FIRST MAJESTIC
SILVER CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)

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FIRST MAJESTIC
SILVER CORP.

Management's Responsibilities over Financial Reporting

The condensed interim consolidated financial statements of First Majestic Silver Corp. (the "Company") are the responsibility of the Company's management. The condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard 34, *"Interim Financial Reporting"*, as issued by the International Accounting Standards Board and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the condensed interim consolidated financial statements prior to their submission to the Board of Directors for approval.

The condensed interim consolidated financial statements have not been audited.

Keith Neumeyer	Raymond Polman, CPA, CA
President & CEO	Chief Financial Officer
November 7, 2018	November 7, 2018

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 and 2017

Condensed Interim Consolidated Financial Statements - Unaudited (In thousands of US dollars, except share and per share amounts)

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	**2018**	**2017**	**2018**	**2017**
Revenues	6	**$88,521**	**$61,901**	**$226,801**	**$191,123**
Mine operating costs					
Cost of sales	7	63,966	40,290	162,932	119,956
Depletion, depreciation and amortization		24,701	18,436	66,742	56,591
		88,667	**58,726**	229,674	176,547
Mine operating (loss) earnings		**(146)**	**3,175**	**(2,873)**	**14,576**
General and administrative expenses	8	5,417	4,521	15,486	13,541
Share-based payments		1,669	1,985	6,432	6,445
Impairment of non-current assets	17	—	—	31,660	—
Mine care and maintenance costs	17	1,473	—	1,473	—
Acquisition costs	4	—	—	4,877	—
Foreign exchange (gain) loss		(2,391)	(2,432)	190	(3,507)
Operating loss		**(6,314)**	**(899)**	**(62,991)**	**(1,903)**
Investment and other (loss) income	9	(1,418)	625	(1,839)	(299)
Finance costs	10	(3,390)	(1,033)	(9,648)	(3,219)
Loss before income taxes		**(11,122)**	**(1,307)**	**(74,478)**	**(5,421)**
Income taxes					
Current income tax (recovery) expense		(950)	590	1,424	3,035
Deferred income tax recovery		(16,076)	(577)	(36,181)	(11,268)
		(17,026)	13	(34,757)	(8,233)
Net earnings (loss) for the period		**$5,904**	**($1,320)**	**($39,721)**	**$2,812**
Earnings (loss) per common share					
Basic	11	**$0.03**	**($0.01)**	**($0.22)**	**$0.02**
Diluted	11	**$0.03**	**($0.01)**	**($0.22)**	**$0.02**
Weighted average shares outstanding					
Basic	11	**193,570,469**	**165,504,932**	**180,273,849**	**165,148,690**
Diluted	11	**194,595,224**	**165,504,932**	**180,273,849**	**167,277,172**

Approved by the Board of Directors

Keith Neumeyer, Director

Douglas Penrose, Director

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

Condensed Interim Consolidated Financial Statements - Unaudited (In thousands of US dollars)

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

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Net earnings (loss) for the period		**$5,904**	**($1,320)**	**($39,721)**	**$2,812**
Other comprehensive loss					
Items that will not be subsequently reclassified to profit or loss:					
Unrealized loss on fair value of investments in marketable securities	14	(38)	(265)	(736)	(575)
Other comprehensive loss		(38)	(265)	(736)	(575)
Total comprehensive income (loss)		**$5,866**	**($1,585)**	**($40,457)**	**$2,237**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 and 2017

Condensed Interim Consolidated Financial Statements - Unaudited (In thousands of US dollars)

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	2018	2017	2018	2017
Operating Activities					
Net earnings (loss) for the period		$5,904	($1,320)	($39,721)	$2,812
Adjustments for:					
Depletion, depreciation and amortization		24,857	18,703	67,255	57,355
Share-based payments		1,669	1,985	6,432	6,445
Impairment of non-current assets	17	—	—	31,660	—
Income tax (recovery) expense		(17,026)	13	(34,757)	(8,233)
Finance costs	10	3,390	1,033	9,648	3,219
Acquisition costs	4	—	—	4,877	—
Other	23	1,905	(2,727)	5,176	684
Operating cash flows before movements in working capital and taxes		**20,699**	**17,687**	**50,570**	**62,282**
Net change in non-cash working capital items	23	(19,363)	(2,289)	(27,386)	(5,429)
Income taxes paid		(1,106)	(20)	(6,252)	(5,956)
Cash generated by operating activities		**230**	**15,378**	**16,932**	**50,897**
Investing Activities					
Expenditures on mining interests		(24,720)	(16,056)	(58,971)	(39,654)
Acquisition of property, plant and equipment		(9,233)	(5,863)	(24,136)	(16,609)
Deposits paid for acquisition of non-current assets		(4)	(303)	(2,154)	(544)
Primero acquisition costs, net of cash acquired	4	—	—	(1,006)	—
Cash used in investing activities		**(33,957)**	**(22,222)**	**(86,267)**	**(56,807)**
Financing Activities					
Proceeds from exercise of stock options		786	1,839	2,672	5,008
Net proceeds from convertible debentures	19(a)	—	—	151,079	—
Net proceeds from debt facilities	19(b)	—	—	34,006	—
Repayment of debt facilities	19(b)	—	—	(16,000)	—
Repayment of Scotia debt facilities	19(c)	—	(3,182)	(32,072)	(9,545)
Repayment of Primero's debt facilities	19(d)	—	—	(106,110)	—
Proceeds from equipment financing obligations	20(b)	—	3,064	—	6,030
Repayment of equipment financing obligations	20(b)	(1,500)	(1,851)	(3,456)	(5,518)
Finance costs paid		(2,685)	(836)	(3,979)	(2,205)
Shares repurchased and cancelled	21(d)	(62)	—	(1,386)	—
Cash provided by (used in) financing activities		**(3,461)**	**(966)**	**24,754**	**(6,230)**
Effect of exchange rate on cash and cash equivalents held in foreign currencies		332	1,705	(1,188)	3,885
Decrease in cash and cash equivalents		**(37,188)**	**(7,810)**	**(44,581)**	**(12,140)**
Cash and cash equivalents, beginning of the period		109,228	126,899	118,141	129,049
Cash and cash equivalents, end of period		**$72,372**	**$120,794**	**$72,372**	**$120,794**
Cash		$39,469	$79,993	$39,469	$79,993
Short-term investments		32,903	40,801	32,903	40,801
Cash and cash equivalents, end of period		**$72,372**	**$120,794**	**$72,372**	**$120,794**
Supplemental cash flow information	23				

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

Condensed Interim Consolidated Financial Statements - Unaudited (In thousands of US dollars)

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

	Note	September 30, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		$72,372	$118,141
Trade and other receivables	12	6,977	5,378
Value added taxes receivable	22(c)	61,754	14,984
Income taxes receivable		—	493
Inventories	13	28,735	18,858
Other financial assets	14	8,670	11,326
Prepaid expenses and other		2,931	1,478
Total current assets		**181,439**	**170,658**
Non-current assets			
Mining interests	15	547,114	374,146
Property, plant and equipment	16	302,744	192,052
Deposits on non-current assets		2,653	869
Non-current income taxes receivable	24	19,730	—
Deferred tax assets		58,517	43,716
Total assets		**$1,112,197**	**$781,441**
Liabilities and Equity			
Current liabilities			
Trade and other payables	18	$49,611	$35,567
Unearned revenue	6	602	2,190
Current portion of debt facilities	19	427	12,464
Current portion of equipment financing obligations	20	2,828	4,154
Income taxes payable		152	—
Total current liabilities		**53,620**	**54,375**
Non-current liabilities			
Debt facilities	19	146,677	19,305
Equipment financing obligations	20	3,017	5,151
Decommissioning liabilities		22,146	16,076
Other liabilities		5,052	655
Deferred tax liabilities		125,316	103,394
Total liabilities		**$355,828**	**$198,956**
Equity			
Share capital		826,549	636,672
Equity reserves		86,456	62,303
Accumulated deficit		(156,636)	(116,490)
Total equity		**$756,369**	**$582,485**
Total liabilities and equity		**$1,112,197**	**$781,441**

Commitments (Note 15; Note 22(c))

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

Condensed Interim Consolidated Financial Statements - Unaudited (In thousands of US dollars, except share and per share amounts)

