition or impairment.



## 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

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

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

	June 30, 2020	December 31, 2019
Depletable properties	\$376,578	\$367,348
Non-depletable properties (exploration and evaluation costs)	89,626	96,043
	<b>\$466,204</b>	<b>\$463,391</b>

Depletable properties are allocated as follows:

Depletable properties	San Dimas	Santa Elena	La Encantada	Non-producing Properties <sup>(1)</sup>	Total
<b>Cost</b>					
<b>At December 31, 2018</b>	<b>\$193,305</b>	<b>\$45,041</b>	<b>\$99,436</b>	<b>\$478,883</b>	<b>\$816,665</b>
Additions	24,596	6,813	5,995	9,088	46,492
Change in decommissioning liabilities	301	2,338	500	6,161	9,300
Transfer from exploration properties	2,456	7,462	5,659	—	15,577
<b>At December 31, 2019</b>	<b>\$220,658</b>	<b>\$61,654</b>	<b>\$111,590</b>	<b>\$494,132</b>	<b>\$888,034</b>
Additions	7,992	1,920	1,856	—	11,768
Transfer from exploration properties	3,645	4,229	472	—	8,346
<b>At June 30, 2020</b>	<b>\$232,295</b>	<b>\$67,803</b>	<b>\$113,918</b>	<b>\$494,132</b>	<b>\$908,148</b>
<b>Accumulated depletion, amortization and impairment</b>					
<b>At December 31, 2018</b>	<b>(\$10,871)</b>	<b>(\$11,594)</b>	<b>(\$59,872)</b>	<b>(\$380,677)</b>	<b>(\$463,014)</b>
Depletion and amortization	(16,354)	(5,014)	(6,025)	(7,677)	(35,070)
Impairment	—	—	(22,602)	—	(22,602)
<b>At December 31, 2019</b>	<b>(\$27,225)</b>	<b>(\$16,608)</b>	<b>(\$88,499)</b>	<b>(\$388,354)</b>	<b>(\$520,686)</b>
Depletion and amortization	(7,828)	(1,535)	(1,521)	—	(10,884)
<b>At June 30, 2020</b>	<b>(\$35,053)</b>	<b>(\$18,143)</b>	<b>(\$90,020)</b>	<b>(\$388,354)</b>	<b>(\$531,570)</b>
<b>Carrying values</b>					
<b>At December 31, 2019</b>	<b>\$193,433</b>	<b>\$45,046</b>	<b>\$23,091</b>	<b>\$105,778</b>	<b>\$367,348</b>
<b>At June 30, 2020</b>	<b>\$197,242</b>	<b>\$49,660</b>	<b>\$23,898</b>	<b>\$105,778</b>	<b>\$376,578</b>

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

## 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)

Non-depletable properties costs are allocated as follows:

Non-depletable properties	San Dimas	Santa Elena	La Encantada	Non-producing Properties <sup>(1)</sup>	Exploration Projects <sup>(2)</sup>	Total
<b>At December 31, 2018</b>	<b>\$3,705</b>	<b>\$14,316</b>	<b>\$5,660</b>	<b>\$24,841</b>	<b>\$33,440</b>	<b>\$81,962</b>
Exploration and evaluation expenditures	7,450	11,738	2,164	8,097	1,032	30,481
Change in decommissioning liabilities	—	—	—	—	238	238
Impairment	—	—	(1,061)	—	—	(1,061)
Transfer to producing properties	(2,456)	(7,462)	(5,659)	—	—	(15,577)
<b>At December 31, 2019</b>	<b>\$8,699</b>	<b>\$18,592</b>	<b>\$1,104</b>	<b>\$32,938</b>	<b>\$34,710</b>	<b>\$96,043</b>
Exploration and evaluation expenditures	5,167	6,374	751	2,073	748	15,112
Sale of exploration project (c)	—	—	—	—	(13,183)	(13,183)
Transfer to producing properties	(3,645)	(4,229)	(472)	—	—	(8,346)
<b>At June 30, 2020</b>	<b>\$10,221</b>	<b>\$20,737</b>	<b>\$1,383</b>	<b>\$35,011</b>	<b>\$22,275</b>	<b>\$89,626</b>

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

(2) Exploration projects include the La Luz, La Joya, Los Amoles, Jalisco Group of Properties and Jimenez del Tuel projects.

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

In 2018, the San Dimas Mine entered into a gold and silver streaming agreement with WPMI which entitles WPM to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment commencing in May 2019) and the prevailing market price, for each gold ounce delivered. Should the average gold to silver ratio over a six month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. Effective April 1, 2020, the fixed gold to silver exchange ratio was revised to 90:1. In the event the average gold to silver price ratio falls below 90:1 for a period of six months or more, the 70:1 exchange ratio shall be reinstated.

#### (b) 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 its leach pad and a designated area of its underground operations to Sandstorm. The selling price to Sandstorm is currently the lesser of \$464 per ounce, subject to a 1% annual inflation increase every April, and the prevailing market price.

#### (c) Plomosas Silver Project, Sinaloa, Mexico

In March 2020, the Company sold its subsidiary Minera La Rastra, S.A. de C.V. ("MLR"), which holds the Plomosas Silver Project, to GR Silver Mining Ltd. ("GR Silver") for total consideration of \$1.7 million, consisting of 17,097,500 common shares of GR Silver with a fair value of \$1.7 million on the measurement date, CAD\$100,000 in cash and a 2% net smelter return royalty on the Plomosas Project with half of the NSR being subject to a buy-back option for CAD\$1,000,000. As at the date of the transaction, MLR had a carrying value of \$11.8 million, including \$13.1 million in mining interests, resulting in a loss of \$10.1 million on the sale.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 15. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment are comprised of the following:

	Land and Buildings <sup>(1)</sup>	Machinery and Equipment	Assets under Construction <sup>(2)</sup>	Other	Total
<b>Cost</b>					
<b>At December 31, 2018</b>	<b>\$177,864</b>	<b>\$430,862</b>	<b>\$35,673</b>	<b>\$23,410</b>	<b>\$667,809</b>
Additions	—	1,991	44,709	521	47,221
Transfers and disposals	20,548	23,802	(52,737)	507	(7,880)
<b>At December 31, 2019</b>	<b>\$198,412</b>	<b>\$456,655</b>	<b>\$27,645</b>	<b>\$24,438</b>	<b>\$707,150</b>
Additions	—	1,122	17,976	119	19,217
Transfers and disposals	207	2,301	(4,445)	410	(1,527)
<b>At June 30, 2020</b>	<b>\$198,619</b>	<b>\$460,078</b>	<b>\$41,176</b>	<b>\$24,967</b>	<b>\$724,840</b>
<b>Accumulated depreciation, amortization and impairment</b>					
<b>At December 31, 2018</b>	<b>(\$111,258)</b>	<b>(\$291,959)</b>	<b>\$—</b>	<b>(\$13,508)</b>	<b>(\$416,725)</b>
Depreciation and amortization	(4,980)	(23,829)	—	(2,122)	(30,931)
Transfers and disposals	271	5,189	—	459	5,919
Impairment	(13,073)	(15,701)	—	—	(28,774)
<b>At December 31, 2019</b>	<b>(\$129,040)</b>	<b>(\$326,300)</b>	<b>\$—</b>	<b>(\$15,171)</b>	<b>(\$470,511)</b>
Depreciation and amortization	(1,918)	(9,909)	—	(1,252)	(13,079)
Transfers and disposals	66	238	—	23	327
<b>At June 30, 2020</b>	<b>(\$130,892)</b>	<b>(\$335,971)</b>	<b>\$—</b>	<b>(\$16,400)</b>	<b>(\$483,263)</b>
<b>Carrying values</b>					
<b>At December 31, 2019</b>	<b>\$69,372</b>	<b>\$130,355</b>	<b>\$27,645</b>	<b>\$9,267</b>	<b>\$236,639</b>
<b>At June 30, 2020</b>	<b>\$67,727</b>	<b>\$124,107</b>	<b>\$41,176</b>	<b>\$8,567</b>	<b>\$241,577</b>

(1) Included in land and buildings is \$11.2 million (2019 - \$11.5 million) of land which is not subject to depreciation.

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

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 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:

	San Dimas	Santa Elena	La Encantada	Non-producing Properties <sup>(1)</sup>	Other	Total
<b>Cost</b>						
<b>At December 31, 2018</b>	<b>\$127,763</b>	<b>\$76,671</b>	<b>\$132,146</b>	<b>\$299,037</b>	<b>\$32,192</b>	<b>\$667,809</b>
Additions	10,465	4,453	5,066	3,073	24,164	47,221
Transfers and disposals	(1,925)	9,638	90	(4,870)	(10,813)	(7,880)
<b>At December 31, 2019</b>	<b>\$136,303</b>	<b>\$90,762</b>	<b>\$137,302</b>	<b>\$297,240</b>	<b>\$45,543</b>	<b>\$707,150</b>
Additions	4,881	3,154	1,478	22	9,682	19,217
Transfers and disposals	96	(61)	868	(1,011)	(1,419)	(1,527)
<b>At June 30, 2020</b>	<b>\$141,280</b>	<b>\$93,855</b>	<b>\$139,648</b>	<b>\$296,251</b>	<b>\$53,806</b>	<b>\$724,840</b>
<b>Accumulated depreciation, amortization and impairment</b>						
<b>At December 31, 2018</b>	<b>(\$7,545)</b>	<b>(\$37,007)</b>	<b>(\$89,086)</b>	<b>(\$265,811)</b>	<b>(\$17,276)</b>	<b>(\$416,725)</b>
Depreciation and amortization	(12,355)	(6,989)	(5,278)	(4,378)	(1,931)	(30,931)
Transfers and disposals	153	1,021	572	3,999	174	5,919
Impairment	—	—	(28,774)	—	—	(28,774)
<b>At December 31, 2019</b>	<b>(\$19,747)</b>	<b>(\$42,975)</b>	<b>(\$122,566)</b>	<b>(\$266,190)</b>	<b>(\$19,033)</b>	<b>(\$470,511)</b>
Depreciation and amortization	(7,477)	(3,188)	(1,296)	(200)	(918)	(13,079)
Transfers and disposals	(13)	28	(833)	912	233	327
<b>At June 30, 2020</b>	<b>(\$27,237)</b>	<b>(\$46,135)</b>	<b>(\$124,695)</b>	<b>(\$265,478)</b>	<b>(\$19,718)</b>	<b>(\$483,263)</b>
<b>Carrying values</b>						
<b>At December 31, 2019</b>	<b>\$116,556</b>	<b>\$47,787</b>	<b>\$14,736</b>	<b>\$31,050</b>	<b>\$26,510</b>	<b>\$236,639</b>
<b>At June 30, 2020</b>	<b>\$114,043</b>	<b>\$47,720</b>	<b>\$14,953</b>	<b>\$30,773</b>	<b>\$34,088</b>	<b>\$241,577</b>

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

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 16. RIGHT-OF-USE ASSETS

The Company entered into operating leases to use certain land, building, mining equipment and corporate equipment for its operations. The Company is required to recognize right-of-use assets representing its right to use these underlying leased asset over the lease term.

Right-of-use asset is initially measured at cost, equivalent to its obligation for payments over the term of the leases, and subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is recorded on a straight-line basis over the shorter period of lease term and useful life of the underlying asset.

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

	Land and Buildings	Machinery and Equipment	Other	Total
<b>At December 31, 2018</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>
Initial adoption	2,624	1,036	22	3,682
Additions	571	14,132	—	14,703
Remeasurements	1,686	232	—	1,918
Depreciation and amortization	(674)	(1,286)	(7)	(1,967)
Impairment	—	(6,302)	—	(6,302)
<b>At December 31, 2019</b>	<b>\$4,207</b>	<b>\$7,812</b>	<b>\$15</b>	<b>\$12,034</b>
Additions	1,939	253	—	2,192
Remeasurements	16	72	—	88
Depreciation and amortization	(410)	(1,049)	(3)	(1,462)
<b>At June 30, 2020</b>	<b>\$5,752</b>	<b>\$7,087</b>	<b>\$12</b>	<b>\$12,851</b>

### 17. TRADE AND OTHER PAYABLES

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

Trade and other payables are comprised of the following items:

	June 30, 2020	December 31, 2019
Trade payables	\$12,291	\$23,984
Trade related accruals	11,086	12,314
Payroll and related benefits	24,630	19,059
Environmental duty	617	1,483
Other accrued liabilities	2,013	2,283
	<b>\$50,637</b>	<b>\$59,123</b>

### 18. OTHER FINANCIAL LIABILITIES

As at June 30, 2020, the Company's other financial liabilities are comprised of short-term foreign currency derivatives with a fair market value of \$11.4 million liability (2019 - asset of \$0.9 million), including foreign currency options to purchase Mexican pesos with notional value of \$51.1 million (2019 - \$27.0 million) at USD:MXN rates ranging from 19.50 to 21.00 and with expiry dates between July to December 2020 (2019 - January to April 2020). These foreign currency derivatives are used to manage foreign exchange exposures on cash flows relating to mining operations, exploration and evaluation activities and corporate expenses within the next 12 months.

Subsequent to quarter end, the Company reduced the notional value of its foreign currency derivatives from \$51.1 million to \$40.1 million, including \$5.0 million in early settlements.

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

## NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

### 18. OTHER FINANCIAL LIABILITIES (continued)

During the three months ended June 30, 2020, the Company realized a foreign exchange loss of \$6.2 million (2019 - gain of \$0.1 million) and an unrealized gain of \$10.3 million (2019 - \$nil) on fair value adjustments to its foreign currency derivatives. For the six months ended June 30, 2020, the Company realized a foreign exchange loss \$6.1 million (2019 - gain of \$0.8 million) and an unrealized loss of \$12.4 million (2019 - \$nil) on fair value adjustments to its foreign currency derivatives.

### 19. DEBT FACILITIES

The movement in debt facilities during the six months ended June 30, 2020 and year ended December 31, 2019, respectively, are comprised of the following:

	Convertible Debentures (a)	Revolving Credit Facility (b)	Total
<b>Balance at December 31, 2018</b>	<b>\$130,807</b>	<b>\$18,705</b>	<b>\$149,512</b>
Finance costs			
Interest expense	2,975	1,498	4,473
Accretion	5,758	654	6,412
Payments of finance costs	(2,933)	(1,646)	(4,579)
<b>Balance at December 31, 2019</b>	<b>\$136,607</b>	<b>\$19,211</b>	<b>\$155,818</b>
Finance costs			
Interest expense	1,483	553	2,037
Accretion	3,016	209	3,225
Repayments of principal	—	(10,000)	(10,000)
Payments of finance costs	(1,467)	(476)	(1,943)
<b>Balance at June 30, 2020</b>	<b>\$139,640</b>	<b>\$9,497</b>	<b>\$149,136</b>
<b>Statements of Financial Position Presentation</b>			
Current portion of debt facilities	\$1,043	\$132	\$1,175
Debt facilities	135,564	19,079	154,643
<b>Balance at December 31, 2019</b>	<b>\$136,607</b>	<b>\$19,211</b>	<b>\$155,818</b>
Current portion of debt facilities	\$1,060	\$9,497	\$10,556
Debt facilities	138,580	—	138,580
<b>Balance at June 30, 2020</b>	<b>\$139,640</b>	<b>\$9,497</b>	<b>\$149,136</b>

#### (a) Convertible Debentures

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

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

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

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 19. DEBT FACILITIES (continued)

#### (a) Convertible Debentures (continued)

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

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

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

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

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

#### (b) Revolving Credit Facility

On May 10, 2018, the Company entered into a \$75.0 million senior secured revolving credit facility ("Revolving Credit Facility") with the Bank of Nova Scotia, Bank of Montreal and Investec Bank PLC, as lenders. The Revolving Credit Facility will mature on its third anniversary date on May 10, 2021. Interest on the drawn balance will accrue at LIBOR plus an applicable range of 2.25% to 3.5% while the undrawn portion is subject to a standby fee with an applicable range of 0.5625% to 0.875%, dependent on certain financial parameters of First Majestic. As at June 30, 2020, the applicable rates were 2.9% to 0.6875%, respectively.

