



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



Management's Responsibilities For Financial Reporting

The consolidated financial statements of First Majestic Silver Corp. (the "Company") have been prepared and are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards 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 audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Deloitte LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

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

Keith Neumeyer
President & CEO
March 9, 2022

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

Andrew W. Poon, CPA, CA
Interim CFO
March 9, 2022

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

Management excluded from its assessment the internal controls, policies and procedures of Jerritt Canyon, which the Company acquired control on April 30, 2021. Jerritt Canyon's total assets, net assets, total revenues and net profit/loss on a combined basis constitute approximately 34%, 35%, 21% and 653%, respectively, of these consolidated annual financial statement amounts as of and for the year ended December 31, 2021. This limitation of scope is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of DC&P or ICFR to exclude a business that the issuer acquired not more than 365 days before the end of the financial period to which the CEO's and CFO's certification of annual filings relates.

The Company's management assessed the effectiveness of the Company's Internal control over financial reporting as of the year ended December 31, 2021, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of the year ended December 31, 2021, the Company's internal control over financial reporting was effective.

Deloitte LLP, an Independent Registered Public Accounting Firm, has audited the Company's consolidated financial statements for the year ended December 31, 2021, and as stated in the Report of Independent Registered Public Accounting Firm, they have expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of the year ended December 31, 2021.

Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of
First Majestic Silver Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of First Majestic Silver Corp. and subsidiaries (the "Company") as at December 31, 2021 and 2020, the related consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows, for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Acquisition of Jerritt Canyon Canada Ltd. ("Jerritt Canyon") — Refer to Note 4 to the financial statements

Critical Audit Matter Description

On April 30, 2021 the Company completed the acquisition of 100% of Jerritt Canyon and recognized the assets acquired, including a mining interest, and liabilities assumed at fair value. In determining the fair value of mining interest management used an income approach (discounted cashflow) and a market approach which required management to make assumptions around future gold prices, quantities of reserves, expected future production costs and capital expenditures based on the life of mine plans, discount rate and the area-based resources multiples to determine exploration potential.

While there are several estimates and assumptions that are required to determine the fair value of the mining interest, the estimates and assumptions with the highest degree of subjectivity are future gold prices, discount rate and the area-based resources multiples. This required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the future gold prices, discount rate and area-based resources multiples used to determine the fair value of the mining interest included the following, among others:

- Evaluated the effectiveness of the Company's controls over management's determination of estimates and assumptions relating to future gold prices, discount rate, and area-based resources multiples.
- With the assistance of fair value specialists, evaluated the reasonableness of:
 - Future gold prices by comparing forecasts to third party forecasts,
 - The discount rate by developing a range of independent estimates and comparing those to the discount rate selected by management, and
 - Area-based resources multiples applied to determine the valuation of the exploration potential by comparing to a range of comparable market transactions.

Primero Tax Rulings — Refer to Note 27(b) to the financial statements

Critical Audit Matter Description

The Company has an ongoing dispute with the Mexican Tax Authorities, the Servicio de Administracion Tributaria ("SAT"). The dispute relates to the determination of the transfer price, which is based upon an Advanced Pricing Agreement ("APA") from the SAT, applied to intercompany silver sales in connection with a silver streaming arrangement with an unrelated third party. In 2020, the Mexican Federal Court on Administrative Matters issued a decision nullifying the APA and directing the SAT to reexamine the evidence and basis for the issuance of the APA; the Company has appealed this decision to the Mexican Circuit Courts. As a result of the tax dispute with the SAT, should the Company ultimately be required to pay tax on its intercompany silver revenues based on market prices, the incremental income tax for the years 2010 - 2019 would be approximately \$228.5 million, before interest and penalties, without any mitigating adjustments. The Company has not recognized a tax liability related to the Primero tax dispute with the SAT.

The evaluation of the accounting and the disclosure of the matter requires significant management judgment to determine the probability of having to pay incremental income tax. Auditing the accounting and the disclosures related to the tax matter required a high degree of auditor judgment due to the significant judgment by management and evaluating whether the audit evidence supports management's position. This resulted in an increased extent of audit effort, including the involvement of tax specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures relating to the evaluation of the accounting and disclosure related to the tax matter included the following, among others:

- Inquired of management to understand the developments of the tax dispute;
- Evaluated the effectiveness of management's controls over the evaluation of the appropriateness of income tax filing positions and corresponding disclosures in the financial statements;
- Obtained and evaluated management's assessment of the dispute, including analysis from the Company's external counsel;

- With the assistance of tax specialists, analyzed the Company's accounting position related to the tax dispute; and
- Evaluated the Company's disclosures for consistency with our knowledge of the Company's tax matters and audit evidence obtained.

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, Canada

March 9, 2022

We have served as the Company's auditor since 2005.

Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of
First Majestic Silver Corp.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of First Majestic Silver Corp. and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as at and for the year ended December 31, 2021, of the Company and our report dated March 9, 2022, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Jerritt Canyon Canada Ltd. ("Jerritt Canyon"), which was acquired on April 30, 2021, and whose financial statements constitute 34% and 35% of total and net assets, respectively, 21% of revenues, and 653% of net profit/loss of the consolidated financial statement amounts as of and for the year ended December 31, 2021. Accordingly, our audit did not include the internal control over financial reporting at Jerritt Canyon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A 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 generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) 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 financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, Canada

March 9, 2022

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**CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020**

Audited Consolidated Financial Statements

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

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

		Year Ended December 31,	
	Note	2021	2020
Revenues	<u>6</u>	\$584,117	\$363,876
Mine operating costs			
Cost of sales	<u>7</u>	366,085	194,305
Cost of sales - standby costs	<u>7</u>	—	10,112
Depletion, depreciation and amortization		116,613	54,405
		482,698	258,822
Mine operating earnings		101,419	105,054
General and administrative expenses	<u>8</u>	27,063	24,855
Share-based payments		12,290	8,255
Mine holding costs	<u>9</u>	12,056	21,583
Loss on divestiture of exploration projects		—	3,685
Acquisition costs	<u>4</u>	1,973	—
Foreign exchange (gain) loss		(1,165)	6,319
Operating earnings		49,202	40,357
Unrealized loss on foreign currency derivatives		—	(982)
Investment and other (loss) income	<u>10</u>	(2,948)	5,127
Finance costs	<u>11</u>	(21,004)	(14,773)
Earnings before income taxes		25,250	29,729
Income taxes			
Current income tax expense	<u>23</u>	49,283	9,966
Deferred income tax recovery	<u>23</u>	(19,110)	(3,324)
		30,173	6,642
Net (loss) earnings for the year		(\$4,923)	\$23,087
(Loss) earnings per common share			
Basic	<u>12</u>	(\$0.02)	\$0.11
Diluted	<u>12</u>	(\$0.02)	\$0.11
Weighted average shares outstanding			
Basic	<u>12</u>	244,749,772	213,879,622
Diluted	<u>12</u>	244,749,772	215,878,829

Approved and authorized by the Board of Directors for issuance on March 9, 2022



Keith Neumeyer, Director



Douglas Penrose, Director

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020**

Audited Consolidated Financial Statements

(In thousands of US dollars)

The 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	Year Ended December 31,	
		2021	2020
Net (loss) earnings for the year		(\$4,923)	\$23,087
Other comprehensive (loss) income			
Items that will not be subsequently reclassified to net (loss) earnings:			
Unrealized (loss) gain on fair value of investments in marketable securities, net of tax	<u>14(b)</u>	(12,456)	10,249
Realized (loss) gain on investments in marketable securities, net of tax	<u>14(b)</u>	(1,439)	211
Remeasurement of retirement benefit plan		95	(515)
Other comprehensive (loss) income		(13,800)	9,945
Total comprehensive (loss) income		(\$18,723)	\$33,032

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

Audited Consolidated Financial Statements

(In thousands of US dollars)

The 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.

		Year Ended December 31,	
	Note	2021	2020
Operating Activities			
Net (loss) earnings for the year		(\$4,923)	\$23,087
Adjustments for:			
Depletion, depreciation and amortization		118,283	56,283
Share-based payments		12,290	8,255
Income tax expense		30,173	6,642
Finance costs	<u>11</u>	21,004	14,773
Acquisition costs	<u>4</u>	1,973	—
Loss of write-down of plant and equipment	<u>10</u>	2,501	—
Loss (gain) from marketable securities and silver futures derivatives		1,521	(4,051)
Loss on divestiture of exploration projects	<u>15</u>	—	3,894
Fair value adjustment on foreign currency derivatives		—	982
Unrealized foreign exchange gain		(6,067)	(2,522)
Operating cash flows before working capital and taxes		176,755	107,343
Net change in non-cash working capital items	<u>26</u>	(31,504)	(22,831)
Income taxes paid		(76,528)	(4,799)
Cash provided by operating activities		68,723	79,713
Investing Activities			
Restricted cash acquired on the acquisition of Jerritt Canyon	<u>4</u>	30,000	—
Reclassification to restricted cash related to the acquisition of Jerritt Canyon	<u>18</u>	(12,574)	—
Expenditures on mining interests		(132,409)	(68,647)
Acquisition of property, plant and equipment		(56,558)	(43,322)
Deposits paid for acquisition of non-current assets		(7,839)	(13,846)
Jerritt Canyon acquisition costs, net of cash acquired	<u>4</u>	(948)	—
Acquisition of Springpole Silver Stream	<u>15(d)</u>	—	(2,521)
Other	<u>26</u>	(425)	1,221
Cash used in investing activities		(180,753)	(127,115)
Financing Activities			
Proceeds from prospectus offering, net of share issue costs	<u>24(a)</u>	66,674	126,132
Proceeds from 2021 convertible debenture, net of transaction costs	<u>20(a)</u>	222,776	—
Payment for redemption of 2018 convertible debenture	<u>20(a)</u>	(171,841)	—
Proceeds from exercise of stock options		21,793	14,011
Repayment of lease liabilities	<u>21</u>	(9,287)	(7,706)
Finance costs paid		(4,326)	(4,200)
Proceeds from debt facilities	<u>20(b)</u>	30,000	10,000
Repayment of debt facilities	<u>20(b)</u>	(40,000)	(19,969)
Dividends declared and paid	<u>24(g)</u>	(3,930)	—
Shares repurchased and cancelled	<u>24(f)</u>	(42)	(1,694)
Cash provided by financing activities		111,817	116,574
Effect of exchange rate on cash and cash equivalents held in foreign currencies		(439)	397
(Decrease) increase in cash and cash equivalents		(213)	69,172
Cash and cash equivalents, beginning of the year		238,578	169,009
Cash and cash equivalents, end of year		\$237,926	\$238,578
Cash		\$237,926	\$207,132
Short-term investments		—	31,446
Cash and cash equivalents, end of year		\$237,926	\$238,578
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The accompanying notes are an integral part of the audited consolidated financial statements

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021 AND 2020**

Audited Consolidated Financial Statements

(In thousands of US dollars)

The 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	December 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		\$237,926	\$238,578
Restricted cash	18(a)	12,570	—
Trade and other receivables		7,729	4,271
Value added taxes receivable	25	46,531	41,641
Inventories	13	60,613	32,512
Other financial assets	14	26,486	36,319
Prepaid expenses and other		5,352	2,725
Total current assets		397,207	356,046
Non-current assets			
Mining interests	15	1,048,530	509,730
Property, plant and equipment	16	449,237	258,220
Right-of-use assets	17	29,225	14,330
Deposits on non-current assets		10,949	14,246
Non-current restricted cash	18(b)	115,012	—
Non-current value added taxes receivable	25(c)	572	15,301
Deferred tax assets	23	74,257	69,644
Total assets		\$2,124,989	\$1,237,517
Liabilities and Equity			
Current liabilities			
Trade and other payables	19	\$120,666	\$76,002
Unearned revenue	6	12,226	2,717
Current portion of debt facilities	20	125	10,975
Current portion of lease liabilities	21	11,825	5,358
Income taxes payable	23	27,980	6,574
Total current liabilities		172,822	101,626
Non-current liabilities			
Debt facilities	20	181,108	141,733
Lease liabilities	21	28,036	15,217
Decommissioning liabilities	22	153,607	51,471
Other liabilities		5,797	5,406
Non-current income taxes payable	23	21,812	23,099
Deferred tax liabilities	23	150,836	48,729
Total liabilities		\$714,018	\$387,281
Equity			
Share capital		1,659,781	1,087,139
Equity reserves		98,943	101,997
Accumulated deficit		(347,753)	(338,900)
Total equity		\$1,410,971	\$850,236
Total liabilities and equity		\$2,124,989	\$1,237,517
Commitments (Note 15; Contingencies (Note 27); Subsequent event (Note 30))			

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Audited Consolidated Financial Statements

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

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

	Share Capital		Equity Reserves					Total equity
	Shares	Amount	Share-based payments ^(a)	Other comprehensive income(loss) ^(b)	Equity component of convertible debenture ^(c)	Total equity reserves	Accumulated deficit	
Balance at December 31, 2019	208,112,072	\$933,182	\$74,060	(\$2,532)	\$19,164	\$90,692	(\$361,553)	\$662,321
Net earnings for the year	—	—	—	—	—	—	23,087	23,087
Other comprehensive income	—	—	—	9,945	—	9,945	—	9,945
Total comprehensive income	—	—	—	9,945	—	9,945	23,087	33,032
Share-based payments	—	—	8,255	—	—	8,255	—	8,255
Shares issued for:								
Prospectus offerings (Note 24(a))	10,654,338	126,132	—	—	—	—	—	126,132
Exercise of stock options (Note 24(b))	2,473,906	19,914	(5,903)	—	—	(5,903)	—	14,011
Acquisition of Springpole Silver Stream (Note 15(d))	805,698	7,479	—	—	—	—	—	7,479
Acquisition of mining interests	66,997	700	—	—	—	—	—	700
Settlement of restricted share units (Note 24(c))	127,000	992	(992)	—	—	(992)	—	—
Shares repurchased and cancelled (Note 24(f))	(275,000)	(1,260)	—	—	—	—	(434)	(1,694)
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 year	—	—	—	—	—	—	(4,923)	(4,923)
Other comprehensive loss	—	—	—	(13,800)	—	(13,800)	—	(13,800)
Total comprehensive loss	—	—	—	(13,800)	—	(13,800)	(4,923)	(18,723)
Share-based payments	—	—	12,421	—	—	12,421	—	12,421
Shares issued for:								
Acquisition of Jerritt Canyon (Note 4)	26,719,727	416,561	23,150	—	—	23,150	—	439,711
Sprott private placement (Note 4)	1,705,514	26,589	—	—	—	—	—	26,589
Prospectus offerings (Note 24(a))	4,225,000	66,674	—	—	—	—	—	66,674
Debt settlement (Note 20)	2,579,093	27,733	—	—	(46,127)	(46,127)	—	(18,394)
Exercise of stock options (Note 24(b))	2,502,234	30,436	(8,643)	—	—	(8,643)	—	21,793
Acquisition of Springpole Silver Stream (Note 15(d))	287,300	3,750	—	—	—	—	—	3,750
Settlement of restricted share units (Note 24(c) and 24(e))	73,692	941	(963)	—	—	(963)	—	(22)
Equity component of convertible notes, net of tax (Note 20)	—	—	—	—	30,908	30,908	—	30,908
Shares repurchased and cancelled (Note 24(f))	(6,913)	(42)	—	—	—	—	—	(42)
Dividend declared and paid (Note 24(g))	—	—	—	—	—	—	(3,930)	(3,930)
Balance at December 31, 2021	260,050,658	\$1,659,781	\$101,385	(\$6,387)	\$3,945	\$98,943	(\$347,753)	\$1,410,971

- (a) Share-based payments reserve records the cumulative amount recognized under IFRS 2 share-based payments in respect of stock options granted, restricted share units and shares purchase warrants issued but not exercised or settled to acquire shares of the Company.
- (b) Other comprehensive income reserve principally records the unrealized fair value gains or losses related to fair value through other comprehensive income ("FVTOCI") financial instruments and re-measurements arising from actuarial gains or losses and return on plan assets in relation to San Dimas' retirement benefit plan.
- (c) Equity component of convertible debenture reserve represents the estimated fair value of its conversion option of \$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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

(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 recently acquired Jerritt Canyon Gold Mine in Nevada, USA (see Note 4). In addition, the Company owns four mines in suspension: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine, and several exploration stage projects.

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

2. BASIS OF PRESENTATION

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The significant accounting policies, estimates and judgments applied in preparing these consolidated financial statements are summarized in Note 3 of the consolidated financial statements and have been consistently applied throughout all periods presented.

These audited consolidated financial statements have been prepared on an historical cost basis except for certain items that are measured at fair value such as other financial assets (Note 14). All dollar amounts presented are in thousands of United States dollars unless otherwise specified.

These audited 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 (see Note 28). Intercompany balances, transactions, income and expenses are eliminated on consolidation.

These audited consolidated financial statements of First Majestic Silver Corp. for the years ended December 31, 2021 and 2020 were approved and authorized for issue by the Board of Directors on March 9, 2022.

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 audited annual 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.

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 International Accounting Standards Board (“IASB”) that were effective for annual periods that begin on or after January 1, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

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

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

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

Business Combinations

Accounting Policy: Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately. Goodwill may also arise as a result of the requirement under IFRS to record a deferred tax liability on the excess of the fair value of the acquired assets over their corresponding tax bases, with the corresponding offset recorded as goodwill.

Accounting Estimates and Judgments: Determination of a Business

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders.

In 2021, the Company concluded that Jerritt Canyon Canada Ltd. ("Jerritt Canyon") met the definition of a business and, accordingly, the acquisition was accounted for as a business combination (Note 4).

(Tabular amounts are expressed in thousands of US dollars)

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

Business Combinations (continued)

Accounting Estimates and Judgments: [Fair Value Estimates](#)

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

- (i) The identifiable assets acquired and liabilities assumed;
- (ii) The consideration transferred in exchange for an interest in the acquiree;
- (iii) The resulting goodwill.

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

The fair value of assets acquired and liabilities assumed requires that management make judgments and estimates taking into account information available at the time of the acquisition about future events including, but not restricted to, estimates of mineral reserves and resources, exploration potential, future metal prices, future operating costs and capital expenditures and discount rates.

During the allowable measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The Company may also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

The fair value of assets acquired and liabilities assumed are subject to change for up to one year from the Acquisition Date. If new information arises which would impact management's assessment of the fair value at the Acquisition Date, any adjustments to the allocation of the purchase consideration will be recognized retrospectively and comparative information will be revised. Consequently, the final allocation of the purchase price may result in different adjustments than those shown in these audited consolidated financial statements.

Accounting Estimates and Judgments: [Consideration for the acquisition of Jerritt Canyon](#)

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Management made judgments and estimates in calculating the value of the shares and warrants transferred, including but not limited to share price, volatility, rate of quarterly dividends and the discount rate.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Business Combinations (continued)

Accounting Estimates and Judgments: [Determining what is part of the business combination in the acquisition of Jerritt Canyon](#)

The Company needs to assess if other arrangement(s) or transaction(s) shall be recognized as part of applying the acquisition method. To determine if the arrangement(s) or transaction(s), is(are) part of the business combination, the Company considers the following factors:

- (i) The reasons for the arrangement(s) or transaction(s);
- (ii) Who initiated the arrangement(s) or transaction(s); and
- (iii) The timing of the arrangement(s) or transaction(s).

Management applied judgment based on the above criteria to determine if private placement shares included as part of the acquisition of Jerritt Canyon were a part of the business combination.

Goodwill

Accounting Policy: Goodwill arising on the acquisition of a business is carried at cost as established at the date of the acquisition less accumulated impairment losses, if any. Goodwill is allocated to each of the Company's cash-generating units that is expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of earnings or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods. As at December 31, 2021, the Company had \$nil goodwill (2020 - \$nil).

Foreign Currency

Accounting Policy: The consolidated financial statements are presented in U.S. dollars. The individual financial statements of each entity are presented in their functional currency, which is the currency of the primary economic environment in which the entity operates.

Transactions in foreign currencies are translated into the entities' functional currencies at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the U.S. dollar are translated using exchange rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the dates of the transactions. Revenue and expense items are translated at the exchange rates in effect at the date of the underlying transaction, except for depletion and depreciation related to non-monetary assets, which are translated at historical exchange rates. Exchange differences are recognized in the statements of earnings or loss in the period in which they arise.

Accounting Estimates and Judgments: [Determination of Functional Currency](#)

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency of each entity is the U.S. dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Revenue Recognition ([Note 6](#))

Accounting Policy: The Company's primary product is silver and gold. Other metals, such as lead and zinc, produced as part of the extraction process are considered to be by-products arising from the production of silver and gold. Smelting and refining charges are net against revenue from the sale of metals.

Revenue relating to the sale of metals is recognized when control of the metal or related services are transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for the metals.

When considering whether the Company has satisfied its performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

Metals in doré sold are priced on date of transfer of control. Final weights and assays are adjusted on final settlement which is approximately one month after delivery. Metals in concentrate sold are provisionally priced at the date of transfer of control as the final selling price is subject to movements in the monthly average prices up to the final settlement date, typically one to three months after delivery to the customer. Upon transfer of control of the concentrate, the Company recognizes revenue on a provisional basis based on spot price and, at each period end, subsequently re-estimated by reference to forward market prices of the estimated month of settlement, with the impact of changes in the forward market prices recognized as revenue adjustments as they occur until final settlement.

Revenue from the sale of coins, ingots and bullion is recorded when the products have been shipped and funds have been received. When cash was received from customers prior to shipping of the related finished goods, the amounts are recorded as unearned revenue until the products are shipped.

Accounting Estimates and Judgments: [Determination of Performance Obligations](#)

The Company applied judgment to determine if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is the delivery of the bullion, doré and concentrates. Shipping and insurance services arranged by the Company for its concentrate sales customers that occur after the transfer of control are also considered to be performance obligations.

(Tabular amounts are expressed in thousands of US dollars)

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

Inventories (Note 13)

Accounting Policy: Mineral inventories, including stockpiled ore, work in process and finished goods, are valued at the lower of weighted average cost and estimated net realizable value. Cost includes all direct costs incurred in production including direct labour and materials, freight, depreciation and amortization and directly attributable overhead costs. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and future metal prices less estimated future production costs to convert the inventories into saleable form.

Any write-downs of inventory to net realizable value are recorded as cost of sales. If there is a subsequent increase in the value of inventories, the previous write-downs to net realizable value are reversed to the extent that the related inventory has not been sold.

Stockpiled ore inventory represents ore that has been extracted from the mine and is available for further processing. Costs added to stockpiled ore inventory are valued based on current mining cost per ounce incurred up to the point of stockpiling the ore and are removed at the weighted average cost per ounce. Stockpiled ore tonnage and head grades are verified by periodic surveys and physical counts.

Work in process inventory includes precipitates, inventories in tanks and in the milling process. Finished goods inventory includes metals in their final stage of production prior to sale, including primarily doré and dried concentrates at our operations and finished goods in-transit.

Materials and supplies inventories are valued at the lower of weighted average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs.

(Tabular amounts are expressed in thousands of US dollars)

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

Exploration Potential, Exploration and Evaluation Expenditures (Note 15)

Accounting Policy: Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- acquiring the rights to explore;
- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- compiling pre-feasibility and feasibility studies.

Capitalization of exploration and evaluation expenditures commences on acquisition of a beneficial interest or option in mineral rights. Capitalized costs are recorded as mining interests at cost less accumulated transfers to producing mineral properties and impairment charges, if applicable. No amortization is charged during the exploration and evaluation phase as the asset is not available for use.

Exploration and evaluation assets include exploration potential which represents the potential additional mineralization beyond the existing known reserves and resources of a producing mineral property which the Company gain access through acquiring the mineral rights and/or concessions. The exploration potential is recorded at cost less accumulated transfers to producing mineral properties and accumulated impairment losses, if any. No amortization is charged during the exploration and evaluation phase as the asset is not available for use.

The majority of the Company's exploration and evaluation expenditures focus on mineral deposits in proximity to its existing mining operations. Where the Company is acquiring a new property, the Company makes a preliminary evaluation to determine that the property has significant potential to develop an economic ore body.

Exploration and evaluation expenditures are transferred to development or producing mining interests when technical feasibility and commercial viability of the mineral resource have been demonstrated. Factors taken into consideration include:

- there is sufficient geological certainty of converting the mineral deposit into proven and probable reserves;
- life of mine plan and economic modeling support the economic extraction of such reserves and resources;
- for new properties, a scoping study and/or feasibility study demonstrates that the additional reserves and resources will generate a positive economic outcome; and
- operating and environmental permits exist or are reasonably assured as obtainable.

Exploration and evaluation expenditures remain as exploration mining interests and do not qualify as producing mining interests until the aforementioned criteria are met. Exploration and evaluation expenditures are transferred to development or producing mining interests when the technical feasibility and commercial viability of a mineral resource has been demonstrated according to the above mentioned factors.

Once the technical feasibility, commercial viability and a development decision have been established, the value of the exploration and evaluation asset is reclassified and accounted for in accordance with IAS 16, Property, Plant and Equipment ("IAS 16"). The exploration and evaluation asset is subject to an impairment test prior to reclassification in accordance with IFRS 6. It is subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any.