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

	Share Capital		Equity Reserves					
	Shares	Amount	Share-based payments[a]	Other comprehensive income[b]	Equity component of convertible debenture[c]	Total equity reserves	Retained earnings (Accumulated deficit)	Total equity
Balance at December 31, 2016	**164,461,567**	**$628,565**	**$58,879**	**($2,525)**	**$—**	**$56,354**	**($63,218)**	**$621,701**
Net earnings for the period	—	—	—	—	—	—	2,812	2,812
Other comprehensive loss	—	—	—	(575)	—	(575)	—	(575)
Total comprehensive income	**—**	**—**	**—**	**(575)**	**—**	**(575)**	**2,812**	**2,237**
Share-based payments	—	—	6,445	—	—	6,445	—	6,445
Shares issued for:								
Exercise of stock options (Note 21(b))	1,136,581	6,629	(1,621)	—	—	(1,621)	—	5,008
Balance at September 30, 2017	**165,668,539**	**$635,694**	**$63,703**	**($3,100)**	**$—**	**$60,603**	**($60,406)**	**$635,891**
Balance at December 31, 2017	**165,824,164**	**$636,672**	**$65,307**	**($3,004)**	**$—**	**$62,303**	**($116,490)**	**$582,485**
Net loss for the period	—	—	—	—	—	—	(39,721)	(39,721)
Other comprehensive loss	—	—	—	(736)	—	(736)	—	(736)
Total comprehensive loss	**—**	**—**	**—**	**(736)**	**—**	**(736)**	**(39,721)**	**(40,457)**
Share-based payments	—	—	6,432	—	—	6,432	—	6,432
Equity component of convertible debenture, net of tax (Note 19(c))	—	—	—	—	19,164	19,164	—	19,164
Shares issued for:								
Exercise of stock options (Note 21(b))	660,385	3,379	(707)	—	—	(707)	—	2,672
Acquisition of Primero (Note 4)	27,333,184	186,959	—	—	—	—	—	186,959
Settlement of liabilities	92,110	500	—	—	—	—	—	500
Shares repurchased and cancelled (Note 21(d))	(230,000)	(899)	—	—	—	—	(390)	(1,289)
Shares repurchased for delisting from Bolsa (Note 21(e))	(14,343)	(62)	—	—	—	—	(35)	(97)
Balance at September 30, 2018	**193,665,500**	**$826,549**	**$71,032**	**($3,740)**	**$19,164**	**$86,456**	**($156,636)**	**$756,369**

(a) Share-based payments reserve records the cumulative amount recognized under IFRS 2 share-based payments in respect of options granted and shares purchase warrants issued but not exercised to acquire shares of the Company.

(b) Other comprehensive income reserve principally records the unrealized fair value gains or losses related to fair value through other comprehensive income ("FVTOCI") financial instruments.

(c) Equity component of convertible debenture reserve represents the estimated fair value of its conversion option of $26.3 million, net of deferred tax effect of $7.1 million. This amount is not subsequently remeasured and will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance will remain in equity reserves.

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

1. NATURE OF OPERATIONS

First Majestic Silver Corp. (the "Company" or "First Majestic") is in the business of silver production, development, exploration, and acquisition of mineral properties with a focus on silver production in Mexico.

With the addition of the San Dimas Silver/Gold Mine on May 10, 2018 (Note 4), the Company owns and operates six producing mines: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine, the La Encantada Silver Mine, the La Parrilla Silver Mine, the Del Toro Silver Mine and the San Martin Silver Mine.

In August 2018, the Company placed the La Guitarra Silver Mine under care and maintenance and is currently reviewing strategic options including the potential sale of the operation.

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

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *"Interim Financial Reporting",* and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2017, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These condensed interim consolidated financial statements have been prepared on an historical cost basis except for certain items that are measured at fair value including derivative financial instruments (Note 22(a)) and marketable securities (Note 14). All dollar amounts presented are in thousands of United States dollars unless otherwise specified.

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances, transactions, income and expenses are eliminated on consolidation.

These condensed interim consolidated financial statements were prepared using accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended December 31, 2017, except for the following:

Financial Instruments

On January 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9") which replaced IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") using the modified retrospective approach. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and provides a revised model for recognition and measurement of financial instruments; a single, forward-looking expected loss impairment model; and includes significant changes to hedge accounting. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities except for equity securities as described below. The standard also had negligible impact on the carrying amounts of our financial instruments at the transition date.

The following summarizes the significant changes in IFRS 9 compared to the previous standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The change did not impact the carrying amounts of any of our financial assets on transition date. Upon adoption of IFRS 9, the Company designated its marketable securities previously designated as available-for-sale ("AFS") as financial assets at fair value through other comprehensive income ("FVTOCI"), where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be transferred into earnings (loss) upon disposition. This did not impact the Company's financial statements as at the date of adoption.

2. BASIS OF PRESENTATION (continued)

Financial Instruments (continued)

However, as a result of this designation, the net change in fair value of the marketable securities classified at FVTOCI, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to net earnings. The Company's investments in marketable securities previously classified as held for trading continue to be measured at fair value with changes in fair value recognized in profit and loss ("FVTPL").

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had a negligible impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings and the negligible historical level of customer default.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms previously available under IAS 39. Under IFRS 9 however, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an "economic relationship" and retrospective assessment of hedge effectiveness is no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. The Company did not have any hedges in place as at December 31, 2017 and has not designated any of its financial instruments as hedges upon adoption of IFRS 9.

The Company has also adopted a narrow scope amendment to IFRS 7 - *Financial Instruments - Disclosures*. As a result of applying the amendment, the Company will add disclosure relating to its risk management strategies if hedge accounting is applied in its consolidated financial statements for the year ended December 31, 2018.

Revenue Recognition

On January 1, 2018, the Company adopted IFRS 15 - *"Revenue from Contracts with Customers"* ("IFRS 15") which supersedes IAS 18 - "*Revenue"* ("IAS 18"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard on January 1, 2018 using the full retrospective approach without applying any practical expedients.

IFRS 15 requires entities to recognize revenue when control of goods or services transfers to the customer whereas the previous standard, IAS 18, required entities to recognize revenue when the risks and rewards of the goods or services transfer to the customer. The Company concluded there is no change in the timing of revenue recognition of its doré and concentrate sales under IFRS 15 compared to the previous standard as the point of transfer of risks and rewards of goods and services and transfer of control occur at the same time. Therefore, no adjustment was required to the Company's financial statements.

In addition, IFRS 15 requires entities to apportion the transaction price attributable to contracts from customers to distinct performance obligations on a relative standalone selling price basis. In accordance with the terms of some of the Company's concentrate agreements, the Company must contract for and pay the shipping and insurance costs necessary to bring the goods to the named destination. Therefore a portion of the revenue earned under these contracts, representing the obligation to fulfill the shipping and insurance services that occur after the transfer of control, is deferred and recognized over time as the obligations are fulfilled. The impact of this change was insignificant to the Company's financial statements.

IFRS 15 also requires that variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company concluded that the adjustments relating to the final assay results for the quantity and quality of concentrate sold are not significant and does not constrain the recognition of revenue.

IFRS 15 contains presentation and disclosure requirements which are more detailed than the previous standards, including disclosures for each of the Company's material revenue streams, the timing of completion of the Company's performance obligations and the portion of revenue related to provisional pricing adjustments on concentrate sales. These disclosures were included in the revenue note disclosure (Note 6).

2. BASIS OF PRESENTATION (continued)

Other narrow scope amendments/interpretations

The Company has adopted narrow scope amendments/interpretations to IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*, IFRS 2 - *Share Based Payments* and IAS 1 - *Presentation of Financial Statements*, which did not have an impact on the Company's Condensed Interim Consolidated Financial Statements.

Future Changes in Accounting Policies Not Yet Effective as at September 30, 2018

Leases

In January 2016, the IASB published a new accounting standard, IFRS 16 - Leases ("IFRS 16") which supersedes IAS 17 - Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, has also been applied. Upon the adoption of IFRS 16, the Company expects to record a material balance of lease assets and associated lease liabilities related to leases with a term of 12 months or more previously classified as operating leases on the Consolidated Statements of Financial Position at January 1, 2019. Due to the recognition of additional lease assets and liabilities, a higher amount of depreciation expense and interest expense on lease liabilities will be recorded under IFRS 16 compared to the current standard. Additionally, a corresponding reduction in production costs is expected. Lastly, the Company expects a positive impact on operating cash flows with a corresponding increase in financing cash outflows under IFRS 16. The Company has not quantified these impacts at this time.

These condensed interim consolidated financial statements of First Majestic for the three and nine months ended September 30, 2018 and 2017 were approved and authorized for issue by the Board of Directors on November 7, 2018.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS

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

In preparing the Company’s unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018, the Company applied the critical judgments and estimates disclosed in note 3 of its audited consolidated financial statements for the year ended December 31, 2017 and the following critical judgments and estimates in applying accounting policies:

Critical Judgments and Estimates

Fair Value Estimates in the Acquisition of Primero

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

1. The identifiable assets acquired and liabilities assumed;
2. The consideration transferred in exchange for an interest in the acquiree;
3. 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.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS (continued)

Fair Value Estimates in the Acquisition of Primero (continued)

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.