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

The Revolving Credit Facility includes financial covenants, to be tested quarterly on a consolidated basis, requiring First Majestic to maintain the following: (a) a leverage ratio based on total debt to rolling four quarters adjusted EBITDA of not more than 3.00 to 1.00; (b) an interest coverage ratio, based on rolling four quarters adjusted EBITDA divided by interest payments, of not less than 4.00 to 1.00; and (c) tangible net worth of not less than \$563.5 million plus 50% of its positive earnings subsequent to June 30, 2018. The debt facilities also provide for negative covenants customary for these types of facilities and allows the Company to enter into finance leases up to \$30.0 million. As at June 30, 2020 and December 31, 2019, the Company was in compliance with these covenants.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 20. LEASE LIABILITIES

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

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

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

The movement in lease liabilities during the six months ended June 30, 2020 and year ended December 31, 2019 are comprised of the following:

	Finance Leases (a)	Operating Leases (b)	Equipment Financing (c)	Total
<b>Balance at December 31, 2018</b>	<b>\$409</b>	<b>\$—</b>	<b>\$5,438</b>	<b>\$5,847</b>
Initial adoption of IFRS 16	—	3,682	—	3,682
Additions	—	14,706	—	14,706
Remeasurements	—	1,918	—	1,918
Finance costs	18	789	335	1,142
Repayments of principal	(359)	(2,395)	(2,459)	(5,213)
Payments of finance costs	(18)	—	(379)	(397)
Foreign exchange loss	—	251	—	251
<b>Balance at December 31, 2019</b>	<b>\$50</b>	<b>\$18,951</b>	<b>\$2,935</b>	<b>\$21,936</b>
Additions	—	2,192	—	2,192
Remeasurements	—	88	—	88
Finance costs	—	703	64	767
Repayments of principal	(50)	(2,137)	(1,230)	(3,417)
Payments of finance costs	—	—	(89)	(89)
Foreign exchange gain	—	(1,081)	—	(1,081)
<b>Balance at June 30, 2020</b>	<b>\$—</b>	<b>\$18,716</b>	<b>\$1,680</b>	<b>\$20,396</b>
<b>Statements of Financial Position Presentation</b>				
Current portion of lease liabilities	\$50	\$4,518	\$2,352	\$6,920
Lease liabilities	—	14,433	583	15,016
<b>Balance at December 31, 2019</b>	<b>\$50</b>	<b>\$18,951</b>	<b>\$2,935</b>	<b>\$21,936</b>
Current portion of lease liabilities	\$—	\$4,577	\$1,440	\$6,017
Lease liabilities	—	14,139	240	14,379
<b>Balance at June 30, 2020</b>	<b>\$—</b>	<b>\$18,716</b>	<b>\$1,680</b>	<b>\$20,396</b>

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



## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 20. LEASE LIABILITIES (continued)

#### (a) Finance Leases

From time to time, the Company may purchase equipment under finance leases with terms ranging from 24 to 48 months. As at June 30, 2020, the Company has fully repaid all of its finance leases and all pledges on related property, plant and equipment have been released.

#### (b) Operating Leases

Operating leases primarily relate to equipment and building rental contracts, land easement contracts and service contracts that contain embedded leases for property, plant and equipment. These operating leases have remaining lease terms of one to ten years, some of which include options to terminate the leases within a year, with incremental borrowing rates ranging from 5.8% to 11.2%.

#### (c) Equipment Financing

During 2017, the Company entered into a \$7.9 million credit facility with repayment terms ranging from 12 to 16 equal quarterly installments in principal plus related interest. The facility bears an interest rate of LIBOR plus 4.60%. Proceeds from the equipment financing were primarily used for the purchase and rehabilitation of property, plant and equipment. The equipment financing is secured by certain equipment of the Company and is subject to various covenants, including the requirement for First Majestic to maintain a leverage ratio based on total debt to rolling four quarters adjusted EBITDA. As at June 30, 2020 and year ended December 31, 2019, the Company was in compliance with these covenants.

As at June 30, 2020, the net book value of property, plant and equipment includes \$2.9 million (2019 - \$3.3 million) of equipment pledged as security for the equipment financing.

### 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.

In December 2018, and subsequently amended in August 2019, the Company filed prospectus supplements to the short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares would be made through "at-the-market distributions" ("ATM"), as defined in the Canadian Securities Administrators' National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. During the three and six months ended June 30, 2020, First Majestic sold 1,304,338 common shares (December 31, 2019 - 11,172,982 common shares) of the Company under the ATM program at an average price of \$10.79 per share for gross proceeds of \$14.1 million (December 31, 2019 - \$84.4 million), or net proceeds of \$13.8 million (December 31, 2019 - \$81.9 million) after costs. As at June 30, 2020, the Company completed \$98.5 million of this ATM program and the remaining \$1.5 million balance was cancelled.

In June 2020, the Company filed prospectus supplements to the shelf prospectus to extend the ATM program by an additional \$100.0 million. As at June 30, 2020, the Company has not yet sold any common shares under this program. Subsequent to quarter end, as at August 4, 2020, the Company sold 2,850,000 common shares under the ATM program at an average price of \$13.05 per share for gross proceeds of \$37.2 million.

#### (b) Stock options

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

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 21. SHARE CAPITAL (continued)

#### (b) Stock options (continued)

The following table summarizes information about stock options outstanding as at June 30, 2020:

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)
4.69 - 5.00	719,500	4.78	0.51	719,500	4.78	0.51
5.01 - 10.00	3,987,723	8.51	8.02	1,516,831	8.53	7.28
10.01 - 15.00	2,669,063	11.45	3.55	2,010,067	11.07	1.71
15.01 - 20.00	891,928	15.94	8.19	100,000	16.06	1.15
20.01 - 126.01	144,895	53.85	1.18	144,895	53.85	1.18
	8,413,109	10.69	5.86	4,491,293	10.70	3.37

The movements in stock options issued during the six months ended June 30, 2020 and year ended December 31, 2019 are summarized as follows:

	Six Months Ended June 30, 2020		Year Ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)
Balance, beginning of the period	7,583,439	10.70	9,266,098	10.76
Granted	1,668,424	13.09	2,601,680	8.83
Exercised	(490,159)	7.73	(2,918,518)	7.54
Cancelled or expired	(348,595)	26.35	(1,365,821)	14.31
Balance, end of the period	8,413,109	10.69	7,583,439	10.70

During the six months ended June 30, 2020, the aggregate fair value of stock options granted was \$7.4 million (December 31, 2019 - \$8.5 million), or a weighted average fair value of \$4.45 per stock option granted (December 31, 2019 - \$3.26).

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	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Risk-free interest rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	1.35	2.01
Expected life (years)	Average of the expected vesting term and expiry term of the option	5.81	5.80
Expected volatility (%)	Historical and implied volatility of the precious metals mining sector	49.00	51.29
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	—	—

The weighted average closing share price at date of exercise for the six months ended June 30, 2020 was CAD\$13.78 (December 31, 2019 - CAD\$12.81).

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

### 21. SHARE CAPITAL (continued)

#### (c) Restricted Share Units

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

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

The following table summarizes the changes in RSU's for the six months ended June 30, 2020 and year ended December 31, 2019:

	Six Months Ended June 30, 2020		Year Ended December 31, 2019	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the period	128,944	10.36	—	—
Granted	211,192	15.72	274,520	9.67
Settled	(117,000)	10.32	(145,576)	9.06
Forfeited	(9,354)	15.93	—	—
Outstanding, end of the period	213,782	15.43	128,944	10.36

#### (d) Performance Share Units

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

The following table summarizes the changes in PSU's granted to employees and consultants for the six months ended June 30, 2020:

	Six Months Ended June 30, 2020	
	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the period	—	—
Granted	122,575	15.65
Forfeited	(5,744)	15.93
Outstanding, end of the period	116,831	15.64

#### (e) Share Repurchase Program

The Company has an ongoing share repurchase program to repurchase up to 5% of the Company's issued and outstanding shares. The normal course issuer bids will be carried through the facilities of the Toronto Stock Exchange and alternative Canadian marketplaces. During the six months ended June 30, 2020, the Company repurchased and cancelled 275,000 common shares for a total consideration of \$1.7 million through a normal course issuer bid in the open market as approved by the Toronto Stock Exchange. No shares were repurchased during the six months ended June 30, 2019.

## 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

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

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

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

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.

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

<b>Financial Instruments Measured at Fair Value</b>	<b>Valuation Method</b>
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	Based on quoted market prices for identical assets in an active market (Level 1) as at the date of statements of financial position
Silver futures derivatives	
Foreign currency derivatives	
<b>Financial Instruments Measured at Amortized Cost</b>	<b>Valuation Method</b>
Cash and cash equivalents	Approximated carrying value due to their short-term nature
Trade and other receivables	
Trade and other payables	
Debt facilities	Assumed to approximate carrying value as discount rate on these instruments approximate the Company's credit risk.

## 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)

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

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

	June 30, 2020			December 31, 2019		
	Carrying value	Fair value measurement		Carrying value	Fair value measurement	
		Level 1	Level 2		Level 1	Level 2
<b>Financial assets</b>						
Trade receivables	\$—	\$—	\$—	\$1,182	\$—	\$1,182
Marketable securities (Note 13)	16,659	16,659	—	6,506	6,506	—
Foreign currency derivatives (Note 13)	—	—	—	982	982	—
<b>Financial liabilities</b>						
Foreign currency derivatives (Note 18)	11,421	11,421	—	—	—	—

There were no transfers between levels 1, 2 and 3 during the six months ended June 30, 2020 and year ended December 31, 2019.

#### (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, lease liabilities, net of cash and cash equivalents as follows:

	June 30, 2020	December 31, 2019
Equity	\$645,006	\$662,321
Debt facilities	149,136	155,818
Lease liabilities	20,396	21,936
Less: cash and cash equivalents	(95,230)	(169,009)
	<b>\$719,308</b>	<b>\$671,066</b>

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 19) and lease liabilities (Note 20). As at June 30, 2020 and December 31, 2019, the Company was in compliance with these covenants.

## 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

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, value added taxes receivable and other receivables.

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

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

##### *Liquidity Risk*

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

The following table summarizes the maturities of the Company's financial liabilities as at June 30, 2020 based on the undiscounted contractual cash flows:

	Carrying Amount	Contractual Cash Flows	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$50,637	\$50,637	\$50,637	\$—	\$—	\$—
Debt facilities	149,136	175,890	13,521	162,369	—	—
Lease liabilities	20,396	24,737	6,096	8,352	7,446	2,843
Other liabilities	4,468	4,468	—	—	—	4,468
	<b>\$224,637</b>	<b>\$255,732</b>	<b>\$70,254</b>	<b>\$170,721</b>	<b>\$7,446</b>	<b>\$7,311</b>

At June 30, 2020, the Company had working capital of \$114.2 million (December 31, 2019 – \$171.1 million). Total available liquidity at June 30, 2020 was \$179.3 million, including \$65.0 million of undrawn revolving credit facility.

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

## 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)

##### Currency Risk

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

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

	June 30, 2020							
	Cash and cash equivalents	Trade and other receivables	Value added taxes receivable	Other financial assets	Trade and other payables	Foreign currency derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$7,643	\$143	\$—	\$4,781	(\$1,788)	\$—	\$10,779	\$1,078
Mexican peso	8,985	—	29,782	—	(33,321)	51,050	56,496	5,650
	<b>\$16,628</b>	<b>\$143</b>	<b>\$29,782</b>	<b>\$4,781</b>	<b>(\$35,109)</b>	<b>\$51,050</b>	<b>\$67,275</b>	<b>\$6,728</b>

The Company utilizes certain derivatives to manage its foreign exchange exposures to the Mexican Peso (see Note 18).

##### Commodity Price Risk

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

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

	June 30, 2020		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$1,724	\$1,011	\$2,735
	<b>\$1,724</b>	<b>\$1,011</b>	<b>\$2,735</b>

##### Interest Rate Risk

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

As at June 30, 2020, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities and lease liabilities. Based on the Company's interest rate exposure at June 30, 2020, 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 June 30,		Six Months Ended June 30,	
	Note	2020	2019	2020	2019
<b>Adjustments to reconcile net earnings to operating cash flows before movements in working capital:</b>					
Unrealized foreign exchange loss (gain) and other		\$1,113	\$805	(\$3,686)	\$131
Unrealized (gain) loss from marketable securities and silver futures derivatives	13	(5,079)	1,268	(4,000)	651
		<b>(\$3,966)</b>	<b>\$2,073</b>	<b>(\$7,686)</b>	<b>\$782</b>
<b>Net change in non-cash working capital items:</b>					
Decrease (increase) in trade and other receivables		\$2,038	\$186	\$2,789	(\$2,144)
(Increase) decrease in value added taxes receivable		(2,833)	3,000	(2,014)	12,803
(Increase) decrease in inventories		(9,379)	(1,399)	(11,079)	3,155
Decrease (increase) in prepaid expenses and other		1,820	704	(2,216)	(1,008)
Decrease in income taxes payable		(357)	(1,502)	(839)	(3,437)
(Decrease) increase in trade and other payables		(1,908)	645	(8,023)	2,511
		<b>(\$10,619)</b>	<b>\$1,634</b>	<b>(\$21,382)</b>	<b>\$11,880</b>
<b>Non-cash investing and financing activities:</b>					
Transfer of share-based payments reserve upon settlement of RSUs		\$37	\$642	\$916	\$642
Transfer of share-based payments reserve upon exercise of options		\$398	\$238	\$1,106	\$508

As at June 30, 2020, cash and cash equivalents include \$4.4 million (2019 - \$5.2 million) that are held in-trust as bonds for tax audits in Mexico that are expected to be resolved within the next 12 months.

### 24. CONTINGENCIES AND OTHER MATTERS

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

#### 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.



(Tabular amounts are expressed in thousands of US dollars)

## **24. CONTINGENCIES AND OTHER MATTERS (continued)**

### **Primer Tax Rulings**

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

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

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

In February 2016, PEM received a legal claim from the SAT seeking to nullify the APA. The legal claim initiated does not identify any different basis for paying taxes. The Company is continuing PEM’s effort to vigorously defend the validity of its APA. If the SAT were successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver in connection with the Old Stream Agreement for 2010 through 2014. If the SAT were successful in retroactively nullifying the APA and issuing reassessments, it would likely have a material adverse effect on the Company’s results of operations, financial condition and cash flows. Should the Company ultimately be required to pay tax on its silver revenues based on market prices without any mitigating adjustments, the incremental income tax for the years 2010-2018 would be approximately \$157.6 million (3,620 million MXN), before interest or penalties.

In 2019, as part of the ongoing annual audits of the PEM tax returns, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$214.1 million (4,919 million MXN) inclusive of interest, inflation, and penalties in violation of the terms of the APA (the “Reassessments”). The key items relate to the view that PEM should pay taxes based on the market price of silver and denial of the deductibility of interest expense and service fees in Mexico all of which the Company disagrees with. The Company continues to defend the APA in the Mexican legal proceedings, and initiated proceedings between the competent tax authorities of Mexico, Canada, Luxembourg and Barbados, all of which were subsequently dismissed on a unilateral basis by Mexico’s competent tax authority (“Dismissals”) in May 2020. The Company believes that the Dismissals have no basis and breach international obligations regarding double taxation treaties, and that the APA remains valid and legally binding. The Company will continue vigorously disputing the Reassessments, exhausting its domestic and international remedies.