(Tabular amounts are expressed in thousands of US dollars)

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

Exploration Potential, Exploration and Evaluation Expenditures (continued)

Accounting Estimates and Judgments: [Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs](#)

Management has determined that exploratory drilling, evaluation, development and related costs incurred which were capitalized have potential future economic benefits and are potentially economically recoverable, subject to impairment analysis. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, exploration plans and results, accessible facilities and existing permits.

Mining Interests (Note 15)

Accounting Policy: Exploration, development and field support costs directly related to mining interests are deferred until the property to which they directly relate is placed into production, sold, abandoned or subject to a condition of impairment. The deferred costs are amortized over the useful life of the ore body following commencement of production, or written off if the property is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred.

Upon commencement of commercial production, mining interests 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 to be extracted in current and future periods based on reserves and resources considered to be highly probable to be economically extracted over the life of mine. If no published reserves and resources are available, the Company may rely on internal estimates of economically recoverable mineralized material, prepared on a basis consistent with that used for determining reserves and resources, for purpose of determining depletion.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee with no obligation or sale until exercised or expired and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received.

(Tabular amounts are expressed in thousands of US dollars)

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

Mining Interests (continued)

Accounting Estimates and Judgments: [Mineral Reserve and Resource Estimates](#)

Mineral reserve and resource estimates affect the determination of recoverable value used in impairment assessments, the depletion and depreciation rates for non-current assets using the units of production method and the expected timing of reclamation and closure expenditures.

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 ("NI 43-101") Technical Report standards. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position, results of operation and cash flows.

Accounting Estimates and Judgments: [Depletion Rate for Mining Interests](#)

Depletion expenses are allocated based on estimated useful life of the asset. Should the expected asset life and associated depletion rate differ from the initial estimate, the change in estimate would be made prospectively in the consolidated statements of earnings or loss.

Stream Asset ([Note 15](#))

Accounting Policy:

A stream asset is a long-term metal purchase agreement for which settlement is called for in silver, the amount of which is based on production at a mine corresponding to the specific agreement. On acquisition of a stream asset, it is recorded at cost and is accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources ("IFRS 6"). A stream asset where the mine corresponding to the specific agreement is an exploration and evaluation stage property is classified as exploration and evaluation asset and is assessed for impairment whenever indicators of impairment exist in accordance with IFRS 6. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

Once the technical feasibility, commercial viability and a development decision have been established, the value of the stream asset is reclassified and accounted for in accordance with IAS 16, Property, Plant and Equipment ("IAS 16"). The exploration and evaluation asset is subject to an impairment test prior to reclassification in accordance with IFRS 6. It is subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any.

A producing stream asset is depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Property, Plant and Equipment (Note 16)

Accounting Policy: Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs related to the acquisition or construction of qualifying assets.

Property, plant and equipment are depreciated using either the straight-line or units-of-production method over the shorter of the estimated useful life of the asset or the expected life of mine. Where an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Assets under construction are recorded at cost and reclassified to machinery and equipment when it becomes available for use.

Depreciation commences when the asset is in the condition and location necessary for it to operate in the manner intended by management. Depreciation charges on assets that are directly related to mineral properties are allocated to those mineral properties.

The Company conducts an annual review of residual balances, useful lives and depreciation methods utilized for property, plant and equipment. Any changes in estimate that arise from this review are accounted for prospectively.

Accounting Estimates and Judgments: Commencement of Commercial Production

Prior to reaching commercial production levels intended by management, costs incurred are capitalized as part of the related mine or mill. Depletion of capitalized costs for mining properties and depreciation and amortization of property, plant and equipment begin when operating levels intended by management have been reached.

Determining when a mine or mill is in the condition necessary for it to be capable of operating in the manner intended by management is a matter of judgment dependent on the specific facts and circumstances. The following factors may indicate that commercial production has commenced:

- substantially all major capital expenditures have been completed to bring the asset to the condition necessary to operate in the manner intended by management;
- the mine or mill has reached a pre-determined percentage of design capacity;
- the ability to sustain a pre-determined level of design capacity for a significant period of time (i.e. the ability to process ore continuously at a steady or increasing level);
- the completion of a reasonable period of testing of the mine plant and equipment;
- the ability to produce a saleable product (i.e. the ability to produce concentrate within required sellable specifications);
- the mine or mill has been transferred to operating personnel from internal development groups or external contractors; and
- mineral recoveries are at or near the expected production levels.

Accounting Estimates and Judgments: Depreciation and Amortization Rates for Property, Plant and Equipment

Depreciation and amortization expenses are determined based on estimated useful life of the asset. Should the expected asset life and associated depreciation rates differ from the initial estimate, the change in estimate would be made prospectively in the consolidated statements of earnings or loss.

(Tabular amounts are expressed in thousands of US dollars)

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

Borrowing Costs

Accounting Policy: Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred. As at December 31, 2021 and 2020, the Company does not have any qualifying assets under construction.

Right of Use Assets (Note 17) and Lease Liabilities (Note 21)

Accounting Policy: The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(Tabular amounts are expressed in thousands of US dollars)

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

Right of Use Assets (Note 17) and Lease Liabilities (Note 21) (continued)

Accounting Policy: The right-of-use assets comprise of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Impairment of Non-Current Assets

Accounting Policy: At each statement of financial position date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate independent cash inflows, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset or CGU is determined to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognized as an expense in the consolidated statements of earnings or loss. Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU").

FVLCD is determined as the amount that would be obtained from the sale of the asset or CGU in an arm's length transaction between knowledgeable and willing parties. The Company considers the use of a combination of its internal discounted cash flow economic models and in-situ value of reserves, resources and exploration potential of each CGU for estimation of its FVLCD. These cash flows are discounted by an appropriate post-tax discount rate to arrive at a net present value of the asset. VIU is determined as the present value of the estimated cash flows expected to arise from the continued use of the asset or CGU in its present form and its eventual disposal. VIU is determined by applying assumptions specific to the Company's continued use and does not take into account future development.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or CGU in prior periods, adjusted for additional amortization which would have been recorded had the asset or CGU not been impaired. A reversal of an impairment loss is recognized as a gain in the statements of earnings or loss.

(Tabular amounts are expressed in thousands of US dollars)

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

Impairment of Non-Current Assets (continued)

Accounting Estimates and Judgments: [Indications of Impairment and Reversal of Impairment](#)

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's property, plant and equipment and mining interests are impaired or previous impairments should be reversed. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its property, plant and equipment and mining interests. Internal sources of information management considers includes the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

For exploration and evaluation assets, indications include but are not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in the specific area.

The Company did not identify any indicators of potential impairment or impairment reversal on its non-current assets and CGUs during the years ended December 31, 2021 and 2020.

[Fair Value Estimates](#)

In determining the recoverable amounts of the Company's property, plant and equipment and mining interests, management makes estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs of disposal of the mining properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in an impairment of the carrying amounts of the Company's non-current assets. Conversely, favourable changes to the aforementioned factors can result in a reversal of previous impairments.

Share-based Payment Transactions (Note 24(b))

Accounting Policy:

Employees (including directors and officers) of the Company may receive a portion of their remuneration in the form of stock options which are share-based payment transactions ("share-based payments"). Stock options issued to employees are measured by reference to their fair value using the Black-Scholes model at the date on which they were granted. Forfeitures are estimated at grant date and adjusted prospectively based on actual forfeitures. Share-based payments expense, for stock options that are forfeited or cancelled prior to vesting, is reversed. The costs of share-based payments are recognized, together with a corresponding increase in the equity reserve, over the period in which the services and/or performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). On exercise by the employee, the associated option value in the equity reserve is reclassified to share capital.

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

In situations where equity instruments are issued to non-employees, the share-based payments are measured at the fair value of goods or services received. If some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Share-based Payment Transactions (Note 24(b)) (continued)

Accounting Estimates and Judgments: [Valuation of Share-based Payments](#)

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Taxation (Note 23)

Accounting Policy:

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case they are recognized in other comprehensive income or directly in equity.

Current income tax is based on taxable earnings for the year. The tax rates and tax laws to compute the amount payable are those that are substantively enacted in each tax regime at the date of the statement of financial position.

Deferred income tax is recognized, using the liability method, on temporary differences between the carrying value of assets and liabilities in the statement of financial position, unused tax losses, unused tax credits and the corresponding tax bases used in the computation of taxable earnings, based on tax rates and tax laws that are substantively enacted at the date of the statement of financial position and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Accounting Policy (continued):

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that the realization of the related tax benefit through future taxable earnings is probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Taxation (Note 23) (continued)

Accounting Estimates and Judgments: [Recognition of Deferred Income Tax Assets](#)

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed, reviewed by management and are consistent with the forecasts utilized for business planning and impairment testing purposes. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses recognized and unrecognized income tax assets.

Accounting Estimates and Judgments: [Tax Contingencies](#)

The Company's operations involve dealing with uncertainties and judgments in the application of tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with tax authorities in various jurisdictions and resolution of disputes arising from tax audits. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues based on its estimate of whether, and the extent to which, additional taxes will be due. The Company adjusts these liabilities in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result.

Cash and Cash Equivalents

Accounting Policy: Cash in the statement of financial position includes cash on hand and held at banks and cash equivalents include short-term guaranteed investment certificates redeemable within three months or less at the date of purchase.

Accounting Estimates and Judgments: [Determination and classification of current and non-current restricted cash \(Note 18\)](#)

The Company determines if the funds on hand and held at banks meets the definition of cash or cash equivalents. When there is a restriction on those funds, the Company assesses the nature of the restriction and if it is applicable, excludes the related amounts from the cash and cash equivalents balance. The Company then assesses the classification of the restricted cash between current and non-current based on the following factors:

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

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

(Tabular amounts are expressed in thousands of US dollars)

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

Financial Instruments

Accounting Policy:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

Amortized cost

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets at amortized cost primarily include cash and cash equivalents, trade and other receivables and value added taxes receivable included in other current and non-current financial assets in the Consolidated Statement of Financial Position.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has designated certain investments in marketable securities that are not held for trading as FVTOCI (Note [14](#)).

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

(Tabular amounts are expressed in thousands of US dollars)

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

Financial Instruments (continued)

Accounting Policy: [Financial assets measured subsequently at fair value through profit or loss \(“FVTPL”\)](#)

By default, all other financial assets, including derivatives, are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note [25](#). The Company's financial assets at FVTPL include its account receivable arising from sales of metal contained in concentrates.

[Financial liabilities and equity](#)

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as FVTPL, are measured at amortized cost using the effective interest method. The Company's financial liabilities at amortized cost primarily include trade and other payables, debt facilities (Note [20](#)) and lease liabilities (Note [21](#)).

Provisions (Note [22](#))

Accounting Policy: Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate of the obligation can be made. The amount recognized as a provision is the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as finance costs.

Accounting Estimates and Judgments: [Estimated Reclamation and Closure Costs](#)

The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of the mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Earnings or Loss per Share (Note 12)

Accounting Policy: Basic earnings or loss per share for the period is calculated by dividing the earnings or loss attributable to equity holders of the Company by the weighted average number of shares outstanding during the reporting period.

Diluted earnings or loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options, restricted share units, convertible debt and share purchase warrants. Diluted earnings or loss per share is calculated using the treasury stock method and assumes the receipt of proceeds upon exercise of the options with exercise prices below the average market price to determine the number of shares assumed to be purchased at the average market price during the period.

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2021

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

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

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

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

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

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

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 Board 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 1 January 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.

(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 December 31, 2021 (continued)

[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.

[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.

4. ACQUISITION OF JERRITT CANYON CANADA LTD.

Description of the Transaction

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

Pursuant to closing of the Acquisition Agreement, the Company deposited into escrow an aggregate of \$60.0 million (the "Escrowed Funds"), including \$30.0 million from First Majestic and \$30.0 million proceeds from the Private Placement Shares, representing the estimated tax ("Triggered Tax") due by Jerritt Canyon Canada as a result of a reorganization completed prior to the acquisition of the Jerritt Canyon Gold Mine. Pursuant to the Acquisition Agreement, the Purchase Price is increased to the extent the Triggered Tax is less than \$60 million ("Triggered Tax Adjustment") and decreased to the extent the working capital (the "Working Capital Adjustment") of Jerritt Canyon is less than zero. The amount of such tax liability was \$45.2 million and has been paid from the Escrowed Funds. As of April 30, 2021, Jerritt Canyon had a preliminary negative working capital of \$2.8 million. As at December 31, 2021, the Working Capital Adjustment and Triggered Tax Adjustment had not been finally determined and \$12.6 million remains in escrow pending such determination.

(Tabular amounts are expressed in thousands of US dollars)

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

Description of the Transaction (continued)

Jerritt Canyon owns and operates the Jerritt Canyon Gold Mine located in Elko County, Nevada. Jerritt Canyon was discovered in 1972 and has been in production since 1981 having produced over 9.5 million ounces of gold over its 40-year production history. The mine currently operates as an underground mine and has one of three permitted gold processing plants in Nevada that uses roasting in its treatment of ore. This processing plant has a capacity of 4,000 tonnes per day (“tpd”) and is currently operating at an average rate of approximately 2,200 tpd. The property consists of a large, under explored land package consisting of 30,821 hectares (119 square miles). The acquisition was completed in order to support the Company's growth strategy by adding another cornerstone asset within a world class mining jurisdiction to the Company's portfolio.

Management has concluded that Jerritt Canyon constitutes a business and, therefore, the acquisition is accounted for in accordance with IFRS 3 - Business Combinations. Given the delivery of the consideration and the fulfillment of the covenants as per the Acquisition Agreement, the transaction was deemed to be completed with First Majestic identified as the acquirer. Based on the April 30, 2021 opening share price of common shares, the total consideration of the Jerritt Canyon acquisition is \$478.9 million. The Company began consolidating the operating results, cash flows and net assets of Jerritt Canyon from April 30, 2021 onwards.

The determination of the fair value of assets acquired and liabilities assumed was previously reported based on preliminary estimates at the Acquisition Date. The Company is completing a full and detailed valuation of the fair value of the net assets of Jerritt Canyon acquired using income, market, and cost valuation methods with the assistance of an independent third party. As of the date of these consolidated financial statements, the allocation of purchase price with respect to the fair value increment of assets acquired and liabilities assumed have been updated to reflect new information obtained which existed at the Acquisition Date.

The fair value of assets acquired, and liabilities assumed are subject to change for up to one year from the Acquisition Date. The Company is finalizing its full and detailed assessment of the fair value of the net assets of Jerritt Canyon acquired. As stated above, the Triggered Tax Adjustment and the Working Capital Adjustment, as well as any consequential impact on the deferred tax liabilities, have yet to be finally determined. If new information arises which would impact management's assessment of the fair value at the Acquisition Date, any adjustments to the allocation of the purchase consideration will be recognized retrospectively and comparative information will be revised. Consequently, the final allocation of the purchase price consideration may result in material adjustments to the amounts shown in these audited consolidated financial statements.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Consideration and Purchase Price Allocation

Total consideration for the acquisition was valued at \$478.9 million on the Acquisition Date. The following table summarizes the consideration paid as part of the purchase price:

Total Consideration

26,719,727 Consideration Shares issued to Sprott Mining with an accounting fair value of \$15.59 per share ⁽¹⁾	\$416,561
1,705,514 Private Placement Shares issued to Sprott Mining with an accounting fair value of \$15.59 per share ⁽¹⁾	26,589
5,000,000 Consideration Warrants issued to Sprott Mining with an accounting fair value of \$4.63 per warrant ⁽²⁾	23,150
Estimated Triggered Tax Adjustment	12,570
Total consideration	\$478,870

- (1) Fair values of Consideration Shares and Private Placement Shares were estimated at \$15.59 per share based on the opening price of First Majestic's common share on the New York Stock Exchange on April 30, 2021, as compared to their deemed price of \$17.59 according to the Acquisition Agreement.
- (2) The Consideration Warrants have an exercise price of \$20 per share for a three-year term expiring on April 30, 2024. The fair value of Consideration Warrants were estimated using the Black-Scholes method at the Jerritt Canyon Acquisition Date, using the following assumptions:

Stock price (as of opening on April 30, 2021)	\$15.59
Exercise price of Consideration Warrants	\$20.00
Term (years)	3
Volatility	55%
Annual rate of quarterly dividends	0%
Discount rate - bond equivalent yield	0.5%
Total fair value of warrants	\$23,150

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Consideration and Purchase Price Allocation (continued)

The following table summarizes the preliminary and revised purchase price allocated to the identifiable assets and liabilities based on their estimated fair values on the acquisition date:

Allocation of Purchase Price			
	Preliminary as reported June 30, 2021	Adjustments	Revised as reported December 31, 2021
Cash and cash equivalents	\$1,025	\$—	\$1,025
Inventories	19,304	—	19,304
Trade and other receivables	135	(63)	72
Other financial assets	3,581	—	3,581
Prepaid expenses	1,662	62	1,724
Restricted cash ⁽¹⁾	96,985	—	96,985
Mining interest	409,930	22,729	432,659
Property, plant and equipment	224,034	(48,307)	175,727
Deposit on non-current assets	128	—	128
Trade and other payables	(27,159)	3,974	(23,185)
Lease liabilities ⁽³⁾	(2,194)	—	(2,194)
Income taxes payable	(47,185)	1,866	(45,319)
Contingent environmental provision ⁽²⁾	(17,900)	17,900	—
Decommissioning liabilities ⁽²⁾	(87,705)	16,570	(71,135)
Deferred tax liabilities	(98,186)	(12,316)	(110,502)
Net assets acquired	\$476,455	\$2,415	\$478,870

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

(2) Decommissioning liabilities include funds required to establish a trust agreement with the Nevada Division of Environmental Protection ("NDEP") to cover post-closure water treatment costs at Jerritt Canyon, which were previously reported as a contingent environmental provision.

3) Lease liabilities are defined per Note 21.

The Company used discounted cash flow models to determine the fair value of the depletable mining interest. The expected future cash flows are based on estimates of future gold prices, estimated quantities of ore reserves and mineral resources, expected future production costs and capital expenditures based on the life of mine plans at the acquisition date. The discounted future cash flow models used a 5.1% discount rate based on the Company's assessment of country risk, project risk, and other potential risks specific to the acquired mining interest.

The significant assumptions used in the determination of the fair value of the mining interests were as follows:

Short-term and long-term gold price	\$1,750
Discount rate	5.1%
Mine life (years)	11
Average gold grade over life of mine	6.0 g/t
Average gold recovery rate	86%

The Company used a market approach to determine the fair value of exploration potential by comparing the costs of other precedent market transactions within the industry on a dollar per square kilometres basis. Those amounts were used to determine the range of area-based resources multiples implied within the value of transactions by other market participants. Management made a significant assumption in the determination of the fair value of exploration potential by using an implied multiple of \$298,524 per square kilometre for a total of \$92.0 million. The Company accounted for exploration potential through inclusion within non-depletable mineral interest.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Financial and operating results of Jerritt Canyon are included in the Company's consolidated financial statements effective April 30, 2021. During the year ended December 31, 2021, the acquisition of Jerritt Canyon contributed \$123.8 million of revenues and \$32.1 million of net loss to the Company's financial results since April 30, 2021.

Had the business combination been effected at January 1, 2021, pro forma revenues and net loss of the Company for the year ended December 31, 2021 would have been \$636.4 million and \$26.5 million, respectively. Total transaction costs of \$2.0 million related to the acquisition were expensed during the year.

5. SEGMENTED INFORMATION

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

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

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

For the year ended December 31, 2021, the Company's significant reporting segments includes its three operating mines in Mexico, the recently acquired Jerritt Canyon Gold Mine in Nevada, United States 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:

Year Ended December 31, 2021 and 2020		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	2021	\$275,463	\$132,550	\$44,859	\$98,054	\$56,385
	2020	217,576	110,782	33,738	73,056	43,772
Santa Elena	2021	117,303	77,126	17,536	22,641	67,453
	2020	76,051	52,990	10,472	12,589	33,739
La Encantada	2021	81,738	45,350	8,123	28,265	11,355
	2020	73,632	37,794	8,265	27,573	10,733
Non-producing Properties	2021	—	—	418	(418)	1,977
	2020	183	1,362	848	(2,027)	4,338
United States						
Jerritt Canyon	2021	123,808	117,324	43,511	(37,027)	46,408
	2020	—	—	—	—	—
Others⁽¹⁾	2021	10,882	6,073	2,166	2,643	36,190
	2020	2,251	4,173	1,082	(3,004)	32,453
Intercompany elimination⁽²⁾	2021	(25,077)	(12,338)	—	(12,739)	—
	2020	(5,817)	(2,684)	—	(3,133)	—
Consolidated	2021	\$584,117	\$366,085	\$116,613	\$101,419	\$219,768
	2020	\$363,876	\$204,417	\$54,405	\$105,054	\$125,036

(1) The "Others" segment includes revenues of \$10.9 million from coins and bullion sales of 349,278 silver ounces at an average price of \$31.16 per ounce.

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

5. SEGMENTED INFORMATION (continued)

During the year ended December 31, 2021, the Company had three (December 31, 2020 - three) customers that accounted for 99% (2020 - 99%) of its sales revenue, with one major metal broker accounting for 93% of total revenue (2020 - 92%).

At December 31, 2021 and 2020	Mining Interests		Property, plant and equipment	Total mining assets	Total assets	Total liabilities	
	Producing	Exploration					
Mexico							
San Dimas	2021	\$213,526	\$29,186	\$105,473	\$348,185	\$495,479	\$119,764
	2020	204,592	17,179	112,105	333,876	439,145	105,462
Santa Elena	2021	97,271	31,067	64,843	193,181	257,244	66,795
	2020	52,892	33,951	49,245	136,088	166,525	33,467
La Encantada	2021	25,827	4,640	20,680	51,147	114,634	35,245
	2020	25,865	2,955	16,555	45,375	99,185	29,354
Non-producing Properties	2021	106,215	38,752	27,180	172,147	215,725	31,760
	2020	108,837	37,004	29,888	175,730	219,109	40,274
United States							
Jerritt Canyon	2021	362,811	104,431	172,857	640,099	733,725	233,484
	2020	—	—	—	—	—	—
Others	2021	—	34,804	58,204	93,008	308,182	226,970
	2020	—	26,455	50,427	76,882	313,553	178,724
Consolidated	2021	\$805,649	\$242,881	\$449,237	\$1,497,767	\$2,124,989	\$714,018
	2020	\$392,185	\$117,545	\$258,220	\$767,950	\$1,237,517	\$387,281

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

6. REVENUES

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

Revenues for the year are summarized as follows:

	Year Ended December 31,			
	2021		2020	
Gross revenue from payable metals:				
Silver	\$307,304	52%	\$242,338	66%
Gold	279,921	48%	124,264	34%
Lead	—	0%	74	0%
Gross revenue	587,225	100%	366,676	100%
Less: smelting and refining costs	(3,108)		(2,800)	
Revenues	\$584,117		\$363,876	

As at December 31, 2021, the Company had \$12.2 million of unearned revenue (December 31, 2020 - \$2.7 million) that has not satisfied performance obligations.

(a) Gold Stream Agreement with Sandstorm Gold Ltd.

The Santa Elena mine 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 year ended December 31, 2021, the Company delivered 5,327 ounces (2020 - 5,697 ounces) of gold to Sandstorm at an average price of \$467 per ounce (2020 - \$463 per ounce).

(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. During the year ended December 31, 2021, the Company had accrued \$1.0 million (2020 - \$nil) in NSR from the production of Ermitaño in November and December of 2021 to be paid in the first quarter of 2022.

(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 December 31, 2021 was 70:1.

During the year ended December 31, 2021, the Company delivered 48,015 ounces (2020 - 38,604 ounces) of gold to WPMI at \$617 (2020 - \$610) per ounce, respectively.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

7. COST OF SALES

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

	Year Ended December 31,	
	2021	2020
Consumables and materials	\$78,463	\$36,760
Labour costs	194,846	103,075
Energy	42,881	25,075
Other costs	27,011	11,275
Production costs	\$343,201	\$176,185
Transportation and other selling costs	2,739	2,288
Workers participation costs	15,939	14,245
Environmental duties and royalties	5,835	2,010
Inventory changes	(2,304)	(423)
Other	675	—
Cost of Sales	\$366,085	\$194,305
Cost of Sales - Standby Costs⁽¹⁾	\$—	\$10,112

(1) Cost of sales for the year ended December 31, 2020 included standby costs of \$10.1 million, primarily related to direct costs incurred at the San Dimas (\$3.5 million), Santa Elena (\$2.0 million) and La Encantada (\$1.7 million) mines due to temporary suspensions following Mexico's Ministry of Health's Federal Decree requiring all non-essential businesses, including mining, to temporarily suspend activities throughout most of April and May in response to the global pandemic. In addition, the Company incurred \$2.0 million in standby costs related to the 13-day union work stoppage at San Dimas in June 2020.

8. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Year Ended December 31,	
	2021	2020
Corporate administration	\$7,806	\$5,012
Salaries and benefits	11,636	11,271
Audit, legal and professional fees	4,619	5,353
Filing and listing fees	506	499
Directors fees and expenses	826	842
Depreciation	1,670	1,878
	\$27,063	\$24,855

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

9. 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:

	Year Ended December 31,	
	2021	2020
Del Toro	\$3,385	\$7,999
La Parrilla	3,278	5,563
San Martin	2,597	5,265
La Guitarra	2,796	2,757
	\$12,056	\$21,583

10. INVESTMENT AND OTHER (LOSS) INCOME

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

	Year Ended December 31,	
	2021	2020
(Loss) gain from investment in marketable securities (Note 14(a))	(\$2,054)	\$1,973
Loss on write-down of plant and equipment ⁽¹⁾⁽²⁾	(2,501)	—
Gain from investment in silver futures derivatives	532	2,079
Interest income and other	1,075	1,075
	(\$2,948)	\$5,127

(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 year ended December 31, 2021, the Company completed the sale and recognized a loss of \$2.1 million, being the difference between the proceeds of disposal and the carrying amount of the project's net assets, as loss on write-down of plant and equipment.

(2) In May 2021, the Company entered into an agreement with Capstone Mining Corp. to sell certain mill equipment for gross proceeds of \$6.4 million in cash, of which \$5.7 million has been received as at December 31, 2021. No gain or loss was recognized as part of this transaction as the equipment was sold at cost.

11. FINANCE COSTS

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

	Year Ended December 31,	
	2021	2020
Debt facilities ⁽¹⁾ (Note 20)	\$10,541	\$10,593
Lease liabilities (Note 21)	2,013	1,479
Loss on settlement of senior convertible note ⁽²⁾ (Note 20(a))	4,642	—
Accretion of decommissioning liabilities	3,228	2,362
Silver sales and other	580	339
	\$21,004	\$14,773

(1) During the year ended December 31, 2021, finance costs for debt facilities include non-cash accretion expense of \$7.2 million (2020 - \$6.8 million).

(2) In December 2021, the Company closed an offering of \$200.0 million aggregate principal amount of unsecured senior convertible notes plus an additional over-allotment option of \$30 million which it used to repurchase the outstanding 2018 senior convertible notes (Note 20 (a)). The repurchase generated a loss due to the difference between the cash paid to repurchase and cancel the 2018 senior convertible notes, compared to the carrying value of the notes on the date of settlement.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

12. EARNINGS OR LOSS PER SHARE

Basic earnings or loss per share is the net earnings or loss available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted net earnings or loss per share adjusts basic net earnings per share for the effects of potential dilutive common shares. The calculations of basic and diluted earnings or loss per share for the years ended December 31, 2021 and 2020 are as follows:

	Year Ended December 31,	
	2021	2020
Net (loss) earnings for the year	(\$4,923)	\$23,087
Weighted average number of shares on issue - basic	244,749,772	213,879,622
Impact of effect on dilutive securities:		
Stock options	—	1,705,689
Restricted, performance and deferred share units	—	293,518
Weighted average number of shares on issue - diluted⁽¹⁾	244,749,772	215,878,829
(Loss) earnings per share - basic and diluted	(\$0.02)	\$0.11

(1) For the year ended December 31, 2021, diluted weighted average number of shares excluded 2,014,379 (2020 - 2,666,819) options, 5,000,000 (2020 - nil) warrants, 701,250 restricted and performance share units (2020 - nil), 16,327,598 (2020 - 16,327,598) common shares issuable under the 2018 convertible debentures and 13,888,895 common shares issuable under the 2021 convertible debentures (2020- nil) (Note 20(a)) that were anti-dilutive.

13. INVENTORIES

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

	December 31, 2021	December 31, 2020
Finished goods - doré	\$3,735	\$2,812
Work-in-process	6,409	2,780
Stockpile	9,015	1,336
Silver coins and bullion	10,790	956
Materials and supplies	30,664	24,628
	\$60,613	\$32,512

The amount of inventories recognized as an expense during the period is equivalent to the total of cost of sales plus depletion, depreciation and amortization for the period. As at December 31, 2021 mineral inventories, which consist of stockpile, work-in-process and finished goods, include a \$7.5 million (2020 - \$nil) write-down which was recognized in cost of sales during the year.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

14. OTHER FINANCIAL ASSETS

As at December 31, 2021, other financial assets consists of the Company's investment in marketable securities comprised of the following:

	December 31, 2021	December 31, 2020
FVTPL marketable securities (a)	\$10,851	\$13,876
FVTOCI marketable securities (b)	15,635	22,443
Total other financial assets	\$26,486	\$36,319

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

Loss in marketable securities designated as FVTPL for the year ended December 31, 2021 was \$2.1 million (2020 - gain of \$2.0 million), and was 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 year ended December 31, 2021 was a loss of \$13.9 million (2020 - gain of \$10.5 million), net of tax, and were recorded through other comprehensive income and will not be transferred into earnings or loss upon disposition or impairment.

15. MINING INTERESTS

Mining interests primarily consist of acquisition, development, 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:

	December 31, 2021	December 31, 2020
Depletable properties	\$805,649	\$392,185
Non-depletable properties (exploration and evaluation costs, exploration potential)	242,881	117,545
	\$1,048,530	\$509,730

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

Depletable properties are allocated as follows

Depletable properties	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-producing Properties ⁽¹⁾	Total
Cost						
At December 31, 2019	\$220,658	\$61,654	\$111,590	\$—	\$494,132	\$888,034
Additions	21,263	6,218	4,201	—	—	31,682
Change in decommissioning liabilities (Note 22)	4,527	1,191	2,049	—	3,059	10,826
Transfer from exploration properties	3,645	4,229	472	—	—	8,346
At December 31, 2020	\$250,093	\$73,292	\$118,312	\$—	\$497,191	\$938,888
Additions	34,894	16,150	2,546	16,618	—	70,208
Acquisition of Jerritt Canyon (Note 4)	—	—	—	340,652	—	340,652
Change in decommissioning liabilities (Note 22)	1,209	2,177	584	28,799	(2,623)	30,147
Transfer from exploration properties	—	34,302	1,293	—	—	35,595
At December 31, 2021	\$286,196	\$125,921	\$122,735	\$386,069	\$494,569	\$1,415,490
Accumulated depletion, amortization and impairment						
At December 31, 2019	(\$27,225)	(\$16,608)	(\$88,499)	\$—	(\$388,354)	(\$520,686)
Depletion and amortization	(18,277)	(3,792)	(3,948)	—	—	(26,017)
At December 31, 2020	(\$45,502)	(\$20,400)	(\$92,447)	\$—	(\$388,354)	(\$546,703)
Depletion and amortization	(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)
Carrying values						
At December 31, 2020	\$204,592	\$52,892	\$25,865	\$—	\$108,837	\$392,185
At December 31, 2021	\$213,526	\$97,271	\$25,827	\$362,811	\$106,215	\$805,649

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

Non-depletable properties costs are allocated as follows:

Non-depletable properties	San Dimas ^(a)	Santa Elena ^(b)	La Encantada	Jerritt Canyon ^(c)	Non-producing Properties ⁽¹⁾	Exploration Projects ⁽²⁾	Springpole Stream ^(d)	Total
At December 31, 2019	\$8,699	\$18,592	\$1,104	\$—	\$32,938	\$34,710	\$—	\$96,043
Exploration and evaluation expenditures	12,125	19,588	2,323	—	4,066	1,142	4,356	43,601
Change in decommissioning liabilities (Note 22)	—	—	—	—	—	59	—	59
Sale of exploration project	—	—	—	—	—	(13,812)	—	(13,812)
Transfer to producing properties	(3,645)	(4,229)	(472)	—	—	—	—	(8,346)
At December 31, 2020	\$17,179	\$33,951	\$2,955	\$—	\$37,004	\$22,099	\$4,356	\$117,545
Exploration and evaluation expenditures	12,007	31,418	2,978	12,424	1,748	985	7,500	69,060
Change in decommissioning liabilities (Note 22)	—	—	—	—	—	(136)	—	(136)
Acquisition of Jerritt Canyon (Note 4)	—	—	—	92,007	—	—	—	92,007
Transfer to producing 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

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

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

(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 December 31, 2021 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 year ended December 31, 2021, the Company had accrued \$1.0 million (2020 - \$nil) in NSR from the production of Ermitaño in November and December of 2021 to be paid in the first quarter of 2022.

(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 December 31, 2021, total NSR royalty accrual outstanding was \$0.1 million (2020 - \$nil).

(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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

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

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 December 31, 2021, the Company has paid \$17.5 million in consideration to First Mining as part of the agreement, of which \$5.7 million was allocated to other financial assets and \$11.8 million was allocated to the Springpole Silver Stream recognized within exploration and evaluation assets.

First Mining is a related party with one independent board member who is also a director and/or officer of First Majestic.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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, 2019	\$198,412	\$456,655	\$27,645	\$24,438	\$707,150
Additions	—	2,096	47,266	391	49,753
Transfers and disposals	917	9,873	(19,242)	3,822	(4,630)
At December 31, 2020	\$199,329	\$468,624	\$55,669	\$28,651	\$752,273
Additions	34	2,974	77,151	341	80,500
Acquisition of Jerritt Canyon (Note 4)	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
Accumulated depreciation, amortization and impairment					
At December 31, 2019	(\$129,040)	(\$326,300)	\$—	(\$15,171)	(\$470,511)
Depreciation and amortization	(4,188)	(19,833)	—	(2,555)	(26,576)
Transfers and disposals	72	2,754	—	208	3,034
At December 31, 2020	(\$133,156)	(\$343,379)	\$—	(\$17,518)	(\$494,053)
Depreciation and amortization	(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)
Carrying values					
At December 31, 2020	\$66,173	\$125,245	\$55,669	\$11,133	\$258,220
At December 31, 2021	\$97,878	\$249,583	\$90,451	\$11,325	\$449,237

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

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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, 2019	\$136,303	\$90,762	\$137,302	\$—	\$297,240	\$45,543	\$707,150
Additions	10,384	7,933	4,209	—	272	26,955	49,753
Transfers and disposals	41	(1,364)	1,999	—	(3,751)	(1,555)	(4,630)
At December 31, 2020	\$146,728	\$97,331	\$143,510	\$—	\$293,761	\$70,943	\$752,273
Additions ⁽²⁾	9,484	19,885	5,831	17,366	229	27,705	80,500
Acquisition of Jerritt Canyon (Note 4)	—	—	—	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
Accumulated depreciation, amortization and impairment							
At December 31, 2019	(\$19,747)	(\$42,975)	(\$122,566)	\$—	(\$266,190)	(\$19,033)	(\$470,511)
Depreciation and amortization	(15,032)	(6,451)	(2,646)	—	(592)	(1,855)	(26,576)
Transfers and disposals	156	1,340	(1,743)	—	2,909	372	3,034
At December 31, 2020	(\$34,623)	(\$48,086)	(\$126,955)	\$—	(\$263,873)	(\$20,516)	(\$494,053)
Depreciation and amortization	(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)
Carrying values							
At December 31, 2020	\$112,105	\$49,245	\$16,555	\$—	\$29,888	\$50,427	\$258,220
At December 31, 2021	\$105,473	\$64,843	\$20,680	\$172,857	\$27,180	\$58,204	\$449,237

(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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

17. RIGHT-OF-USE ASSETS (continued)

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

	Land and Buildings	Machinery and Equipment	Other	Total
At December 31, 2019	\$4,207	\$7,812	\$15	\$12,034
Additions	1,939	554	—	2,494
Remeasurements	2,789	(10)	—	2,779
Depreciation and amortization	(848)	(2,106)	(7)	(2,961)
Disposals	—	(16)	—	(16)
At December 31, 2020	\$8,087	\$6,234	\$8	\$14,330
Additions	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

18. RESTRICTED CASH

Restricted cash is comprised of the following:

(a) Current

As part of the acquisition of Jerritt Canyon (Note 4), the Company was required to hold certain funds in escrow to settle the payment for Triggered Tax provisions along with any adjustments to working capital. As at December 31, 2021, \$12.6 million (2020 - \$nil) remains in escrow which the Company expects to be settled within the next twelve months.

(b) Non-Current

	December 31, 2021	December 31, 2020
Nevada Division of Environmental Protection bond ⁽¹⁾	\$39,727	\$—
Chartis Commutation Account ⁽²⁾	27,275	—
SAT Primero tax dispute ⁽³⁾	48,010	—
	\$115,012	\$—

- Jerritt Canyon is required to provide a surety bond to the Nevada Division of Environmental Protection ("NDEP") and the US Forestry Service to fund the ongoing reclamation and mine closure obligations. To meet this surety requirement, the Company has on deposit \$39.7 million in money market accounts. The money market account principal balance plus interest earned on the principal is used to fund ongoing reclamation and mine closure obligations.
- The Company owns an environmental risk transfer program (the "ERTP") for Jerritt Canyon from American Insurance Group ("AIG"). As part of the ERT, \$27.3 million is on deposit in an interest-bearing account with AIG (the "Commutation Account"). The Commutation Account principal plus interest earned on the principal is used to fund ongoing reclamation and mine closure obligations. The Company can elect to extinguish all rights under the policy, which would release AIG from reclamation cost and financial assurance liabilities, and substitute with replacement bonds. AIG would pay Jerritt Canyon the remaining balance in the Commutation Account.
- 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 27(b)), the tax authority has frozen a PEM bank account with funds of \$48.0 million (989.9 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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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:

	December 31, 2021	December 31, 2020
Trade payables	\$41,827	\$31,262
Trade related accruals	30,621	18,635
Payroll and related benefits	28,162	21,427
Estimated Triggered Tax Adjustment and Working Capital Adjustment payable, net (Note 4)	12,570	—
NSR royalty liabilities (Notes 15(b)(c))	1,147	—
Environmental duty and net mineral sales proceeds tax	3,281	2,156
Other accrued liabilities	3,058	2,522
	\$120,666	\$76,002

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

20. DEBT FACILITIES

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

	Convertible Debentures (a)	Revolving Credit Facility (b)	Total
Balance at December 31, 2019	\$136,607	\$19,211	\$155,818
Finance costs			
Interest expense	2,984	763	3,747
Accretion	6,168	678	6,846
Proceeds from drawdown of revolving credit facility	—	10,000	10,000
Repayments of principal	—	(19,969)	(19,969)
Payments of finance costs	(2,934)	(800)	(3,734)
Balance at December 31, 2020	\$142,825	\$9,883	\$152,708
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
Statements of Financial Position Presentation			
Current portion of debt facilities	\$1,092	\$9,883	\$10,975
Non-current portion of debt facilities	141,733	—	141,733
Balance at December 31, 2020	\$142,825	\$9,883	\$152,708
Current portion of debt facilities	\$69	\$56	\$125
Non-current portion of debt facilities	181,108	—	181,108
Balance at December 31, 2021	\$181,178	\$56	\$181,234

(a) Convertible Debentures

2018 Senior Convertible Debentures

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

20. DEBT FACILITIES (continued)

(a) Convertible Debentures (continued)

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

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

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

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

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

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

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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 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 Notes, resulting with a loss on the settlement of debt of \$4.6 million. 24,219 of the remaining 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 April 1, 2021, the Company renewed its senior secured revolving credit facility (the "Revolving Credit Facility") with the Bank of Nova Scotia and Bank of Montreal by extending the maturity date from May 10, 2021 to November 30, 2022 and reducing the credit limit from \$75.0 million to \$50.0 million. Interest on the drawn balance will accrue at LIBOR plus an applicable range of 2.25% to 3.5% 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 December 31, 2021, the applicable rates were 2.3% and 0.5625% per annum, respectively.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

21. LEASE LIABILITIES

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

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

21. LEASE LIABILITIES (continued)

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

	Finance Leases	Operating Leases ^(a)	Equipment Financing ^(b)	Total
Balance at December 31, 2019	\$50	\$18,951	\$2,935	\$21,936
Additions	—	2,494	—	2,494
Remeasurements	—	2,779	—	2,779
Finance costs	—	1,396	83	1,479
Repayments of principal	(50)	(5,353)	(2,303)	(7,706)
Payments of finance costs	—	—	(126)	(126)
Foreign exchange gain	—	(281)	—	(281)
Balance at December 31, 2020	\$—	\$19,986	\$589	\$20,575
Acquisition of Jerritt Canyon (Note 4)	2,194	—	—	2,194
Additions	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
Statements of Financial Position Presentation				
Current portion of lease liabilities	\$—	\$4,820	\$538	\$5,358
Non-current portion of lease liabilities	—	15,166	51	15,217
Balance at December 31, 2020	\$—	\$19,986	\$589	\$20,575
Current portion of lease liabilities	\$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

(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 3.35% to 11.20% per annum.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

21. LEASE LIABILITIES (continued)

(a) Operating leases (continued)

During the year ended December 31, 2021 and 2020, the amounts of lease payments recognized in the profit and loss are summarized as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Expenses relating to variable lease payments not included in the measurement of lease liability	\$109,565	\$25,560
Expenses relating to short-term leases	41,283	19,607
Expenses relating to low value leases	5	81
	\$150,853	\$45,248

(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 December 31, 2021 and year ended December 31, 2020, the Company was in compliance with these covenants.

As at December 31, 2021, the net book value of property, plant and equipment includes \$2.0 million (December 31, 2020 - \$1.9 million) of equipment pledged as security for the equipment financing.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

22. DECOMMISSIONING LIABILITIES

The Company has an obligation to undertake decommissioning, restoration, rehabilitation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining operation. Movements in decommissioning liabilities during the years ended December 31, 2021 and 2020 are allocated as follow:

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	San Martin	La Parrilla	Del Toro	La Guitarra	La Luz	Total
Balance at December 31, 2019	\$9,442	\$4,971	\$8,112	\$—	\$7,103	\$4,337	\$3,769	\$2,178	\$616	\$40,528
Movements during the year:										
Disposition of exploration project	—	—	—	—	—	—	—	(153)	—	(153)
Change in rehabilitation provision	4,527	1,191	2,049	—	1,240	830	772	217	59	10,885
Reclamation costs incurred	—	(55)	—	—	(81)	(20)	—	—	—	(156)
Interest or accretion expense	565	295	477	—	418	259	226	122	—	2,362
Foreign exchange loss	(475)	(252)	(415)	—	(359)	(216)	(190)	(86)	(2)	(1,995)
Balance at December 31, 2020	\$14,059	\$6,150	\$10,223	\$—	\$8,321	\$5,190	\$4,577	\$2,278	\$673	\$51,471
Movements during the year:										
Acquisition of Jerritt Canyon	—	—	—	71,135	—	—	—	—	—	71,135
Change in rehabilitation provision	1,209	2,177	584	28,799	(1,435)	(900)	(565)	278	(137)	30,010
Reclamation costs incurred	—	—	—	(186)	(339)	(17)	(64)	—	—	(606)
Interest or accretion expense	715	313	521	642	424	264	234	115	—	3,228
Foreign exchange (loss) gain	(454)	(199)	(333)	—	(264)	(169)	(148)	(73)	9	(1,631)
Balance at December 31, 2021	\$15,529	\$8,441	\$10,995	\$100,390	\$6,707	\$4,368	\$4,034	\$2,598	\$545	\$153,607

A provision for decommissioning liabilities is estimated based on current regulatory requirements and is recognized at the present value of such costs. The expected timing of cash flows in respect of the provision is based on the estimated life of the Company's mining operations. The discount rate is a risk-free rate determined based on Mexican pesos default swap rates ranging between 7.4% to 7.5% (2020 - 5.0% to 5.3%) for the respective estimated life of the operations. The inflation rate used is based on historical Mexican inflation rate of 4.2% (2020 - 3.9%).

At the Jerritt Canyon Gold Mine, the discount rate is a risk-free rate determined based on the US swap rates ranging between 1.5% to 1.6% for the estimated life of the mine. The inflation rate is based on historical US inflation rate of 2.15%. The present value of reclamation liabilities may be subject to change based on changes to cost estimates, remediation technologies or applicable laws and regulations. Changes in decommissioning liabilities are recorded against mining interests.

At December 31, 2021, the reclamation and closure cost obligation for the Jerritt Canyon Gold Mine totaled \$100.4 million. This obligation is secured through cash of \$39.7 million (note 18(b)), a surety bond of \$41.3 million held with the NDEP and two surety bonds totaling \$11.2 million held with the United States Forest Services ("USFS") to support various reclamation obligation bonding requirements.

On November 2, 2021, the Company executed an agreement with the NDEP relating to funds required to establish a trust agreement to cover post-closure water treatment cost at Jerritt Canyon. The estimated costs are \$17.6 million which are included in the decommissioning liabilities provision and would need to be funded by October 31, 2022.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

23. INCOME TAXES

The following is a reconciliation of income taxes calculated at the combined Canadian federal and provincial statutory tax rate to the income tax expense for the year ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
Earnings before tax	\$25,250	\$29,729
Combined statutory tax rate	27%	27%
Income tax expense computed at statutory tax rate	6,818	8,027
Reconciling items:		
Effect of different foreign statutory tax rates on earnings of subsidiaries	4,962	(4,760)
Impact of foreign exchange on deferred income tax assets and liabilities	(1,419)	15,688
Change in unrecognized deferred income tax asset	14,100	(4,596)
7.5% mining royalty in Mexico	13,389	7,415
Other non-deductible expenses	15,491	758
Impact of inflationary adjustments	(13,504)	(1,317)
Change in tax provision estimates	(945)	10,387
Impact of divestitures and restructurings	102	(16,724)
Other	(8,821)	(8,236)
Income tax expense	\$30,173	\$6,642
Statements of Earnings Presentation		
Current income tax expense	\$49,283	\$9,966
Deferred income tax recovery	(19,110)	(3,324)
Income tax expense	\$30,173	\$6,642
Effective tax rate	119%	22%

As at December 31, 2021 and 2020, the Company has the following income tax payable balances:

	Year Ended December 31,	
	2021	2020
Current income tax payable	\$27,980	\$6,574
Non-current income tax payable	21,812	23,099
	\$49,792	\$29,673

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

23. INCOME TAXES (continued)

During the years ended December 31, 2021 and 2020, the movement in deferred tax assets and deferred tax liabilities is shown as follows:

Deferred tax assets	Losses	Provisions	Deferred tax asset not recognized	Other	Total
At December 31, 2019	\$126,472	\$22,887	(\$100,504)	\$8,845	\$57,700
Benefit to statement of earnings	21,327	2,389	11,788	456	35,960
At December 31, 2020	\$147,799	\$25,276	(\$88,716)	\$9,301	\$93,660
Benefit (expense) to statement of earnings	29,196	16,467	(12,891)	4,667	37,439
Acquired from Jerritt Canyon	10,275	—	—	2,801	13,076
At December 31, 2021	\$187,270	\$41,743	(\$101,607)	\$16,769	\$144,175

Deferred tax liabilities	Property, plant and equipment and mining interests	Effect of Mexican tax deconsolidation	Other	Total
At December 31, 2019	\$33,001	\$4,429	\$33,045	\$70,475
Expense (Benefit) to statement of earnings	23,883	(113)	(18,311)	5,459
Reclassified to current income taxes payable	—	(2,245)	—	(2,245)
Charged to OCI	—	—	1,633	1,633
Divestiture of exploration projects	—	—	(2,577)	(2,577)
At December 31, 2020	\$56,884	\$2,071	\$13,790	\$72,745
Expense to statement of earnings	12,186	84	6,059	18,329
Reclassified to current income taxes payable	—	(1,549)	—	(1,549)
Acquired from Jerritt Canyon	123,578	—	—	123,578
Benefit to equity	—	—	9,843	9,843
Translation and other	—	—	(2,192)	(2,192)
At December 31, 2021	\$192,648	\$606	\$27,500	\$220,754

Statements of Financial Position Presentation

Deferred tax assets	\$69,644
Deferred tax liabilities	48,729
At December 31, 2020	(\$20,915)
Deferred tax assets	\$74,257
Deferred tax liabilities	150,836
At December 31, 2021	\$76,579

At December 31, 2021, the Company recognized \$74.3 million (2020 - \$69.6 million) of net deferred tax assets in entities that have had a loss for tax purposes in either 2021 or 2020, or both. In evaluating whether it is probable that sufficient taxable income will be generated to realize the benefit of these deferred tax assets, the Company considered all available evidence, including approved budgets, forecasts and business plans and, in certain cases, tax planning opportunities.

The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred taxes have not been recognized, as at December 31, 2021 was \$334.0 million (2020 - \$236.5 million).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

23. INCOME TAXES (continued)

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	Year Ended December 31,	
	2021	2020
Non-capital losses	\$239,175	\$207,853
Capital losses	10,619	—
Accrued expenses	78,754	25,513
Mineral properties, plant and equipment	44,300	55,460
Other	17,578	6,897
	\$390,426	\$295,723

As at December 31, 2021 and 2020, the Company has available Canadian, US and Mexican non-capital tax losses, which if not utilized will expire as follows:

Year of expiry	Canadian non-capital losses	US non-capital losses	Mexican non-capital losses	December 31, 2021	December 31, 2020
2022	\$—	\$—	\$4,025	\$4,025	\$3,835
2023	—	—	2,052	2,052	3,878
2024	—	—	37,355	37,355	2,071
2025	—	—	41,286	41,286	34,964
2026	—	—	108,513	108,513	38,901
2027	—	—	11,579	11,579	104,044
2028	—	—	55,852	55,852	21,040
2029	—	—	75,381	75,381	57,809
2030	—	—	153,152	153,152	68,074
2031 and after	11,113	14,334	57,889	83,336	152,862
No expiry	—	66,578	—	66,578	—
Total	\$11,113	\$80,912	\$547,084	\$639,109	\$487,478
Unrecognized losses	\$11,113	\$—	\$243,180	\$254,293	\$199,775

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

24. 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 years ended December 31, 2021 and 2020 is summarized in the consolidated statements of changes in equity.