As at September 30, 2018, the purchase consideration for the acquisition of Primero Mining Corp. ("Primero") has been allocated on a preliminary basis based on management's best estimates at the time these interim consolidated financial statements were prepared. The Company is continuing its review to determine the fair value of mining interests, the recoverability of value added tax receivables that are in arrears (see Note 12) and the outcome of the APA Ruling (see Note 24) during the allowable measurement period, which shall not exceed one year from the acquisition date. Any future changes to the purchase price allocation may result in adjustments to recognized assets, acquired liabilities and/or goodwill.

Consideration for the Acquisition of Primero

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.

In determining the total consideration for the acquisition of Primero, the Company included consideration issued to Wheaton Precious Metals Corp. ("WPM") on the basis that WPM is, in substance, an owner of Primero given the following:

- The requirement of consent by WPM to a change in control for Primero;
- WPM was a guarantor of certain of Primero's debt facilities and also guarantees through the previous stream agreement which would have resulted in WPM having a significant interest in the residual assets of Primero in the event of a bankruptcy or default; and
- The plan of arrangement for the acquisition of Primero was contemplated together and neither transactions would have been economical without considering the other.

Therefore, management included consideration issued to WPM for the restructuring of the New Stream as part of the consideration for the business combination.

Revenue recognition as a result of adopting IFRS 15

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 doré and concentrates. Shipping and insurance services arranged by the Company for its concentrate sales customers that occur after the transfer of control are also considered to be performance obligations.

Transfer of control

Judgment is required to determine when transfer of control occurs relating to the sale of the Company's doré and concentrate to its customers. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of receipt of payment, and whether the physical possession of the goods, significant risks and rewards and legal title have been transferred to the customer.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS (continued)

Revenue recognition as a result of adopting IFRS 15 (continued)

Variable consideration

Variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company identified a variable component in the sales proceeds it receives from its concentrate sales relating to adjustments to the final sales price based on differences between the original and final assay results relating to the quantity and quality of concentrate shipments. The Company applied judgment to determine the amount of variable consideration to be recognized during the period for which the likelihood of significant reversal is low.

Based on the Company's proficiency in its assaying process, evidenced by the insignificant amount of historical adjustments from the initial to final assays, the Company concluded the variability in consideration caused by assaying results is negligible. Therefore, the Company does not expect a significant amount of reversal in revenue related to assaying differences.

4. ACQUISITION OF PRIMERO MINING CORP.

Description of the Transaction

On May 10, 2018, First Majestic completed the acquisition of all of the issued and outstanding common shares (the "Arrangement") of Primero Mining Corp. pursuant to the terms and conditions of an arrangement agreement (the “Arrangement Agreement”) between First Majestic and Primero dated January 11, 2018. Under the terms of the Arrangement Agreement, First Majestic issued an aggregate of 6,418,594 common shares to Primero shareholders, on the basis of 0.03325 of a First Majestic common share for each Primero common share (the "Exchange Ratio").

The Arrangement also provided for the issuance by First Majestic of an aggregate of 221,908 replacement stock options (the "Replacement Options") to the holders of outstanding Primero stock options, at exercise prices adjusted by the Exchange Ratio. Under the Arrangement, all existing warrants of Primero also became exercisable to acquire First Majestic shares at exercise prices adjusted by the Exchange Ratio ("Replacement Warrants"). After the effective date of the Arrangement, such warrants are exercisable for an aggregate of 366,124 common shares of the Company. The fair value of the Replacement Options and Replacement Warrants, determined using a Black-Scholes valuation model, resulted in a nominal value as the exercise prices of the options and warrants are significantly out-of-the-money based on the Exchange Ratio and underlying share price.

With this transaction, First Majestic added the San Dimas Silver/Gold Mine as the Company’s seventh producing asset in Mexico. San Dimas is an operating silver-gold mine, located approximately 130 km northwest of Durango, Durango State, Mexico. The mine is accessible via a 40 minute flight from Durango to the mine’s airstrip. The operation consists of an underground mine with a 2,500 tpd milling capacity.

Concurrently and in connection and as part of the Arrangement, First Majestic terminated the pre-existing silver purchase agreement with Wheaton Precious Metals Corp. and its subsidiary, Wheaton Precious Metals International Ltd. (“WPMI”), relating to the San Dimas Mine and entered into a new precious metal purchase agreement (the “New Stream Agreement”) with WPMI and FM Metal Trading (Barbados) Inc., a wholly-owned subsidiary of First Majestic. Pursuant to the New Stream Agreement, WPMI is entitled 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 ounce delivered under the New Stream Agreement. As part of the restructuring of the stream agreement, WPMI received 20,914,590 common shares of First Majestic with an aggregate fair market value of approximately $143.1 million based on the closing price of First Majestic common shares on May 9, 2018 of $6.84. The final common share purchase consideration was determined based on the closing market price of First Majestic’s common shares on the day before the closing date of the Arrangement.

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4. ACQUISITION OF PRIMERO MINING CORP. (continued)

Management has concluded that Primero constitutes a business and, therefore, the acquisition is accounted for in accordance with IFRS 3 - Business Combinations. For the purpose of these consolidated financial statements, the purchase consideration has been allocated on a preliminary basis based on management's best estimates at the time these interim consolidated financial statements were prepared. The Company is continuing its review to determine the recoverability of value added tax receivables that are in arrears (see Note 12) and the outcome of the APA Ruling (see Note 24) during the allowable measurement period, which shall not exceed one year from the acquisition date. Any future changes to the purchase price allocation may result in adjustments to mining interests.

Consideration and Purchase Price Allocation

Total consideration for the acquisition was valued at $187.0 million on the acquisition date. The preliminary purchase price allocation, which is subject to final adjustments, is estimated as follows:

Total Consideration		
6,418,594 First Majestic shares to Primero shareholders at $6.84 (CAD$8.80) per share	$	43,903
20,914,590 First Majestic shares to WPM at $6.84 (CAD$8.80) per share		143,056
	$	**186,959**

Allocation of Purchase Price		
Cash and cash equivalents	$	3,871
Value added taxes receivable		27,508
Inventories		15,628
Mining interests		178,183
Property, plant and equipment		122,815
Deposit on non-current assets		60
Non-current income taxes receivable		19,342
Other working capital items		(23,792)
Income taxes payable		(2,888)
Debt facilities		(106,110)
Decommissioning liabilities		(4,095)
Other non-current liabilities		(4,678)
Deferred tax liabilities		(38,885)
Net assets acquired	**$**	**186,959**

Total transaction costs of $4.9 million related to the acquisition were expensed during the period.

As at the acquisition date, Primero Empresa Minera S.A. de C.V., the subsidiary that owns 100% of the San Dimas Silver/Gold Mine, has available non-capital tax loss carryforwards of $47.1 million.

Financial and operating results of Primero are included in the Company's consolidated financial statements effective May 10, 2018. During the three and nine months ended September 30, 2018, the acquisition of Primero contributed $41.8 million and $69.8 million of revenue, respectively, and $2.2 million and $15.3 million of net earnings to the Company since May 10, 2018.

Had the business combination been effected at January 1, 2018, pro forma revenues and net loss of the Company for the nine months ended September 30, 2018 would have been $300.5 million and $42.2 million, respectively.

5. SEGMENTED INFORMATION

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

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5. SEGMENTED INFORMATION (continued)

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

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

For the three and nine months ended September 30, 2018, the Company's reporting segments includes its seven operating mines in Mexico, including the La Guitarra mine which was placed on care and maintenance on August 3, 2018. The "others" category consists primarily of the Company's corporate assets including cash and cash equivalents, other development and exploration properties (Note 15), debt facilities (Note 19), intercompany eliminations, and corporate expenses which are not allocated to operating segments. Management evaluates segment performance based on mine operating earnings. Therefore, other income and expense items are not allocated to the segments.