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

The Company has challenged SAT’s Reassessments and Dismissals through all domestic means available to it, including a constitutional challenge (called an “amparo”) before a District Court, which has yet to be resolved, and a complaint before Mexico’s Federal Taxpayer Defense Attorney’s Office (known as “PRODECON”), which determined that PEM has all legal remedies at its disposal and it has already challenged every SAT ruling, thus the matter must be decided by Mexican Courts. The Company believes that these actions are neither fair nor equitable and are discriminatory against the Company as a foreign investor and amount to a denial of justice under international law, in addition to violating various provisions of the Federal Constitution of the United Mexican States and Mexican domestic law, and Mexican court decisions. As a result, on May 13, 2020, the Company initiated an international arbitration proceeding against the Government of Mexico pursuant to the North American Free Trade Agreement (“NAFTA”).

(Tabular amounts are expressed in thousands of US dollars)

### 24. CONTINGENCIES AND OTHER MATTERS (continued)

#### Primero Tax Rulings (continued)

Based on the Company's assessments with third party advisors, the Company believes Primero filed its tax returns compliant with applicable Mexican law and, therefore, no liability has been recognized in the financial statements. Due to the uncertainty in timing of resolution to this matter, which may take more than one year, the Company has classified its income taxes receivable of \$16.0 million as non-current at June 30, 2020 as SAT is not expected to refund PEM's income taxes paid until the dispute is resolved.

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

### 25. SUBSEQUENT EVENTS

#### Acquisition of Springpole Silver Stream from First Mining Gold Corp.

On July 2, 2020, the Company completed an agreement with First Mining Gold Corp. ("First Mining") to purchase 50% of the life of mine payable silver produced from the Springpole Gold Project ("Springpole Silver Stream") located in Ontario, Canada. Under the agreement, First Majestic agreed to pay First Mining total upfront consideration of \$22.5 million in cash and shares, over three payments, with ongoing payments of 33% of the silver spot price per ounce, to a maximum of \$7.50 per ounce (subject to annual inflation escalation of 2%, commencing at the start of the 3rd anniversary of production), as payable silver is delivered by First Mining.

Transaction consideration to be paid by First Majestic is summarized as follows:

- The first payment consisting of \$2.5 million in cash and \$7.5 million in First Majestic shares was paid to First Mining on July 2, 2020;
- The second payment consisting of \$3.75 million in cash and \$3.75 million First Majestic shares will be paid upon the completion and public announcement by First Mining of the results of a Pre-Feasibility Study for Springpole;
- The third payment consisting of \$2.5 million in cash and \$2.5 million First Majestic shares will be paid upon receipt by First Mining of a Federal or Provincial Environmental Assessment approval for Springpole;

First Mining shall have the right to repurchase 50% of the silver stream for \$22.5 million at any time prior to the commencement of production at Springpole leaving the Company with a reduced silver stream of 25% of life of mine payable silver production. First Mining has also granted First Majestic 30 million common share purchase warrants, each of which will entitle the Company to purchase one common share of First Mining at CAD\$0.40 over a period of five years.

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



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE QUARTER ENDED JUNE 30, 2020**

## TABLE OF CONTENTS

<a href="#"><u>COMPANY OVERVIEW</u></a> .....	<a href="#"><u>3</u></a>
<a href="#"><u>2020 SECOND QUARTER HIGHLIGHTS</u></a> .....	<a href="#"><u>4</u></a>
<b>OVERVIEW OF OPERATING RESULTS</b>	
<a href="#"><u>Summary of Selected Quarterly Production Results</u></a> .....	<a href="#"><u>10</u></a>
<a href="#"><u>Consolidated Operations</u></a> .....	<a href="#"><u>11</u></a>
<a href="#"><u>San Dimas Silver/Gold Mine</u></a> .....	<a href="#"><u>13</u></a>
<a href="#"><u>Santa Elena Silver/Gold Mine</u></a> .....	<a href="#"><u>15</u></a>
<a href="#"><u>La Encantada Silver Mine</u></a> .....	<a href="#"><u>17</u></a>
<a href="#"><u>La Parrilla Silver Mine</u></a> .....	<a href="#"><u>18</u></a>
<a href="#"><u>Del Toro Silver Mine</u></a> .....	<a href="#"><u>18</u></a>
<a href="#"><u>San Martin Silver Mine</u></a> .....	<a href="#"><u>18</u></a>
<a href="#"><u>La Guitarra Silver Mine</u></a> .....	<a href="#"><u>19</u></a>
<b>OVERVIEW OF FINANCIAL PERFORMANCE</b>	
<a href="#"><u>Second Quarter 2020 vs 2019</u></a> .....	<a href="#"><u>19</u></a>
<a href="#"><u>Year to Date 2020 vs 2019</u></a> .....	<a href="#"><u>21</u></a>
<a href="#"><u>Summary of Selected Quarterly Results</u></a> .....	<a href="#"><u>23</u></a>
<b>OTHER DISCLOSURES</b>	
<a href="#"><u>Liquidity, Capital Resources and Contractual Obligations</u></a> .....	<a href="#"><u>23</u></a>
<a href="#"><u>Management of Risks and Uncertainties</u></a> .....	<a href="#"><u>25</u></a>
<a href="#"><u>Other Financial Information</u></a> .....	<a href="#"><u>29</u></a>
<a href="#"><u>Accounting Policies, Judgments and Estimates</u></a> .....	<a href="#"><u>29</u></a>
<a href="#"><u>Non-GAAP Measures</u></a> .....	<a href="#"><u>30</u></a>
<a href="#"><u>Additional GAAP Measures</u></a> .....	<a href="#"><u>37</u></a>
<a href="#"><u>Management's Report on Internal Control Over Financial Reporting</u></a> .....	<a href="#"><u>38</u></a>
<a href="#"><u>Cautionary Statements</u></a> .....	<a href="#"><u>39</u></a>

# 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 and six months ended June 30, 2020, and the audited consolidated financial statements for the year ended December 31, 2019, 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 August 6, 2020 unless otherwise stated.

## COMPANY OVERVIEW

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

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



## 2020 SECOND QUARTER HIGHLIGHTS

Key Performance Metrics	2020-Q2	2020-Q1	Change Q2 vs Q1	2019-Q2	Change Q2 vs Q2	2020-YTD	2019-YTD	Change
<b>Operational</b>								
Ore Processed / Tonnes Milled	333,559	599,142	(44%)	736,896	(55%)	932,701	1,549,550	(40%)
Silver Ounces Produced	1,834,575	3,151,980	(42%)	3,193,566	(43%)	4,986,555	6,524,954	(24%)
Silver Equivalent Ounces Produced	3,505,376	6,195,057	(43%)	6,410,483	(45%)	9,700,433	12,684,160	(24%)
Cash Costs per Ounce <sup>(1)</sup>	\$6.73	\$5.16	30%	\$6.84	(2%)	\$5.74	\$6.58	(13%)
All-in Sustaining Cost per Ounce <sup>(1)</sup>	\$18.57	\$12.99	43%	\$14.76	26%	\$15.04	\$13.82	9%
Total Production Cost per Tonne <sup>(1)</sup>	\$78.78	\$82.41	(4%)	\$77.93	1%	\$81.12	\$72.01	13%
Average Realized Silver Price per Ounce <sup>(1)</sup>	\$17.33	\$17.36	0%	\$14.80	17%	\$17.35	\$15.26	14%
<b>Financial (in \$millions)</b>								
Revenues	\$34.9	\$86.1	(59%)	\$83.7	(58%)	\$120.9	\$170.5	(29%)
Mine Operating (Loss) Earnings	(\$7.8)	\$21.1	(137%)	\$4.2	NM	\$13.4	\$14.5	(8%)
Net (Loss) Earnings	(\$10.0)	(\$32.4)	69%	(\$12.0)	17%	(\$42.4)	(\$9.1)	NM
Operating Cash Flows before Movements in Working Capital and Taxes	(\$16.4)	\$23.3	(170%)	\$17.7	(193%)	\$6.9	\$41.4	(83%)
Cash and Cash Equivalents	\$95.2	\$145.2	(34%)	\$94.5	1%	\$95.2	\$94.5	1%
Working Capital <sup>(1)</sup>	\$114.2	\$139.8	(18%)	\$129.5	(12%)	\$114.2	\$129.5	(12%)
<b>Shareholders</b>								
(Loss) Earnings per Share ("EPS") - Basic	(\$0.05)	(\$0.15)	69%	(\$0.06)	20%	(\$0.20)	(\$0.05)	NM
Adjusted EPS <sup>(1)</sup>	(\$0.10)	\$0.04	NM	(\$0.02)	NM	(\$0.06)	(\$0.03)	(98%)
Cash Flow per Share <sup>(1)</sup>	(\$0.08)	\$0.11	(170%)	\$0.09	(189%)	\$0.03	\$0.21	(84%)

NM - Not meaningful

(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 37 for a reconciliation of non-GAAP to GAAP measures.

Second Quarter Production Summary	San Dimas	Santa Elena	La Encantada	Consolidated
Ore Processed / Tonnes Milled	114,390	89,590	129,579	333,559
Silver Ounces Produced	1,102,931	222,100	509,544	1,834,575
Gold Ounces Produced	12,042	3,677	45	15,764
Silver Equivalent Ounces Produced	2,395,633	595,651	514,092	3,505,376
Cash Costs per Ounce*	\$3.77	\$15.10	\$9.38	\$6.73
All-in Sustaining Cost per Ounce*	\$13.04	\$24.71	\$11.60	\$18.57
Total Production Cost per Tonne	\$129.67	\$74.50	\$36.80	\$78.78

\*Cash Cost per Ounce and All-in Sustaining Cost per Ounce are calculated on a per payable silver ounce basis.

## Operational Highlights

- **Resumption of Operations to Pre-Pandemic Production Rates:** In compliance with the decree issued by the Mexican Ministry of Health on March 31, 2020 in response to the COVID-19 pandemic, the Company temporarily suspended operations at its three operating mines during most of April and May ("COVID-19 Suspensions"). Following the Mexican Government's decision to allow the restart of mining activities on May 23, 2020, the Company resumed operations and is expected to return to pre-pandemic production rates early in the third quarter.
- **Strong Production despite COVID-19 Suspension Period:** Total production in the second quarter was 3,505,376 silver equivalent ounces, consisting of 1.8 million ounces of silver and 15,764 ounces of gold. Despite temporary suspensions for most of April and May, total production decreased by only 43% compared to the previous quarter.
- **Withheld Metal Sales:** While metal prices became distressed in March, April and May, the Company suspended sales and allowed inventories to increase during this period. Sales resumed by quarter end, however, 970,000 ounces of silver and 6,000 ounces of gold remained in inventory as at June 30, 2020 to be sold as prices improved in the third quarter.
- **Cash Cost and AISC (excluding standby costs):**
  - **Cash cost per ounce** for the quarter was \$6.73 per payable ounce of silver, compared to \$5.16 per ounce in the previous quarter. The increase in consolidated cash cost was primarily attributed to lower by-product credits at San Dimas and Santa Elena as a result of approximately 3,900 ounces of gold that were shipped but not yet sold at quarter end. Had the gold been sold at spot metal prices at the end of the quarter, it would have contributed an additional \$4.1 million or \$2.25 per ounce in by-product credits. The impact of reduced by-product credits on cash costs was partially offset by lower production costs due to the weaker Mexican Peso against the U.S. Dollar, of which the quarterly average rate decreased 18% compared to the previous quarter.
  - **AISC** in the second quarter was \$18.57 per ounce compared to \$12.99 per ounce in the previous quarter. The increase in AISC per ounce was primarily due to the increased cash cost and an increase in fixed overhead costs, such as general and administration expenses and annual workers participation benefits, being divided by 42% less silver ounces produced during the quarter due to the required COVID-19 Suspensions.
- **Project Updates:**
  - **San Dimas:** Received delivery of a new 3,000 tpd High Intensity Grinding ("HIG") mill with additional mill modernization components during the quarter. Contractors are currently scheduled to begin installation work on site in August and assembly and installation of the new HIG mill is expected to be completed in the second quarter of 2021, followed by commissioning in the third quarter of 2021.
  - **Santa Elena's Ermitaño Project:** Development activities resumed in June and successfully intersected the Ermitaño vein. Initial production from Ermitaño is expected in mid-2021.
  - **Santa Elena:** Civil construction activities resumed in June on the Liquefied Natural Gas ("LNG") plant. The LNG generators and storage tanks are expected to be delivered to site in the third quarter. As a result of the COVID-19 temporary suspension, the LNG plant is now expected to be completed and commissioned in the first quarter of 2021.
- **Resumption of Exploration Activities:** At the end of the second quarter, 14 exploration drill rigs were active across the Company's projects consisting of 11 rigs at San Dimas, two rigs at Santa Elena and one rig at La Encantada. The Company plans to add nine additional rigs in the third quarter with a primary focus on drilling the regional potential around Santa Elena and San Dimas.

## Financial Highlights

- In the second quarter, the Company generated revenues of \$34.9 million compared to \$83.7 million in the second quarter of 2019. Revenues in the quarter were impacted by temporary suspension of operations throughout most of April and May in response to the COVID-19 pandemic, as well as withheld metal sales in anticipation of realizing higher silver and gold prices in the second half of 2020. At quarter end, the Company had approximately 970,000 ounces of silver and 6,000 ounces of gold in finished goods inventory which were sold and recognized as revenues in the third quarter for approximately \$25.0 million.

- The Company realized mine operating loss of \$7.8 million compared mine operating earnings of \$4.2 million in the second quarter of 2019. Mine operating loss in the quarter was affected by decreased production as well as \$9.2 million in standby costs incurred during the temporary suspension of operations, as well as deferral of metal sales into the next quarter.
- Net loss for the quarter was \$10.0 million (EPS of (\$0.05)) compared to net loss of \$12.0 million (EPS of (\$0.06)) in the second quarter of 2019.
- Adjusted net loss for the quarter, normalized for non-cash or unusual items such as the standby costs related to the COVID-19 Suspensions, unrealized gain or loss on mark-to-market adjustment of foreign currency derivatives and marketable securities, share-based payments and deferred income taxes for the quarter ended June 30, 2020, was \$20.7 million (Adjusted EPS of (\$0.10)) compared to a net loss of \$3.6 million (Adjusted EPS of (\$0.02)) in the second quarter of 2019. Adjusted net loss for the quarter was due to deferral of metal sales and a decrease in production attributed to the COVID-19 Suspensions and a 13-day labour disruption at San Dimas.
- Cash flow used in operations before movements in working capital and income taxes in the quarter was \$16.4 million ((\$0.08) per share) compared to cash flow from operations of \$17.7 million (\$0.09 per share) in the second quarter of 2019.
- Cash and cash equivalents at June 30, 2020 were \$95.2 million while working capital was \$114.2 million. As at August 4, 2020, the Company had cash and cash equivalents of \$128.0 million.

## Corporate Development and Other

- **Acquisition of Springpole Silver Stream from First Mining Gold Corp.**
  - On July 2, 2020, the Company completed an agreement with First Mining Gold Corp. ("First Mining") to purchase 50% of the life of mine payable silver produced from the Springpole Gold Project ("Springpole Silver Stream") located in Ontario, Canada. Under the agreement, First Majestic agreed to pay First Mining total upfront consideration of \$22.5 million in cash and shares, over three payments, with ongoing payments of 33% of the silver spot price per ounce, to a maximum of \$7.50 per ounce (subject to annual inflation escalation of 2%, commencing at the start of the 3rd anniversary of production), as payable silver is delivered by First Mining.
  - Transaction consideration to be paid by First Majestic is summarized as follows:
    - The first payment consisting of \$2.5 million in cash and \$7.5 million in First Majestic shares was paid to First Mining on July 2, 2020;
    - The second payment consisting of \$3.75 million in cash and \$3.75 million First Majestic shares will be paid upon the completion and public announcement by First Mining of the results of a Pre-Feasibility Study for Springpole;
    - The third payment consisting of \$2.5 million in cash and \$2.5 million First Majestic shares will be paid upon receipt by First Mining of a Federal or Provincial Environmental Assessment approval for Springpole;
  - First Mining shall have the right to repurchase 50% of the silver stream for \$22.5 million at any time prior to the commencement of production at Springpole leaving the Company with a reduced silver stream of 25% of life of mine payable silver production. First Mining has also granted First Majestic 30 million common share purchase warrants, each of which will entitle the Company to purchase one common share of First Mining at CAD\$0.40 over a period of five years.
- **Option Agreement with Apollo Gold Corp. for Sale of the Jalisco Group of Properties**
  - In June 2020, First Majestic entered into a letter of intent for a three year option agreement with Apollo Gold Corp. ("Apollo Gold") to sell 100% of the Company's Jalisco Group of Properties project located in the State of Jalisco, Mexico.
  - Under the terms of the agreement, Apollo Gold may exercise the option by paying a total of CAD\$750,000, as well as issuing 6,289,004 shares and 1.5 million share purchase warrants to First Majestic over a 3-year period.