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number of Shares	Net Proceeds	Number of Shares	Net Proceeds
ATM program ⁽¹⁾	4,225,000	\$66,674	5,654,338	\$67,896
Prospectus offering	—	—	5,000,000	58,240
	4,225,000	\$66,674	10,654,338	\$126,136

(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 year ended December 31, 2021, the Company sold 4,225,000 (2020 - 5,654,338) common shares of the Company under the ATM program at an average price of \$16.24 (2020 - \$12.31) for gross proceeds of \$68.6 million (2020 - \$69.6 million), or net proceeds of \$66.7 million (2020 - \$67.9 million) after costs. At December 31, 2021, the Company completed \$68.6 million of the ATM program.

(b) Stock options

Under the terms of the Company's 2019 Long-Term Incentive Plan ("LTIP"), the maximum number of shares reserved for issuance under the LTIP is 8% of the issued shares on a rolling basis. Options may be exercisable over periods of up to ten years as determined by the Board of Directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval. All stock options granted are subject to vesting with 25% vesting on first anniversary from the date of grant, and 25% vesting each six months thereafter.

The following table summarizes information about stock options outstanding as at December 31, 2021:

Exercise prices (CAD\$)	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Weighted Average Remaining Life (Years)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Weighted Average Remaining Life (Years)
5.01 - 10.00	2,226,614	8.62	6.87	1,819,114	8.57	6.70
10.01 - 15.00	1,369,993	13.62	8.19	537,120	13.31	7.61
15.01 - 20.00	1,296,821	16.21	8.45	286,973	15.93	7.56
20.01 - 250.00	744,955	21.56	8.76	52,705	22.55	0.23
	5,638,383	13.29	7.80	2,695,912	10.57	6.85

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

24. SHARE CAPITAL (continued)

(b) Stock options (continued)

The movements in stock options issued during the years ended December 31, 2021 and 2020 are summarized as follows:

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)
Balance, beginning of the year	7,074,092	12.07	7,583,439	10.70
Granted	1,400,000	18.98	2,621,924	13.46
Exercised	(2,502,234)	10.87	(2,473,926)	7.50
Cancelled or expired	(333,475)	29.45	(657,345)	18.96
Balance, end of the year	5,638,383	13.29	7,074,092	12.07

During the year ended December 31, 2021, the aggregate fair value of stock options granted was \$9.9 million (December 31, 2020 - \$12.1 million), or a weighted average fair value of \$7.04 per stock option granted (2020 - \$4.63).

During the year ended December 31, 2021, total share-based payments expense related to stock options was \$8.8 million (December 31, 2020 - \$7.0 million).

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

Assumption	Based on	Year Ended December 31, 2021	Year Ended December 31, 2020
Risk-free interest rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	1.04	1.03
Expected life (years)	Average of the expected vesting term and expiry term of the option	5.93	5.83
Expected volatility (%)	Historical and implied volatility of the precious metals mining sector	49.00	49.00
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	0.10%	—

The weighted average closing share price at date of exercise for the year ended December 31, 2021 was CAD\$13.29 (December 31, 2020 - CAD\$15.61).

(c) Restricted Share Units

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

24. SHARE CAPITAL (continued)

(c) Restricted Share Units (continued)

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

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the year	184,483	15.66	128,944	10.36
Granted	312,991	17.19	211,192	15.72
Settled	(69,504)	15.79	(127,000)	10.32
Forfeited	(27,421)	16.56	(28,653)	15.93
Outstanding, end of the year	400,549	16.77	184,483	15.66

During the year ended December 31, 2021, total share-based payments expense related to RSU's was \$1.9 million (December 31, 2020 - \$0.8 million).

(d) Performance Share Units

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

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

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the year	109,035	15.62	—	—
Granted	184,050	17.15	122,575	15.65
Forfeited	(17,569)	16.56	(13,540)	15.93
Outstanding, end of the year	275,516	16.58	109,035	15.62

During the year ended December 31, 2021, total share-based payments expense related to PSU's was \$1.2 million (year ended December 31, 2020 - \$0.5 million).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

24. SHARE CAPITAL (continued)

(e) Deferred Share Units

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

The following table summarizes the changes in DSU's granted to directors for the year ended December 31, 2021 and December 31, 2020:

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the year	—	—	—	—
Granted	31,040	18.08	—	—
Settled	(5,855)	17.08	—	—
Outstanding, end of the year	25,185	18.31	—	—

During the year ended December 31, 2021, total share-based payments expense related to DSU's was \$0.4 million (year ended December 31, 2020 - \$nil).

(f) Share Repurchase Program and Share Cancellation

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

The Company declared the following dividends during the year ended December 31, 2021:

Declaration Date	Record Date	Dividend per Common Share
May 6, 2021	May 17, 2021	\$0.0045
August 16, 2021	August 26, 2021	\$0.0060
November 4, 2021	November 17, 2021	\$0.0049
March 10, 2022 ⁽¹⁾	March 21, 2022	\$0.0079

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

25. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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

(a) Fair value and categories of financial instruments

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

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

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

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

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

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

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

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

Financial Instruments Measured at Fair Value	Valuation Method
Marketable securities - common shares	Marketable securities and silver future derivatives are valued based on quoted market prices for identical assets in an active market (Level 1) as at the date of statements of financial position. Marketable securities - stock warrants are valued using the Black-Scholes model based on the observable market inputs (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:

	December 31, 2021			December 31, 2020		
	Carrying value	Fair value measurement		Carrying value	Fair value measurement	
		Level 1	Level 2		Level 1	Level 2
Financial assets						
Marketable securities (Note 14)	\$ 26,486	\$ 22,531	\$ 3,955	\$ 36,319	\$ 30,996	\$ 5,323

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

(b) Capital risk management

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

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

	December 31, 2021	December 31, 2020
Equity	\$1,410,971	\$850,236
Debt facilities	181,233	152,708
Lease liabilities	39,861	20,575
Less: cash and cash equivalents	(237,926)	(238,578)
	\$1,394,139	\$784,941

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

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenants under the debt facilities (Note 20(b)) and lease liabilities (Note 21(b)). As at December 31, 2021 and December 31, 2020, the Company was in compliance with these covenants.

(c) Financial risk management

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

Credit Risk

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

As at December 31, 2021, VAT receivable was \$47.1 million (December 31, 2020 - \$56.9 million), of which \$22.2 million (December 31, 2020 \$16.5 million) relates to Minera La Encantada S.A. de C.V. ("MLE") and \$22.0 million (December 31, 2020 - \$37.9 million) relates to PEM. The SAT commenced processing VAT refund requests by PEM in June 2021 and the Company expects the amounts to be refunded within the next twelve months.

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

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

Liquidity Risk

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Liquidity Risk (continued)

The following table summarizes the maturities of the Company's financial liabilities as at December 31, 2021 based on the undiscounted contractual cash flows:

	Carrying Amount	Contractual Cash Flows	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$120,666	\$120,666	\$120,666	\$—	\$—	\$—
Debt facilities	181,233	234,666	1,216	1,725	231,725	—
Lease liabilities	39,861	44,561	11,252	21,312	10,752	1,245
Other liabilities	5,797	5,797	—	—	—	5,797
	\$347,557	\$405,690	\$133,134	\$23,037	\$242,477	\$7,042

At December 31, 2021, the Company had working capital of \$224.4 million (December 31, 2020 – \$254.4 million). Total available liquidity at December 31, 2021 was \$274.4 million, including \$50.0 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:

	December 31, 2021							
	Cash and cash equivalents	Restricted cash	Value added taxes receivable	Other financial assets	Trade and other payables	Trade and other receivables	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$52,978	\$12,574	\$—	\$7,644	(\$3,547)	\$90	\$69,739	\$6,974
Mexican peso	36,575	48,010	42,979	—	(47,023)	—	80,541	8,054
	\$89,553	\$60,584	\$42,979	\$7,644	(\$50,570)	\$90	\$150,280	\$15,028

The Company utilizes certain derivatives to manage its foreign exchange exposures to the Mexican Peso. During the year ended December 31, 2021, the Company had an unrealized loss of \$nil (2020 - realized loss of \$11.5 million) on fair value adjustments to its foreign currency derivatives. As at December 31, 2021, the Company does not hold any foreign currency derivatives (2020 - \$nil).

Commodity Price Risk

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Commodity Price Risk (continued)

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

	December 31, 2021		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$2,217	\$571	\$2,788
	\$2,217	\$571	\$2,788

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 December 31, 2021, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities and lease liabilities. Based on the Company's interest rate exposure at December 31, 2021, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

26. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31,	
	2021	2020
Other adjustments to investing activities:		
Purchase of marketable securities	(\$3,522)	(\$1,522)
Proceeds from disposal of marketable securities	2,564	664
Cash received on settlement of derivatives	533	2,079
	(\$425)	\$1,221
Net change in non-cash working capital items:		
(Increase) decrease in trade and other receivables	(\$3,386)	\$24
Decrease (increase) in value added taxes receivable	9,839	(27,525)
Increase in inventories	(8,956)	(4,288)
Increase in prepaid expenses and other	(903)	(692)
Decrease (increase) in income taxes payable	3,332	(1,115)
Increase in trade and other payables	16,580	10,765
Increase in restricted cash (Note 18(b))	(48,010)	—
	(\$31,504)	(\$22,831)
Non-cash investing and financing activities:		
Acquisition of Jerritt Canyon (Note 4)	\$466,300	\$—
Transfer of share-based payments reserve upon settlement of RSU's	963	992
Transfer of share-based payments reserve upon exercise of options	8,643	5,903
Acquisition of mining interests	(3,750)	(8,179)
Assets acquired by finance lease	(4,001)	—
Conversion to common shares upon settlement of the convertible note	(23,230)	—
	\$444,925	(\$1,284)

As at December 31, 2021, cash and cash equivalents include \$6.4 million (December 31, 2020 - \$6.4 million) that are held in trust as bonds for tax audits in Mexico.

(Tabular amounts are expressed in thousands of US dollars)

27. 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 to WPMI all the silver produced from the San Dimas mine, up to 6 million ounces 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%.

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 its actual realized revenue ("PEM Realized Price") instead of at spot market prices.

To obtain assurance that the SAT would accept the PEM Realized Price as the price to use to calculate Mexican income taxes, Primero applied for and received on October 4, 2012, an Advance Pricing Agreement ("APA") from the SAT for taxation years 2010 to 2014. The APA confirmed that the PEM Realized Price could be used as Primero's basis for calculating taxes owed by PEM for the silver sold under the Old Stream Agreement. The purpose of the APA was to have SAT provide tax certainty and as a result Primero and PEM made significant investments in Mexico based on that certainty.

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

In 2019, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$239.0 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 \$132.3 million (2,723 million MXN) (collectively, the "Reassessments"). The Company believes that the Reassessments were issued in violation of the terms of the APA. The key items in the Reassessments include determining revenue on the sale based on the silver spot market price, denial of the deductibility of interest expense and service fees, SAT technical error related to double counting of taxes, and interest and penalties.

(Tabular amounts are expressed in thousands of US dollars)

27. CONTINGENCIES AND OTHER MATTERS (continued)

(b) Primero Tax Rulings (continued)

The Company continues to defend the APA in the Mexican legal proceedings, and initiated proceedings under relevant tax treaties between the competent tax authorities of Mexico, Canada, Luxembourg and Barbados, all of which were subsequently dismissed on a unilateral basis by the SAT ("Dismissals") in May 2020. The Company believes that the Dismissals breach international obligations regarding double taxation treaties, and also that the APA remains valid and legally binding. The Company will continue disputing the Reassessments, exhausting its domestic and international remedies.

While the Company continues to vigorously defend the validity of the APA and its transfer pricing position, it is also engaging in various proceedings against the SAT seeking to resolve matters and bring tax certainty through a negotiated solution. Despite these extensive efforts and ongoing legal challenges to the Reassessments and the Dismissals, in April 2020 and February 2021, SAT issued notifications to PEM to attempt to secure amounts it claims are owed pursuant to its reassessments issued. These notifications impose certain restrictions on PEM including its ability to dispose of its concessions and real properties, and to restrict access to funds within its bank account, the latter as disclosed in Note 18(b)3 of the audited financial statements.

The Company has challenged SAT's Reassessments and Dismissals through all domestic means available to it, including annulment suits before the Mexican Federal Tax Court on Administrative Matters ("Federal Court"), which remain unresolved, and a complaint before Mexico's Federal Taxpayer Defense Attorney's Office (known as "PRODECON"). The Company believes that the actions of the SAT are neither fair nor equitable, are discriminatory against the Company as a foreign investor, amount to a denial of justice under international law, and furthermore violate various provisions of the Federal Constitution of the United Mexican States, Mexican domestic law, and Mexican court precedents.

On May 13, 2020, the Company provided to the Government of Mexico notice of its intention to initiate an international arbitration proceeding ("Notice of Intent") pursuant to the North American Free Trade Agreement ("NAFTA"). The Notice of Intent commenced a 90-day period for the Government of Mexico to enter into good faith and amicable negotiations with the Company to resolve the dispute. On August 11, 2020, the 90-day period expired without any resolution of the dispute.

In September 2020, the Company was served with a decision 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 amparo file and iii) assigned such writ to the Second Chamber of the Supreme Court for issuing the corresponding decision. The other writ of certiorari has not been admitted by the Plenary of the Supreme Court. Therefore, the Company is currently waiting for the Supreme Court to issue a resolution towards such writs of certiorari.

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

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

(Tabular amounts are expressed in thousands of US dollars)

27. CONTINGENCIES AND OTHER MATTERS (continued)

(b) Primero Tax Rulings (continued)

If the SAT were to be successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver pursuant to the Old Stream Agreement for 2010 through 2014. 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 \$228.5 million (4,703 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 appropriate price of silver sales under the Old Stream Agreement is significantly different from the PEM Realized Price and while PEM would have rights of appeal in connection with any reassessments, it is likely to have a 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., the SAT issued tax assessments for fiscal 2012 and 2013 in the amount of \$7.6 million (155.4 million MXN) and \$6.2 million (126.6 million MXN), respectively. The key 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.

First Silver litigation

In April 2013, the Company received a positive judgment on the First Silver litigation from the Supreme Court of British Columbia (the "Court"), which awarded the sum of \$93.8 million in favour of First Majestic against Hector Davila Santos (the "Defendant"). The Company received a sum of \$14.1 million in June 2013 as partial payment of the judgment, leaving an unpaid amount of approximately \$64.3 million (CAD\$81.5 million). As part of the ruling, the Court granted orders restricting any transfer or encumbrance of the Bolaños Mine by the Defendant and limiting mining at the Bolaños Mine. The orders also require that the Defendant to preserve net cash flow from the Bolaños Mine in a holding account and periodically provide to the Company certain information regarding the Bolaños Mine. However, there can be no guarantee that the remainder of the judgment amount will be collected and it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to recover the balance. Therefore, as at December 31, 2021, the Company has not accrued any of the remaining \$64.3 million (CAD\$81.5 million) unrecovered judgment in favour of the Company.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

28. SUBSIDIARIES

The consolidated financial statements of the Company include the following significant subsidiaries as at December 31, 2021 and 2020 as follows:

Name of subsidiary	Operations and Projects	Location	2021	2020
			% Ownership	% Ownership
First Majestic Silver Corp.	Parent company and bullion sales	Canada	100%	100%
Corporación First Majestic, S.A. de C.V.	Holding company	Mexico	100%	100%
Primero Empresa Minera, S.A. de C.V.	San Dimas Silver/Gold Mine	Mexico	100%	100%
Nusantara de Mexico, S.A. de C.V.	Santa Elena Silver/Gold Mine	Mexico	100%	100%
Minera La Encantada, S.A. de C.V.	La Encantada Silver Mine	Mexico	100%	100%
First Majestic Plata, S.A. de C.V.	La Parrilla Silver Mine	Mexico	100%	100%
Minera El Pilón, S.A. de C.V.	San Martin Silver Mine	Mexico	100%	100%
First Majestic Del Toro, S.A. de C.V.	Del Toro Silver Mine	Mexico	100%	100%
La Guitarra Compañía Minera, S.A. de C.V.	La Guitarra Silver Mine	Mexico	100%	100%
Majestic Services, S.A. de C.V.	Service company	Mexico	100%	100%
Jerritt Canyon Canada Ltd.	Holding company	Canada	100%	—%
Jerritt Canyon Gold LLC	Jerritt Canyon Gold Mine	United States	100%	—%
FM Metal Trading (Barbados) Inc.	Metals trading company	Barbados	100%	100%
FMS Trading AG	Metals trading company	Switzerland	100%	100%

29. KEY MANAGEMENT COMPENSATION

	Year Ended December 31,	
	2021	2020
Salaries, bonuses, fees and benefits		
Independent members of the Board of Directors	\$868	\$803
Other members of key management	3,790	3,937
Share-based payments		
Independent members of the Board of Directors	769	402
Other members of key management	3,661	2,646
	\$9,088	\$7,788

30. SUBSEQUENT EVENTS

Declaration of Quarterly Dividend

On March 9, 2022, the Company's board of directors approved its quarterly common share dividend of \$0.0079 per share, payable on and after April 4, 2022, to common shareholders of record at the close of business on March 21, 2022. These dividends were declared subsequent to the quarter end and have not been recognized as distributions to owners during the year ended December 31, 2021.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR AND QUARTER ENDED DECEMBER 31, 2021

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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 audited consolidated financial statements of First Majestic Silver Corp. (“First Majestic” or “the Company”) as at and for the year ended December 31, 2021 which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). All dollar amounts are expressed in United States (“US”) dollars and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences.

This MD&A contains “forward-looking statements” that are subject to risk factors set out in a cautionary note contained at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of March 9, 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, four mines currently in care and maintenance in Mexico: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine.

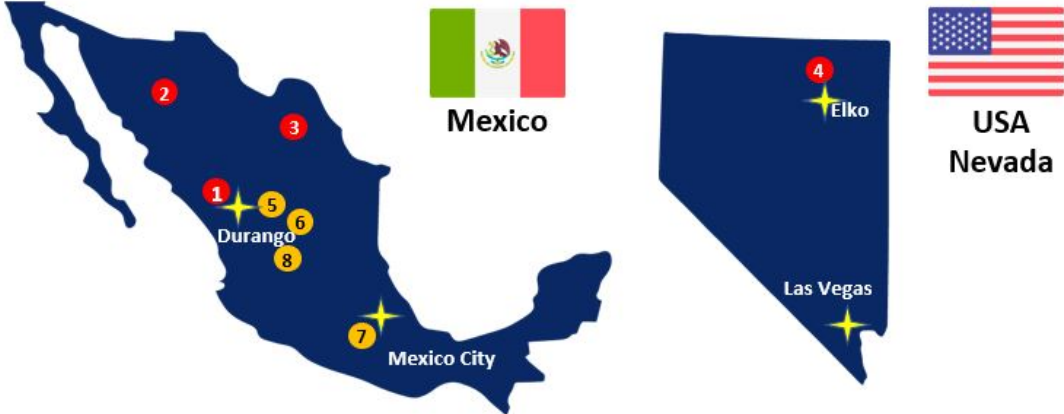
First Majestic is publicly listed on the New York Stock Exchange under the symbol “AG”, on the Toronto Stock Exchange under the symbol “FR” and on the Frankfurt Stock Exchange under the symbol “FMV”.

IN PRODUCTION

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

PROJECTS

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

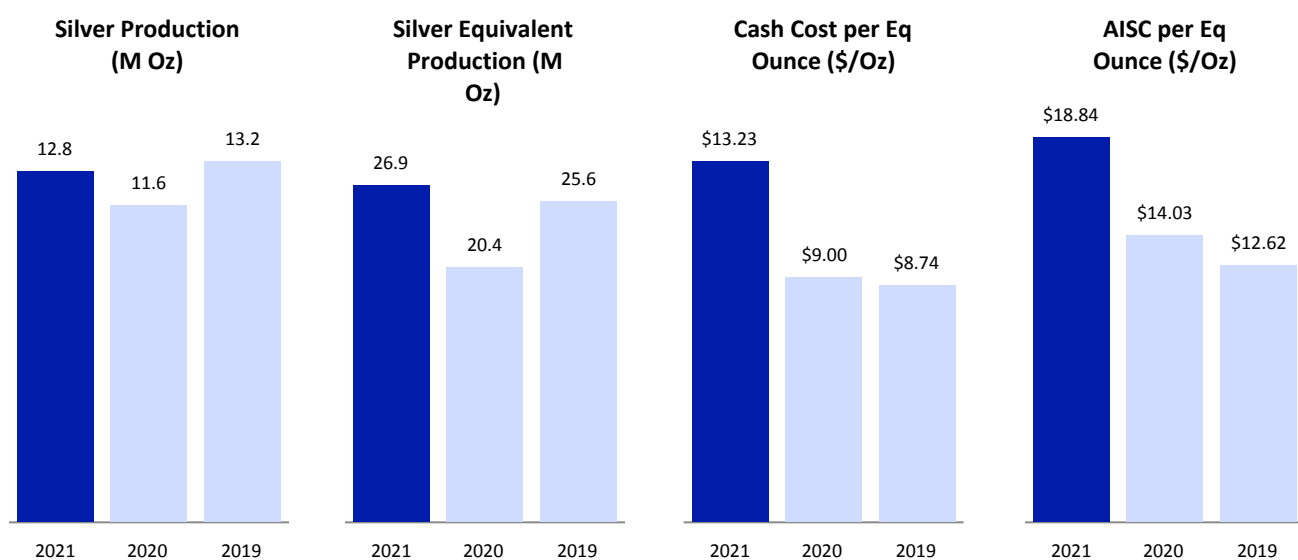


2021 ANNUAL HIGHLIGHTS

Key Performance Metrics	2021	2020	2019	Change '21 vs '20
Operational				
Ore Processed / Tonnes Milled	3,339,394	2,213,954	2,831,999	51%
Silver Ounces Produced	12,842,945	11,598,380	13,241,118	11%
Silver Equivalent Ounces Produced	26,855,783	20,379,010	25,554,288	32%
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$13.23	\$9.00	\$8.74	47%
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$18.84	\$14.03	\$12.62	34%
Total Production Cost per Tonne ⁽¹⁾	\$102.77	\$79.59	\$75.05	29%
Average Realized Silver Price per Ounce ⁽¹⁾	\$25.16	\$21.15	\$16.40	19%
Financial (in \$millions)				
Revenues	\$584.1	\$363.9	\$363.9	61%
Mine Operating Earnings	\$101.4	\$105.1	\$66.2	(3%)
Earnings (Loss) before Income Taxes	\$25.3	\$29.7	(\$39.0)	(15%)
Net (Loss) Earnings	(\$4.9)	\$23.1	(\$40.5)	(121%)
Operating Cash Flows before Working Capital and Taxes	\$176.8	\$107.3	\$108.9	65%
Cash and Cash Equivalents	\$237.9	\$238.6	\$169.0	0%
Working Capital ⁽¹⁾	\$224.4	\$254.4	\$171.1	(12%)
Free Cash Flow ⁽¹⁾	(\$16.9)	\$30.7	\$91.0	(155%)
Shareholders				
(Loss) Earnings per Share ("EPS") - Basic	(\$0.02)	\$0.11	(\$0.20)	(119%)
Adjusted EPS ⁽¹⁾	\$0.02	\$0.18	\$0.04	(86%)

NM - Not meaningful

(1) The Company reports non-GAAP measures which include cash costs per ounce produced, all-in sustaining cost per ounce, total production cost per tonne, average realized silver price per ounce sold, working capital, adjusted EPS and 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 45 to 53 for a reconciliation of non-GAAP to GAAP measures.



