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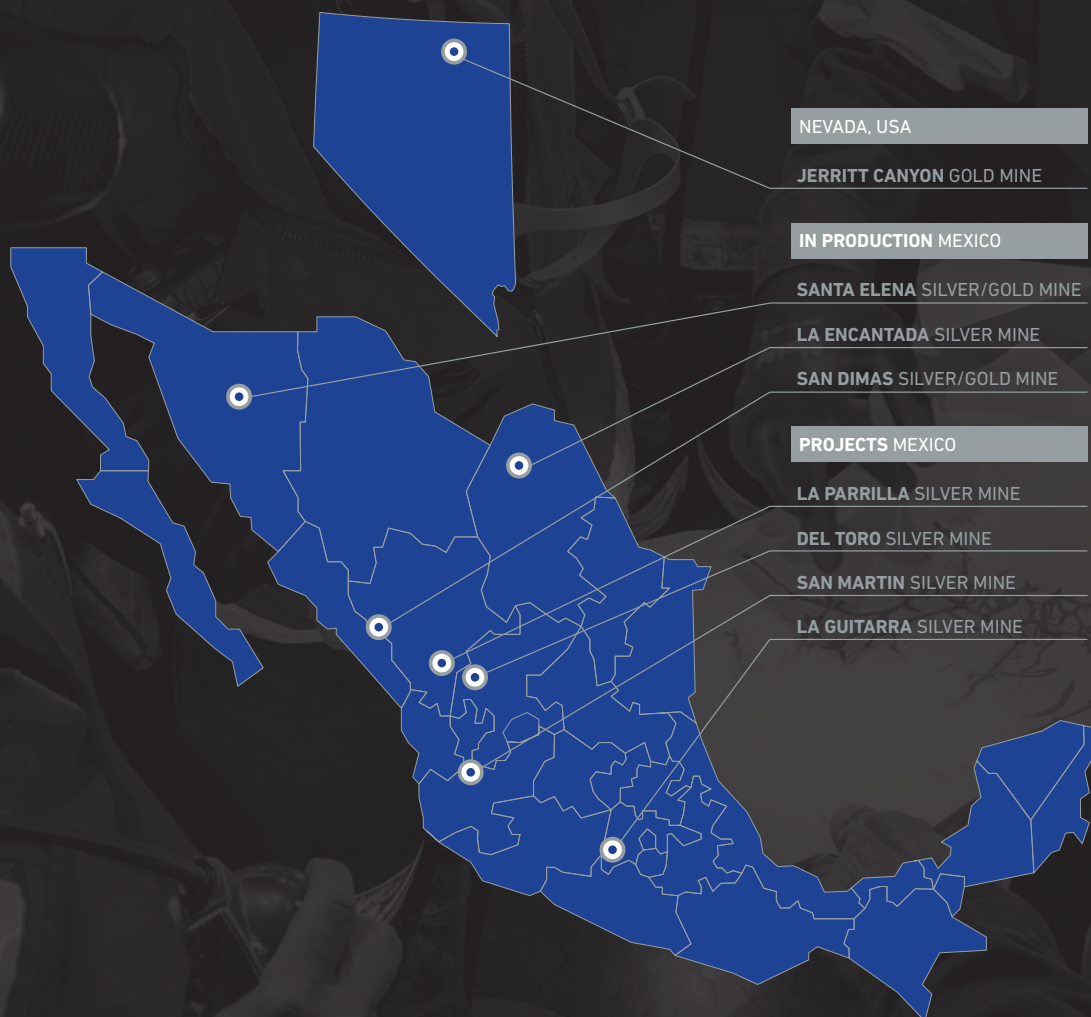
FIRST MAJESTIC
SILVER CORP.

2022 ANNUAL REPORT

Growing. Enduring. Responsible.

Vancouver-based First Majestic Silver Corp. is one of the world's largest and fastest-growing silver producers. With three mines in Mexico and one in Nevada, U.S.A., we produce approximately 30 million ounces of silver-equivalent precious metal per year. We employ more than 4,300 workers, representing one of Mexico's leading employers as a diverse and inclusive organization, committed to socially responsible mining and striving to become the world's largest primary silver producer. Our Mexican operations have been recognized for 15 consecutive years as Socially Responsible by Centro Mexicano Para La Filantropia and Empresa Socialmente Responsable (Cemefi). In October 2022, our Santa Elena operation was awarded the prestigious "Silver Helmet Award" from the Mining Chamber of Mexico for its outstanding performance in occupational safety and health.

Our Mines and Projects



A photograph of three men in mining attire, including hard hats, safety glasses, and harnesses, standing in front of a rocky wall. The image is overlaid with a blue tint. The man on the left is wearing a hard hat with a headlamp and a safety harness. The man in the middle is wearing a hard hat, safety glasses, and a harness with a tag that says "NO OPERATOR". The man on the right is wearing a hard hat, safety glasses, and a harness with a tag that says "PRA".

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Capturing the Essence of First Majestic

Once again, our annual report proudly features photography from our employees in Mexico and Nevada. Every year, I'm inspired by the creativity and spirit our teams put into these images. They really do capture the essence of our operations, especially the personal side of what it means to work together and be part of the First Majestic Family.

These photos help make the annual report a document for everyone in the company, and I'm so pleased to see the enthusiasm and participation year after year.

Thanks to all who submitted photos for consideration.

Jill Anne Arias

Vice President of Marketing
& Corporate Communications

Our Vision

FIRST MAJESTIC'S VISION IS TO BECOME THE WORLD'S LARGEST PRIMARY SILVER PRODUCER WHILE IMPROVING LIVES AND COMMUNITIES IN OUR HOST REGIONS AND INCREASING SHAREHOLDER VALUE.

WE WILL ACHIEVE OUR VISION BY:

Continuing to hire the industry's best talent.

Aggressively pursuing the development of our existing property assets.

Maximizing margins and minimizing risk through company-wide R&D, optimization and modernization.

Ongoing investment in exploration to extend life of mines and find new discoveries.

Acquiring strategic mineral assets focused on silver and gold.

Our Mission

OUR MISSION IS TO PRODUCE PROFITABLE OUNCES AND TO OPTIMIZE AND GROW OUR MINERAL RESOURCES WHILE CONDUCTING ETHICAL, INNOVATIVE AND SUSTAINABLE PRACTICES. WE ARE COMMITTED TO EMPOWERING OUR WORK FORCE, ENCOURAGING CONTINUOUS IMPROVEMENT AND PERMANENCE OF THE ORGANIZATION.

Our Values

TRUST Act and firmly believe in commitment and dedication for each other.

ACCOUNTABILITY Take ownership of our responsibilities and meet our commitments.

HONESTY Always tell the truth, have strong moral principles

CREATIVITY Turn new and imaginative ideas into better ways of doing things.

ATTITUDE Maintain a strong positive disposition and commit to learn and change.

SUSTAINABILITY Work to improve the quality of life of the communities where we operate, while using the best practices.

LOYALTY Be true to our values, always look after the best interest of our co-workers and families

DIVERSITY, EQUITY AND INCLUSION VALUE STATEMENT

At First Majestic Silver Corp., we value the diversity of our people, our partners, and communities. We believe a successful organization is built on our commitment in providing a respectful, equitable, diverse and inclusive work environment that promotes trust and encourages innovation, agility and sustainability



Milestones in 2022

Record Silver Equivalent (AgEq) production of **31.3 million ounces**, an increase of 16% over 2021

Record gold production of **248,394 ounces**, up 29% from 2021

Record annual revenues of **\$624.2 million**, 7% higher than 2021

Ended the year with a cash and restricted cash balance of **\$276.6 million** consisting of \$151.4 million of cash and cash equivalents and \$125.2 million of restricted cash.

Sold our royalty interest portfolio to Metalla Royalty & Streaming Ltd. for approximately **US\$20.0 million** in Metalla shares

Announced the sale of our La Guitarra Silver Mine to Sierra Madre Gold & Silver for total consideration of **US\$35 million**

Announced the sale of our La Parrilla Silver Mine to Golden Tag Resources Ltd. for total consideration of up to **US\$33.5 million**

Our online Bullion Store sold a record **444,576 ounces**, a 27% increase compared to 2021 and approximately 4.2% of the Company's silver production

Bullion store revenues of **\$11.6 million**, selling silver at an average price of \$26.20 per ounce

Santa Elena produced a record **9.1 million AgEq oz** in 2022, an 81% increase over 2021

Santa Elena awarded the prestigious "**Silver Helmet Award**" for safety in the category of "Underground Mining of More Than 500 Workers"

Expanded Santa Elena's liquid natural gas ("LNG") powerplant from 12MW to 24MW to supply low-cost, clean power to the Ermitaño mine and expanded Santa Elena plant facilities

Resolved key legacy environmental issues from previous operations at Jerritt Canyon



“A KEY MILESTONE FOR US WAS
COMPLETING THE NEW LNG PLANT
AT SANTA ELENA, DRAMATICALLY
CUTTING CARBON EMISSIONS AND
POWER COSTS.”

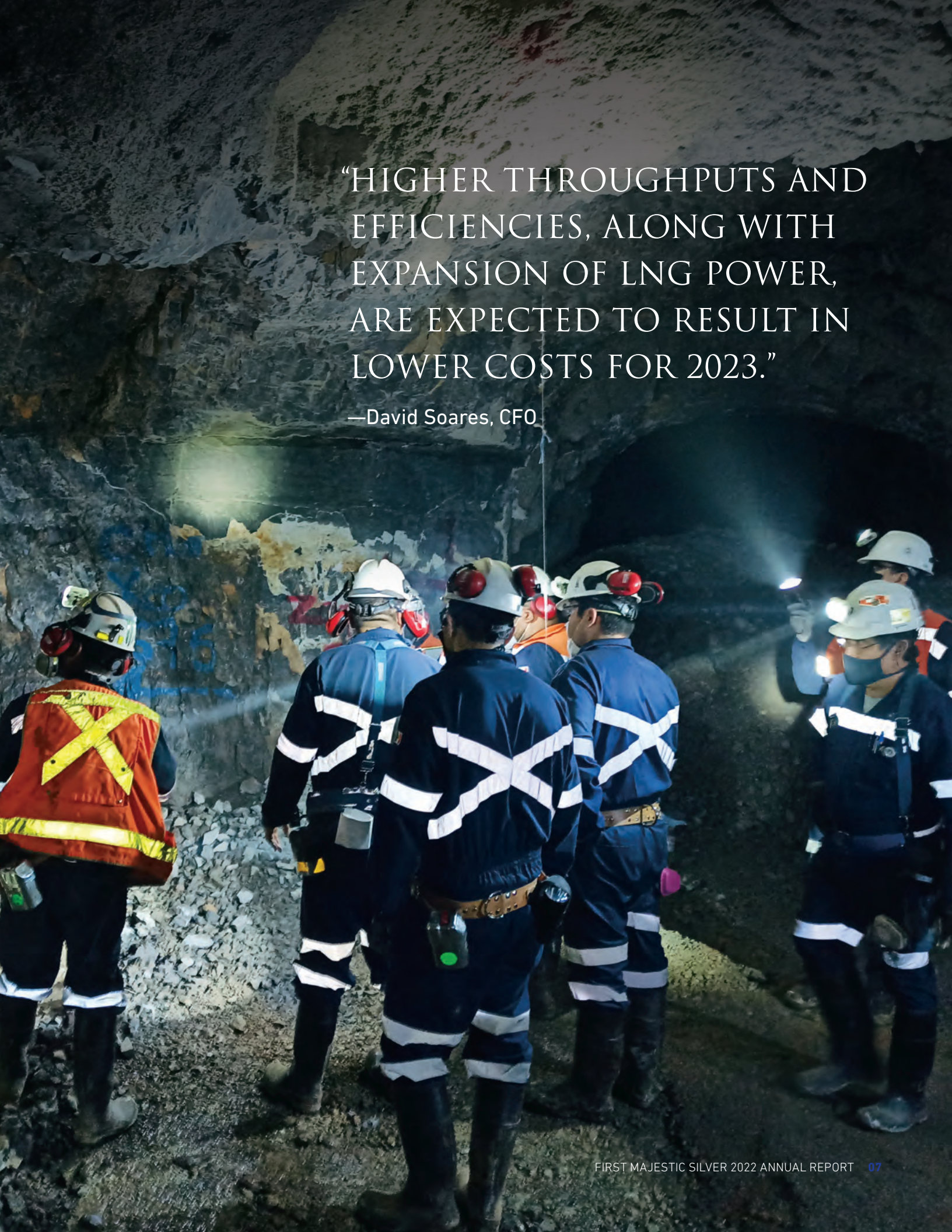
— Steve Holmes, COO

Looking Ahead

For 2023, we expect another year of strong silver and gold production, powered by continued strong production from Ermitaño, while higher throughputs and efficiencies are forecast for San Dimas resulting in lower costs. We also expect reductions in power costs and overall emissions due to expanding LNG use and energy generation.

KEY GOALS FOR 2023

- 1/ Silver production of over 10 million ounces
- 2/ Gold production of over 195,000 ounces
- 3/ Silver equivalent production of over 27 million ounces
- 4/ Aggressive exploration investment, both brownfield and greenfield, of approximately \$30 million, including 160,450 metres of exploration drilling
- 5/ Capital investments will focus on underground development, property, plant and equipment and exploration, and corporate innovation
- 6/ Utilize the Ermitano mine for 100% of Santa Elena ore deliveries while exploring the Silvanna vein in the Santa Elena mine. Explore for new orebodies at Jerritt Canyon through increased regional focus
- 7/ Dual-circuit commissioning at the Santa Elena processing plant to allow finer grinding and increase metallurgical recoveries from Ermitaño
- 8/ Continued resource expansion potential at Ermitaño

A group of miners in a dark tunnel, wearing hard hats and safety gear, looking towards a bright opening in the distance. The miners are wearing blue and orange safety suits with reflective stripes. The tunnel walls are rocky and uneven. The lighting is dim, with a bright light source at the end of the tunnel creating a strong contrast.

“HIGHER THROUGHPUTS AND
EFFICIENCIES, ALONG WITH
EXPANSION OF LNG POWER,
ARE EXPECTED TO RESULT IN
LOWER COSTS FOR 2023.”

—David Soares, CFO

SILVER'S ENDURING ROLE IN A GREEN FUTURE

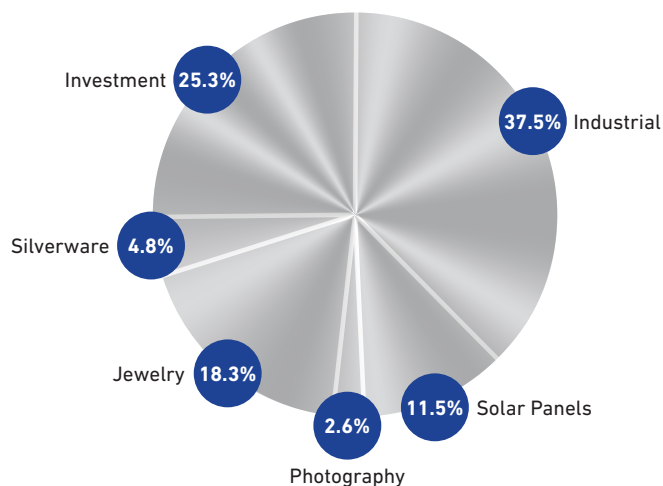
We remain focused on silver because it's a crucial metal for today and even more crucial for the future. Without silver, the world cannot make the shift to green energy and cleaner modes of transportation. The unstoppable shift to solar power and electric vehicles means that silver demand will continue its steady rise. Silver supplies, meanwhile, have declined steadily since 2016.



SILVER IS ESSENTIAL AND INDISPENSABLE

Silver's unique properties make it indispensable, even irreplaceable, for many applications. It's one of the best conductors of heat and electricity. It's the most reflective metal, is malleable, it resists oxidation and corrosion, kills microbes and bacteria and is non-toxic to humans.

2022 Silver Demand Forecast by Sector



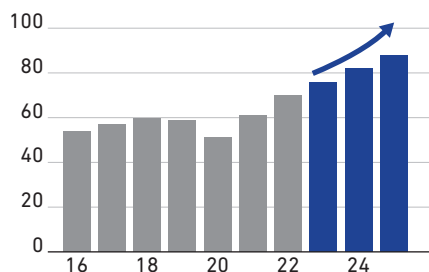
Source: Metals Focus

SILVER IS TRANSPORTATION

Automobile production for electric, hybrid and combustion vehicles required about 60 million ounces of silver in 2021, with usage conservatively estimated to exceed 80 million ounces by 2025. Silver is essential across a wide and growing array of automotive applications, many of those being critical in terms of safety and ever-increasing environmental pressures.

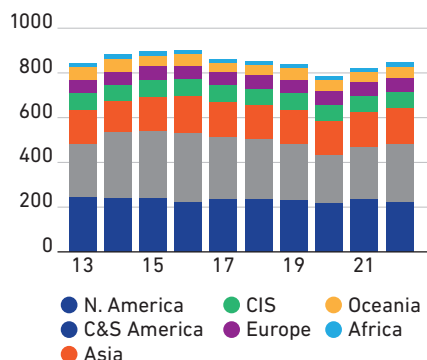
Electric vehicle sales are soaring. There were approximately 11 million EVs on the road in 2021 compared to a worldwide fuel combustion vehicle fleet exceeding 1.3 billion vehicles. The International Energy Agency expects the EV numbers to hit 145 million by 2030, with Bloomberg predicting over 400 million by 2040.

Silver Automotive Forecast
2016 - 2025 | Silver Ounces (Millions)



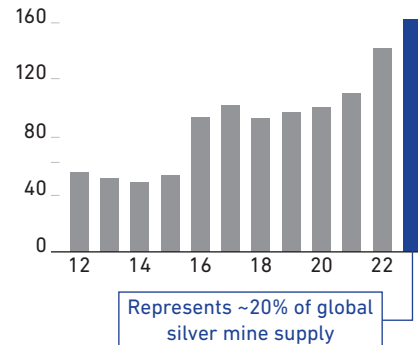
Source: Metals Focus

Mine Production Forecast
2013 - 2022 | Silver Ounces (Millions)



Source: Metals Focus

Annual Silver Demand for Solar Panels
2012-2023 | Silver Ounces (Millions)



Source: Metals Focus



SILVER POWERS OUR TECHNOLOGY

Silver is essential for all electronics. Every computer, mobile phone and appliance contains silver, which includes automobiles, televisions, refrigerators, and all green energy solutions. The list of critical applications is in the order of hundreds and hundreds uses.

SILVER IS LIFESAVING

Silver plays life-saving roles in medicine and health. Silver coatings on medical devices, breathing tubes and catheters fight infection. Silver purifies water and is used in linens and paints for its anti-bacterial properties.

SILVER IS VALUE

Like gold, silver is a store of value. Over 25% of silver's demand comes from investors in the form of coins and bars, either in physical form or through exchange-traded funds. Silver jewelry is also a store of value and remains in high demand.

SILVER IS CLEAN ENERGY

Approximately 11% of silver today goes into solar panels, making it the biggest consumer of industrial silver. According to the Silver Institute, the solar industry consumed 140.3 million ounces of silver in 2022, with rapid growth expected to continue over the next decade. The global solar PV panel market was valued at USD \$146.08 billion in 2021 and is expected to expand at a compound annual growth rate (CAGR) of 7.8% from 2022 to 2030.*

In short, the world needs a lot of silver, and it will need a lot more silver as we make the turn to green energy and electric transportation. As First Majestic grows, our purpose is to help the world meet that demand.

* Grand View Research, Solar PV Panels Market Size, Share & Trends Analysis.

Message from the President and CEO

AN ENDURING TEAM EFFORT

The theme for this annual report marks a year where we met extraordinary challenges while working to position First Majestic for higher earnings in 2023. Despite setbacks in 2022, we recorded another year of record silver equivalent production of 31.3 million ounces, compared with 26.9 million ounces in 2021.

CHALLENGES AT JERRITT CANYON

Our most daunting challenges came at Jerritt Canyon in Nevada, where crews faced environmental, infrastructure and rehabilitation obstacles that raised cash costs per ounce beyond expectations. Extreme winter weather, contractor inefficiencies, lower-than-expected head grades and inflation (particularly for energy) added to our headwinds. Subsequent to year end, in March, we temporarily suspended all mining activities and reduced our workforce at Jerritt Canyon. Positive outcomes of the suspension include a significant reduction in CAPEX, expected higher earnings for 2023 and projected silver purity rising to over 50% of revenues. Exploration at Jerritt Canyon will now focus on major regional targets, looking for large-volume deposits, rather than focusing on near-term ore production to feed the mill.

STEADY PRODUCTION IN MEXICO

In Mexico, our three mines reported steady production and met guidance for the year. We completed commissioning of the expanded 24MW LNG power plant at Santa Elena, which significantly reduces power costs and green-house gas emissions of the operation.

Increased ore shipments and blending higher gold grades from the Ermitaño Mine enabled Santa Elena to set another production record of 9.1 million AgEq oz in 2022, representing an 81% increase compared to 2021.

The Company achieved record revenues of \$624 million in 2022, due primarily to the higher production at the Ermitaño mine. We also completed several key cost savings projects at Santa Elena in 2022, including the dual-circuit project with a new 3,000 tpd tailings filter press. Despite our ongoing efforts, consolidated cash costs per ounce increased by 9% in 2022 due to unforeseen supply chain issues, a slightly stronger Mexican Peso and persistent inflation pressures felt across the industry.

“INCREASED ORE SHIPMENTS AND BLENDING OF HIGHER GOLD GRADES FROM THE ERMITAÑO MINE ENABLED SANTA ELENA TO SET ANOTHER PRODUCTION RECORD OF 9.1 MILLION AGEQ_OZ IN 2022.”



UNION RELATIONS IN MEXICO

I'm happy to report we continued building excellent relations with our Mexican unions and worked throughout the year to foster positive working environments. I believe we are in a better position than ever to operate cooperatively and maintain a healthy corporate culture in Mexico. This has always been one of our key mandates, and it will remain even more so as we move ahead.

EFFECTS OF THE SILVER MARKET

We were also affected by lower silver prices for much of the year. From May through November, average monthly prices remained below \$21 per ounce, with July through October below \$20. We are seeing a turnaround as of early 2023, and we believe this trend will persist through the year.

FOCUSED ON SILVER

First Majestic remains a silver-focused company. Our business model has been, and will continue to be, focused on increasing our silver leverage. While Ermitaño adds more gold to our production stream, we benefit from the stability that gold sales deliver. Silver usually provides greater leverage in bull markets, but gold offers a valuable buffer to silver's volatility.

Adhering to our long-term business model, we are looking aggressively for high-quality silver assets to further strengthen First Majestic's market leading silver purity.

I want to thank our entire First Majestic Family for their ongoing focus and hard work in 2022. Despite the challenges of 2022, we remain one of the world's premier silver companies and are very proud of our team. We are just getting started

Keith Neumeyer
President and CEO

Message from the Chief Operating Officer



AN ENDURING FOCUS ON PERFORMANCE AND INVESTMENT

This past year was dominated by our efforts to increase underground mining rates at Jerritt Canyon, focusing on sustainably feeding the processing plant at a planned 3,000 tpd to generate free cash flow. Despite these efforts, mining rates remained below this threshold. Cash costs per ounce remained higher than anticipated due primarily to ongoing challenges with contractors, high costs, inflation, lower than expected head grades and multiple back-to-back extreme winter weather events—all of which compounded conditions, resulting in the temporary shutdown announced in March of 2023.

LAYING THE GROUNDWORK AT JERRITT CANYON

During 2022, we upgraded and modified the roaster and refinery off-gas handling systems to ensure the operation remained fully compliant with state and federal air quality standards. We also addressed many other environmental issues left by previous mine owners, during which we worked closely with State and Federal agencies. Not only will this cooperation benefit local communities and the environment, it will also help First Majestic and all stakeholders by fostering a culture of environmental and social responsibility.

The team at Jerritt Canyon has helped the Company achieve significant milestones, and we are thankful for their service. We will focus on exploring prospective regional targets to

grow Jerritt Canyon's resources and reserve base, which we believe will significantly enhance the economics for the eventual restart of operations.

ENVIRONMENTAL COMPLIANCE

I want to note that First Majestic is a company that complies with all laws & regulations. Period. We have built an excellent track record in environmental compliance in Mexico, and we work under the same commitment in Nevada. Over the past year, we have expanded our ESG outreach in both Mexico and Nevada, and our efforts at Jerritt Canyon in northern Nevada align solidly with these initiatives.

MEXICO: CLEANER POWER, LOWER COSTS

Our Mexico operations continued to produce consistently with relatively low costs, helping offset the lower production and higher costs experienced at Jerritt Canyon. At Santa Elena, we completed the installation of four additional LNG generators to the existing powerplant and a new power line from the plant to provide lower-cost and much cleaner power to the Ermitaño mine. This important project allows the mine to run entirely on LNG power with just two generators, keeping two generators in reserve as spares for needed unit maintenance. The generators also eliminating the use of, and dependence on, more expensive and carbon intensive diesel fuel.

Operating and Financial Highlights

All dollar amounts in this report US\$ unless otherwise indicated

OPERATING	2022	2021	2020	2019	2018
Silver equivalent ounces produced	31,252,921	26,855,783	20,379,010	25,554,288	22,243,071
Silver ounces produced	10,522,052	12,842,944	11,598,380	13,241,118	11,679,452
Gold ounces produced	248,394	192,353	100,081	134,580	111,084
Cash costs per silver equivalent ounce ¹	\$ 14.39	\$ 13.23	\$ 9.00	\$ 8.74	N/A ¹
All-in Sustaining Costs per silver equivalent ounce ¹	\$ 19.74	\$ 18.84	\$ 14.03	\$ 12.62	N/A ¹

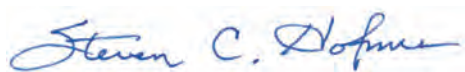
FINANCIAL (Millions except per share amounts)	2022	2021	2020	2019	2018
Revenues	\$ 624.2	\$ 584.1	\$ 363.9	\$ 363.9	\$ 300.9
Mine Operating earnings	\$ 16.8	\$ 101.4	\$ 105.1	\$ 66.2	\$ (11.9)
Net (loss) earnings	\$ (114.3)	\$ (4.9)	\$ 23.1	\$ (40.5)	\$ (204.2)
(Loss) earnings per share ("EPS") - basic	\$ (0.43)	\$ (0.02)	\$ 0.11	\$ (0.20)	\$ (1.11)
Free Cash Flow (2021,2020,2019) ^{2,3}	\$ (64.9)	\$ (16.9)	\$ 30.7	\$ 91.0	N/A

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 under the Company's financial reporting framework 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 page 121 for further details on each measure and a reconciliation of non-GAAP to GAAP measures.

2. N/A: "Not applicable." The Company transitioned its cost reporting from Cost per Payable Silver Ounce to a Cost per Payable Silver Equivalent Ounce ("AgEq" Oz) basis effective January 1, 2021. Costs for 2020 and 2019 have been retrospectively adjusted to Payable Silver Equivalent Ounces while figures shown for 2018 and earlier are reported on a Cost per Payable Silver Ounce basis. Management believes the change to using Payable AgEq Oz 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.

AWARD OF EXCELLENCE AT SANTA ELENA

I'm very proud to note that in October, the Santa Elena operation was awarded the prestigious "Silver Helmet Award" for safety excellence in the category of Underground Mining of more than 500 Workers. This distinguished annual award of excellence is awarded to only a handful of mines in Mexico.

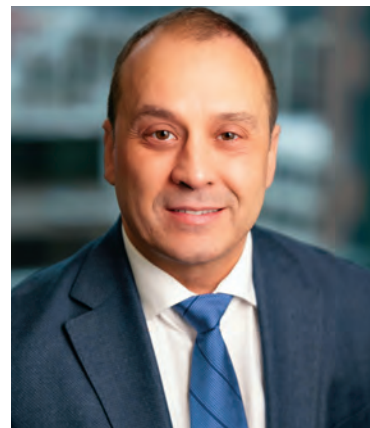


Steven Holmes,
Chief Operating Officer

“OUR MEXICO OPERATIONS
CONTINUED TO PRODUCE
CONSISTENTLY WITH
RELATIVELY LOW COSTS.”

Message from the Chief Financial Officer

AN ENDURING LEGACY OF IMPROVEMENT AND EFFICIENCY



The past year, a transition period for us financially, was marked by higher costs, lower margins, lower metals prices and unexpected challenges while still generating record annual revenues. The key driver behind the financial headwinds was the year-long effort to turn Jerritt Canyon around. Our Mexico operations, which still provide about 80% of our production, remained largely on target financially. Cost-cutting measures and efficiencies there provided balance against the highest inflation rate the industry has seen in decades.

INVESTING FOR IMPROVED FINANCIAL PERFORMANCE

With the temporary shutdown at Jerritt Canyon, along with greater LNG energy use in Mexico and higher grades at both San Dimas and Santa Elena, we expect improvements to our financial performance in 2023 and beyond. In addition, higher prices for both gold and silver may enhance revenue and margins, as well.

Overall, our costs at Jerritt Canyon were far above what was anticipated without higher ore tonnages and grade to offset them. Inflation was also a major factor, along with added environmental compliance and investment to rehabilitate underground workings, both for safety and access to new ore.

**“OUR MEXICO OPERATIONS,
WHICH PROVIDE ABOUT 80% OF
OUR PRODUCTION, REMAINED
ON TARGET FOR PRODUCTION
AND COSTS.”**

INVESTING IN EXPLORATION

A key focus for 2023 will be finding new orebodies at all our mines. With an exploration budget currently planned at approximately \$30 million, Gonzalo Mercado, First Majestic's VP Exploration and Technical Services, has developed an expansive, company-wide exploration strategy tailored to the production needs and mine life of each of the Company's projects. You can find more information on our proposed exploration on Page 30.

ASSET SALES IN 2022

In May, we sold the past producing La Guitarra Silver Mine to Sierra Madre Gold & Silver Ltd. for a total consideration of US\$35.0 million. Upon closing of the transaction, First Majestic will receive 69,063,076 Sierra Madre shares at a deemed price of CDN\$0.65 per share making First Majestic an approximate 47% shareholder in Sierra Madre.

In November, we sold our portfolio of royalty interests to Metalla Royalty & Streaming Ltd. for a total consideration of US\$20.0 million in common shares of Metalla, consisting of 4,168,056 Metalla shares at a deemed price of US\$4.7984 per share. In December it was announced that the transaction had closed making First Majestic the largest shareholder of Metalla.

In December, we sold the past producing La Parrilla Silver Mine to Golden Tag Resources Ltd. for total consideration of up to US\$33.5 million. Upon closing of the transaction, First Majestic will receive 143,673,684 Golden Tag shares at a deemed price of CDN\$0.19 per share, having an aggregate value of US\$20.0 million. First Majestic will receive up to US\$13.5 million in the form of three milestone payments in either cash or shares in Golden Tag with the share price and number of shares to be determined upon the anniversary date.

These three sales represent exceptional value for First Majestic, as the share prices received were well below their respective 52-week trading averages. Sales of the shares could provide future non-dilutive capital for the company.

LOOKING AHEAD

Management has developed a series of cost reduction initiatives across the organization to improve efficiencies, lower production costs, capital spending, care and maintenance holding costs and corporate G&A costs while also increasing production. These initiatives include renegotiating certain contracts and reducing the use of external consultants, restructuring to optimize the workforce to reduce labour costs and continuing to optimize the business as opportunities arise.