- **Option Agreement with Silver Dollar for Sale of the La Joya Project**

- In June 2020, First Majestic entered into a letter of intent for a five year option agreement with Silver Dollar Resources Inc. ("Silver Dollar"), which gives Silver Dollar the option to earn an initial 80% interest in the Company's La Joya Project, following the exercise of which it may earn an additional 20% for an aggregate 100% interest.
- To exercise its first option to acquire an 80% interest in the La Joya Project, Silver Dollar will pay the Company CAD\$1.3 million in cash over four years, issue shares equal to 19.9% of Silver Dollar's then-outstanding common shares within one year, incur \$1 million of exploration expenditures within the first five years, and grant First Majestic a 2% net smelter returns royalty. If Silver Dollar incurs the exploration expenditures within the first three years; however, First Majestic will waive the remaining \$600,000 - or nearly half - of the cash option payments.
- Silver Dollar may exercise its second option and acquire the remaining 20% (for an aggregate 100% interest) of the La Joya Project by providing notice to First Majestic within 30 days of earning the first 80% interest and issuing to First Majestic additional shares equal to 5% of Silver Dollar's then-outstanding common shares within five years.

## 2020 SECOND HALF PRODUCTION OUTLOOK AND COST GUIDANCE UPDATE

This section provides management's production outlook and cost guidance for 2020. These are forward-looking estimates and are subject to the cautionary note regarding the risks associated with relying on forward-looking statements at the end of this MD&A. Actual results may vary based on production throughputs, grades, recoveries and changes in economic circumstances.

The Company is revising its second half and full year 2020 guidance to reflect changes due to the temporary suspension of production and sales as well as adjustments to metal price assumptions, foreign exchange rates, and the fixed exchange ratio on the San Dimas streaming agreement. Details of the changes and their expected impacts are presented below:

1. Due to the temporary COVID-19 Suspensions, the Company plans to recover production of approximately 1.6 million ounces of silver and 15,000 ounces of gold;
2. As of June 30, 2020, the Company held 970,000 ounces of silver in inventory in anticipation of realizing higher selling prices in the third quarter of 2020;
3. Increased the gold price assumption to \$1,700 per ounce (up from \$1,450), while maintaining the silver price assumption at \$17.00, reflecting a 100:1 silver to gold ratio;
4. Increased the MXN:USD ratio assumption to 21:1 (up from 19:1);
5. Effective April 1, 2020, the silver to gold fixed exchange ratio related to the San Dimas streaming agreement with Wheaton Precious Metals was adjusted to 90:1 (from 70:1) due to the silver to gold ratio averaging above 90:1 for the previous six months. This ratio adjustment is expected to have a positive effect on revenues by approximately \$3.0 million for the remainder of 2020, subject to achieving the mid-point of the new production guidance and budgeted silver and gold prices.

As a result of these adjustments, our 2020 total production remains relatively unchanged at 21.4 to 22.9 million silver equivalent ounces compared to the prior guidance of 21.5 to 24.0 million silver equivalent ounces. The Company is also anticipating a reduction in annualized cash costs of approximately 30% due to the higher gold by-product revenues and the weaker Mexican Peso.

The Company is also providing guidance below on a mine-by-mine basis for the second half of 2020. Cash cost and AISC guidance is shown per payable silver ounce.

### Guidance for Second Half of 2020

Mine	Silver Oz (M)	Gold Oz (K)	Silver Eqv Oz (M)	Cash Costs (\$)	AISC (\$)*
San Dimas	3.3 - 3.6	42 - 47	7.5 - 8.3	(0.95) - 0.23	4.72 - 6.55
Santa Elena	1.1 - 1.2	16 - 18	2.7 - 3.0	2.53 - 3.72	6.75 - 8.43
La Encantada	1.7 - 1.8	-	1.7 - 1.8	10.86 - 11.56	12.82 - 13.75
<b>Consolidated</b>	<b>6.1 - 6.6</b>	<b>58 - 65</b>	<b>11.9 - 13.1</b>	<b>\$2.93 - \$3.99</b>	<b>\$10.57 - \$12.49</b>

\*Certain amounts shown may not add exactly to the total amount due to rounding differences.

\*Consolidated AISC includes Corporate General & Administrative cost estimates and non-cash costs of \$2.35 to \$2.62 per payable silver ounce.

In the second half of 2020, the Company expects silver production to range between 6.1 to 6.6 million ounces, representing an increase of approximately 27% when compared to the first half of 2020. Additionally, total production is now expected to range between 11.9 to 13.1 million silver equivalent ounces in the second half of 2020, representing an increase of approximately 29% when compared to the first half of 2020. The increase in production is primarily due to the operations returning to regular production rates in the second half of 2020, as well as a higher contribution of gold credits due to an increase in the gold to silver ratio.

Cash costs in the second half of 2020 are expected to be significantly lower to within the range of \$2.93 to \$3.99 per ounce, primarily due to higher gold by-product credits at San Dimas and Santa Elena and the weaker Mexican Peso. In addition, AISC are expected to be within a range of \$10.57 to \$12.49 per ounce in the second half of 2020.

A mine-by-mine breakdown of the revised full year 2020 production guidance is included in the table below and assumes the same metal prices and foreign currency assumptions as stated previously.

### Guidance for Full Year of 2020

Mine	Silver Oz (M)	Gold Oz (K)	Silver Eqv Oz (M)	Cash Costs (\$)	AISC (\$)*
San Dimas	6.0 - 6.4	75 - 80	13.5 - 14.4	0.75 - 1.49	7.09 - 8.22
Santa Elena	1.9 - 2.0	31 - 33	4.8 - 5.2	3.60 - 4.38	8.33 - 9.43
La Encantada	3.1 - 3.3	-	3.1 - 3.3	10.42 - 10.77	12.59 - 13.07
<b>Consolidated</b>	<b>11.0 - 11.7</b>	<b>106 - 113</b>	<b>21.4 - 22.9</b>	<b>\$3.95 - \$4.59</b>	<b>\$12.29 - \$13.45</b>

\*Certain amounts shown may not add exactly to the total amount due to rounding differences.

\*Consolidated AISC includes Corporate General & Administrative cost estimates and non-cash costs of \$2.81 to \$2.99 per payable silver ounce.

For the full year of 2020, the Company now estimates silver equivalent production will range between 21.4 to 22.9 million ounces consisting of 11.0 to 11.7 million ounces of silver and 106,000 to 113,000 ounces of gold, compared to the prior guidance of 21.5 to 24.0 million silver equivalent ounces comprised of 11.8 to 13.2 million ounces of silver and 114,000 to 126,000 ounces of gold.

Annual cash costs are now expected to be within the range of \$3.95 to \$4.59 per ounce, or approximately 30% below the previous guidance of \$5.76 to \$6.97 per ounce, primarily due to higher gold by-product credits at San Dimas and Santa Elena and the weaker Mexican Peso. In addition, annual AISC are expected to be within a range of \$12.29 to \$13.45 per ounce, or approximately 10% below the previous guidance of \$13.37 to \$15.46 per ounce.

### Revised Capital Budget

In an effort to maintain its strong balance sheet, the Company has updated its annual 2020 capital budget to include the reallocation of development and exploration expenditures across its operations and investments in innovative projects. As a result, the Company now plans to invest a total of \$131.8 million, representing a 23% decrease compared with previous guidance of \$171.5 million, on capital expenditures in 2020 consisting of \$45.7 million of sustaining investments and \$86.1 million of expansionary investments.

The revised 2020 annual budget includes total capital investments of \$54.0 million on underground development, \$27.4 million towards property, plant and equipment, \$21.4 million on exploration and \$29.0 million towards automation and efficiency projects.

In the first half of 2020, the Company completed 15,555 metres of underground development and 50,709 metres of exploration drilling. Under the revised 2020 budget, the Company is planning to complete a total of approximately 35,100 metres of underground development, representing a 9% decrease compared to the original guidance. In addition, the Company is now planning to complete a total of approximately 139,000 metres of exploration drilling in 2020, representing a 28% decrease compared to the original guidance.

## OVERVIEW OF OPERATING RESULTS

### Selected Production Results for the Past Eight Quarters

PRODUCTION HIGHLIGHTS	2020		2019				2018	
	Q2 <sup>(5)</sup>	Q1	Q4 <sup>(4)</sup>	Q3 <sup>(2)(3)</sup>	Q2	Q1	Q4	Q3 <sup>(1)</sup>
<b>Ore processed/tonnes milled</b>								
San Dimas	114,390	200,109	182,265	173,679	172,368	163,264	172,641	176,884
Santa Elena	89,590	177,834	196,640	229,094	229,761	219,941	221,945	225,873
La Encantada	129,579	221,200	221,049	191,926	207,421	269,611	206,812	196,030
San Martin	—	—	—	—	39,213	62,148	66,924	67,926
La Parrilla	—	—	—	33,439	61,544	72,551	125,751	117,130
Del Toro	—	—	26,528	27,829	26,587	25,138	56,200	65,323
La Guitarra	—	—	—	—	—	—	—	14,891
<b>Consolidated</b>	<b>333,559</b>	<b>599,142</b>	<b>626,482</b>	<b>655,967</b>	<b>736,896</b>	<b>812,654</b>	<b>850,272</b>	<b>864,056</b>
<b>Silver equivalent ounces produced</b>								
San Dimas	2,395,633	3,672,169	3,516,117	3,502,102	3,641,139	3,172,270	3,127,871	3,225,352
Santa Elena	595,651	1,593,400	1,592,397	1,859,170	1,461,345	1,403,364	1,587,396	1,475,635
La Encantada	514,092	929,487	991,856	891,205	492,957	723,699	451,244	379,773
San Martin	—	—	—	—	271,450	421,091	511,911	557,746
La Parrilla	—	—	—	258,683	420,712	441,095	563,703	537,986
Del Toro	—	—	133,042	125,557	122,879	112,158	243,637	427,218
La Guitarra	—	—	—	—	—	—	—	136,605
<b>Consolidated</b>	<b>3,505,376</b>	<b>6,195,057</b>	<b>6,233,412</b>	<b>6,636,716</b>	<b>6,410,483</b>	<b>6,273,677</b>	<b>6,485,761</b>	<b>6,740,315</b>
<b>Silver ounces produced</b>								
San Dimas	1,102,931	1,677,376	1,658,721	1,639,481	1,603,016	1,404,454	1,367,028	1,445,918
Santa Elena	222,100	550,133	619,321	632,216	596,872	587,195	567,754	598,693
La Encantada	509,544	924,472	987,630	885,627	489,194	720,959	449,632	378,983
San Martin	—	—	—	—	224,056	331,539	404,523	438,061
La Parrilla	—	—	—	135,420	202,698	219,485	312,144	330,047
Del Toro	—	—	82,752	74,997	77,729	67,757	149,734	231,350
La Guitarra	—	—	—	—	—	—	—	82,292
<b>Consolidated</b>	<b>1,834,575</b>	<b>3,151,980</b>	<b>3,348,424</b>	<b>3,367,740</b>	<b>3,193,566</b>	<b>3,331,388</b>	<b>3,250,816</b>	<b>3,505,344</b>
<b>Cash cost per ounce</b>								
San Dimas	\$3.77	\$3.08	\$0.74	\$2.28	\$1.64	\$0.93	\$0.58	(\$0.40)
Santa Elena	\$15.10	\$2.12	(\$1.40)	(\$7.24)	\$4.28	\$2.81	(\$1.06)	\$5.77
La Encantada	\$9.38	\$10.77	\$10.12	\$10.72	\$16.57	\$12.60	\$15.60	\$21.15
San Martin	\$—	\$—	\$—	\$—	\$16.52	\$11.35	\$10.40	\$9.78
La Parrilla	\$—	\$—	\$—	\$16.27	\$14.13	\$16.58	\$13.80	\$16.29
Del Toro	\$—	\$—	\$28.62	\$29.83	\$27.29	\$27.20	\$27.69	\$13.07
La Guitarra	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$6.99
<b>Consolidated</b>	<b>\$6.73</b>	<b>\$5.16</b>	<b>\$3.73</b>	<b>\$3.83</b>	<b>\$6.84</b>	<b>\$6.34</b>	<b>\$6.06</b>	<b>\$6.85</b>
<b>All-in sustaining cost per ounce</b>								
San Dimas	\$13.04	\$9.02	\$7.41	\$7.30	\$8.49	\$5.65	\$5.35	\$6.74
Santa Elena	\$24.71	\$6.03	\$3.66	(\$5.17)	\$7.73	\$6.37	\$2.18	\$9.03
La Encantada	\$11.60	\$13.31	\$12.67	\$12.67	\$18.87	\$13.72	\$18.70	\$27.25
San Martin	\$—	\$—	\$—	\$—	\$21.15	\$15.67	\$13.60	\$13.37
La Parrilla	\$—	\$—	\$—	\$28.81	\$21.61	\$25.62	\$21.18	\$23.34
Del Toro	\$—	\$—	\$38.84	\$39.77	\$36.33	\$35.89	\$37.83	\$24.48
La Guitarra	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$12.30
<b>Consolidated</b>	<b>\$18.57</b>	<b>\$12.99</b>	<b>\$12.25</b>	<b>\$10.76</b>	<b>\$14.76</b>	<b>\$12.91</b>	<b>\$12.83</b>	<b>\$15.12</b>
<b>Production cost per tonne</b>								
San Dimas	\$129.67	\$126.33	\$127.19	\$135.71	\$142.42	\$122.17	\$113.66	\$105.91
Santa Elena	\$74.50	\$81.04	\$68.77	\$57.78	\$58.88	\$56.53	\$54.55	\$63.15
La Encantada	\$36.80	\$43.82	\$43.92	\$47.86	\$38.29	\$32.71	\$33.20	\$40.20
San Martin	\$—	\$—	\$—	\$—	\$109.51	\$80.39	\$83.27	\$88.15
La Parrilla	\$—	\$—	\$—	\$89.40	\$75.96	\$76.78	\$52.47	\$58.18
Del Toro	\$—	\$—	\$106.99	\$98.98	\$91.89	\$95.06	\$84.67	\$73.50
La Guitarra	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$68.47
<b>Consolidated</b>	<b>\$78.78</b>	<b>\$82.41</b>	<b>\$78.62</b>	<b>\$78.87</b>	<b>\$77.93</b>	<b>\$66.65</b>	<b>\$65.31</b>	<b>\$68.87</b>

1) La Guitarra was placed on care and maintenance on August 3, 2018.

2) La Parrilla was placed on temporary suspension effective September 2, 2019.

3) San Martin was placed on temporary suspension effective July 1, 2019 due to a growing insecurity in the area and safety concerns for our workforce. The re-opening date is contingent on security conditions in the region and cannot be determined at this time.

4) Del Toro's mining and milling operations were placed on temporary suspension effective January 1, 2020 to improve overall operating cash flows while focusing on an expanded drill program in the area.

