



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(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 read 'Keith Neumeyer', with a large, stylized flourish at the end.

Keith Neumeyer
President & CEO
November 8, 2022

A handwritten signature in black ink, appearing to read 'David Soares', with a large, stylized flourish at the end.

David Soares, CPA, CA
Chief Financial Officer
November 8, 2022

TABLE OF CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

General

Note 1. Nature of Operations	6
Note 2. Basis of Presentation	6
Note 3. Significant Accounting Policies, Estimates and Judgments	6

Statements of Earnings (Loss)

Note 4. Segmented Information	9
Note 5. Revenues	11
Note 6. Cost of Sales	12
Note 7. General and Administrative Expenses	12
Note 8. Mine Holding Costs	13
Note 9. Investment and Other Income (Loss)	13
Note 10. Finance Costs	13
Note 11. Earnings or Loss per Share	14

Statements of Financial Position

Note 12. Inventories	14
Note 13. Other Financial Assets	15
Note 14. Assets Held-For-Sale	15
Note 15. Mining Interests	17
Note 16. Property, Plant and Equipment	20
Note 17. Right-of-Use Assets	21
Note 18. Restricted Cash	22
Note 19. Trade and Other Payables	23
Note 20. Debt Facilities	24
Note 21. Lease Liabilities	26
Note 22. Share Capital	28

Other items

Note 23. Financial Instruments and Related Risk Management	32
Note 24. Supplemental Cash Flow Information	36
Note 25. Contingencies and Other Matters	37
Note 26. Subsequent Events	39

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 and 2021**

Condensed Interim Consolidated Financial Statements - Unaudited

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

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

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021
Revenues	<u>5</u>	\$159,751	\$124,646	\$476,032	\$379,241
Mine operating costs					
Cost of sales	<u>6</u>	120,707	92,006	345,539	244,849
Depletion, depreciation and amortization		35,707	29,122	100,475	73,335
		156,414	121,128	446,014	318,184
Mine operating earnings		3,337	3,518	30,018	61,057
General and administrative expenses	<u>7</u>	8,545	6,213	28,207	20,075
Share-based payments		3,305	3,069	11,113	9,431
Mine holding costs	<u>8</u>	3,690	3,344	9,285	9,571
Reversal of impairment	<u>14</u>	—	—	(7,585)	—
Acquisition costs		—	127	—	1,950
Foreign exchange loss (gain)		3,076	1,676	3,353	(903)
Operating earnings		(15,279)	(10,911)	(14,355)	20,933
Investment and other income (loss)	<u>9</u>	360	(4,863)	(926)	(3,684)
Finance costs	<u>10</u>	(5,236)	(4,027)	(14,661)	(11,927)
(Loss) earnings before income taxes		(20,155)	(19,801)	(29,942)	5,322
Income taxes					
Current income tax expense		14,270	6,678	51,212	25,540
Deferred income tax recovery		(13,733)	(8,073)	16,303	(19,266)
		537	(1,395)	67,515	6,274
Net loss for the period		(\$20,692)	(\$18,406)	(\$97,457)	(\$952)
(Loss) earnings per common share					
Basic	<u>11</u>	(\$0.08)	(\$0.07)	(\$0.37)	\$0.00
Diluted	<u>11</u>	(\$0.08)	(\$0.07)	(\$0.37)	\$0.00
Weighted average shares outstanding					
Basic	<u>11</u>	262,865,860	256,363,759	261,925,327	240,687,196
Diluted	<u>11</u>	262,865,860	256,363,759	261,925,327	240,687,196

Approved and authorized by the Board of Directors for issuance on November 8, 2022



Keith Neumeyer, Director



Colette Rustad, Director

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 and 2021**

Condensed Interim Consolidated Financial Statements - Unaudited

(In thousands of US dollars)

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

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021
Net loss for the period		(\$20,692)	(\$18,406)	(\$97,457)	(\$952)
Other comprehensive loss					
Items that will not be subsequently reclassified to net loss:					
Unrealized loss on fair value of investments in marketable securities, net of tax	13(b)	(1,014)	(7,516)	(9,120)	(12,652)
Realized gain (loss) on investments in marketable securities, net of tax	13(b)	—	(169)	482	(1,425)
Other comprehensive loss		(1,014)	(7,685)	(8,638)	(14,077)
Total comprehensive loss		(\$21,706)	(\$26,091)	(\$106,095)	(\$15,029)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

Condensed Interim Consolidated Financial Statements - Unaudited

(In thousands of US dollars)

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

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021
Operating Activities					
Net (loss) for the period		(\$20,692)	(\$18,406)	(\$97,457)	(\$952)
Adjustments for:					
Depletion, depreciation and amortization		36,127	29,528	101,707	74,608
Share-based payments		3,305	3,069	11,113	9,431
Income tax expense		537	(1,395)	67,515	6,274
Finance costs	10	5,236	4,027	14,661	11,927
Acquisition costs		—	127	—	1,950
Loss on assets held-for-sale	9	—	—	—	2,081
Loss from marketable securities and silver futures derivatives		152	5,169	1,113	2,358
Reversal of Impairment	14	—	—	(7,585)	—
Unrealized foreign exchange loss (gain)		3,027	486	4,958	(2,751)
Operating cash flows before non-cash working capital and taxes		27,692	22,605	96,025	104,926
Net change in non-cash working capital items	24	43,004	(19,210)	(1,261)	(53,988)
Income taxes paid		(4,713)	(15,383)	(61,018)	(72,027)
Cash provided by (used in) operating activities		65,983	(11,988)	33,746	(21,089)
Investing Activities					
Restricted cash acquired on the acquisition of Jerritt Canyon		—	—	—	30,000
Reclassification to restricted cash related to the acquisition of Jerritt Canyon	18	—	(12,505)	—	(12,505)
Expenditures on mining interests		(36,996)	(30,291)	(118,343)	(97,720)
Acquisition of property, plant and equipment		(19,495)	(15,757)	(43,939)	(33,716)
Deposits paid for acquisition of non-current assets		2,104	(2,805)	(2,775)	(7,096)
Jerritt Canyon acquisition costs, net of cash acquired		—	(127)	—	(925)
Other	24	344	45	4,186	948
Cash used in investing activities		(54,043)	(61,440)	(160,871)	(121,014)
Financing Activities					
Proceeds from prospectus offering, net of share issue costs	22(a)	(315)	17,606	30,265	66,674
Proceeds from exercise of stock options		1,263	379	4,556	13,643
Repayment of lease liabilities	21	(4,080)	(2,734)	(10,078)	(6,260)
Finance costs paid		(1,335)	(1,763)	(2,023)	(4,195)
Proceeds from debt facilities	20(b)	30,000	30,000	30,000	30,000
Dividends declared and paid	22(g)	(1,597)	(1,535)	(5,231)	(2,667)
Shares repurchased and cancelled	22(f)	(655)	(42)	(655)	(42)
Cash provided by financing activities		23,281	41,911	46,834	97,153
Effect of exchange rate on cash and cash equivalents held in foreign currencies		(3,524)	(2,782)	(3,547)	(818)
Increase (decrease) in cash and cash equivalents		35,221	(31,517)	(80,291)	(44,950)
Cash and cash equivalents, beginning of the period		117,721	227,109	237,926	238,578
Cash and cash equivalent reclassified as held for sale		(599)	—	(5,269)	—
Cash and cash equivalents, end of period		\$148,819	\$192,810	\$148,819	\$192,810
Supplemental cash flow information	24				

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

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022 AND DECEMBER 31, 2021**

Condensed Interim Consolidated Financial Statements - Unaudited

(In thousands of US dollars)

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

	Note	September 30, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		\$148,819	\$237,926
Restricted cash	<u>18</u>	—	12,570
Trade and other receivables		5,788	7,729
Value added taxes receivable	<u>23(c)</u>	31,658	46,531
Inventories	<u>12</u>	63,010	60,613
Other financial assets	<u>13</u>	13,768	26,486
Prepaid expenses and other		10,460	5,352
Assets held-for-sale	<u>14</u>	42,491	—
Total current assets		315,994	397,207
Non-current assets			
Mining interests	<u>15</u>	1,088,359	1,048,530
Property, plant and equipment	<u>16</u>	458,222	449,237
Right-of-use assets	<u>17</u>	29,152	29,225
Deposits on non-current assets		8,246	10,949
Non-current restricted cash	<u>18</u>	101,188	115,012
Non-current value added taxes receivable	<u>23(c)</u>	8,956	572
Deferred tax assets		42,989	74,257
Total assets		\$2,053,106	\$2,124,989
Liabilities and Equity			
Current liabilities			
Trade and other payables	<u>19</u>	\$105,331	\$120,666
Unearned revenue	<u>5</u>	5,699	12,226
Current portion of debt facilities	<u>20</u>	270	125
Current portion of lease liabilities	<u>21</u>	13,324	11,825
Liabilities relating to assets held-for-sale	<u>14</u>	7,832	—
Income taxes payable		35,386	27,980
Total current liabilities		167,842	172,822
Non-current liabilities			
Debt facilities	<u>20</u>	217,589	181,108
Lease liabilities	<u>21</u>	26,014	28,036
Decommissioning liabilities		153,663	153,607
Other liabilities		6,748	5,797
Non-current income taxes payable		5,274	21,812
Deferred tax liabilities		131,404	150,836
Total liabilities		\$708,534	\$714,018
Equity			
Share capital		1,697,219	1,659,781
Equity reserves		97,794	98,943
Accumulated deficit		(450,441)	(347,753)
Total equity		\$1,344,572	\$1,410,971
Total liabilities and equity		\$2,053,106	\$2,124,989
Commitments (Note <u>15</u> ; Contingencies (Note <u>25</u>); Subsequent event (Note <u>26</u>)			

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

Condensed Interim Consolidated Financial Statements - Unaudited

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

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

	Share Capital		Equity Reserves					Total equity
	Shares	Amount	Share-based payments ^(a)	Other comprehensive income(loss) ^(b)	Equity component of convertible debenture ^(c)	Total equity reserves	Accumulated deficit	
Balance at December 31, 2020	221,965,011	\$1,087,139	\$75,420	\$7,413	\$19,164	\$101,997	(\$338,900)	\$850,236
Net loss for the period	—	—	—	—	—	—	(952)	(952)
Other comprehensive loss	—	—	—	(14,077)	—	(14,077)	—	(14,077)
Total comprehensive loss	—	—	—	(14,077)	—	(14,077)	(952)	(15,029)
Share-based payments	—	—	9,562	—	—	9,562	—	9,562
Shares issued for:								
Acquisition of Jerritt Canyon	26,719,727	416,561	23,150	—	—	23,150	—	439,711
Exercise of stock options (Note 22(b))	1,562,564	19,179	(5,536)	—	—	(5,536)	—	13,643
Acquisition of Springpole Silver Stream (Note 15(d))	287,300	3,750	—	—	—	—	—	3,750
Sprott Private Placement	1,705,514	26,589	—	—	—	—	—	26,589
Prospectus offerings (Note 22(a))	4,225,000	66,674	—	—	—	—	—	66,674
Settlement of restricted share units (Note 22(c))	44,137	573	(595)	—	—	(595)	—	(22)
Shares repurchased and cancelled (Note 22(f))	(6,913)	(42)	—	—	—	—	—	(42)
Dividend declared and paid (Note 22(g))	—	—	—	—	—	—	(2,667)	(2,667)
Balance at September 30, 2021	256,502,340	\$1,620,423	\$102,001	(\$6,664)	\$19,164	\$114,501	(\$342,519)	\$1,392,405
Balance at December 31, 2021	260,050,658	\$1,659,781	\$101,385	(\$6,387)	\$3,945	\$98,943	(\$347,753)	\$1,410,971
Net loss for the period	—	—	—	—	—	—	(97,457)	(97,457)
Other comprehensive loss	—	—	—	(8,638)	—	(8,638)	—	(8,638)
Total comprehensive loss	—	—	—	(8,638)	—	(8,638)	(97,457)	(106,095)
Share-based payments	—	—	11,015	—	—	11,015	—	11,015
Shares issued for:								
Prospectus offerings (Note 22(a))	2,318,497	30,265	—	—	—	—	—	30,265
Exercise of stock options (Note 22(b))	592,748	6,712	(2,156)	—	—	(2,156)	—	4,556
Settlement of restricted and deferred share units (Note 22(c) and 22(e))	86,267	1,116	(1,370)	—	—	(1,370)	—	(254)
Shares repurchased and cancelled (Note 22(f))	(100,000)	(655)	—	—	—	—	—	(655)
Dividend declared (Note 22(g))	—	—	—	—	—	—	(5,231)	(5,231)
Balance at September 30, 2022	262,948,170	\$1,697,219	\$108,874	(\$15,025)	\$3,945	\$97,794	(\$450,441)	\$1,344,572

- (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, deferred 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") of 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 \$42.3 million, net of deferred tax effect of \$11.4 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 production, development, exploration, and acquisition of mineral properties with a focus on silver and gold production in North America. The Company owns four producing mines, three mines in Mexico consisting of the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine and the La Encantada Silver Mine and the Jerritt Canyon Gold Mine in Nevada, USA. In addition, the Company owns four mines in suspension: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine and several exploration stage projects. As at September 30, 2022 the La Guitarra Silver/Gold mine was classified as an asset held-for-sale (Note [14](#)).

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" of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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, 2021, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain items that are measured at fair value including derivative financial instruments (Note [23](#)) 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, 2021 except as outlined in Note [3](#).

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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

In preparing the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, the Company applied the accounting policies, critical judgments and estimates disclosed in Note 3 of its audited consolidated financial statements for the year ended December 31, 2021 and the following accounting policies, critical judgments and estimates in applying accounting policies:

Assets and liabilities held-for-sale:

Accounting Policy:

A non-current asset or disposal group of assets and liabilities ("disposal group") is classified as held-for-sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, and when the following criteria are met:

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)

Assets and liabilities held-for-sale (continued)

(i) The non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; and

(ii) The sale of the non-current asset or disposal group is highly probable. For the sale to be highly probable:

- The appropriate level of management must be committed to a plan to sell the asset or disposal group;
- An active program to locate a buyer and complete the plan must have been initiated;
- The non-current asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale (with certain exceptions); and
- Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and disposal groups are classified as held for sale from the date these criteria are met and are measured at the lower of the carrying amount and fair value less costs to sell ("FVLCTS"). If the FVLCTS is lower than the carrying amount, an impairment loss is recognized in net earnings. Upon classification as held for sale, non-current assets are no longer depreciated.

Significant estimates and judgements:

In determining the probability of the sale being completed within a year, management has considered a number of factors including necessary approvals from management, the Board of Directors, regulators and shareholders.

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

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

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

The amendments were applied effective January 1, 2022 and did not have a material impact on the Company's consolidated financial statements.

Provisions, Contingent Liabilities and Contingent Assets (Amendment to IAS 37)

The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. On adoption of this amendment, there was no impact to the Company's consolidated financial statements.

Future Changes in Accounting Policies Not Yet Effective as at September 30, 2022:

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

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

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

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)

Future Changes in Accounting Policies Not Yet Effective as at September 30, 2022 (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The International Accounting Standards Board ("IASB") has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. This amendment is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

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

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

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

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

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

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

For the nine months ended September 30, 2022, the Company's significant reporting segments includes its three operating mines in Mexico, the Jerritt Canyon Gold Mine in Nevada, United States and its "non-producing properties" in Mexico which include the La Parrilla, Del Toro, San Martin and La Guitarra mines, which have been placed on suspension. "Others" consists primarily of the Company's corporate assets including cash and cash equivalents, other development and exploration properties (Note 15), debt facilities (Note 20), coins and bullion sales, and corporate expenses which are not allocated to operating segments. The Company's chief operating decision maker ("CODM") evaluates segment performance based on mine operating earnings. Therefore, other income and expense items are not allocated to the segments.

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

Three Months Ended September 30, 2022 and 2021		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	2022	\$62,781	\$33,676	\$12,290	\$16,815	\$11,626
	2021	46,312	24,104	8,280	13,928	14,153
Santa Elena	2022	53,156	30,288	7,805	15,063	9,594
	2021	19,988	15,603	3,963	422	15,658
La Encantada	2022	14,817	12,088	2,241	488	2,240
	2021	16,097	8,653	1,547	5,897	2,786
Non-producing Properties	2022	—	—	95	(95)	274
	2021	—	—	80	(80)	574
United States						
Jerritt Canyon	2022	27,281	43,627	12,639	(28,985)	28,570
	2021	45,654	44,881	14,774	(14,001)	22,392
Others⁽¹⁾	2022	5,387	3,445	637	1,305	5,819
	2021	1,376	1,164	478	(266)	4,133
Intercompany elimination	2022	(3,671)	(2,417)	—	(1,254)	—
	2021	(4,781)	(2,399)	—	(2,382)	—
Consolidated	2022	\$159,751	\$120,707	\$35,707	\$3,337	\$58,123
	2021	\$124,646	\$92,006	\$29,122	\$3,518	\$59,696

(1) The "Others" segment includes revenues of \$5.4 million from coins and bullion sales of 263,380 silver ounces at an average price of \$20.46 per ounce.

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)

Nine Months Ended September 30, 2022 and 2021		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	2022	\$178,977	\$98,511	\$34,611	\$45,855	\$38,885
	2021	178,793	89,757	29,620	59,416	44,137
Santa Elena	2022	145,374	82,503	20,117	42,754	36,105
	2021	70,431	52,509	11,472	6,450	47,208
La Encantada	2022	51,647	33,819	6,353	11,475	7,178
	2021	58,918	30,473	5,442	23,003	8,340
Non-producing Properties	2022	—	—	303	(303)	686
	2021	—	—	315	(315)	1,742
United States						
Jerritt Canyon	2022	100,565	130,981	37,061	(67,477)	71,548
	2021	80,510	76,594	25,073	(21,157)	30,506
Others ⁽¹⁾	2022	12,309	7,302	2,030	2,977	20,695
	2021	8,690	4,471	1,413	2,806	31,090
Intercompany elimination	2022	(12,840)	(7,577)	—	(5,263)	—
	2021	(18,101)	(8,955)	—	(9,146)	—
Consolidated	2022	\$476,032	\$345,539	\$100,475	\$30,018	\$175,097
	2021	\$379,241	\$244,849	\$73,335	\$61,057	\$163,023

(1) The "Others" segment includes revenues of \$12.3 million from coins and bullion sales of 512,078 silver ounces at an average price of \$24.04 per ounce.

During the nine months ended September 30, 2022, the Company had three (September 30, 2021 - three) customers that accounted for 97% (September 30, 2021 - 100%) of its sales revenue, with one major metal broker accounting for 93% of total revenue (September 30, 2021 - 92%).

At September 30, 2022 and December 31, 2021		Mining Interests		Property, plant and equipment	Total mining assets	Total assets	Total liabilities
		Producing	Exploration				
Mexico							
San Dimas	2022	\$215,620	\$37,957	\$98,439	\$352,016	\$482,804	\$66,978
	2021	213,526	29,186	105,473	348,185	495,479	119,764
Santa Elena	2022	106,329	40,576	68,735	215,640	289,800	77,896
	2021	97,271	31,067	64,843	193,181	257,244	66,795
La Encantada	2022	26,566	4,595	23,274	54,435	107,151	31,700
	2021	25,827	4,640	20,680	51,147	114,634	35,245
Non-producing Properties	2022	84,224	33,489	24,359	142,072	224,213	33,328
	2021	106,215	38,752	27,180	172,147	215,725	31,760
United States							
Jerritt Canyon	2022	412,240	91,400	170,057	673,697	725,154	234,288
	2021	362,811	104,431	172,857	640,099	733,725	233,484
Others	2022	—	35,363	73,358	108,721	223,984	264,344
	2021	—	34,804	58,204	93,008	308,182	226,970
Consolidated	2022	\$844,979	\$243,380	\$458,222	\$1,546,581	\$2,053,106	\$708,534
	2021	\$805,649	\$242,881	\$449,237	\$1,497,767	\$2,124,989	\$714,018

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

5. REVENUES

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

Revenues for the period are summarized as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
Gross revenue from payable metals:								
Silver	\$56,743	35%	\$43,154	34%	\$180,988	38%	\$201,917	53%
Gold	103,736	65%	81,966	66%	297,073	62%	179,253	47%
Gross revenue	160,479	100%	125,120	100%	478,061	100%	381,170	100%
Less: smelting and refining costs	(728)		(474)		(2,029)		(1,929)	
Revenues	\$159,751		\$124,646		\$476,032		\$379,241	

As at September 30, 2022, the Company had \$5.7 million of unearned revenue (December 31, 2021 - \$12.2 million) that has not satisfied performance obligations.