Operational Highlights

Annual Production Summary	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Ore Processed / Tonnes Milled	822,791	879,060	1,004,144	633,400	3,339,394
Silver Ounces Produced	7,646,898	1,954,492	3,241,555	—	12,842,945
Gold Ounces Produced	81,237	42,088	460	68,567	192,353
Silver Equivalent Ounces Produced	13,525,049	5,041,937	3,274,798	5,013,999	26,855,783
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$9.01	\$15.40	\$13.49	\$22.21	\$13.23
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$12.70	\$19.20	\$16.66	\$28.01	\$18.84
Cash Cost per Gold Equivalent Ounce ⁽¹⁾	N/A	N/A	N/A	\$1,624	N/A
All-in Sustaining Costs per Gold Equivalent Ounce ⁽¹⁾	N/A	N/A	N/A	\$2,048	N/A
Total Production Cost per Tonne ⁽¹⁾	\$142.00	\$85.15	\$42.25	\$172.20	\$102.77

(1) See "Non-GAAP measures"

- **Annual silver production** of 12,842,945 ounces, which slightly missed the lower end of the Company's revised guidance range of producing between 13.0 to 13.8 million ounces of silver.
- **Annual gold production** of 192,353 ounces, was within the higher end of the Company's revised guidance range of producing between 181,000 to 194,000 ounces. This strong performance was primarily attributed to the processing of Ermitaño ore at the Santa Elena plant and strong gold grades at San Dimas in the fourth quarter.
- **Successfully completed the acquisition of the Jerritt Canyon Gold Mine** in Nevada, USA adding a fourth operating mine to the Company's portfolio.
- **Successfully began underground ore production from the Ermitaño mine** near the Santa Elena mill in the fourth quarter of 2021, after five years since its initial discovery. This was completed ahead of schedule following batch processing of Ermitaño ore which started in November. This important new mine is expected to significantly increase production and reduce costs at Santa Elena as it ramps up throughout 2022.
- **Successfully converted Santa Elena from diesel power to more environmentally friendly and lower cost liquid natural gas ("LNG")** with the construction of the new 12.4 megawatt ("MW") LNG facility.
- **Sold a record 349,278 ounces of retail silver bullion products**, or approximately 3% of the Company's silver production, on First Majestic's online bullion store at an average silver price of \$31.21 per ounce for total proceeds of \$10.9 million.
- **Cash cost per silver equivalent ("AgEq") ounce** in the year was \$13.23, compared to \$9.00 in the previous year. The increase in cash cost per AgEq ounce was primarily due to the addition of Jerritt Canyon which was producing at a higher cash costs since the acquisition. The Company has identified various projects to be implemented over the next 12 months at Jerritt Canyon to improve production and reduce costs at the mine and processing plant. Additionally, there was an increase in energy costs at San Dimas due to lower energy contribution from the hydroelectric power plant as well as an increase in costs at Santa Elena primarily due to higher ore development and mining contractor costs to prepare ore faces in the mine.
- **All-in sustaining cost ("AISC") per AgEq ounce** in the year was \$18.84, compared to \$14.03 in the previous year. The increase in AISC per AgEq ounce was primarily attributed to higher cash costs, combined with an increase in sustaining capital costs related to the Tailings Storage Facility 2 ("TSF2") lift project which was completed on time and under-budget at Jerritt Canyon Gold Mine. The increase in AISC was partially offset by increased production at San Dimas, Santa Elena and Jerritt Canyon during the year.

Financial Highlights

- **Robust cash position and liquidity:** The Company ended the year with cash and cash equivalents of \$237.9 million compared to \$238.6 million at the end of the previous year, while working capital decreased to \$224.4 million compared to \$254.4 million. Cash and cash equivalent excludes the re-allocation of \$48.0 million in VAT refunds which have been recorded within non-current restricted cash.
- **Revenue:** The Company generated record annual revenues of \$584.1 million in 2021, 61% higher than the previous year primarily due to the addition of the Jerritt Canyon Gold Mine during the second quarter, a 32% increase in payable

silver equivalent ounces sold and a 19% increase in the average realized silver price per ounce which averaged \$25.16 per ounce compared to \$21.15 per ounce in 2020.

- **Mine operating earnings:** During the year, the Company recognized mine operating earnings of \$101.4 million compared to \$105.1 million in 2020. The decrease in mine operating earnings was primarily driven by higher costs at Jerritt Canyon to prepare the mine for higher throughputs and improved plant performance along with increased costs at Santa Elena due to Ermitaño ramping up production during the year which was partially offset by an increase in revenue.
- **Net earnings:** The Company recognized a net loss of \$4.9 million (EPS of \$(0.02)) in 2021 compared to net earnings of \$23.1 million (EPS of \$0.11) in 2020. The decrease in net earnings was primarily attributable to an increase in income tax expense during the year as well as an accounting loss recognized on the settlement of the Company's 2018 senior convertible notes of \$4.6 million. The new convertible notes provided extended financing terms and allowed the Company to raise \$230 million in cash which was used to repurchase the notes issued in 2018 for \$171.8 million, with the remaining net proceeds to be used for general corporate purposes and strategic opportunities.
- **Adjusted earnings:** Adjusted earnings (see "Non-GAAP Measures"), normalized for non-cash or unusual items such as COVID-19 standby costs, write-down of mineral inventory, loss on early settlement of senior convertible notes, share-based payments and deferred income taxes for the year ended December 31, 2021 was \$6.0 million (\$0.02 per share), compared to adjusted earnings of \$37.4 million (\$0.18 per share) in 2020.
- **Cash flow from operations:** During the year, cash flow from operations before changes in working capital and income taxes was \$176.8 million compared to \$107.3 million in 2020.

ACQUISITION OF JERRITT CANYON CANADA LTD.

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

Pursuant to closing of the Acquisition Agreement, the Company deposited into escrow an aggregate of \$60.0 million (the "Escrowed Funds"), including \$30.0 million from First Majestic and \$30.0 million proceeds from the Private Placement Shares, representing the estimated tax ("Triggered Tax") due by Jerritt Canyon Canada as a result of a reorganization completed prior to the acquisition of the Jerritt Canyon Gold Mine. Pursuant to the Acquisition Agreement, the Purchase Price is increased to the extent the Triggered Tax is less than \$60 million ("Triggered Tax Adjustment") and decreased to the extent the working capital (the "Working Capital Adjustment") of Jerritt Canyon is less than zero. The amount of such tax liability was \$45.2 million and has been paid from the Escrowed Funds. As of April 30, 2021, Jerritt Canyon had a preliminary negative working capital of \$2.8 million. As at December 31, 2021, the Working Capital Adjustment and Triggered Tax Adjustment had not been finally determined and \$12.6 million remains in escrow pending such determination.

Jerritt Canyon owns and operates the Jerritt Canyon Gold Mine located in Elko County, Nevada. Jerritt Canyon was discovered in 1972 and has been in production since 1981 having produced over 9.5 million ounces of gold over its 40-year production history. The mine currently operates as an underground mine and has one of three permitted gold processing plants in Nevada that uses roasting in its treatment of ore. This processing plant has a capacity of 4,000 tonnes per day ("tpd") and is currently operating at an average rate of approximately 2,200 tpd. The property consists of a large, under explored land package consisting of 30,821 hectares (119 square miles). The acquisition was completed in order to support the Company's growth strategy by adding another cornerstone asset within a world class mining jurisdiction to the Company's portfolio.

Management has concluded that Jerritt Canyon constitutes a business and, therefore, the acquisition is accounted for in accordance with IFRS 3 - Business Combinations. Given the delivery of the consideration and the fulfillment of the covenants as per the Acquisition Agreement, the transaction was deemed to be completed with First Majestic identified as the acquirer. Based on the April 30, 2021 opening share price of common shares, the total consideration of the Jerritt Canyon acquisition is \$478.9 million. The Company began consolidating the operating results, cash flows and net assets of Jerritt Canyon from April 30, 2021 onwards.

The determination of the fair value of assets acquired and liabilities assumed was previously reported based on preliminary estimates at the Acquisition Date. The Company is completing a full and detailed valuation of the fair value of the net assets of Jerritt Canyon acquired using income, market, and cost valuation methods with the assistance of an independent third party. As of the date of these consolidated financial statements, the allocation of purchase price with respect to the fair value increment of assets acquired and liabilities assumed have been updated to reflect new information obtained which existed at the Acquisition Date.

The fair value of assets acquired, and liabilities assumed are subject to change for up to one year from the Acquisition Date. The Company is finalizing its full and detailed assessment of the fair value of the net assets of Jerritt Canyon acquired. As stated above, the Triggered Tax Adjustment and the Working Capital Adjustment, as well as any consequential impact on the deferred tax liabilities, have yet to be finally determined. If new information arises which would impact management's assessment of the fair value at the Acquisition Date, any adjustments to the allocation of the purchase consideration will be recognized retrospectively and comparative information will be revised. Consequently, the final allocation of the purchase price consideration may result in material adjustments to the amounts shown in these audited consolidated financial statements.

Consideration and Purchase Price Allocation

Total consideration for the acquisition was valued at \$478.9 million on the acquisition date. The following table summarizes the consideration paid as part of the purchase price:

Total Consideration

26,719,727 Consideration Shares issued to Sprott Mining with an accounting fair value of \$15.59 per share ⁽¹⁾	\$416,561
1,705,514 Private Placement Shares issued to Sprott Mining with an accounting fair value of \$15.59 per share ⁽¹⁾	26,589
5,000,000 Consideration Warrants issued to Sprott Mining with an accounting fair value of \$4.63 per warrant ⁽²⁾	23,150
Estimated Triggered Tax Adjustment	12,570
Total consideration	\$478,870

- (1) Fair values of Consideration Shares and Private Placement Shares were estimated at \$15.59 per share based on the opening price of First Majestic's common share on the New York Stock Exchange on April 30, 2021, as compared to their deemed price of \$17.59 according to the Acquisition Agreement.
- (2) The Consideration Warrants have an exercise price of \$20 per share for a three-year term expiring on April 30, 2024. The fair value of Consideration Warrants were estimated using the Black-Scholes method at the Jerritt Canyon Acquisition Date, using the following assumptions:

Stock price (as of opening on April 30, 2021)	\$15.59
Exercise price of Consideration Warrants	\$20.00
Term (years)	3
Volatility	55%
Annual rate of quarterly dividends	0%
Discount rate - bond equivalent yield	0.5%
Total fair value of warrants	\$23,150

The following table summarizes the preliminary and revised purchase price allocated to the identifiable assets and liabilities based on their estimated fair values on the acquisition date:

Allocation of Purchase Price			
	Preliminary as reported June 30, 2021	Adjustments	Revised as reported December 31, 2021
Cash and cash equivalents	\$1,025	\$—	\$1,025
Inventories	19,304	—	19,304
Trade and other receivables	135	(63)	72
Other financial assets	3,581	—	3,581
Prepaid expenses	1,662	62	1,724
Restricted cash ⁽¹⁾	96,985	—	96,985
Mining interest	409,930	22,729	432,659
Property, plant and equipment	224,034	(48,307)	175,727
Deposit on non-current assets	128	—	128
Trade and other payables	(27,159)	3,974	(23,185)
Lease liabilities ⁽³⁾	(2,194)	—	(2,194)
Income taxes payable	(47,185)	1,866	(45,319)
Contingent environmental provision ⁽²⁾	(17,900)	17,900	—
Decommissioning liabilities ⁽²⁾	(87,705)	16,570	(71,135)
Deferred tax liabilities	(98,186)	(12,316)	(110,502)
Net assets acquired	\$476,455	\$2,415	\$478,870

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

(2) Decommissioning liabilities include funds required to establish a trust agreement with the Nevada Division of Environmental Protection (“NDEP”) to cover post-closure water treatment costs at Jerritt Canyon, which were previously reported as a contingent environmental provision.

3) Lease liabilities are defined per Note 21.

The Company used discounted cash flow models to determine the fair value of the depletable mining interest. The expected future cash flows are based on estimates of future gold prices, estimated quantities of ore reserves and mineral resources, expected future production costs and capital expenditures based on the life of mine plans at the acquisition date. The discounted future cash flow models used a 5.1% discount rate based on the Company’s assessment of country risk, project risk, and other potential risks specific to the acquired mining interest.

The significant assumptions used in the determination of the fair value of the mining interests were as follows:

Short-term and long-term gold price	\$1,750
Discount rate	5.1%
Mine life (years)	11
Average gold grade over life of mine	6.0 g/t
Average gold recovery rate	86%

The Company used a market approach to determine the fair value of exploration potential by comparing the costs of other precedent market transactions within the industry on a dollar per square kilometres basis. Those amounts were used to determine the range of area-based resources multiples implied within the value of transactions by other market participants. Management made a significant assumption in the determination of the fair value of exploration potential by using an implied multiple of \$298,524 per square kilometre for a total of \$92.0 million. The Company accounted for exploration potential through inclusion within non-depletable mineral interest.

Financial and operating results of Jerritt Canyon are included in the Company's consolidated financial statements effective April 30, 2021. During the year ended December 31, 2021, the acquisition of Jerritt Canyon contributed \$123.8 million of revenues and \$32.1 million of net loss to the Company's financial results since April 30, 2021.

Had the business combination been effected at January 1, 2021, pro forma revenues and net loss of the Company for the year ended December 31, 2021 would have been \$636.4 million and \$26.5 million, respectively. Total transaction costs of \$2.0 million related to the acquisition were expensed during the year.

2021 FOURTH QUARTER HIGHLIGHTS

Key Performance Metrics	2021-Q4	2021-Q3	Change Q4 vs Q3	2020-Q4	Change Q4 vs Q4
Operational					
Ore Processed / Tonnes Milled	955,810	943,126	1%	625,332	53%
Silver Ounces Produced	3,358,809	3,302,086	2%	3,452,959	(3%)
Silver Equivalent Ounces Produced	8,561,023	7,319,441	17%	5,477,492	56%
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$12.32	\$14.09	(13%)	\$10.21	21%
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$17.26	\$19.93	(13%)	\$16.12	7%
Total Production Cost per Tonne ⁽¹⁾	\$105.37	\$106.52	(1%)	\$85.68	23%
Average Realized Silver Price per Ounce ⁽¹⁾	\$24.18	\$23.10	5%	\$24.88	(3%)
Financial (in \$millions)					
Revenues	\$204.9	\$124.6	64%	\$117.1	75%
Mine Operating Earnings	\$40.4	\$3.5	NM	\$43.7	(8%)
Net (Loss) Earnings	(\$4.0)	(\$18.4)	(78%)	\$34.5	(112%)
Operating Cash Flows before Movements in Working Capital and Taxes	\$71.8	\$22.6	NM	\$48.2	49%
Cash and Cash Equivalents	\$237.9	\$192.8	23%	\$238.6	0 %
Working Capital ⁽¹⁾	\$224.4	\$262.5	(15%)	\$254.4	(12%)
Free cash flow ⁽¹⁾	\$66.4	(\$24.7)	NM	\$25.7	158%
Shareholders					
(Loss) Earnings per Share ("EPS") - Basic	(\$0.02)	(\$0.07)	(71%)	\$0.16	(110%)
Adjusted EPS ⁽¹⁾	\$0.02	(\$0.07)	NM	\$0.11	(85%)

NM - Not meaningful

(1) The Company reports non-GAAP measures which include cash costs per silver equivalent ounce produced, all-in sustaining cost per silver equivalent ounce produced, total production cost per tonne, average realized silver price per ounce sold, working capital, adjusted EPS and 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 45 to 53 for a reconciliation of non-GAAP to GAAP measures.

Fourth Quarter Production Summary	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Ore Processed / Tonnes Milled	206,738	224,459	268,239	256,374	955,810
Silver Ounces Produced	2,174,353	426,870	757,586	—	3,358,809
Gold Ounces Produced	23,795	19,810	146	23,660	67,411
Silver Equivalent Ounces Produced	4,015,346	1,955,550	768,796	1,821,331	8,561,023
Cash Costs per Silver Equivalent Ounce	\$7.98	\$11.56	\$14.51	\$21.71	\$12.32
All-in Sustaining Cost per Silver Equivalent Ounce	\$11.29	\$14.02	\$19.41	\$26.95	\$17.26
Cash Cost per Gold Equivalent Ounce	N/A	N/A	N/A	\$1,674	N/A
All-In Sustaining Costs per Gold Equivalent Ounce	N/A	N/A	N/A	\$2,077	N/A
Total Production Cost per Tonne	\$146.30	\$93.78	\$39.70	\$151.23	\$105.37

Operational Highlights

- **Total production:** During the quarter, total production was 8.6 million silver equivalent ounces, representing a 17% increase over the prior quarter. Silver production reached 3.4 million ounces, representing a 2% increase over the prior quarter. Gold production reached 67,411 ounces of gold, representing a 24% increase from the prior quarter and the Company's highest quarterly gold production primarily due to the addition of Jerritt Canyon and higher gold grades from San Dimas and Santa Elena.
- **Cash cost per silver equivalent ounce** for the quarter was \$12.32 per ounce, compared to \$14.09 per ounce in the previous quarter. The decrease in cash cost per AgEq ounce was primarily due to an increase in production from San Dimas and Santa Elena.
- **All-in sustaining cost per silver equivalent ounce** in the fourth quarter was \$17.26 per ounce compared to \$19.93 per ounce in the previous quarter. The decrease in AISC per AgEq ounce was primarily attributed to an increase in production at San Dimas and Santa Elena, as well as lower sustaining capital expenditures in the fourth quarter as expenditures related to the Tailings Storage Facility 2 ("TSF2") lift project at Jerritt Canyon have now been completed on time and under budget.
- **Processing of Ermitaño ore:** In November, the Company began batch processing of Ermitaño's ore at the Santa Elena processing plant and in December started commercial production, ahead of schedule, which resulted in a new quarterly production record at Santa Elena. A total of 2.0 million silver equivalent ounces were produced in the quarter consisting of 426,870 ounces of silver and 19,810 ounces of gold. This represents a significant 84% increase from the prior quarter and the highest quarterly production since acquiring the mine in 2015.
- **San Dimas Production:** San Dimas produced a record 4.0 million silver equivalent ounces, consisting of 2.2 million ounces of silver and 23,795 ounces of gold, representing a 17% increase in total production from the prior quarter and the highest quarterly production since acquiring the mine in 2018.
- **21 active drill rigs:** The Company completed a total of 55,621 metres in exploration drilling across the Company's mines during the quarter. At the end of the quarter, a total of 21 exploration drill rigs were active consisting of seven rigs at San Dimas, nine rigs at Jerritt Canyon, three rigs at Santa Elena and two rigs at La Encantada.

Financial Highlights

- In the fourth quarter, the Company generated revenues of \$204.9 million compared to \$117.1 million in the fourth quarter of 2020. The increase in revenues was primarily attributed to the addition of Jerritt Canyon, the processing of the Ermitaño ore and the sale of 1.4 million silver ounces of inventory previously withheld in the prior quarter. The average realized silver price of silver averaged \$24.18 per ounce during the quarter, a 3% decrease compared to \$24.88 in the fourth quarter of 2020.
- The Company realized mine operating earnings of \$40.4 million compared to mine operating earnings of \$43.7 million in the fourth quarter of 2020. The decrease in mine operating earnings was primarily attributed to an increase in cost of sales and depreciation and depletion attributed to the addition of Jerritt Canyon, partially offset by an increase in silver ounces sold.
- Net loss for the quarter was \$4.0 million (EPS of (\$0.02)) compared to net earnings of \$34.5 million (EPS of \$0.16) in the fourth quarter of 2020. The decrease in net earnings was primarily attributable to an income tax expense of \$23.9 million compared to a recovery of \$7.1 million in the fourth quarter of 2020.
- Adjusted net earnings (a non-GAAP measure) for the quarter, normalized for non-cash or unusual items such as loss on early settlement of senior convertible notes, share-based payments, unrealized gain on foreign currency derivatives and deferred income taxes for the quarter ended December 31, 2021, was \$4.1 million (Adjusted EPS of \$0.02) compared to adjusted net earnings of \$24.2 million (Adjusted EPS of \$0.11) in the fourth quarter of 2020.
- Operating cash flow before movements in working capital and taxes in the quarter was an inflow of \$71.8 million compared to a cash inflow of \$48.2 million in the fourth quarter of 2020.
- As of December 31, 2021, the Company had cash and cash equivalents of \$237.9 million and working capital of \$224.4 million.

2022 PRODUCTION OUTLOOK AND COST GUIDANCE UPDATE

This section provides management's revised production outlook and cost guidance for 2022. These are forward-looking estimates and are subject to the cautionary note regarding the risks associated with relying on forward-looking statements at the end of this MD&A. Actual results may vary based on production throughputs, grades, recoveries and changes in economic circumstances.

The Company expects 2022 total production from its four operating mines to range between 32.2 to 35.8 million silver equivalent ounces consisting of 12.2 to 13.5 million ounces of silver and 258,000 to 288,000 ounces of gold. Based on the midpoint of the guidance range the Company expects silver equivalent ounces to increase 27% when compared to 2021. Silver production is expected to remain consistent with 2021 rates whereas gold production is expected to increase by 42% year-over-year. The increase in gold production is primarily due to the ramp up of production at Ermitaño which is known to contain higher amounts of gold and a full year of production from Jerritt Canyon.

A mine-by-mine breakdown of the 2022 production guidance is included in the table below. The Company reports cost guidance to reflect cash costs and AISC on a per silver equivalent payable ounces. For 2022, the Company is using a 78:1 silver to gold ratio compared to a 72:1 silver to gold ratio in its revised 2021 guidance. Metal price and foreign currency assumptions for calculating equivalents are silver: \$22.50/oz, gold: \$1,750/oz, MXN:USD 20:1.

GUIDANCE FOR FULL YEAR 2022

	Silver Oz (M)	Gold Oz (k)	Silver Eqv Oz (M)	Cash Cost	AISC
Silver:				(\$ per AgEq oz)	(\$ per AgEq oz)
San Dimas, Mexico	7.4 – 8.2	81 – 91	13.7 – 15.2	8.59 – 9.13	11.75 – 12.65
Santa Elena, Mexico	1.9 – 2.1	61 – 68	6.6 – 7.4	13.06 – 13.68	15.58 – 16.66
La Encantada, Mexico	2.9 – 3.2	–	2.9 – 3.2	14.82 – 15.74	17.89 – 19.15
Mexico Consolidated:	12.2 – 13.5	142 – 159	23.2 – 25.8	10.65 – 11.31	15.18 – 16.35
Gold:				(\$ per AuEq oz)	(\$ per AuEq oz)
Jerritt Canyon, USA	–	116 – 129	9.0 – 10.0	1,259 – 1,334	1,503 – 1,607
Total Production				(\$ per AgEq oz)	(\$ per AgEq oz)
Consolidated*	12.2 – 13.5	258 – 288	32.2 – 35.8	12.20 – 12.94	16.79 – 18.06

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

*Cash Costs and AISC are non-GAAP measures. Consolidated AISC includes general and administrative cost estimates and non-cash costs of \$1.49 to \$1.66 per payable silver ounce. The Company calculates AISC in the manner set out in the table below.

The Company is projecting its 2022 AISC to be within a range of \$16.79 to \$18.06 on a per consolidated payable silver equivalent ounce basis. Excluding non-cash items, the Company anticipates its 2022 AISC to be within a range of \$16.34 to \$17.56 per payable silver equivalent ounce. An itemized AISC cost table is provided below:

	FY 2022
All-In Sustaining Cost Calculation	(\$ per AgEq oz)
Total Cash Costs per Payable Silver Ounce	12.20 – 12.94
General and Administrative Costs	1.04 – 1.16
Sustaining Development Costs	1.29 – 1.44
Sustaining Property, Plant and Equipment Costs	0.86 – 0.96
Sustaining Exploration Costs	0.13 – 0.15
Profit Sharing	0.49 – 0.54
Share-based Payments (non-cash)	0.34 – 0.38
Lease Payments	0.33 – 0.37
Accretion and Reclamation Costs (non-cash)	0.11 – 0.13
All-In Sustaining Costs (Ag Eq Oz)	16.79 – 18.06
All-In Sustaining Costs: (Ag Eq Oz excluding non-cash items)	16.34 – 17.56

1. AISC is a non-GAAP measure and is calculated based on the Company's consolidated operating performance. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles, the definition of "sustaining costs" and the distinction between sustaining and expansionary capital costs.
2. Total cash cost per payable silver equivalent ounce includes estimated royalties and 0.5% Mexico mining environmental fee of \$0.15 to \$0.17 per payable silver equivalent ounce.

INVESTING FOR FUTURE GROWTH

In 2022, the Company plans to invest a total of \$207.8 million on capital expenditures consisting of \$86.3 million for sustaining investments and \$121.5 million for expansionary projects. This represents a 5.4% decrease compared to the 2021 capital expenditures and is aligned with the Company's future growth strategy of investments in fine grinding technology, processing plant modernizations (including the dual-circuit project installation and expansion of the LNG generation plant at Santa Elena), increased exploration investment, higher mine development rates, and to increase underground ore extraction and plant processing rates at Jerritt Canyon and Santa Elena.

2022 Capital Budget (\$millions)	Sustaining	Expansionary	Total
Underground Development	\$46.2	\$41.8	\$88.8
Exploration	9.2	36.0	45.2
Property, Plant and Equipment	27.4	24.5	51.9
Corporate Projects	3.4	19.3	22.7
Total*	\$86.2	\$121.6	\$207.8

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

The 2022 annual budget includes total capital investments of \$88.8 million to be spent on underground development; \$51.9 million towards property, plant and equipment; \$45.2 million in exploration; and \$22.7 million towards corporate innovation projects. Management may revise the guidance and budget during the year to reflect actual and anticipated changes in metal prices or to the business.