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

## Operating Results – Consolidated Operations

CONSOLIDATED	2020-Q2	2020-Q1	2020-YTD	2019-YTD	Change Q2 vs Q1	Change '20 vs '19
Ore processed/tonnes milled	333,559	599,142	932,701	1,549,550	(44%)	(40%)
Average silver grade (g/t)	193	185	188	156	4%	21%
Average gold grade (g/t)	1.52	1.74	1.66	1.38	(12%)	20%
Silver recovery (%)	89%	89%	89%	84%	0%	6%
Gold recovery (%)	96%	96%	96%	96%	0%	0%
<b>Production</b>						
Silver ounces produced	1,834,575	3,151,980	4,986,555	6,524,954	(42%)	(24%)
Gold ounces produced	15,764	32,202	47,967	65,613	(51%)	(27%)
Pounds of lead produced	—	—	—	5,113,891	0%	(100%)
Pounds of zinc produced	—	—	—	2,664,361	0%	(100%)
Total production - ounces silver equivalent	3,505,376	6,195,057	9,700,433	12,684,160	(43%)	(24%)
<b>Cost</b>						
Cash cost per ounce	\$6.73	\$5.16	\$5.74	\$6.58	30%	(13%)
All-In sustaining costs per ounce	\$18.57	\$12.99	\$15.04	\$13.82	43%	9%
Total production cost per tonne	\$78.78	\$82.41	\$81.12	\$72.01	(4%)	13%
Underground development (m)	4,666	10,888	15,555	31,477	(57%)	(51%)
Diamond drilling (m)	10,250	40,458	50,709	92,294	(75%)	(45%)

## COVID-19 Pandemic Update

During the second quarter, in compliance with the decree issued by the Mexican Ministry of Health on March 31, 2020 in response to the COVID-19 pandemic, the Company temporarily suspended operations at its three operating mines during most of April and May. Following the Mexican Government's decision to allow the restart of mining activities on May 23, 2020, all operations are expected to return to normal pre-pandemic production rates in the third quarter.

Preventative control measures to protect the safety and health of our employees, contractors and communities in which we operate, including social distancing, remote working, cancellation of any non-essential visits to the mines, comprehensive sanitation measures for the workplace and company transportation, as well as pre-screening for virus symptoms remain in effect.

During the second quarter, First Majestic incurred \$7.2 million in COVID-19 related standby costs, mostly related to payroll. In addition, the Company has granted paid leave to vulnerable employees as defined by the Mexican Ministry of Health, consisting of a list of conditions including anyone 60 years of age or older, workers with pre-existing conditions or compromised immune systems. Vulnerable workers currently account for approximately 18% of the Company's workforce at its three operating mines. The Company continues to support its vulnerable workers with base pay and medical services as needed while they are not working. The Company is also supporting local communities by sponsoring health professionals, medical equipment, personal protective equipment, medicine and health supplements.

## Production

Total production for the second quarter was 3,505,376 silver equivalent ounces, consisting of 1.8 million ounces of silver and 15,764 ounces of gold. Despite the temporary COVID-19 Suspensions over most of April and May, total production decreased by only 43% compared to the previous quarter.

During the quarter, total ore processed at the Company's three operating mines amounted to 333,559 tonnes, a 44% decrease compared to the previous quarter primarily due to the temporary COVID-19 Suspensions.

Consolidated silver grades in the quarter averaged 193 g/t compared to 185 g/t in the previous quarter. This 4% increase

was primarily the result of higher grades at San Dimas. Consolidated gold grades averaged 1.52 g/t compared to 1.74 g/t in the prior quarter representing a 12% decrease primarily due to lower gold grades at Santa Elena.

Consolidated silver and gold recoveries averaged 89% and 96%, respectively, consistent with the previous quarter.

### **Cash Cost and All-In Sustaining Cost per Ounce**

Cash cost per ounce for the quarter was \$6.73 per payable ounce of silver, compared to \$5.16 per ounce in the previous quarter. The increase in consolidated cash cost was primarily attributed to lower by-product credits at San Dimas and Santa Elena as a result of approximately 3,900 ounces of gold that were shipped but not yet sold at quarter end. Had the gold been sold at spot price at the end of the quarter, it would have contributed an additional \$4.1 million or \$2.25 per ounce in by-product credits. The impact of reduced by-product credits on cash costs was partially offset by lower production costs due to the weaker Mexican Peso against the U.S. Dollar, of which the quarterly average rate decreased 18% compared to the previous quarter.

AISC in the second quarter was \$18.57 per ounce compared to \$12.99 per ounce in the previous quarter. The increase in AISC per ounce was primarily due to increased cash costs and increase in fixed overhead costs, such as general and administration expenses and annual workers participation benefits, being divided by 42% less silver ounces produced during the quarter as a result of the temporary COVID-19 Suspensions.

### **Development and Exploration**

During the second quarter, the Company completed 4,666 metres of underground development, a decrease of 57% compared to 10,888 metres in the previous quarter due to the COVID-19 Suspensions.

In the second quarter, the exploration program completed 10,250 metres of drilling compared to 40,458 metres in the previous quarter. In response to the COVID-19 pandemic, all drilling was halted at the end of March and the exploration team and drill contractors were demobilized and gradual return commenced in June. At the end of the quarter, 14 exploration drill rigs were active across the Company's projects consisting of 11 rigs at San Dimas, two rigs at Santa Elena and one rig at La Encantada. The Company plans to add nine additional rigs in the third quarter with a focus on the regional potential around Santa Elena and San Dimas.

## San Dimas Silver/Gold Mine, Durango, México

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

San Dimas	2020-Q2	2020-Q1	2020-YTD	2019-YTD	Change Q2 vs Q1	Change '20 vs '19
Total ore processed/tonnes milled	114,390	200,109	314,499	335,632	(43%)	(6%)
Average silver grade (g/t)	318	280	294	300	14%	(2%)
Average gold grade (g/t)	3.38	3.44	3.42	4.25	(2%)	(20%)
Silver recovery (%)	94 %	93 %	94 %	93 %	1%	1%
Gold recovery (%)	97 %	96 %	97 %	96 %	1%	1%
<b>Production</b>						
Silver ounces produced	1,102,931	1,677,376	2,780,306	3,007,470	(34%)	(8%)
Gold ounces produced	12,042	21,308	33,350	44,177	(43%)	(25%)
Total production - ounces silver equivalent	2,395,633	3,672,169	6,067,802	6,813,409	(35%)	(11%)
<b>Cost</b>						
Cash cost per ounce	\$3.77	\$3.08	\$3.35	\$1.31	22%	156%
All-In sustaining costs per ounce	\$13.04	\$9.02	\$10.62	\$7.17	45%	48%
Total production cost per tonne	\$129.67	\$126.33	\$127.54	\$132.58	3%	(4%)
Underground development (m)	3,488	7,100	10,588	11,924	(51%)	(11%)
Diamond drilling (m)	9,031	22,087	31,119	32,874	(59%)	(5%)

During the second quarter, the San Dimas mine produced 1,102,931 ounces of silver and 12,042 ounces of gold for a total production of 2,395,633 silver equivalent ounces, representing a 35% decrease compared to the prior quarter primarily due to the temporary COVID-19 Suspensions, as well as a temporary 13-day labour disruption attributed to annual bonus negotiations.

The mill processed a total of 114,390 tonnes with average silver and gold grades of 318 g/t and 3.38 g/t, respectively.

Silver and gold recoveries averaged 94% and 97%, respectively, during the quarter which were consistent with the prior quarter. Mill modernization and optimization programs have resumed at San Dimas, including the mid-May delivery of the 3,000 tpd HIG mill and several components. As a result of the temporary suspension during the quarter, assembly and installation of the new HIG mill is now expected to be completed in the second quarter of 2021, followed by commissioning in the third quarter of 2021.

In the second quarter, cash cost per ounce was \$3.77 per ounce, respectively, compared to \$3.08 per ounce in the prior quarter. The increase in cash cost was primarily attributed to lower gold by-product credits as a result of approximately 2,000 ounces of gold that were shipped but not yet sold, which would have contributed an additional \$1.3 million or \$1.22 per ounce in by-product credits. Production costs during the operational period were lower compared to the previous quarter due to the weaker Mexican Peso against the U.S. Dollar, of which the quarterly average rate decreased 18% compared to the previous quarter. AISC for the quarter was \$13.04 per ounce compared to \$9.02 per ounce in the prior quarter due to fixed costs and lower production.

The San Dimas Mine has a gold and silver streaming agreement with Wheaton Precious Metals Corp. ("Wheaton") which entitles Wheaton to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to

1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment commencing in May 2019) and the prevailing market price, for each gold ounce delivered. Should the average gold to silver ratio over a six month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. Effective April 1, 2020, the fixed gold to silver exchange ratio has been revised to 90:1. In the event the average gold to silver price ratio is back below 90:1 for a period of six months or more, the 70:1 exchange ratio shall be reinstated.

A total of 3,488 metres of underground development was completed in the second quarter, a decrease of 51% compared to the prior quarter. Rehabilitation efforts on 4.5 km of the rail-car track inside the Tayoltita mine was completed during the quarter and another 1.5 km of track and supporting infrastructure will be rehabilitated in the second half of the year. Initial production from the Tayoltita mine began in June and is expected to ramp-up to 300 tpd by the end of 2020. The Tayoltita mine was the original mining area at San Dimas and known to contain higher silver grades.

During the second quarter, one surface drill and 10 underground drills were restarted and completed 9,031 metres compared to 22,087 metres in the prior quarter. Drilling in the third quarter will focus in the Central, Sinaloa and Tayoltita blocks.



## Santa Elena Silver/Gold Mine, Sonora, México

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

<b>SANTA ELENA</b>	<b>2020-Q2</b>	<b>2020-Q1</b>	<b>2020-YTD</b>	<b>2019-YTD</b>	<b>Change Q2 vs Q1</b>	<b>Change '20 vs '19</b>
Total ore processed/tonnes milled	89,590	177,834	267,423	449,702	(50%)	(41%)
<b>Underground tonnes</b>						
Tonnes milled	58,223	125,529	183,752	279,815	(54%)	(34%)
Average silver grade (g/t)	109	130	123	122	(16%)	1%
Average gold grade (g/t)	1.70	2.48	2.23	1.88	(31%)	19%
<b>Heap leach tonnes</b>						
Tonnes milled	31,366	52,305	83,672	169,888	(40%)	(51%)
Average silver grade (g/t)	32	36	34	43	(11%)	(21%)
Average gold grade (g/t)	0.62	0.73	0.69	0.71	(15%)	(3%)
Silver recovery (%)	92 %	94 %	93 %	89 %	(2%)	4%
Gold recovery (%)	95 %	96 %	96 %	94 %	(1%)	2%
<b>Production</b>						
Silver ounces produced	222,100	550,133	772,233	1,184,067	(60%)	(35%)
Gold ounces produced	3,677	10,842	14,520	19,574	(66%)	(26%)
Total production - ounces silver equivalent	595,651	1,593,400	2,189,052	2,864,710	(63%)	(24%)
<b>Cost</b>						
Cash cost per ounce	\$15.10	\$2.12	\$5.85	\$3.56	NM	64%
All-In sustaining costs per ounce	\$24.71	\$6.03	\$11.40	\$7.05	NM	62%
Total production cost per tonne	\$74.50	\$81.04	\$78.85	\$57.73	(8%)	37%
Underground development (m)	606	1,940	2,545	4,347	(69%)	(41%)
Diamond drilling (m)	802	9,474	10,276	27,756	(92%)	(63%)

NM - Not meaningful

During the second quarter, Santa Elena produced 222,100 ounces of silver and 3,677 ounces of gold for a total production of 595,651 silver equivalent ounces, or 63% below the previous quarter, primarily due to temporary COVID-19 Suspensions which resulted in a 50% decrease in tonnes milled and lower silver and gold head grades during ramp-up. The operation is expected to return to normal pre-pandemic production rates in the third quarter.

The mine processed a total of 89,590 tonnes during the quarter, consisting of 58,223 tonnes (or approximately 65% of production) from underground ore and 31,366 tonnes (or approximately 35% of production) from the above ground heap leach pad.

Silver and gold grades from underground ore averaged 109 g/t and 1.70 g/t, respectively, and above ground heap leach pad averaged 32 g/t and 0.62 g/t. Silver and gold recoveries averaged 92% and 95%, respectively, during the quarter.

Cash cost in the second quarter was \$15.10 per ounce compared to \$2.12 per ounce in the previous quarter, primarily attributed to lower gold by-product credits as a result of approximately 1,900 ounces of gold that were shipped but not yet sold, which would have contributed an additional \$2.7 million or \$12.34 per ounce in by-product credits.

AISC in the second quarter was \$24.71 per ounce compared to \$6.03 per ounce in the previous quarter. The increase in AISC was primarily attributed to construction of temporary work camps as part of COVID-19 sanitary protocol and isolation efforts.

To help minimize health risks and accommodate Santa Elena workers that travel from outside communities, the Company established a temporary camp at Santa Elena. In addition, a second temporary camp was constructed near Ermitaño to assist with housing of the development contractors and construction workers. A third phase of camp construction will occur in the third quarter thus allowing more than 300 workers to be maintained at site.

The LNG power generation facility resumed civil construction activities in June. Delivery of the LNG generators and storage tanks are expected to be onsite in the third quarter of 2020. As a result of the temporary suspension, the LNG plant is now estimated to be completed and commissioned in the first quarter of 2021.

In the second quarter, a total of 606 metres of underground development was completed at Santa Elena compared to 1,940 metres in the previous quarter. During the quarter, development and construction activities resumed at the Ermitaño project in June and successfully intersected the Ermitaño vein. At the end of the quarter, a total of 468 metres of underground development have been completed and approximately 480 metres of main ramp and 80 metres of lateral development remain to be developed in order to access the high-grade portion of the Ermitaño ore body.

In response to the COVID-19 pandemic, all drilling was halted at the end of March and the exploration team and drill contractors were demobilized. Part of the team has returned in early June and gradual mobilization of the remainder of the team is planned in the third quarter. During the second quarter, one surface drill and one underground drill were restarted and completed 802 metres of drilling compared to 9,474 metres in the previous quarter. Four surface drills and two underground drills are expected to be operating at Santa Elena, Ermitano, and on regional projects north of the Santa Elena mine in the third quarter.

Due to the COVID-19 temporary suspension of activities in the quarter, the Ermitaño pre-feasibility study is now expected to be completed in the first half of 2021. Initial limited production from Ermitaño is expected to begin in mid-2021 from development of test stope blocks in support of the pre-feasibility analysis. Provided the geotechnical conditions and mineralization continuity are confirmed, the first production stope is expected to be ready in the fourth quarter of 2021.

## La Encantada Silver Mine, Coahuila, México

The La Encantada Silver Mine is an underground mine located in the northern México State of Coahuila, 708 kilometres northeast of Torreon. La Encantada has 4,076 hectares of mineral concessions and surface land ownership of 1,343 hectares. La Encantada also has a 4,000 tpd cyanidation plant, a camp with 180 houses as well as administrative offices, laboratory, general store, hospital, airstrip and all infrastructure required for such an operation. The mine is accessible via a two-hour flight from the Durango International Airport to the mine's private airstrip, or via a mostly-paved road from the closest city, Muzquiz, Coahuila State, which is 225 kilometres away. The Company owns 100% of the La Encantada Silver Mine.