(a) Gold Stream Agreement with Sandstorm Gold Ltd.

The Santa Elena mine is subject to a gold streaming 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 at the Santa Elena mine. The selling price to Sandstorm is the lesser of the prevailing market price or \$450 per ounce, subject to a 1% annual inflation. During the three and nine months ended September 30, 2022, the Company delivered 484 and 1,968 ounces (2021 - 1,472 and 4,342 ounces), respectively, of gold to Sandstorm at an average price of \$473 and \$471 per ounce (2021 - \$468 and \$467 per ounce), respectively.

(b) Net Smelter Royalty

The Santa Elena mine has a net smelter royalty ("NSR") agreement with Orogen Royalties Inc. that requires a 2% NSR from the production of the Ermitaño property. In addition, there is an underlying NSR royalty where Osisko Gold Royalties Ltd. retains a 2% NSR from the sale of mineral products extracted from the Ermitaño property. For the three and nine months ended September 30, 2022, the Company has incurred \$1.6 million and \$4.1 million (September 30, 2021 - \$nil) in NSR from the production of Ermitaño.

(c) Gold Stream Agreement with Wheaton Precious Metals Corporation

In 2018, the San Dimas mine entered into a purchase agreement with Wheaton Precious Metals International ("WPMI"), a wholly owned subsidiary of Wheaton Precious Metals Corp., which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment) and the prevailing market price for each gold equivalent ounce delivered. Should the average gold to silver ratio over a six-month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as at September 30, 2022 was 70:1.

During the three and nine months ended September 30, 2022, the Company delivered 10,196 and 30,898 ounces (2021 - 11,346 and 32,833 ounces) of gold, respectively, to WPMI at \$624 and \$622 per ounce (2021 - \$618 and \$616 per ounce), respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Consumables and materials	\$27,831	\$25,476	\$79,738	\$53,516
Labour costs	57,976	52,839	168,584	136,890
Energy	14,354	10,250	40,447	31,506
Maintenance	2,301	1,622	7,301	5,334
Assays and labwork	1,659	1,358	4,451	3,540
Insurance	1,099	1,147	3,301	2,356
Other costs ⁽¹⁾	7,770	7,797	16,635	9,345
Production costs	\$112,990	\$100,489	\$320,457	\$242,487
Transportation and other selling costs	761	569	2,045	1,958
Workers participation costs	2,340	4,017	9,581	10,380
Environmental duties and royalties	2,777	1,492	8,424	3,133
Finished goods inventory changes	1,731	(14,734)	1,807	(13,569)
Other ⁽²⁾	108	173	3,225	460
Cost of Sales	\$120,707	\$92,006	\$345,539	\$244,849

(1) Other costs include stockpile and work-in-process inventory changes, land access payments as well as services related to travel and medical testing.

(2) Other includes \$3.1 million in costs that were incurred for the nine months ended September 30, 2022 as a result of marginal ore material that was processed to keep the mill running at minimum feed requirements to perform government mandated air compliance test work at the Jerritt Canyon Gold mine during the second quarter of 2022.

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Corporate administration	\$2,330	\$2,124	\$6,625	\$5,555
Salaries and benefits	3,930	2,830	13,116	9,090
Audit, legal and professional fees	1,306	482	5,941	3,150
Filing and listing fees	324	163	638	407
Directors fees and expenses	235	208	655	600
Depreciation	420	406	1,232	1,273
	\$8,545	\$6,213	\$28,207	\$20,075

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

8. MINE HOLDING COSTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
La Parrilla	\$994	\$889	\$2,609	\$2,639
Del Toro	553	831	1,779	2,594
San Martin	1,177	698	2,763	2,038
La Guitarra ⁽¹⁾	966	925	2,134	2,300
	\$3,690	\$3,344	\$9,285	\$9,571

(1) On May 24, 2022, there was an announcement for the proposed sale of the La Guitarra mine (Note 14), upon which the mine was classified as an asset held-for-sale ("AHFS").

9. INVESTMENT AND OTHER INCOME (LOSS)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gain from investment in silver futures derivatives	\$287	\$—	\$3,175	\$593
Loss from investment in marketable securities (Note 13(a))	(441)	(5,169)	(4,290)	(2,891)
Loss on write-down of assets held-for-sale ⁽¹⁾	—	—	—	(2,081)
Interest income and other	514	306	189	695
	\$360	(\$4,863)	(\$926)	(\$3,684)

(1) In March 2021, the Company entered into an agreement with Condor Gold PLC ("Condor") to sell its AG Mill equipment for gross proceeds of \$6.5 million, including \$3.5 million in cash and \$3.0 million in common shares of Condor. During the nine months ended September 30, 2021, the Company recognized a loss of \$2.1 million, being the difference between the proceeds of disposal and the carrying amount of the project's net assets, as loss on write-down of assets held-for-sale.

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 periods are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Debt facilities ⁽¹⁾ (Note 20)	\$2,735	\$2,599	\$7,624	\$7,810
Accretion of decommissioning liabilities	1,533	709	4,549	2,276
Lease liabilities (Note 21)	571	547	1,612	1,418
Silver sales and other	397	172	876	423
	\$5,236	\$4,027	\$14,661	\$11,927

(1) During the three and nine month periods ended September 30, 2022, finance costs for debt facilities include non-cash accretion expense of \$2.3 million (2021- \$1.7 million) and \$6.5 million (2021 - \$5.2 million), respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

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 periods. Diluted net earnings or loss per share adjusts basic net earnings or loss per share for the effects of potential dilutive common shares. The calculations of basic and diluted earnings or loss per share for the periods ended September 30, 2022 and 2021 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss for the periods	(\$20,692)	(\$18,406)	(\$97,457)	(\$952)
Weighted average number of shares on issue - basic	262,865,860	256,363,759	261,925,327	240,687,196
Weighted average number of shares on issue - diluted⁽¹⁾	262,865,860	256,363,759	261,925,327	240,687,196
Loss per share - basic	(\$0.08)	(\$0.07)	(\$0.37)	\$0.00
Loss per share - basic and diluted	(\$0.08)	(\$0.07)	(\$0.37)	\$0.00

(1) For the nine months ended September 30, 2022, diluted weighted average number of shares excluded 4,295,386 (2021 - 6,525,871) options, 5,000,000 (2021 - 5,000,000) warrants, 1,285,161 restricted and performance share units (2021 - nil), nil (2021 - 16,327,598) common shares issuable under the 2018 convertible debentures (Note 20(a)) and 13,888,895 common shares issuable under the 2021 convertible debentures (2021- nil) (Note 20(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.

	September 30, 2022	December 31, 2021
Finished goods - doré	\$2,826	\$3,735
Work-in-process	7,484	6,409
Stockpile	3,897	9,015
Silver coins and bullion	12,116	10,790
Materials and supplies	36,687	30,664
	\$63,010	\$60,613

The amount of inventories recognized as an expense during the period is equivalent to the total of cost of sales plus depletion, depreciation and amortization for the period. As at September 30, 2022, mineral inventories, which consist of stockpile, work-in-process and finished goods includes a \$8.1 million write down (December 2021 - \$7.5 million) which was recognized in cost of sales during the quarter.

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 September 30, 2022, other financial assets consists of the Company's investment in marketable securities comprised of the following:

	September 30, 2022	December 31, 2021
FVTPL marketable securities (a)	\$6,196	\$10,851
FVTOCI marketable securities (b)	7,572	15,635
Total other financial assets	\$13,768	\$26,486

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

Loss in marketable securities designated as FVTPL for the three and nine months ended September 30, 2022 was \$0.4 million (2021- loss of \$5.2 million) and \$4.3 million (2021 - loss of \$2.9 million), respectively, and were recorded through profit or loss.

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

Changes in fair value of marketable securities designated as FVTOCI for the three and nine months ended September 30, 2022 was a loss of \$1.0 million (2021 - loss of \$7.7 million) and a loss of \$8.6 million (2021 - loss of \$14.1 million), net of tax, and were recorded through other comprehensive income and will not be transferred into earnings or loss upon disposition or impairment.

14. ASSETS HELD-FOR-SALE

On May 24, 2022, the Company announced that it entered into a share purchase agreement with Sierra Madre Gold and Silver Ltd. ("Sierra Madre"), to sell the La Guitarra Compañía Minera S.A. de C.V. ("La Guitarra") silver mine in Mexico for total consideration of approximately \$35 million, consisting of 69,063,076 Sierra Madre shares at a deemed price of \$0.51 per share. The closing of the transaction requires that Sierra Madre raise a minimum of \$7.7 million (CAD \$10 million) in a private placement concurrent or prior to the sale. Upon closing, First Majestic will also be granted a 2% net smelter royalty return ("NSR") on all mineral production from the La Guitarra concessions, with the NSR subject to a 1% buy-back option for \$2 million. The transaction is expected to close in the first quarter of 2023, following the Sierra Madre shareholder vote on December 8, 2022. At September 30, 2022, the sale was considered highly probable; therefore, the assets and liabilities of La Guitarra were classified as assets and liabilities held for sale and presented separately under current assets and current liabilities, respectively. Immediately prior to the classification to asset and liabilities held for sale, the carrying amount of La Guitarra was remeasured to its recoverable amount, being its fair value less cost of disposal ("FVLCD"), based on the expected proceeds from the sale. During the second quarter of 2022, the Company has recorded a reversal of impairment loss related to the La Guitarra assets of \$7.6 million based on the recoverable amount implied by the share purchase agreement.

Out of the impairment reversal of \$7.6 million related to La Guitarra, \$5.8 million was allocated to depletable mining interest, \$1.6 million was allocated to non-depletable mining interest with the remaining \$0.3 million allocated to property, plant and equipment, resulting in an impairment reversal of \$5.0 million, net of a \$2.7 million adjustment to the deferred tax liability. The recoverable amount of La Guitarra, being its FVLCD, was \$34.9 million based on the expected proceeds from the sale.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

14. ASSETS HELD-FOR-SALE (continued)

The components of assets and liabilities held for sale relating to La Guitarra are as follows:

As at September 30,
2022

Assets:	
Cash and cash equivalents	\$5,269
Trade and other receivables	591
Inventory	440
Prepaid expenses and other	14
Current assets	6,314
Non-Current Assets:	
Mineral Interests - depletable	27,522
Mineral Interests - non-depletable	7,435
Property, plant and equipment	1,179
Right of use assets	17
Deposits on long-term assets	25
Total assets held-for-sale	\$42,492
Liabilities:	
Trade payables and accrued liabilities	\$46
Current portion of lease obligations	7
Current Liabilities	\$53
Non-Current Liabilities:	
Deferred tax liabilities	5,003
Lease obligations	11
Decommissioning liabilities	2,765
Total liabilities relating to assets held-for-sale	\$7,832
Net assets held for sale	\$34,660

The La Guitarra mine is presented in the non-producing properties reportable segment (Note [4](#), [15](#) and [16](#)).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS

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

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

	September 30, 2022	December 31, 2021
Depletable properties	\$844,979	\$805,649
Non-depletable properties (exploration and evaluation costs, exploration potential)	243,380	242,881
	\$1,088,359	\$1,048,530

Depletable properties are allocated as follows

Depletable properties	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-producing Properties ⁽¹⁾	Total
Cost						
At December 31, 2020	\$250,093	\$73,292	\$118,312	\$—	\$497,191	\$938,888
Additions	34,894	16,150	2,546	16,618	—	70,208
Acquisition of Jerritt Canyon	—	—	—	340,652	—	340,652
Change in decommissioning liabilities	1,209	2,177	584	28,799	(2,622)	30,147
Transfer from non-depletable properties	—	34,302	1,293	—	—	35,595
At December 31, 2021	\$286,196	\$125,921	\$122,735	\$386,069	\$494,569	\$1,415,490
Additions	24,227	18,346	1,861	40,490	—	84,924
Reclassification to asset held-for-sale (Note 14)	—	—	—	—	(110,341)	(110,341)
Transfer from non-depletable properties	—	—	2,098	30,503	—	32,601
At September 30, 2022	\$310,423	\$144,267	\$126,694	\$457,062	\$384,228	\$1,422,674
Accumulated depletion, amortization and impairment reversal						
At December 31, 2020	(\$45,502)	(\$20,400)	(\$92,447)	\$—	(\$388,354)	(\$546,703)
Depletion and amortization	(27,169)	(8,250)	(4,461)	(23,258)	—	(63,138)
At December 31, 2021	(\$72,671)	(\$28,650)	(\$96,908)	(\$23,258)	(\$388,354)	(\$609,841)
Depletion and amortization	(22,132)	(9,288)	(3,220)	(21,564)	—	(56,204)
Reversal of impairment (Note 14)	—	—	—	—	5,845	5,845
Reclassification to asset held-for-sale (Note 14)	—	—	—	—	82,505	82,505
At September 30, 2022	(\$94,803)	(\$37,938)	(\$100,128)	(\$44,822)	(\$300,004)	(\$577,695)
Carrying values						
At December 31, 2021	\$213,526	\$97,271	\$25,827	\$362,811	\$106,215	\$805,649
At September 30, 2022	\$215,620	\$106,329	\$26,566	\$412,240	\$84,224	\$844,979

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines. The net book value of La Guitarra classified as an asset held-for-sale is \$27.5 million.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

Non-depletable properties costs are allocated as follows:

Non-depletable properties	San Dimas ^(a)	Santa Elena ^(b)	La Encantada	Jerritt Canyon ^(c)	Non-producing Properties ⁽¹⁾	Exploration Projects ⁽²⁾	Springpole Stream ^(d)	Total
At December 31, 2020	\$17,179	\$33,951	\$2,955	\$—	\$37,004	\$22,099	\$4,356	\$117,545
Exploration and evaluation expenditures	12,007	31,418	2,978	12,424	1,748	985	7,500	69,060
Change in decommissioning liabilities	—	—	—	—	—	(136)	—	(136)
Acquisition of Jerritt Canyon	—	—	—	92,007	—	—	—	92,007
Transfer to depletable properties	—	(34,302)	(1,293)	—	—	—	—	(35,595)
At December 31, 2021	\$29,186	\$31,067	\$4,640	\$104,431	\$38,752	\$22,948	\$11,856	\$242,881
Exploration and evaluation expenditures	8,771	9,509	2,053	17,472	608	558	—	38,971
Reversal of impairment (Note 14)	—	—	—	—	1,564	—	—	1,564
Reclassification to asset held-for-sale (Note 14)	—	—	—	—	(7,435)	—	—	(7,435)
Transfer to depletable properties	—	—	(2,098)	(30,503)	—	—	—	(32,601)
At September 30, 2022	\$37,957	\$40,576	\$4,595	\$91,400	\$33,489	\$23,506	\$11,856	\$243,380

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines. The net book value of La Guitarra classified as an asset held-for-sale is \$7.4 million.

(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, Mexico

The San Dimas Mine is subject to a gold and silver streaming agreement with WPMI which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment commencing in May 2019) and the prevailing market price for each gold ounce delivered. Should the average gold to silver ratio over a six-month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as at September 30, 2022 was 70:1.

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

The Santa Elena Mine is subject to a gold streaming agreement with Sandstorm, which requires the mine to sell 20% of its life of mine gold production from its leach pad and a designated area of its underground operations of the Santa Elena mine 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.

The Santa Elena mine has a net smelter royalty ("NSR") agreement with Orogen Royalties Inc. that requires a 2% NSR from the production of the Ermitaño property. In addition, there is an underlying NSR royalty where Osisko Gold Royalties Ltd. retains a 2% NSR from the sale of mineral products extracted from the Ermitaño property. During the three and nine months ended September 30, 2022, the Company has incurred \$1.6 million and \$4.1 million (September 30, 2021 - \$nil) in NSR from the production of Ermitaño.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

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

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

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

As at September 30, 2022, total NSR royalty accrual outstanding was \$0.1 million (2021 -\$0.1 million).

(d) Springpole Silver Stream, Ontario, Canada

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

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

- The first payment of \$10.0 million, consisting of \$2.5 million in cash and \$7.5 million in First Majestic shares (805,698 common shares), was paid to First Mining on July 2, 2020;
- The second payment, consisting of \$3.75 million in cash and \$3.75 million in First Majestic shares (287,300 common shares), was paid on January 21, 2021 upon the completion and public announcement by First Mining of the results of a Pre-Feasibility Study for Springpole; and
- The third payment, consisting of \$2.5 million in cash and \$2.5 million in First Majestic shares (based on 20 days volume weighted average price), will be paid upon receipt by First Mining of a Federal or Provincial Environmental Assessment approval for Springpole, which has not yet been received.

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

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

As at September 30, 2022, the Company has paid \$17.5 million in consideration to First Mining as part of the agreement, of which \$5.7 million was allocated to other financial assets and \$11.8 million was allocated to the Springpole Silver Stream recognized within exploration and evaluation assets.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

16. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment are comprised of the following:

	Land and Buildings ⁽¹⁾	Machinery and Equipment	Assets under Construction ⁽²⁾⁽³⁾	Other	Total
Cost					
At December 31, 2020	\$199,329	\$468,624	\$55,669	\$28,651	\$752,273
Additions	34	2,974	77,151	341	80,500
Acquisition of Jerritt Canyon	32,992	137,219	4,337	1,179	175,727
Transfers and disposals	12,602	15,645	(46,706)	3,412	(15,047)
At December 31, 2021	\$244,957	\$624,462	\$90,451	\$33,583	\$993,453
Additions	—	2,841	48,006	354	51,201
Reclassification to asset held-for-sale (Note 14)	(8,246)	(16,158)	(24)	(912)	(25,340)
Transfers and disposals	17,706	12,826	(36,165)	4,249	(1,384)
At September 30, 2022	\$254,417	\$623,971	\$102,268	\$37,274	\$1,017,930
Accumulated depreciation, amortization and impairment reversal					
At December 31, 2020	(\$133,156)	(\$343,379)	\$—	(\$17,518)	(\$494,053)
Depreciation and amortization	(13,923)	(33,137)	—	(2,899)	(49,959)
Transfers and disposals	—	1,637	—	240	1,877
Loss on disposal of equipment	—	—	—	(2,081)	(2,081)
At December 31, 2021	(\$147,079)	(\$374,879)	\$—	(\$22,258)	(\$544,216)
Depreciation and amortization	(8,820)	(29,676)	—	(2,628)	(41,124)
Impairment reversal (Note 14)	252	—	—	—	252
Reclassification to asset held-for-sale (Note 14)	7,725	15,672	—	764	24,161
Transfers and disposals	—	1,181	—	38	1,219
At September 30, 2022	(\$147,922)	(\$387,702)	\$—	(\$24,084)	(\$559,708)
Carrying values					
At December 31, 2021	\$97,878	\$249,583	\$90,451	\$11,325	\$449,237
At September 30, 2022	\$106,495	\$236,269	\$102,268	\$13,190	\$458,222

(1) Included in land and buildings is \$11.2 million (2021 - \$11.2 million) of land which is not subject to depreciation.