Financial Review

REVENUES AND CASH

First Majestic generated record annual revenues of \$624.2 million in 2022, a 7% increase over 2021, due primarily to completing our first full year of production from the Ermitaño mine at Santa Elena. Annual mine operating earnings totalled \$16.8 million compared to \$101.4 million in 2021, a decrease driven by lower-than-expected production at Jerritt Canyon resulting in higher production costs per ounce, the decrease in the average realized silver price during the year as well as an increase in depreciation and depletion. The Company also saw an increase in the cost of sales resulting from supply chain challenges, inflationary cost pressures and a slightly stronger Mexican Peso.

We completed 2022 with a strong treasury of \$151.4 million in cash and cash equivalents as well as restricted cash of \$125.2 million for a total of \$276.6 million. The Company also ended the year with strong working capital of \$202.9 million.

NET EARNINGS

The challenges noted above resulted in net earnings of (\$114.3) million (EPS of (\$0.43)) compared to (\$4.9) million (EPS of (\$0.02)) in 2021. Adjusted net earnings for the year, normalized for non-cash or non-recurring items such as impairment charges, tax settlements, share-based payments, unrealized losses on marketable securities and non-recurring write-downs on mineral inventory was (\$55.4) million, or (\$0.21) per share, compared to \$6.0 million, or \$0.02 per share in 2021.

CASH COSTS

The cash cost per AgEq ounce for 2022 was \$14.39 compared to \$13.23 in 2021. The increase in costs per ounce was primarily due to the lower-than-expected production and lower grades at Jerritt Canyon and San Dimas as well as an overall increase in costs due to inflation.

AISC

The All-in Sustaining Cost (AISC) per AgEq ounce in 2022 was \$19.74, compared to \$18.85 in the previous year. The increase in AISC per ounce was due to higher cash costs and intensive mine development activities at Jerritt Canyon.

DIVIDENDS

First Majestic paid \$6.9 million in dividends to shareholders in 2022, as summarized in the table below:

Declaration Date	Record Date	Dividend per Common Share
May 12, 2022	May 25, 2022	\$0.0060
August 4, 2022	August 16, 2022	\$0.0061
November 9, 2022	November 22, 2022	\$0.0061
February 23, 2023 ⁽¹⁾	March 10, 2023	\$0.0054

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

“FIRST MAJESTIC GENERATED RECORD ANNUAL REVENUES OF \$624.2 MILLION IN 2022, A 7% INCREASE OVER 2021.”



Our Senior Leadership

PHOTO (LEFT TO RIGHT):

Colin Bower

Vice President Operations - Mexico

Gonzalo Mercado

Vice President Exploration and Technical Services

Connie Lillico

Corporate Secretary

Mani Alkhafaji

Vice President Business Planning and Procurement

Steve Holmes

Chief Operating Officer

David Smith

Vice President Human Resources

Keith Neumeyer

President and Chief Executive Officer

Todd Anthony

Vice President Corporate Development



First Majestic has earned an industry reputation for fostering a positive work culture focused on attracting top talent. We encourage independent thinking, innovation, creativity, work/life balance and teamwork. We actively celebrate our team's successes and have established a solid supportive relationship with our local communities.

Persio Rosario

*Vice President Processing,
Metallurgy, and Innovation
(Past)*

David Soares

Chief Financial Officer

Michael Deal

*Vice President Metallurgy and
Innovation*

Sophie Hsia

General Counsel

Jill Arias

*Vice President Corporate
Communications and Marketing*

Karen Liu

Vice President Treasury

Amar Parmar

Vice President of Taxation

Ramon Mendoza

*Vice President Technical Services
(Past)*

ENDURING ENGAGEMENT AND ACCOUNTABILITY

One of our core values—and a key building block of First Majestic's vision—is to work towards sustainability through exceptional corporate citizenship. Sustainability provides a guide for our major business decisions and capital allocation.

OUR SUSTAINABILITY MANDATE

As noted in our latest ESG Report, we are acutely aware of the need to do our part, to demonstrate our dedication to solving serious, interconnected global issues and drive more socially and environmentally responsible ways of doing business. This is why we make sustainability a key priority, a foundational value and a strategic imperative.

PUTTING OUR SKILLS AND RESOURCES TO WORK

We are striving to help solve basic, universal issues that communities face such as water quality, infrastructure, medical access and education. There are many opportunities where we can put our skills and resources to work, to help establish local businesses, to promote environmental health and to strengthen communities.

Our approach to sustainability covers a broad range of ESG initiatives, including:

- Governance, Conduct and Culture
- Human Rights
- Supply Chain Management
- Equity, Diversity and Inclusion
- Health, Safety and Wellness
- Community Engagement and Development
- Mine Closure and Reclamation

For a comprehensive and in-depth review of each of these initiatives, please see our latest Sustainability Report, available for viewing and downloading on our website.

COMMUNITY OUTREACH AND INTERACTION

Our CSR initiatives continue to focus on community outreach, close interaction and transparency with internal and external stakeholders, seeking constant feedback to direct our CSR strategy. We follow a basic, boots-on-the-ground approach, getting out in the field, meeting face-to-face with residents and the communities we impact. We're building strategic alliances with government agencies while enhancing relationships with local leaders and representatives. By understanding our stakeholders' insights and needs, we all benefit.

“WE FOLLOW A BASIC,
BOOTS-ON-THE-GROUND
APPROACH, GETTING OUT IN
THE FIELD, MEETING FACE-TO-
FACE WITH LOCAL RESIDENTS
AND THE COMMUNITIES WE
IMPACT.”



Environmental Review



ENDURING EFFICIENCY WITH CLEAN POWER

First Majestic has an important role to play in the transition to a greener, net-zero economy. We continue to decarbonize our operations, contribute to global climate goals and keep stakeholders informed about our efforts. Our initiatives combine environmentally friendly technologies with cost reduction, creating value to the environment and to our stakeholders.

Our latest Sustainability Report, available on the First Majestic website, provides a detailed look at all our environmental initiatives, strategies and objectives.

Our environmental strategy includes focus on:

MITIGATION

Reducing our carbon footprint by transitioning to Liquefied Natural Gas (LNG) generated power and hydropower, while continually upgrading operations to more energy-efficient processes.

ADAPTATION

Adapting our operations to improve resiliency against climate risks (such as extreme weather events) at our sites, offices and facilities.

SUPPORTING CLIMATE OPPORTUNITIES

Optimizing business opportunities to meet the growing global demand for precious metals needed for low-carbon technologies and solutions.



“OVER THE PAST FIVE YEARS, FIRST MAJESTIC HAS INVESTED OVER US\$65 MILLION TO IMPLEMENT ECO-EFFICIENCY INITIATIVES AND DECARBONIZE OUR ENERGY CONSUMPTION.”

CONVERSION TO LNG

One of our priorities has been reducing our dependency on diesel fuel and converting to LNG. La Encantada transitioned to LNG five years ago. In 2021, Santa Elena completed its full conversion to LNG as its primary source of fuel for power generation. The plant was further expanded in 2022.

CARBON REDUCTION AND EFFICIENCY

Parallel to improving our energy sources, we have implemented carbon-reduction technologies in our processing and recovery operations, which has helped increase metals recovery without expanding energy consumption. Combined, these key actions have helped us reduce processing costs, energy consumption and carbon emissions, while increasing silver and gold recoveries.

Over the past five years, First Majestic has invested over US\$65 million to implement eco-efficiency initiatives and decarbonize our energy consumption. In the coming years, we are well positioned to further reduce our carbon footprint.

PROTECTING 20,000 HECTARES OF WILDERNESS

One of our important environmental achievements is the voluntary allocation of nearly 20,000 hectares of First Majestic's Cielo Norteño property near our La Encantada mine, where we are restoring, protecting and conserving the semi-desert ecosystem. This rich area hosts many native wild plants, including iconic species of cacti such as the agave. It supports a diversity of wildlife including coyotes, wild cats, wild boars, and protected species such as hawks, cranes, owls, lizards, and rattlesnakes. Threatened species include the northern fox, collared lizards, long-nosed leopard lizards, Texas banded gecko, black-necked garter snakes and leopard frogs. There is also an endangered species, the black bear for which special measures have been implemented, including a management program.

Our efforts include setting up camera traps in key areas to monitor wildlife and poaching. To reduce survival threats to native plant and animal populations, we reforested approximately 50 hectares with plants from the region, mainly candelilla, achieving a survival rate of 90%. Within the perimeter of the conservation area, soil and water conservation works are carried out. Water capture tanks and animal feeders were installed throughout the project area

Buy Silver from the Source at First Majestic's Silver Bullion Store

FIRST MAJESTIC REMAINS THE ONLY MINING COMPANY OFFERING THEIR OWN PRODUCTION IN THE FORM OF SILVER BULLION FOR SALE SECURELY, ONLINE, 24/7. OUR UNIQUE SILVER BULLION STORE, NOW IN ITS 14TH YEAR, OFFERS INVESTORS AND SILVER ENTHUSIASTS THE OPPORTUNITY TO PURCHASE PHYSICAL SILVER MINED FROM OUR MEXICO OPERATIONS.



In 2022 the store sold a **record 444,576 ounces of silver bullion**, representing a 27% increase compared to 2021 and approximately 4.2% of the Company's silver production.

The Bullion Store offers high quality 0.999-fine silver rounds, ingots, bars and medallions at one of the lowest premiums on per-ounce silver prices on the internet. Worldwide secure shipping and the ability to track your order is available.

A maker's mark and statement of weight and fineness is stamped directly onto all products. In addition, each item purchased will be shipped with a Certificate of Authenticity stating this information.

Yet again, with a record year of sales this year, you can anticipate seeing a few exciting things to come for 2024. We appreciate the happy shareholders and bullion fans that continue to support and purchase our beautiful metal.

You can access the Bullion Store at
www.store.firstmajestic.com





San Dimas Silver/Gold Mine

Durango State, México

HIGHLIGHTS

Ownership	100%
2022 Silver Production (ounces)	6,201,090
2022 Silver Equivalent Production (ounces)	12,957,826
2022 Cash Costs per Ounce	\$9.81
2022 All-In Sustaining Costs per Ounce	\$13.76
2023 Projected Cash Costs per AgEq Ounce	\$9.62 - \$10.19
2023 Projected All-In Sustaining Costs per AgEq Ounce	\$13.02 - 13.91
2023 Projected Silver Production (ounces)	6,400,000 - 7,200,000
2023 Projected Silver Equivalent Production (ounces)	12,500,000 - 14,000,000



DURANGO'S LARGEST PRODUCING MINE

San Dimas, one of Mexico's most important silver and gold mines, is First Majestic's largest and lowest-cost silver producer and the largest producing underground mine in the state of Durango. The mine has a long and productive history, with the first production recorded in 1757. San Dimas is considered one of the most significant precious metal mining districts in Mexico. 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 property covers 71,868 hectares located approximately 130 kilometres northwest of the city of Durango, population 655,000. The mine employs about 1,900 people, many from the nearby town of Tayoltita.

San Dimas is exceptionally efficient with some of the industry's lowest cash costs and All-in Sustaining Costs ("AISC"). Over 50% of the mine's power is provided by environmentally clean, low-cost hydroelectric generation. First Majestic has begun engineering and permitting processes to expand the dam to supply up to 100% of the power for both the mine and the town of Tayoltita.

San Dimas consists of five ore zones, or blocks: Central, Sinaloa Graben, Tayoltita, Arana Hanging Wall and San Antonio West. All are contained within the property's 71,839 contiguous hectares. The operation uses long-hole stopeing and mechanized cut-and-fill underground mining methods, with all mined production processed at the Tayoltita mill. After milling, cyanidation, precipitation and smelting, doré bars are poured and transported to refineries in Mexico and the United States.

The Tayoltita mill has a nameplate capacity of 2,500 tonnes per day. The facility uses conventional crushing/grinding coupled with cyanidation and zinc precipitation for recovery of gold and silver.

Underground development at San Dimas totaled 20,521 metres in 2022, compared with 25,220 metres in 2021. Exploration drilling totaled 64,790 metres, compared with 99,825 metres in 2021.



Santa Elena Silver/Gold Mine

Sonora State, México

HIGHLIGHTS

Ownership	100%
2022 Silver Production (ounces)	1,229,612
2022 Silver Equivalent Production (ounces)	9,147,215
2022 Cash Costs per Ounce	\$11.59
2022 All-In Sustaining Costs per Ounce	\$13.97
2023 Projected Cash Costs per Ounce	\$11.59 – \$12.21
2023 Projected All-In Sustaining Costs per Ounce	\$14.60 – \$15.53
2023 Projected Silver Production (ounces)	700,000
2023 Projected Silver Equivalent Production (ounces)	7,800,000 – 8,700,000



A NEW PRODUCTION RECORD IN 2022

The Santa Elena operation consists of the Santa Elena and Ermitaño underground mines. The facility is located approximately 150 kilometres northeast of the city of Hermosillo in Sonora State, México. Santa Elena covers 102,244 hectares, encompassing major geological structures that appear to be controlling some of the region's mineralized systems. The operating plan for Santa Elena involves the processing of ore in a 3,000 tpd cyanidation circuit from a combination of underground reserves.

Santa Elena's 9.1 million ounces of silver equivalent production in 2022 represents a new mine record and an 81% increase over 2021, due primarily to exceptional gold grades at Ermitaño.

The Ermitaño mine produces primarily gold, and it dominated Santa Elena's production in 2022. For 2023, strong gold production is expected to continue as development will focus primarily on Ermitaño, and the plant will only process Ermitaño ores.

First Majestic identified a new vein in the Santa Elena mine, called Silvanna, and plans to aggressively drill test the area in 2023 with the goal of finding and defining mineralization of economic grade along the new vein.

The dual-circuit processing plant was completed in Q4 of 2022, which includes the new 3,000 tpd day filter press, designed to allow finer grinding resulting in improved leaching performance and reduced operating costs.

We also successfully upgraded Santa Elena's LNG powerplant with four additional generators, increasing capacity from 12MW to 24MW, to supply low-cost, clean power to the Ermitaño mine and the new dual-circuit plant.

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

Underground development at Santa Elena totaled 12,924 metres in 2022, compared with 18,119 metres in 2021. Exploration drilling totaled 42,990 metres, compared with 63,977 metres in 2021.



La Encantada Silver Mine

Coahuila State, México

HIGHLIGHTS

Ownership	100%
2022 Silver Production (ounces)	3,091,349
2022 Silver Equivalent Production (ounces)	3,125,761
2022 Cash Costs per Ounce	\$15.30
2022 All-in Sustaining Costs per Ounce	\$18.48
2023 Projected Cash Costs per Ounce	\$16.73 - \$17.69
2023 Projected All-In Sustaining Costs per Ounce	\$19.86 - \$21.14
2023 Projected Silver Production (ounces)	2,900,000 – 3,200,000
2023 Projected Silver Equivalent Production (ounces)	2,900,000 – 3,200,000



A STEADY AND KEY SILVER PRODUCER

The La Encantada Silver Mine has been in First Majestic's asset portfolio since 2006, and it remains a steady and key silver producer. The mine is located in northern México, 708 kilometres northeast of Torreon, Coahuila. The facility includes a 4,000 tpd cyanidation mill, and the site encompasses 4,076 hectares of mining rights and 1,343 hectares of surface rights.

La Encantada includes 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 kilometers away.

Natural gas generators currently supply approximately 90% of power requirements, providing significant cost savings over diesel generation and producing considerably less greenhouse gas emissions.

A land access agreement with the Tenochtitlan Ejido in 2021 opened a significant area of new, unexplored land that is now the focus of exploration at La Encantada.

Development in 2022 focused on the second levels of both the Ojuelas and Milagros orebodies. These deposits contain higher silver grades and will contribute to production in 2023. Recent changes to milling operations improved ore throughput capacity and are expected to generate higher recoveries.

Underground development at La Encantada totaled 2,555 metres in 2022, compared with 3,305 metres in 2021. Exploration drilling totaled 10,021 metres, compared with 15,373 metres in 2021.



Jerritt Canyon Gold Mine

Elko County, Nevada

HIGHLIGHTS

Ownership	100%
2022 Gold Production (ounces)	72,483
2022 Silver Equivalent Production (ounces)	6,022,118
2022 Cash Costs per AuEq Ounce	\$2,326
2022 All-In Sustaining Costs per AuEq Ounce	\$2,748



2023/24 EXPLORATION TO FOCUS ON LARGE, REGIONAL TARGETS

Jerritt Canyon, acquired by First Majestic in 2021, is an underground mining complex covering 30,821 hectares (119 square miles) of mining claims in Elko County, northern Nevada. Mining activities were placed on temporary suspension in March 2023 due to ongoing challenges such as contractor inefficiencies, high costs, inflationary cost pressures, lower than expected head grades and multiple extreme weather events that limited plant throughput.

Jerritt Canyon was discovered in 1972 and has been in production since 1981. Over its 40-year history, the mine has produced in excess of 9.5 million ounces of gold with an approximate average grade of 6.7 grams per tonne. The mine contains one of only three permitted refractory roasters in Nevada. When in operation, the plant produces high quality gold doré bars, which are then shipped for commercial refining and sale. Jerritt Canyon has an operating capacity of 4,000 tons per day (tpd).

Production in 2022 came from three underground areas: SSX, Smith and West Generator. Throughout the year, First Majestic also rehabilitated the underground mines of West Generator and Saval II and brought the roaster into full environmental compliance. Over \$13 million was invested to modernize the refractory roaster off-gas handling systems for the collection of mercury.

One of the most attractive features at Jerritt Canyon is its vast exploration potential. Approximately 28,000 metres of exploration drilling are planned for 2023 to test dozens of high-priority targets.

Underground development at Jerritt Canyon totaled 9,614 metres in 2022, compared with 3,915 metres in 2021. Exploration drilling totalled 130,322 metres, compared with 48,670 metres in 2021.



Exploration Overview

Exploration for 2023, currently budgeted at approximately \$39.8 million, will focus on finding new orebodies to expand life-of-mine at each of our sites. First Majestic's VP Exploration and Technical Services, Gonzalo Mercado, has developed a comprehensive exploration strategy tailored to the specific production needs for Santa Elena, San Dimas, La Encantada and Jerritt Canyon. With each site, we have factored in the current life-of-mine, existing resources and geologic conditions of the orebodies to develop exploration plans.

Exploration activities in 2023 will expand across brownfield and greenfield properties, including drilling, geophysics and surface mapping. At our four core assets, we plan to explore highly-prospective areas that have received very limited work or have never been tested.

Following are summaries of site-specific exploration strategies.

SANTA ELENA SILVER/GOLD MINE

Santa Elena's large land package of 102,244 hectares offers many prospective areas for exploration. Drilling is currently focused on multiple prospective veins within a five-kilometer radius of the processing plant to support cost efficient ore feed. Our objective is to find additional veins like Santa Elena and/or Ermitaño. Exploration work has identified prospective surface occurrences with evidence of mineralization, many of which have never been drilled.

In addition to brownfield exploration, we will conduct a greenfield prospect generation program consisting of prospecting, soil and rock sampling, mapping, and geophysical surveys.

SAN DIMAS SILVER/GOLD MINE

San Dimas is known for its long history of production in its world class epithermal system. Our focus continues to be finding the next large Tier 1 vein system to support additional life-of-mine. Drill plan includes programs aiming to increase Inferred Resources as well as to upgrade Inferred to Indicated classification.



We plan to drill areas with "post mineral cover," where the combination of rugged topography with the lack of surface exposure of mineralization (per the quoted cover) have prevented exploration efforts in the past. Work will also include greenfield prospect generation, consisting of prospecting, soil and rock sampling, mapping and geophysical surveys.

LA ENCANTADA SILVER MINE

In 2022, surface access to prospective areas was negotiated and granted by local Ejido. These new areas will become part of the La Encantada exploration program for 2023 and 2024. Most of the exploration at La Encantada is early stage in nature, focused on searching for a new breccia body similar to Milagros or La Prieta (the two main ore bodies in the district). The work will include a combination of surface mapping, sampling and drilling.

JERRITT CANYON GOLD MINE

One of Jerritt Canyon's most attractive attributes is the property's exploration potential. When in production, the focus at Jerritt Canyon was finding minable, near active development, above-water-table resources through drilling. With mining temporarily suspended, exploration can now shift to investigating high-quality, high volume targets that were deferred in prior years due to the need identify immediate ore to feed the plant.

Over the last decade exploration work at Jerritt Canyon appears to have been focused on outcropping favorable host rock and following known mineralized zones in existing underground mines. Large areas of outcropping Upper Plate (non favorable rock structurally above the favorable host rocks) have received little to no work and drilling. Targeting these areas will include geophysics and surface mapping in addition to drilling.

The overall exploration goal at Jerritt Canyon is to add resources, searching for higher grades and enhanced continuity of mineralization. These added resources would drive updated mine plans, to build a profitable and sustainable operation.

Measured and Indicated Mineral Resource Estimates for the Material Properties,

With an Effective Date of December 31, 2022

Mineral Resource Statement prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP for First Majestic

Mine / Project	Category / Area	Mineral Type	Tonnage	Grades			Metal Content		
				Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Au (k Oz)	Ag-Eq (k Oz)
			k tonnes						
MATERIAL PROPERTIES									
SAN DIMAS									
	Measured (UG)	Sulphides	2,391	444	5.85	940	34,160	450	72,220
	Indicated (UG)	Sulphides	1,895	334	3.79	654	20,320	231	39,840
	Total Measured and Indicated (UG)	Sulphides	4,285	395	4.94	813	54,480	681	112,060
SANTA ELENA									
	Measured Ermitaño (UG)	Sulphides	354	40	4.11	552	460	47	6,280
	Measured Santa Elena (UG)	Sulphides	483	135	1.52	263	2,090	24	4,080
	Indicated Ermitaño (UG)	Sulphides	2,501	67	4.01	566	5,370	322	45,510
	Indicated Santa Elena (UG)	Sulphides	1,490	157	1.47	280	7,510	70	13,440
	Indicated (Leach Pad)	Oxides Spent Ore	190	34	0.61	85	210	4	520
	Total Measured and Indicated (UG+Pad)	All Mineral Types	5,018	97	2.89	433	15,640	467	69,830
LA ENCANTADA									
	Indicated (UG)	Oxides	4,176	165	-	165	22,200	-	22,200
	Indicated Tailings Deposit No. 4	Oxides	2,459	119	-	119	9,410	-	9,410
	Total Measured and Indicated (UG+Tailings)	All Mineral Types	6,635	148	-	148	31,610	-	31,610
JERRITT CANYON									
	Measured (UG)	Sulphides	4,988	-	5.61	463	-	900	74,320
	Indicated (UG)	Sulphides	4,171	-	5.58	461	-	748	61,790
	Indicated (OP)	Sulphides	180	-	4.00	330	-	23	1,910
	Total Measured and Indicated (UG+OP)	All Mineral Types	9,339	-	5.57	460	-	1,671	138,020
SUBTOTAL MATERIAL PROPERTIES									
	Total Measured	All mineral types	8,215	139	5.38	594	36,710	1,420	156,900
	Total Indicated	All mineral types	17,061	119	2.55	355	65,020	1,398	194,620
	Total Measured and Indicated	All mineral types	25,277	125	3.47	433	101,730	2,818	351,520

Inferred Mineral Resource Estimates for the Material Properties,

With an Effective Date of December 31, 2022

Mineral Resource Statement prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP for First Majestic

Mine / Project	Category / Area	Mineral Type	Tonnage	Grades			Metal Content		
				Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Au (k Oz)	Ag-Eq (k Oz)
			k tonnes						
MATERIAL PROPERTIES									
SAN DIMAS									
	Inferred Total (UG)	Sulphides	4,256	306	3.57	609	41,930	489	83,300
SANTA ELENA									
	Inferred Ermitaño (UG)	Sulphides	2,851	84	2.93	449	7,720	269	41,190
	Inferred Santa Elena (UG)	Sulphides	1,005	146	1.36	261	4,710	44	8,420
	Inferred Total (UG)	Sulphides	3,856	100	2.52	400	12,430	313	49,610
LA ENCANTADA									
	Inferred Total (UG)	Oxides	3,071	179	-	179	17,660	-	17,660
	Inferred Tailings Deposit No. 4	Oxides	428	118	-	118	1,620	-	1,620
	Inferred Total (UG + Tailings)	All Mineral Types	3,499	171	-	171	19,280	-	19,280
JERRITT CANYON									
	Inferred Total (UG)	Sulphides	9,398	-	5.09	421	-	1,538	127,080
	Inferred Total (OP)	Sulphides	150	-	3.89	322	-	19	1,550
	Inferred Total (UG & OP)	Sulphides	9,547	-	5.07	419	-	1,557	128,630
	Total Inferred Material Properties	All mineral types	21,159	108	3.47	413	73,640	2,359	280,820

1. Mineral Resource estimates have been classified in accordance with the 2014 Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into National Instrument NI 43-101.
2. The Mineral Resource estimates provided above have an effective date of December 31, 2022. The estimates were prepared by FMS Internal QPs, who have the appropriate relevant qualifications, and experience in geology and resource estimation. The information provided was compiled by David Rowe, CPG, Internal QP for First Majestic, and reviewed by Ramon Mendoza Reyes, P.Eng., Internal QP for First Majestic.
3. Sample data was collected through a cut-off date of December 31, 2022, for the Material Properties. All properties account for relevant technical information and mining depletion through December 31, 2022.
4. Metal prices considered for Mineral Resources estimates were \$23.00/oz Ag and \$1,900/oz Au.
5. Silver-equivalent grade is estimated considering: metal price assumptions, metallurgical recovery for the corresponding mineral type/mineral process and the metal payable of the corresponding contract of each mine. Estimation details are listed in each mine section of the Annual Information Form (AIF).
6. The cut-off grades and cut-off values used to report Mineral Resources are different for all mines. The cut-off grades, values and economic parameters are listed in the applicable section describing each mine section of the 2022 AIF.
7. Measured and Indicated Mineral Resource estimates are reported inclusive of the Mineral Reserve estimates.
8. Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces. Totals may not add up due to rounding.
9. The technical reports from which the above-mentioned information for the material properties is derived are cited under the heading "Technical Reports for Material Properties" of the 2022 AIF.

Measured and Indicated Mineral Resource Estimates for the Non-Material Properties,

With an Effective Date of December 31, 2020

Prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP for First Majestic

Mine / Project	Category / Area	Mineral Type	Tonnage	Grades					Metal Content				
			k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Au (k Oz)	Pb (M lb)	Zn (M lb)	Ag-Eq (k Oz)
NON-MATERIAL PROPERTIES													
SAN MARTIN													
	Measured (UG)	Oxides	70	221	0.40	-	-	255	500	0.9	-	-	580
	Indicated (UG)	Oxides	958	277	0.53	-	-	321	8,520	16.3	-	-	9,890
	Total Measured and Indicated (UG)	Oxides	1,028	273	0.52	-	-	317	9,020	17.2	-	-	10,470
LA PARRILLA													
	Measured (UG)	Sulphides	15	193	-	1.27	1.27	250	90	-	0.4	0.4	120
	Indicated (UG)	Sulphides	1,028	193	0.07	1.78	1.62	277	6,370	2.4	40.3	36.6	9,160
	Indicated (UG)	Oxides	76	270	0.09	-	-	278	660	0.2	-	-	680
	Total Measured and Indicated (UG)	Oxides + Sulphides	1,119	198	0.07	1.65	1.50	277	7,120	2.6	40.7	37.0	9,960
DEL TORO													
	Indicated (UG)	Sulphides	440	193	0.53	3.52	5.75	414	2,720	7.4	34.2	55.7	5,850
	Indicated (UG)	Oxides + Transition	153	226	0.15	4.97	-	351	1,110	0.7	16.7	-	1,720
	Total Measured and Indicated (UG)	All Mineral Types	592	201	0.43	3.90	4.27	398	3,830	8.1	50.9	55.7	7,570
TOTAL NON-MATERIAL PROPERTIES													
	Total Measured	All mineral types	85	216	0.33	0.22	0.22	254	590	0.9	0.4	0.4	700
	Total Indicated	All mineral types	2,654	227	0.32	0.69	0.63	320	19,380	27.0	91.1	92.4	27,300
	Total Measured and Indicated	All mineral types	2,739	227	0.32	0.67	0.62	318	19,970	27.9	91.5	92.8	28,000

Inferred Mineral Resource Estimates for the Non-Material Properties,

With an Effective Date of December 31, 2020

Prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP for First Majestic

Mine / Project	Mineral Type	Tonnage	Grades						Metal Content				
Category / Area		k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Au (k Oz)	Pb (M lb)	Zn (M lb)	Ag-Eq (k Oz)	
NON-MATERIAL PROPERTIES													
SAN MARTIN													
Inferred Total (UG)	Oxides	2,533	226	0.36	-	-	256	18,400	29.3	-	-	20,870	
LA PARRILLA													
Inferred (UG)	Sulphides	393	200	0.08	-	-	207	2,530	1.0	-	-	2,610	
Inferred (UG)	Oxides	1,028	215	0.09	1.56	1.91	299	7,090	3.1	35.4	43.3	9,890	
Inferred Total (UG)	Oxides + Sulphides	1,421	211	0.09	1.13	1.38	274	9,620	4.1	35.4	43.3	12,500	
DEL TORO													
Inferred (UG)	Sulphides	496	185	0.25	3.08	2.73	322	2,950	4.0	33.7	29.8	5,130	
Inferred (UG)	Oxides + Transition	690	182	0.08	3.74	-	273	4,030	1.7	56.8	-	6,050	
Inferred Total (UG)	All Mineral Types	1,186	183	0.15	3.46	1.15	293	6,970	5.7	90.5	30.1	11,180	
Total Inferred Non-Material Properties	All mineral types	5,140	212	0.24	1.11	0.65	270	34,990	39.1	125.9	73.4	44,550	

1. Mineral Resource estimates have been classified in accordance with the 2014 Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into National Instrument NI 43-101.
2. The Mineral Resource estimates for the non-material properties were updated December 31, 2020. The estimates were prepared by FMS Internal QPs, who have the appropriate relevant qualifications, and experience in geology and resource estimation. The information provided was compiled by David Rowe, CPG, Internal QP for First Majestic, and reviewed by Ramon Mendoza Reyes, P.Eng., Internal QP for First Majestic.
3. Sample data was collected through a cut-off date of December 31, 2020, for non-material properties.
4. Metal prices considered for Mineral Resources estimates on December 31, 2020 were \$22.50/oz Ag, \$1,850/oz Au, \$0.90/lb Pb and \$1.05/lb Zn.
5. Silver-equivalent grade is estimated considering: metal price assumptions, metallurgical recovery for the corresponding mineral type/mineral process and the metal payable of the corresponding contract of each mine.
6. The cut-off grades and cut-off values used to report Mineral Resources are different for all mines. The cut-off grades, values and economic parameters are listed in the applicable section describing each mine section of the Annual Information Form.
7. Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces. Totals may not add up due to rounding.

Proven and Probable Mineral Reserves,

With an Effective Date of December 31, 2022

Summary consolidated by Ramon Mendoza Reyes, P.Eng., QP Mining for First Majestic Silver Corp.