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

Three Months Ended September 30, 2018 and 2017		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	**2018**	**$41,791**	**$22,137**	**$6,681**	**$12,973**	**$9,095**
	2017	—	—	—	—	—
Santa Elena	**2018**	**19,979**	**14,559**	**3,210**	**2,210**	**5,942**
	2017	22,771	13,264	3,964	5,543	4,031
La Encantada	**2018**	**5,610**	**7,952**	**2,931**	**(5,273)**	**5,556**
	2017	10,233	7,298	3,444	(509)	3,401
La Parrilla	**2018**	**5,984**	**6,813**	**5,942**	**(6,771)**	**4,399**
	2017	8,835	6,917	4,393	(2,475)	4,617
Del Toro	**2018**	**5,102**	**5,061**	**2,154**	**(2,113)**	**4,098**
	2017	6,846	4,135	3,197	(486)	2,576
San Martin	**2018**	**8,445**	**6,342**	**2,104**	**(1)**	**2,678**
	2017	10,187	5,352	1,606	3,229	3,182
La Guitarra(1)	**2018**	**1,766**	**1,268**	**859**	**(361)**	**874**
	2017	2,802	3,072	1,601	(1,871)	2,608
Others	**2018**	**(156)**	**(166)**	**820**	**(810)**	**2,039**
	2017	227	252	231	(256)	2,197
Consolidated	**2018**	**$88,521**	**$63,966**	**$24,701**	**($146)**	**$34,681**
	2017	**$61,901**	**$40,290**	**$18,436**	**$3,175**	**$22,612**

(1) Segmented information includes mine operating earnings and expenditures incurred by the La Guitarra Silver Mine prior to the mine being placed on care and maintenance effective August 3, 2018.

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5. SEGMENTED INFORMATION (continued)

Nine Months Ended September 30, 2018 and 2017		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	**2018**	**$69,780**	**$40,746**	**$10,929**	**$18,105**	**$13,133**
	2017	—	—	—	—	—
Santa Elena	**2018**	**64,920**	**40,044**	**9,113**	**15,763**	**15,207**
	2017	67,565	39,703	11,999	15,863	13,461
La Encantada	**2018**	**18,643**	**23,282**	**9,634**	**(14,273)**	**13,891**
	2017	29,512	22,235	9,543	(2,266)	8,607
La Parrilla	**2018**	**22,605**	**19,792**	**18,259**	**(15,446)**	**10,779**
	2017	27,468	19,810	14,270	(6,612)	10,759
Del Toro	**2018**	**15,134**	**14,697**	**6,528**	**(6,091)**	**9,666**
	2017	25,216	13,559	10,580	1,077	6,022
San Martin	**2018**	**26,587**	**17,191**	**6,417**	**2,979**	**6,944**
	2017	29,548	15,224	4,945	9,379	7,866
La Guitarra	**2018**	**9,352**	**7,344**	**5,264**	**(3,256)**	**5,293**
	2017	11,323	8,934	4,537	(2,148)	7,003
Others	**2018**	**(220)**	**(164)**	**598**	**(654)**	**6,485**
	2017	491	491	717	(717)	4,290
Consolidated	**2018**	**$226,801**	**$162,932**	**$66,742**	**($2,873)**	**$81,398**
	2017	**$191,123**	**$119,956**	**$56,591**	**$14,576**	**$58,008**

At September 30, 2018 and December 31, 2017		Mining Interests		Property, plant and equipment	Total mining assets	Total assets	Total liabilities
		Producing	Exploration				
Mexico							
San Dimas	**2018**	**$178,834**	**$2,486**	**$122,044**	**$303,364**	**$370,866**	**$50,489**
	2017	—	—	—	—	—	—
Santa Elena	**2018**	**33,567**	**12,817**	**41,279**	**87,663**	**108,559**	**15,985**
	2017	28,732	7,777	44,786	81,295	123,413	19,399
La Encantada	**2018**	**36,621**	**5,335**	**44,296**	**86,252**	**105,263**	**7,648**
	2017	33,063	5,221	43,929	82,213	96,626	13,254
La Parrilla	**2018**	**87,148**	**16,764**	**39,465**	**143,377**	**165,309**	**32,034**
	2017	93,207	13,982	43,507	150,696	171,695	40,387
Del Toro	**2018**	**38,967**	**12,239**	**23,735**	**74,941**	**103,873**	**7,592**
	2017	37,481	10,117	23,622	71,220	99,402	10,120
San Martin	**2018**	**50,397**	**12,125**	**18,200**	**80,722**	**91,579**	**23,097**
	2017	50,638	9,599	19,752	79,989	92,819	26,617
La Guitarra	**2018**	**21,027**	**5,735**	**1,649**	**28,411**	**30,287**	**3,997**
	2017	44,097	10,385	6,461	60,943	73,117	15,052
Others	**2018**	**—**	**33,052**	**12,076**	**45,128**	**136,461**	**214,986**
	2017	—	29,847	9,995	39,842	124,369	74,127
Consolidated	**2018**	**$446,561**	**$100,553**	**$302,744**	**$849,858**	**$1,112,197**	**$355,828**
	2017	**$287,218**	**$86,928**	**$192,052**	**$566,198**	**$781,441**	**$198,956**

During the nine months ended September 30, 2018, the Company had five (September 30, 2017 - six) customers that accounted for 100% of its doré and concentrate sales revenue, with two major customers accounting for 70% and 10% of total revenue, respectively (2017 - two major customers for 36% and 29%).

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6. REVENUES

The Company sells metals in the form of doré and concentrates. The Company's primary product is silver and other metals produced as part of the extraction process, such as gold, lead and zinc, are considered as by-products. Revenues from sale of metal, including by-products, are recorded net of smelting and refining costs.

Revenues for the period are summarized as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
Gross revenue by material form:								
Doré	$78,898	88%	$47,682	75%	$188,675	81%	$139,208	70%
Concentrate	11,034	12%	16,220	25%	44,246	19%	60,889	30%
Gross revenue	**$89,932**	**100%**	**$63,902**	**100%**	**$232,921**	**100%**	**$200,097**	**100%**
Gross revenue from payable metals:								
Silver	$51,512	57%	$41,459	65%	$134,705	58%	$130,435	65%
Gold	34,174	38%	16,114	25%	81,727	35%	47,666	24%
Lead	3,160	4%	5,296	8%	11,693	5%	19,221	10%
Zinc	1,086	1%	1,033	2%	4,796	2%	2,775	1%
Gross revenue	**89,932**	**100%**	**63,902**	**100%**	**232,921**	**100%**	**200,097**	**100%**
Less: smelting and refining costs	(1,411)		(2,001)		(6,120)		(8,974)	
Revenues	**$88,521**		**$61,901**		**$226,801**		**$191,123**	

As at September 30, 2018, $0.6 million of revenues that have not satisfied performance obligations were recorded as unearned revenue (2017 - $2.2 million) and will be recorded as revenue in the subsequent period. During the three and nine months ended September 30, 2018, revenue related to provisional pricing adjustments on concentrate sales was $0.3 million and $0.1 million, respectively.

(a) Gold Stream Agreement with Sandstorm Gold Ltd.

The Santa Elena mine has a purchase agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the Company to sell 20% of its gold production over the life of mine from its leach pad and a designated area of its underground operations. The selling price to Sandstorm is the lesser of the prevailing market price or $450 per ounce, subject to a 1% annual inflation. During the three and nine months ended September 30, 2018, the Company delivered 2,191 and 7,060 ounces of gold (2017 - 2,346 and 7,503 ounces) to Sandstorm at an average price of $453 per ounce (2017 - $366 per ounce). In September 2017, the Company exceeded 50,000 cumulative ounces delivered to Sandstorm which increased the base selling price from $350 per ounce to $450 per ounce.

(b) Gold Stream Agreement with Wheaton Precious Metals

The Company's recently acquired San Dimas mine (see Note 4) has a purchase agreement with WPM, which entitles WPM to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of $600 (subject to a 1% annual inflation adjustment) and the prevailing market price, for each gold ounce delivered under the New Stream Agreement.

During the nine months ended September 30, 2018, the Company delivered 13,509 ounces of gold to WPM at $600 per ounce under the New Stream plus 452,197 ounces of silver at $4.30 per ounce, which were opening inventory acquired from Primero on the acquisition date which were covered under the old stream.