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

(3) Transfers and disposals in construction in progress includes the sale of the AG mill and certain mill equipment to Condor Gold PLC and Capstone Mining Corp. as disclosed in Note 9.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-producing Properties ⁽¹⁾	Other	Total
Cost							
At December 31, 2020	\$146,728	\$97,331	\$143,510	\$—	\$293,761	\$70,943	\$752,273
Additions	9,484	19,885	5,831	17,366	229	27,705	80,500
Acquisition of Jerritt Canyon	—	—	—	175,727	—	—	175,727
Transfers and disposals	2,316	5,381	1,377	(8)	(8,184)	(15,929)	(15,047)
At December 31, 2021	\$158,528	\$122,597	\$150,718	\$193,085	\$285,806	\$82,719	\$993,453
Additions ⁽²⁾	5,886	8,249	3,264	13,587	78	20,137	51,201
Reclassification to asset held-for-sale (Note 14)	—	—	—	—	(25,340)	—	(25,340)
Transfers and disposals	(239)	2,737	1,973	420	(6,577)	302	(1,384)
At September 30, 2022	\$164,175	\$133,583	\$155,955	\$207,092	\$253,967	\$103,158	\$1,017,930
Accumulated depreciation, amortization and impairment							
At December 31, 2020	(\$34,623)	(\$48,086)	(\$126,955)	\$—	(\$263,873)	(\$20,516)	(\$494,053)
Depreciation and amortization	(17,801)	(6,997)	(2,259)	(20,228)	(266)	(2,408)	(49,959)
Transfers and disposals	(631)	(2,671)	(824)	—	5,513	490	1,877
Write-down on assets held-for-sale	—	—	—	—	—	(2,081)	(2,081)
At December 31, 2021	(\$53,055)	(\$57,754)	(\$130,038)	(\$20,228)	(\$258,626)	(\$24,515)	(\$544,216)
Depreciation and amortization	(12,840)	(7,388)	(1,886)	(16,811)	(170)	(2,029)	(41,124)
Impairment reversal (Note 14)	—	—	—	—	252	—	252
Reclassification to asset held-for-sale (Note 14)	—	—	—	—	24,161	—	24,161
Transfers and disposals	159	294	(757)	4	4,775	(3,256)	1,219
At September 30, 2022	(\$65,736)	(\$64,848)	(\$132,681)	(\$37,035)	(\$229,608)	(\$29,800)	(\$559,708)
Carrying values							
At December 31, 2021	\$105,473	\$64,843	\$20,680	\$172,857	\$27,180	\$58,204	\$449,237
At September 30, 2022	\$98,439	\$68,735	\$23,274	\$170,057	\$24,359	\$73,358	\$458,222

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

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

17. RIGHT-OF-USE ASSETS

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

17. RIGHT-OF-USE ASSETS (continued)

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

	Land and Buildings	Machinery and Equipment	Other	Total
At December 31, 2020	\$8,087	\$6,234	\$8	\$14,330
Additions	1,294	17,560	—	18,854
Remeasurements	363	1,668	—	2,031
Depreciation and amortization	(1,325)	(4,520)	(7)	(5,851)
Disposals	(117)	(23)	—	(139)
At December 31, 2021	\$8,302	\$20,921	\$2	\$29,225
Additions	1,767	1,354	13	3,134
Remeasurements	538	2,158	(2)	2,694
Depreciation and amortization	(1,240)	(4,638)	(4)	(5,882)
Transfer to asset held-for-sale (Note 14)	(19)	—	—	(19)
At September 30, 2022	\$9,348	\$19,795	\$9	\$29,152

18. RESTRICTED CASH

Restricted cash is comprised of the following:

	September 30, 2022	December 31, 2021
Escrowed Funds for the acquisition of Jerritt Canyon	\$—	\$12,570
Current Restricted Cash	—	12,570
Nevada Division of Environmental Protection bond ⁽¹⁾	595	39,727
Chartis Commutation Account ⁽²⁾	27,577	27,275
SAT Primero tax dispute ⁽³⁾	73,016	48,010
Non-Current Restricted Cash	101,188	115,012
Total Restricted Cash	\$101,188	\$127,582

- During the second quarter of 2022, cash bonds held with the Nevada Division of Environmental Protection ("NDEP") and the US Forestry Service ("USFS") were replaced with surety bonds to fund ongoing reclamation and mine closure obligations, with a \$5 million letter of credit provided as collateral for these bonds (Note 20). These funds were previously classified as non-current restricted cash until returned to the Company by the NDEP and USFS. During the third quarter of 2022, the NDEP and USFS have returned the cash bonds totaling \$44.1 million and these amounts have been re-classified to cash and cash equivalents as at September 30, 2022.
- The Company owns an environmental risk transfer program (the "ERTP") for Jerritt Canyon from American Insurance Group ("AIG"). As part of the ERTP, \$27.6 million is on deposit in an interest-bearing account with AIG (the "Commutation Account"). The Commutation Account principal plus interest earned on the principal is used to fund ongoing reclamation and mine closure obligations. The Company can elect to extinguish all rights under the policy, which would release AIG from reclamation cost and financial assurance liabilities, and substitute with replacement bonds. AIG would pay Jerritt Canyon the remaining balance in the Commutation Account.
- In connection with the dispute between Primero Empresa Minera, S.A. de C.V. ("PEM") and the Servicio de Administracion Tributaria ("SAT") in relation to the advanced pricing agreement (Note 25), the tax authority has frozen a PEM bank account with funds of \$73.0 million (1,459 million MXN) as a guarantee against certain disputed tax assessments. This balance consists of Value Added Tax ("VAT") refunds that the Company has received which were previously withheld by the tax authority. The Company does not agree with SAT's position and has challenged it through the relevant legal channels.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

19. TRADE AND OTHER PAYABLES

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

Trade and other payables are comprised of the following items:

	September 30, 2022	December 31, 2021
Trade payables	\$28,123	\$41,827
Trade related accruals	46,296	30,621
Payroll and related benefits	24,805	28,162
Estimated Triggered Tax Adjustment and Working Capital Adjustment payable, net	—	12,570
NSR royalty liabilities (Notes 15(b)(c))	1,696	1,147
Environmental duty and net mineral sales proceeds tax	2,769	3,281
Other accrued liabilities	1,642	3,058
	\$105,331	\$120,666

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

20. DEBT FACILITIES

The movement in debt facilities during the nine months ended September 30, 2022 and year ended December 31, 2021, respectively, are comprised of the following:

	Convertible Debentures (a)	Revolving Credit Facility (b)	Total
Balance at December 31, 2020	\$142,825	\$9,883	\$152,708
Gross proceeds from debt financing	\$230,000	\$—	\$230,000
Portion allocated to equity reserves from debt financing	(42,340)	—	(42,340)
Finance costs			
Interest expense	2,846	537	3,383
Accretion	6,809	349	7,158
Proceeds from drawdown of revolving credit facility	—	30,000	30,000
Repayments of principal	(125,576)	(40,000)	(165,576)
Conversion of senior convertible notes to common shares	(23,230)	—	(23,230)
Transaction costs	(7,224)	(101)	(7,325)
Payments of finance costs	(2,932)	(612)	(3,544)
Balance at December 31, 2021	\$181,178	\$56	\$181,234
Finance costs			
Interest expense	630	515	1,145
Accretion	6,479	—	6,479
Proceeds from drawdown of revolving credit facility	—	30,000	30,000
Payments of finance costs	(505)	(494)	(999)
Balance at September 30, 2022	\$187,782	\$30,077	\$217,859
Statements of Financial Position Presentation			
Current portion of debt facilities	\$69	\$56	\$125
Non-current portion of debt facilities	181,108	—	181,108
Balance at December 31, 2021	\$181,178	\$56	\$181,234
Current portion of debt facilities	\$193	\$77	\$270
Non-current portion of debt facilities	187,589	30,000	217,589
Balance at September 30, 2022	\$187,782	\$30,077	\$217,859

(a) Convertible Debentures

2021 Senior Convertible Debentures

On December 2, 2021, the Company issued \$230 million of unsecured senior convertible debentures (the “Notes”). The Company received net proceeds of \$222.8 million after transaction costs of \$7.2 million. The Notes mature on January 15, 2027 and bear an interest rate of 0.375% per annum, payable semi-annually in arrears in January and July of each year.

The Notes are convertible into common shares of the Company at any time prior to maturity at a conversion rate of 60.3865 common shares per \$1,000 principal amount of Notes converted, representing an initial conversion price of \$16.56 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.

20. DEBT FACILITIES (continued)**(a) Convertible Debentures (continued)**

The Company may not redeem the Notes before January 20, 2025 except in the event of certain changes in Canadian tax law. At any time on or after January 20, 2025 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 in effect on each such trading day. The redemption price is equal to the sum of: (i) 100% of the principal amount of the Notes to be redeemed and (ii) accrued and unpaid interest, if any, to the redemption date.

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

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

At initial recognition, net proceeds of \$222.8 million from the Notes were allocated into its debt and equity components. The fair value of the debt portion was estimated at \$180.4 million using a discounted cash flow model method with an expected life of five years and a discount rate of 4.75%. This amount is recorded as a financial liability on an amortized cost basis using the effective interest method using an effective interest rate of 5.09% 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 \$42.3 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 \$11.4 million related to taxable temporary difference arising from the equity portion of the convertible debenture was recognized in equity reserves.

Transaction costs of \$7.2 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.

A portion of the Notes proceeds received were used to redeem 125,231 of the 2018 Senior Convertible Notes ("Existing Notes") for total costs of \$164.9 million. The total proceeds were allocated to the carrying value of the debt by \$118.9 million and \$41.8 million to equity reserves of these Existing Notes, resulting with a loss on the settlement of debt of \$4.6 million. 24,219 of the remaining Existing Notes were converted to common shares by note holders at an adjusted conversion rate of 106.0528 common shares per \$1,000 face value note, where \$23.2 million were allocated to the carrying value of the debt and \$4.1 million were transferred to share capital from equity reserves. Finally, 6,950 of the remaining notes were settled at par value with a payment in cash of \$6.95 million; the cash paid was allocated to the carrying value of the debt by \$6.6 million and \$0.2 million to equity reserves. At December 31, 2021, the Existing Notes have been fully settled, with a remaining carrying value of \$nil.

(b) Revolving Credit Facility

On March 31, 2022, the Company amended its senior secured revolving credit facility (the "Revolving Credit Facility") with the Bank of Nova Scotia, Bank of Montreal and Toronto Dominion Bank ("syndicate") by extending the maturity date from November 30, 2022 to March 31, 2025 and increasing the credit limit from \$50.0 million to \$100.0 million. Interest on the drawn balance will accrue at the Secured Overnight Financing Rate ("SOFR") plus an applicable range of 2.25% to 3.5% per annum while the undrawn portion is subject to a standby fee with an applicable range of 0.563% to 0.875% per annum, dependent on certain financial parameters of First Majestic. As at September 30, 2022, the applicable rates were 2.25% and 0.56250% per annum, respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

20. DEBT FACILITIES (continued)

(b) Revolving Credit Facility (continued)

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 net indebtedness to rolling four quarters adjusted EBITDA of not more than 3.50 to 1.00; and (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. The debt facilities also provide for negative covenants customary for these types of facilities and allows the Company to enter into finance leases, excluding any leases that would have been classified as operating leases in effect immediately prior to the implementation of IFRS 16 - Leases, of up to \$50.0 million. As at September 30, 2022 and December 31, 2021, the Company was in compliance with these covenants.

During the second quarter of 2022, the Company replaced cash bonds held with the NDEP and USFS with surety bonds to fund ongoing reclamation and mine closure obligations (Note 18). The Company has provided the bond issuer with a \$5 million letter of credit using the Revolving Credit Facility as collateral for these bonds. As at September 30, 2022 the undrawn portion of the Revolving Credit Facility totals \$65.0 million (December 2021- nil).

21. LEASE LIABILITIES

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

21. LEASE LIABILITIES (continued)

The movement in lease liabilities during the periods ended September 30, 2022 and December 31, 2021 are comprised of the following:

	Finance Leases	Operating Leases ^(a)	Equipment Financing ^(b)	Total
Balance at December 31, 2020	\$—	\$19,986	\$589	\$20,575
Acquisition of Jerritt Canyon	2,194	—	—	2,194
Additions	4,001	18,854	—	22,855
Remeasurements	—	2,031	—	2,031
Disposals	—	(150)	—	(150)
Finance costs	89	1,915	9	2,013
Repayments of principal	(942)	(7,824)	(521)	(9,287)
Payments of finance costs	(89)	—	(13)	(102)
Foreign exchange gain	—	(268)	—	(268)
Balance at December 31, 2021	\$5,253	\$34,544	\$64	\$39,861
Additions	2,349	3,134	—	5,483
Remeasurements	—	2,694	—	2,694
Finance costs	175	1,437	—	1,612
Repayments of principal	(1,875)	(8,139)	(64)	(10,078)
Payments of finance costs	(148)	—	—	(148)
Foreign exchange gain	(50)	(36)	—	(86)
Balance at September 30, 2022	\$5,704	\$33,634	\$—	\$39,338
Statements of Financial Position Presentation				
Current portion of lease liabilities	\$2,165	\$9,596	\$64	\$11,825
Non-current portion of lease liabilities	3,088	24,948	—	28,036
Balance at December 31, 2021	\$5,253	\$34,544	\$64	\$39,861
Current portion of lease liabilities	\$2,500	\$10,824	\$—	\$13,324
Non-current portion of lease liabilities	3,204	22,810	—	26,014
Balance at September 30, 2022	\$5,704	\$33,634	\$—	\$39,338

(a) 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 2.5% to 11.2% per annum.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

21. LEASE LIABILITIES (continued)

(b) 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 of September 30, 2022 and December 31, 2021, the Company was in compliance with these covenants.

As at September 30, 2022, the net book value of property, plant and equipment includes \$nil (December 31, 2021 - \$2.0 million) equipment pledged as security for the equipment financing.

22. SHARE CAPITAL

(a) Authorized and issued capital

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

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

	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	Number of Shares	Net Proceeds	Number of Shares	Net Proceeds
ATM program ⁽¹⁾	2,318,497	\$30,265	4,225,000	66,674
	2,318,497	\$30,265	4,225,000	66,674

(1) In May 2021, the Company filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares is to be made through "at-the-market distributions" ("ATM"), as defined in the Canadian Securities Administrators' National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. During the nine months ended September 30, 2022, the Company sold 2,318,497 (2021 - 4,225,000) common shares of the Company under the ATM program at an average price of \$13.53 (2021 - \$15.78) for gross proceeds of \$31.4 million (2021 - \$68.6 million), or net proceeds of \$30.3 million (2021 - \$66.7 million) after costs. At September 30, 2022, the Company completed \$100 million of the ATM program. In July 2022, the Company filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares is to be made through "at-the-market distributions" ("ATM"), as defined in the Canadian Securities Administrators' National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. During the three months ended September 30, 2022, the Company incurred \$0.3 million in transaction costs in relation to the ATM.

(b) Stock options

On May 26, 2022, a new Long-Term Incentive Plan was adopted ("LTIP"). Under the terms of the Company's LTIP, the maximum number of shares reserved for issuance under the LTIP is 6% 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. Any options granted prior to May 26, 2022 will be governed by the previous LTIP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

22. SHARE CAPITAL (continued)

(b) Stock options (continued)

The following table summarizes information about stock options outstanding as at September 30, 2022:

Exercise prices (CAD\$)	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Weighted Average Remaining Life (Years)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Weighted Average Remaining Life (Years)
5.01 - 10.00	1,919,920	8.70	6.37	1,663,670	8.63	6.09
10.01 - 15.00	2,733,046	13.37	8.77	691,797	13.65	7.49
15.01 - 20.00	1,298,964	16.38	8.05	642,274	16.11	7.33
20.01 - 250.00	632,875	21.47	8.66	159,555	21.47	8.65
	6,584,805	13.38	7.92	3,157,296	11.90	6.78

The movements in stock options issued during the nine months ended September 30, 2022 and year ended December 31, 2021 are summarized as follows:

	Nine Months Ended September 30, 2022		Year Ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)
Balance, beginning of the period	5,638,383	13.29	7,074,092	12.07
Granted	2,222,250	13.31	1,400,000	18.98
Exercised	(592,748)	9.79	(2,502,234)	10.87
Cancelled or expired	(683,080)	15.57	(333,475)	29.45
Balance, end of the period	6,584,805	13.38	5,638,383	13.29

During the nine months ended September 30, 2022, the aggregate fair value of stock options granted was \$10.9 million (December 31, 2021 - \$9.9 million), or a weighted average fair value of \$4.90 per stock option granted (December 31, 2021 - \$7.04).

During the nine months ended September 30, 2022, total share-based payments expense related to stock options was \$7.0 million (December 31, 2021 - \$8.8 million).

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

Assumption	Based on	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Risk-free interest rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	1.84	1.04
Expected life (years)	Average of the expected vesting term and expiry term of the option	5.92	5.93
Expected volatility (%)	Historical and implied volatility of the precious metals mining sector	49.00	49.00
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	1.64%	0.10%

The weighted average closing share price at date of exercise for the nine months ended September 30, 2022 was CAD\$13.38 (December 31, 2021 - CAD\$13.29).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

22. SHARE CAPITAL (continued)

(c) Restricted Share Units

On May 26, 2022, a new LTIP was adopted. The Company adopted the 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. Any RSU's granted prior to May 26, 2022 will be governed by the previous LTIP.

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 nine months ended September 30, 2022 and the year ended December 31, 2021:

	Nine Months Ended September 30, 2022		Year Ended December 31, 2021	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the period	400,549	16.77	184,483	15.66
Granted	494,006	13.21	312,991	17.19
Settled	(96,082)	16.52	(69,504)	15.79
Forfeited	(53,221)	15.12	(27,421)	16.56
Outstanding, end of the period	745,252	14.56	400,549	16.77

During the nine months ended September 30, 2022, total share-based payments expense related to RSU's was \$2.5 million (December 31, 2021 - \$1.9 million).

(d) Performance Share Units

On May 26, 2022, a new LTIP was adopted. The Company adopted the LTIP to allow the Company to grant to its directors, employees and consultants non-transferable Performance Share Units ("PSU's"). The amount of units to be issued on the vesting date will vary from 0% to 200% of the number of PSU's granted, depending on the Company's total shareholder return compared to the return of a selected group of peer companies. Unless otherwise stated, the awards typically vest three years from the grant date. The fair value of a PSU is based on the value of the Company's share price at the date of grant and will be adjusted based on actual units issued on the vesting date. The Company intends to settle all PSU's in equity. Any PSU's granted prior to May 26, 2022 will be governed by the previous LTIP.

The following table summarizes the changes in PSU's granted to employees and consultants for the nine months ended September 30, 2022 and the year ended December 31, 2021:

	Nine Months Ended September 30, 2022		Year Ended December 31, 2021	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the period	275,516	16.58	109,035	15.62
Granted	264,221	13.25	184,050	17.15
Forfeited	(50,429)	15.74	(17,569)	16.56
Outstanding, end of the period	489,308	14.87	275,516	16.58

During the nine months ended September 30, 2022, total share-based payments expense related to PSU's was \$1.2 million (year ended December 31, 2021 - \$1.2 million).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

22. SHARE CAPITAL (continued)

(e) Deferred Share Units

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

On March 23, 2022, a new DSU plan was adopted ("2022 DSU Plan"). All DSU's issued under the 2022 DSU Plan will be settled in cash. There were two grants made during the nine months ended September 30, 2022 resulting with a total expense of \$0.1 million.

The following table summarizes the changes in DSU's granted to directors for the nine months ended September 30, 2022 and the year ended December 31, 2021:

	Nine Months Ended September 30, 2022		Year Ended December 31, 2021	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the period	25,185	18.31	—	—
Granted	37,312	14.07	31,040	18.08
Settled	(11,896)	15.55	(5,855)	17.08
Outstanding, end of the period	50,601	15.83	25,185	18.31

During the nine months ended September 30, 2022, total share-based payments expense related to DSU's was \$0.4 million (year ended December 31, 2021 - \$0.4 million).

(f) Share Repurchase Program and Share Cancellation

The Company has an ongoing share repurchase program to repurchase up to 10,000,000 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. All common shares, if any, purchased pursuant to the Share Repurchase will be cancelled. The Company believes that from time to time, the market price of its common shares may not fully reflect the underlying value of the Company's business and its future business prospects. The Company believes that at such times, the purchase of common share would be in the best interest of the Company. During the nine months ended September 30, 2022, the Company repurchased 100,000 common shares at an average price of CDN \$8.52 per share as part of the Share Repurchase Program (December 2021 - nil) for total proceeds of \$0.7 million, net of transaction costs.

During the year ended December 31, 2021, the Company cancelled 6,913 shares pursuant to section 4.4 of the plan of arrangement between Primero Mining Corp. ("Primero") and the Company with an effective date of May 10, 2018 that states that any former shareholder of Primero who does not surrender their shares on the third anniversary of the effective date would cease the right to any of the Company's shares and as such would automatically be cancelled.

(g) Dividends

The Company declared the following dividends during the nine months ended September 30, 2022:

Declaration Date	Record Date	Dividend per Common Share
March 10, 2022	March 21, 2022	\$0.0079
May 12, 2022	May 25, 2022	\$0.0060
August 4, 2022	August 16, 2022	\$0.0061
November 9, 2022 ⁽¹⁾	November 22, 2022	\$0.0061

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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.

There were no transfers between levels 1, 2 and 3 during the nine months ended September 30, 2022 and year ended December 31, 2021.