Mine	Category	Mineral	Tonnage	Grades			Metal Content		
		Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Au (k Oz)	Ag-Eq (k Oz)
SAN DIMAS									
	Proven (UG)	Sulphides	2,612	278	3.51	571	23,330	295	47,910
	Probable (UG)	Sulphides	1,699	265	3.03	518	14,470	166	28,270
	Total Proven and Probable (UG)	Sulphides	4,311	273	3.32	550	37,800	460	76,180
SANTA ELENA									
	Proven (UG - Ermitaño)	Sulphides	274	36	3.40	453	310	30	3,990
	Proven (UG - Santa Elena)	Sulphides	222	134	1.31	228	960	9	1,620
	Probable (UG - Ermitaño)	Sulphides	2,265	59	3.35	470	4,280	244	34,200
	Probable (UG - Santa Elena)	Sulphides	890	152	1.17	235	4,350	34	6,730
	Probable (Pad)	Oxides	188	31	0.55	70	190	3	420
	Total Proven and Probable (UG+Pad)	Oxides + Sulphides	3,839	82	2.59	381	10,090	320	46,960
LA ENCANTADA									
	Probable (UG)	Oxides	3,192	133	-	133	13,610	-	13,610
	Total Probable (UG)	Oxides	3,192	133	-	133	13,610	-	13,610
Consolidated FMS									
	Proven (UG)	All mineral types	3,107	246	3.35	536	24,600	334	53,520
	Probable (UG)	All mineral types	8,235	139	1.69	314	36,900	446	83,230
	Total Proven and Probable	All mineral types	11,342	169	2.14	375	61,500	781	136,750

- Mineral Reserves have been classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into NI 43-101.
- The Mineral Reserve statement provided in the table above has an effective date of December 31, 2022. The Mineral Reserve estimates were prepared under the supervision of Ramón Mendoza Reyes, P.Eng., and a Qualified Person ("QP") for the purposes of NI 43-101 who has the appropriate relevant qualifications, and experience in mining and mineral reserves estimation.
- The Mineral Reserves were estimated from the Measured and Indicated portions of the Mineral Resource estimates. Inferred Mineral Resources were not considered to be converted into Mineral Reserves.
- Silver-equivalent grade (Ag-Eq) is estimated considering metal price assumptions, metallurgical recovery for the corresponding mineral type/mineral process and the metal payable of the selling contract.
 - The Ag-Eq grade formula used was: $\text{Ag-Eq Grade} = \text{Ag Grade} + \text{Au Grade} * (\text{Au Recovery} * \text{Au Payable} * \text{Au Price}) / (\text{Ag Recovery} * \text{Ag Payable} * \text{Ag Price})$.
 - Metal prices considered for Mineral Reserves estimates were \$21.50/oz Ag and \$1,750/oz Au for all sites.
 - Other key assumptions and parameters include: metallurgical recoveries; metal payable terms; direct mining costs, processing costs, indirect and G&A costs and sustaining costs. These parameters are different for each mine and mining method assumed and are presented in each mine section of the 2022 AIF.
- A two-step constraining approach has been implemented to estimate reserves for each mining method in use: A General Cut-Off Grade (GC) was used to delimit new mining areas that will require development of access, infrastructure and all sustaining costs. A second Incremental Cut-Off Grade (IC) was considered to include adjacent mineralized material which recoverable value pays for all associated costs, including but not limited to the variable cost of mining and processing, indirect costs, treatment, administration costs and plant sustaining costs but excludes the access development assumed to be covered by the block above the GC grade.
- The cut-off grades, metallurgical recoveries, payable terms and modifying factors used to convert Mineral Reserves from Mineral Resources are different for all mines and are presented in each mine section in the 2022 AIF.
- Modifying factors for conversion of resources to reserves include consideration for planned dilution which is based on spatial and geotechnical aspects of the designed stopes and economic zones, additional dilution consideration due to unplanned events, materials handling and other operating aspects, and mining recovery factors. Mineable shapes were used as geometric constraints.
- Tonnage is expressed in thousands of tonnes; metal content is expressed in thousands of ounces. Metal prices and costs are expressed in USD.
- Numbers have been rounded as required by reporting guidelines. Totals may not sum due to rounding.
- The technical reports from which the above-mentioned information is derived are cited under the heading "Technical Reports for Material Properties" in the 2022 AIF.

Production 2022

	Units	SAN DIMAS	SANTA ELENA	LA ENCANTADA	JERRITT CANYON	TOTAL
Ore Processed	Tonnes	787,636	851,973	1,025,172	804,206	3,468,987
Material from Reserves Mined and Processed	Tonnes	671,888	851,720	11,377	587,106	2,122,091
Material Mined from Areas Not In Reserves	Tonnes	115,748	253	1,013,795	217,100	1,346,896
Silver Produced	Ounces	6,201,090	1,229,612	3,091,349	0	10,522,051
Gold Produced	Ounces	80,814	94,684	413	72,483	248,394
Silver-Equivalent Produced from Gold ⁽¹⁾	Ounces	6,756,736	7,917,603	34,412	6,022,118	20,730,869
Silver-Equivalent Produced	Ounces	12,957,826	9,147,215	3,125,761	6,022,118	31,252,920

(1) Silver-equivalent ounces are estimated considering metal price assumptions, metallurgical recovery for the corresponding mineral type/mineral process and the metal payable of the corresponding contract of each mine. Details as to the method of calculation can be found in the applicable tables in each mine section of the 2022 Annual Information Form.



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', is positioned above the printed name.

Keith Neumeyer
President & CEO
February 22, 2023

A handwritten signature in black ink, appearing to read 'David Soares', is positioned above the printed name.

David Soares, CPA, CA
Chief Financial Officer
February 22, 2023

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.

The Company's management assessed the effectiveness of the Company's Internal control over financial reporting as of the year ended December 31, 2022, 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, 2022, 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, 2022, 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, 2022.

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2022, in accordance 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, 2022, 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 February 23, 2023, 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.

Impairment – Assessment of Whether Indicators of Impairment or Impairment Reversal Exist Within Non-Current Assets – Refer to Note 3 to the financial statements

Critical Audit Matter Description

The Company's determination of whether or not an indication of impairment or impairment reversal exists at the cash generating unit ("CGU") level requires significant management judgment pertaining to mining interests and property, plant and equipment. Management considers both external and internal sources of information in assessing whether there are any indications that the Company's mining interests and property, plant and equipment are impaired or previous impairments should be reversed.

While there are several factors that are required to determine whether or not an indicator of impairment or impairment reversal exists, the judgements with the highest subjectivity are future metal prices and the in-situ value of reserves, resources and exploration potential. Auditing these assumptions required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to future metal prices and the in-situ value of reserves, resources and exploration potential in the assessment of whether indicators of impairment or impairment reversal exists included the following, among others:

- Evaluated the effectiveness of controls over management's assessment of whether there are indicators of impairment or impairment reversal;
- Evaluated management's assumptions by:
 - Comparing management's future metal price forecasts to third party forecasts; and
 - Comparing management's determination of the in-situ value of reserves, resources and exploration potential to independent market data.

Primero Tax Rulings — Refer to Note 28(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 \$257.3 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

February 23, 2023

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, 2022, 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, 2022, 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, 2022, of the Company and our report dated February 23, 2023, expressed an unqualified opinion on those financial statements.

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

February 23, 2023

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 *(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	2022	2021
Revenues	6	\$624,221	\$584,117
Mine operating costs			
Cost of sales	7	471,687	366,085
Depletion, depreciation and amortization		135,782	116,613
		607,469	482,698
Mine operating earnings		16,752	101,419
General and administrative expenses	8	36,372	27,063
Share-based payments		13,958	12,290
Mine holding costs	9	11,930	12,056
Reversal of impairment	15	(2,651)	—
Gain on sale of royalty portfolio	15	(4,301)	—
Acquisition costs		—	1,973
Foreign exchange loss (gain)		637	(1,165)
Operating (loss) earnings		(39,193)	49,202
Investment and other loss	10	(1,888)	(2,948)
Finance costs	11	(20,323)	(21,004)
(Loss) earnings before income taxes		(61,404)	25,250
Income taxes			
Current income tax expense	24	56,250	49,283
Deferred income tax recovery	24	(3,378)	(19,110)
		52,872	30,173
Net loss for the year		(\$114,276)	(\$4,923)
Loss per common share			
Basic	12	(\$0.43)	(\$0.02)
Diluted	12	(\$0.43)	(\$0.02)
Weighted average shares outstanding			
Basic	12	263,122,252	244,749,772
Diluted	12	263,122,252	244,749,772

Approved and authorized by the Board of Directors for issuance on February 22, 2023



Keith Neumeyer, Director



Colette Rustad, Director

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 *(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,	
		2022	2021
Net loss for the year		(\$114,276)	(\$4,923)
Other comprehensive loss			
Items that will not be subsequently reclassified to net loss:			
Unrealized loss on fair value of investments in marketable securities, net of tax	14(b)	(10,333)	(12,456)
Realized gain (loss) on investments in marketable securities, net of tax	14(b)	482	(1,439)
Remeasurement of retirement benefit plan		312	95
Other comprehensive loss		(9,539)	(13,800)
Total comprehensive loss		(\$123,815)	(\$18,723)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 *(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	2022	2021
Operating Activities			
Net loss for the year		(\$114,276)	(\$4,923)
Adjustments for:			
Depletion, depreciation and amortization		137,411	118,283
Share-based payments		13,958	12,290
Income tax expense		52,872	30,173
Finance costs	11	20,323	21,004
Acquisition costs	4	—	1,973
Loss on write-down of plant and equipment	10	—	2,501
Unrealized loss from marketable securities and silver futures derivatives		4,242	1,521
Gain on sale of royalty portfolio	15	(4,301)	—
Reversal of Impairment	15	(2,651)	—
Other		1,843	(6,067)
Operating cash flows before non-cash working capital and taxes		109,421	176,755
Net change in non-cash working capital items	27	(27,686)	(31,504)
Income taxes paid		(62,747)	(76,528)
Cash provided by operating activities		18,988	68,723
Investing Activities			
Restricted cash acquired on the acquisition of Jerritt Canyon	4	—	30,000
Reclassification to restricted cash related to the acquisition of Jerritt Canyon	19	—	(12,574)
Expenditures on mining interests		(157,975)	(132,409)
Acquisition of property, plant and equipment		(59,705)	(56,558)
Deposits paid for acquisition of non-current assets		(1,135)	(7,839)
Jerritt Canyon acquisition costs, net of cash acquired		—	(948)
Other	27	5,018	(425)
Cash used in investing activities		(213,797)	(180,753)
Financing Activities			
Proceeds from prospectus offering, net of share issue costs	25(a)	113,395	66,674
Proceeds from 2021 convertible debenture, net of transaction costs	21(a)	—	222,776
Payment for redemption of 2018 convertible debenture	21(a)	—	(171,841)
Proceeds from exercise of stock options		4,664	21,793
Repayment of lease liabilities	22	(13,469)	(9,287)
Finance costs paid		(3,172)	(4,326)
Proceeds from debt facilities	21(b)	50,000	30,000
Repayment of debt facilities	21(b)	(30,000)	(40,000)
Dividends declared and paid	25(g)	(6,867)	(3,930)
Shares repurchased and cancelled	25(f)	(665)	(42)
Cash provided by financing activities		113,886	111,817
Effect of exchange rate on cash and cash equivalents held in foreign currencies		(346)	(439)
Decrease in cash and cash equivalents		(80,923)	(213)
Cash and cash equivalents, beginning of the year		237,926	238,578
Cash and cash equivalent reclassified as held for sale		(5,219)	—
Cash and cash equivalents, end of year		\$151,438	\$237,926
Supplemental cash flow information	27		

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022 AND 2021 (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, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		\$151,438	\$237,926
Restricted cash	19	—	12,570
Trade and other receivables		8,598	7,729
Value added taxes receivable	26(c)	32,618	46,531
Inventories	13	64,761	60,613
Other financial assets	14	34,528	26,486
Prepaid expenses and other		5,617	5,352
Assets held-for-sale	15	72,729	—
Total current assets		370,289	397,207
Non-current assets			
Mining interests	16	1,061,124	1,048,530
Property, plant and equipment	17	451,335	449,237
Right-of-use assets	18	26,649	29,225
Deposits on non-current assets		6,003	10,949
Non-current restricted cash	19	125,193	115,012
Non-current value added taxes receivable	26(c)	12,354	572
Deferred tax assets	24	57,062	74,257
Total assets		\$2,110,009	\$2,124,989
Liabilities and Equity			
Current liabilities			
Trade and other payables	20	\$115,120	\$120,666
Unearned revenue	6	3,383	12,226
Current portion of debt facilities	21	551	125
Current portion of lease liabilities	22	13,827	11,825
Liabilities relating to assets held-for-sale	15	16,278	—
Income taxes payable	24	18,240	27,980
Total current liabilities		167,399	172,822
Non-current liabilities			
Debt facilities	21	209,811	181,108
Lease liabilities	22	23,756	28,036
Decommissioning liabilities	23	149,017	153,607
Other liabilities		5,655	5,797
Non-current income taxes payable	24	20,605	21,812
Deferred tax liabilities	24	122,468	150,836
Total liabilities		\$698,711	\$714,018
Equity			
Share capital		1,781,280	1,659,781
Equity reserves		98,914	98,943
Accumulated deficit		(468,896)	(347,753)
Total equity		\$1,411,298	\$1,410,971
Total liabilities and equity		\$2,110,009	\$2,124,989
Commitments (Note 16); Contingencies (Note 28); Subsequent event (Note 31)			

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 2022 AND 2021 *(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, 2020	221,965,011	\$1,087,139	\$75,420	\$7,413	\$19,164	\$101,997	(\$338,900)	\$850,236
Net loss for the period	—	—	—	—	—	—	(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 Jerriitt Canyon (Note 4)	26,719,727	416,561	23,150	—	—	23,150	—	439,711
Sprott Private Placement	1,705,514	26,589	—	—	—	—	—	26,589
Prospectus offerings (Note 25(a))	4,225,000	66,674	—	—	—	—	—	66,674
Debt settlement (Note 21)	2,579,093	27,733	—	—	(46,127)	(46,127)	—	(18,394)
Exercise of stock options (Note 25(b))	2,502,234	30,436	(8,643)	—	—	(8,643)	—	21,793
Acquisition of Springpole Silver Stream (Note 16(d))	287,300	3,750	—	—	—	—	—	3,750
Settlement of restricted share units (Note 25(c))	73,692	941	(963)	—	—	(963)	—	(22)
Equity component of convertible notes net of tax (Note 21)	—	—	—	—	30,908	30,908	—	30,908
Shares repurchased and cancelled (Note 25(f))	(6,913)	(42)	—	—	—	—	—	(42)
Dividend declared and paid (Note 25(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
Net loss for the period	—	—	—	—	—	—	(114,276)	(114,276)
Other comprehensive loss	—	—	—	(9,539)	—	(9,539)	—	(9,539)
Total comprehensive loss	—	—	—	(9,539)	—	(9,539)	(114,276)	(123,815)
Share-based payments	—	—	13,615	—	—	13,615	—	13,615
Shares issued for:								
Prospectus offerings (Note 25(a))	11,869,145	113,395	—	—	—	—	—	113,395
Exercise of stock options (Note 25(b))	609,623	6,872	(2,208)	—	—	(2,208)	—	4,664
Settlement of restricted and deferred share units (Note 25(c) and 25(e))	148,553	1,897	(1,897)	—	—	(1,897)	—	—
Shares repurchased and cancelled (Note 25(f))	(100,000)	(665)	—	—	—	—	—	(665)
Dividend declared (Note 25(g))	—	—	—	—	—	—	(6,867)	(6,867)
Balance at December 31, 2022	272,577,979	\$1,781,280	\$110,895	(\$15,926)	\$3,945	\$98,914	(\$468,896)	\$1,411,298

- (a) Share-based payments reserve records the cumulative amount recognized under IFRS 2 share-based payments in respect of stock options granted, restricted share units, deferred share units and shares purchase warrants issued but not exercised or settled to acquire shares of the Company.
- (b) Other comprehensive income reserve principally records the unrealized fair value gains or losses related to fair value through other comprehensive income ("FVTOCI") of financial instruments and re-measurements arising from actuarial gains or losses and return on plan assets in relation to San Dimas' retirement benefit plan.
- (c) Equity component of convertible debenture reserve represents the estimated fair value of its conversion option of \$42.3 million, net of deferred tax effect of \$11.4 million. This amount is not subsequently remeasured and will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance will remain in equity reserves.

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)

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 Jerriitt Canyon Gold Mine in Nevada, USA. In addition, the Company owns four mines in suspension: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine and several exploration stage projects. As at December 31, 2022 the La Guitarra Silver/Gold Mine and the La Parrilla Silver Mines were classified as assets held-for-sale (Note 15).

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 29). 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, 2022 and 2021 were approved and authorized for issue by the Board of Directors on February 22, 2023.

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, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

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

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

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

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.

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: (continued)

Determination of a Business (continued)

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).

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.

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.

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, 2022, the Company had \$nil goodwill (2021 - \$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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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.

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.

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 and doré.

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, bullion 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.

Exploration Potential, Exploration and Evaluation Expenditures (Note 16)

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:

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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 Policy: (continued)

- 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.

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 16)

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.

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.

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 16)

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)

Property, Plant and Equipment (Note 17)

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;
- 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.

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.

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, 2022 and 2021, the Company does not have any qualifying assets under construction.

Right of Use Assets (Note 18) and Lease Liabilities (Note 22)

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Right of Use Assets (Note 18) and Lease Liabilities (Note 22) (continued)

Accounting Policy: (continued)

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 (Note 15)

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.

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.

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 25(b)(c))

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 2022 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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

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 24)

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.

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.

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.

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 (Note 19)

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

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.

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Financial Instruments (continued)

Accounting Policy: (continued)

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.

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 26. 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 21) and lease liabilities (Note 22).

Provisions (Note 23)

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.

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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.

Assets Held-for-Sale (Note 15)

Accounting Policy:

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

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

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

Accounting Estimates and Judgments:

Probability of Sale Completion Within One Year

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

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2022

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective. Management does not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Group in future periods, except if indicated.

Classification of Liabilities as Current or Non-Current with Covenants (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.

In addition, the amendment requires entities to disclose information to enable users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2024, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

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

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

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

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

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

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

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

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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, 2022 (continued)

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.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 although earlier application is permitted. 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. The parties have agreed to settle the Triggered Tax Adjustment by releasing the Escrow funds of \$12.6 million to Sprott Mining and have agreed to settle the Working Capital Adjustment to \$nil. These funds were released to Sprott Mining during the three months ended June 30, 2022.

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 has completed 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 the audited annual consolidated financial statements, the allocation of purchase price with respect to the fair value increment of assets acquired and liabilities assumed was 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 has finalized 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, were finalized at March 31, 2022. There were no changes to management's assessment of the fair value at the Acquisition Date that was reported at December 31, 2021. Consequently, the final allocation of the purchase price consideration did not result in material adjustments to the amounts shown in the audited consolidated financial statements for the year ended December 31, 2021.

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:

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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
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	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 22.

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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Description of the Transaction (continued)

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.

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, 2022, the Company's significant reporting segments includes its three operating mines in Mexico, the Jerritt Canyon Gold Mine in Nevada, United States and its "non-producing properties" in Mexico which include the La Parrilla, Del Toro, San Martin and La Guitarra mines, which have been placed on suspension. "Others" consists primarily of the Company's corporate assets including cash and cash equivalents, other development and exploration properties (Note 16), debt facilities (Note 21), 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

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

Year Ended December 31, 2022 and 2021		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	2022	\$228,701	\$141,274	\$47,613	\$39,814	\$47,363
	2021	275,463	132,550	44,859	98,054	56,385
Santa Elena	2022	190,189	106,788	26,819	56,582	47,714
	2021	117,303	77,126	17,536	22,641	67,453
La Encantada	2022	67,721	46,126	8,861	12,734	10,225
	2021	81,738	45,350	8,123	28,265	11,355
Non-producing Properties	2022	—	—	397	(397)	869
	2021	—	—	418	(418)	1,977
United States						
Jerritt Canyon	2022	130,219	173,341	49,229	(92,351)	94,776
	2021	123,808	117,324	43,511	(37,027)	46,408
Others⁽¹⁾	2022	11,706	6,747	2,863	2,096	28,530
	2021	10,882	6,073	2,166	2,643	36,190
Intercompany elimination	2022	(4,315)	(2,589)	—	(1,726)	—
	2021	(25,077)	(12,338)	—	(12,739)	—
Consolidated	2022	\$624,221	\$471,687	\$135,782	\$16,752	\$229,477
	2021	\$584,117	\$366,085	\$116,613	\$101,419	\$219,768

(1) The "Others" segment includes revenues of \$11.6 million from coins and bullion sales of 444,576 silver ounces at an average price of \$26.20 per ounce.

During the year ended December 31, 2022, the Company had three (December 31, 2021 - three) customers that accounted for 97% (December 31, 2021 - 99%) of its sales revenue, with one major metal broker accounting for 92% of total revenue (December 31, 2021 - 93%).

At December 31, 2022 and 2021		Mining Interests		Property, plant and equipment	Total mining assets	Total assets	Total liabilities
		Producing	Exploration				
Mexico							
San Dimas	2022	\$211,658	\$38,831	\$94,377	\$344,866	\$489,970	\$76,835
	2021	213,526	29,186	105,473	348,185	495,479	119,764
Santa Elena	2022	110,094	41,731	99,979	251,804	295,489	79,295
	2021	97,271	31,067	64,843	193,181	257,244	66,795
La Encantada	2022	23,496	4,935	24,422	52,853	106,008	30,601
	2021	25,827	4,640	20,680	51,147	114,634	35,245
Non-producing Properties	2022	62,414	13,781	18,195	94,390	206,796	33,391
	2021	106,215	38,752	27,180	172,147	215,725	31,760
United States							
Jerritt Canyon	2022	425,158	93,680	166,778	685,616	756,062	226,814
	2021	362,811	104,431	172,857	640,099	733,725	233,484
Others	2022	—	35,346	47,584	82,930	255,684	251,775
	2021	—	34,804	58,204	93,008	308,182	226,970
Consolidated	2022	\$832,820	\$228,304	\$451,335	\$1,512,459	\$2,110,009	\$698,711
	2021	\$805,649	\$242,881	\$449,237	\$1,497,767	\$2,124,989	\$714,018

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 period are summarized as follows:

	Year Ended December 31,			
	2022		2021	
Gross revenue from payable metals:				
Silver	\$237,107	38%	\$307,304	52%
Gold	389,743	62%	279,921	48%
Gross revenue	626,850	100%	587,225	100%
Less: smelting and refining costs	(2,629)		(3,108)	
Revenues	\$624,221		\$584,117	

As at December 31, 2022, the Company had \$3.4 million of unearned revenue (December 31, 2021 - \$12.2 million) that has not satisfied performance obligations.

(a) Gold Stream Agreement with Sandstorm Gold Ltd.

The Santa Elena mine is subject to a gold streaming agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the Company to sell 20% of its gold production over the life of mine from its leach pad and a designated area of its underground operations at the Santa Elena mine. The selling price to Sandstorm is the lesser of the prevailing market price or \$450 per ounce, subject to a 1% annual inflation. During the year ended December 31, 2022, the Company delivered 2,433 ounces (2021 - 5,327 ounces) of gold to Sandstorm at an average price of \$472 per ounce (2021 - \$467 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. For the year ended December 31, 2022, the Company has incurred \$5.8 million (December 31, 2021 - \$1 million) in NSR payments from the production of Ermitaño.

(c) Gold Stream Agreement with Wheaton Precious Metals Corporation

In 2018, the San Dimas mine entered into a purchase agreement with Wheaton Precious Metals International ("WPMI"), a wholly owned subsidiary of Wheaton Precious Metals Corp., which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment) and the prevailing market price for each gold equivalent ounce delivered. Should the average gold to silver ratio over a six-month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as at December 31, 2022 was 70:1.

During the year ended December 31, 2022, the Company delivered 41,841 ounces (2021 - 48,015 ounces) of gold to WPM at \$623 per ounce (2021 - \$617 per ounce).

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,	
	2022	2021
Consumables and materials	\$112,620	\$78,463
Labour costs	227,767	194,846
Energy	55,542	42,881
Maintenance	9,595	7,037
Assays and labwork	6,169	5,348
Insurance	4,875	3,351
Other costs ⁽¹⁾	15,792	11,276
Production costs	\$432,360	\$343,201
Transportation and other selling costs	2,788	2,739
Workers participation costs	17,265	15,939
Environmental duties and royalties	11,063	5,835
Finished goods inventory changes	4,550	(2,304)
Other ⁽²⁾	3,661	675
Cost of Sales	\$471,687	\$366,085

(1) Other costs include inventory write-downs, stockpile and work-in-process inventory changes, land access payments as well as services related to travel and medical testing. The inventory write-downs during the year totalled \$23.8 million.

(2) Other includes \$3.1 million in costs that were incurred for the twelve months ended December 31, 2022 as a result of marginal ore material that was processed to keep the mill running at minimum feed requirements to perform government mandated air compliance test work at the Jerritt Canyon Gold mine during the second quarter of 2022.

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,	
	2022	2021
Corporate administration	\$9,001	\$7,806
Salaries and benefits	16,387	11,636
Audit, legal and professional fees	7,683	4,619
Filing and listing fees	805	506
Directors fees and expenses	867	826
Depreciation	1,629	1,670
	\$36,372	\$27,063

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,	
	2022	2021
La Parrilla ⁽¹⁾	\$3,320	\$3,278
Del Toro	2,347	3,385
San Martin	3,609	2,597
La Guitarra ⁽¹⁾	2,654	2,796
	\$11,930	\$12,056

(1) During the year ended December 31, 2022, there was an announcement for the proposed sale of the La Guitarra and the La Parrilla mines (Note 15), upon which the mines were classified as assets held-for-sale ("AHFS").

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

10. INVESTMENT AND OTHER INCOME (LOSS)

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

	Year Ended December 31,	
	2022	2021
(Loss) gain from investment in silver futures derivatives	(\$376)	\$532
Loss from investment in marketable securities (Note 14(a))	(3,865)	(2,054)
Loss on write-down of plant and equipment ⁽¹⁾⁽²⁾	—	(2,501)
Interest income and other	2,353	1,075
	(\$1,888)	(\$2,948)

(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 recognized a loss of \$2.1 million, being the difference between the proceeds of disposal and the carrying amount of the project's net assets, as loss on write-down of assets held-for-sale.

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

11. FINANCE COSTS

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

	Year Ended December 31,	
	2022	2021
Debt facilities ⁽¹⁾ (Note 21)	\$10,810	\$10,541
Accretion of decommissioning liabilities	6,102	3,228
Lease liabilities (Note 22)	2,131	2,013
Loss on settlement of senior convertible note ⁽²⁾ (Note 21(a))	—	4,642
Silver sales and other	1,280	580
	\$20,323	\$21,004

(1) During the year ended December 31, 2022, finance costs for debt facilities include non-cash accretion expense of \$8.7 million (2021 - \$7.2 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. 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.

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 periods. Diluted net earnings or loss per share adjusts basic net earnings or loss per share for the effects of potential dilutive common shares. The calculations of basic and diluted earnings or loss per share for the years ended December 31, 2022 and 2021 are as follows:

	Year Ended December 31,	
	2022	2021
Net loss for the year	(\$114,276)	(\$4,923)
Weighted average number of shares on issue - basic	263,122,252	244,749,772
Weighted average number of shares on issue - diluted⁽¹⁾	263,122,252	244,749,772
Loss per share - basic and diluted	(\$0.43)	(\$0.02)

(1) For the year ended December 31, 2022, diluted weighted average number of shares excluded 5,579,618 (2021 - 2,014,379) options, 5,000,000 (2021 - 5,000,000) warrants, 1,177,594 restricted and performance share units (2021 - 701,250), nil (2021 - 16,327,598) common shares issuable under the 2018 convertible debentures (Note 21(a)) and 13,888,895 common shares issuable under the 2021 convertible debentures (2021 - 13,888,895) (Note 21(a)) that were anti-dilutive.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

13. INVENTORIES

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

	December 31, 2022	December 31, 2021
Finished goods - doré	\$5,561	\$3,735
Work-in-process	9,176	6,409
Stockpile	4,825	9,015
Silver coins and bullion	8,001	10,790
Materials and supplies	37,198	30,664
	\$64,761	\$60,613

The amount of inventories recognized as an expense during the period is equivalent to the total of cost of sales plus depletion, depreciation and amortization for the period. As at December 31, 2022, mineral inventories, which consist of stockpile, work-in-process and finished goods includes a \$9.3 million write down (December 2021 - \$7.5 million) which was recognized in cost of sales during the year.

14. OTHER FINANCIAL ASSETS

As at December 31, 2022, other financial assets consists of the Company's investment in marketable securities comprised of the following:

	December 31, 2022	December 31, 2021
FVTPL marketable securities (a)	\$6,657	\$10,851
FVTOCI marketable securities (b)	27,871	15,635
Total other financial assets	\$34,528	\$26,486

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

Loss in marketable securities designated as FVTPL for the year ended December 31, 2022 was \$3.9 million (2021 - loss of \$2.1 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, 2022 was a loss of \$9.9 million (2021 - loss of \$13.9 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. DIVESTITURES

(a) La Guitarra Silver Mine

On May 24, 2022, the Company announced that it entered into a share purchase agreement with Sierra Madre Gold and Silver Ltd. ("Sierra Madre"), to sell the the Company's subsidiary La Guitarra Compañía Minera S.A. de C.V. ("La Guitarra"), which owns the La Guitarra Silver Mine for total consideration of approximately \$35 million, consisting of 69,063,076 Sierra Madre shares at a deemed price of \$0.51 per share. The closing of the transaction is subject to customary closing conditions including approval of the Sierra Madre shareholders (which was obtained in December 2022), regulatory approval and that Sierra Madre raise a minimum of \$7.7 million (CAD \$10 million) in a private placement concurrent or prior to the sale.

On June 30, 2022, the sale was considered highly probable; therefore, the assets and liabilities of La Guitarra were classified as assets and liabilities held for sale and presented separately under current assets and current liabilities, respectively. Immediately prior to the classification to asset and liabilities held for sale, the carrying amount of La Guitarra was remeasured to its recoverable amount, being its fair value less cost of disposal ("FVLCD"), based on the expected proceeds from the sale. At December 31, 2022, the sale continues to be considered highly probable; therefore the assets and liabilities are presented as assets and liabilities held for sale and presented separately under current assets and current liabilities. During the year-ended December 31, 2022, the Company has recorded a reversal of impairment loss related to the La Guitarra assets of \$12.3 million based on the recoverable amount implied by the share purchase agreement.

Out of the impairment reversal of \$12.3 million related to La Guitarra, \$8.2 million was allocated to depletable mining interest, \$1.0 million was allocated to non-depletable mining interest with the remaining \$3.1 million allocated to property, plant and equipment, resulting in an impairment reversal of \$8.0 million, net of a \$4.4 million adjustment to the deferred tax liability. The recoverable amount of La Guitarra, being its FVLCD, was \$34.9 million based on the expected proceeds from the sale.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

15. DIVESTITURES (continued)

(b) La Parrilla Silver Mine

On December 7, 2022, the Company announced that it had entered into an asset purchase agreement with Golden Tag Resources Ltd. ("Golden Tag") to sell the La Parrilla Silver Mine for total consideration of up to \$33.5 million, consisting of 143,673,684 Golden Tag shares at a deemed price of \$0.14 per share, having an aggregate value as of the date of the sale agreement of \$20 million, and up to \$13.5 million in contingent consideration, in the form of three milestone payments payable in either cash or shares in Golden Tag. The Company has also agreed to purchase \$2.7 million of Golden Tag securities in a future Golden Tag equity financing of up to CAD \$9 million. Closing the transaction is pending and remains subject to customary closing conditions, including completion of such financing and receipt of all necessary regulatory approvals.

At December 31, 2022, the sale was considered highly probable; therefore, the assets of La Parrilla were classified as assets held for sale and presented separately under current assets. Immediately prior to the classification to assets held for sale, the carrying amount of La Parrilla was remeasured to its recoverable amount, being its FVLCD, based on the \$20 million initial payment, and the first milestone payment of \$2.7 million. During the year-ended December 31, 2022, the Company has recorded an impairment loss related to the La Parrilla assets of \$9.6 million based on the recoverable amount implied by the asset purchase agreement.