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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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Consumables and materials	$16,295	$9,006	$37,821	$26,170
Labour costs	32,603	18,398	75,797	51,124
Energy	9,350	7,991	26,416	22,914
Other costs	1,256	4,167	9,394	11,779
Production costs	**$59,504**	**$39,562**	**$149,428**	**$111,987**
Transportation and other selling costs	913	872	2,715	2,467
Workers participation costs	3,191	9	4,243	1,556
Environmental duties and royalties	370	250	965	801
Inventory changes	(12)	(403)	5,581	1,747
Standby costs during stoppage at the La Encantada mine	—	—	—	1,398
	$63,966	**$40,290**	**$162,932**	**$119,956**

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Corporate administration	$1,421	$1,087	$4,353	$2,785
Salaries and benefits	2,756	2,206	7,285	6,655
Audit, legal and professional fees	811	654	2,452	2,386
Filing and listing fees	83	115	333	386
Directors fees and expenses	197	193	557	566
Depreciation	149	266	506	763
	$5,417	**$4,521**	**$15,486**	**$13,541**

9. INVESTMENT AND OTHER INCOME (LOSS)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Interest income and other	$522	220	$2,351	$884
(Loss) gain from investment in marketable securities (Note 14)	(1,529)	$164	(3,779)	(1,996)
(Loss) gain from investment in silver futures derivatives	(411)	241	(411)	813
	($1,418)	**$625**	**($1,839)**	**($299)**

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10. FINANCE COSTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Debt facilities (Note 19)	$2,697	$512	$7,663	$1,675
Equipment financing obligations (Note 20)	128	160	418	442
Accretion of decommissioning liabilities	414	247	1,101	706
Silver sales and other	151	114	466	396
	$3,390	**$1,033**	**$9,648**	**$3,219**

11. EARNINGS (LOSS) PER SHARE

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

The calculations of basic and diluted (loss) earnings per share for the period ended September 30, 2018 and 2017 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net earnings (loss) for the period	$5,904	($1,320)	($39,721)	$2,812
Weighted average number of shares on issue - basic	193,570,469	165,504,932	180,273,849	165,148,690
Adjustment for stock options	1,024,755	—	—	2,128,482
Weighted average number of shares on issue - diluted(1)	194,595,224	165,504,932	180,273,849	167,277,172
Earnings (loss) per share - basic	$0.03	($0.01)	($0.22)	$0.02
Earnings (loss) per share - diluted	$0.03	($0.01)	($0.22)	$0.02

(1) Diluted weighted average number of shares excluded 7,318,292 (2017 - 5,570,889) options and 16,327,598 common shares issuable under the convertible debentures (Note 19(a)) that were anti-dilutive for the three and nine months ended September 30, 2018.

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Company are comprised of:

	September 30, 2018	December 31, 2017
Trade receivables	$6,122	$4,038
Other	855	1,340
	$6,977	**$5,378**

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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. Inventories of the Company are comprised of:

	September 30, 2018	December 31, 2017
Finished goods - doré and concentrates	$2,999	$1,299
Work-in-process	2,397	1,152
Stockpile	666	217
Silver coins and bullion	395	303
Materials and supplies	22,278	15,887
	$28,735	**$18,858**

The amount of inventories recognized as an expense during the period is equivalent to the total of cost of sales plus depletion, depreciation and amortization for the period. As at September 30, 2018, mineral inventories, which consist of stockpile, work-in-process and finished goods, includes a $1.7 million (December 31, 2017 - $0.7 million) write-down which was recognized in cost of sales during the nine months ended September 30, 2018.

14. OTHER FINANCIAL ASSETS

As at September 30, 2018, other financial assets consists of the Company's investment in marketable securities and foreign exchange derivatives comprised of the following:

	September 30, 2018	December 31, 2017
First Mining Gold Corp. (TSX: FF)	$3,967	$7,576
Sprott Physical Silver Trust (NYSE: PSLV)	2,124	2,536
FVTPL Marketable Securities	**$6,091**	**$10,112**
FVTOCI Marketable Securities	1,205	1,214
Total Marketable Securities	**$7,296**	**$11,326**
Silver Future Derivatives	973	—
Foreign Exchange Derivatives	401	—
Total Other Financial Assets	**$8,670**	**$11,326**

(a) Marketable Securities

Changes in fair value of marketable securities designated as fair value through profit and loss ("FVTPL") are recorded through profit or loss, while changes in fair value of marketable securities designated as fair value through other comprehensive income ("FVTOCI") are recorded through other comprehensive income and will not be transferred into (loss) earnings upon disposition or impairment.

(b) Foreign Exchange Derivatives

As at September 30, 2018, the Company carried foreign exchange forward contracts, with dates of expiration from October to November 2018, to hedge its exposure on the Mexican peso. These forward contracts have a fair value of $0.4 million as at September 30, 2018 (December 31, 2017 – $nil) based on market quoted price.

(c) Silver Future Derivatives

As at September 30, 2018, the Company carried a long position of 200 silver future contracts for 1,000,000 ounces of silver. The silver future derivatives balance of $1.0 million (December 31, 2017 -$nil) consisted of an unrealized gain of $0.2 million and $0.8 million in deposits.

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15. MINING INTERESTS

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

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

	September 30, 2018	December 31, 2017
Producing properties	$446,561	$287,218
Exploration properties (non-depletable)	100,553	86,928
	$547,114	**$374,146**

Producing properties are allocated as follows:

Producing properties	**San Dimas**	**Santa Elena**	**La Encantada**	**La Parrilla**	**Del Toro**	**San Martin**	**La Guitarra**	**Total**
Cost								
At December 31, 2016	**$—**	**$27,629**	**$85,829**	**$146,189**	**$99,678**	**$86,314**	**$101,000**	**$546,639**
Additions	—	8,386	2,588	8,339	4,512	3,613	5,233	32,671
Change in decommissioning liabilities	—	356	210	823	445	1,028	458	3,320
At December 31, 2017	**$—**	**$36,371**	**$88,627**	**$155,351**	**$104,635**	**$90,955**	**$106,691**	**$582,630**
Additions	6,682	6,023	4,904	6,045	5,248	2,968	2,686	34,556
Acquired from Primero (Note 4)	178,183	—	—	—	—	—	—	178,183
Change in decommissioning liabilities	446	—	—	—	—	—	—	446
Transfer from exploration properties	—	1,694	1,900	—	—	—	—	3,594
At September 30, 2018	**$185,311**	**$44,088**	**$95,431**	**$161,396**	**$109,883**	**$93,923**	**$109,377**	**$799,409**
Accumulated depletion, amortization and impairment								
At December 31, 2016	**$—**	**($3,404)**	**($51,399)**	**($48,975)**	**($27,274)**	**($37,354)**	**($59,020)**	**($227,426)**
Depletion and amortization	—	(4,235)	(4,165)	(13,169)	(5,480)	(2,963)	(3,574)	(33,586)
Impairment	—	—	—	—	(34,400)	—	—	(34,400)
At December 31, 2017	**$—**	**($7,639)**	**($55,564)**	**($62,144)**	**($67,154)**	**($40,317)**	**($62,594)**	**($295,412)**
Depletion and amortization	(6,477)	(2,882)	(3,246)	(12,104)	(3,762)	(3,209)	(3,102)	(34,782)
Impairment (Note 17)	—	—	—	—	—	—	(22,654)	(22,654)
At September 30, 2018	**($6,477)**	**($10,521)**	**($58,810)**	**($74,248)**	**($70,916)**	**($43,526)**	**($88,350)**	**($352,848)**
Carrying values								
At December 31, 2017	**$—**	**$28,732**	**$33,063**	**$93,207**	**$37,481**	**$50,638**	**$44,097**	**$287,218**
At September 30, 2018	**$178,834**	**$33,567**	**$36,621**	**$87,148**	**$38,967**	**$50,397**	**$21,027**	**$446,561**

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15. MINING INTERESTS (continued)

Exploration properties are allocated as follows:

Exploration properties	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other	Total
Cost									
At December 31, 2016	**$—**	**$1,028**	**$2,557**	**$10,628**	**$16,812**	**$6,101**	**$7,810**	**$26,260**	**$71,196**
Exploration and evaluation expenditures	—	6,749	2,664	3,354	2,605	3,498	2,575	3,587	25,032
Impairment	—	—	—	—	(9,300)	—	—	—	(9,300)
At December 31, 2017	**$—**	**$7,777**	**$5,221**	**$13,982**	**$10,117**	**$9,599**	**$10,385**	**$29,847**	**$86,928**
Exploration and evaluation expenditures	2,486	6,734	2,014	2,782	2,122	2,526	1,337	3,205	23,206
Impairment (Note 17)	—	—	—	—	—	—	(5,987)	—	(5,987)
Transfer to producing properties	—	(1,694)	(1,900)	—	—	—	—	—	(3,594)
At September 30, 2018	**$2,486**	**$12,817**	**$5,335**	**$16,764**	**$12,239**	**$12,125**	**$5,735**	**$33,052**	**$100,553**

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

The San Dimas Mine has a gold and silver streaming agreement with WPMI which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of $600 (subject to a 1% annual inflation adjustment) and the prevailing market price, for each gold equivalent ounce delivered under the New Stream Agreement.

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

The Santa Elena Mine has a gold streaming agreement with Sandstorm, which requires the mine to sell 20% of its life of mine gold production from its leach pad and a designated area of its underground operations to Sandstorm. The selling price to Sandstorm is the lesser of $450 per ounce, subject to a 1% annual inflation increase commencing in April 2018, and the prevailing market price.