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

Financial Instruments Measured at Fair Value	Valuation Method
Marketable securities - common shares	Marketable securities and silver future derivatives are valued based on quoted market prices for identical assets in an active market (Level 1) as at the date of statements of financial position. Marketable securities - stock warrants are valued using the Black-Scholes model based on the observable market inputs (Level 2).
Marketable securities - stock warrants	
Silver futures derivatives	
Financial Instruments Measured at Amortized Cost	Valuation Method
Cash and cash equivalents	Approximated carrying value due to their short-term nature
Restricted cash	
Trade and other receivables	
Trade and other payables	
Debt facilities	Approximated carrying value as discount rate on these instruments approximate the Company's credit risk.

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

	September 30, 2022			December 31, 2021		
	Carrying value	Fair value measurement		Carrying value	Fair value measurement	
		Level 1	Level 2		Level 1	Level 2
Financial assets						
Marketable securities (Note 13)	\$ 13,768	\$ 12,513	\$ 1,255	\$ 26,486	\$ 22,531	\$ 3,955

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.

During the period ended September 30, 2022, an impairment reversal was recorded for the La Guitarra mine, bringing the carrying value of the asset up to its recoverable amount, being its FVLCD. The valuation technique used in the calculation of this fair value is categorized as Level 1 as it is based on the selling price in the market (Note 14).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(b) Capital risk management

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:

	September 30, 2022	December 31, 2021
Equity	\$1,344,572	\$1,410,971
Debt facilities	217,859	181,233
Lease liabilities	39,338	39,861
Less: cash and cash equivalents	(148,819)	(237,926)
	\$1,452,950	\$1,394,139

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

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenants under the debt facilities (Note [20\(b\)](#)) and lease liabilities (Note [21\(b\)](#)). As at September 30, 2022 and December 31, 2021, the Company was in compliance with these covenants.

(c) Financial risk management

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

Credit Risk

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

As at September 30, 2022, VAT receivable was \$40.6 million (December 31, 2021 - \$47.1 million), of which \$22.2 million (December 31, 2021 - \$22.2 million) relates to Minera La Encantada S.A. de C.V. ("MLE") and \$14.0 million (December 31, 2021 - \$22.0 million) relates to PEM.

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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Liquidity Risk

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 September 30, 2022 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	\$105,331	\$105,331	\$105,331	\$—	\$—	\$—
Debt facilities	217,859	271,621	2,016	38,455	231,150	—
Lease liabilities	39,338	43,219	13,415	22,133	6,712	959
Other liabilities	6,748	6,748	—	—	—	6,748
Commitments	10,620	10,620	10,620	—	—	—
	\$379,896	\$437,539	\$131,382	\$60,588	\$237,862	\$7,707

At September 30, 2022, the Company had working capital of \$148.2 million (December 31, 2021 – \$224.4 million). Total available liquidity at September 30, 2022 was \$213.2 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. If the Company needs additional liquidity to meet obligations, the Company may consider drawing on its debt facility, securing additional debt financing and/or equity financing.

Currency Risk

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

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

	September 30, 2022						
	Cash and cash equivalents	Restricted cash	Value added taxes receivable	Other financial assets	Trade and other payables	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$39,812	\$—	\$—	\$3,621	(\$2,746)	\$40,687	\$4,069
Mexican peso	27,762	73,016	36,773	—	(41,543)	96,008	9,601
	\$67,574	\$73,016	\$36,773	\$3,621	(\$44,289)	\$136,695	\$13,670

The Company utilizes certain derivatives to manage its foreign exchange exposures to the Mexican Peso. During the three and nine months ended September 30, 2022, the Company did not have any gain or loss (2021 - loss of \$0.05 million) on fair value adjustments to its foreign currency derivatives. As at September 30, 2022, the Company does not hold any foreign currency derivatives (2021 - \$12 million).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

23. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Commodity Price Risk

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 long-term derivative instruments to hedge its commodity price risk to silver or gold.

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

	September 30, 2022		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$2,078	\$372	\$2,450
	\$2,078	\$372	\$2,450

Interest Rate Risk

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

As at September 30, 2022, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities and lease liabilities. Based on the Company's interest rate exposure at September 30, 2022, a change of 100 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)

24. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Other adjustments to investing activities:				
Purchase of marketable securities	(\$309)	(\$59)	(\$1,728)	(\$1,762)
Proceeds from disposal of marketable securities	—	104	2,739	2,177
Cash received on settlement of derivatives	653	—	3,175	533
	\$344	\$45	\$4,186	\$948
Net change in non-cash working capital items:				
Decrease (increase) in trade and other receivables	\$807	\$3,449	\$1,941	(\$1,134)
(Increase) decrease in value added taxes receivable	(1,318)	19,659	5,898	(437)
Decrease (increase) in inventories	1,814	(15,203)	(2,139)	(15,618)
Decrease (increase) in prepaid expenses and other	1,216	713	(5,122)	(1,100)
Increase in income taxes payable	(308)	9,208	134	1,174
Increase (decrease) in trade and other payables	365	(5,875)	(28,367)	(5,712)
Decrease (increase) in restricted cash (Note 18)	40,428	(31,161)	26,394	(31,161)
	\$43,004	(\$19,210)	(\$1,261)	(\$53,988)
Non-cash investing and financing activities:				
Acquisition of Jerritt Canyon	\$—	\$—	\$—	\$466,300
Transfer of share-based payments reserve upon settlement of RSU's	\$30	\$139	1,370	595
Transfer of share-based payments reserve upon exercise of options	626	193	2,156	5,536
Acquisition of mining interests	—	—	—	(3,750)
Assets acquired by finance lease	(539)	—	(2,349)	—
	\$117	\$332	\$1,177	\$468,681

As at September 30, 2022, cash and cash equivalents include \$1.8 million (December 31, 2021 - \$6.4 million) that are held in-trust as bonds for tax audits in Mexico.

25. CONTINGENCIES AND OTHER MATTERS

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

(a) Claims and Legal Proceedings Risks

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

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

(b) Primero Tax Rulings

When Primero, the previous owner of San Dimas acquired the San Dimas Mine in August 2010, it assumed the obligations under a Silver Purchase Agreement ("Old Stream Agreement") that required its subsidiary PEM to sell exclusively to WPMI up to 6 million ounces silver produced from the San Dimas Mine, and 50% of silver produced thereafter, at the lower of: (i) the spot market price and (ii) \$4.014 per ounce plus an annual increase of 1% ("PEM Realized Price").

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

To obtain tax and legal assurance that the SAT would accept the PEM Realized Price as the transfer price to calculate Mexican income taxes payable by PEM, a mutually binding Advance Pricing Agreement ("APA") was entered into with the SAT for taxation years 2010 to 2014. On October 4, 2012, the SAT confirmed that based on the terms of the APA, the PEM Realized Price could be used as PEM's basis for calculating taxes owed for the silver sold under the Old Stream Agreement.

In February 2016, the SAT initiated a legal process seeking to retroactively nullify the APA.

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

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

The Company continues to defend the APA in the Mexican legal proceedings, and also requested resolution of the transfer price dispute pursuant to the Mutual Agreement Procedure ("MAP"), under the relevant avoidance of double taxation treaties, between the competent tax authorities of Mexico, Canada, Luxembourg and Barbados. The SAT has refused to take the necessary steps under the MAP process contained in the three treaties. The Company believes that by its refusal, Mexico is in breach of its international obligations regarding double taxation treaties. Furthermore, the APA remains valid and legally binding on the SAT.

The Company continues to pursue all available domestic and international remedies under the laws of Mexico and under the relevant tax treaties. Furthermore, as discussed further below, it has also made claims against Mexico under Chapter 11 of the North American Free Trade Agreement ("NAFTA") for violation of its international law obligations.

Domestic Remedies

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

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

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

The Company, in addition to challenging the SAT's actions in the Mexican courts, is also pursuing resolution of its dispute through Mexico's Federal Taxpayer Defense Attorney's Office (known as "PRODECON").

International Remedies

On March 2, 2021, the Company submitted a Request for Arbitration to the International Centre for Settlement of Investment Disputes ("ICSID"), on its own behalf and on behalf of PEM, based on Chapter 11 of NAFTA. On March 31, 2021, the Notice of Registration of the Request for Arbitration was issued by the ICSID Secretariat. Once the NAFTA Arbitration Panel (the "Tribunal") was fully constituted on August 20, 2021 by the appointment of all three panel members, the NAFTA Arbitration Proceedings (the "NAFTA Proceedings") were deemed to have been fully commenced. The first session of the Tribunal was held by videoconference on September 24, 2021 to decide upon the procedural rules which will govern the NAFTA Proceedings. The Tribunal issued Procedural Order No. 1 on October 21, 2021. Thereafter, on April 26, 2022, the Company submitted its Claimant's Memorial including expert reports and witness statements to the Tribunal. Mexico is required to respond to the Claimant's Memorial by November 24, 2022.

If the SAT's attempts to retroactively nullifying the APA are successful, the SAT can be expected to enforce its Reassessments for 2010 through 2014 against PEM in respect of its sales of silver pursuant to the Old Stream Agreement. Such an outcome 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 spot market prices without any mitigating adjustments, the incremental income tax for the years 2010-2019 would be approximately \$246.0 million (4,995 million MXN), before taking into consideration interest or penalties.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Interim Consolidated Financial Statements - Unaudited

(Tabular amounts are expressed in thousands of US dollars)

25. CONTINGENCIES AND OTHER MATTERS (continued)

(b) Primero Tax Rulings (continued)

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

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

(c) 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. and Corporacion First Majestic S.A. de C.V., the SAT issued tax assessments for fiscal 2013 for corporate income tax in the amount of \$4.4 million (88.4 million MXN) and \$14.1 million (282 million MXN), respectively including interest, inflation and penalties. The major items relate to 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, based on advice from legal and financial advisors believes MLE's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

(d) Corporación First Majestic Back-to-Back Loans

In June 2022, following the completion of a tax audit, a conclusive agreement with the SAT was signed by Corporación First Majestic S.A. de C.V. ("CFM") through Mexico's Office of the Taxpayer Ombudsman ("PRODECON") to settle an uncertain tax position concerning Mexican back-to-back loan provisions. The provisions were originally conceived from an anti-avoidance rule and a literal interpretation of the rules would convert most debt financing in Mexico into back-to-back loans. The back-to-back loan provisions establish that interest expense derived from back-to-back loans can be recharacterized as dividends resulting in significant changes to the tax treatment of interest, including withholding taxes. As a result of this recharacterization and in accordance with the conclusive agreement, CFM made a one time payment of approximately \$21.3 million in the second quarter of 2022 which has been recognized as a current tax expense during the year. In addition to the payment made, CFM agreed to surrender certain tax loss carry forwards resulting in a deferred tax expense of \$54 million.

26. SUBSEQUENT EVENTS

Declaration of Quarterly Dividend

On November 9 2022, the Company's board of directors approved the declaration of its quarterly common share dividend of \$0.0061 per share, payable on or after December 2, 2022, to common shareholders of record at the close of business on November 22, 2022. These dividends were declared subsequent to the quarter end and have not been recognized as distributions to owners during the period ended September 30, 2022.

At-the-Market Distributions ("ATM") Program

The Company previously announced that it had filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares is to be made through ATM distributions, as defined in Canadian Securities Administrator's National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. Subsequent to quarter end, the Company has initiated the sale of common shares through the ATM Program, selling a total of 2,500,000 common shares at an average price of \$8.59 per share.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS

COMPANY OVERVIEW	3
2022 THIRD QUARTER HIGHLIGHTS	4
OVERVIEW OF OPERATING RESULTS	
Summary of Selected Quarterly Production Results	7
Consolidated Operations	8
San Dimas Silver/Gold Mine	10
Santa Elena Silver/Gold Mine	12
La Encantada Silver Mine	14
Jerritt Canyon Gold Mine	15
La Parrilla Silver Mine	16
Del Toro Silver Mine	16
San Martin Silver Mine	17
La Guitarra Silver Mine	17
Springpole Silver Stream	17
OVERVIEW OF FINANCIAL PERFORMANCE	
Third Quarter 2022 vs 2021	19
Year to Date 2022 vs 2021	21
Summary of Selected Quarterly Results	23
OTHER DISCLOSURES	
Liquidity, Capital Resources and Contractual Obligations	23
Management of Risks and Uncertainties	25
Other Financial Information	30
Subsequent Events	31
Accounting Policies, Judgments and Estimates	31
Non-GAAP Measures	33
Management's Report on Internal Control Over Financial Reporting	42
Cautionary Statements	43

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

This Management’s Discussion and Analysis of Results of Operations and Financial Condition (“MD&A”) should be read in conjunction with the unaudited consolidated financial statements of First Majestic Silver Corp. (“First Majestic” or “the Company”) for the three and nine months ended September 30, 2022 which are prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, and audited consolidated financial statements of the Company as at and for the year ended December 31, 2021, as some disclosures from the annual consolidated financial statements have been condensed or omitted. All dollar amounts are expressed in United States (“US”) dollars and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences.

This MD&A contains “forward-looking statements” that are subject to risk factors set out in a cautionary note contained at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of November 8, 2022 unless otherwise stated.

COMPANY OVERVIEW

First Majestic is a multinational mining company headquartered in Vancouver, Canada, focused on primary silver and gold production in North America, pursuing the exploration and development of its existing mineral properties and acquiring new assets. The Company owns one producing mine in the USA, the Jerritt Canyon Gold Mine, three producing mines in Mexico: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine, the La Encantada Silver Mine and four mines currently in care and maintenance in Mexico: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine. As at September 30, 2022, the La Guitarra mine was classified as an asset held-for-sale.

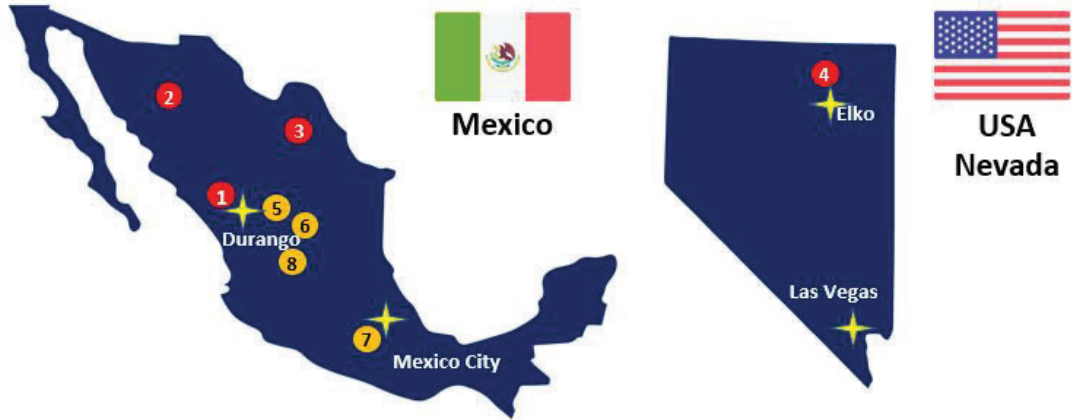
First Majestic is publicly listed on the New York Stock Exchange under the symbol “AG”, on the Toronto Stock Exchange under the symbol “FR” and on the Frankfurt Stock Exchange under the symbol “FMV”.

IN PRODUCTION

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

PROJECTS

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



2022 THIRD QUARTER HIGHLIGHTS

Key Performance Metrics	2022-Q3	2022-Q2	Change Q3 vs Q2	2021-Q3	Change Q3 vs Q3	2022-YTD	2021-YTD	Change
Operational								
Ore Processed / Tonnes Milled	836,514	903,791	(7%)	943,126	(11%)	2,617,423	2,383,584	10%
Silver Ounces Produced	2,736,100	2,775,928	(1%)	3,302,086	(17%)	8,125,355	9,484,135	(14%)
Silver Equivalent Ounces Produced	8,766,192	7,705,935	14%	7,319,441	20%	23,694,129	18,294,760	30%
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$13.34	\$14.12	(6%)	\$14.09	(5%)	\$14.08	\$13.65	3%
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$17.83	\$19.91	(10%)	\$19.93	(11%)	\$19.44	\$19.60	(1%)
Total Production Cost per Tonne ⁽¹⁾	\$135.07	\$114.55	18%	\$106.52	27%	\$122.43	\$101.73	20%
Average Realized Silver Price per Silver Equivalent Ounce ⁽¹⁾	\$19.74	\$23.93	(18%)	\$23.10	(15%)	\$22.27	\$25.74	(13%)
Financial (in \$millions)								
Revenues	\$159.8	\$159.4	0 %	\$124.6	28%	\$476.0	\$379.2	26%
Mine Operating Earnings	\$3.3	\$11.6	(72%)	\$3.5	(5%)	\$30.0	\$61.1	(51%)
Net loss	(\$20.7)	(\$84.1)	(75%)	(\$18.4)	13%	(\$97.5)	(\$1.0)	NM
Operating Cash Flows before Movements in Working Capital and Taxes	\$27.7	\$33.0	(16%)	\$22.6	23%	\$96.0	\$104.9	(8%)
Cash and Cash Equivalents	\$148.8	\$117.7	26%	\$192.8	(23%)	\$148.8	\$192.8	(23%)
Working Capital ⁽¹⁾	\$148.2	\$199.8	(26%)	\$262.5	(44%)	\$148.2	\$262.5	(44%)
Free Cash Flow ⁽¹⁾	\$45.3	(\$37.5)	NM	(\$38.5)	NM	(\$32.6)	(\$83.4)	(61%)
Shareholders								
Loss per Share ("EPS") - Basic	(\$0.08)	(\$0.32)	(75%)	(\$0.07)	10%	(\$0.37)	\$0.00	NM
Adjusted EPS ⁽¹⁾	(\$0.09)	(\$0.02)	NM	(\$0.07)	22%	(\$0.13)	\$0.01	NM

NM - Not meaningful

(1) The Company reports non-GAAP measures which include cash costs per silver equivalent ounce produced, all-in sustaining cost per silver equivalent ounce produced, total production cost per tonne, average realized silver price per silver equivalent ounce sold, average realized gold price per ounce sold, working capital, adjusted EPS and free cash flow. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and the methods used by the Company to calculate such measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 34 to 43 for a reconciliation of non-GAAP to GAAP measures.