LA ENCANTADA	2020-Q2	2020-Q1	2020-YTD	2019-YTD	Change Q2 vs Q1	Change '20 vs '19
Ore processed/tonnes milled	129,579	221,200	350,780	477,032	(41%)	(26%)
Average silver grade (g/t)	158	165	163	119	(5%)	37%
Silver recovery (%)	78 %	79 %	78 %	66 %	(1%)	18%
<b>Production</b>						
Silver ounces produced	509,544	924,472	1,434,016	1,210,153	(45%)	18%
Gold ounces produced	45	52	97	76	(13%)	28%
Total production - ounces silver equivalent	514,092	929,487	1,443,579	1,216,656	(45%)	19%
<b>Cost</b>						
Cash cost per ounce	\$9.38	\$10.77	\$10.28	\$14.21	(13%)	(28%)
All-In sustaining costs per ounce	\$11.60	\$13.31	\$12.71	\$15.80	(13%)	(20%)
Total production cost per tonne	\$36.80	\$43.82	\$41.23	\$35.13	(16%)	17%
Underground development (m)	572	1,024	1,596	2,725	(44%)	(41%)
Diamond drilling (m)	417	4,565	4,982	7,650	(91%)	(35%)

During the quarter, La Encantada processed 129,579 tonnes of ore and produced 509,544 silver ounces, representing a 45% decrease from the previous quarter. The decrease was primarily attributed to temporary COVID-19 Suspensions in the months of April and May. The operation has since returned to pre-pandemic production rates by quarter end.

Silver grades during the quarter averaged 158 g/t during the quarter, representing a 5% decrease compared with the prior quarter. Silver recoveries averaged 78%, consistent with the prior quarter. Silver recoveries continue to exceed historical rates primarily due to optimal blending of stockpiles and maintaining an efficient pumping level on the precipitate tanks.

Cash cost and AISC for the quarter were \$9.38 and \$11.60 per ounce, respectively, compared to \$10.77 and \$13.31 per ounce in the previous quarter. The decreases were primarily attributed to the weaker Mexican Peso against the U.S. Dollar, of which the quarterly average rate decreased 18% compared to the previous quarter, as well as lower sustaining development and exploration costs during ramp up in June.

A total of 572 metres of underground development was completed in the second quarter compared to 1,024 metres in the prior quarter. During the quarter, ramp development continued to access the Milagros breccia to prepare the mine for initial sub-level caving production in 2021.

In response to the COVID-19 pandemic, all drilling was halted at the end of March and the exploration team and drill contractors were demobilized from site until mid-June. During the second quarter, one surface drill was restarted and completed 417 metres of drilling compared to 4,565 metres with two drills in the previous quarter. One underground and one surface drill are expected to be working at La Encantada during the third quarter.

## **La Parrilla Silver Mine, Durango, México**

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

Operations at the La Parrilla mine have been temporarily suspended since September 2, 2019. The Company is currently using the La Parrilla mill and its ISO Certified Laboratory on site as a research and development facility while continuing the exploration program.

In response to the COVID-19 pandemic, all drilling was halted at the end of March and the exploration team and drill contractors were demobilized from site. Brownfield and greenfield drilling with two surface rigs is expected to begin in the third quarter on targets within the La Parrilla concessions.

## **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 2,130 hectares of mining concessions and 219 hectares of surface rights. The Del Toro operation represents the consolidation of three historical silver mines, the Perseverancia, San Juan and Dolores mines, which are approximately one and three kilometres apart, respectively. Del Toro includes a 2,000 tpd flotation circuit and a 2,000 tpd cyanidation circuit. First Majestic owns 100% of the Del Toro Silver Mine.

Effective January 2020, the Company has temporarily suspended Del Toro's mining and milling operations in order to improve overall operating cash flows and profit margins while focusing on the exploration program in the area. The exploration program will include drilling to test near mine, brownfield and greenfield targets in an effort to develop new resources necessary to support a potential reopening in the future, subject to a sufficient improvement in mineral economics to justify a restart.

In response to the COVID-19 pandemic, all drilling was halted at the end of March and the exploration team and drill contractors were demobilized from site. Although no drilling is planned at Del Toro for the remainder of the year, two drill permits were submitted and approved in anticipation of being able restart drilling in the next 12 months.

## **San Martin Silver Mine, Jalisco, México**

The San Martin Silver Mine is an underground mine located near the town of San Martin de Bolaños in the Bolaños river valley, in the northern portion of the State of Jalisco, México. San Martin has 33 contiguous mining concessions in the San Martin de Bolaños mining district covering mineral rights for 37,518 hectares, including the application to acquire a new mining concession covering 24,723 hectares. In addition, the mine owns 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located, and an additional 640 hectares of surface rights. The 1,300 tpd mill and processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks and a Merrill-Crowe doré production system. The mine can be accessed via small plane, 150 kilometres from Durango, or 250 kilometres by paved road north of Guadalajara, Jalisco. The San Martin Silver Mine is 100% owned by the Company.

In July 2019, the Company temporarily suspended all mining and processing activities at the San Martin operation due to a growing insecurity in the area and safety concerns for our workforce. The Company continues to work with government authorities to secure the area and is evaluating alternative operating plans. The re-opening date is contingent on security conditions in the region and cannot be determined at this time.

## La Guitarra Silver Mine, México State, México

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

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

### OVERVIEW OF FINANCIAL PERFORMANCE

For the quarters ended June 30, 2020 and 2019 (in thousands of dollars, except for per share amounts):

	Second Quarter 2020	Second Quarter 2019	Variance %
<b>Revenues</b>	<b>\$34,855</b>	<b>\$83,669</b>	<b>(58)% (1)</b>
<b>Mine operating costs</b>			
Cost of sales	26,187	62,772	(58)% (2)
Cost of sales - standby costs	9,166	—	100 % (3)
Depletion, depreciation and amortization	7,264	16,691	(56)% (4)
	<b>42,617</b>	<b>79,463</b>	<b>(46)%</b>
<b>Mine operating (loss) earnings</b>	<b>(7,762)</b>	<b>4,206</b>	<b>NM</b>
General and administrative expenses	5,846	5,966	(2)%
Share-based payments	1,947	2,017	(3)%
Mine holding costs	5,603	394	NM (5)
Foreign exchange loss (gain)	6,229	(748)	NM
<b>Operating earnings</b>	<b>(27,387)</b>	<b>(3,423)</b>	<b>NM</b>
Unrealized gain on foreign currency derivatives	10,251	—	100 % (6)
Investment and other (loss) income	5,259	(87)	NM (7)
Finance costs	(3,550)	(3,742)	(5)%
<b>Loss before income taxes</b>	<b>(15,427)</b>	<b>(7,252)</b>	<b>(113)%</b>
Current income tax expense	795	500	59 %
Deferred income tax (recovery) expense	(6,254)	4,215	NM
Income tax (recovery) expense	(5,459)	4,715	NM (8)
<b>Net loss for the period</b>	<b>(\$9,968)</b>	<b>(\$11,967)</b>	<b>17 % (9)</b>
<b>Loss per share (basic and diluted)</b>	<b>(\$0.05)</b>	<b>(\$0.06)</b>	<b>20 % (9)</b>

NM - Not meaningful

- Revenues** in the quarter decreased 58% compared to the same quarter of the previous year primarily attributed to:
  - a 66% decrease in payable equivalent silver ounces sold at market prices compared to the same quarter of the prior year, resulting in a \$59.7 million decrease in revenues, primarily due to:
    - a 43% decrease in production amidst the temporary COVID-19 Suspension and the temporary 13-day union work stoppage at San Dimas; and

- the Company held approximately 970,000 ounces of silver and 6,000 ounces of gold (equivalent to approximately 45% of the Company's production in the second quarter) in its finished goods inventory in anticipation of higher metal prices, which were sold and recognized as revenues in the third quarter for approximately \$25.0 million;

Partially offset by:

- a 17% increase in average realized price per ounce of silver sold of \$17.33 compared to \$14.80 in the second quarter of 2019, resulting in a \$6.1 million increase in revenues; and
- a \$1.1 million decrease in smelting and refining charges due to less ounces sold.

2. **Cost of sales** in the quarter decreased 58% or \$36.6 million compared to the same quarter of the previous year as a result of the following factors:

- a \$31.2 million or 54% decrease in production costs compared to the same quarter of the prior year, due to reduction in operational days pursuant to the temporary COVID-19 Suspension and 13-day union work stoppage at San Dimas, as well as the weaker Mexican Peso;
- an \$8.2 million increase in inventory changes due to the Company holding approximately 970,000 ounces of silver and 6,000 ounces of gold in its finished goods inventory at quarter end in anticipation of realizing higher metal prices in the second half of 2020;

Partially offset by:

- a \$3.2 million increase in workers participation benefits due to a negotiated bonus agreement with the San Dimas union at the end of June 2020.

3. **Standby costs** in the quarter were in relation to direct costs incurred at the San Dimas (\$3.5 million), Santa Elena (\$2.0 million) and La Encantada (\$1.7 million) mines during the temporary COVID-19 Suspensions, as well as \$2.0 million incurred during the 13-day union work stoppage at San Dimas in June 2020.

4. **Depletion, depreciation and amortization** in the quarter decreased \$9.4 million or 56% compared to the same quarter of the previous year primarily due to lower milled tonnes caused by the temporary suspension of activities in response to the COVID-19 global pandemic as well as a temporary 13-day union work stoppage at San Dimas in mid-June.

5. **Mine holding costs** increased by \$5.2 million compared to the same quarter of 2019, primarily due to planned suspension of operating activities at the Del Toro, La Parrilla and San Martin mines during the second half of 2019. Mine holding costs in the quarter also includes \$2.3 million in restructuring costs at Del Toro and La Parrilla to reduce head counts and labour costs in the second half of 2020.

6. **Unrealized gain on foreign currency derivatives** of \$10.3 million in the second quarter relates to mark-to-market adjustments on the Company's foreign currency derivatives. The Company utilizes foreign currency options and swaps to hedge cash flows relating to mining operations, exploration and evaluation activities and corporate expenses in Mexican pesos within the next 12 months. As at June 30, 2020, these derivatives require the Company to purchase Mexican pesos with notional value of \$51.1 million at USD:MXN rates ranging from 19.5 to 21.0 and with expiry dates between July to December 2020.

7. **Investment and other income** for the quarter increased \$5.3 million compared to the same quarter of 2019 primarily due to:

- an unrealized gain on investment in marketable securities of \$3.3 million in the current quarter compared to a loss of \$1.4 million in the same quarter of the prior year; and
- a realized gain on silver futures \$2.1 million in the current quarter compared to a marginal loss in the second quarter of 2019.

8. During the quarter, the Company recorded an **income tax recovery** of \$5.5 million compared to an income tax expense of \$4.7 million in the second quarter of 2019. The increase in income tax recovery was attributed primarily to operating losses in the second quarter and the foreign exchange impact on the Company's Mexican Peso denominated future income tax liability balances.

9. As a result of the foregoing, **net loss** for the quarter was \$10.0 million (EPS of (\$0.05)) compared to net loss of \$12.0 million (EPS of (\$0.06)) in the same quarter of the prior year.

**For the year to date ended June 30, 2020 and 2019 (in thousands of dollars, except for per share amounts):**

	Year to Date 2020	Year to Date 2019	Variance % 20 vs '19
<b>Revenues</b>	<b>\$120,920</b>	<b>\$170,479</b>	<b>(29)% (1)</b>
<b>Mine operating costs</b>			
Cost of sales	76,022	122,119	(38)% (2)
Cost of sales - standby costs	10,112	—	100 % (3)
Depletion, depreciation and amortization	21,433	33,901	(37)% (4)
	<b>107,567</b>	<b>156,020</b>	<b>(31)%</b>
<b>Mine operating earnings</b>	<b>13,353</b>	<b>14,459</b>	<b>(8)%</b>
General and administrative	12,130	12,466	(3)%
Share-based payments	4,325	4,092	6 %
Mine holding costs	10,382	1,202	NM (5)
Loss on sale of exploration project	10,106	—	100 % (6)
Foreign exchange loss (gain)	3,403	(3,117)	NM
<b>Operating loss</b>	<b>(26,993)</b>	<b>(184)</b>	<b>NM</b>
Unrealized loss on foreign exchange derivatives	(12,403)	—	100 % (7)
Investment and other income	4,719	1,931	144 % (8)
Finance costs	(7,406)	(7,447)	(1)%
<b>Loss before income taxes</b>	<b>(42,083)</b>	<b>(5,700)</b>	<b>NM</b>
Current income tax expense	2,009	3,964	NM
Deferred income tax recovery	(1,688)	(577)	NM
Income tax expense	321	3,387	(91)% (9)
<b>Net loss for the period</b>	<b>(\$42,404)</b>	<b>(\$9,087)</b>	<b>NM (10)</b>
<b>Loss per share (basic and diluted)</b>	<b>(\$0.20)</b>	<b>(\$0.05)</b>	<b>NM (10)</b>

NM - Not meaningful

1. **Revenues** in the six months ended June 30, 2020 decreased by \$49.6 million or 29% compared to the previous year due to the following significant factors:

- Silver equivalent ounces sold decreased by 35% compared to the previous year resulting in a decrease in revenues of \$69.9 million primarily due to:
  - a 24% decrease in production attributed to the temporary COVID-19 Suspension and the 13-day union work stoppage at San Dimas; and
  - the Company held approximately 970,000 ounces of silver and 6,000 ounces of gold in its finished goods inventory at quarter end in anticipation of higher metal prices, which were sold and recognized as revenues in the third quarter for approximately \$25.0 million;

Partially offset by:

- a 14% increase in average realized price per ounce of silver sold of \$17.35 compared to \$15.26 in the prior year, resulting in a \$16.6 million increase in revenues; and
- a \$1.7 million decrease in smelting and refining charges due to less ounces sold and lower treatment charges for doré production.

2. **Cost of sales** in the year decreased \$46.1 million or 38% compared to 2019 as a result of the following factors:

- a \$35.9 million or 32% decrease in production costs compared to the same period of the prior year, due to reduction in operational days pursuant to the temporary COVID-19 Suspension and 13-day union work stoppage at San Dimas, as well as the weaker Mexican Peso;
- a \$13.1 million increase in inventory changes due to the Company holding approximately 970,000 ounces of silver and 6,000 ounces of gold in its finished goods inventory at quarter end in anticipation of realizing higher metal prices in the second half of 2020;

Partially offset by:

- a \$3.7 million increase in workers participation benefits due to a negotiated bonus agreement with the San Dimas union at the end of June 2020.
3. **Standby costs** in the year were primarily related to direct costs incurred at the San Dimas (\$3.5 million), Santa Elena (\$2.0 million) and La Encantada (\$1.7 million) mines during the temporary COVID-19 Suspensions, as well as \$2.0 million incurred during the 13-day union work stoppage at San Dimas in June 2020.
  4. **Depletion, depreciation and amortization** in the year decreased \$12.5 million or 37% compared to the previous year primarily due to 40% less milled tonnes caused by the temporary suspension of activities in response to the global pandemic and a temporary 13-day union work stoppage at San Dimas.
  5. **Mine holding costs** for the year increased to \$10.4 million primarily due to planned suspension of operating activities at the Del Toro, La Parrilla and San Martin mines during the second half of 2019. Mine holding costs in the year also includes \$2.3 million in restructuring costs at Del Toro and La Parrilla to reduce head counts and labour costs in the second half of 2020.
  6. **Loss on sale of exploration project** of \$10.1 million during the year relates to the sale of the Plomosas project to GR Silver Mining Ltd. in March 2020.
  7. **Unrealized loss on foreign currency derivatives** of \$12.4 million during the year relates to mark-to-market adjustments on the Company's foreign currency derivatives. The Company utilizes foreign currency options and swaps to hedge cash flows relating to mining operations, exploration and evaluation activities and corporate expenses in Mexican Pesos within the next 12 months. As at June 30, 2020, these derivatives require the Company to purchase Mexican pesos with notional value of \$51.1 million at USD:MXN rates ranging from 19.5 to 21.0 and with expiry dates between July to December 2020. Due to the recent volatility in the USD:MXN exchange rate, the Mexican pesos depreciated 22% against the U.S. dollar during the year, resulting in an unrealized loss on these foreign currency derivatives.
  8. **Investment and other income** for the year increased \$2.8 million compared to the prior year primarily due to:
    - a gain on investment in marketable securities of \$1.9 million in the current year compared to a loss of \$0.2 million in the prior year;
    - a gain from investment in silver future derivatives of \$2.1 million in the current year compared to a loss of \$0.5 million in the prior year; and
    - interest and other income decreased by \$1.9 million due to a decrease in interest income attributed to lower interest rates as well as lower cash balances during the year.
  9. During the six months ended June 30, 2020, the Company recorded a net **income tax expense** of \$0.3 million, compared to an income tax expense of \$3.4 million in 2018. The decrease in income tax expense was primarily driven by an increase in net loss before tax, offset by the foreign exchange impact on the Company's Mexican Peso denominated future income tax liability balances.
  10. As a result of the foregoing, **net loss** for the six months ended June 30, 2020 was \$42.4 million (EPS of (\$0.20)), compared to a loss of \$9.1 million (EPS of (\$0.05)) in the prior year.