In December 2016, the Company entered into an option agreement with Compania Minera Dolores, S.A. de C.V., a subsidiary of Pan American Silver Corp., to acquire the Los Hernandez Property, consisting of 5,802 hectares of mining concessions north of the Santa Elena mine. In exchange, First Majestic has agreed to incur $1.6 million in exploration costs on the property over four years, grant a 2.5% NSR royalty on the related concessions, and to pay $1.4 million in option payments, of which $0.3 million has been paid, $0.2 million due in December 2018, $0.3 million in December 2019 and $0.7 million in December 2020.

(c) Del Toro Silver Mine, Zacatecas State

In September 2016, the Company entered into two agreements to acquire 1,223 hectares of mining concessions adjacent to the Del Toro Silver Mine. The total purchase price amounted to $3.6 million in cash, of which $3.2 million has been paid and $0.4 million is due in March 2019.

In October 2016, the Company entered into an agreement to acquire 7,205 hectares of mining concessions adjacent to the Del Toro Silver Mine. The total purchase price amounted to $1.5 million, payable over six equal payments every six months. As at September 30, 2018, $1.2 million (December 31, 2017 - $0.9 million) has been paid.

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16. PROPERTY, PLANT AND EQUIPMENT

The majority of the Company's property, plant and equipment is used in the Company's seven 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	Other	Total
Cost					
At December 31, 2016	**$133,122**	**$325,230**	**$21,815**	**$13,150**	**$493,317**
Additions	—	6,295	17,281	123	23,699
Transfers and disposals	1,276	10,374	(17,147)	1,438	(4,059)
At December 31, 2017	**$134,398**	**$341,899**	**$21,949**	**$14,711**	**$512,957**
Additions	9	3,710	19,291	626	23,636
Acquired from Primero (Note 4)	40,404	70,064	7,169	5,178	122,815
Transfers and disposals	141	6,364	(8,568)	1,631	(432)
At September 30, 2018	**$174,952**	**$422,037**	**$39,841**	**$22,146**	**$658,976**
Accumulated depreciation, amortization and impairment					
At December 31, 2016	**($65,982)**	**($180,362)**	**$—**	**($9,335)**	**($255,679)**
Depreciation and amortization	(8,347)	(34,556)	—	(1,896)	(44,799)
Transfers and disposals	226	961	—	186	1,373
Impairment	(12,301)	(9,396)	—	(103)	(21,800)
At December 31, 2017	**($86,404)**	**($223,353)**	**$—**	**($11,148)**	**($320,905)**
Depreciation and amortization	(5,343)	(26,057)	—	(1,189)	(32,589)
Impairment (Note 17)	(652)	(1,753)	(474)	(140)	(3,019)
Transfers and disposals	—	233	—	48	281
At September 30, 2018	**($92,399)**	**($250,930)**	**($474)**	**($12,429)**	**($356,232)**
Carrying values					
At December 31, 2017	**$47,994**	**$118,546**	**$21,949**	**$3,563**	**$192,052**
At September 30, 2018	**$82,553**	**$171,107**	**$39,367**	**$9,717**	**$302,744**

(1) Included in land and buildings is $11.5 million (December 31, 2017 - $5.9 million) of land which is not subject to depreciation.

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other	Total
Cost									
At December 31, 2016	**$—**	**$69,370**	**$116,923**	**$94,693**	**$117,128**	**$45,879**	**$25,751**	**$23,573**	**$493,317**
Additions	—	2,913	7,246	3,630	1,473	3,724	2,029	2,684	23,699
Transfers and disposals	—	1,401	29	(1,832)	(1,400)	(2,062)	335	(530)	(4,059)
At December 31, 2017	**$—**	**$73,684**	**$124,198**	**$96,491**	**$117,201**	**$47,541**	**$28,115**	**$25,727**	**$512,957**
Additions	3,965	2,450	6,973	1,952	2,296	1,450	1,270	3,280	23,636
Acquired from Primero (Note 4)	122,815	—	—	—	—	—	—	—	122,815
Transfers and disposals	(202)	695	(1,120)	803	1,133	700	(2,272)	(169)	(432)
At September 30, 2018	**$126,578**	**$76,829**	**$130,051**	**$99,246**	**$120,630**	**$49,691**	**$27,113**	**$28,838**	**$658,976**
Accumulated depreciation, amortization and impairment									
At December 31, 2016	**$—**	**($15,870)**	**($72,013)**	**($46,566)**	**($63,234)**	**($25,782)**	**($18,347)**	**($13,867)**	**($255,679)**
Depreciation and amortization	—	(12,181)	(8,779)	(6,585)	(8,580)	(3,691)	(2,974)	(2,009)	(44,799)
Transfers and disposals	—	(847)	523	167	35	1,684	(333)	144	1,373
Impairment	—	—	—	—	(21,800)	—	—	—	(21,800)
At December 31, 2017	**$—**	**($28,898)**	**($80,269)**	**($52,984)**	**($93,579)**	**($27,789)**	**($21,654)**	**($15,732)**	**($320,905)**
Depreciation and amortization	(4,568)	(6,231)	(6,387)	(6,169)	(2,765)	(3,209)	(2,161)	(1,099)	(32,589)
Impairment (Note 17)	—	—	—	—	—	—	(3,019)	—	(3,019)
Transfers and disposals	34	(421)	901	(628)	(551)	(493)	1,370	69	281
At September 30, 2018	**($4,534)**	**($35,550)**	**($85,755)**	**($59,781)**	**($96,895)**	**($31,491)**	**($25,464)**	**($16,762)**	**($356,232)**
Carrying values									
At December 31, 2017	**$—**	**$44,786**	**$43,929**	**$43,507**	**$23,622**	**$19,752**	**$6,461**	**$9,995**	**$192,052**
At September 30, 2018	**$122,044**	**$41,279**	**$44,296**	**$39,465**	**$23,735**	**$18,200**	**$1,649**	**$12,076**	**$302,744**

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17. IMPAIRMENT OF NON-CURRENT ASSETS

At June 30, 2018, the Company identified an indicator of impairment and assessed the recoverable value of the La Guitarra Silver Mine due to management's decision to place the mine on care and maintenance effective August 3, 2018. Based on the assessment, the Company concluded that the carrying value of the La Guitarra mine had an estimated recoverable value, based on its FVLCD, below its carrying value at June 30, 2018. As a result, the following impairment charge was recognized:

	Nine Months Ended September 30, 2018
Impairment of non-current assets	$31,660
Deferred income tax recovery	(11,160)
Impairment of non-current assets, net of tax	**$20,500**

At September 30, 2018, the Company determined there were no significant events or changes in circumstances to indicate that the carrying amount of its other non-current assets may not be recoverable, nor indicators that the recoverable amount of its previously impaired assets will exceed its carrying value. As such, no other impairment or impairment reversal were recognized during the three and nine months ended September 30, 2018 (2017 - $nil).

The impairment charge recognized for the nine months ended September 30, 2018 with respect to the La Guitarra operating segment was as follows:

	Nine Months Ended September 30, 2018
Mining interests - producing properties	$22,654
Mining interests - exploration properties (non-depletable)	5,987
Property, plant and equipment	3,019
Impairment of non-current assets	**$31,660**

Recoverable values are determined with internal discounted cash flow economic models projected using management's best estimate of recoverable mineral reserves and resources, future operating costs and capital expenditures, and long-term foreign exchange rates and corroborated by in-situ value of its Reserves and Resources. For mineral resources that were not valued using internal discounted cash flow economic models, FVLCD were estimated based on in-situ value of their resources and exploration potential derived from comparable market transactions.

Metal price assumptions used to determine the recoverable amounts at September 30, 2018 are summarized in the following table:

Commodity Prices	2018-2021 Average	Long-term
Silver (per ounce)	$19.38	$20.00
Gold (per ounce)	$1,333	$1,350

A discount rate of 6.5%, equivalent to the Company's weighted average cost of capital at September 30, 2018, was used to determine FVLCD based on internal discounted cash flow economic model.

The internal discounted cash flow economic models and in-situ values used to determine FVLCD are significantly affected by changes in key assumptions for future metal prices, capital expenditures, production cost estimates and discount rates. Management's estimate of FVLCD is classified as level 3 in the fair value hierarchy. There was no material change in the valuation techniques utilized to determine FVLCD compared to previous periods.

Since placing the La Guitarra mine on care and maintenance on August 3, 2018, the Company has incurred $1.5 million of care and maintenance costs, including salaries, administrative costs and environmental costs, which were recognized in net earnings.