Third Quarter Production Summary	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Ore Processed / Tonnes Milled	185,126	214,387	255,945	181,056	836,514
Silver Ounces Produced	1,649,002	308,070	779,028	—	2,736,100
Gold Ounces Produced	23,675	26,989	109	16,299	67,072
Silver Equivalent Ounces Produced	3,776,124	2,733,761	788,872	1,467,435	8,766,192
Cash Costs per Silver Equivalent Ounce	\$8.25	\$10.37	\$15.55	\$30.73	\$13.34
All-in Sustaining Cost per Silver Equivalent Ounce	\$10.97	\$12.29	\$18.61	\$36.84	\$17.83
Cash Cost per Gold Equivalent Ounce	N/A	N/A	N/A	\$2,767	N/A
All-In Sustaining Costs per Gold Equivalent Ounce	N/A	N/A	N/A	\$3,317	N/A
Total Production Cost per Tonne	\$161.41	\$124.94	\$46.29	\$245.66	\$135.07

Operational Highlights

- **Total Production Increased by 14% quarter-over-quarter:** The Company produced a quarterly record of 8.8 million silver equivalent ounces ("AgEq"), consisting of 2.7 million ounces of silver and 67,072 ounces of gold representing a 14% increase when compared to the previous quarter primarily due to higher gold production at San Dimas and Santa Elena along with an increase in silver and gold grades of 3% and 20%, respectively. During the quarter, production at San Dimas increased 24% compared to the prior quarter, as a result of increased ore shipments from the Jessica and Regina veins, and the commencement of production from the Perez vein in July. In addition, production at Santa Elena increased by 22%, compared to the prior quarter, as a result of processing higher percentage of Ermitaño's ore which is known to contain higher gold grades than Santa Elena's ore.
- **Cash Cost per Silver Equivalent ("AgEq") Ounce** for the quarter was \$13.34 per ounce, compared to \$14.12 per ounce in the previous quarter. The decrease in cash costs per AgEq ounce was primarily attributed to an increase in AgEq production at San Dimas and Santa Elena along with cost saving measures implemented in an effort to combat the inflationary impacts partially offset by higher cash costs at Jerritt Canyon due to a decrease in processed tonnes as the dual roasters were offline for a 14-day planned maintenance period in September. The roasters resumed operations in late September and as of quarter end were back at normal operating rates.
- **All-in Sustaining Cost ("AISC") per Silver Equivalent Ounce** in the third quarter was \$17.83 per ounce compared to \$19.91 per ounce in the previous quarter. The decrease in AISC per AgEq ounce was primarily attributed to a decrease in cash costs per AgEq ounce due to higher production along with a reduction in general and administrative costs due to cost saving measures implemented. Reductions in mine development and exploration activities also contributed to lower all-in-sustaining costs per AgEq ounce.
- **Another Record Production at Santa Elena - up 22% quarter-over-quarter:** Increased ore shipment blending and higher gold grades from the Ermitaño mine enabled Santa Elena to set another all-time new quarterly production record of 2.7 million AgEq ounces in the third quarter, representing a 22% increase compared to the prior quarter.
- **Increasing Mine Production at Jerritt Canyon:** Underground development activities continued during the quarter at the West Generator and Saval II mines in order to prepare for increased ore deliveries starting in November. These two new sources of ore feed, along with improved ore grades from the Smith Zone 10 area, are anticipated to increase gold grades and increase the amount of fresh ore feed to the plant in the fourth quarter. Once ramp up at the West Generator and Saval II mines are complete, throughput is expected to increase by 50%.
- **Ermitaño Operating on 100% Liquefied Natural Gas ("LNG"):** The Company successfully completed the transmission power line connection from Ermitaño to Santa Elena's LNG powerplant in September enabling the mine to operate on 100% LNG power for the first time. In addition, the Company has begun pre-commissioning activities at the 24 MW LNG powerplant which is expected to provide additional power for the dual-circuit processing plant at Santa Elena. The expanded powerplant is expected to be fully operational in the fourth quarter following the installation of the four 2.5 MW LNG generators.
- **23 Drill Rigs Active:** The Company completed a total of 80,370 metres of exploration drilling across the Company's mines during the quarter. Throughout the quarter, a total of 23 drill rigs were active consisting of seven rigs at San Dimas, nine rigs at Jerritt Canyon, five rigs at Santa Elena and two rigs at La Encantada. In August, the Company released exploration results from Jerritt Canyon's recently discovered Smith Zone 10, a high-grade mineralized area near active underground infrastructure, which is scheduled to begin mining in the fourth quarter.

Financial Highlights

- In the third quarter, the Company generated revenues of \$159.8 million compared to \$124.6 million representing a 28% increase compared to the third quarter of 2021. The increase in revenues was primarily attributed to an increase in production at San Dimas and Santa Elena of 24% and 22%, respectively, which was partially offset by a lower average realized silver price which averaged \$19.74 per ounce during the quarter, a 15% decrease compared to \$23.10 in the third quarter of 2021 along with an \$18.4 million decrease in revenue at Jerritt Canyon during the quarter, compared to the same quarter of 2021 due to lower production.

- The Company realized mine operating earnings of \$3.3 million compared to mine operating earnings of \$3.5 million in the third quarter of 2021. The marginal decrease in mine operating earnings was primarily attributed to lower metal prices, an increase in cost of sales and depreciation and depletion from San Dimas, Santa Elena and La Encantada, partially offset by an increase in silver equivalent ounces sold.
- Net loss for the quarter was \$20.7 million (EPS of (\$0.08)) compared to net loss of \$18.4 million (EPS of (\$0.07)) in the third quarter of 2021.
- Adjusted net loss (a non-GAAP measure) for the quarter, normalized for non-cash or non-recurring items such as share-based payments, unrealized losses on marketable securities and non-recurring write-downs on mineral inventory for the quarter ended September 30, 2022, was \$22.6 million (Adjusted EPS of (\$0.09)) compared to an adjusted net loss of \$18.1 million (Adjusted EPS of \$0.07) in the third quarter of 2021.
- Operating cash flow before movements in working capital and taxes in the quarter was an inflow of \$27.7 million compared to a cash inflow of \$22.6 million in the third quarter of 2021 due to the increase in revenue of \$35.2 million, partially offset by an increase in cost of sales.
- As of September 30, 2022, the Company had cash and cash equivalents of \$148.8 million and working capital of \$148.2 million.

OVERVIEW OF OPERATING RESULTS

Selected Production Results for the Past Eight Quarters

PRODUCTION HIGHLIGHTS	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2 ⁽²⁾	Q1	Q4
Ore processed/tonnes milled								
San Dimas	185,126	197,102	195,300	206,738	214,205	202,382	199,466	208,648
Santa Elena	214,387	228,487	201,911	224,459	234,862	234,381	185,358	168,276
La Encantada	255,945	264,555	249,906	268,239	263,645	242,839	229,421	248,408
Jerritt Canyon	181,056	213,647	230,001	256,374	230,415	146,611	—	—
Consolidated	836,514	903,791	877,118	955,810	943,126	826,213	614,245	625,332
Silver equivalent ounces produced								
San Dimas	3,776,124	3,046,664	3,080,940	4,015,346	3,422,032	3,176,725	2,910,946	3,477,061
Santa Elena	2,733,761	2,241,763	1,868,787	1,955,550	1,061,657	1,140,398	884,332	901,630
La Encantada	788,872	871,365	651,875	768,796	913,481	847,502	745,018	1,098,800
Jerritt Canyon	1,467,435	1,546,143	1,620,400	1,821,331	1,922,270	1,270,398	—	—
Consolidated	8,766,192	7,705,935	7,222,002	8,561,023	7,319,441	6,435,023	4,540,296	5,477,492
Silver ounces produced								
San Dimas	1,649,002	1,527,465	1,632,117	2,174,353	1,888,371	1,868,031	1,716,143	1,941,286
Santa Elena	308,070	384,953	337,201	426,870	508,641	565,453	453,528	418,153
La Encantada	779,028	863,510	644,009	757,586	905,074	840,541	738,354	1,093,521
Consolidated	2,736,100	2,775,928	2,613,327	3,358,809	3,302,086	3,274,026	2,908,024	3,452,959
Gold ounces produced								
San Dimas	23,675	18,354	18,528	23,795	20,767	19,227	17,448	19,980
Santa Elena	26,989	22,309	19,556	19,810	7,498	8,453	6,327	6,294
Jerritt Canyon	16,299	18,632	20,707	23,660	26,145	18,762	—	—
Consolidated	66,963	59,295	58,791	67,265	54,410	46,442	23,775	26,274
Cash cost per Ounce⁽¹⁾								
San Dimas (per AgEq Ounce)	\$ 8.25	\$ 10.41	\$ 9.41	\$ 7.98	\$ 8.29	\$ 10.17	\$ 10.00	\$ 8.49
Santa Elena (per AgEq Ounce)	\$ 10.37	\$ 12.34	\$ 12.96	\$ 11.56	\$ 17.09	\$ 16.70	\$ 20.18	\$ 16.50
La Encantada (per AgEq Ounce)	\$ 15.55	\$ 14.09	\$ 16.41	\$ 14.51	\$ 12.25	\$ 13.66	\$ 13.77	\$ 10.42
Jerritt Canyon (per AuEq Ounce)	\$ 2,767	\$ 1,989	\$ 2,120	\$ 1,674	\$ 1,735	\$ 1,407	\$ —	\$ —
Consolidated (per AgEq Ounce)	\$ 13.34	\$ 14.12	\$ 14.94	\$ 12.32	\$ 14.09	\$ 13.89	\$ 12.61	\$ 10.21
All-in sustaining cost per Ounce⁽¹⁾								
San Dimas (per AgEq Ounce)	\$ 10.97	\$ 14.97	\$ 12.98	\$ 11.29	\$ 11.58	\$ 14.22	\$ 14.31	\$ 12.32
Santa Elena (per AgEq Ounce)	\$ 12.29	\$ 15.34	\$ 16.31	\$ 14.02	\$ 21.10	\$ 21.31	\$ 25.66	\$ 21.76
La Encantada (per AgEq Ounce)	\$ 18.61	\$ 16.65	\$ 19.63	\$ 19.41	\$ 15.28	\$ 15.97	\$ 16.30	\$ 12.39
Jerritt Canyon (per AuEq Ounce)	\$ 3,317	\$ 2,429	\$ 2,488	\$ 2,077	\$ 2,286	\$ 1,679	\$ —	\$ —
Consolidated (per AgEq Ounce)	\$ 17.83	\$ 19.91	\$ 20.87	\$ 17.26	\$ 19.93	\$ 19.42	\$ 19.35	\$ 16.12
Production cost per tonne								
San Dimas	\$ 161.41	\$ 155.09	\$ 143.66	\$ 146.30	\$ 128.67	\$ 153.43	\$ 140.29	\$ 135.13
Santa Elena	\$ 124.94	\$ 109.50	\$ 111.36	\$ 93.78	\$ 75.76	\$ 79.17	\$ 94.15	\$ 86.32
La Encantada	\$ 46.29	\$ 44.58	\$ 41.43	\$ 39.70	\$ 41.08	\$ 45.71	\$ 42.99	\$ 43.72
Jerritt Canyon	\$ 245.66	\$ 169.16	\$ 187.15	\$ 151.23	\$ 192.17	\$ 177.30	\$ —	\$ —
Consolidated	\$ 135.07	\$ 114.55	\$ 118.51	\$ 105.37	\$ 106.52	\$ 104.94	\$ 90.03	\$ 85.68

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

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

Operating Results – Consolidated Operations

CONSOLIDATED	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021-YTD	Change Q3 vs Q2	Change '22 vs '21
Ore processed/tonnes milled	836,514	903,791	877,118	2,617,423	2,383,584	(7%)	10%
Average silver grade (g/t)	117	114	109	113	138	3%	(18%)
Average gold grade (g/t)	2.74	2.29	2.31	2.44	1.74	20%	40%
Silver recovery (%)	87%	84%	85%	85%	89%	4%	(4%)
Gold recovery (%)	91%	89%	90%	90%	92%	2%	(2%)
Production							
Silver ounces produced	2,736,100	2,775,928	2,613,327	8,125,355	9,484,135	(1%)	(14%)
Gold ounces produced	67,072	59,391	58,891	185,354	124,942	13%	48%
Silver equivalent ounces produced	8,766,192	7,705,935	7,222,002	23,694,129	18,294,760	14%	30%
Cost							
Cash cost per AgEq Ounce	\$13.34	\$14.12	\$14.94	\$14.08	\$13.65	(6%)	3%
All-in sustaining costs per AgEq ounce	\$17.83	\$19.91	\$20.87	\$19.44	\$19.60	(10%)	(1%)
Total production cost per tonne	\$135.07	\$114.55	\$118.51	\$122.43	\$101.73	18%	20%
Underground development (m)	11,242	13,404	11,153	35,799	39,024	(16%)	(8%)
Diamond drilling (m)	80,370	76,444	75,225	232,039	172,225	5%	35%

Production

Total production in the third quarter was 8.8 million silver equivalent ounces consisting of 2.7 million ounces of silver and 67,072 ounces of gold representing a 14% increase when compared to the previous quarter primarily due to higher gold production at San Dimas and Santa Elena along with an increase in silver and gold grades of 3% and 20%, respectively. During the quarter, production at San Dimas increased 24% compared to the prior quarter, as a result of increased ore shipments from the Jessica and Regina veins, and the commencement of production from the Perez vein in July. In addition, production at Santa Elena increased by 22%, compared to the prior quarter, as a result of processing higher percentage of Ermitaño's ore which is known to contain higher gold grades than Santa Elena's ore.

Total ore processed during the quarter at the Company's mines amounted to 836,514 tonnes, representing a 7% decrease compared to the previous quarter. The decrease in tonnes processed was primarily due to a 15% decrease in processed tonnes at Jerritt Canyon as the dual roasters were offline for a 14-day planned maintenance period in September. The roasters resumed operations in late September and as of quarter end were back at normal operating rates.

Consolidated silver and gold grades in the quarter averaged 117 g/t and 2.74 g/t, respectively, compared to 114 g/t and 2.29 g/t, respectively, in the previous quarter. The 20% increase in consolidated gold grades was primarily due to higher gold grades at San Dimas and Santa Elena's Ermitaño mine. Gold grades at Jerritt Canyon were relatively unchanged compared to the prior quarter.

On a consolidated basis the average silver recoveries were 87% and the average gold recoveries were 91% during the quarter, compared to 84% and 89% respectively, in the previous quarter. The Company continued to advance the Santa Elena dual-circuit project in order to increase the leaching performance and metallurgical recoveries at Santa Elena. An additional leaching tank and a fourth CCD thickener were commissioned at Santa Elena in the third quarter and are expected to improve metallurgical recoveries going forward. The new tailing filter plant construction advanced to 96% and will be commissioned in the fourth quarter. This plant will replace the existing belt filters at Santa Elena and will allow the company to implement a finer grind of ore resulting in improved recovery rates, higher ore throughputs and lower costs.

Cash Cost and All-In Sustaining Cost per Ounce

Cash cost per AgEq ounce for the quarter was \$13.34 per ounce, compared to \$14.12 per ounce in the previous quarter. The decrease in cash costs per AgEq ounce was primarily attributed to an increase in AgEq production at San Dimas and Santa Elena along with cost saving measures implemented in an effort to combat the inflationary impacts partially offset by higher cash costs at Jerritt Canyon due to a decrease in processed tonnes as the dual roasters were offline for a 14-day planned maintenance period in September. The roasters resumed operations in late September and as of quarter end were back at normal operating rates.

All-in Sustaining Cost per AgEq ounce in the third quarter was \$17.83 per ounce compared to \$19.91 per ounce in the previous quarter. The decrease in AISC per AgEq ounce was primarily attributed to a decrease in cash costs per AgEq ounce due to higher production along with a reduction in general and administrative costs due to cost saving measures implemented. Reductions in mine development and exploration activities also contributed to lower all-in-sustaining costs per AgEq ounce.

Additionally, management developed a series of cost reduction initiatives across the organization to improve efficiencies, lower production costs, capital spending, care and maintenance holding costs and corporate G&A costs while also increasing production. This plan includes:

- Renegotiating contracts and reducing external consultants;
- Restructuring to optimize workforce and reduce labour costs;
- Reducing reagent consumption without impacting recoveries or performance;
- Conversion to LNG power with long-term contracts;
- Increasing production at Santa Elena by leveraging the Ermitaño ore and refocusing mining on the mid and higher-grade Alejandra de Bajo and America veins in the Santa Elena mine to improve grade and production;
- Completing the Dual Circuit project to improve metal recovery rates and allow higher plant throughput;
- Improving dilution controls at San Dimas and prioritizing long hole stoping of the Jessica and Regina veins to improve ore grade and production and initiating ore shipments from the higher-grade Perez vein in the third quarter of 2022;
- Developing the newly identified Zone 10 higher-grade ore zone in the Smith mine and accelerating the restart of the West Generator and Saval II mines at Jerritt Canyon while reducing the planned maintenance downtime at the plant to gain more ore volume and better ore grades; and
- Advancing mining at La Encantada towards the Ojeulas and Beca orebodies to generate more ore tonnage and higher ore grades.

Development and Exploration

During the quarter, the Company completed 11,242 metres of underground development and 80,370 metres of diamond drilling, compared to 13,404 metres and 76,444 metres, respectively, in the previous quarter. Throughout the quarter, a total of 23 drill rigs were active consisting of seven rigs at San Dimas, nine rigs at Jerritt Canyon, five rigs at Santa Elena and two rigs at La Encantada.

San Dimas Silver/Gold Mine, Durango, México

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

San Dimas	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021 YTD	Change Q3 vs Q2	Change '22 vs '21
Total ore processed/tonnes milled	185,126	197,102	195,300	577,528	616,053	(6%)	(6%)
Average silver grade (g/t)	289	257	282	276	291	12%	(5%)
Average gold grade (g/t)	4.10	3.01	3.09	3.39	3.02	36%	12%
Silver recovery (%)	96%	94%	92%	94%	95%	2%	(1%)
Gold recovery (%)	97%	96%	96%	96%	96%	1%	0%
Production							
Silver ounces produced	1,649,002	1,527,465	1,632,117	4,808,584	5,472,545	8%	(12%)
Gold ounces produced	23,675	18,354	18,528	60,557	57,442	29%	5%
Silver equivalent ounces produced	3,776,124	3,046,664	3,080,940	9,903,728	9,509,703	24%	4%
Cost							
Cash cost per AgEq Ounce	\$8.25	\$10.41	\$9.41	\$9.27	\$9.44	(21%)	(2%)
All-In sustaining costs per AgEq Ounce	\$10.97	\$14.97	\$12.98	\$12.83	\$13.30	(27%)	(4%)
Total production cost per tonne	\$161.41	\$155.09	\$143.66	\$153.25	\$140.56	4%	9%
Underground development (m)	4,209	5,856	6,005	16,070	20,116	(28%)	(20%)
Diamond drilling (m)	14,292	22,356	19,344	55,992	82,546	(36%)	(32%)

During the third quarter, San Dimas produced 3,776,124 silver equivalent ounces consisting of 1,649,002 ounces of silver and 23,675 ounces of gold, representing increases of 8% and 29%, respectively, when compared to the prior quarter.

The mill processed a total of 185,126 tonnes of ore with average silver and gold grades of 289 g/t and 4.10 g/t, respectively, compared to 197,102 tonnes milled with average silver and gold grades of 257 g/t and 3.01 g/t, in the previous quarter. Silver and gold grades were higher in the third quarter compared to the prior quarter due to improvements in dilution control from the long hole stoping in the Jessica and Regina veins. In addition, the Company began initial production from the Perez vein in July. The Central Block and Sinaloa Graben areas contributed approximately 76% and 24%, respectively, of the total production during the quarter.

Silver and gold recoveries averaged 96% and 97%, respectively, during the quarter which were comparable to the prior quarter.

In the third quarter, cash cost per AgEq ounce was \$8.25 per ounce compared to \$10.41 per ounce in the prior quarter. The decrease in cash costs during the quarter was primarily due to a 24% increase in silver equivalent ounces produced along with costs saving measures implemented in an effort to combat the inflationary impacts.

AISC per AgEq ounce for the quarter was \$10.97 per ounce compared to \$14.97 per ounce in the prior quarter. The decrease was primarily due to a decrease in cash costs per AgEq ounce along with lower overall sustaining development expenditures incurred during the quarter.

The San Dimas mine is subject to a gold and silver streaming agreement with Wheaton Precious Metals Corp. ("Wheaton" or "WPM") 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. The fixed gold to silver exchange ratio as at September 30, 2022 was 70:1. During the three months ended September 30, 2022, the Company delivered 10,196 ounces (2021 - 11,346 ounces) of gold to WPM at \$624 (2021 - \$618) per ounce.

A total of 4,209 metres of underground development was completed in the third quarter, compared to 5,856 metres in the prior quarter. During the third quarter, a total of seven underground drill rigs were active on the property and completed 14,292 metres of exploration drilling compared to 22,356 metres in the prior quarter.

Santa Elena Silver/Gold Mine, Sonora, México

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

SANTA ELENA	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021-YTD	Change Q3 vs Q2	Change '22 vs '21
Total ore processed/tonnes milled	214,387	228,487	201,911	644,785	654,600	(6%)	(1%)
Average silver grade (g/t)	62	67	69	66	79	(7%)	(16%)
Average gold grade (g/t)	4.26	3.26	3.18	3.56	1.11	31%	NM
Silver recovery (%)	72%	78%	76%	75%	92%	(8%)	(18%)
Gold recovery (%)	92%	93%	95%	93%	96%	(1%)	(3%)
Production							
Silver ounces produced	308,070	384,953	337,201	1,030,224	1,527,621	(20%)	(33%)
Gold ounces produced	26,989	22,309	19,556	68,854	22,279	21%	NM
Silver equivalent ounces produced	2,733,761	2,241,763	1,868,787	6,844,311	3,086,388	22%	122%
Cost							
Cash cost per AgEq Ounce	\$10.37	\$12.34	\$12.96	\$11.72	\$17.83	(16%)	(34%)
All-In sustaining costs per AgEq Ounce	\$12.29	\$15.34	\$16.31	\$14.39	\$22.48	(20%)	(36%)
Total production cost per tonne	\$124.94	\$109.50	\$111.36	\$115.22	\$82.18	14%	40%
Underground development (m)	3,201	4,381	3,043	10,625	13,689	(27%)	(22%)
Diamond drilling (m)	8,438	19,079	13,241	40,758	50,130	(56%)	(19%)

NM - Not meaningful

During the third quarter, Santa Elena produced a new quarterly record of 2,733,761 silver equivalent ounces consisting of 308,070 ounces of silver and 26,989 ounces of gold representing a 20% decrease in silver ounces but a 21% increase in gold ounces when compared to the prior quarter. The increase in production was primarily due to processing a higher percentage of Ermitaño's ore which contains higher gold grades than the Santa Elena mine. The mill processed 214,387 tonnes of ore during the quarter, compared to 228,487 tonnes in the prior quarter.