## SUMMARY OF QUARTERLY RESULTS

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

Selected Financial Information	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$34,855	\$86,065	\$96,476	\$96,989	\$83,669	\$86,810	\$74,128	\$88,521
Cost of sales	\$26,187	\$49,835	\$55,033	\$54,994	\$62,772	\$59,347	\$56,230	\$63,966
Cost of sales - standby costs	\$9,166	\$946	\$—	\$—	\$—	\$—	\$—	\$—
Depletion, depreciation and amortization	\$7,264	\$14,169	\$17,502	\$14,181	\$16,691	\$17,210	\$26,925	\$24,701
Mine operating earnings (loss)	(\$7,762)	\$21,115	\$23,941	\$27,814	\$4,206	\$10,253	(\$9,027)	(\$146)
Net (loss) earnings after tax	(\$9,968)	(\$32,436)	(\$39,946)	\$8,559	(\$11,967)	\$2,880	(\$164,443)	\$5,904
(Loss) Earnings per share - basic	(\$0.05)	(\$0.15)	(\$0.19)	\$0.04	(\$0.06)	\$0.01	(\$0.85)	\$0.03
(Loss) Earnings per share - diluted	(\$0.05)	(\$0.15)	(\$0.19)	\$0.04	(\$0.06)	\$0.01	(\$0.85)	\$0.03

During the second quarter of 2020, mine operating losses were \$7.8 million compared to mine operating earnings of \$21.1 million in the previous quarter. The decrease in mine operating earnings was primarily due to a \$51.2 million decrease in revenue and \$8.2 million increase in standby costs, partially offset by a \$23.6 million decrease in cost of sales, and a \$6.9 million decrease in depletion, depreciation and amortization as a result of suspended operations due to the COVID 19 pandemic and higher finished goods inventories. Net loss for the quarter was \$10.0 million compared to a net loss of \$32.4 million in the previous quarter, which was impacted by a \$22.7 million unrealized loss on foreign currency derivatives in the prior quarter related to mark-to-market adjustments on the Company's foreign currency derivatives.

## LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

### Liquidity

As at June 30, 2020, the Company had cash and cash equivalents of \$95.2 million, comprised primarily of cash held with reputable financial institutions and is invested in cash accounts and in highly liquid short-term investments with maturities of three months or less. With the exception of \$4.4 million held in-trust for tax audits in Mexico, the Company's cash and cash equivalents are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Working capital as at June 30, 2020 was \$114.2 million compared to \$171.1 million at December 31, 2019. Total available liquidity at June 30, 2020 was \$179.3 million (see page 37), including \$65.0 million of undrawn revolving credit facility.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Cash flow</b>				
Cash (used in) generated by operating activities	(\$30,548)	\$15,558	(\$18,500)	\$48,273
Cash used in investing activities	(18,947)	(28,158)	(52,253)	(57,165)
Cash (used in) generated by financing activities	(917)	15,263	(713)	45,568
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(\$50,412)</b>	<b>\$2,663</b>	<b>(\$71,466)</b>	<b>\$36,676</b>
Effect of exchange rate on cash and cash equivalents held in foreign currencies	455	419	(2,313)	850
Cash and cash equivalents, beginning of the period	145,187	91,457	169,009	57,013
<b>Cash and cash equivalents, end of period</b>	<b>\$95,230</b>	<b>\$94,539</b>	<b>\$95,230</b>	<b>\$94,539</b>

The Company's cash flows from operating, investing and financing activities during the six months ended June 30, 2020 are summarized as follows:

- **Cash used in operating activities** of \$18.5 million, primarily due to:
  - \$21.4 million in net change in non-cash working capital items during the period, including \$11.1 million increase in finished goods inventories and \$8.0 million decrease in trade and other payables;
  - \$4.0 million in income taxes paid during the period;
 net of:
  - \$6.9 million in operating cash flows from operating activities before movements in working capital and taxes; net of:
- **Cash used in investing activities** of \$52.3 million, primarily related to:
  - \$29.2 million spent on mine development and exploration activities;
  - \$19.1 million spent on purchase of property, plant and equipment;
  - \$5.6 million spent on deposits on non-current assets; and
 net of:
  - \$2.1 million received in settlement of derivatives.
- **Cash used in financing activities** of \$0.7 million, primarily consists of the following:
  - \$10.0 million repayment of debt facility;
  - \$3.4 million on repayment of lease obligations;
  - \$2.2 million payment of financing costs;
  - \$1.7 million on repurchase of shares; and
 net of:
  - \$13.8 million of net proceeds from the issuance of shares through the ATM; and
  - \$2.8 million of net proceeds from the exercise of stock options.

## 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 banking covenants defined in its debt facilities. As at June 30, 2020 and December 31, 2019, the Company was fully in compliance with these covenants.

## Contractual Obligations and Commitments

As at June 30, 2020, the Company's contractual obligations and commitments are summarized as follows:

	<b>Contractual Cash Flows</b>	<b>Less than 1 year</b>	<b>2 to 3 years</b>	<b>4 to 5 years</b>	<b>After 5 years</b>
Trade and other payables	\$50,637	\$50,637	\$—	\$—	\$—
Debt facilities	175,890	13,521	162,369	—	—
Lease liabilities	24,737	6,096	8,352	7,446	2,843
Other liabilities	4,468	—	—	—	4,468
Purchase obligations and commitments	55,304	55,304	—	—	—
	<b>\$311,036</b>	<b>\$125,558</b>	<b>\$170,721</b>	<b>\$7,446</b>	<b>\$7,311</b>

At June 30, 2020, the Company had working capital of \$114.2 million (2019 – \$171.1 million) and total available liquidity of \$179.3 million (2019 – \$226.2 million), including \$65.0 million of undrawn revolving credit facility.

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

## MANAGEMENT OF RISKS AND UNCERTAINTIES

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

### Credit Risk

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

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

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

### Liquidity Risk

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

### Currency Risk

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

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

	June 30, 2020							
	Cash and cash equivalents	Trade and other receivables	Value added taxes receivable	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$7,643	\$143	\$—	\$4,781	(\$1,788)	\$—	\$10,779	\$1,078
Mexican peso	8,985	—	29,782	—	(33,321)	51,050	56,496	5,650
	<b>\$16,628</b>	<b>\$143</b>	<b>\$29,782</b>	<b>\$4,781</b>	<b>(\$35,109)</b>	<b>\$51,050</b>	<b>\$67,275</b>	<b>\$6,728</b>

The Company utilizes certain derivatives to manage its foreign exchange exposures to the Mexican peso. In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global economies are anticipated to be far-reaching and have resulted in significant volatility in foreign exchange markets. As a result, the Company recognized an unrealized loss of \$12.4 million (2019 - nil) on fair value adjustments to its foreign currency derivatives during the six months ended June 30, 2020.

### Commodity Price Risk

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

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

	June 30, 2020		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré and concentrates inventory	\$1,724	\$1,011	\$2,735
	\$1,724	\$1,011	\$2,735

### 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 tariffs and regulations, lawlessness, cancellation or renegotiation of contracts and environmental and permitting regulations. The Company currently has no political risk insurance coverage against these risks.

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

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

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

### Risks associated with Public Health Crises, including COVID-19

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. In addition, the current COVID-19 pandemic, and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations, and the operations of suppliers, contractors and service providers, including smelter and refining service providers, and the demand for the Company's production.

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of the Company's control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

As at the date of this MD&A, the duration of the business disruptions internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how the Company may be affected if the pandemic persists for an extended period of time. In particular, the region in which we operate may not have sufficient public infrastructure to adequately respond or efficiently and quickly recover from such event, which could have a materially adverse effect on the Company's operations. The Company's exposure to such public health crises also includes risks to employee health and safety. Some of the Company's operations are located in relatively remote and isolated areas and represent a concentration of personnel working and residing in close proximity to one another. Should an employee, contractor, community member or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk.

### **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.

### **Primero Tax Rulings**

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

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

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

In February 2016, PEM received a legal claim from the SAT seeking to nullify the APA. The legal claim initiated does not identify any different basis for paying taxes. The Company is continuing PEM's effort to vigorously defend the validity of its APA. If the SAT were successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver in connection with the Old Stream Agreement for 2010 through 2014. If the SAT were successful in retroactively nullifying the APA and issuing reassessments, it would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. Should the Company ultimately be required to pay tax on its silver revenues based on market prices without any mitigating adjustments, the incremental income tax for the years 2010-2018 would be approximately \$157.6 million (3,620 million MXN), before interest or penalties.

In 2019, as part of the ongoing annual audits of the PEM tax returns, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$214.1 million (4,919 million MXN) inclusive of interest, inflation, and penalties in violation of the terms of the APA (the "Reassessments"). The key items relate to the view that PEM should pay taxes based on the market price of silver and denial of the deductibility of interest expense and service fees in Mexico all of which the Company disagrees with. The Company continues to defend the APA in the Mexican legal proceedings, and initiated proceedings between the competent tax authorities of Mexico, Canada, Luxembourg and Barbados, all of which were subsequently dismissed on a unilateral basis by Mexico's competent tax authority ("Dismissals") in May 2020. The Company believes that the Dismissals have no basis and breach international obligations regarding double taxation treaties, and that the APA remains valid and legally binding. The Company will continue vigorously disputing the Reassessments, exhausting its domestic and international remedies.

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

The Company has challenged SAT's Reassessments and Dismissals through all domestic means available to it, including a constitutional challenge (called an "amparo") before a District Court, which has yet to be resolved, and a complaint before Mexico's Federal Taxpayer Defense Attorney's Office (known as "PRODECON"), which determined that PEM has all legal remedies at its disposal and it has already challenged every SAT ruling, thus the matter must be decided by Mexican Courts. The Company believes that these actions are neither fair nor equitable and are discriminatory against the Company as a foreign investor and amount to a denial of justice under international law, in addition to violating various provisions of the Federal Constitution of the United Mexican States and Mexican domestic law, and Mexican court decisions. As a result, on May 13, 2020, the Company initiated an international arbitration proceeding against the Government of Mexico pursuant to the North American Free Trade Agreement ("NAFTA").

Based on the Company's assessments with third party advisors, the Company believes Primero filed its tax returns compliant with applicable Mexican law and, therefore, no liability has been recognized in the financial statements. Due to the uncertainty in timing of resolution to this matter, which may take more than one year, the Company has classified its income taxes receivable of \$16.0 million as non-current at June 30, 2020 as SAT is not expected to refund PEM's income taxes paid until the dispute is resolved.

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

## La Encantada Tax Re-assessments

In December 2019, as part of the ongoing annual audits of the tax returns of Minera La Encantada S.A. de C.V. ("MLE"), the SAT issued tax assessments for fiscal 2012 and 2013 in the amount of \$6.8 million (155.5 million MXN) and \$5.5 million (126.6 million MXN), respectively. The key items relate to a forward silver purchase agreement and denial of the deductibility of mine development costs and service fees. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company believes MLE's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns in compliance with applicable Mexican law.

## OTHER FINANCIAL INFORMATION

### Share Repurchase Program

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

During the six months ended June 30, 2020, the Company repurchased and cancelled 275,000 common shares for a total consideration of \$1.7 million, an average price of CAD\$8.56 per share, through a normal course issuer bid in the open market as approved by the Toronto Stock Exchange.

### Off-Balance Sheet Arrangements

At June 30, 2020, 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.

There were no transactions with related parties outside of the ordinary course of business during the six months ended June 30, 2020.

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

### Outstanding Share Data

As at August 4, 2020, the Company has 214,427,515 common shares issued and outstanding.

## ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

### Critical Accounting Judgments and Estimates

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



In preparing the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020, the Company applied the critical judgments and estimates disclosed in note 3 of its audited consolidated financial statements for the year ended December 31, 2019 and the following amendments to accounting policies:

#### [Amendments to IFRS 3 Definition of a Business](#)

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020. The Company will assess the impact of these amendments on future acquisitions to all business combinations and asset acquisitions.

#### [Amendments to IFRS 16 Leases](#)

To provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19 the International Accounting Standards Board ("IASB") proposed an amendment to IFRS 16 which provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. This amendment did not have a significant impact to the Company's financial statements as the Company has not received any COVID-19 related rent concessions as of the date of these 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"). WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus expansionary capital expenditures. AISC is a more comprehensive measure than cash cost per ounce for the Company's consolidated



operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations.

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

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

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

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

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

	<b>Three Months Ended June 30, 2020</b>			
	<b>San Dimas</b>	<b>Santa Elena</b>	<b>La Encantada</b>	<b>Consolidated</b>
Mining cost	\$6,476	\$2,218	\$1,197	\$9,891
Milling cost	3,565	3,045	2,273	8,882
Indirect cost	4,793	1,412	1,299	7,504
<b>Total production cost (A)<sup>(1)</sup></b>	<b>\$14,834</b>	<b>\$6,674</b>	<b>\$4,770</b>	<b>\$26,278</b>
Add: transportation and other selling cost	147	58	52	320
Add: smelting and refining cost	232	27	45	305
Add: environmental duty and royalties cost	180	47	24	251
<b>Total cash cost before by-product credits (B)</b>	<b>\$15,393</b>	<b>\$6,806</b>	<b>\$4,891</b>	<b>\$27,154</b>
Deduct by-product credits attributed to:				
Gold by-product credits	(11,238)	(3,457)	(131)	(14,826)
<b>Total by-product credits</b>	<b>(\$11,238)</b>	<b>(\$3,457)</b>	<b>(\$131)</b>	<b>(\$14,828)</b>
<b>Total cash cost (C)</b>	<b>\$4,155</b>	<b>\$3,349</b>	<b>\$4,760</b>	<b>\$12,326</b>
Workers' participation	6,732	45	136	6,726
General and administrative expenses	—	—	—	5,377
Share-based payments	—	—	—	1,947
Accretion of decommissioning liabilities	131	68	110	546
Sustaining capital expenditures	3,315	1,973	241	6,102
Operating lease payments	46	46	641	995
<b>All-In Sustaining Costs (D)</b>	<b>\$14,379</b>	<b>\$5,481</b>	<b>\$5,888</b>	<b>\$34,019</b>
Payable silver ounces produced (E)	1,102,379	221,878	507,506	1,831,763
Tonnes milled (F)	114,390	89,590	129,579	333,559
<b>Total cash cost per ounce, before by-product credits (B/E)</b>	<b>\$13.96</b>	<b>\$30.68</b>	<b>\$9.64</b>	<b>\$14.82</b>
<b>Total cash cost per ounce (C/E)</b>	<b>\$3.77</b>	<b>\$15.10</b>	<b>\$9.38</b>	<b>\$6.73</b>
<b>All-in sustaining cost per ounce (D/E)</b>	<b>\$13.04</b>	<b>\$24.71</b>	<b>\$11.60</b>	<b>\$18.57</b>
<b>Production cost per tonne (A/F)</b>	<b>\$129.67</b>	<b>\$74.50</b>	<b>\$36.80</b>	<b>\$78.78</b>

(1) Production costs in the three months ended June 30, 2020 exclude standby costs related to COVID-19 Suspensions at San Dimas (\$3.5 million), Santa Elena (\$2.0 million) and La Encantada (\$1.7 million), as well as the 13-day union work stoppage at San Dimas (\$2.0 million).