Out of the impairment of \$9.6 million related to La Parrilla, \$5.7 million was allocated to depletable mining interest, \$2.1 million was allocated to non-depletable mining interest with the remaining \$1.7 million allocated to property, plant and equipment, resulting in an impairment of \$9.6 million, net of a \$nil adjustment to the deferred tax liability. The recoverable amount of La Parrilla, being its FVLCD, was \$22.2 million, net of estimated transaction costs, based on the expected proceeds from the sale.

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

	As at December 31, 2022	
	La Guitarra	La Parrilla
Assets:		
Cash and cash equivalents	\$5,218	\$—
Trade and other receivables	396	—
Inventory	437	876
Prepaid expenses and other	51	—
Current assets	\$6,102	\$876
Non-Current Assets:		
Mineral Interests - depletable	30,193	13,758
Mineral Interests - non-depletable	3,917	5,252
Property, plant and equipment	4,004	7,821
Right of use assets	16	645
Deposits on long-term assets	26	117
Total assets held-for-sale	\$44,258	\$28,469
Liabilities:		
Trade payables and accrued liabilities	\$141	\$—
Current portion of lease obligations	8	—
Current Liabilities	\$149	\$—
Non-Current Liabilities:		
Deferred tax liabilities	6,894	1,667
Lease obligations	12	438
Decommissioning liabilities	2,951	4,167
Total liabilities relating to assets held-for-sale	\$10,006	\$6,272
Net assets held for sale	\$34,252	\$22,197

The La Guitarra and La Parrilla mines are presented in the non-producing properties reportable segment (Note 5, 16 and 17).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

(c) Sale of Royalty Portfolio

On December 21, 2022 the Company completed the sale of a portfolio of royalty interests to Metalla Royalty & Streaming Ltd. ("Metalla"), for total consideration of 4,168,056 Metalla shares with a fair value of \$21.5 million based on a share price of \$5.16 on the date of closing.

Asset	Owner	Location	Royalty	Allocated Value Total
La Encantada	First Majestic Silver Corp.	Coahuila, Mexico	100% Gold Royalty ⁽¹⁾	\$1,720,574
La Parrilla	First Majestic Silver Corp.	Durango, Mexico	2% Net Smelter Return	\$3,871,290
Del Toro	First Majestic Silver Corp.	Zacatecas, Mexico	2% Net Smelter Return	\$3,226,075
San Martin	First Majestic Silver Corp.	Jalisco, Mexico	2% Net Smelter Return	\$5,376,792
La Guitarra	First Majestic Silver Corp. - undergoing a binding purchase agreement to Sierra Madre Gold & Silver	Mexico, Mexico	2% Net Smelter Return	\$3,011,004
Plomosas	GR Silver Mining Ltd.	Sinaloa, Mexico	2% Net Smelter Return	\$4,301,434
La Luz	First Majestic Silver Corp.	San Luis Potosí, Mexico	2% Net Smelter Return	\$—
La Joya	First Majestic Silver Corp. - Optioned to Silver Dollar Resources	Durango, Mexico	2% Net Smelter Return	\$—

(1) Up to the first 1,000 payable ounces annually

The value of the consideration received was credited to mining interests for each property, resulting in a \$4.3 million gain derived from the disposal of the royalty in the Plomosas property, which had a carrying value of \$nil.

With the exception of La Encantada, all mines included within the royalty portfolio are presented in the non-producing properties reportable segment (Note 5 and 16).

16. 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

16. MINING INTERESTS (continued)

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

	December 31, 2022	December 31, 2021
Depletable properties	\$832,820	\$805,649
Non-depletable properties (exploration and evaluation costs, exploration potential)	228,304	242,881
	\$1,061,124	\$1,048,530

Depletable properties are allocated as follows

Depletable properties	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-producing Properties ⁽¹⁾	Total
Cost						
At December 31, 2020	\$250,093	\$73,292	\$118,312	\$—	\$497,191	\$938,888
Additions	34,894	16,150	2,546	16,618	—	70,208
Acquisition of Jerritt Canyon (Note 4)	—	—	—	340,652	—	340,652
Change in decommissioning liabilities	1,209	2,177	584	28,799	(2,622)	30,147
Transfer from non-depletable properties	—	34,302	1,293	—	—	35,595
At December 31, 2021	\$286,196	\$125,921	\$122,735	\$386,069	\$494,569	\$1,415,490
Additions	30,733	23,957	2,507	58,728	—	115,925
Transfer to asset held-for-sale (Note 15)	—	—	—	—	(279,399)	(279,399)
Change in decommissioning liabilities (Note 23)	(1,800)	1,518	(879)	1,241	(2,332)	(2,252)
Disposal of royalty portfolio (Note 15)	—	—	(1,721)	—	—	(1,721)
Transfer from non-depletable properties	—	—	2,098	30,503	—	32,601
At December 31, 2022	\$315,129	\$151,396	\$124,740	\$476,541	\$212,838	\$1,280,644
Accumulated depletion, amortization and impairment reversal						
At December 31, 2020	(\$45,502)	(\$20,400)	(\$92,447)	\$—	(\$388,354)	(\$546,703)
Depletion and amortization	(27,169)	(8,250)	(4,461)	(23,258)	—	(63,138)
At December 31, 2021	(\$72,671)	(\$28,650)	(\$96,908)	(\$23,258)	(\$388,354)	(\$609,841)
Depletion and amortization	(30,800)	(12,652)	(4,336)	(28,125)	—	(75,913)
Reversal of impairment (Note 15)	—	—	—	—	8,203	8,203
Transfer to asset held-for-sale (Note 15)	—	—	—	—	235,448	235,448
Impairment (Note 15)	—	—	—	—	(5,721)	(5,721)
At December 31, 2022	(\$103,471)	(\$41,302)	(\$101,244)	(\$51,383)	(\$150,424)	(\$447,824)
Carrying values						
At December 31, 2021	\$213,526	\$97,271	\$25,827	\$362,811	\$106,215	\$805,649
At December 31, 2022	\$211,658	\$110,094	\$23,496	\$425,158	\$62,414	\$832,820

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines. The net book value of depletable mining interests for La Guitarra and La Parrilla that have been classified as assets held-for-sale are \$30.2 million and \$13.8 million, respectively.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

Non-depletable properties costs are allocated as follows:

Non-depletable properties	San Dimas ^(a)	Santa Elena ^(b)	La Encantada	Jerritt Canyon ^(c)	Non-producing Properties ⁽¹⁾	Exploration Projects ⁽²⁾	Springpole Stream ^(d)	Total
At December 31, 2020	\$17,179	\$33,951	\$2,955	\$—	\$37,004	\$22,099	\$4,356	\$117,545
Exploration and evaluation expenditures	12,007	31,418	2,978	12,424	1,748	985	7,500	69,060
Change in decommissioning liabilities (Note 23)	—	—	—	—	—	(136)	—	(136)
Acquisition of Jerritt Canyon (Note 4)	—	—	—	92,007	—	—	—	92,007
Transfer to depletable properties	—	(34,302)	(1,293)	—	—	—	—	(35,595)
At December 31, 2021	\$29,186	\$31,067	\$4,640	\$104,431	\$38,752	\$22,948	\$11,856	\$242,881
Exploration and evaluation expenditures	9,645	10,664	2,393	19,752	771	694	—	43,919
Change in decommissioning liabilities	—	—	—	—	—	(153)	—	(153)
Impairment (Note 15)	—	—	—	—	(2,132)	—	—	(2,132)
Reversal of impairment (Note 15)	—	—	—	—	1,044	—	—	1,044
Disposal of royalty portfolio (Note 15)	—	—	—	—	(15,485)	—	—	(15,485)
Transfer to asset held-for-sale (Note 15)	—	—	—	—	(9,169)	—	—	(9,169)
Transfer to depletable properties	—	—	(2,098)	(30,503)	—	—	—	(32,601)
At December 31, 2022	\$38,831	\$41,731	\$4,935	\$93,680	\$13,781	\$23,489	\$11,856	\$228,304

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines. The net book value of non-depletable mining interest for La Guitarra and La Parrilla that have been classified as assets held-for-sale are \$3.9 million and \$5.3 million, respectively.

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

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

The San Dimas Mine is subject to a gold and silver streaming agreement with WPML which entitles WPML 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, 2022 was 70:1.

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

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

The Santa Elena mine has a net smelter royalty ("NSR") agreement with Orogen Royalties Inc. that requires a 2% NSR from the production of the Ermitaño property. In addition, there is an underlying NSR royalty where Osisko Gold Royalties Ltd. retains a 2% NSR from the sale of mineral products extracted from the Ermitaño property. During the year ended December 31, 2022, the Company has incurred \$5.8 million (December 31, 2021 - \$1 million) in NSR payments from the production of Ermitaño.

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

The Jerritt Canyon Mine is subject to a 0.75% 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 0.75%, 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, 2022, total NSR royalty accrual outstanding was \$0.8 million (2021 - \$0.1 million).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

16. MINING INTERESTS (continued)

(d) Springpole Silver Stream, Ontario, Canada

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

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

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

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

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

17. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment are comprised of the following:

	Land and Buildings ⁽¹⁾	Machinery and Equipment	Assets under Construction ⁽²⁾⁽³⁾	Other	Total
Cost					
At December 31, 2020	\$199,329	\$468,624	\$55,669	\$28,651	\$752,273
Additions	34	2,974	77,151	341	80,500
Acquisition of Jerritt Canyon (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
Additions	—	5,038	64,088	507	69,633
Reclassification to asset held-for-sale (Note 15)	(30,903)	(82,275)	(176)	(2,111)	(115,465)
Transfers and disposals	23,192	47,783	(80,436)	4,772	(4,689)
At December 31, 2022	\$237,246	\$595,008	\$73,927	\$36,751	\$942,932
Accumulated depreciation, amortization and impairment reversal					
At December 31, 2020	(\$133,156)	(\$343,379)	\$—	(\$17,518)	(\$494,053)
Depreciation and amortization	(13,923)	(33,137)	—	(2,899)	(49,959)
Transfers and disposals	—	1,637	—	240	1,877
Loss on disposal of equipment	—	—	—	(2,081)	(2,081)
At December 31, 2021	(\$147,079)	(\$374,879)	\$—	(\$22,258)	(\$544,216)
Depreciation and amortization	(12,016)	(40,419)	—	(3,793)	(56,228)
Impairment (Note 15)	(1,742)	—	—	—	(1,742)
Impairment reversal (Note 15)	3,076	—	—	—	3,076
Reclassification to asset held-for-sale (Note 15)	20,774	80,964	—	1,902	103,640
Transfers and disposals	—	3,606	—	267	3,873
At December 31, 2022	(\$136,987)	(\$330,728)	\$—	(\$23,882)	(\$491,597)
Carrying values					
At December 31, 2021	\$97,878	\$249,583	\$90,451	\$11,325	\$449,237
At December 31, 2022	\$100,259	\$264,280	\$73,927	\$12,869	\$451,335

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

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

(3) Transfers and disposals in construction in progress during 2021 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)

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-producing Properties ⁽¹⁾	Other	Total
Cost							
At December 31, 2020	\$146,728	\$97,331	\$143,510	\$—	\$293,761	\$70,943	\$752,273
Additions	9,484	19,885	5,831	17,366	229	27,705	80,500
Acquisition of Jerritt Canyon (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
Additions ⁽²⁾	6,985	13,093	5,325	16,297	98	27,835	69,633
Reclassification to asset held-for-sale (Note 15)	—	—	—	—	(115,465)	—	(115,465)
Transfers and disposals	(717)	31,852	1,880	367	(5,421)	(32,650)	(4,689)
At December 31, 2022	\$164,796	\$167,542	\$157,923	\$209,749	\$165,018	\$77,904	\$942,932
Accumulated depreciation, amortization and impairment							
At December 31, 2020	(\$34,623)	(\$48,086)	(\$126,955)	\$—	(\$263,873)	(\$20,516)	(\$494,053)
Depreciation and amortization	(17,801)	(6,997)	(2,259)	(20,228)	(266)	(2,408)	(49,959)
Transfers and disposals	(631)	(2,671)	(824)	—	5,513	490	1,877
Write-down on assets held-for-sale	—	—	—	—	—	(2,081)	(2,081)
At December 31, 2021	(\$53,055)	(\$57,754)	(\$130,038)	(\$20,228)	(\$258,626)	(\$24,515)	(\$544,216)
Depreciation and amortization	(17,554)	(10,058)	(2,809)	(22,747)	(222)	(2,838)	(56,228)
Impairment (Note 15)	—	—	—	—	(1,742)	—	(1,742)
Impairment reversal (Note 15)	—	—	—	—	3,076	—	3,076
Reclassification to asset held-for-sale (Note 15)	—	—	—	—	103,640	—	103,640
Transfers and disposals	190	249	(654)	4	7,051	(2,967)	3,873
At December 31, 2022	(\$70,419)	(\$67,563)	(\$133,501)	(\$42,971)	(\$146,823)	(\$30,320)	(\$491,597)
Carrying values							
At December 31, 2021	\$105,473	\$64,843	\$20,680	\$172,857	\$27,180	\$58,204	\$449,237
At December 31, 2022	\$94,377	\$99,979	\$24,422	\$166,778	\$18,195	\$47,584	\$451,335

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines. The net book value of of PPE for La Guitarra and La Parrilla classified as assets held-for-sale are \$4.0 million and \$7.8 million, respectively.

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

18. 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.

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

	Land and Buildings	Machinery and Equipment	Other	Total
At December 31, 2020	\$8,087	\$6,234	\$8	\$14,330
Additions	1,294	17,560	—	18,854
Remeasurements	363	1,668	—	2,031
Depreciation and amortization	(1,325)	(4,520)	(7)	(5,851)
Disposals	(117)	(23)	—	(139)
At December 31, 2021	\$8,302	\$20,921	\$2	\$29,225
Additions	1,786	1,514	14	3,314
Remeasurements	578	2,239	(2)	2,815
Depreciation and amortization	(1,608)	(6,431)	(5)	(8,044)
Transfer to asset held-for-sale (Note 15)	(634)	(27)	—	(661)
At December 31, 2022	\$8,424	\$18,216	\$9	\$26,649

19. RESTRICTED CASH

Restricted cash is comprised of the following:

	December 31, 2022	December 31, 2021
Escrowed Funds for the acquisition of Jerritt Canyon	\$—	\$12,570
Current Restricted Cash	\$—	\$12,570
Nevada Division of Environmental Protection ⁽¹⁾	\$17,702	\$39,727
Chartis Commutation Account ⁽²⁾	28,365	27,275
SAT Primero tax dispute ⁽³⁾	79,126	48,010
Non-Current Restricted Cash	\$125,193	\$115,012
Total Restricted Cash	\$125,193	\$127,582

(1) During the second quarter of 2022, cash bonds held with the Nevada Division of Environmental Protection ("NDEP") and the US Forestry Service ("USFS") were replaced with surety bonds to fund ongoing reclamation and mine closure obligations, with a \$5 million letter of credit provided as collateral for these bonds (Note 21). These funds were previously classified as non-current restricted cash until returned to the Company by the NDEP and USFS. During the third quarter of 2022, the NDEP and USFS have returned the cash bonds totaling \$44.1 million and these amounts have been re-classified to cash and cash equivalents as at December 31, 2022. Additionally, 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. During the year, the Company funded \$17.7 million into a trust; these amounts are included within non-current restricted cash as at December 31, 2022.

(2) The Company owns an environmental risk transfer program (the "ERTP") for Jerritt Canyon from American Insurance Group ("AIG"). As part of the ERT, \$28.4 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.

(3) In connection with the dispute between Primero Empresa Minera, S.A. de C.V. ("PEM") and the Servicio de Administración Tributaria ("SAT") in relation to the advanced pricing agreement (Note 28), the tax authority has frozen a PEM bank account with funds of \$79.1 million (1,532 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)

20. 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, 2022	December 31, 2021
Trade payables	\$40,782	\$41,827
Trade related accruals	30,312	30,621
Payroll and related benefits	31,797	28,162
Estimated Triggered Tax Adjustment and Working Capital Adjustment payable, net (Note 4)	—	12,570
NSR royalty liabilities (Notes 16(b)(c))	1,518	1,147
Environmental duty and net mineral sales proceeds tax	3,570	3,281
Other accrued liabilities	7,141	3,058
	\$115,120	\$120,666

21. DEBT FACILITIES

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

	Convertible Debentures (a)	Revolving Credit Facility (b)	Total
Balance at December 31, 2020	\$142,825	\$9,883	\$152,708
Gross proceeds from debt financing	\$230,000	\$—	\$230,000
Portion allocated to equity reserves from debt financing	(42,340)	—	(42,340)
Finance costs			
Interest expense	2,846	537	3,383
Accretion	6,809	349	7,158
Proceeds from drawdown of revolving credit facility	—	30,000	30,000
Repayments of principal	(125,576)	(40,000)	(165,576)
Conversion of senior convertible notes to common shares	(23,230)	—	(23,230)
Transaction costs	(7,224)	(101)	(7,325)
Payments of finance costs	(2,932)	(612)	(3,544)
Balance at December 31, 2021	\$181,178	\$56	\$181,234
Finance costs			
Interest expense	896	1,241	2,137
Accretion	8,673	—	8,673
Proceeds from drawdown of revolving credit facility	—	50,000	50,000
Repayments of principal	—	(30,000)	(30,000)
Payments of finance costs	(505)	(1,177)	(1,682)
Balance at December 31, 2022	\$190,242	\$20,120	\$210,362

Statements of Financial Position Presentation			
Current portion of debt facilities	\$69	\$56	\$125
Non-current portion of debt facilities	181,108	—	181,108
Balance at December 31, 2021	\$181,178	\$56	\$181,234
Current portion of debt facilities	\$431	\$120	\$551
Non-current portion of debt facilities	189,811	20,000	209,811
Balance at December 31, 2022	\$190,242	\$20,120	\$210,362

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

(a) Convertible Debentures

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.

The Company may not redeem the Notes before January 20, 2025 except in the event of certain changes in Canadian tax law. At any time on or after January 20, 2025 and until maturity, the Company may redeem all or part of the Notes for cash if the last reported share price of the Company's common shares for 20 or more trading days in a period of 30 consecutive trading days exceeds 130% of the conversion price in effect on each such trading day. The redemption price is equal to the sum of: (i) 100% of the principal amount of the Notes to be redeemed and (ii) accrued and unpaid interest, if any, to the redemption date.

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

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

At initial recognition, net proceeds of \$222.8 million from the Notes were allocated into its debt and equity components. The fair value of the debt portion was estimated at \$180.4 million using a discounted cash flow model method with an expected life of five years and a discount rate of 4.75%. This amount is recorded as a financial liability on an amortized cost basis using the effective interest method using an effective interest rate of 5.09% until extinguished upon conversion or at its maturity date.

The conversion option is classified as equity and was estimated based on the residual value of \$42.3 million. This amount is not subsequently remeasured and will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance will remain in equity reserves. Deferred tax liability of \$11.4 million related to taxable temporary difference arising from the equity portion of the convertible debenture was recognized in equity reserves.

Transaction costs of \$7.2 million that relate to the issuance of the convertible debentures were allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method.

A portion of the Notes proceeds received were used to redeem 125,231 of the 2018 Senior Convertible Notes ("Existing Notes") for total costs of \$164.9 million. The total proceeds were allocated to the carrying value of the debt by \$118.9 million and \$41.8 million to equity reserves of these Existing Notes, resulting with a loss on the settlement of debt of \$4.6 million. 24,219 of the remaining Existing Notes were converted to common shares by note holders at an adjusted conversion rate of 106.0528 common shares per \$1,000 face value note, where \$23.2 million were allocated to the carrying value of the debt and \$4.1 million were transferred to share capital from equity reserves. Finally, 6,950 of the remaining notes were settled at par value with a payment in cash of \$6.95 million; the cash paid was allocated to the carrying value of the debt by \$6.6 million and \$0.2 million to equity reserves. At December 31, 2022, the Existing Notes have been fully settled, with a remaining carrying value of \$nil.

(b) Revolving Credit Facility

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

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

The Revolving Credit Facility includes financial covenants, to be tested quarterly on a consolidated basis, requiring First Majestic to maintain the following: (a) a leverage ratio based on net indebtedness to rolling four quarters adjusted EBITDA of not more than 3.00 to 1.00; and (b) an interest coverage ratio, based on rolling four quarters adjusted EBITDA divided by interest payments, of not less than 4.00 to 1.00. The debt facilities also provide for negative covenants customary for these types of facilities and allows the Company to enter into finance leases, excluding any leases that would have been classified as operating leases in effect immediately prior to the implementation of IFRS 16 - Leases, of up to \$50.0 million. As at December 31, 2022 and December 31, 2021, the Company was in compliance with these covenants.

During the year ended December 31, 2022, the Company replaced cash bonds held with the NDEP and USFS with surety bonds to fund ongoing reclamation and mine closure obligations (Note 19). The Company has provided the bond issuer with a \$5 million letter of credit using the Revolving Credit Facility as collateral for these bonds. As at December 31, 2022 the undrawn portion of the Revolving Credit Facility totals \$75.0 million (December 2021 - nil).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

22. LEASE LIABILITIES

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

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

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

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

	Finance Leases	Operating Leases ^(a)	Equipment Financing ^(b)	Total
Balance at December 31, 2020	\$—	\$19,986	\$589	\$20,575
Acquisition of Jerritt Canyon	2,194	—	—	2,194
Additions	4,001	18,854	—	22,855
Remeasurements	—	2,031	—	2,031
Disposals	—	(150)	—	(150)
Finance costs	89	1,915	9	2,013
Repayments of principal	(942)	(7,824)	(521)	(9,287)
Payments of finance costs	(89)	—	(13)	(102)
Foreign exchange gain	—	(268)	—	(268)
Balance at December 31, 2021	\$5,253	\$34,544	\$64	\$39,861
Additions	3,109	3,314	—	6,423
Remeasurements	—	2,815	—	2,815
Finance costs	237	1,894	—	2,131
Repayment of principals	(2,446)	(10,959)	(64)	(13,469)
Repayments of finance costs	(210)	—	—	(210)
Transfer to asset held-for-sale (Note 15)	—	(458)	—	(458)
Foreign Exchange	—	490	—	490
Balance at December 31, 2022	\$5,943	\$31,640	\$—	\$37,583
Statements of Financial Position Presentation				
Current portion of lease liabilities	\$2,165	\$9,596	\$64	\$11,825
Non-current portion of lease liabilities	3,088	24,948	—	28,036
Balance at December 31, 2021	\$5,253	\$34,544	\$64	\$39,861
Current portion of lease liabilities	\$2,801	\$11,026	\$—	\$13,827
Non-current portion of lease liabilities	3,142	20,614	—	23,756
Balance at December 31, 2022	\$5,943	\$31,640	\$—	\$37,583

(a) Operating leases

Operating leases primarily relate to equipment and building rental contracts, land easement contracts and service contracts that contain embedded leases for property, plant and equipment. These operating leases have remaining lease terms of one to ten years, some of which include options to terminate the leases within a year, with incremental borrowing rates ranging from 2.5% to 11.2% per annum.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

During the year ended December 31, 2022 and 2021, the amounts of lease payments recognized in the profit and loss are summarized as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Expenses relating to variable lease payments not included in the measurement of lease liability	\$132,101	\$109,565
Expenses relating to short-term leases	35,913	41,283
Expenses relating to low value leases	760	5
	\$168,774	\$150,853

(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, 2022 and December 31, 2021, the Company was in compliance with these covenants.

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

23. 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, 2022 and 2021 are allocated as follows:

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-Operating Properties ⁽¹⁾	Total
Balance at December 31, 2020	\$14,059	\$6,150	\$10,223	\$—	\$21,039	\$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	(2,759)	30,010
Reclamation costs incurred	—	—	—	(186)	(420)	(606)
Interest or accretion expense	715	313	521	642	1,037	3,228
Foreign exchange loss	(454)	(199)	(333)	—	(645)	(1,631)
Balance at December 31, 2021	\$15,529	\$8,441	\$10,995	\$100,390	\$18,252	\$153,607
Movements during the year:						
Transfer to liability held-for-sale (Note 15)	—	—	—	—	(7,118)	(7,118)
Change in rehabilitation provision	(1,800)	1,518	(879)	1,240	(2,488)	(2,409)
Reclamation costs incurred	—	(31)	—	(2,704)	(223)	(2,958)
Interest or accretion expense	1,190	650	848	2,053	1,361	6,102
Foreign exchange gain	504	261	342	—	686	1,793
Balance at December 31, 2022	\$15,423	\$10,839	\$11,306	\$100,979	\$10,470	\$149,017

(1) Non-operating properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines, along with the La Luz project. The net book value of decommissioning liabilities for La Guitarra and La Parrilla that have been classified as assets held-for-sale are \$3.0 million and \$4.2 million, respectively.

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 used is 9.5% (2021 - 7.4% to 7.5%), while the inflation rate used is based on long-term expected inflation rate of 3.7% (2021 - 4.2%).

At the Jerritt Canyon Gold Mine, the discount rate used is 3.8% (2021 - 1.5% to 1.6%), while the inflation rate is based on the long-term expected inflation rate of 2.8% in the U.S (2021 - 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.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

23. DECOMMISSIONING LIABILITIES (continued)

At December 31, 2022, the reclamation and closure cost obligation for the Jerritt Canyon Gold Mine totaled \$101.0 million. This obligation is secured through long-term restricted cash of \$28.4 million, and a surety bond held with the NDEP and the USFS, with a \$5 million letter of credit as collateral for these bonds, to support various reclamation obligation bonding requirements (Note 19(b)).

Additionally, 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 were funded into a trust on October 31, 2022.

24. 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, 2022 and 2021:

	Year Ended December 31,	
	2022	2021
(Loss) earnings before tax	(\$61,404)	\$25,250
Combined statutory tax rate	27%	27%
Income tax (recovery) expense computed at statutory tax rate	(16,579)	6,818
Reconciling items:		
Effect of different foreign statutory tax rates on earnings of subsidiaries	1,052	4,962
Impact of foreign exchange on deferred income tax assets and liabilities	(20,238)	(1,419)
Change in unrecognized deferred income tax asset	2,097	14,100
7.5% mining royalty in Mexico	11,345	13,389
Other non-deductible expenses	16,941	15,491
Impact of inflationary adjustments	(18,015)	(13,504)
Change in tax provision estimates	(2,127)	(945)
Impact of divestitures and restructurings	—	102
Value of losses forgone due to tax settlement	55,657	—
Tax settlement	24,033	—
Other	(1,294)	(8,821)
Income tax expense	\$52,872	\$30,173
Statements of Earnings Presentation		
Current income tax expense	\$56,250	\$49,283
Deferred income tax recovery	(3,378)	(19,110)
Income tax expense	\$52,872	\$30,173
Effective tax rate	(86%)	119%

As at December 31, 2022 and 2021, the Company has the following income tax payable balances:

	Year Ended December 31,	
	2022	2021
Current income tax payable	\$18,240	\$27,980
Non-current income tax payable	20,605	21,812
	\$38,845	\$49,792

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(Tabular amounts are expressed in thousands of US dollars)

During the years ended December 31, 2022 and 2021, 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, 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
(Expense) benefit to statement of earnings	(5,451)	3,217	(5,449)	1,082	(6,601)
Charge to equity				(1,458)	(1,458)
Re-class to liabilities held-for-sale	(34,189)	(2,283)	36,340	(399)	(531)
At December 31, 2022	\$147,630	\$42,677	(\$70,716)	\$15,994	\$135,585

Deferred tax liabilities	Property, plant and equipment and mining interests	Effect of Mexican tax deconsolidation	Other	Total
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
Benefit to statement of earnings	(4,884)	—	(5,095)	(9,979)
Reclassified to current income taxes payable	—	(606)	—	(606)
Translation and other	—	—	(393)	(393)
Re-class to liabilities held-for-sale	(8,773)	—	(12)	(8,785)
At December 31, 2022	\$178,991	\$—	\$22,000	\$200,991

Statements of Financial Position Presentation

Deferred tax assets	\$74,257
Deferred tax liabilities	150,836
At December 31, 2021	\$76,579
Deferred tax assets	\$57,062
Deferred tax liabilities	122,468
At December 31, 2022	\$65,406

At December 31, 2022, the Company recognized \$57.1 million (2021 - \$74.3 million) of net deferred tax assets in entities that have had a loss for tax purposes in either 2022 or 2021, 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, 2022 was \$187.2 million (2021 - \$334.0 million).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

24. 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,	
	2022	2021
Non-capital losses	\$277,067	\$239,175
Capital losses	26,592	10,619
Accrued expenses	888	78,754
Mineral properties, plant and equipment	45,264	44,300
Other	30,769	17,578
	\$380,580	\$390,426

As at December 31, 2022 and 2021, 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, 2022	December 31, 2021
2023	\$—	\$—	\$2,298	\$2,298	\$2,052
2024	—	—	31,322	31,322	37,355
2025	—	—	21,785	21,785	41,286
2026	—	—	4,158	4,158	108,513
2027	—	—	12,739	12,739	11,579
2028	—	—	49,174	49,174	55,852
2029	—	—	82,358	82,358	75,381
2030	—	—	74,040	74,040	153,152
2031	—	—	73,648	73,648	57,889
2032 and after	19,954	14,334	80,114	114,402	25,447
No expiry	—	161,662	—	161,662	66,578
Total	\$19,954	\$175,996	\$431,636	\$627,586	\$635,084
Unrecognized losses	\$19,954	\$—	\$257,113	\$277,067	\$254,293

25. SHARE CAPITAL

(a) Authorized and issued capital

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

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

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Number of Shares	Net Proceeds	Number of Shares	Net Proceeds
ATM program ⁽¹⁾	11,869,145	\$113,395	4,225,000	\$ 66,674
	11,869,145	\$113,395	4,225,000	\$ 66,674

(1) In May 2021, the Company filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares is to be made through "at-the-market distributions" ("ATM"), as defined in the Canadian Securities Administrators' National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. During the year ended December 31, 2022, the Company completed \$100 million of the May 2021 ATM program. In July 2022, the Company filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million through this ATM program. During the year ended December 31, 2022, the Company sold 11,869,145 (2021 - 4,225,000) common shares of the Company under the ATM program at an average price of \$9.8 per common share (2021 - \$16.24) for gross proceeds of \$116.3 million (2021 - \$68.6 million), or net proceeds of \$113.4 million (2021 - \$66.7 million) after costs. At December 31, 2022, the Company incurred \$2.9 million (2021 - \$1.9 million) in transaction costs in relation to the ATM.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

(b) Stock options

On May 26, 2022, a new Long-Term Incentive Plan was adopted ("LTIP"). Under the terms of the Company's LTIP, the maximum number of shares reserved for issuance under the LTIP is 6% of the issued shares on a rolling basis. Options may be exercisable over periods of up to ten years as determined by the Board of Directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval. All stock options granted are subject to vesting with 25% vesting on first anniversary from the date of grant, and 25% vesting each six months thereafter. Any options granted prior to May 26, 2022 will be governed by the 2017 Option Plan and the 2019 Long-Term Incentive Plans, respectively ("2017 Plan" and "2019 LTIP").