Silver and gold grades from Santa Elena averaged 91 g/t and 0.91 g/t, respectively, compared to 95 g/t and 1.20 g/t the previous quarter which were offset by high gold grades from Ermitaño which averaged 6.61 g/t, compared to 4.86 g/t in the previous quarter.

Silver and gold recoveries in the third quarter averaged 72% and 92%, respectively, compared to 78% and 93%, respectively, in the prior quarter. The Company continues to advance construction of the dual circuit project at the Santa Elena processing plant which was approximately 96% complete at quarter end. An additional leaching tank and a fourth CCD thickener were successfully commissioned in the third quarter and the new 3,000 tpd tailings filter-press is expected to be commissioned in the fourth quarter. The dual-circuit plant, which will allow for finer grinding, is expected to be fully operational by the end of 2022 and is expected to result in improved recoveries and increased plant capacity.

During the quarter, the Company completed the transmission power line to provide lower-cost power to the Ermitaño mine. The connection, which joined Ermitaño to Santa Elena's LNG powerplant was completed in September allowing the mine to run on 100% LNG power for the first time and eliminated the use of temporary diesel generators.

Cash cost per AgEq ounce in the third quarter was \$10.37 per ounce compared to \$12.34 per ounce in the previous quarter. The decrease in cash cost was primarily attributed to a 22% increase in silver equivalent ounces produced compared to the previous quarter along with costs saving measures implemented in an effort to combat the inflationary impacts.

AISC per AgEq ounce for the quarter was \$12.29 per ounce compared to \$15.34 per ounce in the prior quarter. The decrease in AISC was primarily driven by the decrease in cash costs per AgEq ounce as well as a reduction in sustaining mine development expenditures during the quarter.

The Santa Elena mine is subject to a gold streaming agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the mine to sell 20% of its gold production from the leach pad and a designated area of its underground operations over the life of mine to Sandstorm. The selling price to Sandstorm is currently the lesser of \$450 per ounce (subject to a 1% annual inflation increase every April) and the prevailing market price. During the quarter the Company delivered 484 ounces of gold (2021 - 1,472 ounces) to Sandstorm at an average price of \$473 per ounce (2021 - \$468 per ounce).

Orogen Royalties Inc., formerly Evrim Resource Corp., retains a 2% net smelter return ("NSR") royalty from the sale of mineral products extracted from the Ermitaño mining concessions. In addition, there is an underlying NSR royalty where Osisko Gold Royalties Ltd. retains a 2% NSR from the sale of mineral products extracted from the Ermitaño mining concessions. During the three and nine months ended September 30, 2022, the Company has incurred \$1.6 million and \$4.1 million (September 30, 2021 - \$nil) in NSR from the production of Ermitaño.

In October 2022, the Santa Elena operation has been awarded the prestigious "Silver Helmet Award" in the category of "Underground Mining of More Than 500 Workers" by the Mining Chamber of Mexico for its outstanding performance in occupational safety and health. The distinguished annual award of excellence is only awarded to a select handful of miners in Mexico.

In the third quarter, Santa Elena completed a total of 3,201 metres of underground development, compared to 4,381 metres in the previous quarter. A total of five drill rigs, consisting of three surface rigs and two underground rig, were active at the end of the quarter, completing 8,438 metres of exploration drilling compared to 19,079 metres in the prior quarter.

La Encantada Silver Mine, Coahuila, México

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

LA ENCANTADA	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021-YTD	Change Q3 vs Q2	Change '22 vs '21
Ore processed/tonnes milled	255,945	264,555	249,906	770,406	735,905	(3%)	5%
Average silver grade (g/t)	121	141	108	124	134	(14%)	(7%)
Silver recovery (%)	78%	72%	74%	75%	78%	8%	(4%)
Production							
Silver ounces produced	779,028	863,510	644,009	2,286,547	2,483,969	(10%)	(8%)
Gold ounces produced	109	96	100	305	314	14%	(3%)
Silver equivalent ounces produced	788,872	871,365	651,875	2,312,112	2,506,001	(9%)	(8%)
Cost							
Cash cost per AgEq Ounce	\$15.55	\$14.09	\$16.41	\$15.24	\$13.18	10%	16%
All-In sustaining costs per AgEq Ounce	\$18.61	\$16.65	\$19.63	\$18.16	\$15.81	12%	15%
Total production cost per tonne	\$46.29	\$44.58	\$41.43	\$44.13	\$43.19	4%	2%
Underground development (m)	552	590	510	1,652	2,514	(6%)	(34%)
Diamond drilling (m)	3,926	3,942	1,284	9,152	12,968	0%	(29%)

During the quarter, La Encantada produced 779,028 silver ounces compared to 863,510 silver ounces in the previous quarter, representing a 10% decrease in production primarily due to a 14% decrease in silver grades.

The mill processed a total of 255,945 tonnes with an average silver grade and recovery during the quarter of 121 g/t and 78%, respectively, compared to 264,555 tonnes, 141 g/t and 72%, respectively, in the previous quarter. The decrease in grades were the result of lower grade material being sourced from previously mined areas. The Company remains focused on opening up new draw points in the Cuerpo 660 and La Prieta areas in an effort to increase ore flow and production. The Company also continued development activities in the Ojuelas and Beca-Zone orebodies in an effort to increase silver grades and ore production in the coming quarters.

Cash cost per AgEq ounce for the quarter was \$15.55 compared to \$14.09 in the previous quarter. The increase in cash cost was primarily due to the 10% decrease in silver equivalent ounces produced driven by a 14% decrease in the silver grade during the quarter.

AISC per AgEq ounce for the quarter was \$18.61 per ounce compared to \$16.65 per ounce in the previous quarter due to higher cash costs incurred in the quarter.

During the quarter, two drill rigs consisting of one surface rig and one underground rig were active on the property at the end of the quarter completing 3,926 metres of drilling compared to 3,942 metres in the previous quarter. A total of 552 metres of underground development was completed in the third quarter compared to 590 metres in the prior quarter.

Jerritt Canyon Gold Mine, Nevada, United States

The Jerritt Canyon Gold mine is an underground mine located in Northern Nevada, United States. Jerritt Canyon was discovered in 1972 and has been in production since 1981 having produced over 9.5 million ounces of gold over its 40-year production history. The mine was purchased by the Company on April 30, 2021 and currently operates as an underground mine and has one of three permitted gold processing plants in Nevada that uses roasting in its treatment of ore. This processing plant has a capacity of 4,000 tonnes per day (“tpd”). The property consists of a large, under explored land package consisting of 30,821 hectares (119 square miles). Jerritt Canyon is 100% owned by the Company.

Jerritt Canyon	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021-YTD	Change Q3 vs Q2	Change '22 vs '21
Ore processed/tonnes milled	181,056	213,647	230,001	624,704	377,026	(15%)	66%
Average gold grade (g/t)	3.41	3.40	3.39	3.40	4.13	0%	(18%)
Gold recovery (%)	82%	80%	83%	82%	84%	3%	(2%)
Production							
Gold ounces produced	16,299	18,632	20,707	55,638	44,907	(13%)	24%
Silver equivalent ounces produced	1,467,435	1,546,143	1,620,400	4,633,978	3,192,668	(5%)	45%
Cost							
Cash cost per AuEq Ounce	\$2,764	\$1,989	\$2,120	\$2,265	\$1,598	39%	42%
All-In sustaining costs per AuEq Ounce	\$3,314	\$2,428	\$2,488	\$2,710	\$2,032	36%	33%
Total production cost per tonne	\$245.66	\$169.16	\$187.15	\$197.96	\$186.46	45%	6%
Underground development (m)	3,280	2,577	1,595	7,452	2,705	27%	175%
Diamond drilling (m)	53,714	31,067	41,356	126,137	26,581	73%	NM

NM - Not meaningful

During the quarter, Jerritt Canyon produced 16,299 ounces of gold, representing a 13% decrease compared to the prior quarter. The decrease was primarily due to a 15% decrease in tonnes milled as the Company completed its annual maintenance overhaul of the dual roasters in September which resulted in an increased ore stockpile of approximately 27,600 tonnes due to the planned 14-day maintenance period. This surface stockpile is expected to be processed in the fourth quarter.

The mill processed a total of 181,056 tonnes with an average gold grade and recovery of 3.41 g/t and 82%, respectively, compared to 213,647 tonnes with an average grade and recovery of 3.40 g/t and 80%, respectively, in the prior quarter. The Company expects gold grades to improve in the fourth quarter of 2022 as higher-grade ore pods from the Smith Zone 10 area are processed at the mill.

To increase mine production, the Company is developing a secondary escapeway in the West Generator mine in November allowing for a major increase in ore deliveries and gold production. This new ore feed, along with the expected restart of the Savall II mine in November, are anticipated to increase gold grades and increase the amount of fresh ore feed to the plant. Once ramp up at the West Generator and Savall II mines are complete, throughput is expected to increase by 50%.

Cash cost per Au ounce for the quarter was \$2,767 compared to \$1,989 in the prior quarter. This increase was primarily due to a 13% decrease in production due to the planned 14-day maintenance period of the dual roasters. AISC per Au ounce for the quarter was \$3,314 per ounce, compared to \$2,428 in the prior quarter primarily due to higher cash costs during the quarter.

A total of nine underground drill rigs were active during the quarter. A total of 53,714 diamond drilling metres and 3,280 metres of underground development were drilled during the quarter.

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

1. Rebuild a Leadership Team and add technical expertise to the operation (Completed)
2. Complete the remodeling of all resources inclusive of all available drilling data and mapping (Completed)
3. Execute a roaster expansion capacity study for future growth (Completed)
4. Optimize the water treatment plant for mine dewatering prioritization (Completed)
5. Complete the lift upgrade and develop a long-term TSF2 plan (Completed)
6. Establish a Special Environmental Trust to manage the Reclamation and Closure of four waste rock stockpiles (Completed)
7. Complete a site-wide Environmental Audit (Completed)
8. Connect the two underground Smith and SSX producing mines with an underground development drift which will be used for future ore haulage and exploration activities (Completed)
9. Develop a mercury remediation plan for improved capture of off-gas from the roasters and refinery (Completed)
10. Obtain permits for potential pushbacks of past-producing open pits for future mill feed (Ongoing)
11. Test over 25 high-priority exploration targets, both near-mine and greenfield (Ongoing)
12. Evaluate and complete ore purchase opportunities with third parties to fill roaster excess capacity (Ongoing)
13. Optimize the underground mining plan and execution of mining with the mine contractor (Ongoing)
14. Develop additional higher-grade ore resources from the West Gen and Saval II underground mines (Ongoing)
15. Converting to more efficient and lower cost long-hole stoping methods where practice, to reduce mining costs (Ongoing)
16. Evaluate and competitively bid all major procurement contracts for services and consumables (Ongoing)

It should be noted that a number of the anticipated benefits from these modifications are not yet reflected in the forecasted operating results and are expected to materialize by year-end.

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 underground operations consisting of the Rosarios, La Blanca and San Marcos mines which are interconnected 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, metallurgical pilot plant, buildings, offices and associated infrastructure. The Company owns 100% of the La Parrilla Silver Mine.

Operations at the La Parrilla mine have been placed on care and maintenance since September 2019. The Company completed discussions with the La Parrilla Ejido to continue the long-term land use agreement at La Parrilla during the fourth quarter of 2021.

Del Toro Silver Mine, Zacatecas, México

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

Operations at the Del Toro mine has been placed on care and maintenance since January 2020.

San Martin Silver Mine, Jalisco, México

The San Martin Silver Mine is an underground mine located near the town of San Martin de Bolaños in the Bolaños river valley, in the northern portion of the State of Jalisco, México. San Martin has 33 contiguous mining concessions in the San Martin de Bolaños mining district covering mineral rights for 12,795 hectares, plus an application of a new mining concession covering 24,723 hectares to be granted. 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 suspended all mining and processing activities at the San Martin operation due to marginal economics and growing insecurity in the area. The Company continues to maintain the mine and plant facilities in care and maintenance.

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.

On May 24, 2022, the Company announced that it entered into a share purchase agreement with Sierra Madre Gold and Silver Ltd. ("Sierra Madre"), to sell the La Guitarra Compañía Minera S.A. de C.V. ("La Guitarra") silver mine in Mexico for total consideration of approximately \$35 million, consisting of 69,063,076 Sierra Madre shares at a deemed price of \$0.51 per share. The closing of the transaction requires that Sierra Madre raise a minimum of \$7.7 million (CAD \$10 million) in a private placement concurrent or prior to the sale. Upon closing, First Majestic will also be granted a 2% net smelter royalty return ("NSR") on all mineral production from the La Guitarra concessions, with the NSR subject to a 1% buy-back option for \$2 million. The transaction is expected to close in the first quarter of 2023, following the Sierra Madre shareholder vote on December 8, 2022. At September 30, 2022, the sale was considered highly probable; therefore, the assets and liabilities of La Guitarra were classified as assets and liabilities held for sale and presented separately under current assets and current liabilities, respectively. Immediately prior to the classification to asset and liabilities held for sale, the carrying amount of La Guitarra was remeasured to its recoverable amount, being its fair value less cost of disposal ("FVLCD"), based on the expected proceeds from the sale. During the second quarter of 2022, the Company has recorded a reversal of impairment loss related to the La Guitarra assets of \$7.6 million based on the recoverable amount implied by the share purchase agreement.

Out of the impairment reversal of \$7.6 million related to La Guitarra, \$5.8 million was allocated to depletable mining interest, \$1.6 million was allocated to non-depletable mining interest with the remaining \$0.3 million allocated to property, plant and equipment, resulting in an impairment reversal of \$5.0 million, net of a \$2.7 million adjustment to the deferred tax liability. The recoverable amount of La Guitarra, being its FVLCD, was \$34.9 million based on the expected proceeds from the sale.

Springpole Silver Stream, Ontario, Canada

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

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

- The first payment of \$10.0 million, consisting of \$2.5 million in cash and \$7.5 million in First Majestic shares (805,698 common shares), was paid to First Mining on July 2, 2020;
- The second payment, consisting of \$3.75 million in cash and \$3.75 million in First Majestic shares (287,300 common shares), was paid on January 21, 2021 upon the completion and public announcement by First Mining of the results of a Pre-Feasibility Study for Springpole; and
- The third payment, consisting of \$2.5 million in cash and \$2.5 million in First Majestic shares (based on 20 days volume weighted average price), will be paid upon receipt by First Mining of a Federal or Provincial Environmental Assessment approval for Springpole, which has not yet been received.

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

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

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

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

As at September 30, 2022, the Company has paid \$17.5 million in consideration to First Mining as part of the agreement, of which \$5.7 million was allocated to other financial assets and \$11.8 million was allocated to the Springpole Silver Stream recognized within exploration and evaluation assets.

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

OVERVIEW OF FINANCIAL PERFORMANCE

For the quarters ended September 30, 2022 and 2021 (in thousands of dollars, except for per share amounts):

	Third Quarter 2022	Third Quarter 2021	Variance %
Revenues	\$159,751	\$124,646	28% (1)
Mine operating costs			
Cost of sales	120,707	92,006	31% (2)
Depletion, depreciation and amortization	35,707	29,122	23% (3)
	156,414	121,128	29%
Mine operating earnings	3,337	3,518	(5%)
General and administrative expenses	8,545	6,213	38% (4)
Share-based payments	3,305	3,069	8%
Mine holding costs	3,690	3,344	10%
Acquisition costs	—	127	(100%)
Foreign exchange loss	3,076	1,676	84%
Operating earnings	(15,279)	(10,911)	40%
Investment and other income (loss)	360	(4,863)	(107%) (5)
Finance costs	(5,236)	(4,027)	30% (6)
Loss before income taxes	(20,155)	(19,801)	2%
Current income tax expense	14,270	6,678	114% (7)
Deferred income tax (recovery)	(13,733)	(8,073)	70%
Income tax expense (recovery)	537	(1,395)	(138%) (7)
Net loss for the period	(\$20,692)	(\$18,406)	12% (8)
Loss per share (basic and diluted)	(\$0.08)	(\$0.07)	14% (8)

NM - Not meaningful

1. **Revenues** in the quarter increased \$35.1 million compared to the same quarter of the previous year primarily attributed to:

- a 44% increase in payable silver equivalent ounces sold compared to the same quarter of the previous year which resulted in an increase in revenues of \$62.7 million. This was primarily due to the addition of the Ermitaño mine at Santa Elena in the fourth quarter of 2021;

Partially offset by:

- a decrease in realized silver price per ounce sold, which averaged \$19.74 during the quarter compared to \$23.10 per ounce in the third quarter of 2021, resulting in a \$27.3 million decrease in revenues.

2. **Cost of sales** in the quarter increased \$28.7 million compared to the same quarter of the previous year primarily due to:

- a \$16.5 million increase in change in finished goods inventory expense compared to the same quarter of the prior year due to 1.4 million ounces of silver withheld as finished goods inventory in the third quarter of 2021;
- an increase of \$14.7 million at Santa Elena due to the additional ore tonnage processed from the Ermitaño mine which was added in the fourth quarter of 2021; and
- higher labour, consumables, energy and other costs including maintenance, lab work and selling costs due to inflationary pressures during the year;

Partially offset by:

- a decrease in worker participation costs of \$1.7 million primarily due to lower earnings at San Dimas driven by lower silver equivalent ounce production.

3. **Depletion, depreciation and amortization** in the quarter increased \$6.6 million compared to the same quarter of the previous year, primarily as a result of:
 - an increase of \$8.6 million related to depletion at the San Dimas, Santa Elena and La Encantada mines due to a higher depletable balance of mining interests during the period following the reclassifications from non-depletable to depletable mineral interest in the first quarter of 2022;Partially offset by:
 - a decrease of \$2.1 million related to lower depletion at the Jerritt Canyon Gold mine due to a lower depletable balance following the finalization of the purchase price allocation in the fourth quarter of 2021.
4. **General and administrative expenses** increased by \$2.3 million compared to the same quarter of 2021, primarily due to support growth initiatives from the addition of Jerritt Canyon as well as an increase in legal and audit fees during the quarter.
5. **Investment and other income** for the quarter increased by \$5.2 million compared to the third quarter of the prior year, primarily due to an unrealized loss of \$0.4 million in the current quarter on the Company's marketable securities, compared to an unrealized loss on the Company's marketable securities of \$5.2 million in the same quarter of the prior year.
6. **Finance costs** in the year increased by \$1.2 million compared to the third quarter of the prior year primarily due to an increase in the accretion expense for decommissioning liabilities resulting from changes in the asset retirement obligations in the fourth quarter of the prior year as well as an increase in interest as a result of a \$30 million drawdown on the revolving credit facility during the previous quarter.
7. During the quarter, the Company recorded an **income tax expense** of \$0.5 million compared to a recovery of \$1.4 million in the third quarter of 2021. The increase in income tax expense was primarily due to an increase in the non-deductible expense, changes in valuations allowance, the foreign exchange impact on the Company's Mexican Peso denominated future income tax liability balances and timing differences on the deductibility of capital expenditures for tax and accounting purposes.
8. As a result of the foregoing, **net loss** for the quarter was \$20.7 million (EPS of (\$0.08)) compared to a net loss of \$18.4 million (EPS of (\$0.07)) in the same quarter of the prior year.