The Company plans to increase underground development in 2022 to approximately 53,700 metres compared to 50,559 metres completed in 2021. The 2022 development program consists of approximately 29,100 metres at San Dimas; 4,950 metres at Jerritt Canyon; 14,900 metres at Santa Elena (including Ermitaño) and 4,750 metres at La Encantada. This year-over-year increase is primarily due to the Company's plan to increase underground ore production in the mines. At San Dimas, the Company is planning to bring the Perez and San Jose Veins, located in the Sinaloa Graben block, into production in the second half of 2022. At Santa Elena, underground development will focus on the Ermitaño mine to continue the ramp up process to achieve approximately 1,000 tonnes per day of underground ore extraction throughout all of 2022 and further increasing to 2,000 tonnes per day in 2023. At Jerritt Canyon, higher development rates are planned to prepare the SSX/Smith mines for increased ore extraction over the next two years. In addition, the Company is planning to begin underground production in the West Generator mine at the end of 2022. At La Encantada, the Company is continuing to develop towards the Ojuelas orebody to prepare for initial production in the second half of 2022.

The Company is planning to significantly increase exploration drilling in 2022 by 41% to approximately 320,200 metres compared to 227,845 metres which were completed in 2021. The 2022 drilling program will consist of:

- At San Dimas, approximately 98,000 metres of exploration drilling are planned with infill, step-out and exploratory holes focused on near-mine and brownfield targets including major ore controlling structures in the West, Central, Sinaloa and Tayoltita blocks.
- At Jerritt Canyon, approximately 135,100 metres are planned and consisting of a mixture of surface and underground infill, step-out and exploratory holes to support the life of mine and test the presence of a new ore body target at Waterpipe II, Wheeler Fault Zone, and Northeast Starvation Canyon. In addition, eight near-mine targets located adjacent to historic underground and open pit mines will be drilled from surface. Underground drilling will be conducted at the Saval 2 mine located north of the main SSX/Smith mine operations and in the West Generator underground mine which is scheduled to be re-opened by the end of 2022.
- At Santa Elena, approximately 68,100 metres are planned with infill and near-mine drilling to continue testing the Santa Elena Main, Alejandra de Bajo, America, Fenix and Ermitaño veins. Brownfield drilling will focus on several targets around the mine areas (both Santa Elena and Ermitaño) and greenfield exploration will continue to test key projects around this very large property.
- Finally, at La Encantada the Company has planned approximately 19,000 metres consisting of near-mine drilling to continue adding resources on several existing areas and brownfield drilling to test several high potential targets. The Company recently completed a land access agreement with the Tenochtitlan Ejido which has opened a significant amount of new land that is planned to be explored for the first time in 2022.

OVERVIEW OF OPERATING RESULTS

Selected Production Results for the Past Eight Quarters

PRODUCTION HIGHLIGHTS	2021				2020			
	Q4	Q3	Q2 ^(B)	Q1	Q4	Q3	Q2 ⁽¹⁾	Q1
Ore processed/tonnes milled								
San Dimas	206,738	214,205	202,382	199,466	208,648	189,918	114,390	200,109
Santa Elena	224,459	234,862	234,381	185,358	168,276	204,577	89,590	177,834
La Encantada	268,239	263,645	242,839	229,421	248,408	261,425	129,579	221,200
Jerritt Canyon	256,374	230,415	146,611	—	—	—	—	—
Consolidated	955,810	943,126	826,213	614,245	625,332	655,920	333,559	599,142
Silver equivalent ounces produced								
San Dimas	4,015,346	3,422,032	3,176,725	2,910,946	3,477,061	3,125,662	2,395,633	3,672,169
Santa Elena	1,955,550	1,061,657	1,140,398	884,332	901,630	1,091,026	595,651	1,593,400
La Encantada	768,796	913,481	847,502	745,018	1,098,800	984,397	514,092	929,487
Jerritt Canyon	1,821,331	1,922,270	1,270,398	—	—	—	—	—
Consolidated	8,561,023	7,319,441	6,435,023	4,540,296	5,477,492	5,201,085	3,505,376	6,195,057
Silver ounces produced								
San Dimas	2,174,353	1,888,371	1,868,031	1,716,143	1,941,286	1,678,075	1,102,931	1,677,376
Santa Elena	426,870	508,641	565,453	453,528	418,153	502,375	222,100	550,133
La Encantada	757,586	905,074	840,541	738,354	1,093,521	978,416	509,544	924,472
Consolidated	3,358,809	3,302,086	3,274,026	2,908,024	3,452,959	3,158,866	1,834,575	3,151,980
Gold ounces produced								
San Dimas	23,795	20,767	19,227	17,448	19,980	18,268	12,042	21,308
Santa Elena	19,810	7,498	8,453	6,327	6,294	7,428	3,677	10,842
Jerritt Canyon	23,660	26,145	18,762	—	—	—	—	—
Consolidated	67,265	54,410	46,442	23,775	26,274	25,696	15,719	32,150
Cash cost per Ounce⁽²⁾								
San Dimas (per AgEq Ounce)	\$ 7.98	\$ 8.29	\$ 10.17	\$ 10.00	\$ 8.49	\$ 7.74	\$ 6.43	\$ 7.15
Santa Elena (per AgEq Ounce)	\$ 11.56	\$ 17.09	\$ 16.70	\$ 20.18	\$ 16.50	\$ 13.81	\$ 11.44	\$ 9.25
La Encantada (per AgEq Ounce)	\$ 14.51	\$ 12.25	\$ 13.66	\$ 13.77	\$ 10.42	\$ 10.16	\$ 9.55	\$ 10.80
Jerritt Canyon (per AuEq Ounce)	\$ 1,674	\$ 1,735	\$ 1,407	\$ —	\$ —	\$ —	\$ —	\$ —
Consolidated (per AgEq Ounce)	\$ 12.32	\$ 14.09	\$ 13.89	\$ 12.61	\$ 10.21	\$ 9.48	\$ 7.76	\$ 8.25
All-in sustaining cost per Ounce⁽²⁾								
San Dimas (per AgEq Ounce)	\$ 11.29	\$ 11.58	\$ 14.22	\$ 14.31	\$ 12.32	\$ 10.74	\$ 10.70	\$ 9.86
Santa Elena (per AgEq Ounce)	\$ 14.02	\$ 21.10	\$ 21.31	\$ 25.66	\$ 21.76	\$ 16.36	\$ 15.02	\$ 10.60
La Encantada (per AgEq Ounce)	\$ 19.41	\$ 15.28	\$ 15.97	\$ 16.30	\$ 12.39	\$ 12.12	\$ 11.76	\$ 13.33
Jerritt Canyon (per AuEq Ounce)	\$ 2,077	\$ 2,286	\$ 1,679	\$ —	\$ —	\$ —	\$ —	\$ —
Consolidated (per AgEq Ounce)	\$ 17.26	\$ 19.93	\$ 19.42	\$ 19.35	\$ 16.12	\$ 14.01	\$ 13.95	\$ 12.23
Production cost per tonne								
San Dimas	\$ 146.30	\$ 128.67	\$ 153.43	\$ 140.29	\$ 135.13	\$ 120.60	\$ 129.67	\$ 126.33
Santa Elena	\$ 93.78	\$ 75.76	\$ 79.17	\$ 94.15	\$ 86.32	\$ 71.44	\$ 74.50	\$ 81.04
La Encantada	\$ 39.70	\$ 41.08	\$ 45.71	\$ 42.99	\$ 43.72	\$ 36.04	\$ 36.80	\$ 43.82
Jerritt Canyon	\$ 151.23	\$ 192.17	\$ 177.30	\$ —	\$ —	\$ —	\$ —	\$ —
Consolidated	\$ 105.37	\$ 106.52	\$ 104.94	\$ 90.03	\$ 85.68	\$ 71.56	\$ 78.78	\$ 82.41

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

2) 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.

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

Operating Results – Consolidated Operations

CONSOLIDATED	2021-Q4	2021-Q3	2021-Q2	2021-Q1	2021-YTD	2020-YTD	Change Q4 vs Q3	Change '21 vs '20
Ore processed/tonnes milled	955,810	943,126	826,213	614,245	3,339,394	2,213,954	1%	51%
Average silver grade (g/t)	125	122	137	166	135	184	2%	(27%)
Average gold grade (g/t)	2.42	2.00	1.80	1.26	1.94	1.46	21%	33%
Silver recovery (%)	88%	90%	90%	89%	89%	88%	(2%)	1%
Gold recovery (%)	91%	90%	91%	96%	91%	96%	1%	(5%)
Production								
Silver ounces produced	3,358,809	3,302,086	3,274,026	2,908,024	12,842,945	11,598,380	2%	11%
Gold ounces produced	67,411	54,525	46,544	23,873	192,353	100,081	24%	92%
Silver equivalent ounces produced	8,561,023	7,319,441	6,435,023	4,540,296	26,855,783	20,379,010	17%	32%
Cost								
Cash Cost per AgEq Ounce	\$12.32	\$14.09	\$13.89	\$12.61	\$13.23	\$9.00	(13%)	47%
All-In sustaining costs per AgEq ounce	\$17.26	\$19.93	\$19.42	\$19.35	\$18.85	\$14.03	(13%)	34%
Total production cost per tonne	\$105.37	\$106.52	\$104.94	\$90.03	\$102.77	\$79.59	(1%)	29%
Underground development (m)	11,535	11,827	13,490	13,706	50,558	38,504	(2%)	31%
Diamond drilling (m)	55,621	79,066	53,608	39,550	227,845	156,244	(30%)	46%

The Impact of COVID-19 on Business and Operations

COVID-19 sanitary protocols were established in 2020 at all Company facilities and operations. These protocols include continuous monitoring and testing of workers, use of effective PPE, and other sanitary control measures. These measures have proven effective at managing the pandemic impacts on the Company's operations and remain in full effect. Worker availability has improved over the past several months, however, it continues to be a challenge but is currently being mitigated by increasing the use of temporary workers and contractors to replace vulnerable workers.

The Company also continues supporting local communities by sponsoring health professionals, medical and testing equipment, personal protective equipment, medicine and health supplements.

Production

During the year, the Company produced 26.9 million silver equivalent ounces, consisting of 12.8 million ounces of silver and 192,353 ounces of gold, representing an increase of 11% and 92% respectively, compared to the prior year. The increase in production was primarily due to the reduced effect of the temporary COVID-19 suspensions and units operating with limited workforce levels in the previous year, as well as the addition of Jerritt Canyon and commencing production at Ermitaño.

Total production in the fourth quarter was 8.6 million silver equivalent ounces, consisting of 3.4 million ounces of silver and 67,411 ounces of gold, representing an increase of 2% and 24%, respectively, compared to the previous quarter.

Total ore processed amounted to 3,339,394 tonnes during the year and 955,810 tonnes during the quarter, representing a 51% and 1% increase compared to the prior year and quarter, respectively. The increase in tonnes processed was primarily due to Jerritt Canyon processing higher volumes of lower grade surface material partially offset by slightly lower throughput rates at San Dimas and Santa Elena.

Consolidated silver grades in the quarter averaged 125 g/t compared to 122 g/t in the previous quarter and consolidated gold grades averaged 2.42 g/t compared to 2.00 g/t in the prior quarter. The increase in consolidated silver and gold grades were primarily due to processing higher grade ore within the Jessica vein at San Dimas and the introduction of Ermitaño's ore into the Santa Elena plant in November.

Consolidated silver and gold recoveries averaged 88% and 91%, respectively, during the quarter which are consistent compared to the previous quarter. The Company continues to work towards optimizing the metallurgical recoveries of Ermitaño's ore which achieved 61% for silver and 91% for gold during the fourth quarter. The Santa Elena processing plant will be modified to facilitate finer grinding and improve metallurgical recoveries and operating costs with the commissioning of a new tailing filter-press, an additional leaching tank and a fourth counter current decantation ("CCD") thickener in the fourth quarter of 2022.

Cash Cost and All-In Sustaining Cost per Ounce

Cash cost per AgEq ounce for the year was \$13.23 per ounce, compared to \$9.00 per ounce in the previous year. The increase in cash cost per AgEq ounce was primarily due to the addition of Jerritt Canyon which was producing at a higher cash costs since the acquisition. The Company has identified various projects to be implemented over the next 12 months at Jerritt Canyon to improve production and reduce costs at the mine and processing plant. Additionally, there was an increase in energy costs at San Dimas due to lower energy contribution from the hydroelectric power plant as well as an increase in costs at Santa Elena primarily due to higher ore development and mining contractor costs to prepare ore faces in the mine.

Cash cost per AgEq ounce for the quarter was \$12.32 per ounce, compared to \$14.09 per ounce in the previous quarter. The decrease in cash cost per AgEq ounce was primarily due to an increase in production from San Dimas and Santa Elena.

All-in Sustaining Cost per AgEq ounce in the year was \$18.85 per ounce compared to \$14.03 per ounce in the previous year. The increase in AISC per AgEq ounce was primarily attributed to higher cash costs, combined with an increase in sustaining capital costs related to the TSF2 lift project at Jerritt Canyon Gold. The increase in AISC was partially offset by increased production at San Dimas, Santa Elena and Jerritt Canyon Gold during the year.

All-in Sustaining Cost per AgEq ounce in the fourth quarter was \$17.26 per ounce compared to \$19.93 per ounce in the previous quarter. The decrease in AISC per AgEq ounce was primarily attributed to lower sustaining capital expenditures in the fourth quarter as expenditures related to the TSF2 lift project at Jerritt Canyon have now been completed as well as an increase in production at San Dimas and Santa Elena.

Development and Exploration

During the year, the Company completed 50,558 metres of underground development and 227,845 metres of diamond drilling, compared to 38,504 metres and 156,244 metres, respectively, in the previous year.

The Company completed a total of 55,621 metres in exploration drilling across the Company's mines during the fourth quarter. At the end of the quarter, a total of 21 exploration drill rigs were active consisting of seven rigs at San Dimas, nine rigs at Jerritt Canyon, three rigs at Santa Elena and two rigs at La Encantada.

San Dimas Silver/Gold Mine, Durango, México

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

San Dimas	2021-Q4	2021-Q3	2021-Q2	2021-Q1	2021-YTD	2020-YTD	Change Q4 vs Q3	Change '21 vs '20
Total ore processed/tonnes milled	206,738	214,205	202,382	199,466	822,791	713,064	(3%)	15%
Average silver grade (g/t)	347	289	301	285	305	297	20%	3%
Average gold grade (g/t)	3.71	3.14	3.07	2.83	3.19	3.24	18%	(2%)
Silver recovery (%)	94%	95%	95%	94%	95%	94%	(1%)	1%
Gold recovery (%)	96%	96%	96%	96%	96%	96%	0%	0%
Production								
Silver ounces produced	2,174,353	1,888,371	1,868,031	1,716,143	7,646,898	6,399,667	15%	19%
Gold ounces produced	23,795	20,767	19,227	17,448	81,237	71,598	15%	13%
Silver equivalent ounces produced	4,015,346	3,422,032	3,176,725	2,910,946	13,525,049	12,670,526	17%	7%
Cost								
Cash cost per AgEq Ounce	\$7.98	\$8.29	\$10.17	\$10.00	\$9.01	\$7.53	(4%)	20%
All-In sustaining costs per AgEq Ounce	\$11.29	\$11.58	\$14.22	\$14.31	\$12.70	\$10.91	(3%)	16%
Total production cost per tonne	\$146.30	\$128.67	\$153.43	\$140.29	\$142.00	\$127.91	14%	11%
Underground development (m)	5,104	5,237	6,637	8,242	25,220	26,154	(3%)	(4%)
Diamond drilling (m)	17,279	32,086	26,382	24,078	99,825	87,659	(46%)	14%

2021 vs. 2020

In 2021, San Dimas produced 7,646,898 ounces of silver and 81,237 ounces of gold for a total production of 13,525,049 silver equivalent ounces, a 7% increase compared to 12,670,526 silver equivalent ounces in 2020. The mill processed a total of 822,791 tonnes, a 15% increase compared to 713,064 tonnes processed in the previous year.

During 2021, silver and gold grades averaged 305 g/t and 3.19 g/t, respectively, compared to 297 g/t and 3.24 g/t in the previous year. Silver recoveries averaged 95% compared to 94% in 2020, while gold recoveries averaged 96%, which was consistent with 2020.

During the year, cash cost per AgEq ounce averaged \$9.01 compared to \$7.53 per ounce in 2020. AISC averaged \$12.70 per ounce in 2021 compared to \$10.91 per ounce in 2020. The increase was primarily attributable to higher energy costs incurred in the first half of the year as the mine had to rely on electricity from the public grid and diesel power generation as a result of lower rainfall and lower energy contribution from the Las Truchas hydroelectric power plant during the dry season.

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 December 31,

2021 was 70:1. During the year ended December 31, 2021, the Company delivered 48,015 ounces (2020 - 38,604 ounces) of gold to WPM at \$617 (2020 - \$610) per ounce.

During the year, a total of 25,220 metres of underground development and 99,825 metres of diamond drilling were completed compared to 26,154 metres and 87,659 metres, respectively, in the prior year.

2021Q4 vs. 2021Q3

During the fourth quarter, San Dimas produced 2,174,353 ounces of silver and 23,795 ounces of gold representing an increase of 15% in each metal, compared to the prior quarter. Total production during the fourth quarter amounted to 4,015,346 silver equivalent ounces compared to 3,422,032 silver equivalent ounces in the prior quarter, representing the highest quarterly production since the Company acquired the mine in 2018.

The mill processed a total of 206,738 tonnes of ore with average silver and gold grades of 347 g/t and 3.71 g/t, respectively, compared to 214,205 tonnes milled with average silver and gold grades of 289 g/t and 3.14 g/t, respectively, in the previous quarter. Silver and gold grades increased in the fourth quarter as a major high-grade area within the Jessica vein of the Central Block was brought into production at the end of the third quarter.

Silver and gold recoveries averaged 94% and 96%, respectively, during the quarter which was consistent with the prior quarter.

The Central Block and Sinaloa Graben areas contributed approximately 62% and 35%, respectively, of the total production during the quarter. In addition, the Tayoltita, El Cristo and West Block areas contributed approximately 3% of total production in the quarter.

In the fourth quarter, cash cost per AgEq ounce was \$7.98 per ounce compared to \$8.29 per ounce in the prior quarter. The decrease in cash costs during the quarter was primarily due to a 17% increase in silver equivalent ounces produced.

AISC per AgEq ounce for the quarter was \$11.29 per ounce compared to \$11.58 per ounce in the prior quarter, primarily due to a decrease in cash costs per ounce.

A total of 5,104 metres of underground development was completed in the fourth quarter, compared to 5,237 metres in the prior quarter. During the fourth quarter, seven underground drills completed 17,279 metres compared to 32,086 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 and spent ore from the previous heap leach pad. The Company owns 100% of the Santa Elena mine including mining concessions totaling over 102,244 hectares, inclusive of the Ermitaño concessions and ore deposit.

SANTA ELENA	2021-Q4	2021-Q3	2021-Q2	2021-Q1	2021-YTD	2020-YTD	Change Q4 vs Q3	Change '21 vs '20
Total ore processed/tonnes milled	224,459	234,862	234,381	185,358	879,060	640,276	(4%)	37%
Santa Elena - heap leach and underground								
Tonnes milled	120,717	234,861	234,381	185,358	775,317	640,276	(49%)	21%
Average silver grade (g/t)	88	74	81	82	80	88	19%	(9%)
Average gold grade (g/t)	1.37	1.04	1.17	1.11	1.15	1.43	32%	(20%)
Ermitaño mine								
Tonnes milled	103,742	—	—	—	103,742	—	100%	100%
Average silver grade (g/t)	54	—	—	—	54	—	100%	100%
Average gold grade (g/t)	4.83	—	—	—	4.83	—	100%	100%
Silver recovery (%)	82%	91%	93%	93%	90%	93%	(10%)	(3%)
Gold recovery (%)	92%	96%	96%	96%	94%	96%	(4%)	(2%)
Production								
Silver ounces produced	426,870	508,641	565,453	453,528	1,954,492	1,692,761	(16%)	15%
Gold ounces produced	19,810	7,498	8,453	6,327	42,088	28,242	164%	49%
Silver equivalent ounces produced	1,955,550	1,061,657	1,140,398	884,332	5,041,937	4,181,708	84%	21%
Cost								
Cash cost per AgEq Ounce	\$11.56	\$17.09	\$16.70	\$20.18	\$15.40	\$12.32	(32%)	25%
All-In sustaining costs per AgEq Ounce	\$14.02	\$21.10	\$21.31	\$25.66	\$19.20	\$15.14	(34%)	27%
Total production cost per tonne	\$93.78	\$75.76	\$79.17	\$94.15	\$85.15	\$78.44	24%	9%
Underground development (m)	4,430	4,195	4,994	4,500	18,119	7,851	6%	131%
Diamond drilling (m)	13,847	19,609	17,915	12,607	63,977	39,451	(29%)	62%

2021 vs. 2020

In 2021, Santa Elena produced 1,954,492 ounces of silver and 42,088 ounces of gold for a total production of 5,041,937 silver equivalent ounces, a 21% increase compared to 4,181,708 silver equivalent ounces in 2020. The mill processed a total of 879,060 tonnes compared to 640,276 tonnes in the previous year, representing a 37% increase compared to 2020. Overall production in 2021 in the Santa Elena mine increased following multiple improvements in mining methods at the Main, Alejandra Bajo and America veins. Mining and milling rates improved as progress was made in improving underground infrastructure, development and haulage rates over the prior year, plus the addition of Ermitaño ore feed in the fourth quarter.

A 12.4 MW LNG facility was successfully completed and commissioned at Santa Elena during the year, supplying all the power requirements to the operation by the end of the year. This modern "green energy" plant will significantly yield energy cost savings and reduce the carbon emissions of the operations.

Silver and gold grades from Santa Elena ore averaged 80 g/t and 1.15 g/t, respectively, compared to 88 g/t and 1.43 g/t in the previous year as lower grade ore was extracted from the Main Santa Elena vein. Silver recoveries decreased from 93% in 2020 to 90% in 2021 while gold recoveries decreased from 96% to 94% in the current year. The decrease in recoveries is a

result of the lower ore grades from Santa Elena and the first quarter of production at Ermitaño. The Company will continue to optimize batch processing and metallurgical recoveries of Ermitaño's ore during 2022 and plans to upgrade the processing plant with the Dual Circuit Project. The Dual Circuit Project includes the addition of one leaching tank, one CCD tank and a new high-capacity tailing press filter to better handle fine grinding of Ermitaño and Santa Elena ores.

During the year, cash cost per AgEq silver equivalent ounce averaged \$15.40 compared to \$12.32 per ounce in 2020, representing an increase of 25% while AISC averaged \$19.20 per silver equivalent ounce compared to \$15.14 per ounce in the previous year, an increase of 27%. The increase was primarily attributed to higher ore development and mining contractor costs incurred during the year to prepare additional ore faces in the Santa Elena mine. Additionally, costs for specialized consulting services were also incurred during the year to establish a more effective Management Operating System ("MOS") at the mine. The increase in AISC is primarily attributed to increased waste mine development costs.

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 year ended December 31, 2021, the Company delivered 5,327 ounces of gold (2020 - 5,697 ounces) to Sandstorm at an average price of \$467 per ounce (2020 - \$463 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 year, a total of 18,119 metres of underground development (2020 - 7,851 metres) and 63,977 metres of diamond drilling (2020 - 39,451 metres) were completed, including 6,301 metres of underground development at the Ermitaño project near Santa Elena.

2021Q4 vs. 2021Q3

After five years since its initial discovery, the Company successfully began underground ore production from the Ermitaño mine near Santa Elena in the fourth quarter of 2021. This important new mine is expected to significantly increase production and reduce costs at Santa Elena as it ramps up throughout 2022.

During the fourth quarter, Santa Elena produced a new quarterly record of 1,955,550 silver equivalent ounces consisting of 426,870 ounces of silver and 19,810 ounces of gold representing a decrease of 16% in silver and an increase of 164% in gold production, when compared to the prior quarter. This represents a significant 84% increase from the prior quarter and the highest quarterly production since the Company acquired the mine in 2015. Production was significantly higher than prior quarter due to the introduction of Ermitaño's higher grade ore into the processing plant in November, approximately two months ahead of schedule. During the year ended December 31, 2021, the Company had accrued \$1.0 million (2020 - \$nil) in NSR from the production of Ermitaño in November and December of 2021 to be paid in the first quarter of 2022.

The mill processed a total of 224,459 tonnes during the quarter, consisting of 120,717 tonnes of ore from Santa Elena (including the existing heap leach pad) and 103,742 tonnes of ore from Ermitaño compared to total production of 234,862 tonnes in the prior quarter.

Silver and gold grades from Santa Elena averaged 88 g/t and 1.37 g/t, respectively and increase of 19% and 32%, respectively compared to the previous quarter, while silver and gold grades from Ermitaño averaged 54 g/t and 4.83 g/t, respectively.

Silver and gold recoveries in the fourth quarter averaged 82% and 92%, respectively compared to 91% and 96% respectively in the prior quarter. The Company continues to optimize the batch processing and metallurgical recoveries of Ermitaño and Santa Elena ore. The Company is in the process of modifying the Santa Elena processing plant with the commissioning of a new filter-press, an additional leaching tank and a fourth CCD thickener expected to be completed by the fourth quarter of 2022 in order to facilitate finer grinding, improve metallurgical recoveries and reduce operating costs.