The following table summarizes information about stock options outstanding as at December 31, 2022:

Exercise prices (CAD\$)	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Weighted Average Remaining Life (Years)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Weighted Average Remaining Life (Years)
5.01 - 10.00	1,903,045	8.70	6.12	1,648,045	8.63	5.84
10.01 - 15.00	3,489,921	13.03	8.87	825,296	13.72	7.31
15.01 - 20.00	1,265,840	16.36	7.79	648,524	16.14	7.12
20.01 - 250.00	616,938	21.46	8.40	291,622	21.44	8.40
	7,275,744	13.19	7.92	3,413,487	12.38	6.66

The movements in stock options issued for the year ended December 31, 2022 and year ended December 31, 2021 are summarized as follows:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)
Balance, beginning of the period	5,638,383	13.29	7,074,092	12.07
Granted	3,107,500	12.96	1,400,000	18.98
Exercised	(609,623)	9.76	(2,502,234)	10.87
Cancelled or expired	(860,516)	15.44	(333,475)	29.45
Balance, end of the period	7,275,744	13.19	5,638,383	13.29

During the year ended December 31, 2022, the aggregate fair value of stock options granted was \$14.7 million (December 31, 2021 - \$9.9 million), or a weighted average fair value of \$4.73 per stock option granted (December 31, 2021 - \$7.04).

During the year ended December 31, 2022, total share-based payments expense related to stock options was \$9.0 million (December 31, 2021 - \$8.8 million).

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

Assumption	Based on	Year Ended December 31, 2022	Year Ended December 31, 2021
Risk-free interest rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	2.16	1.04
Expected life (years)	Average of the expected vesting term and expiry term of the option	5.91	5.93
Expected volatility (%)	Historical and implied volatility of the precious metals mining sector	49.00	49.00
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	1.64%	0.10%

The weighted average closing share price at date of exercise for the year ended December 31, 2022 was CAD\$14.70 (December 31, 2021 - CAD\$18.94).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. SHARE CAPITAL(continued)

(c) Restricted Share units

On May 26, 2022, a new LTIP was adopted. The Company adopted the LTIP to allow the Company to grant to its directors, employees and consultants non-transferable Restricted Share Units ("RSU's") based on the value of the Company's share price at the date of grant. Unless otherwise stated, the awards typically have a graded vesting schedule over a three-year period and can be settled either in cash or equity upon vesting at the discretion of the Company. The Company intends to settle all RSU's in equity. Any RSU's granted prior to May 26, 2022 will be governed by the 2019 LTIP.

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

The following table summarizes the changes in RSU's for the year ended December 31, 2022 and the year ended December 31, 2021:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the period	400,549	16.77	184,483	15.66
Granted	498,740	13.18	312,991	17.19
Settled	(159,016)	16.57	(69,504)	15.79
Forfeited	(87,934)	14.74	(27,421)	16.56
Outstanding, end of the period	652,339	14.35	400,549	16.77

During the year ended December 31, 2022, total share-based payments expense related to RSU's was \$2.9 million (December 31, 2021 - \$1.9 million).

(d) Performance Share Units

On May 26, 2022, a new LTIP was adopted. The Company adopted the LTIP to allow the Company to grant to its directors, employees and consultants non-transferable Performance Share Units ("PSU's"). The amount of units to be issued on the vesting date will vary from 0% to 200% of the number of PSU's granted, depending on the Company's total shareholder return compared to the return of a selected group of peer companies. Unless otherwise stated, the awards typically vest three years from the grant date. The fair value of a PSU is based on the value of the Company's share price at the date of grant and will be adjusted based on actual units issued on the vesting date. The Company intends to settle all PSU's in equity. Any PSU's granted prior to May 26, 2022 will be governed by the 2019 LTIP.

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

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the period	275,516	16.58	109,035	15.62
Granted	268,955	13.21	184,050	17.15
Forfeited	(69,817)	15.55	(17,569)	16.56
Outstanding, end of the period	474,654	14.82	275,516	16.58

During the year ended December 31, 2022, total share-based payments expense related to PSU's was \$1.5 million (year ended December 31, 2021 - \$1.2 million).

(e) Deferred Share Units

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

On March 23, 2022, a new DSU plan was adopted ("2022 DSU Plan"). All DSU's issued under the 2022 DSU Plan will be settled in cash. There were two grants made during the year ended December 31, 2022 resulting with a total expense of \$0.1 million.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

(e) Deferred Share Units (continued)

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

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

During the year ended December 31, 2022, total share-based payments expense related to DSU's was \$0.3 million (year ended December 31, 2021 - \$0.4 million).

(f) Share Repurchase Program and Share Cancellation

The Company has an ongoing share repurchase program to repurchase up to 10,000,000 of the Company's issued and outstanding shares. The normal course issuer bid will be carried out through the facilities of the Toronto Stock Exchange and alternative Canadian marketplaces. All common shares, if any, purchased pursuant to the Share Repurchase will be cancelled. The Company believes that from time to time, the market price of its common shares may not fully reflect the underlying value of the Company's business and its future business prospects. The Company believes that at such times, the purchase of common share would be in the best interest of the Company. During the year ended December 31, 2022, the Company repurchased an aggregate of 100,000 common shares at an average price of CDN \$8.52 per share as part of the Share Repurchase Program (December 2021 - nil) for total proceeds of \$0.7 million, net of transaction costs.

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

(g) Dividends

The Company declared the following dividends during the year ended December 31, 2022:

Declaration Date	Record Date	Dividend per Common Share
March 10, 2022	March 21, 2022	\$0.0079
May 12, 2022	May 25, 2022	\$0.0060
August 4, 2022	August 16, 2022	\$0.0061
November 9, 2022	November 22, 2022	\$0.0061
February 23, 2023 ⁽¹⁾	March 10, 2023	\$0.0054

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

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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

(a) Fair value and categories of financial instruments

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

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

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

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

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

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

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

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

	December 31, 2022			December 31, 2021		
	Carrying value	Fair value measurement		Carrying value	Fair value measurement	
		Level 1	Level 2		Level 1	Level 2
Financial assets						
Marketable securities (Note 14)	\$34,528	\$33,426	\$1,102	\$26,486	\$22,531	\$3,955

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

In addition to the table above, during the period ended December 31, 2022, an impairment reversal and impairment was recorded for the La Guitarra and La Parrilla mines, respectively, bringing the carrying value of the asset to its recoverable amount, being its FVLCD. The valuation technique used in the calculation of this fair value is categorized as Level 2 as it is based on the implied selling price within the purchase agreement (Note 15).

(b) Capital risk management

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

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

	December 31, 2022	December 31, 2021
Equity	\$1,411,298	\$1,410,971
Debt facilities	210,362	181,233
Lease liabilities	37,583	39,861
Less: cash and cash equivalents	(151,438)	(237,926)
	\$1,507,805	\$1,394,139

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

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenants under the debt facilities (Note 21(b)) and lease liabilities (Note 22(b)). As at December 31, 2022 and December 31, 2021, the Company was in compliance with these covenants.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

(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, 2022, VAT receivable was \$44.9 million (December 31, 2021 - \$47.1 million), of which \$21.6 million (December 31, 2021 - \$22.2 million) relates to Minera La Encantada S.A. de C.V. ("MLE") and \$17.7 million (December 31, 2021 - \$22.0 million) relates to PEM.

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

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

Liquidity Risk

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

The following table summarizes the maturities of the Company's financial liabilities as at December 31, 2022 based on the undiscounted contractual cash flows:

	Carrying Amount	Contractual Cash Flows	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$115,120	\$115,120	\$115,120	\$—	\$—	\$—
Debt facilities	210,362	254,838	1,847	22,955	230,036	—
Lease liabilities	37,583	41,896	13,966	21,337	5,668	925
Other liabilities	5,655	6,956	—	—	—	6,956
Commitments	1,355	1,355	1,355	—	—	—
	\$370,075	\$420,165	\$132,288	\$44,292	\$235,704	\$7,881

At December 31, 2022, the Company had working capital of \$202.9 million (December 31, 2021 - \$224.4 million). Total available liquidity at December 31, 2022 was \$277.9 million (December 31, 2021 - \$274.4 million), including \$75.0 million of undrawn revolving credit facility (December 31, 2021 - \$50.0 million).

The Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months. 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, 2022					
	Cash and cash equivalents	Restricted cash	Value added taxes receivable	Other financial assets	Trade and other payables	Net assets (liabilities) exposure
Canadian dollar	\$29,956	\$—	\$—	\$3,365	(\$1,887)	\$31,434
Mexican peso	24,036	79,126	41,152	—	(55,629)	88,685
	\$53,992	\$79,126	\$41,152	\$3,365	(\$57,516)	\$120,119
						\$12,012

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Currency Risk (continued)

The Company utilizes certain derivatives to manage its foreign exchange exposures to the Mexican Peso. During the year ended December 31, 2022, the Company did not have any gain or loss (2021 - \$nil) on fair value adjustments to its foreign currency derivatives. As at December 31, 2022, the Company does not hold any foreign currency derivatives (2021 - \$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 long-term derivative instruments to hedge its commodity price risk to silver or gold.

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

	December 31, 2022		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$2,630	\$859	\$3,489
	\$2,630	\$859	\$3,489

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, 2022, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities and lease liabilities. Based on the Company's interest rate exposure at December 31, 2022, a change of 100 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

27. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31,	
	2022	2021
Other adjustments to investing activities:		
Purchase of marketable securities	(\$1,728)	(\$3,522)
Proceeds from disposal of marketable securities	2,739	2,564
Cash received on settlement of silver futures	4,007	533
	\$5,018	(\$425)
Net change in non-cash working capital items:		
(Increase) in trade and other receivables	(\$870)	(\$3,386)
Decrease in value added taxes receivable	1,732	9,839
(Increase) in inventories	(3,447)	(8,956)
(Increase) in prepaid expenses and other	(316)	(903)
(Decrease) increase in income taxes payable	(4,426)	3,332
(Decrease) increase in trade and other payables	(22,748)	16,580
Decrease (increase) in restricted cash (Note 19)	2,389	(48,010)
	(\$27,686)	(\$31,504)
Non-cash investing and financing activities:		
Shares received from disposition of royalty portfolio	\$21,507	\$—
Disposition of mining claims in relation to sale of royalty portfolio	(17,206)	—
Acquisition of Jerriitt Canyon	—	466,300
Transfer of share-based payments reserve upon settlement of RSU's	1,897	963
Transfer of share-based payments reserve upon exercise of options	2,208	8,643
Acquisition of mining interests	—	(3,750)
Assets acquired by finance lease	(3,109)	(4,001)
Conversion to common shares upon settlement of the convertible note	—	(23,230)
	\$5,297	\$444,925

As at December 31, 2022, cash and cash equivalents include \$1.4 million (December 31, 2021 - \$6.4 million) that are held in-trust as bonds for tax audits in Mexico.

28. 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.

(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. Each of these matters is subject to various uncertainties and it is possible that some of these other matters may be resolved in a manner that is unfavourable to the Company which may result in a material adverse impact on the Company's financial performance, cash flow or results of operations. First Majestic carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated, however there can be no guarantee that the amount of such coverage is sufficient to protect against all potential liabilities. In addition, the Company may in the future be subjected to regulatory investigations or other proceedings and 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.

(b) Primero Tax Rulings

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

28. CONTINGENCIES AND OTHER MATTERS (continued)

(b) Primero Tax Rulings (continued)

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

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

In 2019, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$253.4 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 \$139.7 million (2,723 million MXN) (collectively, the "Reassessments"). The Company believes that the Reassessments violate the terms of the APA. The major items in the Reassessments include determination of revenue based on silver spot market prices, denial of the deductibility of interest expense and service fees, SAT technical error related to double counting of taxes, and interest and penalties.

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

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

Domestic Remedies

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

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

The Company filed an appeal of the decision to the Mexican Circuit Courts on November 30, 2020. Since two writs of certiorari were filed before the Mexican Supreme Court of Justice, on April 15, 2021, the Plenary of the Supreme Court i) admitted one of those writs, ii) requested the Circuit Court to send the appeal file and iii) assigned such writ to the Second Chamber of the Supreme Court for issuing the corresponding decision. Both writs of certiorari were withdrawn in December 2022. The challenge filed by the Company has been returned to the Mexican Circuit Courts and a decision may be issued within the first quarter of 2023.

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

International Remedies

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

If the SAT's attempts to retroactively nullifying the APA are successful, the SAT can be expected to enforce its Reassessments for 2010 through 2014 against PEM in respect of its sales of silver pursuant to the Old Stream Agreement. Such an outcome would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. Should the Company ultimately be required to pay tax on its silver revenues based on spot market prices without any mitigating adjustments, the incremental income tax for the years 2010-2019 would be approximately \$257.3 million (4,995 million MXN), before taking into consideration interest or penalties.

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

(c) La Encantada Tax Re-assessments

In December 2019, as part of the ongoing annual audits of the tax returns of Minera La Encantada S.A. de C.V. and Corporacion First Majestic S.A. de C.V., the SAT issued tax assessments for fiscal 2013 for corporate income tax in the amount of \$4.9 million (95.5 million MXN) and \$15.6 million (302 million MXN), respectively including interest, inflation and penalties. In December 2022, the SAT issued tax assessments to Minera La Encantada, S.A. de C.V. for fiscal years 2014 and 2015 for corporate income tax in the amount of \$15.7 million (305.2 million MXN) and \$204.4 million (3,968.0 million MXN). The major items relate to forward silver purchase agreement and denial of the deductibility of mine development costs and service fees. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors believes MLE's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

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

In June 2022, following the completion of tax audits, conclusive agreements with the SAT were signed by Corporación First Majestic S.A. de C.V. ("CFM") and First Majestic Plata S.A. de C.V. ("FMP") through Mexico's Office of the Taxpayer Ombudsman ("PRODECON") to settle an uncertain tax position concerning Mexican back-to-back loan provisions. The provisions were originally conceived from an anti-avoidance rule and a literal interpretation of the rules would convert most debt financing in Mexico into back-to-back loans. The back-to-back loan provisions establish that interest expense derived from back-to-back loans can be recharacterized as dividends resulting in significant changes to the tax treatment of interest, including withholding taxes. As a result of this recharacterization and in accordance with the conclusive agreement, CFM and FMP made one-time payments of approximately \$21.3 million and \$6.3 million in fiscal 2022 which have been recognized as current tax expense during the year. In addition to the payment made, CFM agreed to surrender certain tax loss carry forwards resulting in a deferred tax expense of approximately \$55.7 million.

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. Although the Company is taking additional actions in Mexico and/or elsewhere to recover the balance, there can be no guarantee that the remainder of the judgment amount will be collected. Therefore, as at December 31, 2022, the Company has not accrued any of the remaining \$64.3 million (CAD\$81.5 million) unrecovered judgment in favour of the Company.

29. SUBSIDIARIES

The consolidated financial statements of the Company include the following significant subsidiaries as at December 31, 2022 and 2021 as follows:

Name of subsidiary	Operations and Projects	Location	2022 % Ownership	2021 % 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%	100%
Jerritt Canyon Gold LLC	Jerritt Canyon Gold Mine	United States	100%	100%
FM Metal Trading (Barbados) Inc.	Metals trading company	Barbados	100%	100%
FMS Trading AG	Metals trading company	Switzerland	100%	100%

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

30. KEY MANAGEMENT COMPENSATION

	Year Ended December 31,	
	2022	2021
Salaries, bonuses, fees and benefits		
Independent members of the Board of Directors	\$837	\$868
Other members of key management	4,983	3,790
Share-based payments		
Independent members of the Board of Directors	713	769
Other members of key management	4,059	3,661
	\$10,592	\$9,088

31. SUBSEQUENT EVENTS

Declaration of Quarterly Dividend

On February 23, 2023, the Company's board of directors approved the declaration of its quarterly common share dividend of \$0.0054 per share, payable on or after March 24 2023, to common shareholders of record at the close of business on March 10, 2023. These dividends were declared subsequent to the year-end and have not been recognized as distributions to owners during the year ended December 31, 2022.

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

On July 20, 2022, the Company entered into an equity distribution agreement and filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares is to be made through ATM distributions, as defined in Canadian Securities Administrator's National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. Subsequent to year-end, the Company sold a total of 1,719,634 common shares at an average price of \$8.76 per share, for gross proceeds of \$15.0 million. The Company completed distributions under the ATM on January 13, 2023.



Management's Discussion and Analysis

FOR THE YEAR AND QUARTER ENDED DECEMBER 31, 2022



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, 2022 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 February 22, 2023 unless otherwise stated.

COMPANY OVERVIEW

First Majestic is a multinational mining company headquartered in Vancouver, Canada, focused on primary silver and gold production in North America, pursuing the exploration and development of its existing mineral properties and acquiring new assets. The Company owns one producing mine in the USA, the Jerritt Canyon Gold Mine, three producing mines in Mexico: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine, the La Encantada Silver Mine and four mines currently in care and maintenance in Mexico: the San Martin Silver Mine, the Del Toro Silver Mine, the La Parrilla Silver Mine and the La Guitarra Silver/Gold Mine. The Company has entered into agreements to sell each of the La Guitarra and the La Parrilla mines. As at December 31, 2022, the La Guitarra and the La Parrilla mines were classified as assets held-for-sale.

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



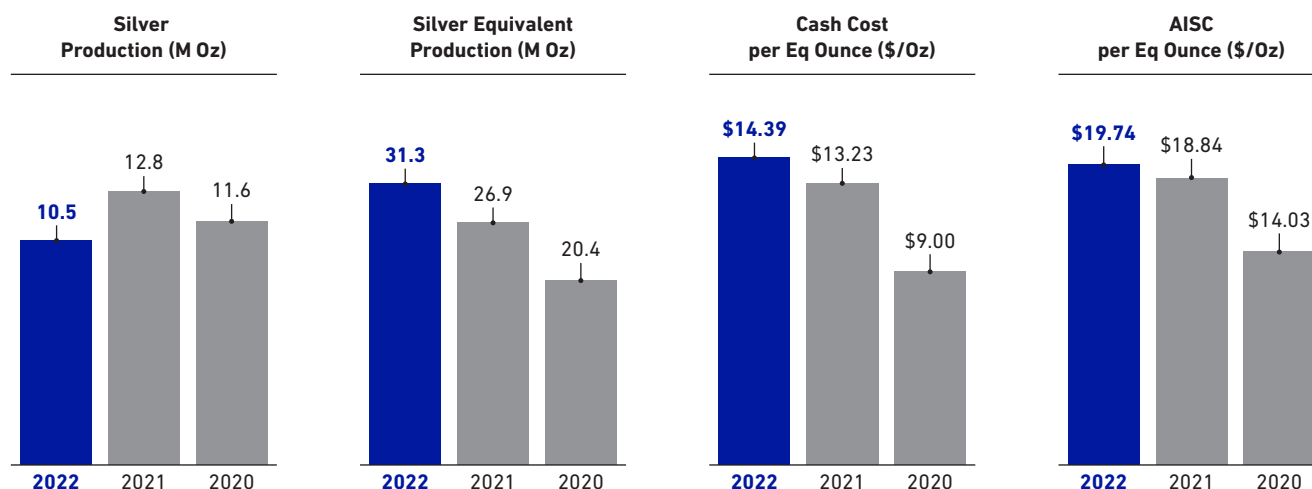
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

2022 ANNUAL HIGHLIGHTS

Key Performance Metrics	2022	2021	2020	Change '22 vs '21
Operational				
Ore Processed / Tonnes Milled	3,468,987	3,339,394	2,213,954	4%
Silver Ounces Produced	10,522,051	12,842,945	11,598,380	(18%)
Gold Ounces Produced	248,394	192,353	100,081	16%
Silver Equivalent Ounces Produced	31,252,920	26,855,783	20,379,010	16%
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$14.39	\$13.23	\$9.00	9%
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$19.74	\$18.84	\$14.03	5%
Total Production Cost per Tonne ⁽¹⁾	\$124.64	\$102.77	\$79.59	21%
Average Realized Silver Price per Ounce ⁽¹⁾	\$22.49	\$25.16	\$21.15	(11%)
Financial (in \$millions)				
Revenues	\$624.2	\$584.1	\$363.9	7%
Mine Operating Earnings	\$16.8	\$101.4	\$105.1	(83%)
(Loss) Earnings before Income Taxes	(\$61.4)	\$25.3	\$29.7	NM
Net (Loss) Earnings	(\$114.3)	(\$4.9)	\$23.1	NM
Operating Cash Flows before Working Capital and Taxes	\$109.4	\$176.8	\$107.3	(38%)
Cash and Cash Equivalents	\$151.4	\$237.9	\$238.6	(36%)
Working Capital ⁽¹⁾	\$202.9	\$224.4	\$254.4	(10%)
Free Cash Flow ⁽¹⁾	(\$64.9)	(\$16.9)	\$30.7	NM
Shareholders				
(Loss) Earnings per Share ("EPS") - Basic	(\$0.43)	(\$0.02)	\$0.11	NM
Adjusted EPS ⁽¹⁾	(\$0.21)	\$0.02	\$0.18	NM

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 under the Company's financial reporting framework 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 42 to 51 for further details on each measure and a reconciliation of non-GAAP to GAAP measures.



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

Operational Highlights

Annual Production Summary	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Ore Processed / Tonnes Milled	787,636	851,973	1,025,172	804,206	3,468,987
Silver Ounces Produced	6,201,090	1,229,612	3,091,349	—	10,522,051
Gold Ounces Produced	80,814	94,684	413	72,483	248,394
Silver Equivalent Ounces Produced	12,957,826	9,147,215	3,125,761	6,022,118	31,252,920
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$9.81	\$11.59	\$15.30	\$27.99	\$14.39
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$13.76	\$13.97	\$18.48	\$33.07	\$19.74
Cash Cost per Gold Equivalent Ounce ⁽¹⁾	N/A	N/A	N/A	\$2,323	N/A
All-in Sustaining Costs per Gold Equivalent Ounce ⁽¹⁾	N/A	N/A	N/A	\$2,745	N/A
Total Production Cost per Tonne ⁽¹⁾	\$155.76	\$114.99	\$45.01	\$205.87	\$124.64

(1) See "Non-GAAP Measures" for further details of these measures.

- **Annual silver production** of 10.5 million ounces compared to 12.8 million ounces in 2021, which was below the lower end of the Company's revised guidance range of between 11.2 to 11.9 million ounces of silver primarily due to prioritizing higher gold grade ores from the Ermitaño mine at Santa Elena and lower-than-expected silver grades at San Dimas.
- **Annual gold production** reached a new Company record of 248,394 ounces compared to 192,353 in 2021 but slightly below the lower end of the Company's revised guidance range of between 256,000 to 273,000 ounces primarily due to lower-than-expected gold grades and throughput at Jerritt Canyon.
- **Santa Elena produced a new annual record** of 9.1 million silver equivalent ("AgEq") ounces in 2022, representing an 81% increase compared to 2021.
- **The Santa Elena operation was awarded the prestigious "Silver Helmet Award"** in the category of "Underground Mining of More Than 500 Workers" by the Mining Chamber of Mexico for its outstanding performance in occupational safety and health. The distinguished annual award of excellence is only awarded to a select handful of mining operations in Mexico.
- **Received the 2022 Distinctive ESR Award in Mexico:** The Mexican Center for Philanthropy (CEMEFI) and the Alliance for Corporate Social Responsibility (AliaRSE) awarded First Majestic's San Dimas, Santa Elena and La Encantada mining units with the Socially Responsible Business Distinction for 2022 (Distintivo Empresa Socialmente Responsable 2022). This annual award of distinction was accomplished after having demonstrated continued responsibility, transparency and sustainability at its operations in Mexico.
- **Successfully expanded Santa Elena's liquid natural gas ("LNG") powerplant** from 12 MW to 24 MW to supply lower-cost, cleaner power to the Santa Elena operation which includes the Ermitaño mine and the recently completed dual-circuit plant.
- **Sold a record 444,576 ounces of silver bullion**, representing a 27% increase compared to 2021 and approximately 4.2% of the Company's silver production, on First Majestic's online bullion store at an average silver price of \$26.20 per ounce for total proceeds of \$11.6 million.
- **Cash cost per AgEq ounce** in the year was \$14.39, compared to \$13.23 in the previous year. The increase in cash cost per AgEq ounce was primarily due to lower than expected production at Jerritt Canyon and lower production at San Dimas in addition to increased costs due to inflation. These decreases in production were primarily attributed to lower head grade at both Jerritt Canyon and San Dimas. The increase in costs were partially offset by increased production from the Santa Elena operation driven by higher-grade ore from the Ermitaño mine and cost savings measures implemented throughout the Company in an effort to combat the impact of inflationary pressures on costs.
- **All-in sustaining cost ("AISC") per AgEq ounce** in the year was \$19.74, compared to \$18.85 in the previous year. The increase in AISC per AgEq ounce was primarily attributed to higher cash costs.

Financial Highlights

- **Cash position and liquidity:** The Company ended the year with cash and cash equivalents of \$151.4 million compared to \$237.9 million at the end of the previous year, while working capital decreased to \$202.9 million compared to \$224.4 million. Cash and cash equivalents exclude \$125.2 million that is held in restricted cash.
- **Revenue:** The Company generated record annual revenues of \$624.2 million in 2022, or 7% higher than the previous year primarily related to a full year of production from Ermitaño as the mine went into production in the fourth quarter of 2021. Additionally, there was a 17% increase in payable silver equivalent ounces sold despite an 11% decrease in the average realized silver price per ounce which averaged \$22.49 per ounce compared to \$25.16 per ounce in 2021.
- **Mine operating earnings:** During the year, the Company recognized mine operating earnings of \$16.8 million compared to \$101.4 million in 2021. The decrease in mine operating earnings was primarily driven by lower than expected production at Jerritt Canyon resulting in higher production costs per ounce, a decrease in the average realized silver price per ounce during the year as well as an increase in depreciation and depletion during the year. The Company also saw an increase in cost of sales due to higher consumables, materials, energy, labour and maintenance costs during the first half of the year as a result of inflationary pressures. However, cost cutting initiatives implemented by management helped combat the impact of inflationary pressures on costs during the second half of the year.
- **Net loss:** The Company recognized a net loss of \$114.3 million (EPS of \$(0.43)) in 2022 compared to a net loss of \$4.9 million (EPS of \$(0.02)) in 2021. The increase in net loss was primarily attributable to an increase in income tax expense during the year, lower than expected production at Jerritt Canyon, along with an impairment related to the La Parrilla mine (\$9.6 million) as it was classified as an asset held-for-sale during the year. This was partially offset by an impairment reversal related to the agreed upon sale of the La Guitarra mine, which was classified as an asset held-for-sale along with a gain on the sale of the Company's royalty portfolio. During the year, the Company has recorded non-recurring severance costs of \$2.7 million relating to restructuring efforts to optimize the workforce.
- **Adjusted net loss:** Adjusted net loss (see "Non-GAAP Measures"), normalized for non-cash or non-recurring items such as tax settlements, impairment and impairment reversals, write-down of mineral inventory, share-based payments and deferred income taxes for the year ended December 31, 2022 was \$55.4 million (\$0.21 per share), compared to adjusted earnings of \$6.0 million (\$0.02 per share) in 2021.

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

- **Cash flow from operations:** During the year, cash flow from operations before changes in working capital and income taxes was \$109.4 million compared to \$176.8 million in 2021.

Corporate Development and Other:

- During the year, the Company announced that it had entered into agreements to sell the La Guitarra and La Parrilla mines in Mexico to Sierra Madre Gold and Silver Ltd. ("Sierra Madre") and Golden Tag Resources Ltd. ("Golden Tag"), respectively. The La Guitarra mine will be sold for a total consideration of \$35 million, made up of 69,063,077 Sierra Madre shares. The La Parrilla mine will be sold for total consideration of up to \$33.5 million, made up of 143,673,684 Golden Tag shares with a deemed value as of the date of the sale agreement of \$20 million, and up to \$13.5 million in the form of three milestone payments in either cash or shares in Golden Tag. Closing of both transactions is pending and remains subject to customary closing conditions, including receipt of all necessary regulatory approvals.
- During the year, the Company announced and closed an agreement to sell a portfolio of royalty interests to Metalla Royalty and Streaming Ltd. ("Metalla") for total consideration of \$20 million in common shares of Metalla. The royalty portfolio includes a 2% net smelter royalty on six of the Company's non-producing properties, a 2% net smelter royalty on the Plomosas Silver Project (owned by GR Silver Mining Ltd.) and a 100% gross value royalty ("GVR") on gold produced at the La Encantada Silver Mine. The GVR is limited to the first 1,000 ounces of gold produced at La Encantada annually. On the closing date, the Company received 4,168,056 Metalla shares, that had a fair value as of such date of \$21.5 million. The Company recorded a gain of \$4.3 million related to the disposition of the underlying mining interests that made up each royalty.
- During the year, following the completion of tax audits, conclusive agreements with the SAT were signed by Corporación First Majestic S.A. de C.V. ("CFM") and First Majestic Plata S.A. de C.V. ("FMP") through Mexico's Office of the Taxpayer Ombudsman ("PRODECON") to settle an uncertain tax position concerning Mexican back-to-back loan provisions. The provisions were originally conceived from an anti-avoidance rule and a literal interpretation of the rules would convert most debt financing in Mexico into back-to-back loans. The back-to-back loan provisions establish that interest expense derived from back-to-back loans can be recharacterized as dividends resulting in significant changes to the tax treatment of interest, including withholding taxes. As a result of this recharacterization and in accordance with the conclusive agreement, CFM and FMP made one-time payments of approximately \$21.3 million and \$6.3 million in fiscal 2022 which have been recognized as current tax expense during the year. In addition to the payment made, CFM agreed to surrender certain tax loss carry forwards resulting in a deferred tax expense of approximately \$55.7 million.

2022 FOURTH QUARTER HIGHLIGHTS

Key Performance Metrics	2022-Q4	2022-Q3	Change Q4 vs Q3	2021-Q4	Change Q4 vs Q4
Operational					
Ore Processed / Tonnes Milled	851,564	836,514	2%	955,810	(11%)
Silver Ounces Produced	2,396,696	2,736,100	(12%)	3,358,809	(29%)
Gold Ounces Produced	63,039	67,072	(6%)	67,411	(6%)
Silver Equivalent Ounces Produced	7,558,791	8,766,192	(14%)	8,561,023	(12%)
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$15.36	\$13.34	15%	\$12.32	25%
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$20.69	\$17.83	16%	\$17.26	20%
Total Production Cost per Tonne ⁽¹⁾	\$131.41	\$135.07	(3%)	\$105.37	25%
Average Realized Silver Price per Silver Equivalent Ounce ⁽¹⁾	\$23.24	\$19.74	18%	\$24.18	(4%)
Financial (in \$millions)					
Revenues	\$148.2	\$159.8	(7%)	\$204.9	(28%)
Mine Operating Earnings	(\$13.3)	\$3.3	NM	\$40.4	(133%)
Net loss	(\$16.8)	(\$20.7)	(19%)	(\$4.0)	NM
Operating Cash Flows before Movements in Working Capital and Taxes	\$13.4	\$27.7	(52%)	\$71.8	(81%)
Cash and Cash Equivalents	\$151.4	\$148.8	2%	\$237.9	(36%)
Working Capital ⁽¹⁾	\$202.9	\$148.2	37%	\$224.4	(10%)
Free Cash Flow ⁽¹⁾	(\$32.3)	\$45.3	NM	\$66.4	(149%)
Shareholders					
Loss per Share ("EPS") - Basic	(\$0.06)	(\$0.08)	(25%)	(\$0.02)	NM
Adjusted EPS ⁽¹⁾	(\$0.07)	(\$0.09)	(22%)	\$0.02	NM

NM - Not meaningful

(1) The Company reports non-GAAP measures which include cash costs per silver equivalent ounce produced, all-in sustaining cost per silver equivalent ounce produced, total production cost per tonne, averaged realized silver price per silver equivalent ounce sold, average realized gold price per ounce sold, working capital, adjusted EPS and free cash flow. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning under the Company's financial reporting framework 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 42 to 51 for further details on each measure and a reconciliation of non-GAAP to GAAP measures.