For the years to date ended September 30, 2022 and 2021 (in thousands of dollars, except for per share amounts):

	Year to date 2022	Year to date 2021	Variance % 22 vs '21
Revenues	\$476,032	\$379,241	26 % (1)
Mine operating costs			
Cost of sales	345,539	244,849	41 % (2)
Depletion, depreciation and amortization	100,475	73,335	37 % (3)
	446,014	318,184	40 %
Mine operating earnings	30,018	61,057	(51)%
General and administrative	28,207	20,075	41 % (4)
Share-based payments	11,113	9,431	18 % (5)
Reversal of impairment	(7,585)	—	100 % (6)
Acquisition costs	—	1,950	(100)% (7)
Mine holding costs	9,285	9,571	(3)%
Foreign exchange loss (gain)	3,353	(903)	NM
Operating (loss) earnings	(14,355)	20,933	(169)%
Investment and other loss	(926)	(3,684)	(75%) (8)
Finance costs	(14,661)	(11,927)	23% (9)
(Loss) earnings before income taxes	(29,942)	5,322	NM
Current income tax expense	51,212	25,540	101 %
Deferred income tax expense (recovery)	16,303	(19,266)	(185)%
Income tax expense	67,515	6,274	NM (10)
Net loss for the year	(\$97,457)	(\$952)	NM (11)
(Loss) earnings per common share			
Basic and diluted	(\$0.37)	\$0.00	NM (11)

NM - Not meaningful

- Revenues** in the nine months ended September 30, 2022 increased \$96.8 million or 26% compared to the same period of the previous year, primarily attributed to:
 - \$170.2 million increase due to a 41% increase in payable silver equivalent ounces sold compared to the prior year. This was mainly attributed to the addition of Jerritt Canyon on April 30, 2021 which contributed three full quarters of revenue in the current year versus 154 days in the prior year along with increased production at Santa Elena due to achieving commercial production at the Ermitaño mine in the fourth quarter of 2021.
Partially offset by:
 - \$73.3 million decrease due to a 13% decrease in realized silver price per ounce sold, which averaged \$22.27 compared to \$25.74 in the prior year.
- Cost of sales** in the year increased \$100.7 million or 41% compared to 2021 as a result of the following factors:
 - a \$54.4 million increase due to the addition of the Jerritt Canyon mine which was acquired on April 30, 2021 and contributed to three full quarters of results in 2022;
 - an increase of \$30.0 million at the Santa Elena mine due to the additional ore tonnage processed from the Ermitaño mine which was added in the fourth quarter of 2021;
 - a \$15.4 million increase in change in finished goods inventory expense compared to the same quarter of the prior year primarily due to approximately 1.4 million ounces of silver withheld as finished goods inventory in the third quarter of 2021;

- \$3.1 million in abnormal costs that were incurred as a result of marginal ore material that was processed to keep the mill running at minimum feed requirements to perform mandated air compliance test work at the Jerritt Canyon Gold mine during the second quarter of 2022; and
 - higher labour, consumables, energy and other costs including maintenance, lab work, insurance, and service costs, partially due to inflationary pressures during the year.
3. **Depletion, depreciation and amortization** in the year increased \$27.1 million or 37% compared to the previous year primarily as a result of \$14.5 million increase from the Mexican operations due to an increase in throughput, higher mining interest and property plant and equipment balances during the year and the addition of the Jerritt Canyon Gold mine, which contributed to an increase of \$12.0 million during the year.
 4. **General and administrative expense** in the year increased \$8.1 million or 41% compared to the prior year, primarily to support growth initiatives from the addition of Jerritt Canyon, an increase in legal and audit fees during the year as well as an increase in severance costs, employee salaries and benefits including the annual incentive compensation. The Company continues to focus its efforts on optimizing its workforce and is planning additional reductions in order to decrease general and administrative costs on a go forward basis.
 5. **Share based payments** in the year increased \$1.7 million primarily attributed to an increase in the fair value of the options granted, restricted and performance share units granted during the year as well as the introduction of the deferred shares units compensation for the independent directors.
 6. **Reversal of impairment** increased by \$7.6 million compared to the same quarter of 2021, attributed to the announcement for the Sale of La Guitarra silver mine in Mexico for total proceeds of \$35 million. At September 30, 2022, the sale was considered highly probable; therefore, the assets and liabilities of La Guitarra were classified as assets and liabilities held for sale and presented separately under current assets and current liabilities, respectively. Immediately prior to the classification to asset and liabilities held for sale, the carrying amount of La Guitarra was remeasured to its recoverable amount, being its fair value less cost of disposal ("FVLCD"), based on the expected proceeds from the sale. During the second quarter of 2022, the Company recorded a reversal of impairment loss related to the La Guitarra assets of \$7.6 million based on the recoverable amount implied by the share purchase agreement.
 7. **Acquisition costs** of \$2.0 million in 2021 relates to due diligence costs and closing fees incurred in connection with the acquisition of the Jerritt Canyon Gold mine which closed on April 30, 2021.
 8. **Investment and other income** in the year decreased \$2.8 million compared to the previous year primarily due to an unrealized loss of \$4.3 million on the Company's marketable securities, compared to an unrealized loss on the Company's marketable securities of \$2.9 million in the prior year. Additionally, there was a \$3.2 million gain on silver future derivatives in 2022 compared to a \$0.6 million gain in the prior year. Finally, there was a \$2.1 million loss on the write-down of property and equipment in relation to the sale of certain AG mill equipment to Condor Gold PLC in the prior year.
 9. **Finance costs** in the year increased by \$2.7 million compared to the previous year primarily due to an increase in the accretion expense for decommissioning liabilities resulting from changes in the asset retirement obligations in the fourth quarter of the prior year along with an increase in interest as a result of a \$30 million drawdown on the revolving credit facility during the year.
 10. During the nine months ended September 30, 2022, the Company recorded an **income tax expense** of \$67.5 million, compared to \$6.3 million in 2021. In June 2022, following the completion of a tax audit, a conclusive agreement with the Mexican tax authority, the Servicio de Administracion Tributaria ("SAT") was signed by Corporación First Majestic S.A. de C.V. ("CFM") through Mexico's Office of the Taxpayer Ombudsman ("PRODECON") to settle an uncertain tax position concerning Mexican back-to-back loan provisions. The provisions were originally conceived from an anti-avoidance rule and a literal interpretation of the rules would convert most debt financing in Mexico into back-to-back loans. The back-to-back loan provisions establish that interest expense derived from back-to-back loans can be recharacterized as dividends resulting in significant changes to the tax treatment of interest, including withholding taxes. As a result of this recharacterization and in accordance with the agreement, CFM made a one time payment of approximately \$21.3 million in the second quarter which has been recognized as a current tax expense during the year. In addition to the payment made, CFM agreed to surrender certain tax loss carry forwards resulting in a non cash deferred tax expense of \$54 million.
 11. As a result of the foregoing, **net loss** for the nine months ended September 30, 2022 was \$97.5 million (EPS of (\$0.37)), compared to the net loss of \$1.0 million (EPS of \$0.00) 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	2022			2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$159,751	\$159,443	\$156,838	\$204,876	\$124,646	\$154,073	\$100,522	\$117,075
Cost of sales	\$120,707	\$113,619	\$111,213	\$121,236	\$92,006	\$95,782	\$57,061	\$58,008
Depletion, depreciation and amortization	\$35,707	\$34,212	\$30,556	\$43,278	\$29,122	\$28,868	\$15,345	\$15,399
Mine operating earnings (loss)	\$3,337	\$11,612	\$15,069	\$40,362	\$3,518	\$29,423	\$28,116	\$43,668
Net (loss) earnings after tax	(\$20,692)	(\$84,050)	\$7,285	(\$3,971)	(\$18,406)	\$15,599	\$1,855	\$34,545
(Loss) earnings per share - basic	(\$0.08)	(\$0.32)	\$0.03	(\$0.02)	(\$0.07)	\$0.06	\$0.01	\$0.16
(Loss) earnings per share - diluted	(\$0.08)	(\$0.32)	\$0.03	(\$0.02)	(\$0.07)	\$0.06	\$0.01	\$0.15

During the third quarter of 2022, mine operating earnings were \$3.3 million compared to earnings of \$11.6 million in the previous quarter primarily attributed to higher cost of sales due to a 19% increase of AgEq ounces sold at a lower average realized silver price of \$19.74 compared to \$23.93 in the prior quarter. The net loss for the quarter was \$20.7 million compared to the net loss of \$84.1 million in the prior quarter primarily attributed to an income tax expense of \$0.5 million compared to an income tax expense of \$78.7 million in the previous quarter due to the settlement of an uncertain tax position with the SAT relating to Corporación First Majestic S.A. de C.V. ("CFM").

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at September 30, 2022, the Company had cash and cash equivalents of \$148.8 million, comprised primarily of cash held with reputable financial institutions and is invested in cash accounts and in highly liquid short-term investments with maturities of three months or less. With the exception of \$1.8 million held in-trust for tax audits in Mexico, the Company's cash and cash equivalents are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Working capital as at September 30, 2022 was \$148.2 million compared to \$224.4 million at December 31, 2021. Total available liquidity at September 30, 2022 was \$213.2 million, including working capital and \$65.0 million of undrawn revolving credit facility.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash flow				
Cash generated by (used in) operating activities	\$65,983	(\$11,988)	\$33,746	(\$21,089)
Cash used in investing activities	(54,043)	(61,440)	(160,871)	(121,014)
Cash generated by financing activities	23,281	41,911	46,834	97,153
Increase (decrease) in cash and cash equivalents	\$35,221	(\$31,517)	(\$80,291)	(\$44,950)
Effect of exchange rate on cash and cash equivalents held in foreign currencies	(3,524)	(2,782)	(3,547)	(818)
Cash and cash equivalent reclassified as held for sale	(599)	—	(5,269)	—
Cash and cash equivalents, beginning of the period	117,721	227,109	237,926	238,578
Cash and cash equivalents, end of period	\$148,819	\$192,810	\$148,819	\$192,810

The Company's cash flows from operating, investing and financing activities during the nine months ended September 30, 2022 are summarized as follows:

- **Cash generated by operating activities** of \$33.7 million, primarily due to:

- \$61.0 million in income taxes paid during the period;
- \$1.3 million net change in non-cash working capital items during the period, including a \$28.4 million decrease in trade payables primarily due to the release of \$12.6 million held in escrow for the acquisition of Jerritt Canyon and annual profit sharing payments made in Mexico during the second quarter, \$26.4 million decrease in restricted cash following the replacement of cash bonds with surety bonds at Jerritt Canyon, a \$5.1 million increase in prepaid expenses, \$2.1 million increase in inventories, partially offset by a \$5.9 million decrease in value added tax ("VAT") receivables, a \$1.9 million decrease in trade and other receivables and \$0.1 million increase in income taxes payable;

net of:

- \$96.0 million in cash flows from operating activities before movements in working capital and taxes.

- **Cash used in investing activities** of \$160.9 million, primarily related to:

- \$118.3 million spent on mine development and exploration activities;
- \$43.9 million spent on purchase of property, plant and equipment;
- \$2.8 million spent on deposits on non-current assets;
- \$1.7 million spent on the purchase of marketable securities;

net of:

- \$3.2 million of net proceeds from the settlement of derivatives; and
- \$2.7 million of net proceeds from the disposal of marketable securities.

- **Cash provided by financing activities** of \$46.8 million, primarily consists of the following:

- \$30.3 million of net proceeds from the issuance of shares through the ATM;
- \$30.0 million of proceeds from the revolving credit facility;
- \$4.6 million of net proceeds from the exercise of stock options;

net of:

- \$10.1 million on repayment of lease obligations;
- \$5.2 million for the payment of dividends during the year; and
- \$2.0 million payment of financing costs.

During the quarter ended September 30, 2022 the Company received \$4.7 million (95.4 million MXN) related to value added tax filings, totaling \$24.3 million (493.7 million MXN) for the nine months ended September 30, 2022. In connection with the PEM tax ruling, the tax authority has frozen a PEM bank account with cumulative funds of \$73.0 million as a guarantee against certain disputed tax assessments which are currently held within the Company's restricted cash accounts. This balance consists of VAT refunds that the Company has received which were previously withheld by the tax authority. The Company does not agree with SAT's position and is challenging the freezing of the bank account through the relevant legal channels.

During the second quarter of 2022, cash bonds held with the Nevada Division of Environmental Protection ("NDEP") and the US Forestry Service ("USFS") were replaced with surety bonds to fund ongoing reclamation and mine closure obligations, with a \$5 million letter of credit provided as collateral for these bonds (Note 20). These funds were previously classified as non-current restricted cash until returned to the Company by the NDEP and USFS. During the third quarter of 2022, the NDEP and USFS have returned the cash bonds totaling \$44.1 million and these amounts have been re-classified to cash and cash equivalents as at September 30, 2022.

Capital Resources

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

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

The Company is not subject to any externally imposed capital requirements with the exception of complying with banking covenants defined in its debt facilities. As at September 30, 2022 and December 31, 2021, the Company was fully in compliance with these covenants.

Contractual Obligations and Commitments

As at September 30, 2022, the Company's contractual obligations and commitments are summarized as follows:

	Contractual Cash Flows	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$105,331	\$105,331	\$—	\$—	\$—
Debt facilities	271,621	2,016	38,455	231,150	—
Lease liabilities	43,219	13,415	22,133	6,712	959
Other liabilities	6,748	—	—	—	6,748
Purchase obligations and commitments	10,620	10,620	—	—	—
	\$437,539	\$131,382	\$60,588	\$237,862	\$7,707

At September 30, 2022, the Company had a working capital of \$148.2 million (2021 – \$224.4 million) and total available liquidity of \$213.2 million (2021 – \$274.4 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 chartered banks, trade receivables in the ordinary course of business, value added taxes receivable and other receivables.

As at September 30, 2022, VAT receivable was \$40.6 million (December 31, 2021 - \$47.1 million), of which \$22.2 million (December 31, 2021 - \$22.2 million) relates to Minera La Encantada S.A. de C.V. ("MLE") and \$14.0 million (December 31, 2021 - \$22.0 million) relates to PEM.

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

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

Liquidity Risk

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

Currency Risk

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

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

	September 30, 2022						
	Cash and cash equivalents	Restricted cash	Value added taxes receivable	Other financial assets	Trade and other payables	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$39,812	\$—	\$—	\$3,621	(\$2,746)	\$40,687	\$4,069
Mexican peso	27,762	73,016	36,773	—	(41,543)	96,008	9,601
	\$67,574	\$73,016	\$36,773	\$3,621	(\$44,289)	\$136,695	\$13,670

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 long-term derivative instruments to hedge its commodity price risk to silver or gold.

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

	September 30, 2022		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$2,078	\$372	\$2,450
	\$2,078	\$372	\$2,450

Political and Country Risk

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

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

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

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

in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue.

Public Health Crises

Global financial conditions and the global economy in general have experienced, at various times in the past and potentially in the future, extreme volatility in response to economic shocks or other events, such as the concern with COVID-19. Many industries, including the mining industry, are impacted by volatile market conditions in response to the widespread outbreak of epidemics, pandemics, or other health crises. Such public health crises and the responses of governments and private actors can result in disruptions and volatility in economies, financial markets, and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could impact commodity prices, interest rates, credit ratings, credit risk and inflation.

The Company's business could be materially adversely affected by the effects of the COVID-19 pandemic. As of the date of this MD&A, the global spread of COVID-19 appears to have stabilized. The Company has modified its measures to monitor, combat and effectively manage COVID-19 at its operations. The Company also continues to provide sanitary support for the local communities in which it operates. Due to the potential for new variants of COVID-19, future disruptions to business internationally and related financial impact on the Company and the economy in general cannot be estimated with any degree of certainty at this time.

During 2022, the Company modified its preventative control measures to protect the safety and health of our employees, contractors, and communities in which it operates. These measures include continuing education and, where appropriate, voluntary vaccination campaigns to avoid illnesses related to COVID-19, COVID-19 variants, and the seasonal flu. Monitoring of worker wellness or fitness for duty, as recommended by the Mexican, US and Canadian Governments health agencies, continues.

There is no guarantee that the Company will not experience disruptions to some of its active mining operations due to COVID-19 restrictions in the future. Any such disruptions could have an adverse effect on the Company's production, revenue, net income and business.

Environmental and Health and Safety Risks

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

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

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

On March 8, 2022, NDEP issued an additional four Notices of Alleged Violations to Jerritt Canyon Gold, LLC for alleged exceedances and violations of an Air Quality Operating permit and Mercury Operating Permit to Construct. The new NOAVs relate to alleged exceedances of a mercury emission limitations, exceedances of operating parameters, installation of equipment, and recordkeeping requirements. The Company filed a Request for Hearing with the Nevada State Environmental Commission on March 18, 2022 that challenged the bases for the alleged NOAVs and any potential penalties associated with the NOAVs. JCG and NDEP agreed to waive the 20-day hearing requirement for the NOAVs and the parties request that the NSEC withhold schedule a hearing for the NOAVs at this time. At this time the estimated amount cannot be reliably determined.

Claims and Legal Proceedings Risks

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

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

Primer Tax Rulings

When Primero, the previous owner of San Dimas acquired the San Dimas Mine in August 2010, it assumed the obligations under a Silver Purchase Agreement ("Old Stream Agreement") that required its subsidiary PEM to sell exclusively to WPML up to 6 million ounces silver produced from the San Dimas Mine, and 50% of silver produced thereafter, at the lower of: (i) the spot market price and (ii) \$4.014 per ounce plus an annual increase of 1% ("PEM Realized Price").

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

To obtain tax and legal assurance that the SAT would accept the PEM Realized Price as the transfer price to calculate Mexican income taxes payable by PEM, a mutually binding Advance Pricing Agreement ("APA") was entered into with the SAT for taxation years 2010 to 2014. On October 4, 2012, the SAT confirmed that based on the terms of the APA, the PEM Realized Price could be used as PEM's basis for calculating taxes owed for the silver sold under the Old Stream Agreement.

In February 2016, the SAT initiated a legal process seeking to retroactively nullify the APA.

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

The Company continues to defend the APA in the Mexican legal proceedings, and also requested resolution of the transfer price dispute pursuant to the Mutual Agreement Procedure ("MAP"), under the relevant avoidance of double taxation treaties, between the competent tax authorities of Mexico, Canada, Luxembourg and Barbados. The SAT has refused to take the necessary steps under the MAP process contained in the three treaties. The Company believes that by its refusal, Mexico is in breach of its international obligations regarding double taxation treaties. Furthermore, the APA remains valid and legally binding on the SAT.

The Company continues to pursue all available domestic and international remedies under the laws of Mexico and under the relevant tax treaties. Furthermore, as discussed further below, it has also made claims against Mexico under Chapter 11 of the North American Free Trade Agreement (“NAFTA”) for violation of its international law obligations.

Domestic Remedies

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

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

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

The Company, in addition to challenging the SAT’s actions in the Mexican courts, is also pursuing resolution of its dispute through Mexico’s Federal Taxpayer Defense Attorney’s Office (known as “PRODECON”).

International Remedies

On March 2, 2021, the Company submitted a Request for Arbitration to the International Centre for Settlement of Investment Disputes (“ICSID”), on its own behalf and on behalf of PEM, based on Chapter 11 of NAFTA. On March 31, 2021, the Notice of Registration of the Request for Arbitration was issued by the ICSID Secretariat. Once the NAFTA Arbitration Panel (the “Tribunal”) was fully constituted on August 20, 2021 by the appointment of all three panel members, the NAFTA Arbitration Proceedings (the “NAFTA Proceedings”) were deemed to have been fully commenced. The first session of the Tribunal was held by videoconference on September 24, 2021 to decide upon the procedural rules which will govern the NAFTA Proceedings. The Tribunal issued Procedural Order No. 1 on October 21, 2021. Thereafter, on April 26, 2022, the Company submitted its Claimant’s Memorial including expert reports and witness statements to the Tribunal. Mexico is required to respond to the Claimant’s Memorial by November 24, 2022.

If the SAT’s attempts to retroactively nullifying the APA are successful, the SAT can be expected to enforce its Reassessments for 2010 through 2014 against PEM in respect of its sales of silver pursuant to the Old Stream Agreement. Such an outcome 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 spot market prices without any mitigating adjustments, the incremental income tax for the years 2010-2019 would be approximately \$246.0 million (4,995 million MXN), before taking into consideration interest or penalties.

Based on the Company’s consultation with third party advisors, the Company believes PEM filed its tax returns in compliance with applicable Mexican law and, therefore, at this time no liability has been recognized in the financial statements.