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

Three Months Ended June 30, 2019

	San Dimas	Santa Elena	La Encantada	San Martin	La Parrilla	Del Toro	Consolidated
Mining cost	\$11,735	\$5,023	\$2,044	\$1,498	\$1,797	\$809	\$22,906
Milling cost	5,474	6,414	3,935	1,435	1,659	640	19,557
Indirect cost	7,340	2,093	1,962	1,361	1,219	994	14,968
<b>Total production cost (A)</b>	<b>\$24,549</b>	<b>\$13,529</b>	<b>\$7,941</b>	<b>\$4,294</b>	<b>\$4,675</b>	<b>\$2,443</b>	<b>\$57,432</b>
Add: transportation and other selling cost	296	61	54	29	206	37	734
Add: smelting and refining cost	385	153	107	57	542	117	1,361
Add: environmental duty and royalties cost	179	104	14	21	17	6	341
<b>Total cash cost before by-product credits (B)</b>	<b>\$25,409</b>	<b>\$13,847</b>	<b>\$8,116</b>	<b>\$4,401</b>	<b>\$5,441</b>	<b>\$2,603</b>	<b>\$59,868</b>
Deduct by-product credits attributed to:							
Gold by-product credits	(22,785)	(11,293)	(43)	(705)	(9)	(8)	(34,843)
Lead by-product credits	—	—	—	—	(1,313)	(580)	(1,893)
Zinc by-product credits	—	—	—	—	(1,451)	—	(1,451)
<b>Total by-product credits</b>	<b>(\$22,785)</b>	<b>(\$11,293)</b>	<b>(\$43)</b>	<b>(\$705)</b>	<b>(\$2,773)</b>	<b>(\$588)</b>	<b>(\$38,187)</b>
<b>Total cash cost (C)</b>	<b>\$2,624</b>	<b>\$2,554</b>	<b>\$8,073</b>	<b>\$3,696</b>	<b>\$2,668</b>	<b>\$2,015</b>	<b>\$21,681</b>
Workers' participation	3,191	27	80	210	32	(59)	3,479
General and administrative expenses	—	—	—	—	—	—	5,509
Share-based payments	—	—	—	—	—	—	2,017
Accretion of decommissioning liabilities	186	52	149	59	71	55	604
Sustaining capital expenditures	7,593	1,939	866	736	1,289	645	13,195
Operating lease payments	15	38	25	31	20	26	335
<b>All-In Sustaining Costs (D)</b>	<b>\$13,609</b>	<b>\$4,610</b>	<b>\$9,193</b>	<b>\$4,732</b>	<b>\$4,080</b>	<b>\$2,682</b>	<b>\$46,820</b>
Payable silver ounces produced (E)	1,602,215	596,275	487,237	223,832	188,682	73,843	3,172,084
Tonnes milled (F)	172,368	229,761	207,421	39,213	61,544	26,587	736,896
<b>Total cash cost per ounce, before by-product credits (B/E)</b>	<b>\$15.86</b>	<b>\$23.22</b>	<b>\$16.66</b>	<b>\$19.67</b>	<b>\$28.83</b>	<b>\$35.24</b>	<b>\$18.87</b>
<b>Total cash cost per ounce (C/E)</b>	<b>\$1.64</b>	<b>\$4.28</b>	<b>\$16.57</b>	<b>\$16.52</b>	<b>\$14.13</b>	<b>\$27.29</b>	<b>\$6.84</b>
<b>All-in sustaining cost per ounce (D/E)</b>	<b>\$8.49</b>	<b>\$7.73</b>	<b>\$18.87</b>	<b>\$21.15</b>	<b>\$21.61</b>	<b>\$36.33</b>	<b>\$14.76</b>
<b>Production cost per tonne (A/F)</b>	<b>\$142.42</b>	<b>\$58.88</b>	<b>\$38.29</b>	<b>\$109.51</b>	<b>\$75.96</b>	<b>\$91.89</b>	<b>\$77.93</b>

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

	<b>Six Months Ended June 30, 2020</b>			
	<b>San Dimas</b>	<b>Santa Elena</b>	<b>La Encantada</b>	<b>Consolidated</b>
Mining cost	\$17,773	\$6,955	\$3,823	\$28,551
Milling cost	9,057	10,032	6,655	25,744
Indirect cost	13,283	4,098	3,984	21,365
<b>Total production cost (A)<sup>(1)</sup></b>	<b>\$40,113</b>	<b>\$21,085</b>	<b>\$14,462</b>	<b>\$75,660</b>
Add: transportation and other selling cost	443	130	141	842
Add: smelting and refining cost	627	161	229	1,030
Add: environmental duty and royalties cost	437	156	57	648
<b>Total cash cost before by-product credits (B)</b>	<b>\$41,620</b>	<b>\$21,532</b>	<b>\$14,889</b>	<b>\$78,180</b>
Deduct by-product credits attributed to:				
Gold by-product credits	(32,301)	(17,017)	(210)	(49,528)
Lead by-product credits	—	—	—	(76)
<b>Total by-product credits</b>	<b>(\$32,301)</b>	<b>(\$17,017)</b>	<b>(\$210)</b>	<b>(\$49,604)</b>
<b>Total cash cost (C)</b>	<b>\$9,319</b>	<b>\$4,515</b>	<b>\$14,679</b>	<b>\$28,576</b>
Workers' participation	8,414	100	210	8,724
General and administrative expenses	—	—	—	11,205
Share-based payments	—	—	—	4,325
Accretion of decommissioning liabilities	280	146	236	1,169
Sustaining capital expenditures	11,315	3,937	1,739	18,761
Operating lease payments	173	97	1,283	2,138
<b>All-In Sustaining Costs (D)</b>	<b>\$29,501</b>	<b>\$8,795</b>	<b>\$18,147</b>	<b>\$74,898</b>
Payable silver ounces produced (E)	2,778,916	771,461	1,428,280	4,978,657
Tonnes milled (F)	314,499	267,423	350,780	932,701
<b>Total cash cost per ounce, before by-product credits (B/E)</b>	<b>\$14.98</b>	<b>\$27.91</b>	<b>\$10.42</b>	<b>\$15.70</b>
<b>Total cash cost per ounce (C/E)</b>	<b>\$3.35</b>	<b>\$5.85</b>	<b>\$10.28</b>	<b>\$5.74</b>
<b>All-in sustaining cost per ounce (D/E)</b>	<b>\$10.62</b>	<b>\$11.40</b>	<b>\$12.71</b>	<b>\$15.04</b>
<b>Production cost per tonne (A/F)</b>	<b>\$127.54</b>	<b>\$78.85</b>	<b>\$41.23</b>	<b>\$81.12</b>

(1) Production costs in the three months ended June 30, 2020 exclude standby costs related to COVID-19 Suspensions at San Dimas (\$3.5 million), Santa Elena (\$2.0 million) and La Encantada (\$1.7 million), as well as the 13-day union work stoppage at San Dimas (\$2.0 million).

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

Six Months Ended June 30, 2019

	San Dimas	Santa Elena	La Encantada	San Martin	La Parrilla	Del Toro	Consolidated
Mining cost	\$19,721	\$9,297	\$4,031	\$3,390	\$4,115	\$1,701	\$42,254
Milling cost	10,276	12,377	8,654	3,210	3,526	1,306	39,350
Indirect cost	14,499	4,289	4,076	2,690	2,605	1,826	29,985
<b>Total production cost (A)</b>	<b>\$44,496</b>	<b>\$25,963</b>	<b>\$16,762</b>	<b>\$9,290</b>	<b>\$10,246</b>	<b>\$4,833</b>	<b>\$111,590</b>
Add: transportation and other selling cost	613	137	122	82	396	87	1,541
Add: smelting and refining cost	734	306	270	142	1,130	253	2,835
Add: environmental duty and royalties cost	347	197	37	51	32	13	677
<b>Total cash cost before by-product credits (B)</b>	<b>\$46,190</b>	<b>\$26,603</b>	<b>\$17,191</b>	<b>\$9,565</b>	<b>\$11,804</b>	<b>\$5,186</b>	<b>\$116,643</b>
Deduct: By-product credits attributed to							
Gold by-product credits	(42,254)	(22,398)	(68)	(2,109)	(37)	(8)	(66,874)
Lead by-product credits	—	—	—	—	(3,011)	(1,411)	(4,422)
Zinc by-product credits	—	—	—	—	(2,686)	—	(2,686)
<b>Total by-product credits</b>	<b>(\$42,254)</b>	<b>(\$22,398)</b>	<b>(\$68)</b>	<b>(\$2,109)</b>	<b>(\$5,734)</b>	<b>(\$1,419)</b>	<b>(\$73,982)</b>
<b>Total cash cost (C)</b>	<b>\$3,936</b>	<b>\$4,205</b>	<b>\$17,123</b>	<b>\$7,456</b>	<b>\$6,070</b>	<b>\$3,767</b>	<b>\$42,661</b>
Workers' participation	4,417	93	158	291	107	9	5,074
General and administrative expenses	—	—	—	—	—	—	11,555
Share-based payments	—	—	—	—	—	—	4,092
Accretion of decommissioning liabilities	372	104	297	119	142	110	1,209
Sustaining capital expenditures	12,789	3,871	1,432	2,006	2,982	1,057	24,332
Operating lease payments	33	71	37	50	37	51	627
<b>All-In Sustaining Costs (D)</b>	<b>\$21,547</b>	<b>\$8,344</b>	<b>\$19,047</b>	<b>\$9,922</b>	<b>\$9,338</b>	<b>\$4,994</b>	<b>\$89,550</b>
Payable silver ounces produced (E)	3,005,967	1,182,883	1,205,312	555,039	393,910	138,212	6,481,323
Tonnes milled (F)	335,632	449,702	477,032	101,362	134,097	51,725	1,549,550
<b>Total cash cost per ounce, before by-product credits (B/E)</b>	<b>\$15.37</b>	<b>\$22.49</b>	<b>\$14.26</b>	<b>\$17.23</b>	<b>\$29.96</b>	<b>\$37.52</b>	<b>\$18.00</b>
<b>Total cash cost per ounce (C/E)</b>	<b>\$1.31</b>	<b>\$3.56</b>	<b>\$14.21</b>	<b>\$13.43</b>	<b>\$15.41</b>	<b>\$27.25</b>	<b>\$6.58</b>
<b>All-in sustaining cost per ounce (D/E)</b>	<b>\$7.17</b>	<b>\$7.05</b>	<b>\$15.80</b>	<b>\$17.88</b>	<b>\$23.70</b>	<b>\$36.13</b>	<b>\$13.82</b>
<b>Production cost per tonne (A/F)</b>	<b>\$132.58</b>	<b>\$57.73</b>	<b>\$35.13</b>	<b>\$91.65</b>	<b>\$76.40</b>	<b>\$93.42</b>	<b>\$72.01</b>

## 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenues as reported</b>	<b>\$34,855</b>	<b>\$83,669</b>	<b>\$120,920</b>	<b>\$170,479</b>
Add back: smelting and refining charges	305	1,362	1,030	2,835
<b>Gross revenues</b>	<b>35,160</b>	<b>85,031</b>	<b>121,950</b>	<b>173,314</b>
Less: Sandstorm gold revenues	(255)	(1,108)	(1,254)	(1,790)
Less: Wheaton gold revenues	(3,672)	(6,227)	(10,555)	(13,133)
<b>Gross revenues, excluding Sandstorm, Wheaton (A)</b>	<b>\$31,233</b>	<b>\$77,696</b>	<b>\$110,141</b>	<b>\$158,391</b>
Payable equivalent silver ounces sold	2,408,654	6,181,129	7,965,591	12,242,518
Less: Payable equivalent silver ounces sold to Sandstorm	(64,132)	(213,269)	(280,525)	(340,526)
Less: Payable equivalent silver ounces sold to Wheaton	(542,706)	(719,891)	(1,337,756)	(1,525,618)
<b>Payable equivalent silver ounces sold, excluding Sandstorm and Wheaton (B)</b>	<b>1,801,816</b>	<b>5,247,969</b>	<b>6,347,310</b>	<b>10,376,374</b>
<b>Average realized price per ounce of silver sold (A/B)<sup>(1)</sup></b>	<b>\$17.33</b>	<b>\$14.80</b>	<b>\$17.35</b>	<b>\$15.26</b>
Average market price per ounce of silver per COMEX	\$16.89	\$14.90	\$16.38	\$15.23

(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 third-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.

## 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Operating Cash Flows before Working Capital and Taxes</b>	<b>(\$16,414)</b>	<b>\$17,729</b>	<b>\$6,899</b>	<b>\$41,434</b>
Weighted average number of shares on issue - basic	209,645,317	200,965,605	209,520,684	198,413,338
<b>Cash Flow per Share</b>	<b>(\$0.08)</b>	<b>\$0.09</b>	<b>\$0.03</b>	<b>\$0.21</b>

## 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 losses as reported in the Company's consolidated financial statements to adjusted net earnings and Adjusted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Net (loss) earnings as reported</b>	<b>(\$9,968)</b>	<b>(\$11,967)</b>	<b>(\$42,404)</b>	<b>(\$9,087)</b>
Adjustments for non-cash or unusual items:				
Deferred income tax expense (recovery)	(6,254)	4,215	(1,688)	(577)
Share-based payments	1,947	2,017	4,325	4,092
(Gain) loss from investment in derivatives and marketable securities	(3,289)	1,268	(1,921)	651
Unrealized (gain) loss on foreign currency derivatives	(10,251)	—	12,403	—
Write-down (recovery) of mineral inventory	—	874	(443)	(1,607)
Standby costs related to COVID-19 Suspension	7,162	—	7,162	—
Loss on sale of exploration project	—	—	10,106	—
<b>Adjusted net earnings (loss)</b>	<b>(\$20,653)</b>	<b>(\$3,593)</b>	<b>(\$12,460)</b>	<b>(\$6,528)</b>
Weighted average number of shares on issue - basic	209,645,317	200,965,605	209,520,684	198,413,338
<b>Adjusted EPS</b>	<b>(\$0.10)</b>	<b>(\$0.02)</b>	<b>(\$0.06)</b>	<b>(\$0.03)</b>

### Working Capital and Available Liquidity

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

	June 30, 2020	December 31, 2019
Current Assets	\$192,894	\$242,979
Less: Current Liabilities	(78,650)	(71,853)
<b>Working Capital</b>	<b>\$114,244</b>	<b>\$171,126</b>
Available Undrawn Revolving Credit Facility	65,031	55,031
<b>Available Liquidity</b>	<b>\$179,275</b>	<b>\$226,157</b>

### 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:

#### Mine Operating Earnings

Mine operating earnings represents the difference between revenue less mine operating costs. 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 June 30, 2020, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

### Internal Control over Financial Reporting

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

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

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

During the six months ended June 30, 2020, the Company implemented social distancing protocols to have majority of its corporate office and site administrative staff to work remotely from home. This change has required certain processes and controls that were previously done or documented manually to be completed and retained in electronic form. Despite the changes required by the current environment, there have been no significant changes in our internal controls during the six months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

### Limitations of Controls and Procedures

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



## CAUTIONARY STATEMENTS

### Cautionary Note regarding Forward-Looking Statements

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

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

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

### Cautionary Note regarding Reserves and Resources

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 is a certified QP for the Company and has reviewed this MD&A for QP technical disclosures. All NI 43-101 technical reports can be found on the Company’s website at [www.firstmajestic.com](http://www.firstmajestic.com) or on SEDAR at [www.sedar.com](http://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, 2019, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.firstmajestic.com](http://www.firstmajestic.com).