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

Fourth Quarter Production Summary	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Ore Processed / Tonnes Milled	210,108	207,188	254,766	179,502	851,564
Silver Ounces Produced	1,392,506	199,388	804,802	—	2,396,696
Gold Ounces Produced	20,257	25,830	107	16,845	63,039
Silver Equivalent Ounces Produced	3,054,098	2,302,904	813,649	1,388,140	7,558,791
Cash Costs per Silver Equivalent Ounce	\$11.54	\$11.20	\$15.48	\$30.56	\$15.36
All-in Sustaining Cost per Silver Equivalent Ounce	\$16.79	\$12.75	\$19.39	\$34.75	\$20.69
Cash Cost per Gold Equivalent Ounce	N/A	N/A	N/A	\$2,519	N/A
All-In Sustaining Costs per Gold Equivalent Ounce	N/A	N/A	N/A	\$2,865	N/A
Total Production Cost per Tonne	\$162.68	\$114.29	\$47.69	\$233.39	\$131.41

Operational Highlights

- **After an all-time record third quarter, production decreased by 14% in the fourth quarter:** The Company produced 7.6 million AgEq ounces, consisting of 2.4 million ounces of silver and 63,039 ounces of gold representing a 14% decrease when compared to the record production of 8.8 million AgEq ounces in the previous quarter. The production decrease was primarily due to lower production at San Dimas and Santa Elena, partially offset by higher gold production at Jerritt Canyon and higher silver production at La Encantada. Silver and gold grades decreased 13% and 6%, respectively versus the prior quarter. During the quarter, AgEq production at San Dimas decreased 19% compared to the prior quarter, as a result of lower ore grades and higher dilution, combined with maintenance issues in the filtration plant during the month of December, which reduced planned throughput. Further, a 9% decrease in the AgEq conversion ratio compared to the prior quarter, contributed to a quarter-over-quarter decrease in the AgEq ounces produced.
- **Transitioning to 100% Ermitaño ores at Santa Elena:** Continued strong metal production from the Ermitaño mine, having achieved its second highest quarter of production, enabled Santa Elena to produce 2.3 million AgEq ounces in the fourth quarter, or 16% below the record 2.7 million AgEq in the prior quarter. In 2023, Santa Elena is expected to produce between 7.8 and 8.7 million AgEq ounces as it transitions to full production from Ermitaño while exploration continues at the recently discovered Silvanna vein within the Santa Elena mine.
- **Increase in Production Guidance at Jerritt Canyon in 2023:** The secondary escapeway in the West Generator mine was completed in November allowing for improved ore production although a severe cold weather disturbance in December limited haulage and deliveries to the plant. With the additional ramp up of Smith Zone 10 and the restart of the Saval II mine, gold production at Jerritt Canyon is expected to be between 119,000 to 133,000 ounces in 2023, representing a mid-point increase of 74% as it relates to guidance compared to 2022 actual production.
- **Santa Elena's Dual-Circuit Completed:** The Company successfully completed the commissioning of the dual-circuit processing plant at Santa Elena during the quarter which includes the new 3,000 tonne per day ("tpd") filter press, designed to improve the leaching performance and reduce operating costs.
- **Cash Cost per AgEq Ounce** for the quarter was \$15.36 per ounce, compared to \$13.34 per ounce in the previous quarter. The increase in cash costs per AgEq ounce was primarily attributed to a decrease in gold and silver ore grades and AgEq ounces produced at San Dimas and Santa Elena. This was partially offset by lower cash costs per ounce at Jerritt Canyon during the quarter, driven by higher gold production as the completion of the rehabilitation and restart at the West Generator mine at Jerritt Canyon allowed for improved ore production as well as cost saving measures implemented throughout the Company in an effort to combat the higher costs due to inflation.
- **AISC per AgEq Ounce** in the fourth quarter was \$20.69 per ounce compared to \$17.83 per ounce in the previous quarter. The increase in AISC per AgEq ounce was primarily attributed to an increase in cash costs per AgEq ounce.
- **10 Drill Rigs Active:** The Company concluded its 2022 exploration program during the quarter by completing a total of 16,086 metres of exploration drilling across the Company's mines. Throughout the quarter a total of 10 drill rigs were active consisting of four rigs at San Dimas, two rigs at Jerritt Canyon, three rigs at Santa Elena and one rig at La Encantada.

Financial Highlights

- In the fourth quarter, the Company generated revenues of \$148.2 million compared to \$204.9 million representing a 28% decrease compared to the fourth quarter of 2021. The decrease in revenues was primarily attributed to a decrease in production at San Dimas and Jerritt Canyon of 24% per mine site, a lower average realized silver price which averaged \$23.24 per ounce during the quarter, representing a 4% decrease compared to \$24.18 in the fourth quarter of 2021.
- The Company realized mine operating losses of \$13.3 million compared to mine operating earnings of \$40.4 million in the fourth quarter of 2021. The decrease in mine operating earnings was primarily attributed to lower production and metal prices and an increase in cost of sales and depreciation and depletion from La Encantada and Jerritt Canyon.
- Net loss for the quarter was \$16.8 million (EPS of (\$0.06)) compared to net loss of \$4.0 million (EPS of (\$0.02)) in the fourth quarter of 2021.
- During the quarter, the Company recorded non-recurring severance costs of \$2.1 million relating to restructuring efforts to optimize the workforce.
- Adjusted net loss (a non-GAAP measure)¹ for the quarter, normalized for non-cash or non-recurring items such as tax settlements, impairment and impairment reversal, share-based payments, unrealized gains on marketable securities and write-downs on mineral inventory for the quarter ended December 31, 2022, was \$17.4 million (Adjusted EPS of (\$0.07)) compared to an adjusted net earnings of \$4.1 million (Adjusted EPS of \$0.02) in the fourth quarter of 2021.
- Operating cash flow before movements in working capital and taxes in the quarter was an inflow of \$13.4 million compared to a cash inflow of \$71.8 million in the fourth quarter of 2021.
- As of December 31, 2022, the Company had cash and cash equivalents of \$151.4 million and working capital of \$202.9 million. Cash and cash equivalents excludes \$125.2 million that is held in restricted cash.

¹ This measure does not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate this measure may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 42 to 51 for further details on each measure and a reconciliation of non-GAAP to GAAP measures.

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

2023 PRODUCTION OUTLOOK AND COST GUIDANCE UPDATE

This section provides management's revised production outlook and cost guidance for 2023. 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 2023 total production from its four operating mines to reach a new Company record of between 33.2 to 37.1 million AgEq ounces consisting of 10.0 to 11.1 million ounces of silver and 277,000 to 310,000 ounces of gold. Based on the midpoint of the guidance range the Company expects AgEq ounces to increase 12% when compared to 2022. Silver production is expected to remain consistent with 2022 rates whereas gold production is expected to increase by 18% year-over-year. The increase in forecast gold production is primarily due to improvements in mine production at Jerritt Canyon resulting in an expected 74% increase in gold ounces in 2023 when compared to the prior year. In addition, strong gold production is expected to continue at Santa Elena as the plant will only process Ermitaño ores in 2023. The Company has identified a new vein in the Santa Elena mine, called Silvanna, and plans to drill test the area in 2023 with the goal of developing a mine plan to bring the vein into production by 2024.

A mine-by-mine breakdown of the 2023 production guidance is included in the table below. The Company reports cost guidance to reflect cash costs and AISC on a per AgEq payable ounce. For 2023, the Company is using an 84:1 silver to gold ratio compared to an 85:1 silver to gold ratio in its revised 2022 guidance. Metal price and foreign currency assumptions for calculating equivalents are silver: \$21.50/oz, gold: \$1,800/oz, MXN:USD 20:1.

GUIDANCE FOR FULL YEAR 2023

	Silver Oz (M)	Gold Oz (k)	Silver Eqv Oz (M)	Cash Cost	AISC
Silver:				(\$ per AgEq oz)	(\$ per AgEq oz)
San Dimas, Mexico	6.4 – 7.2	72 – 81	12.5 – 14.0	9.62 – 10.19	13.02 – 13.91
Santa Elena, Mexico	0.7 – 0.7	86 – 95	7.8 – 8.7	11.59 – 12.21	14.60 – 15.53
La Encantada, Mexico	2.9 – 3.2	–	2.9 – 3.2	16.73 – 17.69	19.86 – 21.14
Mexico Consolidated:	10.0 – 11.1	158 – 176	23.2 – 25.9	12.12 – 12.77	16.69 – 17.83
Gold:				(\$ per AuEq oz)	(\$ per AuEq oz)
Jerritt Canyon, USA	–	119 – 133	10.0 – 11.2	1,502 – 1,592	1,733 – 1,842
Total Production				(\$ per AgEq oz)	(\$ per AgEq oz)
Consolidated*	10.0 – 11.1	277 – 310	33.2 – 37.1	13.88 – 14.66	18.47 – 19.72

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

*Cash Costs and AISC are non-GAAP measures and are not standardized financial measures under the Company's financial reporting framework. The Company calculates cash costs and consolidated AISC in the manner set out in the table below. These measures have been calculated on a basis consistent with historical periods. See "Non-GAAP Measures" on pages 42 to 51 for further details on each measure and a reconciliation of non-GAAP to GAAP measures.

The Company is projecting its 2023 AISC to be within a range of \$18.47 to \$19.72 on a per consolidated payable AgEq ounce basis. Excluding non-cash items, the Company anticipates its 2023 AISC to be within a range of \$17.92 to \$19.10 per payable AgEq ounce. An itemized AISC cost table is provided below:

All-In Sustaining Cost Calculation	FY 2023 (\$ per AgEq oz)
Total Cash Costs per Payable Silver Ounce	13.88 – 14.66
General and Administrative Costs	0.98 – 1.09
Sustaining Development Costs	1.36 – 1.45
Sustaining Property, Plant and Equipment Costs	0.73 – 0.82
Profit Sharing	0.57 – 0.63
Share-based Payments (non-cash)	0.39 – 0.43
Lease Payments	0.41 – 0.45
Accretion and Reclamation Costs (non-cash)	0.16 – 0.18
All-In Sustaining Costs (Ag Eq Oz)	18.47 – 19.72
All-In Sustaining Costs: (Ag Eq Oz excluding non-cash items)	17.92 – 19.10

(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. See "Non-GAAP Measures" on pages 42 to 51 for further details on each measure and a reconciliation of non-GAAP to GAAP measures.

(2) Total cash cost per payable AgEq ounce includes estimated royalties and 0.5% Mexico mining environmental fee of \$0.40 to \$0.44 per payable AgEq ounce.

CAPITAL INVESTMENTS IN 2023

In 2023, the Company plans to invest a total of \$187.8 million on capital expenditures consisting of \$78.4 million for sustaining activities and \$109.5 million for expansionary projects. This represents a 6% decrease compared to the 2022 revised capital expenditures and is aligned with the Company's

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

future growth strategy of increasing underground and plant processing rates at Jerritt Canyon, San Dimas and Santa Elena.

2023 Capital Guidance (\$millions)	Sustaining	Expansionary	Total
Underground Development	\$51.2	\$43.6	\$94.8
Exploration	0.0	39.8	39.8
Property, Plant and Equipment	25.4	19.9	45.3
Corporate Projects	1.7	6.2	7.9
Total*	\$78.4	\$109.5	\$187.8

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

The 2023 annual guidance includes total capital investments of \$94.8 million to be spent on underground development; \$45.3 million towards property, plant and equipment; \$39.8 million in exploration; and \$7.9 million towards corporate innovation projects. Management may revise the guidance during the year to reflect actual and anticipated changes in metal prices or to the business.

The Company plans to complete approximately 40,700 metres of underground development in 2023 compared to 45,614 metres completed in 2022. The 2023 development program consists of approximately 17,900 metres at San Dimas; 9,000 metres at Jerritt Canyon; 10,500 metres at Santa Elena and 3,300 metres at La Encantada. At San Dimas, the Company is planning to concentrate development metres in the Perez Vein, located in the Sinaloa Graben block, and continue development activities in the Noche Buena sector. At Santa Elena, underground development will focus exclusively in the Ermitaño mine to achieve 2,500 tonnes per day of underground ore extraction throughout all of 2023. At Jerritt Canyon, development activities will be focused in newly discovered areas within the Smith and SSX mines while also ramping up production at West Generator and Saval II mines. At La Encantada, the Company is developing the second levels of both the Ojuelas and Milagros orebodies for 2023 production.

The Company is planning approximately 245,350 metres of exploration drilling in 2023 compared to 248,124 metres completed in 2022. The 2023 drilling program is expected to consist of:

- At San Dimas, approximately 77,450 metres of 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. Exploration efforts will focus on adding Inferred Resources along known veins and identifying new veins in locations where post mineral cover has deferred work to date.
- At Jerritt Canyon, approximately 112,900 metres are planned to drill a mixture of surface and underground infill, step-out, and exploratory holes to support the life of mine and test the presence of new ore bodies. Surface exploration will aim to test newly identified targets on the property, including follow up drilling from recent positive drill intercepts at Winters Creek and Waterpipe II. Underground drilling is planned for SSX, Smith and West Generator where the focus is to replicate the Smith Zone 10 success by targeting above the water table, near active development mineralization to facilitate a fast turnaround to mining.
- At Santa Elena, approximately 47,000 metres are planned with near mine drilling to continue testing the newly identified Silvanna vein in Santa Elena and infill drilling at the Ermitaño vein to convert Inferred Resources to Indicated Resources. Greenfield drilling at Santa Elena will focus on several targets within a 5-kilometre radius around the processing plant where the goal is to find a new mineralized vein. The Company is also planning to return to the Los Hernandez property, nearby to the Las Chispas mine, to test updated targets and projections of mineralized structures.
- Finally, at La Encantada the Company has planned approximately 8,000 metres to continue searching for a new mineralized breccia body as well as extend and de-risk some of the known veins and vein systems.

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

OVERVIEW OF OPERATING RESULTS

Selected Production Results for the Past Eight Quarters

PRODUCTION HIGHLIGHTS	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2 ⁽²⁾	Q1
Ore processed/tonnes milled								
San Dimas	210,108	185,126	197,102	195,300	206,738	214,205	202,382	199,466
Santa Elena	207,188	214,387	228,487	201,911	224,459	234,862	234,381	185,358
La Encantada	254,766	255,945	264,555	249,906	268,239	263,645	242,839	229,421
Jerritt Canyon	179,502	181,056	213,647	230,001	256,374	230,415	146,611	—
Consolidated	851,564	836,514	903,791	877,118	955,810	943,126	826,213	614,245
Silver equivalent ounces produced								
San Dimas	3,054,098	3,776,124	3,046,664	3,080,940	4,015,346	3,422,032	3,176,725	2,910,946
Santa Elena	2,302,904	2,733,761	2,241,763	1,868,787	1,955,550	1,061,657	1,140,398	884,332
La Encantada	813,649	788,872	871,365	651,875	768,796	913,481	847,502	745,018
Jerritt Canyon	1,388,140	1,467,435	1,546,143	1,620,400	1,821,331	1,922,270	1,270,398	—
Consolidated	7,558,791	8,766,192	7,705,935	7,222,002	8,561,023	7,319,441	6,435,023	4,540,296
Silver ounces produced								
San Dimas	1,392,506	1,649,002	1,527,465	1,632,117	2,174,353	1,888,371	1,868,031	1,716,143
Santa Elena	199,388	308,070	384,953	337,201	426,870	508,641	565,453	453,528
La Encantada	804,802	779,028	863,510	644,009	757,586	905,074	840,541	738,354
Consolidated	2,396,696	2,736,100	2,775,928	2,613,327	3,358,809	3,302,086	3,274,026	2,908,024
Gold ounces produced								
San Dimas	20,257	23,675	18,354	18,528	23,795	20,767	19,227	17,448
Santa Elena	25,830	26,989	22,309	19,556	19,810	7,498	8,453	6,327
Jerritt Canyon	16,845	16,299	18,632	20,707	23,660	26,145	18,762	—
Consolidated	62,932	66,963	59,295	58,791	67,265	54,410	46,442	23,775
Cash cost per Ounce⁽¹⁾								
San Dimas (per AgEq Ounce)	\$ 11.54	\$ 8.25	\$ 10.41	\$ 9.41	\$ 7.98	\$ 8.29	\$ 10.17	\$ 10.00
Santa Elena (per AgEq Ounce)	\$ 11.20	\$ 10.37	\$ 12.34	\$ 12.96	\$ 11.56	\$ 17.09	\$ 16.70	\$ 20.18
La Encantada (per AgEq Ounce)	\$ 15.48	\$ 15.55	\$ 14.09	\$ 16.41	\$ 14.51	\$ 12.25	\$ 13.66	\$ 13.77
Jerritt Canyon (per Au Ounce)	\$ 2,519	\$ 2,767	\$ 1,989	\$ 2,120	\$ 1,674	\$ 1,735	\$ 1,407	\$ —
Consolidated (per AgEq Ounce)	\$ 15.36	\$ 13.34	\$ 14.12	\$ 14.94	\$ 12.32	\$ 14.09	\$ 13.89	\$ 12.61
All-in sustaining cost per Ounce⁽¹⁾								
San Dimas (per AgEq Ounce)	\$ 16.79	\$ 10.97	\$ 14.97	\$ 12.98	\$ 11.29	\$ 11.58	\$ 14.22	\$ 14.31
Santa Elena (per AgEq Ounce)	\$ 12.75	\$ 12.29	\$ 15.34	\$ 16.31	\$ 14.02	\$ 21.10	\$ 21.31	\$ 25.66
La Encantada (per AgEq Ounce)	\$ 19.39	\$ 18.61	\$ 16.65	\$ 19.63	\$ 19.41	\$ 15.28	\$ 15.97	\$ 16.30
Jerritt Canyon (per Au Ounce)	\$ 2,865	\$ 3,317	\$ 2,429	\$ 2,488	\$ 2,077	\$ 2,286	\$ 1,679	\$ —
Consolidated (per AgEq Ounce)	\$ 20.69	\$ 17.83	\$ 19.91	\$ 20.87	\$ 17.26	\$ 19.93	\$ 19.42	\$ 19.35
Production cost per tonne								
San Dimas	\$ 162.68	\$ 161.41	\$ 155.09	\$ 143.66	\$ 146.30	\$ 128.67	\$ 153.43	\$ 140.29
Santa Elena	\$ 114.29	\$ 124.94	\$ 109.50	\$ 111.36	\$ 93.78	\$ 75.76	\$ 79.17	\$ 94.15
La Encantada	\$ 47.69	\$ 46.29	\$ 44.58	\$ 41.43	\$ 39.70	\$ 41.08	\$ 45.71	\$ 42.99
Jerritt Canyon	\$ 233.39	\$ 245.66	\$ 169.16	\$ 187.15	\$ 151.23	\$ 192.17	\$ 177.30	\$ —
Consolidated	\$ 131.41	\$ 135.07	\$ 114.55	\$ 118.51	\$ 105.37	\$ 106.52	\$ 104.94	\$ 90.03

(1) Effective January 1, 2021, the Company is reporting its cash costs and all-in sustaining costs on a per silver equivalent ("AgEq") ounce basis. Cash cost and AISC per AgEq Ounce for previous comparative periods were updated based on the new metric. See "Non-GAAP Measures" on pages 42 to 51 for further details on each measure and a reconciliation of non-GAAP to GAAP measures.

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

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

Operating Results – Consolidated Operations

CONSOLIDATED	2022-Q4	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021-YTD	Change Q4 vs Q3	Change '22 vs '21
Ore processed/tonnes milled	851,564	836,514	903,791	877,118	3,468,987	3,339,394	2%	4%
Production								
Silver ounces produced	2,396,696	2,736,100	2,775,928	2,613,327	10,522,051	12,842,945	(12%)	(18%)
Gold ounces produced	63,039	67,072	59,391	58,891	248,394	192,353	(6%)	29%
Silver equivalent ounces produced	7,558,791	8,766,192	7,705,935	7,222,002	31,252,920	26,855,783	(14%)	16%
Cost								
Cash cost per AgEq Ounce	\$15.36	\$13.34	\$14.12	\$14.94	\$14.39	\$13.23	15%	9%
All-in sustaining costs per AgEq ounce	\$20.69	\$17.83	\$19.91	\$20.87	\$19.74	\$18.85	16%	5%
Total production cost per tonne	\$131.41	\$135.07	\$114.55	\$118.51	\$124.64	\$102.77	(3%)	21%
Underground development (m)	9,815	11,242	13,404	11,153	45,614	50,558	(13%)	(10%)
Exploration drilling (m)	16,086	80,370	76,444	75,225	248,123	227,845	(80%)	9%

Production

During the year, the Company produced 31.3 million silver equivalent ounces, consisting of 10.5 million ounces of silver and 248,394 ounces of gold, representing a decrease of 18% and an increase of 29% respectively, compared to the prior year. The decrease in silver production and increase in gold production was primarily due to lower-than-expected silver grades at San Dimas and prioritizing higher gold grade ores from the Ermitaño mine at Santa Elena.

Total production in the fourth quarter was 7.6 million silver equivalent ounces consisting of 2.4 million ounces of silver and 63,039 ounces of gold representing a 14% decrease when compared to the record production of 8.8 million AgEq ounces in the previous quarter. The production decrease was primarily due to lower production at San Dimas and Santa Elena, partially offset by higher gold production at Jerritt Canyon and higher silver production at La Encantada. During the quarter, AgEq production at San Dimas decreased 19% compared to the prior quarter, as a result of lower ore grades and higher dilution, combined with maintenance issues in the filtration plant during the month of December, which reduced planned throughput. Further, a 9% decrease in the AgEq conversion ratio compared to the prior quarter, contributed to a quarter-over-quarter decrease in the AgEq ounces produced.

Total ore processed amounted to 3.5 million tonnes during the year and 851,564 tonnes during the quarter, representing a 4% and 2% increase compared to the prior year and quarter, respectively. The Company completed the Dual Circuit project at the Santa Elena processing plant which includes an additional leaching tank, a fourth CCD thickener and the new 3,000 tpd tailings filter-press. Going forward, the Dual Circuit will be able to treat a higher volume of finer grind sized material which is expected to improve metallurgical recoveries, reduce moisture in the tailings and reduce material handling costs.

Cash Cost and All-In Sustaining Cost per Ounce

Cash cost per AgEq ounce for the year was \$14.39 per ounce, compared to \$13.23 per ounce in the previous year. The increase in cash cost per AgEq ounce was primarily due to lower than expected production at Jerritt Canyon and lower production at San Dimas in addition to increased costs due to inflation. These decreases in production were primarily attributed to lower head grade at both Jerritt Canyon and San Dimas. The increase in costs were partially offset by increased production from the Santa Elena operation driven by higher-grade ore from the Ermitaño mine and cost savings measures implemented throughout the Company in an effort to combat the impact of inflationary pressures on costs.

Cash cost per AgEq ounce for the quarter was \$15.36 per ounce, compared to \$13.34 per ounce in the previous quarter. The increase in cash costs per AgEq ounce was primarily attributed to a decrease in gold and silver ore grades and AgEq ounces produced at San Dimas and Santa Elena. This was partially offset by lower cash costs per ounce at Jerritt Canyon during the quarter, driven by higher gold production as the completion of the rehabilitation and restart at the West Generator mine at Jerritt Canyon allowed for improved ore production as well as cost saving measures implemented throughout the Company in an effort to combat the higher costs due to inflation.

All-in Sustaining Cost per AgEq ounce in the year was \$19.74 per ounce compared to \$18.84 per ounce in the previous year. The increase in AISC per AgEq ounce was primarily attributed to higher cash costs.

All-in Sustaining Cost per AgEq ounce in the fourth quarter was \$20.69 per ounce compared to \$17.83 per ounce in the previous quarter. The increase in AISC per AgEq ounce was primarily attributed to an increase in cash costs per AgEq ounce.

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

- Renegotiating certain contracts and reducing the use of external consultants;
- Restructuring to optimize workforce and reduce labour costs;
- Optimizing use of reagent consumption;
- Conversion to LNG power versus diesel power with long-term contracts;
- Increasing metal production at Santa Elena by leveraging the higher grade of the Ermitaño ore while exploration activities continue in the Santa Elena mine to better define mineralized structures like Silvanna;
- Completing the Dual Circuit project at Santa Elena to improve metal recovery rates and allow higher plant throughput;
- Improving dilution controls at San Dimas and prioritizing long hole stoping of the Jessica and Regina veins which is expected to improve ore grade and production and continue developing the Perez vein;
- Continue developing the newly identified Zone 10 in the Smith mine and increasing throughput from the rehabilitation and restart of the West Generator and Saval II mines at Jerritt Canyon which is expected to increase ore volume and improve ore grades while reducing the planned maintenance downtime at the plant; and
- Advancing mining at La Encantada towards the Ojuelas and Beca-Zone orebodies to extract higher-grade ores.

Development and Exploration

During the year, the Company completed 45,614 metres of underground development and 248,123 metres of exploration drilling, compared to 50,558 metres and 227,845 metres, respectively, in the previous year.

During the quarter, the Company completed 9,815 metres of underground development and 16,086 metres of exploration drilling, compared to 11,242 metres and 80,370 metres, respectively, in the previous quarter. Throughout the quarter a total of 10 drill rigs were active consisting of four rigs at San Dimas, two rigs at Jerritt Canyon, three rigs at Santa Elena and one rig at La Encantada.

San Dimas Silver/Gold Mine, Durango, México

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

San Dimas	2022-Q4	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021 YTD	Change Q4 vs Q3	Change '22 vs '21
Total ore processed/tonnes milled	210,108	185,126	197,102	195,300	787,636	822,791	13%	(4%)
Average silver grade (g/t)	220	289	257	282	261	305	(24%)	(14%)
Average gold grade (g/t)	3.12	4.10	3.01	3.09	3.31	3.19	(24%)	4%
Silver recovery (%)	94%	96%	94%	92%	94%	95%	(2%)	(1%)
Gold recovery (%)	96%	97%	96%	96%	96%	96%	(1%)	0%
Production								
Silver ounces produced	1,392,506	1,649,002	1,527,465	1,632,117	6,201,090	7,646,898	(16%)	(19%)
Gold ounces produced	20,257	23,675	18,354	18,528	80,814	81,237	(14%)	(1%)
Silver equivalent ounces produced	3,054,098	3,776,124	3,046,664	3,080,940	12,957,826	13,525,049	(19%)	(4%)
Cost								
Cash cost per AgEq Ounce	\$11.54	\$8.25	\$10.41	\$9.41	\$9.81	\$9.01	40%	9%
All-In sustaining costs per AgEq Ounce	\$16.79	\$10.97	\$14.97	\$12.98	\$13.76	\$12.70	53%	8%
Total production cost per tonne	\$162.68	\$161.41	\$155.09	\$143.66	\$155.76	\$142.00	1%	10%
Underground development (m)	4,451	4,209	5,856	6,005	20,521	25,220	6%	(19%)
Exploration drilling (m)	8,799	14,292	22,356	19,344	64,791	99,825	(38%)	(35%)

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2022 vs. 2021

In 2022, San Dimas produced 6,201,090 ounces of silver and 80,814 ounces of gold for a total production of 12,957,826 silver equivalent ounces, a 4% decrease compared to 13,525,049 silver equivalent ounces in 2021. The mill processed a total of 787,636 tonnes, a 4% decrease compared to 822,791 tonnes processed in the previous year.

During the year, silver and gold grades averaged 261 g/t and 3.31 g/t, respectively, compared to 305 g/t and 3.19 g/t in the previous year. Silver recoveries averaged 94% compared to 95% in 2021, while gold recoveries averaged 96%, which was consistent with 2021. Silver and gold grades were lower in 2022 compared to 2021 due to higher dilution from the long hole stopes in the Jessica Vein during the first half of the year. The Company has developed a series of initiatives in San Dimas to improve dilution controls and prioritizing long hole stoping of the Jessica and Regina veins to improve ore grade and production.

During the year, cash cost per AgEq ounce averaged \$9.81 compared to \$9.01 per ounce in 2021. AISC averaged \$13.76 per ounce in 2022 compared to \$12.70 per ounce in 2021. The increase in cash costs and AISC during the year was primarily due to a 4% decrease in silver equivalent ounces produced.

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, 2022 was 70:1. During the year ended December 31, 2022, the Company delivered 41,841 ounces (2021 - 48,015 ounces) of gold to WPM at \$623 per ounce (2021 - \$617 per ounce).

During the year, a total of 20,521 metres of underground development and 64,791 metres of exploration drilling were completed compared to 25,220 metres and 99,825 metres, respectively, in the prior year.

2022 Q4 vs. 2022 Q3

During the fourth quarter, San Dimas produced 3,054,098 silver equivalent ounces consisting of 1,392,506 ounces of silver and 20,257 ounces of gold, representing decreases of 16% and 14%, respectively, when compared to the prior quarter.

The mill processed a total of 210,108 tonnes of ore with average silver and gold grades of 220 g/t and 3.12 g/t, respectively, compared to 185,126 tonnes milled with average silver and gold grades of 289 g/t and 4.10 g/t, in the previous quarter. Silver and gold grades were lower in the fourth quarter primarily due to the processing of lower grade development ores from the Perez vein and higher tonnages from underground areas with challenging ground conditions within the Jessica and Regina veins in the Noche Buena area.

Silver and gold recoveries averaged 94% and 96%, respectively, compared to 96% and 97% in the prior quarter.

The Central Block and Sinaloa Graben areas contributed approximately 75% and 25%, respectively, of the total production during the quarter.

In the fourth quarter, cash cost per AgEq ounce was \$11.54 per ounce compared to \$8.25 per ounce in the prior quarter. The increase in cash costs during the quarter was primarily due to a 19% decrease in silver equivalent ounces produced, which was partially offset by lower operating expenses during the quarter.

AISC per AgEq ounce for the quarter was \$16.79 per ounce compared to \$10.97 per ounce in the prior quarter. The increase was primarily due to an increase in cash costs per AgEq ounce along with an increase in worker participation costs in the fourth quarter of the year.

A total of 4,451 metres of underground development was completed in the fourth quarter, compared to 4,209 metres in the prior quarter. During the fourth quarter, a total of four underground drill rigs were active on the property and completed 8,799 metres of exploration drilling compared to 14,292 metres in the prior quarter.

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Santa Elena Silver/Gold Mine, Sonora, México

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

SANTA ELENA	2022-Q4	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021-YTD	Change Q4 vs Q3	Change '22 vs '21
Total ore processed/tonnes milled	207,188	214,387	228,487	201,911	851,973	879,060	(3%)	(3%)
Average silver grade (g/t)	47	62	67	69	61	77	(24%)	(21%)
Average gold grade (g/t)	4.33	4.26	3.26	3.18	3.75	1.58	2%	137%
Silver recovery (%)	64%	72%	78%	76%	73%	90%	(11%)	(19%)
Gold recovery (%)	90%	92%	93%	95%	92%	94%	(2%)	(2%)
Production								
Silver ounces produced	199,388	308,070	384,953	337,201	1,229,612	1,954,492	(35%)	(37%)
Gold ounces produced	25,830	26,989	22,309	19,556	94,684	42,088	(4%)	125%
Silver equivalent ounces produced	2,302,904	2,733,761	2,241,763	1,868,787	9,147,215	5,041,937	(16%)	81%
Cost								
Cash cost per AgEq Ounce	\$11.20	\$10.37	\$12.34	\$12.96	\$11.59	\$15.40	8%	(25%)
All-In sustaining costs per AgEq Ounce	\$12.75	\$12.29	\$15.34	\$16.31	\$13.97	\$19.20	4%	(27%)
Total production cost per tonne	\$114.29	\$124.94	\$109.50	\$111.36	\$114.99	\$85.15	(9%)	35%
Underground development (m)	2,299	3,201	4,381	3,043	12,924	18,119	(28%)	(29%)
Exploration drilling (m)	2,232	8,438	19,079	13,241	42,990	63,977	(74%)	(33%)

2022 vs. 2021

In 2022, Santa Elena produced 1,229,612 ounces of silver and 94,684 ounces of gold for a total production of 9,147,215 AgEq ounces, a 81% increase compared to 5,041,937 AgEq ounces in 2021. The mill processed a total of 851,973 tonnes of ore compared to 879,060 tonnes in the previous year, representing a 3% decrease compared to 2021. Overall metal production in 2022 increased compared to the prior year primarily due to ore from the Ermitaño mine contributing more than 60% of the 2022 plant feed, as the Ermitaño mine went into production in the fourth quarter of 2021.