To the extent it is ultimately determined that the pricing for silver sales under the Old Stream Agreement is significantly different from the PEM Realized Price, and while PEM would have rights of appeal in connection with any reassessments, it is likely to have a materially adverse 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. and Corporacion First Majestic S.A. de C.V., the SAT issued tax assessments for fiscal 2013 for corporate income tax in the amount of \$4.4 million (88.4 million MXN) and \$14.1 million (282 million MXN), respectively including interest, inflation and penalties. The major items relate to 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, based on advice from legal and financial advisors believes MLE's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

Corporación First Majestic Back-to-Back Loans

In June 2022, following the completion of a tax audit, a conclusive agreement with the SAT was signed by Corporación First Majestic S.A. de C.V. ("CFM") through Mexico's Office of the Taxpayer Ombudsman ("PRODECON") to settle an uncertain tax position concerning Mexican back-to-back loan provisions. The provisions were originally conceived from an anti-avoidance rule and a literal interpretation of the rules would convert most debt financing in Mexico into back-to-back loans. The back-to-back loan provisions establish that interest expense derived from back-to-back loans can be recharacterized as dividends resulting in significant changes to the tax treatment of interest, including withholding taxes. As a result of this recharacterization and in accordance with the conclusive agreement, CFM made a one time payment of approximately \$21.3 million in the second quarter of 2022 which has been recognized as a current tax expense during the year. In addition to the payment made, CFM agreed to surrender certain tax loss carry forwards resulting in a deferred tax expense of \$54 million.

OTHER FINANCIAL INFORMATION

Share Repurchase Program

The Company has an ongoing share repurchase program to repurchase up to 10,000,000 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. All common shares, if any, purchased pursuant to the Share Repurchase will be cancelled. The Company believes that from time to time, the market price of its common shares may not fully reflect the underlying value of the Company's business and its future business prospects. The Company believes that at such times, the purchase of common share would be in the best interest of the Company. During the nine months ended September 30, 2022, the Company repurchased 100,000 common shares at an average price of CDN \$8.52 per share as part of the Share Repurchase Program (December 2021 - nil) for total proceeds of \$0.7 million, net of transaction costs.

Off-Balance Sheet Arrangements

At September 30, 2022, the Company had no material off-balance sheet arrangements such as contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Company, other than contingent liabilities and vendor liability and interest, as disclosed in this MD&A and the consolidated financial statements and the related notes.

Related Party Disclosures

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

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

With the exception of the agreement with First Mining Gold Corp., there were no transactions with related parties outside of the ordinary course of business during the nine months ended September 30, 2022.

Outstanding Share Data

As at November 8, 2022, the Company has 265,460,774 common shares issued and outstanding.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to September 30, 2022:

Declaration of Quarterly Dividend

On November 9 2022, the Company's board of directors approved the declaration of its quarterly common share dividend of \$0.0061 per share, payable on or after December 2, 2022, to common shareholders of record at the close of business on November 22, 2022. These dividends were declared subsequent to the quarter end and have not been recognized as distributions to owners during the period ended September 30, 2022.

At-the-Market Distributions ("ATM") Program

The Company previously announced that it had filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares is to be made through ATM distributions, as defined in Canadian Securities Administrator's National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. Subsequent to quarter end, the Company has initiated the sale of common shares through the ATM Program, selling a total of 2,500,000 common shares at an average price of \$8.59 per share.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

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

The Company's condensed interim consolidated financial statements for the nine months ended September 30, 2022, there were no changes in critical accounting judgments and estimates that were significantly different from those disclosed in the Company's annual MD&A as at and for the year ended December 31, 2021 and the following accounting policies, critical judgments and estimates in applying accounting policies:

Assets and Liabilities Held-for-Sale:

Accounting Policy:

A non-current asset or disposal group of assets and liabilities ("disposal group") is classified as held-for-sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, and when the following criteria are met:

- (i) The non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; and
- (ii) The sale of the non-current asset or disposal group is highly probable. For the sale to be highly probable:
 - The appropriate level of management must be committed to a plan to sell the asset or disposal group;
 - An active program to locate a buyer and complete the plan must have been initiated;
 - The non-current asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
 - The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale (with certain exceptions); and

- Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and disposal groups are classified as held for sale from the date these criteria are met and are measured at the lower of the carrying amount and fair value less costs to sell ("FVLCTS"). If the FVLCTS is lower than the carrying amount, an impairment loss is recognized in net earnings. Upon classification as held for sale, non-current assets are no longer depreciated.

Significant estimates and judgements:

In determining the probability of the sale being completed within a year, management has considered a number of factors including necessary approvals from management, the Board of Directors, regulators and shareholders.

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

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

The amendments were applied effective January 1, 2022 and did not have a material impact on the Company's consolidated financial statements.

Provisions, Contingent Liabilities and Contingent Assets (Amendment to IAS 37)

The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. On adoption of this amendment, there was no impact to the Company's consolidated financial statements.

Future Changes in Accounting Policies Not Yet Effective as at September 30, 2022:

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

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

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments— Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The International Accounting Standards Board ("IASB") has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. This amendment is not expected to have a material impact on the Company's financial statements.

[Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates](#)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

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

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

NON-GAAP MEASURES

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

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

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

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

Cash costs per AgEq ounce and total production cost per tonne are non-GAAP performance measures used by the Company to manage and evaluate operating performance at each of the Company's operating mining units, in conjunction with the related GAAP amounts. These metrics 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. Management and investors use these metrics for comparing the costs against peers in the industry and for assessing the performance of each mine within the portfolio.

Management calculates the cash costs per ounce and production costs per tonne by:

- starting with the production costs (GAAP) from the income statement;
- adding back duties and royalties, smelting and refining costs as well as transportation and selling costs, which form a part of the cost of sales on the financial statements and provide a better representation of total costs incurred;
- cash costs are divided by the payable silver equivalent ounces produced; and
- production costs are divided by the total tonnes milled.

AISC is a non-GAAP performance 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 and is useful for investors and management to assess the Company's operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations, in conjunction with related GAAP amounts. AISC helps investors to assess costs against peers in the industry and help management assess the performance of each mine within the portfolio in a standardized manner.

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 costs (GAAP measure) 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 condensed interim consolidated financial statements.

(expressed in thousands of U.S. Dollars, except ounce and per ounce amounts)	Three Months Ended September 30, 2022				
	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$10,821	\$11,697	\$3,732	\$24,503	\$50,754
Milling cost	7,796	10,165	5,027	14,969	37,957
Indirect cost	11,263	4,924	3,088	5,006	24,280
Total production cost (A)	\$29,880	\$26,786	\$11,847	\$44,478	\$112,991
Add: transportation and other selling cost	375	196	119	22	761
Add: smelting and refining cost	432	108	166	22	728
Add: environmental duty and royalties cost	372	1,204	80	529	2,185
Total cash cost (B)	\$31,059	\$28,294	\$12,212	\$45,051	\$116,665
Workers' participation	1,566	518	256	—	2,340
General and administrative expenses	—	—	—	—	8,125
Share-based payments	—	—	—	—	3,305
Accretion of decommissioning liabilities	294	160	210	513	1,531
Sustaining capital expenditures	8,222	2,563	1,094	8,444	20,660
Operating lease payments	169	2,008	848	—	3,373
All-In Sustaining Costs (C)	\$41,310	\$33,543	\$14,620	\$54,008	\$155,999
Payable silver equivalent ounces produced (D)	3,766,684	2,729,552	785,461	1,465,968	8,747,665
Payable gold equivalent ounces produced (E)	N/A	N/A	N/A	16,283	N/A
Tonnes milled (F)	185,126	214,387	255,945	181,056	836,514
Cash cost per AgEq ounce (B/D)	\$8.25	\$10.37	\$15.55	\$30.73	\$13.34
AISC per AgEq ounce (C/D)	\$10.97	\$12.29	\$18.61	\$36.84	\$17.83
Cash cost per AuEq ounce (B/E)	N/A	N/A	N/A	\$2,767	N/A
AISC per AuEq ounce (C/E)	N/A	N/A	N/A	\$3,317	N/A
Production cost per tonne (A/F)	\$161.41	\$124.94	\$46.29	\$245.66	\$135.07

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

Three Months Ended September 30, 2021

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

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

Nine Months Ended September 30, 2022

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$33,503	\$33,600	\$10,508	\$69,967	\$147,578
Milling cost	22,504	25,631	14,543	37,998	100,676
Indirect cost	32,498	15,060	8,944	15,700	72,201
Total production cost (A)	\$88,505	\$74,291	\$33,995	\$123,665	\$320,456
Add: transportation and other selling cost	886	573	341	88	2,045
Add: smelting and refining cost	1,153	324	491	61	2,029
Add: environmental duty and royalties cost	1,069	4,892	263	2,199	8,423
Total cash cost (B)	\$91,613	\$80,080	\$35,090	\$126,013	\$332,953
Workers' participation	7,584	2,741	(744)	—	9,581
General and administrative expenses	—	—	—	—	26,975
Share-based payments	—	—	—	—	11,113
Accretion of decommissioning liabilities	884	482	629	1,540	4,548
Sustaining capital expenditures	26,245	10,917	4,355	23,227	66,332
Operating lease payments	410	4,084	2,473	—	8,097
All-In Sustaining Costs (C)	\$126,736	\$98,304	\$41,803	\$150,780	\$459,599
Payable silver equivalent ounces produced (D)	9,880,782	6,833,663	2,302,199	4,629,344	23,645,988
Payable gold equivalent ounces produced (E)	N/A	N/A	N/A	55,583	N/A
Tonnes milled (F)	577,528	644,785	770,406	624,704	2,617,423
Cash cost per AgEq ounce (B/D)	\$9.27	\$11.72	\$15.24	\$27.22	\$14.08
AISC per AgEq ounce (C/D)	\$12.83	\$14.39	\$18.16	\$32.57	\$19.44
Cash cost per AuEq ounce (B/E)	N/A	N/A	N/A	\$2,267	N/A
AISC per AuEq ounce (C/E)	N/A	N/A	N/A	\$2,713	N/A
Production cost per tonne (A/F)	\$153.25	\$115.22	\$44.13	\$197.96	\$122.43

	Nine months ended September 30, 2021				
(expressed in thousands of U.S. Dollars, except ounce and per ounce amounts)	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$36,038	\$21,972	\$9,692	\$38,209	\$105,911
Milling cost	21,097	21,080	13,688	22,254	78,119
Indirect cost	29,459	10,752	8,411	9,834	58,457
Total production cost (A)	\$86,594	\$53,803	\$31,791	\$70,298	\$242,486
Add: transportation and other selling cost	984	458	324	33	1,958
Add: smelting and refining cost	1,064	358	479	27	1,928
Add: environmental duty and royalties cost	1,092	356	290	1,395	3,133
Total cash cost (B)	\$89,734	\$54,975	\$32,884	\$71,753	\$249,505
Workers' participation	9,364	215	758	—	10,338
General and administrative expenses	—	—	—	—	18,802
Share-based payments	—	—	—	—	9,431
Accretion of decommissioning liabilities	541	237	393	323	2,277
Sustaining capital expenditures	26,553	12,122	3,344	18,678	62,277
Operating lease payments	217	1,776	2,078	515	5,712
All-In Sustaining Costs (C)	\$126,409	\$69,325	\$39,457	\$91,269	\$358,342
Payable silver equivalent ounces produced (D)	9,504,954	3,083,303	2,495,405	3,189,438	18,273,100
Payable gold equivalent ounces produced (E)	N/A	N/A	N/A	44,907	N/A
Tonnes milled (F)	616,053	654,600	735,905	377,026	2,383,584
Cash cost per AgEq ounce (B/D)	\$9.44	\$17.83	\$13.18	\$22.41	\$13.65
AISC per AgEq ounce (C/D)	\$13.30	\$22.48	\$15.81	\$28.53	\$19.60
Cash cost per AuEq ounce (B/E)	N/A	N/A	N/A	\$1,598	N/A
AISC per AuEq ounce (C/E)	N/A	N/A	N/A	\$2,032	N/A
Production cost per tonne (A/F)	\$140.56	\$82.18	\$43.19	\$186.46	\$101.73

Average Realized Silver Price per Silver Equivalent Ounce

Revenues are presented as the net sum of invoiced revenues related to delivered shipments of silver or gold doré bars, including associated metal by-products of 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 average realized silver price is a non-GAAP performance measure that allows management and investors to assess the Company's ability to sell ounces produced, in conjunction with related GAAP amounts. Management calculates this measure by taking total revenue reported under GAAP and adding back smelting and refining charges to arrive at the gross reportable revenue for the period. Gross revenues are divided into payable silver equivalent ounces sold to calculate the average realized price per ounce of silver equivalents sold. The streaming and royalty agreements in place between the Company and Sandstorm as well as Wheaton, impacts the total revenues reported on the financial statements given the reduced prices provided to these vendors in line with the terms of the agreements. Therefore, management adjusts revenue to exclude smelting and refining charges as well as revenues earned through agreements with these vendors. This provides management with a better picture regarding its ability to convert ounces produced to ounces sold and provides the investor with a clear picture of the price that the Company can currently sell the inventory for, excluding pre-arranged agreements.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues as reported	\$159,752	\$124,646	\$476,032	\$379,241
Add back: smelting and refining charges	728	474	2,029	1,929
Gross revenues	160,480	125,120	478,061	381,170
Less: Sandstorm gold revenues	(229)	(689)	(928)	(2,028)
Less: Wheaton gold revenues	(6,366)	(7,014)	(19,221)	(20,226)
Gross revenues, excluding Sandstorm, Wheaton (A)	\$153,885	\$117,417	\$457,912	\$358,916
Payable silver equivalent ounces sold	8,754,114	6,061,557	23,313,263	16,575,585
Less: Payable silver equivalent ounces sold to Sandstorm	(43,699)	(112,423)	(165,124)	(308,105)
Less: Payable silver equivalent ounces sold to Wheaton	(912,992)	(865,884)	(2,589,327)	(2,321,765)
Payable silver equivalent ounces sold, excluding Sandstorm and Wheaton (B)	7,797,423	5,083,250	20,558,812	13,945,715
Average realized silver price per silver equivalent ounce (A/B)	\$19.74	\$23.10	\$22.27	\$25.74
Average market price per ounce of silver per COMEX	\$19.24	\$24.31	\$21.97	\$25.75

Average Realized Gold Price per Ounce

Revenues are presented as the net sum of invoiced revenues related to delivered shipments of silver or gold doré bars, including associated metal by-products of 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 average realized gold price is a non-GAAP performance measure that allows management and investors to assess the Company's ability to sell ounces produced, in conjunction with related GAAP amounts. Management calculates this measure by taking total revenue reported under GAAP and adding back smelting and refining charges to arrive at the gross reportable revenue for the period. Silver revenues are deducted from the reportable revenue for the period in order to arrive at the gold revenue for the period. Gross gold revenues are divided into gold ounces sold to calculate the average realized price per ounce of gold sold. The streaming and royalty agreements in place between the Company and Sandstorm as well as Wheaton, impacts the total revenues reported on the financial statements given the reduced prices provided to these vendors in line with the terms of the agreements. Therefore, management adjusts revenue to exclude smelting and refining charges as well as revenues earned through agreements with these vendors. This provides management with a better picture regarding its ability to convert ounces produced to ounces sold and provides the investor with a clear picture of the price that the Company can currently sell the inventory for, excluding pre-arranged agreements.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gross revenue, excluding Sandstorm, Wheaton	\$153,885	\$117,417	\$457,912	\$358,916
Less: Silver revenues	56,744	43,153	180,988	201,916
Gross gold revenues, excluding Sandstorm, Wheaton (A)	\$97,141	\$74,264	\$276,924	\$157,000
Gold ounces sold	68,842	55,491	186,754	125,221
Less: Gold ounces sold to Wheaton	10,196	11,346	30,898	32,833
Less: Gold ounces sold to Sandstorm	484	1,472	1,968	4,342
Gold ounces sold, excluding Sandstorm and Wheaton (B)	58,162	42,673	153,888	88,046
Average realized gold price per ounce (A/B)	\$1,670	\$1,740	\$1,800	\$1,783
Average market price per ounce of gold	\$1,728	\$1,726	\$1,824	\$1,780

Free Cash Flow

Free cash flow is a non-GAAP liquidity measure which is determined based on operating cash flows less sustaining capital expenditures. Management uses free cash flow as a critical measure in the evaluation of liquidity in conjunction with related GAAP amounts. It also uses the measure when considering available cash, including for decision-making purposes related to dividends and discretionary investments. Further, it helps management, the Board of Directors and investors evaluate a Company's ability to generate liquidity from operating activities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating cash flows	\$65,983	(\$11,988)	\$33,746	(\$21,089)
Less: Sustaining capital expenditures	20,660	26,497	66,332	62,277
Free cash flow	\$45,323	(\$38,485)	(\$32,586)	(\$83,366)

Adjusted Earnings per Share (“Adjusted EPS”)

The Company uses the financial measure “Adjusted EPS” which is a non-GAAP measure, to supplement earnings per share (GAAP) information in its condensed interim 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.

Management uses adjusted earnings per share as a critical measure operating performance in conjunction with the related GAAP amounts. The only items considered in the adjusted earnings-per-share calculation are those that management believes (1) may affect trends in underlying performance from year to year and (2) are not considered normal recurring cash operating expense.

Adjusted earnings per share is used for forecasting, operational and strategic decision making, evaluating current Company and management performance, and calculating financial covenants. Management believes that excluding certain non-cash and non-recurring items from the calculation increases comparability of the metric from period to period, which makes it useful for management, the audit committee and investors, to evaluate 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.

To calculate adjusted earnings per share, management adjusts from net earnings (GAAP), the per-share impact, net of the tax effects of adjustments, of the following:

- share based payments;
- realized and unrealized gains and losses from investment in derivatives and marketable securities; and
- other infrequent or non-recurring losses and gains.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) as reported	(\$20,692)	(\$18,406)	(\$97,457)	(\$952)
Adjustments for non-cash or unusual items:				
Tax settlement	—	—	21,340	—
Reversal of impairment	—	—	(7,585)	—
Deferred income tax (recovery) expense	(13,733)	(8,073)	16,303	(19,266)
Share-based payments	3,305	3,069	11,113	9,431
Loss from investment in derivatives and marketable securities	441	5,169	4,290	2,298
Abnormal costs ⁽¹⁾	—	—	3,117	—
Write-down on assets held-for-sale	—	—	—	2,081
Write-down of mineral inventory	8,100	—	14,453	6,034
Acquisition costs	—	127	—	1,950
Adjusted net (loss) earnings	(\$22,579)	(\$18,114)	(\$34,426)	\$1,576
Weighted average number of shares on issue - basic	262,865,860	256,363,759	261,925,327	240,687,196
Adjusted EPS	(\$0.09)	(\$0.07)	(\$0.13)	\$0.01

(1) Abnormal costs includes \$3.1 million incurred as a result of marginal ore material that was processed to keep the mill running at minimum feed requirements to perform government mandated air compliance test work at the Jerritt Canyon Gold mine.

Working Capital and Available Liquidity

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

	September 30, 2022	December 31, 2021
Current Assets	\$315,994	\$397,207
Less: Current Liabilities	(167,842)	(172,822)
Working Capital	\$148,152	\$224,385
Available Undrawn Revolving Credit Facility	65,000	50,000
Available Liquidity	\$213,152	\$274,385

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

The Company's management, with the participation of its President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that, as of September 30, 2022, 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 condensed interim 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.

The Company's management evaluated the effectiveness of our internal controls over financial reporting based upon the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation, our CEO and CFO concluded that our internal controls over financial reporting was effective as of September 30, 2022. There have been no significant changes in our internal controls during the quarter ended September 30, 2022 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 CEO and CFO, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, may not prevent or detect all misstatements because of inherent limitations. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

CAUTIONARY STATEMENTS

Cautionary Note regarding Forward-Looking Statements

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

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

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

Cautionary Note regarding Reserves and Resources

National Instrument 43-101 ("NI 43-101"), issued by the Canadian Securities Administrators, lays out the standards of disclosure for mineral projects. This includes a requirement that a certified Qualified Person ("QP") (as defined under the NI 43-101) supervises the preparation of the mineral reserves and mineral resources. Ramon Mendoza, P. Eng., Vice President of Technical Services is a certified QP for the Company and has reviewed this MD&A for QP technical disclosures. All

NI 43-101 technical reports can be found on the Company's website at www.firstmajestic.com or on SEDAR at www.sedar.com.

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

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

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

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

Additional Information

Additional information on the Company, including the Company's Annual Information Form and the Company's audited consolidated financial statements for the year ended December 31, 2021, is available on SEDAR at www.sedar.com and on the Company's website at www.firstmajestic.com.