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18. TRADE AND OTHER PAYABLES

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

Trade and other payables are comprised of the following items:

	September 30, 2018	December 31, 2017
Trade payables	$23,141	$18,281
Trade related accruals	12,725	11,378
Payroll and related benefits	11,339	4,028
Environmental duty	1,264	1,047
Other accrued liabilities	1,142	833
	$49,611	**$35,567**

19. DEBT FACILITIES

The movement in debt facilities during the nine month ended September 30, 2018 and December 31, 2017, respectively, are comprised of the following:

	Convertible Debentures (a)	Revolving Credit Facility (b)	Scotia Debt Facilities (c)	Primero Debt Facilities (d)	Total
Balance at December 31, 2016	**$—**	**$—**	**$43,938**	**$—**	**$43,938**
Interest and accretion expense	—	—	2,206	—	2,206
Repayments of principal	—	—	(12,726)	—	(12,726)
Repayments of finance costs	—	—	(1,649)	—	(1,649)
Balance at December 31, 2017	**$—**	**$—**	**$31,769**	**$—**	**$31,769**
Net proceeds from debt financing	151,079	34,006	—	—	185,085
Acquired from Primero (Note 4)	—	—	—	106,111	106,111
Portion allocated to equity reserves	(26,252)	—	—	—	(26,252)
Finance costs					
Interest expense	1,986	750	529	—	3,265
Accretion	3,588	255	555	—	4,398
Repayments of principal	—	(16,000)	(32,072)	(106,111)	(154,183)
Repayments of finance costs	(1,732)	(576)	(781)	—	(3,089)
Balance at September 30, 2018	**$128,669**	**$18,435**	**$—**	**$—**	**$147,104**
Statements of Financial Position Presentation					
Current portion of debt facilities	$253	$174	$—	$—	$427
Non-current portion of debt facilities	128,416	18,261	—	—	146,677
Balance at September 30, 2018	**$128,669**	**$18,435**	**$—**	**$—**	**$147,104**

19. DEBT FACILITIES (continued)

(a) Convertible Debentures

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

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

The Company may not redeem the Notes before March 6, 2021, except in the event of certain changes in Canadian tax law. At any time on or after March 6, 2021 and until maturity, the Company may redeem all or part of the Notes for cash if the last reported share price of the Company's common shares for 20 or more trading days in a period of 30 consecutive trading days exceeds 130% of the conversion price. The redemption price will 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 $151.1 million from the Notes were allocated into its debt and equity components. The fair value of the debt portion was estimated at $124.8 million using a discounted cash flow model method with an expected life of five years and a discount rate of 6.14%. This amount is recorded as a financial liability on an amortized cost basis using the effective interest method using an effective interest rate of 6.47% until extinguished upon conversion or at its maturity date.

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

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

(b) Revolving Credit Facility

On May 10, 2018, the Company entered into a $75.0 million senior secured revolving credit facility ("Revolving Credit Facility") with the Bank of Nova Scotia, Bank of Montreal and Investec Bank PLC, as lenders. The Revolving Credit Facility will mature on its third anniversary date. Interest on the drawn balance will accrue at LIBOR plus an applicable range of 2.25% to 3.5% while the undrawn portion is subject to a standby fee with an applicable range of 0.5625% to 0.875%, dependent on certain financial parameters of First Majestic. As at September 30, 2018, the applicable rates were 5.7% and 0.875%, respectively.

Proceeds from the Revolving Credit Facility were used primarily to repay Scotia debt facilities (Note 19(c)) as well as a $30.2 million revolving credit facility assumed from the Primero acquisition.

19. DEBT FACILITIES (continued)

(b) Revolving Credit Facility (continued)

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

The Revolving Credit Facility includes financial covenants, to be tested quarterly on a consolidated basis, requiring First Majestic to maintain the following: (a) a leverage ratio based on total debt to rolling four quarters adjusted EBITDA of not more than 3.00 to 1.00; (b) an interest coverage ratio, based on rolling four quarters adjusted EBITDA divided by interest payments, of not less than 4.00 to 1.00; and (c) tangible net worth of not less than $563.5 million plus 50% of its positive earnings subsequent to June 30, 2018. The debt facilities also provide for negative covenants customary for these types of facilities and allows the Company to enter into equipment financing obligations up to $30.0 million. As at September 30, 2018 and December 31, 2017, the Company was in compliance with these covenants.

(c) Scotia Debt Facilities

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

The $35.0 million term loan was repayable in 11 equal quarterly instalments of $3.2 million in principal plus related interest, with the final instalment due in February 2019. The term loan bears an interest rate of LIBOR plus a range from 3.25% to 4.00%, depending on certain financial parameters of the Company.

The $25.0 million revolving credit facility was to mature in three years on February 8, 2019 and bears the same interest rate as the term loan plus a relevant standby fee from 0.81% to 1.00% from the undrawn portion of the facility.

In connection with the acquisition of Primero (Note 4), First Majestic restructured its debt by entering into a Revolving Credit Facility (Note 19(b)) which was used to repay the remaining balance of the Scotia Debt Facilities on May 10, 2018.

(d) Primero Debt

As part of the acquisition of Primero (Note 4), First Majestic assumed $106.1 million in outstanding debt facilities owed by Primero, consisting of $75.8 million in convertible debentures and a $30.2 million revolving credit facility (together, "Primero Debt Facilities").

In connection with the Plan of Arrangement for the acquisition of Primero (Note 4), in March 2018, the debentureholders of Primero's $75.8 million convertible debentures voted to approve an amendment to the maturity date of the debentures from February 28, 2020 to the next business day following the closing date of the business combination with First Majestic. As a result, these convertible debentures were fully repaid by the Company on May 11, 2018.

The $30.2 million revolving credit facility was fully repaid by the Company on May 10, 2018.

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20. EQUIPMENT FINANCING OBLIGATIONS

The Company has finance leases and equipment financing for various mine and plant equipment. Assets under finance leases and equipment financing are pledged as security against the obligations.

The movement in equipment financing obligations during the three months ended September 30, 2018 and year ended December 31, 2017, respectively, are comprised of the following:

	Finance Leases (a)	Equipment Financing (b)	Total
Balance at December 31, 2016	**$8,186**	**$—**	**$8,186**
Net proceeds from equipment financing	—	7,894	7,894
Finance costs	326	233	559
Repayments of principal	(6,083)	(698)	(6,781)
Repayments of finance costs	(320)	(233)	(553)
Balance at December 31, 2017	**$2,109**	**$7,196**	**$9,305**
Finance costs	72	346	418
Repayments of principal	(1,610)	(1,846)	(3,456)
Repayments of finance costs	(72)	(350)	(422)
Balance at September 30, 2018	**$499**	**$5,346**	**$5,845**
Statements of Financial Position Presentation			
Current portion of equipment financing obligations	$367	$2,461	$2,828
Non-current portion of equipment financing obligations	132	2,885	3,017
Balance at September 30, 2018	**$499**	**$5,346**	**$5,845**

(a) Finance Leases

From time to time, the Company purchases equipment under finance leases, with terms ranging from 24 to 48 months with interest rates ranging from 6.9% to 7.5%.

As at September 30, 2018, the net book value of property, plant and equipment includes $0.8 million (December 31, 2017 - $10.0 million) of equipment in property, plant and equipment pledged as security under finance leases.

(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 at September 30, 2018 and December 31, 2017, the Company was in compliance with these covenants.

As at September 30, 2018, the net book value of property, plant and equipment includes $5.4 million (December 31, 2017 - $6.9 million) of equipment pledged as security for the equipment financing.

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21. SHARE CAPITAL

(a) Authorized and issued capital

The Company has unlimited authorized common shares with no par value. The movement in the Company's issued and outstanding capital during the period is summarized in the consolidated statements of changes in equity.

In May 2018, the Company completed an arrangement agreement to acquire all of the issued and outstanding shares of Primero by issuing 27,333,363 common shares at a price of $6.84 (CAD$8.80) based on the Company's quoted market price as at the acquisition date. See Note 4 for details.

(b) Stock options

Under the terms of the Company's Stock Option Plan, the maximum number of shares reserved for issuance under the Plan is 10% of the issued shares on a rolling basis. Options may be exercisable over periods of up to ten years as determined by the Board of Directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval. All stock options granted are subject to vesting with 25% vesting on first anniversary from the date of grant, and 25% vesting each six months thereafter.