Cash cost per AgEq ounce in the fourth quarter was \$11.56 per ounce compared to \$17.09 per ounce in the previous quarter. The decrease in cash cost was primarily attributed to a 84% increase in production due to the increase in silver and

gold grades compared to the previous quarter. AISC per AgEq ounce for the quarter was \$14.02 per ounce compared to \$21.10 per ounce in the prior quarter, primarily driven by the decrease in cash costs per ounce combined with the increase in AgEq production during the quarter.

In the fourth quarter, Santa Elena completed a total of 4,430 metres of underground development, compared to 4,195 metres in the previous quarter. A total of three drill rigs, consisting of two surface rigs and one underground rig, were active at the end of the quarter, completing 13,847 metres compared to 19,609 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	2021-Q4	2021-Q3	2021-Q2	2021-Q1	2021-YTD	2020-YTD	Change Q4 vs Q3	Change '21 vs '20
Ore processed/tonnes milled	268,239	263,645	242,839	229,421	1,004,144	860,613	2%	17%
Average silver grade (g/t)	117	134	138	131	130	162	(13%)	(20%)
Silver recovery (%)	75%	80%	78%	77%	77%	78%	(6%)	(1%)
Production								
Silver ounces produced	757,586	905,074	840,541	738,354	3,241,555	3,505,953	(16%)	(8%)
Gold ounces produced	146	114	102	98	460	241	28%	91%
Silver equivalent ounces produced	768,796	913,481	847,502	745,019	3,274,798	3,526,776	(16%)	(7%)
Cost								
Cash cost per AgEq Ounce	\$14.51	\$12.25	\$13.66	\$13.77	\$13.49	\$10.32	18%	31%
All-In sustaining costs per AgEq Ounce	\$19.41	\$15.28	\$15.97	\$16.30	\$16.66	\$12.47	27%	34%
Total production cost per tonne	\$39.70	\$41.08	\$45.71	\$42.99	\$42.25	\$40.37	(3%)	5%
Underground development (m)	790	722	827	965	3,304	3,674	9%	(10%)
Diamond drilling (m)	2,406	5,196	4,905	2,866	15,373	18,611	(54%)	(17%)

2021 vs. 2020

In 2021, La Encantada produced 3,241,555 ounces of silver and 460 ounces of gold for a total of 3,274,798 silver equivalent ounces, a decrease of 7% compared to 3,526,776 silver equivalent ounces in 2020. The decrease was primarily due to a 20% decrease in silver head grade and a 1% decrease in silver recovery, partially offset by a 17% increase in tonnes milled. This reduction was driven by lower ore grades mined from the northern draw-points of the La Prieta, Milagros and La Fe ore bodies.

Silver recoveries averaged 77% during the year, compared to 78% in 2020. Silver grades during the year averaged 130 g/t, a decrease of 20% compared to 162 g/t in 2020. In the fourth quarter, the Company began to establish new draw-points within the 660 area ore body in order to increase silver grades in the upcoming quarters.

During the year, cash cost per AgEq ounce averaged \$13.49 compared to \$10.32 per ounce in 2020, and AISC averaged \$16.66 per ounce in 2021 compared to \$12.47 per ounce in 2020. The increase was primarily attributed to lower production, a stronger Mexican Peso against the U.S. Dollar compared to the previous year along with an increase in energy costs as diesel generators had to be rented due to delay in the liquid gas deliveries at the beginning of the year. Furthermore, the Company has invested in a mill modernization project that was advanced during the year; this included a new refinery scrubber and the installation of two thickener mechanisms.

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

A total of 3,304 metres of underground development and 15,373 metres of diamond drilling were completed in 2021 compared to 3,674 metres of underground development and 18,611 metres of diamond drilling in the prior year.

2021Q4 vs. 2021Q3

During the quarter, La Encantada produced 757,586 silver ounces compared to 905,074 in previous quarter, representing a 16% decrease in production compared to the previous quarter primarily due to a 13% decrease in silver grade.

The mill processed a total of 268,239 tonnes with an average silver grade and recovery during the quarter of 117 g/t and 75%, respectively, compared to 263,645 tonnes, 134 g/t and 80%, respectively, in the previous quarter. The decrease in grade and recoveries were the result of low-grade material being sourced from previously mined areas. During the quarter, the Company began to establish new draw-points within the 660 area ore body in an effort to increase silver grades in the upcoming quarters.

Cash cost per AgEq ounce for the quarter was \$14.51 compared to \$12.25 in the previous quarter. The increase in cash cost per AgEq ounce was primarily due to the 16% decrease in silver equivalent ounces produced.

AISC per AgEq ounce for the quarter was \$19.41 per ounce, an increase of 27% compared to \$15.28 per ounce in the previous quarter primarily due to the increase in cash cost per AgEq ounce combined with an increase in the workers participation cost.

A total of two underground drill rigs were active on the property at the end of the quarter. A total of 790 metres of underground development were completed in the fourth quarter compared to 722 metres in the prior quarter. One underground and one surface drill completed 2,406 metres of drilling compared to 5,196 metres in the previous quarter.

During the fourth quarter, the Company completed 77 metres of an underground ramp in order to access the Ojuelas orebody which is known to contain higher silver grades. The Company is planning to prepare the area for initial ore extraction in the second half of 2022.

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	2021-Q4	2021-Q3	2021-Q2	2021-YTD	Change Q4 vs Q3
Ore processed/tonnes milled	256,374	230,415	146,611	633,400	11%
Average gold grade (g/t)	3.41	4.19	4.03	3.84	(18%)
Gold recovery (%)	84%	84%	84%	84%	0%
Production					
Gold ounces produced	23,660	26,145	18,762	68,567	(10%)
Silver equivalent ounces produced	1,821,331	1,922,270	1,270,398	5,013,999	(5%)
Cost					
Cash cost per AuEq Ounce	\$1,674	\$1,734	\$1,407	\$1,624	(3%)
All-In sustaining costs per AuEq Ounce	\$2,077	\$2,285	\$1,679	\$2,048	(9%)
Total production cost per tonne	\$151.23	\$192.17	\$177.30	\$172.20	(21%)
Underground development (m)	1,211	1,673	1,031	3,915	(28%)
Diamond drilling (m)	22,089	22,175	4,406	48,670	0%

Since being acquired on April 30, 2021, the Jerritt Canyon mine has produced 68,567 ounces of gold or 5,013,999 silver equivalent ounces. The mill processed a total of 633,400 tonnes with an average gold grade of 3.84 g/t and a recovery of 84%.

Permitting, preparation and construction activities for the TSF2 12-ft lift project was completed during the year, which included installation of a new liner. The \$10.4 million lift which was under budget which will provide over two years of additional deposition storage for tailings material at the site. A life-of-mine tailing deposition optimization study was started during the year and will be completed in early 2022.

During the year, cash cost per AuEq ounce averaged \$1,624 per ounce and AISC averaged \$2,048 per ounce. The main cost drivers in 2021 were the semi-annual maintenance overhaul of the dual roasters which was completed on October 4th and included a planned 14-day major maintenance shutdown, combined with the TSF2 12-ft lift project. As a result, the AISC is expected to normalize in 2022.

Since the acquisition announcement in January 2021, First Majestic has been developing a long-term mine and exploration plan for the future of the operation. The Company has identified numerous projects that 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 December 2021)
9. Obtain permits for potential pushbacks of past-producing open pits for future mill feed (Ongoing)
10. Test over 25 high-priority exploration targets, both near-mine and greenfield (Ongoing)
11. Evaluate and complete ore purchase opportunities with third parties to fill roaster excess capacity (Ongoing)
12. Optimize the underground mining plan and execution of mining with the mine contractor (Ongoing)
13. Evaluate and competitively bid all major procurement contracts for services and consumables (Ongoing)
14. Develop a mercury remediation plan for improved capture of off-gas from the roasters and refinery (Ongoing)

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

2021Q4 vs. 2021Q3

During the fourth quarter, Jerritt Canyon produced 23,660 ounces of gold, representing a 10% decrease compared to the prior quarter. The decrease was primarily due to harsh winter weather in December which significantly reduced production for a period of two weeks, causing a reduction in throughput. In order to mitigate future harsh winter conditions, Jerritt Canyon:

- implemented a new blending strategy to improve material handling of frozen and wet ore;
- installed heat trace and insulation on critical lines and valves;
- connected the two mines which will help with accessibility and ore movement in extreme winter events; and
- are optimizing the dryer operation to better handle major swings in moisture content to improve reliability and performance.

The mill processed a total of 256,374 tonnes with an average gold grade and recovery of 3.41 g/t and 84%, respectively, compared to 230,415 tonnes with an average grade and recovery of 4.19 g/t and 84%, respectively in the prior quarter. Increased ore development rates and processing of lower ore grade from surface material continued during the quarter which resulted in higher average tonnage with lower average ore grades processed in the plant.

The SSX and Smith mines contributed approximately 33% and 50%, respectively, of the total production during the quarter. In addition, numerous lower grade surface stockpiles contributed approximately 17% of total production during the quarter. During the quarter, the tailings lift at TSF2 and the underground connection drift between the SSX and Smith mines were both completed on-time and under budget. The new connection is expected to reduce transportation bottlenecks and improve movement efficiencies of personnel and equipment. In addition, the connection drift is expected to support future exploration activities.

Cash cost per AuEq ounce for the quarter was \$1,674 compared to \$1,734 in the prior quarter primarily due to a 14-day planned major maintenance of the dual roasters at the end of the previous quarter. AISC per AuEq ounce for the quarter was \$2,077 per ounce, compared to \$2,285 in the prior quarter primarily due lower exploration and sustaining costs as well as the completion of the TSF2 tailings lift project in the current quarter.

A total of nine drill rigs, consisting of four surface rigs and five underground rigs, were active at the end of the quarter. A total of 22,089 diamond drilling metres and 1,211 metres of underground development were drilled during the quarter.

In early November, the Company executed an agreement with the NDEP relating to funds required to establish a trust agreement to cover post-closure water treatment cost at Jerritt Canyon. The estimated costs are \$17.6 million and would be required to be funded by October 31, 2022. The Company is investigating alternative closure methods, including passive remediation and alternative water treatment methods, that may reduce this funding requirement.

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, an ISO 9001 certified central laboratory, metallurgical pilot plant, buildings, offices and associated infrastructure. The Company owns 100% of the La Parrilla Silver Mine.

Operations at the La Parrilla mine have been 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.

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 temporarily 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 work with government authorities to secure the area and continued to maintain the mine and plant facilities, including advancing a buttressing project on the TSF2 tailings impoundment. The re-opening date is contingent on economics and security conditions in the region and cannot be determined at this time.

La Guitarra Silver Mine, México State, México

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

The La Guitarra milling and mining operations were placed under care and maintenance effective August 3, 2018.

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 December 31, 2021, the Company has paid \$17.5 million in consideration to First Mining as part of the agreement, of which \$5.7 million was allocated to other financial assets and \$11.8 million was allocated to the Springpole Silver Stream recognized within exploration and evaluation assets.

First Mining is a related party with one independent board member who is also a director and/or officer of First Majestic.

OVERVIEW OF FINANCIAL PERFORMANCE

For the quarters ended December 31, 2021 and 2020 (in thousands of dollars, except for per share amounts):

	Fourth Quarter 2021	Fourth Quarter 2020	Variance %
Revenues	\$204,876	\$117,075	75% (1)
Mine operating costs			
Cost of sales	121,236	58,008	109%
Depletion, depreciation and amortization	43,278	15,399	181%
	164,514	73,407	124%
Mine operating earnings	40,362	43,668	(8%)
General and administrative expenses	6,988	7,205	(3%)
Share-based payments	2,859	2,227	28%
Mine holding costs	2,485	7,017	(65%)
Acquisition costs	23	—	100%
Foreign exchange loss	(262)	(2,424)	89%
Operating earnings	28,269	29,643	5%
Unrealized gain on foreign currency derivatives	—	3,880	(100%)
Investment and other income (loss)	736	(2,333)	132%
Finance costs	(9,077)	(3,717)	(144%)
Earnings before income taxes	19,928	27,473	(27%)
Current income tax expense	23,743	4,115	NM
Deferred income tax expense (recovery)	156	(11,187)	NM
Income tax expense (recovery)	23,899	(7,072)	NM
Net (loss) earnings for the period	(\$3,971)	\$34,545	NM (9)
(Loss) earnings per share (basic)	(\$0.02)	\$0.16	NM (9)
(Loss) earnings per share (diluted)	(\$0.02)	\$0.15	NM (9)

NM - Not meaningful

- Revenues** in the quarter increased \$87.8 million compared to the same quarter of the previous year primarily attributed to:
 - a 76% increase in payable silver equivalent ounces sold compared to the same quarter of the previous year which contributed to an increase in revenues of \$91.6 million primarily due to the the addition of the Jerritt Canyon Gold Mine and the sale of 1.4 million silver ounces of inventory previously withheld in the prior quarter;
Partially offset by:
 - a 3% decrease in realized silver price per ounce sold, which averaged \$24.18 during the quarter compared to \$24.88 in the fourth quarter of 2020, resulting in a \$3.5 million decrease in revenues.
- Cost of sales** in the quarter increased \$63.2 million compared to the same quarter of the previous year primarily due to:
 - the addition of the Jerritt Canyon mine which incurred \$40.7 million in cost of sales during the fourth quarter; and
 - a \$11.5 million increase in change in inventory expense primarily due to sale of 1.4 million silver ounces of inventory withheld in the prior quarter, which was sold in the fourth quarter of 2021.

3. **Depletion, depreciation and amortization** in the quarter increased \$27.9 million compared to the same quarter of the previous year, primarily as a result of:
 - the addition of the Jerritt Canyon Gold Mine which incurred \$18.4 million during the fourth quarter;
 - the increase of depletable assets from the Mexican operations which incurred \$4.2 million; and
 - the sale of the 1.4 million in silver ounces withheld from the prior quarter which incurred \$4.9 million during the quarter.
4. **Mine holding costs** decreased by \$4.5 million compared to the same quarter of 2020, primarily due to a decrease in labour costs at Del Toro, San Martin and La Parrilla following restructuring that took place in 2020.
5. **Fair value adjustment on foreign currency derivatives** of \$3.9 million in the fourth quarter of the prior year related to mark-to-market adjustments on the Company's foreign currency derivatives, which were fully settled as at December 31, 2020. The Company utilized these foreign currency options and swaps to hedge cash flows relating to mining operations, exploration and evaluation activities and corporate expenses in Mexican Pesos.
6. **Investment and other income** for the quarter increased by \$3.1 million compared to the fourth quarter of the prior year, primarily due to an unrealized gain of \$0.8 million on the companies marketable securities, compared to an unrealized loss of 2.4 million during the same quarter of the previous year.
7. **Finance costs** for the quarter increased by \$5.4 million compared to the fourth quarter of the prior year, primarily due to an accounting loss of \$4.6 million on the settlement of the Company's 2018 senior convertible notes during the quarter.
8. During the quarter, the Company recorded an **income tax expense** of \$23.9 million compared to a recovery of \$7.1 million in the fourth quarter of 2020. The increase in income tax expense was primarily due to increase in the non-deductible expenses, the changes in valuation allowance, the foreign exchange impact on the Company's Mexican Peso denominated future income tax liability balances and the benefit associated with the impact of divestitures and restructuring recognized in 2020.
9. As a result of the foregoing, **net loss** for the quarter was \$4.0 million (EPS of (\$0.02)) compared to net earnings of \$34.5 million (EPS of \$0.16) in the same quarter of the prior year.

For the years to date ended December 31, 2021, 2020 and 2019 (in thousands of dollars, except for per share amounts):

	Annual 2021	Annual 2020	Annual 2019	Variance % 21 vs '20
Revenues	\$584,117	\$363,876	\$363,944	61 % (1)
Mine operating costs				
Cost of sales	366,085	194,305	232,146	88 % (2)
Cost of sales - standby costs	—	10,112	—	(100%) (3)
Depletion, depreciation and amortization	116,613	54,405	65,584	114 % (4)
	482,698	258,822	297,730	86 %
Mine operating earnings	101,419	105,054	66,214	(3%)
General and administrative	27,063	24,855	26,800	9 %
Share-based payments	12,290	8,255	8,325	49 % (5)
Impairment of non-current assets	—	—	58,739	0 %
Acquisition costs	1,973	—	—	100 % (6)
Mine holding costs	12,056	21,583	7,579	(44%) (7)
Loss on divestiture of exploration projects	—	3,685	—	(100%) (8)
Foreign exchange (gain) loss	(1,165)	6,319	(3,243)	(118%)
Operating earnings (loss)	49,202	40,357	(31,986)	22 %
Fair value adjustment on foreign currency derivatives	—	(982)	—	(100%) (9)
Investment and other (loss) income	(2,948)	5,127	8,109	(157%) (10)
Finance costs	(21,004)	(14,773)	(15,147)	(42%) (11)
Earnings (loss) before income taxes	25,250	29,729	(39,024)	NM
Current income tax expense	49,283	9,966	16,423	NM
Deferred income tax (recovery)	(19,110)	(3,324)	(14,973)	NM
Income tax expense	30,173	6,642	1,450	NM (12)
Net (loss) earnings for the year	(\$4,923)	\$23,087	(\$40,474)	NM (13)
(Loss) earnings per share (basic and diluted)	(\$0.02)	\$0.11	(\$0.20)	NM (13)

NM - Not meaningful

- Revenues** in the year ended December 31, 2021 increased \$220.2 million or 61% compared to the previous year, primarily attributed to:
 - \$126.1 million increase due to a 32% increase in payable silver equivalent ounces sold compared to the prior year mainly attributed to the addition of Jerritt Canyon, achieving production at Ermitaño during the fourth quarter of 2021 and the increase in production from the Mexican operations due to the reduced effect of the temporary COVID-19 suspension and units operating with limited workforce levels in the previous year; and
 - \$94.4 million increase due to a 19% increase in realized silver price per ounce sold, which averaged \$25.16 compared to \$21.15 in the prior year.
- Cost of sales** in the year increased \$171.8 million or 88% compared to 2020 as a result of the following factors:
 - the addition of the Jerritt Canyon Gold Mine on April 30, 2021, which contributed \$117.3 million to cost of sales since its acquisition by First Majestic;
 - a stronger Mexican Peso against the U.S. Dollar, which averaged 7% higher compared to the same period of 2020; and

- an increase in throughput from the Mexican operations compared to 2020 primarily attributed to an increase in operational days due to lower impact from the COVID-19 suspension.
3. **Standby costs** in 2020 were primarily related to direct costs incurred at the San Dimas (\$3.5 million), Santa Elena (\$2.0 million) and La Encantada (\$1.7 million) mines during the temporary COVID-19 suspensions, as well as \$2.0 million incurred during a 13-day union work stoppage at San Dimas during the second quarter of 2020.
 4. **Depletion, depreciation and amortization** in the year increased \$62.2 million or 114% compared to the previous year primarily as a result of the addition of the Jerritt Canyon mine, which contributed \$43.5 million during the year, and a \$17.6 million increase from Mexican operations due to an increase in throughput, higher mining interest and property plant and equipment balances.
 5. **Share based payments** in the year increased \$4.0 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. **Acquisition costs** of \$2.0 million relates to due diligence costs and closing fees incurred in connection with the acquisition of the Jerritt Canyon Canada Ltd. which closed on April 30, 2021.
 7. **Mine holding costs** for the year decreased \$9.5 million compared to the previous year primarily due to a decrease in labour costs at Del Toro, San Martin and La Parrilla following restructuring that took place in early 2020.
 8. **Loss on divestiture of exploration projects** of \$3.7 million in 2020 related to \$10.2 million loss on the sale of the Plomosas project to GR Silver Mining Ltd. in March 2020, partially offset by \$6.5 million gain on the arrangement to option the La Joya project to Silver Dollar Resources Inc. in September 2020.
 9. **Fair value adjustment on foreign currency derivatives** of \$1.0 million loss during 2020 related to mark-to-market adjustments on the Company's foreign currency derivatives, which have been fully settled as at December 31, 2021. The Company utilized these foreign currency options and swaps to hedge cash flows relating to mining operations, exploration and evaluation activities and corporate expenses in Mexican Pesos.
 10. **Investment and other income** in the year decreased \$8.1 million compared to the previous year primarily due to a \$2.5 million loss on the write-down of property and equipment in relation to the sale of certain AG mill equipment to Condor Gold PLC and a \$2.1 million unrealized loss on investments in marketable securities.
 11. **Finance costs** in the year increased by \$6.2 million compared to the previous year primarily due to an accounting loss of \$4.6 million on the settlement of the Company's 2018 senior convertible notes.
 12. During the year ended December 31, 2021, the Company recorded an **income tax expense** of \$30.2 million, compared to \$6.6 million in 2020. The increase in income tax expense was primarily due to:
 - the increase in non-deductible expenses of \$15.3 million at operating mines;
 - additional non-deductible expenses consisting of \$14.1 million related to expenditures incurred at care and maintenance mines in Mexico, as well as head office losses arising from the cost of settlement of 2018 senior convertible notes and other expenses;
 - the one-time benefit associated with the impact of divestitures and restructuring recognized in 2020 in the amount of \$16.7 million;
 Partially offset by:
 - the foreign exchange impact on the Company's Mexican Peso denominated future income tax liability balances of \$17.0 million.
 13. As a result of the foregoing, **net loss** for the year ended December 31, 2021 was \$4.9 million (EPS of (\$0.02)), compared to net income of \$23.1 million (EPS of \$0.11) in the prior year.

SUMMARY OF QUARTERLY RESULTS

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

Selected Financial Information	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$204,876	\$124,646	\$154,073	\$100,522	\$117,075	\$125,881	\$34,855	\$86,065
Cost of sales	\$121,236	\$92,006	\$95,782	\$57,061	\$58,008	\$60,275	\$26,187	\$49,835
Cost of sales - standby costs	\$—	\$—	\$—	\$—	\$—	\$—	\$9,166	\$946
Depletion, depreciation and amortization	\$43,278	\$29,122	\$28,868	\$15,345	\$15,399	\$17,573	\$7,264	\$14,169
Mine operating earnings (loss)	\$40,362	\$3,518	\$29,423	\$28,116	\$43,668	\$48,033	(\$7,762)	\$21,115
Net (loss) earnings after tax	(\$3,971)	(\$18,406)	\$15,599	\$1,855	\$34,545	\$30,946	(\$9,968)	(\$32,436)
(Loss) earnings per share - basic	(\$0.02)	(\$0.07)	\$0.06	\$0.01	\$0.16	\$0.14	(\$0.05)	(\$0.15)
(Loss) earnings per share - diluted	(\$0.02)	(\$0.07)	\$0.06	\$0.01	\$0.15	\$0.14	(\$0.05)	(\$0.15)

During the fourth quarter of 2021, mine operating earnings were \$40.4 million compared to earnings of \$3.5 million in the previous quarter. Net loss for the quarter was \$4.0 million compared to a loss of \$18.4 million in the prior quarter, as the Company sold 1.4 million ounces of silver withheld in inventory in the prior quarter.

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at December 31, 2021, the Company had cash and cash equivalents of \$237.9 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 \$6.4 million held in-trust for tax audits in Mexico, the Company's cash and cash equivalents are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Working capital as at December 31, 2021 was \$224.4 million compared to \$254.4 million at December 31, 2020. Total available liquidity at December 31, 2021 was \$274.4 million, including \$50.0 million of undrawn revolving credit facility.

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

	Year Ended December 31,	
	2021	2020
Cash flow		
Cash generated by operating activities	\$68,723	\$79,713
Cash used in investing activities	(180,753)	(127,115)
Cash generated by financing activities	111,817	116,574
(Decrease) increase in cash and cash equivalents	(\$213)	\$69,172
Effect of exchange rate on cash and cash equivalents held in foreign currencies	(439)	397
Cash and cash equivalents, beginning of the year	238,578	169,009
Cash and cash equivalents, end of year	\$237,926	\$238,578

The Company's cash flows from operating, investing and financing activities during the year ended December 31, 2021 are summarized as follows:

- **Cash used in operating activities** of \$68.7 million, primarily due to:
 - \$176.8 million in cash flows from operating activities before movements in working capital and taxes; net of:
 - \$76.5 million in income taxes paid during the period; and

- \$31.5 million in net change in non-cash working capital items during the period, including \$9.0 million increase in inventories and \$48.0 million increase in restricted cash (PEM frozen bank account), partially offset by an increase of \$16,580.0 million in trade and other payables and \$9.8 million decrease in VAT receivables.
- **Cash used in investing activities** of \$180.8 million, primarily related to:
 - \$132.4 million spent on mine development and exploration activities;
 - \$56.6 million spent on purchase of property, plant and equipment;
 - \$12.6 million reclassification of restricted cash for the acquisition of Jerritt Canyon (escrow funds);
 - \$7.8 million spent on deposits on non-current assets;
 - \$3.5 million spent on the purchase of marketable securities;
 net of:
 - \$30.0 million of restricted cash acquired through the acquisition of Jerritt Canyon; and
 - \$2.6 million of net proceeds from the disposal of marketable securities.
- **Cash provided by financing activities** of \$111.8 million, primarily consists of the following:
 - \$222.8 million of net proceeds from the issuance of the 2021 senior convertible debentures;
 - \$66.7 million of net proceeds from the issuance of shares through the ATM;
 - \$30.0 million of net proceeds from the drawdown on the Scotiabank revolving credit facility;
 - \$21.8 million of net proceeds from the exercise of stock options;
 net of:
 - \$171.8 million net repayment of the 2018 senior convertible debentures;
 - \$40.0 million repayment of debt facility;
 - \$9.3 million on repayment of lease obligations;
 - \$4.3 million payment of financing costs; and
 - \$3.9 million payment on dividends paid.