Silver and gold grades from Santa Elena averaged 61 g/t and 3.75 g/t, respectively, compared to 77 g/t and 1.58 g/t in the previous year as higher volume of ore was processed from the Ermitaño mine which contains lower silver grades but much higher gold grades than ore from other deposits at Santa Elena. Silver recoveries decreased from 90% in 2021 to 73% in 2022 while gold recoveries decreased from 94% to 92% in the current year. The Company completed the dual-circuit project at the Santa Elena processing plant during the fourth quarter which includes an additional leaching tank, a fourth CCD thickener and the new 3,000 tpd tailings filter-press. Going forward, the Dual Circuit will be able to treat higher volumes of finer grind sized material which is expected to improve metallurgical recoveries, reduce moisture in the tailings and reduce material handling costs.

During the year, the Company successfully expanded Santa Elena's liquid natural gas ("LNG") powerplant from 12 MW to 24 MW to supply lower-cost and cleaner power to the Ermitaño mine. The connection, which joined Ermitaño to Santa Elena's LNG powerplant was completed in September allowing the mine to run on 100% LNG power for the first time and eliminated the use of temporary diesel generators.

During the year, cash cost per AgEq ounce averaged \$11.59 compared to \$15.40 per ounce in 2021, representing a decrease of 25% while AISC averaged \$13.97 per AgEq ounce compared to \$19.20 per AgEq ounce in the previous year, a decrease of 27%. The decrease in cash costs and AISC was primarily attributed to an 81% increase in AgEq ounces produced compared to the previous year, along with cost savings measures implemented in an effort to combat the impact of inflationary pressures on 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, 2022, the Company delivered 2,433 ounces of gold (2021 - 5,327 ounces) to Sandstorm at an average price of \$472 per ounce (2021 - \$467 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

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products extracted from the Ermitaño mining concessions. During the year ended December 31, 2022, the Company has incurred \$5.8 million (December 31, 2021 - \$1 million) in NSR payments from the production of Ermitaño.

During the year, a total of 12,924 metres of underground development and 42,990 metres of exploration drilling were completed compared to 18,119 metres of underground development and 63,977 metres of exploration drilling in the prior year.

2022 Q4 vs. 2022 Q3

During the fourth quarter, Santa Elena produced 2,302,904 AgEq ounces consisting of 199,388 ounces of silver and 25,830 ounces of gold representing a 35% decrease in silver ounces and a 4% decrease in gold ounces when compared to the prior quarter. The decrease in silver production was primarily due to processing a higher percentage of ore from the Ermitaño mine with higher gold grades than the Santa Elena mine.

The mill processed 207,188 tonnes of ore during the quarter consisting of 41,953 tonnes (20% of total) from Santa Elena and 165,235 tonnes (80% of total) from Ermitaño, compared to 214,387 tonnes in the prior quarter.

Silver and gold grades from Santa Elena averaged 47 g/t and 4.33 g/t, respectively, compared to 62 g/t and 4.26 g/t in the previous quarter.

Silver and gold recoveries in the fourth quarter averaged 64% and 90%, respectively, compared to 72% and 92%, respectively, in the prior quarter. The Company completed the dual-circuit project at the Santa Elena processing plant which includes an additional leaching tank, a fourth CCD thickener and the new 3,000 tpd tailings filter-press. Going forward, the Dual Circuit will be able to treat finer grind sized material which is expected to improve metallurgical recoveries, reduce moisture in the tailings and reduce material handling costs.

Cash cost per AgEq ounce in the fourth quarter was \$11.20 per ounce compared to \$10.37 per ounce in the previous quarter. The increase in cash cost was primarily attributed to a 16% decrease in AgEq ounces produced compared to the previous quarter.

AISC per AgEq ounce for the quarter was \$12.75 per ounce compared to \$12.29 per ounce in the prior quarter. The increase in AISC was primarily driven by the increase in cash costs per AgEq ounce.

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

In the fourth quarter, Santa Elena completed a total of 2,299 metres of underground development, compared to 3,201 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 2,232 metres of exploration drilling compared to 8,438 metres in the prior quarter.

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La Encantada Silver Mine, Coahuila, México

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

LA ENCANTADA	2022-Q4	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021-YTD	Change Q4 vs Q3	Change '22 vs '21
Ore processed/tonnes milled	254,766	255,945	264,555	249,906	1,025,172	1,004,144	0%	2%
Average silver grade (g/t)	120	121	141	108	123	130	0%	(5%)
Silver recovery (%)	82%	78%	72%	74%	76%	77%	4%	(1%)
Production								
Silver ounces produced	804,802	779,028	863,510	644,009	3,091,349	3,241,555	3%	(5%)
Gold ounces produced	107	109	96	100	413	460	(2%)	(10%)
Silver equivalent ounces produced	813,649	788,872	871,365	651,875	3,125,761	3,274,798	3%	(5%)
Cost								
Cash cost per AgEq Ounce	\$15.48	\$15.55	\$14.09	\$16.41	\$15.30	\$13.49	0%	13%
All-In sustaining costs per AgEq Ounce	\$19.39	\$18.61	\$16.65	\$19.63	\$18.48	\$16.66	4%	11%
Total production cost per tonne	\$47.69	\$46.29	\$44.58	\$41.43	\$45.01	\$42.25	3%	7%
Underground development (m)	903	552	590	510	2,555	3,304	64%	(23%)
Exploration drilling (m)	870	3,926	3,942	1,284	10,020	15,373	(78%)	(35%)

2022 vs. 2021

In 2022, La Encantada produced 3,091,349 ounces of silver and 413 ounces of gold for a total of 3,125,761 AgEq ounces, a decrease of 5% compared to 3,274,798 AgEq ounces in 2021. The decrease was primarily due to a 5% decrease in silver head grade and a 1% decrease in silver recovery, partially offset by a 2% increase in tonnes milled.

Silver recoveries averaged 76% during the year, compared to 77% in 2021. Silver grades during the year averaged 123 g/t, a decrease of 5% compared to 130 g/t in 2021. The Company began processing development ores from the Beca-Zone orebody in the fourth quarter and expects to begin stope production to access higher grade ore in the second quarter of 2023.

During the year, cash cost per AgEq ounce averaged \$15.30 compared to \$13.49 per ounce in 2021, and AISC averaged \$18.48 per ounce in 2022 compared to \$16.66 per ounce in 2021. The increase in cash costs per AgEq ounce during the year was primarily due to the 5% decrease in silver equivalent ounces produced driven by a 5% decrease in recovery. The increase in AISC per AgEq ounce for the year was due to higher cash costs incurred during the year.

A total of 2,555 metres of underground development and 10,020 metres of exploration drilling were completed in 2022 compared to 3,304 metres of underground development and 15,373 metres of exploration drilling in the prior year.

On November 28, 2022, the Company announced that it had agreed to sell a portfolio of royalty interests to Metalla Royalty & Streaming Ltd. ("Metalla") in exchange for common shares of Metalla having an aggregate value of US\$20 million. The royalty portfolio includes a 100% gross value royalty ("GVR") on gold produced at the La Encantada Silver Mine. The GVR is limited to the first 1,000 ounces of gold produced at La Encantada annually. Pursuant to the GVR, the Company has agreed to pay Metalla an amount equal to the fair market value of the first 1,000 ounces of gold produced from La Encantada each year (determined using the average London Bullion Market Association's LBMA Gold Price during the applicable payment period) less the amount of any refining costs, which may not exceed 5% of the fair market value of the gold. The transaction completed on December 21, 2022 and, during the year ended December 31, 2022, the Company paid a total of \$nil on account of the GVR (2021 - \$nil).

2022 Q4 vs. 2022 Q3

During the quarter, La Encantada produced 804,802 silver ounces compared to 779,028 silver ounces in the previous quarter, representing a 3% increase in production primarily due to a 4% increase in silver recoveries.

The mill processed a total of 254,766 tonnes of ore with an average silver grade and recovery during the quarter of 120 g/t and 82%, respectively, compared to 255,945 tonnes, 121 g/t and 78%, respectively, in the previous quarter. The Company began processing development ores from the Beca-

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Zone orebody in the quarter and expects to begin stope production to access higher grade ore in the second quarter of 2023.

Cash cost per AgEq ounce for the quarter was \$15.48, which was consistent with the prior quarter. AISC per AgEq ounce for the quarter was \$19.39 per ounce compared to \$18.61 per ounce in the previous quarter. The 4% increase in AISC per AgEq ounce during the quarter was primarily due to an increase in sustaining capital expenditures during the quarter.

During the quarter, one underground rig completed 870 metres of drilling compared to 3,926 metres in the previous quarter. A total of 903 metres of underground development was completed in the fourth quarter compared to 552 metres in the prior quarter.

Jerritt Canyon Gold Mine, Nevada, United States

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

Jerritt Canyon	2022-Q4	2022-Q3	2022-Q2	2022-Q1	2022-YTD	2021-YTD	Change Q4 vs Q3	Change '22 vs '21
Ore processed/tonnes milled	179,502	181,056	213,647	230,001	804,206	633,400	(1%)	27%
Average gold grade (g/t)	3.51	3.41	3.40	3.39	3.42	3.84	3%	(11%)
Gold recovery (%)	83%	82%	80%	83%	82%	84%	1%	(2%)
Production								
Gold ounces produced	16,845	16,299	18,632	20,707	72,483	68,567	3%	6%
Silver equivalent ounces produced	1,388,140	1,467,435	1,546,143	1,620,400	6,022,118	5,013,999	(5%)	20%
Cost								
Cash cost per Au Ounce	\$2,519	\$2,764	\$1,989	\$2,120	\$2,326	\$1,624	(9%)	43%
All-In sustaining costs per Au Ounce	\$2,865	\$3,314	\$2,428	\$2,488	\$2,748	\$2,048	(14%)	34%
Total production cost per tonne	\$233.39	\$245.66	\$169.16	\$187.15	\$205.87	\$172.20	(5%)	20%
Underground development (m)	2,162	3,280	2,577	1,595	9,614	3,915	(34%)	146%
Exploration drilling (m)	4,185	53,714	31,067	41,356	130,322	48,670	(92%)	168%

2022 vs. 2021

In 2022, Jerritt Canyon produced 72,483 ounces of gold, an increase of 3% compared to 68,567 gold ounces in 2021. Although production at Jerritt Canyon increased compared to the prior year, overall performance was lower than expected. This was primarily due to severe weather conditions during both the first and the fourth quarter of the year which significantly impacted ore haulage and delivery of ore to the plant. Furthermore, the processing plant experienced multiple maintenance issues throughout the year including a major failure in the oxygen plant, a 14-day shutdown for its annual maintenance overhaul of the dual roasters in September and a ball mill motor failure in the fourth quarter, in addition to weather related shutdowns in the fourth quarter. The Company has taken steps to improve reliability of the plant through improved maintenance planning and execution going forward.

The mill processed a total of 804,206 tonnes of ore compared to 633,400 in the previous year, with an average gold grade of 3.42 g/t, or a decrease of 11% compared to 3.84 g/t in 2021. Gold recoveries averaged 82% during the year, compared to 84% in 2021. The Company processed lower grade ore from SSX and surface material during the year which resulted in a decrease in grades compared to 2021.

To increase mine production, the Company completed the rehabilitation and restart of the West Generator and the Saval II mines in November which is now allowing for improved ore deliveries. In addition, the discovery and development of Smith Zone 10 and other recent exploration activities are expected to increase the development of new ore zones and fresh ore feed to the plant in 2023.

During the fourth quarter, an ore purchase agreement was signed with a third-party to provide up to 32,000 tonnes of sulphide gold ore by the end of 2023. Limited initial ore deliveries were received and processed in the month of December. Furthermore, improvements in blend optimization are expected to result in a reduction of coal consumption in the roasters due to the higher sulphur content of the purchased material.

During the year, cash cost per Au ounce averaged \$2,326 per ounce, a 43% increase compared to \$1,624 per ounce in 2021. AISC per Au ounce averaged \$2,748 in 2022, a 34% increase compared to \$2,048 per ounce in 2021. The increase in cash costs per Au ounce was due to lower-than-expected production during the year, driven by an 11% decrease in grade and a 2% decrease in recovery along with higher costs associated with energy, reagents, consumables and maintenance. The increase in AISC per Au ounce was primarily due to higher cash costs along with a 146% increase in sustaining development metres.

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Cost reduction initiatives along with amended contracts with the main mining contractor has resulted in the transfer of control of mine planning, technical services, geology, mine engineering and ore controls in the SSX and Smith mines from the contractor to First Majestic which is expected to increase efficiencies and lower costs going forward.

Since the acquisition, First Majestic has been developing a long-term mine and exploration plan for the future of the operation. The Company has identified numerous projects that have been implemented or will be implemented which are expected to improve production, reduce costs at the mine and processing plant and environmental compliance, 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 for TSF2 (Completed)
6. Establish a Special Environmental Trust to manage the Reclamation and Closure of four waste rock stockpiles (Completed)
7. Complete a site-wide Environmental Audit (Completed)
8. Connect the two underground Smith and SSX producing mines with an underground development drift which will be used for future ore haulage and exploration activities (Completed)
9. Develop a mercury remediation plan for improved capture of off-gas from the roasters and refinery (Completed)
10. Obtain permits for potential pushbacks of past-producing open pits for future mill feed (Ongoing)
11. Test over 25 high-priority exploration targets, both near-mine and greenfield (Ongoing)
12. Evaluate and complete ore purchase opportunities with third parties to fill roaster excess capacity (Ongoing)
13. Optimize the underground mining plan and execution of mining with the mine contractors (Ongoing)
14. Develop additional ore resources from the West Gen and Saval II underground mines (Ongoing)
15. Converting to more efficient and lower cost long-hole stoping methods where practical (Ongoing)
16. Evaluate and competitively bid all major procurement contracts for services and consumables (Ongoing)
17. Evaluate the QA/QC processes on ore tonnage and grade reconciliation from mine to mill (Ongoing)

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

A total of 9,614 metres of underground development and 130,322 metres of exploration drilling were completed in 2022 compared to 3,915 metres of underground development and 48,670 metres of exploration drilling in the prior year.

2022Q4 vs. 2022Q3

During the quarter, Jerritt Canyon produced 16,845 ounces of gold, representing a 3% increase compared to the prior quarter. The increase was primarily due to a 3% increase in gold grades offset by lower-than-expected throughput due to severe weather in December which significantly impacted ore haulage and deliveries from the SSX, Smith and West Generator mines. In addition, ore feed to the processing plant was limited by drying capacity of cold, frozen ore which impacted the conveying and crushing systems.

The mill processed a total of 179,502 tonnes with an average gold grade and recovery of 3.51 g/t and 83%, respectively, compared to 181,056 tonnes with an average grade and recovery of 3.41 g/t and 82%, respectively, in the prior quarter. In addition to weather related issues in the fourth quarter, the processing plant experienced multiple maintenance issues during the quarter including a ball mill motor failure which led to significant downtime.

The Company completed the secondary escapeway in the West Generator mine in November which has resulted in improved ore deliveries and gold production. The Company expects ore volumes to continue to improve in the first half of 2023 as new development ore pods from the Smith Zone 10, West Generator and Saval II areas are processed at the mill. Cash cost per Au ounce for the quarter was \$2,519 per ounce, a decrease of 9% compared to \$2,764 in the prior quarter. This decrease in cash cost per ounce was primarily due to a 3% increase in production as restart of the West Generator mine allowed for improved production in the fourth quarter. AISC per Au ounce for the quarter was \$2,865 per ounce, a decrease of 14%, compared to \$3,314 per ounce in the prior quarter, primarily due to lower cash costs during the quarter.

During the quarter, two underground drill rigs completed a total of 4,185 exploration drilling metres and 2,162 metres of underground development compared to 3,280 metres and 53,714 metres, respectively, in the prior quarter.

La Parrilla Silver Mine, Durango, México

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

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Operations at the La Parrilla mine have been placed on care and maintenance since September 2019.

On December 7, 2022, the Company announced that it had entered into an asset purchase agreement with Golden Tag Resources Ltd. ("Golden Tag") to sell the La Parrilla Silver Mine for total consideration of up to \$33.5 million, consisting of 143,673,684 Golden Tag shares at a deemed price of \$0.14 per share, having an aggregate value as of the date of the sale agreement of \$20 million, and up to \$13.5 million in contingent consideration, in the form of three milestone payments payable in either cash or shares in Golden Tag. The Company has also agreed to purchase \$2.7 million of Golden Tag securities in a future Golden Tag equity financing of up to CAD \$9 million. Closing the transaction is pending and remains subject to customary closing conditions, including completion of such financing and receipt of all necessary regulatory approvals.

At December 31, 2022, the sale was considered highly probable; therefore, the assets of La Parrilla were classified as assets held for sale and presented separately under current assets. Immediately prior to the classification to assets held for sale, the carrying amount of La Parrilla was remeasured to its recoverable amount, being its FVLCD, based on the \$20 million initial payment, and the first milestone payment of \$2.7 million. During the year-ended December 31, 2022, the Company has recorded an impairment loss related to the La Parrilla assets of \$9.6 million based on the recoverable amount implied by the asset purchase agreement.

Out of the impairment of \$9.6 million related to La Parrilla, \$5.7 million was allocated to depletable mining interest, \$2.1 million was allocated to non-depletable mining interest with the remaining \$1.7 million allocated to property, plant and equipment, resulting in an impairment of \$9.6 million, net of a \$nil adjustment to the deferred tax liability. The recoverable amount of La Parrilla, being its FVLCD, was \$22.2 million, net of estimated transaction costs, based on the expected proceeds from the sale.

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 includes 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located, and an additional 640 hectares of surface rights. The 1,300 tpd mill and processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks and a Merrill-Crowe doré production system. The mine can be accessed via small plane, 150 kilometres from Durango, or 250 kilometres by paved road north of Guadalajara, Jalisco. The San Martin Silver Mine is 100% owned by the Company.

In July 2019, the Company suspended all mining and processing activities at the San Martin operation due to marginal economics and growing insecurity in the area. Due to continued insecurity in the area, the Company is requesting assistance from government authorities to secure the area and to ensure the mine and plant facilities are properly maintained while it is in care and maintenance.

La Guitarra Silver Mine, México State, México

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

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

On May 24, 2022, the Company announced that it entered into a share purchase agreement with Sierra Madre Gold and Silver Ltd. ("Sierra Madre"), to sell the the Company's subsidiary La Guitarra Compañía Minera S.A. de C.V. ("La Guitarra"), which owns the La Guitarra Silver Mine for total consideration of approximately \$35 million, consisting of 69,063,076 Sierra Madre shares at a deemed price of \$0.51 per share. The closing of the transaction is subject to customary closing conditions including approval of the Sierra Madre shareholders (which was obtained in December 2022), regulatory approval and that Sierra Madre raise a minimum of \$7.7 million (CAD \$10 million) in a private placement concurrent or prior to the sale.

On June 30, 2022, the sale was considered highly probable; therefore, the assets and liabilities of La Guitarra were classified as assets and liabilities held for sale and presented separately under current assets and current liabilities, respectively. Immediately prior to the classification to asset and liabilities held for sale, the carrying amount of La Guitarra was remeasured to its recoverable amount, being its fair value less cost of disposal ("FVLCD"), based on the expected proceeds from the sale. At December 31, 2022, the sale continues to be considered highly probable; therefore the assets and liabilities are presented as assets and liabilities held for sale and presented separately under current assets and current liabilities. During the year-ended December 31, 2022, the Company has recorded a reversal of impairment loss related to the La Guitarra assets of \$12.3 million based on the recoverable amount implied by the share purchase agreement.

Out of the impairment reversal of \$12.3 million related to La Guitarra, \$8.2 million was allocated to depletable mining interest, \$1.0 million was allocated to non-depletable mining interest with the remaining \$3.1 million allocated to property, plant and equipment, resulting in an impairment reversal of \$8.0

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

million, net of a \$4.4 million adjustment to the deferred tax liability. The recoverable amount of La Guitarra, being its FVLCD, was \$34.9 million based on the expected proceeds from the sale.

Springpole Silver Stream, Ontario, Canada

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

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

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

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

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

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

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

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

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

OVERVIEW OF FINANCIAL PERFORMANCE

For the quarters ended December 31, 2022 and 2021 (in thousands of dollars, except for per share amounts):

	Fourth Quarter 2022	Fourth Quarter 2021	Variance %
Revenues	\$148,189	\$204,876	(28%) ⁽¹⁾
Mine operating costs			
Cost of sales	126,148	121,236	4% ⁽²⁾
Depletion, depreciation and amortization	35,307	43,278	(18%) ⁽³⁾
	161,455	164,514	(2%)
Mine operating (loss) earnings	(13,266)	40,362	(133%)
General and administrative expenses	8,165	6,988	17% ⁽⁴⁾
Share-based payments	2,845	2,859	0%
Mine holding costs	2,645	2,485	6%
Gain on sale of royalty portfolio	(4,301)	—	(100%) ⁽⁵⁾
Reversal of impairment	4,934	—	100% ⁽⁶⁾
Acquisition costs	—	23	(100%)
Foreign exchange gain	(2,716)	(262)	NM
Operating (loss) earnings	(24,838)	28,269	(188%)
Investment and other (loss) income	(962)	736	NM ⁽⁷⁾
Finance costs	(5,662)	(9,077)	(38%) ⁽⁸⁾
(Loss) earnings before income taxes	(31,462)	19,928	NM
Current income tax expense	5,038	23,743	(79%) ⁽⁹⁾
Deferred income tax (recovery) expense	(19,681)	156	NM
Income tax (recovery) expense	(14,643)	23,899	(161%) ⁽⁹⁾
Net loss for the year	(\$16,819)	(\$3,971)	NM ⁽¹⁰⁾
Loss per share (basic and diluted)	(\$0.06)	(\$0.02)	200% ⁽¹⁰⁾

NM - Not meaningful

- Revenues** in the quarter decreased \$56.7 million compared to the same quarter of the previous year primarily attributed to:
 - a 25% decrease in payable silver equivalent ounces sold compared to the same quarter of the previous year which resulted in a decrease in revenues of \$48.8 million. This was primarily due to a 37% decrease in silver grades at the San Dimas mine along with a 24% decrease in production at the Jerritt Canyon mine due to lower than expected grades and severe weather in December which significantly impacted ore haulage and deliveries from the SSX and West Generator mines; and
 - a decrease in realized silver price per ounce sold, which averaged \$23.24 during the quarter compared to \$24.18 per ounce in the fourth quarter of 2021, resulting in an \$8.5 million decrease in revenues.
- Cost of sales** in the quarter increased \$4.9 million compared to the same quarter of the previous year primarily due to:
 - an increase in labour, consumables, energy, insurance and maintenance costs due to inflationary pressures during the year, which led to an increase in cost of sales of \$11.3 million compared to the same quarter of 2021;
 - an increase in worker participation costs in Mexico of \$2.1 million; and
 - a stronger Mexican Peso against the U.S. Dollar, which averaged 5% higher compared to the same period of 2021.

Partially offset by:

 - an \$8.5 million decrease in change in inventory expense compared to the same quarter of 2021. This was primarily due to the sale of 1.4 million silver ounces of inventory in the fourth quarter of 2021, that was withheld as inventory during the third quarter of 2021.

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

3. **Depletion, depreciation and amortization** in the quarter decreased \$8.0 million compared to the same quarter of the previous year, primarily as a result of:
 - a decrease of \$1.8 million related to depletion at the San Dimas, Santa Elena and La Encantada mines due to a decrease in depletable reserves and resources and lower production from San Dimas in the current quarter, which was partially offset by higher depreciation due to the addition of new equipment including the LNG facility at Santa Elena; and
 - a decrease of \$6.3 million related to lower depletion at the Jerritt Canyon Gold mine due to a lower depletable balance following the finalization of the purchase price allocation in the fourth quarter of 2021.
4. **General and administrative expenses** increased by \$1.2 million compared to the same quarter of 2021, primarily due to growth initiatives from the addition of Jerritt Canyon as well as an increase in salaries, legal and audit fees compared to the same quarter of 2021. During the quarter, the Company has recorded non-recurring severance costs of \$2.1 million relating to restructuring efforts to optimize the workforce.
5. **Gain on sale of royalty portfolio** for the quarter increased by \$4.3 million compared to the fourth quarter of the prior year. The gain was related to the sale of a portfolio of royalty interests to Metalla Royalty & Streaming Ltd. ("Metalla"), for a total consideration of 4,168,056 Metalla shares with a fair value of \$21.5 million based on a share price of \$5.16 on the date of closing.
6. **Reversal of impairment** for the quarter increased by \$4.9 million compared to the fourth quarter of the prior year, attributed to the announcement of the sale of the La Guitarra and the La Parrilla mines in Mexico. At December 31, 2022, the sales were considered highly probable; therefore, the assets and liabilities were classified as assets and liabilities held-for-sale based on its recoverable amount, being its fair value less cost of disposal. During the fourth quarter, the Company recorded a reversal of impairment loss related to the La Guitarra asset of \$4.7 million, along with a \$9.6 million impairment loss related to La Parrilla, based on the recoverable amount implied by the purchase agreements.
7. **Investment and other income** for the quarter decreased by \$1.7 million compared to the fourth quarter of the prior year, primarily due to an unrealized loss of \$3.6 million in the current quarter on the Company's silver futures, compared to an unrealized loss on the Company's silver futures of \$0.1 million in the same quarter of the prior year. This was partially offset by interest income of \$2.2 million, compared to \$0.4 million in the same quarter of the prior year.
8. **Finance costs in the quarter** decreased by \$3.4 million compared to the fourth quarter of the prior year primarily due to a loss of \$4.6 million on the settlement of the Company's 2018 senior convertible notes, which was recorded in the fourth quarter of 2021. This was partially offset by an increase in the accretion expense for decommissioning liabilities resulting from changes in the asset retirement obligations as well as an increase in interest expense as a result of drawn down amounts from the revolving credit facility during the quarter.
9. During the quarter, the Company recorded an **income tax recovery** of \$14.6 million compared to an expense of \$23.9 million in the fourth quarter of 2021. The decrease in income tax expense was primarily due to an increase in the non-deductible expense, changes in valuations allowance, the foreign exchange impact on the Company's Mexican Peso denominated future income tax liability balances and timing differences on the deductibility of capital expenditures for tax and accounting purposes.
10. As a result of the foregoing, **net loss** for the quarter was \$16.8 million (EPS of (\$0.06)) compared to a net loss of \$4.0 million (EPS of (\$0.02)) in the same quarter of the prior year.

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

For the years ended December 31, 2022, 2021, and 2020 (in thousands of dollars, except for per share amounts):

	Annual 2022	Annual 2021	Annual 2020	Variance % 22 vs '21
Revenues	\$624,221	\$584,117	\$363,876	7% ⁽¹⁾
Mine operating costs				
Cost of sales	471,687	366,085	194,305	29%
Cost of sales - standby costs	—	—	10,112	0%
Depletion, depreciation and amortization	135,782	116,613	54,405	16%
	607,469	482,698	258,822	26%
Mine operating earnings	16,752	101,419	105,054	(83%)
General and administrative	36,372	27,063	24,855	34%
Share-based payments	13,958	12,290	8,255	14%
Reversal of impairment	(2,651)	—	—	(100%)
Acquisition costs	—	1,973	—	(100%)
Mine holding costs	11,930	12,056	21,583	(1%)
(Gain) loss on divestitures	(4,301)	—	3,685	(100%)
Foreign exchange loss (gain)	637	(1,165)	6,319	(155%)
Operating (loss) earnings	(39,193)	49,202	40,357	(180%)
Fair value adjustment on foreign currency derivatives	—	—	(982)	0%
Investment and other (loss) income	(1,888)	(2,948)	5,127	(36%)
Finance costs	(20,323)	(21,004)	(14,773)	(3%)
(Loss) earnings before income taxes	(61,404)	25,250	29,729	NM
Current income tax expense	56,250	49,283	9,966	14%
Deferred income tax recovery	(3,378)	(19,110)	(3,324)	(82%)
Income tax expense	52,872	30,173	6,642	75%
Net (loss) income for the year	(\$114,276)	(\$4,923)	\$23,087	NM ⁽¹¹⁾
(Loss) earnings per common share				
Basic and diluted	(\$0.43)	(\$0.02)	\$0.11	NM ⁽¹¹⁾

NM - Not meaningful

- Revenues** in the year ended December 31, 2022 increased \$40.1 million or 7% compared to the previous year, primarily attributed to:
 - \$115.7 million increase due to a 17% increase in payable silver equivalent ounces sold compared to the prior year. This was mainly attributed to increased production at Santa Elena due to a full year of commercial production at the Ermitaño mine which achieved commercial production in the fourth quarter of 2021.
Partially offset by:
 - \$76.0 million decrease due to an 11% decrease in realized silver price per ounce sold, which averaged \$22.49 compared to \$25.16 in the prior year.
- Cost of sales** in the year increased \$105.6 million or 29% compared to 2021 as a result of the following factors:
 - a \$56.0 million increase due to the addition of the Jerritt Canyon mine;
 - an increase of \$29.7 million at the Santa Elena mine due to the additional ore tonnage processed from the Ermitaño mine which was added in the fourth quarter of 2021;
 - \$3.1 million in abnormal costs that were incurred as a result of marginal ore material that was processed to keep the mill running at minimum feed requirements to perform mandated air compliance test work at the Jerritt Canyon Gold mine during the second quarter of 2022; and
 - an increase in consumables, materials, energy and other costs including insurance, lab work, and service costs, partially due to inflationary pressures during the year.

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3. **Depletion, depreciation and amortization** in the year increased \$19.2 million or 16% compared to the previous year primarily as a result of \$12.8 million increase from the Mexican operations due to an increase in throughput, higher mining interest and property plant and equipment balances during the year and a \$5.7 million increase from a full year of results from Jerritt Canyon Gold mine, compared to eight months in 2021.
4. **General and administrative expense** in the year increased \$9.3 million or 34% compared to the prior year, primarily attributed to an increase in legal and audit fees during the year, higher costs to support growth initiatives from the addition of Jerritt Canyon, as well as an increase in employee salaries due to a higher headcount and higher benefits including the annual incentive compensation. During the year, the Company has recorded non-recurring severance costs of \$2.7 million relating to restructuring efforts to optimize the workforce.
5. **Share based payments** in the year increased \$1.7 million primarily attributed to an increase in the fair value of the options granted, restricted and performance share units granted during the year as well as the introduction of the deferred share units compensation for the independent directors.
6. **Reversal of impairment** increased by \$2.7 million compared to the prior year, attributed to the announcement of the sale of the La Guitarra and La Parrilla mines in Mexico. At December 31, 2022, the sales were considered highly probable; therefore, the assets and liabilities were classified as assets and liabilities held-for-sale based on its recoverable amount, being its fair value less cost of disposal. During the year, the Company recorded a reversal of impairment loss related to the La Guitarra asset of \$12.3 million, offset by a \$9.6 million impairment loss related to La Parrilla, based on the recoverable amount implied by the purchase agreements.
7. **Acquisition costs** of \$2.0 million in 2021 relates to due diligence costs and closing fees incurred in connection with the acquisition of the Jerritt Canyon Gold mine which closed on April 30, 2021.
8. **Gain on sale of royalty portfolio** for the year increased by \$4.3 million compared to the prior year. This gain was related to the sale of a portfolio of royalty interests to Metalla, for total consideration of 4,168,056 Metalla shares with a fair value of \$21.5 million based on a share price of \$5.16 on the date of closing
9. During the year ended December 31, 2022, the Company recorded an **income tax expense** of \$52.9 million, compared to \$30.2 million in 2021. During the year, following the completion of tax audits, conclusive agreements with the SAT were signed by Corporación First Majestic S.A. de C.V. ("CFM") and First Majestic Plata S.A. de C.V. ("FMP") through Mexico's Office of the Taxpayer Ombudsman ("PRODECON") to settle an uncertain tax position concerning Mexican back-to-back loan provisions. The provisions were originally conceived from an anti-avoidance rule and a literal interpretation of the rules would convert most debt financing in Mexico into back-to-back loans. The back-to-back loan provisions establish that interest expense derived from back-to-back loans can be recharacterized as dividends resulting in significant changes to the tax treatment of interest, including withholding taxes. As a result of this recharacterization and in accordance with the conclusive agreement, CFM and FMP made one-time payments of approximately \$21.3 million and \$6.3 million in fiscal 2022 which have been recognized as current tax expense during the year. In addition to the payment made, CFM agreed to surrender certain tax loss carry forwards resulting in a deferred tax expense of approximately \$55.7 million.
10. As a result of the foregoing, **net loss** for the year ended December 31, 2022 was \$114.3 million (EPS of (\$0.43)), compared to the net loss of \$4.9 million (EPS of (\$0.02)) in the prior year.

SUMMARY OF QUARTERLY RESULTS

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

Selected Financial Information	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$148,189	\$159,751	\$159,443	\$156,838	\$204,876	\$124,646	\$154,073	\$100,522
Cost of sales	\$126,148	\$120,707	\$113,619	\$111,213	\$121,236	\$92,006	\$95,782	\$57,061
Depletion, depreciation and amortization	\$35,307	\$35,707	\$34,212	\$30,556	\$43,278	\$29,122	\$28,868	\$15,345
Mine operating (loss) earnings	(\$13,266)	\$3,337	\$11,612	\$15,069	\$40,362	\$3,518	\$29,423	\$28,116
Net (loss) earnings after tax	(\$16,819)	(\$20,692)	(\$84,050)	\$7,285	(\$3,971)	(\$18,406)	\$15,599	\$1,855
(Loss) earnings per share - basic	(\$0.06)	(\$0.08)	(\$0.32)	\$0.03	(\$0.02)	(\$0.07)	\$0.06	\$0.01
(Loss) earnings per share - diluted	(\$0.06)	(\$0.08)	(\$0.32)	\$0.03	(\$0.02)	(\$0.07)	\$0.06	\$0.01

During the fourth quarter of 2022, mine operating loss was \$13.3 million compared to earnings of \$3.3 million in the previous quarter primarily attributed to a decrease in payable silver equivalent ounces sold resulting from a 19% and 16% decrease in production at San Dimas and Santa Elena, respectively. This was partially offset by a higher realized silver price of \$23.24 compared to \$19.74 in the prior quarter. The net loss for the quarter was \$16.8 million compared to the net loss of \$20.7 million in the prior quarter primarily attributed a decrease in revenues of 7%, higher cost of sales of 5% and an impairment loss of \$4.9 million. This impairment loss was primarily attributed to the classification of La Parrilla as an asset-held-for sale during the quarter. Finally, there was an income tax recovery of \$14.6 million compared to an income tax expense of \$0.5 million in the previous quarter.

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

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at December 31, 2022, the Company had cash and cash equivalents of \$151.4 million, comprised primarily of cash held with reputable financial institutions and is invested in cash accounts and in highly liquid short-term investments with maturities of three months or less. With the exception of \$1.4 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, 2022 was \$202.9 million compared to \$224.4 million at December 31, 2021. Total available liquidity at December 31, 2022 was \$277.9 million, including working capital and \$75.0 million of undrawn revolving credit facility.

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

	Year Ended December 31,	
	2022	2021
Cash flow		
Cash generated by operating activities	\$18,988	\$68,723
Cash used in investing activities	(213,797)	(180,753)
Cash generated by financing activities	113,886	111,817
Decrease in cash and cash equivalents	(\$80,923)	(\$213)
Effect of exchange rate on cash and cash equivalents held in foreign currencies	(346)	(439)
Cash and cash equivalent reclassified as held for sale	(5,219)	—
Cash and cash equivalents, beginning of the year	237,926	238,578
Cash and cash equivalents, end of year	\$151,438	\$237,926

The Company's cash flows from operating, investing and financing activities during the year ended December 31, 2022 are summarized as follows:

Cash generated by operating activities of \$19.0 million, primarily due to:

- \$109.4 million in cash flows from operating activities before movements in working capital and taxes; net of:
- \$62.7 million in income taxes paid during the period; and
- \$27.7 million net change in non-cash working capital items during the period, including a \$22.7 million decrease in trade payables primarily due to the release of \$12.6 million held in escrow for the acquisition of Jerritt Canyon and annual profit sharing payments made in Mexico during the second quarter, \$4.4 million decrease in income taxes payable, a \$3.4 million increase in inventories, a \$0.9 million increase in trade and other receivables partially offset by a \$1.7 million decrease in value added tax ("VAT") receivables, and \$2.4 million decrease in restricted cash.

Cash used in investing activities of \$213.8 million, primarily related to:

- \$158.0 million spent on mine development and exploration activities;
- \$59.7 million spent on purchase of property, plant and equipment;
- \$1.7 million spent on the purchase of marketable securities;
- \$1.1 million spent on deposits on non-current assets;
- net of:
- \$4.0 million of net proceeds from the settlement of derivatives; and
- \$2.7 million of net proceeds from the disposal of marketable securities.

Cash provided by financing activities of \$113.9 million, primarily consists of the following:

- \$113.4 million of net proceeds from the issuance of shares through the ATM;
- \$50.0 million of proceeds from the revolving credit facility;
- \$4.7 million of net proceeds from the exercise of stock options;
- net of:
- \$30.0 million for repayments towards the revolving credit facility;
- \$13.5 million for repayment of lease obligations;
- \$6.9 million for the payment of dividends during the year; and
- \$3.2 million payment of financing costs.

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

During the year ended December 31, 2022, the Company received \$56.0 million (1,084.2 million MXN) related to value added tax filings. In connection with the Primero Empresa Minera, S.A. de C.V. ("PEM") tax ruling, the tax authority has frozen a PEM bank account with cumulative funds of \$79.1 million as a guarantee against certain disputed tax assessments which are currently held within the Company's restricted cash accounts. This balance consists of VAT refunds that the Company has received which were previously withheld by the tax authority. The Company does not agree with SAT's position and is challenging the freezing of the bank account through the relevant legal channels.

During the year, cash bonds held with the Nevada Division of Environmental Protection ("NDEP") and the US Forestry Service ("USFS") were replaced with surety bonds to fund ongoing reclamation and mine closure obligations, with a \$5 million letter of credit provided as collateral for these bonds (Note 21). These funds were previously classified as non-current restricted cash until returned to the Company by the NDEP and USFS. During the third quarter of 2022, the NDEP and USFS have returned the cash bonds totaling \$44.1 million and these amounts have been re-classified to cash and cash equivalents as at December 31, 2022. Additionally, 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 Jerriitt Canyon. During the year, the Company funded \$17.7 million into a trust; these amounts are included within non-current restricted cash as at December 31, 2022.

Reconciliation on Use of Proceeds from ATM Programs

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

During the year ended December 31, 2022, the Company sold 11,869,145 common shares under the ATM programs at an average price of \$9.80 per common share for gross proceeds of \$116.3 million, or net proceeds of \$113.4 million after costs. The use of proceeds from the amount raised in the current year is reconciled as follows:

Gross Proceeds:	\$116,325
Use of Proceeds:	
Mine development	60,779
General working capital:	
NDEP Trust for post-closure water treatment	17,600
Settlement of tax disputes	27,640
Other	4,437
Mine exploration	2,939
Offering expenses	2,930
	\$116,325

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 from time to time 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, 2022 and December 31, 2021, the Company was fully in compliance with these covenants.

Contractual Obligations and Commitments

As at December 31, 2022, the Company's contractual obligations and commitments are summarized as follows:

	Contractual Cash Flows	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$115,120	\$115,120	\$—	\$—	\$—
Debt facilities	254,838	1,847	22,955	230,036	—
Lease liabilities	41,896	13,966	21,337	5,668	925
Other liabilities	6,956	—	—	—	6,956
Purchase obligations and commitments	1,355	1,355	—	—	—
	\$420,165	\$132,288	\$44,292	\$235,704	\$7,881

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

At December 31, 2022, the Company had a working capital of \$202.9 million (2021 – \$224.4 million) and total available liquidity of \$277.9 million (2021 – \$274.4 million), including \$75.0 million (2021 – \$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, 2022, VAT receivable was \$44.9 million (December 31, 2021 – \$47.1 million), of which \$21.6 million (December 31, 2021 – \$22.2 million) relates to Minera La Encantada S.A. de C.V. ("MLE") and \$17.7 million (December 31, 2021 – \$22.0 million) relates to PEM.

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

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

Liquidity Risk

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

Currency Risk

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

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

							December 31, 2022
	Cash and cash equivalents	Restricted cash	Value added taxes receivable	Other financial assets	Trade and other payables	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	\$29,956	\$—	\$—	\$3,365	(\$1,887)	\$31,434	\$3,143
Mexican peso	24,036	79,126	41,152	—	(55,629)	88,685	8,869
	\$53,992	\$79,126	\$41,152	\$3,365	(\$57,516)	\$120,119	\$12,012

Commodity Price Risk

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

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

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

	December 31, 2022		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$2,630	\$859	\$3,489
	\$2,630	\$859	\$3,489

Political and Country Risk

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

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

Uncertainty in the Estimation of Mineral Resources and Mineral Reserves, and Metal Recovery

There is a degree of uncertainty attributable to the estimation of Mineral Resources and Mineral Reserves (as defined in the Canadian Institute of Mining's Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines and included by reference in the Canadian Securities Administrators' National Instrument 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, exchange rates assumptions used, underground stability conditions, the ability to maintain constant underground access to all working areas, geological variability, mining methods assumptions used and operating cost escalation. Any material change in the quantity of Mineral Reserves, Mineral Resources, grade or dimensions of the geological structures 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 estimated on the basis of economic factors at the time of calculation, including commodity prices and operating costs; 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 metal recoveries in small scale laboratory tests will be replicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue.

Public Health Crises

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

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

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

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

Environmental and Health and Safety Risks

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety. Environmental laws and regulations are complex and have tended to become more stringent over time. The Company is required to obtain governmental permits and

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

in some instances air, water quality, waste disposal, hazardous substances and mine reclamation rules and permits. Although the Company makes provisions for environmental compliance and 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 priorities, there can be no assurance that First Majestic has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially and adversely affect the Company's business, results of operations or financial condition.

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

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

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

Climate Related Risks

A number of governments have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If the current regulatory trend continues, this may result in increased costs at some or all of the Company's operations. In addition, the physical risks of climate change may also have an adverse effect on the Company's operations. These risks include the following:

- Changes in sea levels could affect ocean transportation and shipping facilities that are used to transport supplies, equipment and workforce and products from the Company's operations to world markets.
- Extreme weather events (such as prolonged drought, flooding or freezing conditions) have the potential to disrupt operations at the Company's mines and may require the Company to make additional expenditures to mitigate the impact of such events. Extended disruptions to supply lines could result in interruption to production.
- The Company's facilities depend on regular supplies of consumables (diesel, tires, sodium cyanide, etc.) and reagents to operate efficiently. In the event that the effects of climate change or extreme weather events cause prolonged disruption to the delivery of essential commodities, production levels at the Company's operations may be reduced.

There can be no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on the Company's operations and profitability.

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. Each of these matters is subject to various uncertainties and it is possible that some of these other matters may be resolved in a manner that is unfavourable to the Company which may result in a material adverse impact on the Company's financial performance, cash flow or results of operations. First Majestic carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated, however there can be no guarantee that the amount of such coverage is sufficient to protect against all potential liabilities. In addition, the Company may in the future be subjected to regulatory investigations or other proceedings and 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.

Title to Properties

The validity of mining or exploration titles or claims or rights, which constitute most of the Company's property holdings, can be uncertain and may be contested. The Company has used reasonable commercial efforts to investigate the Company's title or claim to its various properties, however, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties. Mining laws are continually developing and changes in such laws could materially impact the Company's rights to its various properties or interests therein. The Company has obtained title insurance for its Jerritt Canyon Mine but there is a risk that such insurance could be insufficient, or the Company could not be successful in any claim against its insurer. Accordingly, the Company may have little or no recourse as a result of any successful challenge to title to any of its properties. The Company's properties may be subject to prior unregistered liens, agreements or transfers, land claims or undetected title defects which may have a material adverse effect on the Company's ability to develop or exploit the properties.

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

Primero Tax Rulings

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

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

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

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

In 2019, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$253.4 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 \$139.7 million (2,723 million MXN) (collectively, the "Reassessments"). The Company believes that the Reassessments violate the terms of the APA. The major items in the Reassessments include determination of revenue based on silver spot market prices, denial of the deductibility of interest expense and service fees, SAT technical error related to double counting of taxes, and interest and penalties.

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

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

Domestic Remedies

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

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

The Company filed an appeal of the decision to the Mexican Circuit Courts on November 30, 2020. Since two writs of certiorari were filed before the Mexican Supreme Court of Justice, on April 15, 2021, the Plenary of the Supreme Court i) admitted one of those writs, ii) requested the Circuit Court to send the appeal file and iii) assigned such writ to the Second Chamber of the Supreme Court for issuing the corresponding decision. Both writs of certiorari were withdrawn in December 2022. The challenge filed by the Company has been returned to the Mexican Circuit Courts and a decision may be issued within the first quarter of 2023.

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

International Remedies

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

If the SAT's attempts to retroactively nullifying the APA are successful, the SAT can be expected to enforce its Reassessments for 2010 through 2014 against PEM in respect of its sales of silver pursuant to the Old Stream Agreement. Such an outcome would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. Should the Company ultimately be required to pay tax on its silver revenues based on spot market prices without any mitigating adjustments, the incremental income tax for the years 2010-2019 would be approximately \$257.3 million (4,995 million MXN), before taking into consideration interest or penalties.

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

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

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

La Encantada Tax Re-assessments

In December 2019, as part of the ongoing annual audits of the tax returns of Minera La Encantada S.A. de C.V. and Corporación First Majestic S.A. de C.V., the SAT issued tax assessments for fiscal 2013 for corporate income tax in the amount of \$4.9 million (95.5 million MXN) and \$15.6 million (302 million MXN), respectively including interest, inflation and penalties. In December 2022, the SAT issued tax assessments to Minera La Encantada, S.A. de C.V. for fiscal years 2014 and 2015 for corporate income tax in the amount of \$15.7 million (305.2 million MXN) and \$204.4 million (3,968.0 million MXN). The major items relate to forward silver purchase agreement and denial of the deductibility of mine development costs and service fees. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors believes MLE's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

Corporación First Majestic Back-to-Back Loans

In June 2022, following the completion of tax audits, conclusive agreements with the SAT were signed by Corporación First Majestic S.A. de C.V. ("CFM") and First Majestic Plata S.A. de C.V. ("FMP") through Mexico's Office of the Taxpayer Ombudsman ("PRODECON") to settle an uncertain tax position concerning Mexican back-to-back loan provisions. The provisions were originally conceived from an anti-avoidance rule and a literal interpretation of the rules would convert most debt financing in Mexico into back-to-back loans. The back-to-back loan provisions establish that interest expense derived from back-to-back loans can be recharacterized as dividends resulting in significant changes to the tax treatment of interest, including withholding taxes. As a result of this recharacterization and in accordance with the conclusive agreement, CFM and FMP made one-time payments of approximately \$21.3 million and \$6.3 million in fiscal 2022 which have been recognized as current tax expense during the year. In addition to the payment made, CFM agreed to surrender certain tax loss carry forwards resulting in a deferred tax expense of approximately \$55.7 million.

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. Although the Company is taking additional actions in Mexico and/or elsewhere to recover the balance, there can be no guarantee that the remainder of the judgment amount will be collected. Therefore, as at December 31, 2022, 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 10,000,000 of the Company's issued and outstanding shares. The normal course issuer bid will be carried out through the facilities of the Toronto Stock Exchange and alternative Canadian marketplaces. All common shares, if any, purchased pursuant to the Share Repurchase will be cancelled. The Company believes that from time to time, the market price of its common shares may not fully reflect the underlying value of the Company's business and its future business prospects. The Company believes that at such times, the purchase of common share would be in the best interest of the Company. During the year ended December 31, 2022, the Company repurchased an aggregate of 100,000 common shares at an average price of CDN \$8.52 per share as part of the Share Repurchase Program (December 2021 - nil) for total proceeds of \$0.7 million, net of transaction costs.

Off-Balance Sheet Arrangements

At December 31, 2022, the Company had no material off-balance sheet arrangements such as contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Company, other than contingent liabilities and vendor liability and interest, as disclosed in this MD&A and the consolidated financial statements and the related notes.

Related Party Disclosures

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

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

With the exception of the agreement with First Mining Gold Corp., there were no transactions with related parties outside of the ordinary course of business during the year ended December 31, 2022.

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

Outstanding Share Data

As at February 22, 2023, the Company has 274,369,973 common shares issued and outstanding.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to December 31, 2022:

Declaration of Quarterly Dividend

On February 23, 2023, the Company's board of directors approved the declaration of its quarterly common share dividend of \$0.0054 per share, payable on or after March 24, 2023, to common shareholders of record at the close of business on March 10, 2023. These dividends were declared subsequent to the year-end and have not been recognized as distributions to owners during the year ended December 31, 2022.

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

On July 20, 2022, the Company entered into an equity distribution agreement and filed prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company for aggregate gross proceeds of up to \$100.0 million. The sale of common shares is to be made through ATM distributions, as defined in Canadian Securities Administrator's National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. Subsequent to year-end, the Company sold a total of 1,719,634 common shares at an average price of \$8.76 per share, for gross proceeds of \$15.0 million. The Company completed distributions under the ATM on January 13, 2023.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

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

Assets and Liabilities Held-for-Sale:

Accounting Policy:

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

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

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

Significant estimates and judgements:

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

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.

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

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 IASB that were effective for annual periods that begin on or after January 1, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

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

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

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

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2022:

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective. Management does not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Group in future periods, except if indicated.

Classification of Liabilities as Current or Non-Current with Covenants (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.

In addition, the amendment requires entities to disclose information to enable users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are applied on or after the first annual reporting period beginning on or after January 1, 2024, with early application permitted. This amendment is not expected to have a material impact on the Company's financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 although earlier application is permitted. This amendment is not expected to have a material impact on the Company's financial statements.

NON-GAAP MEASURES

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

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

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

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

Cash costs per AgEq ounce and total production cost per tonne are non-GAAP 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."

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

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

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

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

(expressed in thousands of U.S. Dollars, except ounce and per ounce amounts)	Three Months Ended December 31, 2022				
	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$14,529	\$9,782	\$3,855	\$23,336	\$51,502
Milling cost	8,249	8,974	5,292	13,341	35,856
Indirect cost	11,401	4,923	3,004	5,218	24,546
Total production cost (A)	\$34,179	\$23,679	\$12,151	\$41,894	\$111,903
Add: transportation and other selling cost	326	207	139	14	743
Add: smelting and refining cost	330	72	173	26	601
Add: environmental duty and royalties cost	311	1,797	76	457	2,641
Total cash cost (B)	\$35,146	\$25,755	\$12,539	\$42,391	\$115,888
Workers' participation	8,522	(763)	(75)	—	7,684
General and administrative expenses	—	—	—	—	7,768
Share-based payments	—	—	—	—	2,845
Accretion of decommissioning liabilities	306	167	218	514	1,554
Sustaining capital expenditures	7,007	2,884	2,144	5,298	17,521
Operating lease payments	175	1,285	882	—	2,814
All-In Sustaining Costs (C)	\$51,156	\$29,328	\$15,708	\$48,203	\$156,074
Payable silver equivalent ounces produced (D)	3,046,462	2,299,400	810,165	1,387,134	7,543,161
Payable gold equivalent ounces produced (E)	N/A	N/A	N/A	16,827	N/A
Tonnes milled (F)	210,108	207,188	254,766	179,502	851,564
Cash cost per AgEq ounce (B/D)	\$11.54	\$11.20	\$15.48	\$30.56	\$15.36
AISC per AgEq ounce (C/D)	\$16.79	\$12.75	\$19.39	\$34.75	\$20.69
Cash cost per Au ounce (B/E)	N/A	N/A	N/A	\$2,519	N/A
AISC per Au ounce (C/E)	N/A	N/A	N/A	\$2,865	N/A
Production cost per tonne (A/F)	\$162.68	\$114.29	\$47.69	\$233.39	\$131.41

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

(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 Au ounce (B/E)	N/A	N/A	N/A	\$1,674	N/A
AISC per Au 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

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

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

	Year Ended December 31, 2022				
	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$48,032	\$43,382	\$14,363	\$93,302	\$199,080
Milling cost	30,753	34,605	19,835	51,339	136,533
Indirect cost	43,899	19,982	11,948	20,918	96,747
Total production cost (A)	\$122,684	\$97,970	\$46,146	\$165,559	\$432,359
Add: transportation and other selling cost	1,212	780	480	102	2,788
Add: smelting and refining cost	1,483	396	664	87	2,630
Add: environmental duty and royalties cost	1,380	6,689	339	2,656	11,064
Total cash cost (B)	\$126,759	\$105,835	\$47,629	\$168,404	\$448,841
Workers' participation	16,106	1,978	(819)	—	17,265
General and administrative expenses	—	—	—	—	34,743
Share-based payments	—	—	—	—	13,958
Accretion of decommissioning liabilities	1,190	649	847	2,054	6,102
Sustaining capital expenditures	33,252	13,801	6,499	28,525	83,853
Operating lease payments	585	5,369	3,355	—	10,911
All-In Sustaining Costs (C)	\$177,892	\$127,632	\$57,511	\$198,983	\$615,673
Payable silver equivalent ounces produced (D)	12,927,243	9,133,062	3,112,363	6,016,478	31,189,146
Payable gold equivalent ounces produced (E)	N/A	N/A	N/A	72,411	N/A
Tonnes milled (F)	787,636	851,973	1,025,172	804,206	3,468,987
Cash cost per AgEq ounce (B/D)	\$9.81	\$11.59	\$15.30	\$27.99	\$14.39
AISC per AgEq ounce (C/D)	\$13.76	\$13.97	\$18.48	\$33.07	\$19.74
Cash cost per Au ounce (B/E)	N/A	N/A	N/A	\$2,326	N/A
AISC per Au ounce (C/E)	N/A	N/A	N/A	\$2,748	N/A
Production cost per tonne (A/F)	\$155.76	\$114.99	\$45.01	\$205.87	\$124.64

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

(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	879,060	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	\$18.84
Cash cost per Au ounce (B/E)	N/A	N/A	N/A	\$1,624	N/A
AISC per Au ounce (C/E)	N/A	N/A	N/A	\$2,048	N/A
Production cost per tonne (A/F)	\$142.00	\$85.15	\$42.25	\$172.20	\$102.77

Average Realized Silver Price per Silver Equivalent Ounce

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

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

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Revenues as reported	\$148,189	\$204,876	\$624,222	\$584,117
Add back: smelting and refining charges	600	1,179	2,629	3,108
Gross revenues	148,789	206,055	626,851	587,225
Less: Sandstorm gold revenues	(220)	(461)	(1,148)	(2,489)
Less: Wheaton gold revenues	(6,832)	(9,385)	(26,053)	(29,612)
Gross revenues, excluding Sandstorm, Wheaton (A)	\$141,737	\$196,208	\$599,649	\$555,124
Payable silver equivalent ounces sold	7,007,210	9,378,637	30,320,473	25,954,222
Less: Payable silver equivalent ounces sold to Sandstorm	(35,385)	(74,554)	(200,509)	(382,659)
Less: Payable silver equivalent ounces sold to Wheaton	(873,498)	(1,189,362)	(3,462,825)	(3,511,128)
Payable silver equivalent ounces sold, excluding Sandstorm and Wheaton (B)	6,098,326	8,114,720	26,657,138	22,060,435
Average realized silver price per silver equivalent ounce (A/B)	\$23.24	\$24.18	\$22.49	\$25.16
Average market price per ounce of silver per COMEX	\$21.29	\$23.35	\$21.80	\$25.15

Average Realized Gold Price per Ounce

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

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Gross revenue, excluding Sandstorm, Wheaton	\$141,737	\$196,208	\$599,649	\$555,124
Less: Silver revenues	56,119	105,387	237,107	307,302
Gross gold revenues, excluding Sandstorm, Wheaton (A)	\$85,618	\$90,822	\$362,541	\$247,822
Gold ounces sold	59,511	65,229	246,265	190,450
Less: Gold ounces sold to Wheaton	10,943	15,182	41,841	48,015
Less: Gold ounces sold to Sandstorm	465	985	2,433	5,327
Gold ounces sold, excluding Sandstorm and Wheaton (B)	48,103	49,062	201,991	137,108
Average realized gold price per ounce (A/B)	\$1,780	\$1,851	\$1,795	\$1,807
Average market price per ounce of gold	\$1,731	\$1,795	\$1,801	\$1,784

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

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

Directors and investors evaluate a Company's ability to generate liquidity from operating activities.

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Operating cash flows	(\$14,758)	\$89,812	\$18,988	\$68,723
Less: Sustaining capital expenditures	17,521	23,387	83,853	85,664
Free cash flow	(\$32,279)	\$66,425	(\$64,865)	(\$16,941)

Adjusted Earnings per Share ("Adjusted EPS")

The Company uses the financial measure "Adjusted EPS" which is a non-GAAP measure, to supplement earnings per share (GAAP) information in its condensed interim consolidated financial statements. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information to evaluate the Company's performance.

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

Adjusted earnings per share is used for forecasting, operational and strategic decision making, evaluating current Company and management performance, and calculating financial covenants. Management believes that excluding certain non-cash and non-recurring items from the calculation increases comparability of the metric from period to period, which makes it useful for management, the audit committee and investors, to evaluate the underlying core operations. The presentation of Adjusted EPS is not meant to be a substitute for EPS presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measure.

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

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

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net (loss) as reported	(\$16,819)	(\$3,971)	(\$114,276)	(\$4,923)
Adjustments for non-cash or unusual items:				
Tax settlement	6,300	—	24,033	—
Impairment (impairment reversal)	4,934	—	(2,651)	—
Deferred income tax (recovery) expense	(19,681)	156	(3,378)	(19,110)
Share-based payments	2,845	2,859	13,958	12,290
Loss (gain) from investment in marketable securities	(425)	(776)	3,865	1,522
Abnormal costs ⁽¹⁾	436	—	3,553	—
Write-down on assets held-for-sale	—	—	—	2,081
Write-down of mineral inventory	9,314	1,164	23,767	7,479
Acquisition costs	—	23	—	1,973
Loss on early settlement of senior convertible notes	—	4,642	—	4,642
Gain on divestiture of exploration projects	(4,301)	—	(4,301)	—
Adjusted net (loss) earnings	(\$17,397)	\$4,097	(\$55,430)	\$5,954
Weighted average number of shares on issue - basic	266,673,994	256,805,023	263,122,252	244,749,772
Adjusted EPS	(\$0.07)	\$0.02	(\$0.21)	\$0.02

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

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

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, 2022	December 31, 2021
Current Assets	\$370,289	\$397,207
Less: Current Liabilities	(167,399)	(172,822)
Working Capital	\$202,890	\$224,385
Available Undrawn Revolving Credit Facility	75,000	50,000
Available Liquidity	\$277,890	\$274,385

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

The Company's management, with the participation of its President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that, as of December 31, 2022, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

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

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

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

The Company's management evaluated the effectiveness of our internal controls over financial reporting based upon the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation, our CEO and CFO concluded that our internal controls over financial reporting was effective as of December 31, 2022. There have been no significant changes in our internal controls during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

The Company's independent registered public accounting firm, Deloitte LLP, have audited these Consolidated Annual Financial Statements and have issued an attestation report dated February 22, 2023 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.

Limitations of Controls and Procedures

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

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

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; interpretation of drill results and other technical data; anticipated development, expansion, exploration activities and production rates and mine plans and mine life; 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; anticipated reclamation and decommissioning activities; conversion of mineral resources to proven and probable mineral reserves; 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; completion of the sale of the Company's La Parrilla and La Guitarra mines; payment of dividends; statements with respect to the recovery of value added tax receivables and the tax regime in México; the conduct or outcome of outstanding litigation, regulatory proceedings, negotiations or proceedings under NAFTA or other claims; expectations regarding the continuing effect of the COVID-19 pandemic on the Company's operations, the global economy and the market for the Company's products. 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 forecasts of future results, estimates of amounts not yet determinable and assumptions of management made in light of management's experience and perception of historical trends, current conditions and expected future developments 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, 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 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 materially from the requirements of United States securities laws applicable to U.S. companies. Information concerning our mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of the United States Securities and Exchange Commission (the "SEC") applicable to domestic United States issuers. Accordingly, the disclosure in this Management's Discussion and Analysis regarding our mineral properties is not comparable to the disclosure of United States issuers subject to the SEC's mining disclosure requirements.

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, 2022, is available on SEDAR at www.sedar.com and on the Company's website at www.firstmajestic.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS AND OFFICERS

Keith Neumeyer

President, Chief Executive Officer & Director

🐦 @keith_neumeyer

Steven Holmes, MBA, BSc, MEng.

Chief Operating Officer

David Soares, CPA, CA

Chief Financial Officer

Sophie Hsia, LL.B., B.C.L., LL.M.

General Counsel

Connie Lillico, BA

Corporate Secretary

Marjorie Co, B.Sc., LLB, MBA ^{1,3,4}

Director

Ana Lopez, BA Hons, LLB, CPHR, CEC ²

Director

Thomas Fudge Jr., P.E., P.Eng. (ret) ^{2,3}

Chairman & Director

Jean des Rivières, P.Geo, M.Sc.A, B.Sc. ^{1,2,3,4}

Director

Colette Rustad, B.Comm, CPA, CA ¹

Director

Raymond Polman, B.Sc., CPA, CA

Director

1. Audit Committee
2. Compensation Committee
3. Corporate Governance and Nominating Committee
4. Environmental, Social, Health & Safety

ANNUAL GENERAL MEETING

The Sutton Place Hotel

845 Burrard St.

Vancouver, BC V6Z 2K6

Date: Thursday, May 25, 2022

Time: 10:00 am Pacific Standard Time

MARKET INFORMATION TRADING SYMBOLS

TSX: FR

NYSE: AG

FSE: FMV

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Independent Auditors

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