During the year ended December 31, 2021 the Company received \$48.0 million (966 million MXN) related to value added tax filings. In connection with the PEM tax ruling, the tax authority has frozen a PEM bank account with funds of \$48.0 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. Additionally, as part of the acquisition of Jerritt Canyon, the Company was required to hold certain funds in escrow to settle the payment for Triggered Tax provisions along with any adjustments to working capital. As at December 31, 2021, \$12.6 million remained in escrow.

Reconciliation on Use of Proceeds from ATM Programs

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

During the year ended December 31, 2021, the Company sold 4,225,000 common shares under the ATM programs at an average price of \$16.24 for gross proceeds of \$68.6 million, or net proceeds of \$66.7 million after costs. The primary business objectives that the Company expects to use the net proceeds is was for general working capital purposes, expansion of existing operations, and for general corporate purposes. This includes completing corporate acquisitions, financing future growth opportunities and to repay existing or future indebtedness. The use of proceeds from the amount raised in the current year is reconciled as follows:

Gross Proceeds:	\$68,630
Use of Proceeds:	
Mine development	35,191
Mine exploration	18,822
General working capital	12,662
Offering expenses	1,955
	\$68,630

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 December 31, 2021 and December 31, 2020, the Company was fully in compliance with these covenants.

Contractual Obligations and Commitments

As at December 31, 2021, the Company's contractual obligations and commitments are summarized as follows:

	Contractual Cash Flows	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$120,666	\$120,666	\$—	\$—	\$—
Debt facilities	234,666	1,216	1,725	231,725	—
Lease liabilities	44,561	11,252	21,312	10,752	1,245
Other liabilities	5,797	—	—	—	5,797
Purchase obligations and commitments	19,176	19,176	—	—	—
	\$424,866	\$152,310	\$23,037	\$242,477	\$7,042

At December 31, 2021, the Company had working capital of \$224.4 million (2020 – \$254.4 million) and total available liquidity of \$274.4 million (2020 – \$319.4 million), including \$50.0 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 December 31, 2021, VAT receivable was \$47.1 million (December 31, 2020 - \$56.9 million), of which \$22.2 million (December 31, 2020 \$16.5 million) relates to Minera La Encantada S.A. de C.V. ("MLE") and \$22.0 million (December 31, 2020 - \$37.9 million) relates to PEM. The SAT commenced processing VAT refund requests by PEM in June 2021 and the Company expects the amounts to be refunded within the next twelve months.

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

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

Liquidity Risk

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

Currency Risk

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

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

	December 31, 2021							
	Cash and cash equivalents	Restricted cash	Value added taxes receivable	Other financial assets	Trade and other payables	Trade and other receivable	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$52,978	\$12,574	\$—	\$7,644	(\$3,547)	\$90	\$69,739	\$6,974
Mexican peso	36,575	48,010	42,979	—	(47,023)	—	80,541	8,054
	\$89,553	\$60,584	\$42,979	\$7,644	(\$50,570)	\$90	\$150,280	\$15,028

Commodity Price Risk

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

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

	December 31, 2021		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$2,217	\$571	\$2,788
	\$2,217	\$571	\$2,788

Political and Country Risk

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

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

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

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

Public Health Crises

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

The Company's business could be materially adversely affected by the effects of the COVID-19 pandemic. As of the date of this MD&A, the global spread of COVID-19 continues to result in, among other things, restrictions in many jurisdictions on travel and gatherings of individuals, quarantines, temporary business closures and a general reduction in consumer activity. 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. In addition, the long-term impact of the pandemic on global economies and financial markets remains uncertain and could result in a protracted economic downturn that could have an adverse effect on the demand for precious metals and the Company's future prospects.

In particular, the continued spread of COVID-19 globally and emergence of new variants could materially and adversely impact the Company's business, including without limitation, employee health, workforce availability and productivity, limitations on travel, supply chain disruptions, increased insurance premiums, increased costs and reduced efficiencies, the availability of industry experts and personnel, restrictions on the Company's exploration and drilling programs and/or the

timing to process drill and other metallurgical testing and the slowdown or temporary suspension of operations at some or all of the Company's properties, resulting in reduced production volumes. Although the Company has the capacity to continue certain administrative functions remotely, many other functions, including mining operations, cannot be conducted remotely.

During 2021, the Company continued to implement preventative control measures to protect the safety and health of our employees, contractors, and communities in which we operate, including social distancing, remote working, cancellation of any non-essential visits to the mines, comprehensive sanitation measures for the workplace and company transportation, and pre-screening for virus symptoms. The Company's Polymerase Chain Reaction (PCR) laboratory in Durango, Mexico, supported these initiatives.

The Company continues to monitor the various government health measures in the jurisdictions where we operate and there are no COVID-19-related restrictions on mine operations at this time.

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

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

Environmental and Health and Safety Risks

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

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

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

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 is evaluating the claims contained in the NOAVs and JCG has until March 18, 2022 to respond to the NOAV by filing a challenge with the NSEC."

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 to WPMI all the silver produced from the San Dimas mine, up to 6 million ounces 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%.

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 its actual realized revenue ("PEM Realized Price") instead of at spot market prices.

To obtain assurance that the SAT would accept the PEM Realized Price as the price to use to calculate Mexican income taxes, Primero applied for and received on October 4, 2012, an Advance Pricing Agreement ("APA") from the SAT for taxation years 2010 to 2014. The APA confirmed that the PEM Realized Price could be used as Primero's basis for calculating taxes owed by PEM for the silver sold under the Old Stream Agreement. The purpose of the APA was to have SAT provide tax certainty and as a result Primero and PEM made significant investments in Mexico based on that certainty.

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

In 2019, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$239.0 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 \$132.3 million (2,723 million MXN) (collectively, the "Reassessments"). The Company believes that the Reassessments were issued in violation of the terms of the APA. The key items in the Reassessments include determining revenue on the sale based on the silver spot market price, denial of the deductibility of interest expense and service fees, SAT technical error related to double counting of taxes, and interest and penalties.

The Company continues to defend the APA in the Mexican legal proceedings, and initiated proceedings under relevant tax treaties between the competent tax authorities of Mexico, Canada, Luxembourg and Barbados, all of which were subsequently dismissed on a unilateral basis by the SAT ("Dismissals") in May 2020. The Company believes that the Dismissals breach international obligations regarding double taxation treaties, and also that the APA remains valid and legally binding. The Company will continue disputing the Reassessments, exhausting its domestic and international remedies.

While the Company continues to vigorously defend the validity of the APA and its transfer pricing position, it is also engaging in various proceedings against the SAT seeking to resolve matters and bring tax certainty through a negotiated solution. Despite these extensive efforts and ongoing legal challenges to the Reassessments and the Dismissals, in April 2020 and February 2021, SAT issued notifications to PEM to attempt to secure amounts it claims are owed pursuant to its reassessments issued. These notifications impose certain restrictions on PEM including its ability to dispose of its concessions and real properties, and to restrict access to funds within its bank account, the latter as disclosed in Note 18(b)3 of the audited financial statements.

The Company has challenged SAT's Reassessments and Dismissals through all domestic means available to it, including annulment suits before the Mexican Federal Tax Court on Administrative Matters ("Federal Court"), which remain unresolved, and a complaint before Mexico's Federal Taxpayer Defense Attorney's Office (known as "PRODECON"). The Company believes that the actions of the SAT are neither fair nor equitable, are discriminatory against the Company as a foreign investor, amount to a denial of justice under international law, and furthermore violate various provisions of the Federal Constitution of the United Mexican States, Mexican domestic law, and Mexican court precedents.

On May 13, 2020, the Company provided to the Government of Mexico notice of its intention to initiate an international arbitration proceeding ("Notice of Intent") pursuant to the North American Free Trade Agreement ("NAFTA"). The Notice of Intent commenced a 90-day period for the Government of Mexico to enter into good faith and amicable negotiations with the Company to resolve the dispute. On August 11, 2020, the 90-day period expired without any resolution of the dispute.

In September 2020, the Company was served with a decision 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 amparo file and iii) assigned such writ to the Second Chamber of the Supreme Court for issuing the corresponding decision. The other writ of certiorari has not been admitted by the Plenary of the Supreme Court. Therefore, the Company is currently waiting for the Supreme Court to issue a resolution towards such writs of certiorari.

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

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

If the SAT were to be successful in retroactively nullifying the APA, the SAT may seek to audit and reassess PEM in respect of its sales of silver pursuant to the Old Stream Agreement for 2010 through 2014. 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 \$228.5 million (4,703 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 appropriate price of silver sales under the Old Stream Agreement is significantly different from the PEM Realized Price and while PEM would have rights of appeal in connection with any reassessments, it is likely to have a 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., the SAT issued tax assessments for fiscal 2012 and 2013 in the amount of \$7.6 million (155.4 million MXN) and \$6.2 million (126.6 million MXN), respectively. The key 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.

First Silver litigation

In April 2013, the Company received a positive judgment on the First Silver litigation from the Supreme Court of British Columbia (the "Court"), which awarded the sum of \$93.8 million in favour of First Majestic against Hector Davila Santos (the "Defendant"). The Company received a sum of \$14.1 million in June 2013 as partial payment of the judgment, leaving an unpaid amount of approximately \$64.3 million (CAD\$81.5 million). As part of the ruling, the Court granted orders restricting any transfer or encumbrance of the Bolaños Mine by the Defendant and limiting mining at the Bolaños Mine. The orders also require that the Defendant to preserve net cash flow from the Bolaños Mine in a holding account and periodically provide to the Company certain information regarding the Bolaños Mine. However, there can be no guarantee that the remainder of the judgment amount will be collected and it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to recover the balance. Therefore, as at December 31, 2021, the Company has not accrued any of the remaining \$64.3 million (CAD\$81.5 million) unrecovered judgment in favour of the Company.

OTHER FINANCIAL INFORMATION

Share Repurchase Program

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

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

Off-Balance Sheet Arrangements

At December 31, 2021, the Company had no material off-balance sheet arrangements such as contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Company, other than contingent liabilities and vendor liability and interest, as disclosed in this MD&A and the consolidated financial statements and the related notes.

Related Party Disclosures

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

In July 2020, the Company completed the agreement with First Mining Gold Corp., to purchase 50% of the payable silver produced from the Springpole Gold Project for total consideration of \$22.5 million in cash and shares, over three payments, for the silver stream which covers the life of the Springpole project. First Mining is a related party with one independent board member who is a director and/or officer 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 year ended December 31, 2021.

Outstanding Share Data

As at March 9, 2022, the Company has 260,181,673 common shares issued and outstanding.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to December 31, 2021:

Declaration of Quarterly Dividend

On March 9, 2022, the Company's board of directors approved its quarterly common share dividend of \$0.0079 per share, payable on and after April 4, 2022, to common shareholders of record at the close of business on March 21, 2022. These dividends were declared subsequent to the quarter end and have not been recognized as distributions to owners during the year ended December 31, 2021.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

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

Determination of a Business

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders. In 2021, the Company concluded that Jerritt Canyon met the definition of a business and, accordingly, the acquisition was accounted for as a business combination.

Consideration for the acquisition of Jerritt Canyon

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Management made judgments and estimates in calculating the value of the shares and warrants transferred, including but not limited to share price, volatility, rate of quarterly dividends and the discount rate.

Determining what is part of the business combination in the acquisition of Jerritt Canyon

The Company needs to assess if other arrangement(s) or transaction(s) shall be recognized as part of applying the acquisition method. To determine if the arrangement(s) or transaction(s), is(are) part of the business combination, the Company considers the following factors:

- (i) The reasons for the arrangement(s) or transaction(s);
- (ii) Who initiated the arrangement(s) or transaction(s); and
- (iii) The timing of the arrangement(s) or transaction(s).

Management applied judgment based on the above criteria to determine if private placement shares included as part of the acquisition of Jerritt Canyon were a part of the business combination.

Fair Value Estimates

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

- (i) The identifiable assets acquired and liabilities assumed;
- (ii) The consideration transferred in exchange for an interest in the acquiree;
- (iii) The resulting goodwill.

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

The fair value of assets acquired and liabilities assumed requires that management make judgments and estimates taking into account information available at the time of the acquisition about future events including, but not restricted to, estimates of mineral reserves and resources, exploration potential, future metal prices, future operating costs and capital expenditures and discount rates.

During the allowable measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The Company may also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

The fair value of assets acquired and liabilities assumed are subject to change for up to one year from the Acquisition Date. If new information arises which would impact management's assessment of the fair value at the Acquisition Date, any adjustments to the allocation of the purchase consideration will be recognized retrospectively and comparative information will be revised. Consequently, the final allocation of the purchase price may result in different adjustments than those shown in these audited consolidated financial statements.

Determination and classification of current and non-current restricted cash

The Company determines if the funds on hand and held at banks meets the definition of cash or cash equivalents. When there is a restriction on those funds, the Company assesses the nature of the restriction and if it is applicable, excludes the related amounts from the cash and cash equivalents balance. The Company then assesses the classification of the restricted cash between current and non-current based on the following factors:

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

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

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 International Accounting Standards Board ("IASB") that were effective for annual periods that begin on or after January 1, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2021

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

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

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

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

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

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

[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 Board 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 1 January 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.

[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.

[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”, “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 AqEq 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 consolidated financial statements.

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

Three Months Ended December 31, 2021

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$11,232	\$10,052	\$3,514	\$20,480	\$45,277
Milling cost	7,162	7,174	4,290	13,296	31,921
Indirect cost	11,852	3,824	2,845	4,996	23,517
Total production cost (A)	\$30,246	\$21,050	\$10,649	\$38,771	\$100,716
Add: transportation and other selling cost	449	160	103	14	780
Add: smelting and refining cost	755	165	239	20	1,179
Add: environmental duty and royalties cost	591	1,203	116	793	2,703
Total cash cost (B)	\$32,041	\$22,578	\$11,107	\$39,598	\$105,378
Workers' participation	4,010	54	1,538	—	5,602
General and administrative expenses	—	—	—	—	6,591
Share-based payments	—	—	—	—	2,859
Accretion of decommissioning liabilities	175	76	128	319	951
Sustaining capital expenditures	8,989	3,514	1,272	8,887	23,387
Operating lease payments	95	1,167	816	347	2,996
All-In Sustaining Costs (C)	\$45,310	\$27,389	\$14,861	\$49,151	\$147,764
Payable silver equivalent ounces produced (D)	4,013,338	1,953,539	765,430	1,823,950	8,556,257
Payable gold equivalent ounces produced (E)	N/A	N/A	N/A	23,660	N/A
Tonnes milled (F)	206,738	224,459	268,239	256,374	955,810
Cash cost per AgEq ounce (B/D)	\$7.98	\$11.56	\$14.51	\$21.71	\$12.32
AISC per AgEq ounce (C/D)	\$11.29	\$14.02	\$19.41	\$26.95	\$17.26
Cash cost per AuEq ounce (B/D)	N/A	N/A	N/A	\$1,674	N/A
AISC per AuEq ounce (C/E)	N/A	N/A	N/A	\$2,077	N/A
Production cost per tonne (A/F)	\$146.30	\$93.78	\$39.70	\$151.23	\$105.37

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

Three Months Ended December 31, 2020

	San Dimas	Santa Elena	La Encantada	Consolidated
Mining cost	\$12,669	\$4,461	\$3,106	\$20,236
Milling cost	6,028	6,308	4,573	16,909
Indirect cost	9,497	3,757	3,183	16,437
Total production cost (A)	\$28,194	\$14,526	\$10,862	\$53,582
Add: transportation and other selling cost	433	134	160	784
Add: smelting and refining cost	471	107	241	819
Add: environmental duty and royalties cost	425	97	141	665
Total cash cost (B)	\$29,523	\$14,864	\$11,404	\$55,850
Workers' participation	3,103	55	87	3,245
General and administrative expenses	—	—	—	6,727
Share-based payments	—	—	—	2,227
Accretion of decommissioning liabilities	149	78	125	623
Sustaining capital expenditures	9,999	3,636	1,298	17,507
Operating lease payments	58	963	646	2,024
All-In Sustaining Costs (C)	\$42,832	\$19,596	\$13,560	\$88,203
Payable silver equivalent ounces produced (D)	3,475,323	900,729	1,094,267	5,470,319
Tonnes milled (E)	208,648	168,276	248,408	625,332
Cash cost per AgEq ounce (B/D)	\$8.49	\$16.50	\$10.42	\$10.21
AISC per AgEq ounce (C/D)	\$12.32	\$21.76	\$12.39	\$16.12
Production cost per tonne (A/E)	\$135.13	\$86.32	\$43.72	\$85.68

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

Year Ended December 31, 2021

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$47,270	\$32,024	\$13,206	\$58,689	\$151,188
Milling cost	28,258	28,254	17,978	35,551	110,040
Indirect cost	41,311	14,576	11,256	14,830	81,973
Total production cost (A)	\$116,840	\$74,853	\$42,440	\$109,069	\$343,202
Add: transportation and other selling cost	1,433	618	427	47	2,738
Add: smelting and refining cost	1,819	523	718	47	3,107
Add: environmental duty and royalties cost	1,683	1,559	406	2,188	5,836
Total cash cost (B)	\$121,775	\$77,553	\$43,991	\$111,351	\$354,883
Workers' participation	13,374	269	2,296	—	15,939
General and administrative expenses	—	—	—	—	25,393
Share-based payments	—	—	—	—	12,290
Accretion of decommissioning liabilities	716	313	521	642	3,228
Sustaining capital expenditures	35,542	15,636	4,616	27,565	85,664
Operating lease payments	312	2,943	2,894	862	8,708
All-In Sustaining Costs (C)	\$171,719	\$96,714	\$54,318	\$140,420	\$506,105
Payable silver equivalent ounces produced (D)	13,518,292	5,036,842	3,260,834	5,013,388	26,829,356
Payable gold equivalent ounces produced (E)	N/A	N/A	N/A	68,567	N/A
Tonnes milled (F)	822,791	879,059	1,004,144	633,400	3,339,394
Cash cost per AgEq ounce (B/D)	\$9.01	\$15.40	\$13.49	\$22.21	\$13.23
AISC per AgEq ounce (C/D)	\$12.70	\$19.20	\$16.66	\$28.01	\$18.85
Cash cost per AuEq ounce (B/D)	N/A	N/A	N/A	\$1,624	N/A
AISC per AuEq ounce (C/E)	N/A	N/A	N/A	\$2,048	N/A
Production cost per tonne (A/E)	\$142.00	\$85.15	\$42.25	\$172.20	\$102.77

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

Twelve Months Ended December 31, 2020

	San Dimas	Santa Elena	La Encantada	Consolidated
Mining cost	\$40,662	\$15,952	\$9,597	\$66,211
Milling cost	19,318	23,187	15,335	57,840
Indirect cost	31,232	11,088	9,813	52,133
Total production cost (A)	\$91,212	\$50,227	\$34,746	\$176,185
Add: transportation and other selling cost	1,224	397	425	2,288
Add: smelting and refining cost	1,604	434	749	2,800
Add: environmental duty and royalties cost	1,278	395	337	2,010
Total cash cost (B)	\$95,318	\$51,453	\$36,257	\$183,283
Workers' participation	13,663	206	377	14,245
General and administrative expenses	—	—	—	22,977
Share-based payments	—	—	—	8,255
Accretion of decommissioning liabilities	565	295	477	2,362
Sustaining capital expenditures	28,361	10,033	4,112	49,003
Operating lease payments	291	1,252	2,573	5,349
All-In Sustaining Costs (C)	\$138,198	\$63,239	\$43,796	\$285,474
Payable silver equivalent ounces produced (D)	12,664,191	4,177,527	3,512,126	20,353,844
Tonnes milled (E)	713,064	640,276	860,613	2,213,954
Cash cost per AgEq ounce (B/D)	\$7.53	\$12.32	\$10.32	\$9.00
AISC per AgEq ounce (C/D)	\$10.91	\$15.14	\$12.47	\$14.03
Production cost per tonne (A/E)	\$127.92	\$78.44	\$40.37	\$79.59

Average Realized Silver 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 gold, lead and zinc after having deducted refining and smelting charges, and after elimination of intercompany shipments of silver, silver being minted into coins, ingots and bullion products.

The 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 December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Revenues as reported	\$204,876	\$117,076	\$584,117	\$363,876
Add back: smelting and refining charges	1,179	819	3,108	2,800
Gross revenues	206,055	117,895	587,225	366,676
Less: Sandstorm gold revenues	(461)	(579)	(2,489)	(2,636)
Less: Wheaton gold revenues	(9,385)	(7,057)	(29,612)	(23,541)
Gross revenues, excluding Sandstorm, Wheaton (A)	\$196,208	\$110,259	\$555,124	\$340,499
Payable silver equivalent ounces sold	9,378,637	5,319,935	25,954,222	19,614,393
Less: Payable silver equivalent ounces sold to Sandstorm	(74,554)	(81,319)	(382,659)	(499,931)
Less: Payable silver equivalent ounces sold to Wheaton	(1,189,362)	(807,046)	(3,511,128)	(3,016,658)
Payable silver equivalent ounces sold, excluding Sandstorm and Wheaton (B)	8,114,720	4,431,570	22,060,436	16,097,804
Average realized silver price per ounce (A/B)	\$24.18	\$24.88	\$25.16	\$21.15
Average market price per ounce of silver per COMEX	\$23.35	\$24.44	\$25.15	\$21.72

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 December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Operating cash flows	\$89,812	\$43,210	\$68,723	\$79,713
Less: Sustaining capital expenditures	23,387	17,507	85,664	49,003
Free cash flow	\$66,425	\$25,703	(\$16,941)	\$30,710

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 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 unusual losses and gains.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Net (loss) earnings as reported	(\$3,971)	\$34,545	(\$4,923)	\$23,087
Adjustments for non-cash or unusual items:				
Deferred income tax (recovery) expense	156	(11,187)	(19,110)	(3,324)
Share-based payments	2,859	2,227	12,290	8,255
Loss (gain) from investment in derivatives and marketable securities	(776)	2,445	1,522	(1,973)
Write-down on assets held-for-sale	—	—	2,081	—
Write-down (recovery) of mineral inventory	1,164	—	7,479	(443)
Acquisition costs	23	—	1,973	—
Unrealized (gain) loss on foreign currency derivatives	—	(3,880)	—	982
Loss on early settlement of senior convertible notes	4,642	—	4,642	—
Standby costs related to COVID-19 Suspension	—	—	—	7,162
(Gain) loss on divestiture of exploration projects	—	—	—	3,685
Adjusted net earnings	\$4,097	\$24,150	\$5,954	\$37,431
Weighted average number of shares on issue - basic	256,805,023	221,463,289	244,749,772	213,879,622
Adjusted EPS	\$0.02	\$0.11	\$0.02	\$0.18

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.

	December 31, 2021	December 31, 2020
Current Assets	\$397,207	\$356,046
Less: Current Liabilities	(172,822)	(101,626)
Working Capital	\$224,385	\$254,420
Available Undrawn Revolving Credit Facility	50,000	65,000
Available Liquidity	\$274,385	\$319,420

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 December 31, 2021, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

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

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

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

Management excluded from its assessment the internal controls, policies and procedures of Jerritt Canyon, which the Company acquired control on April 30, 2021. Jerritt Canyon's total assets, net assets, total revenues and net profit/loss on a combined basis constitute approximately 34%, 35%, 21% and 653%, respectively, of these Consolidated Annual Financial statement amounts as of December 31, 2021. This limitation of scope is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of DC&P or ICFR to exclude a business that the issuer acquired not more than 365 days before the end of the financial period to which the CEO's and CFO's certification of annual filings relates. With the

exception of the internal controls of Jerritt Canyon, there have been no significant changes in our internal controls during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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 interim CFO concluded that our internal controls over financial reporting were effective as of December 31, 2021.

The Company's independent registered public accounting firm, Deloitte LLP, have audited these Consolidated Annual Financial Statements and have issued an attestation report dated March 9, 2022 on the Company's internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of Treadway Commission.

During the year ended December 31, 2021, the Company implemented social distancing protocols to have majority of its corporate office and site administrative staff to work remotely from home. This change has required certain processes and controls that were previously done or documented manually to be completed and retained in electronic form. Despite the changes required by the current environment, there have been no significant changes in our internal controls during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Limitations of Controls and Procedures

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

CAUTIONARY STATEMENTS

Cautionary Note regarding Forward-Looking Statements

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

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

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

Cautionary Note regarding Reserves and Resources

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

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

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

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

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

Additional Information

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