The following table summarizes information about stock options outstanding as at September 30, 2018:

	Options Outstanding			Options Exercisable		
Exercise prices (CAD$)	**Number of Options**	**Weighted Average Exercise Price (CAD $/Share)**	**Weighted Average Remaining Life (Years)**	**Number of Options**	**Weighted Average Exercise Price (CAD $/Share)**	**Weighted Average Remaining Life (Years)**
2.01 - 5.00	1,622,398	4.78	2.25	1,622,398	4.78	2.25
5.01 - 10.00	3,843,031	7.76	6.23	1,470,893	6.18	1.72
10.01 - 15.00	4,349,246	10.93	2.70	2,668,946	10.89	2.11
15.01 - 20.00	235,000	16.58	2.86	176,250	16.58	2.86
20.01 - 250.00	229,408	88.94	2.25	227,533	89.49	2.24
	10,279,083	10.65	3.94	6,166,020	11.22	2.08

The movements in stock options issued during the nine months ended September 30, 2018 and the year ended December 31, 2017 are summarized as follows:

	Nine Months Ended September 30, 2018		Year Ended December 31, 2017	
	Number of Options	**Weighted Average Exercise Price (CAD $/Share)**	**Number of Options**	**Weighted Average Exercise Price (CAD $/Share)**
Balance, beginning of the period	9,431,737	9.35	9,599,270	9.76
Granted(1)	2,452,796	16.34	3,205,137	10.48
Exercised	(660,385)	5.24	(1,292,206)	5.76
Cancelled or expired	(945,065)	16.22	(2,080,464)	15.21
Balance, end of the period	10,279,083	10.65	9,431,737	9.35

(1) Includes 221,908 stock options issued to replace pre-existing stock options of Primero in accordance with the Primero arrangement (see Note 4) with a nominal fair value.

During the nine months ended September 30, 2018, the aggregate fair value of stock options granted was $7.7 million (2017 - $11.0 million), or a weighted average fair value of $3.12 per stock option granted (2017 - $3.08).

Condensed Interim Consolidated Financial Statements - Unaudited (Tabular amounts are expressed in thousands of US dollars)

21. SHARE CAPITAL (continued)

(b) Stock options (continued)

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

Assumption	Based on	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
Risk-free interest rate (%)	Yield curves on Canadian government zero- coupon bonds with a remaining term equal to the stock options' expected life	1.84	1.02
Expected life (years)	Average of the expected vesting term and expiry term of the option	5.38	3.77
Expected volatility (%)	Historical and implied volatility of the precious metals mining sector	58.70	52.00
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	—	—

The weighted average closing share price at date of exercise for the nine months ended September 30, 2018 was CAD$9.75 (December 31, 2017 - CAD$11.44).

(c) Warrants

In connection with the Primero acquisition (see Note 4), First Majestic issued 366,124 warrants with an average exercise price of $100.75 and a nominal fair value based on the Black-Scholes Option Pricing Model. The warrants expired unexercised on June 25, 2018.

(d) Share repurchase program

The Company has a share repurchase program to repurchase up to 5% of the Company's issued and outstanding common shares. The normal course issuer bids will be carried through facilities of the Toronto Stock Exchange. During the nine months ended September 30, 2018, the Company repurchased and cancelled 230,000 shares for a total consideration of $1.3 million. No shares were repurchased during the year ended December 31, 2017.

(e) Delisting from the Mexican Stock Exchange

In the first quarter of 2018, the Company filed before the Mexican National Banking and Securities Commission for delisting from the Mexican Stock Exchange ("Bolsa") due to low trading volumes and high costs associated with regulatory compliance. On February 21, 2018, the Company received authorization and has officially delisted. In connection with the delisting, during the nine months ended September 30, 2018, the Company has repurchased and cancelled 14,343 of the Company's shares on Bolsa. The Company is required to offer to repurchase Bolsa shares until August 2018 through a trustee.

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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

(a) Fair value and categories of financial instruments

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

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

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

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

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

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

Financial Instruments Measured at Fair Value	Valuation Method
Trade receivables (related to concentrate sales)	Receivables that are subject to provisional pricing and final price adjustment at the end of the quotational period are estimated based on observable forward price of metal per London Metal Exchange (Level 2)
Marketable securities Silver futures derivatives Foreign exchange derivatives	Based on quoted market prices for identical assets in an active market (Level 1) as at the date of statements of financial position

Financial Instruments Measured at Amortized Costs	Valuation Method
Cash and cash equivalents Trade and other receivables Value added taxes receivable Trade and other payables	Approximated carrying value due to their short-term nature
Debt facilities Equipment financing obligations	Assumed to approximate carrying value as discount rate on these instruments approximate the Company's credit risk.

Condensed Interim Consolidated Financial Statements - Unaudited (Tabular amounts are expressed in thousands of US dollars)

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

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

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

	September 30, 2018			December 31, 2017		
		Fair value measurement			Fair value measurement	
	Carrying value	Level 1	Level 2	Carrying value	Level 1	Level 2
Financial assets						
Trade receivables	$2,563	$—	$2,563	$1,847	$—	$1,847
Marketable securities (Note 14)	7,296	7,296	—	11,326	11,326	—
silver future derivatives (Note 14)	973	973	—	—	—	—
Foreign exchange derivatives (Note 14)	401	401	—	—	—	—

There were no transfers between levels 1, 2 and 3 during the nine months ended September 30, 2018 and the year ended December 31, 2017.

(b) Capital risk management

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

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

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

	September 30, 2018	December 31, 2017
Equity	$756,369	$582,485
Debt facilities	147,104	31,769
Equipment financing obligations	5,845	9,305
Less: cash and cash equivalents	(72,372)	(118,141)
	$836,946	$505,418

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

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenants under the debt facilities (Note 19) and equipment financing obligations (Note 20(b)). As at September 30, 2018 and December 31, 2017, the Company was in compliance with these covenants.

Condensed Interim Consolidated Financial Statements - Unaudited (Tabular amounts are expressed in thousands of US dollars)

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management

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

Credit Risk

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

As at September 30, 2018, value added taxes receivable was $61.8 million (2017 - $15.0 million), including $37.2 million in Primero Empresa Minera S.A. de C.V. ("PEM") as part of the acquisition of Primero. The delay in recovery was primarily attributed to Primero being 18 months behind in its filings when First Majestic acquired the company. Since acquisition, the Company has accelerated its filings and, at present, the filings are up to date. The Company has been supplying additional information requested by the SAT as part of the review process and the Company expects the amounts to be refunded or offset against future income tax payments.

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through three international customers. Silver-lead concentrates and related base metal by-products are sold primarily through two 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 has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and contractual obligations.

The following table summarizes the maturities of the Company's financial liabilities as at September 30, 2018 based on the undiscounted contractual cash flows:

	Carrying Amount	Contractual Cash Flows	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	$49,611	$49,611	$49,611	$—	$—	$—
Debt facilities	147,104	193,624	4,558	28,409	160,657	—
Equipment financing obligations	5,845	6,342	3,160	3,130	52	—
Other liabilities	5,052	5,052	—	—	—	5,052
	$207,612	**$254,629**	**$57,329**	**$31,539**	**$160,709**	**$5,052**

At September 30, 2018, the Company had working capital of $127.8 million (December 31, 2017 – $130.9 million). Total available liquidity at September 30, 2018 was $182.9 million, including $55.0 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.

Condensed Interim Consolidated Financial Statements - Unaudited (Tabular amounts are expressed in thousands of US dollars)

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Currency Risk

The Company is exposed to foreign exchange risk primarily relating to financial instruments that are denominated in Canadian dollars or Mexican pesos, which would impact the Company's net earnings or loss. To manage foreign exchange risk, the Company may occasionally enter into short-term foreign currency derivatives. The foreign currency derivatives are not designated as hedging instruments for accounting purposes.

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

								September 30, 2018
	Cash and cash equivalents	Trade and other receivables	Value added taxes receivable	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	$35,941	$55	$—	$3,967	($1,545)	$—	$38,418	$3,842
Mexican peso	1,833	1,509	61,045	—	(27,247)	14,000	51,140	5,114
	$37,774	**$1,564**	**$61,045**	**$3,967**	**($28,792)**	**$14,000**	**$89,558**	**$8,956**

Commodity Price Risk

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

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

					September 30, 2018
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	Total
Metals subject to provisional price adjustments	$162	$—	$114	$48	$324
Metals in doré and concentrates inventory	62	233	32	3	330
	$224	**$233**	**$146**	**$51**	**$654**

Interest Rate Risk

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

As at September 30, 2018, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities and equipment financing obligations. The Company's equipment leases bear interest at fixed rates.

Based on the Company's interest rate exposure at September 30, 2018, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

Condensed Interim Consolidated Financial Statements - Unaudited (Tabular amounts are expressed in thousands of US dollars)

23. SUPPLEMENTAL CASH FLOW INFORMATION

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	**2018**	**2017**	**2018**	**2017**
Adjustments to reconcile net earnings to operating cash flows before movements in working capital:					
Unrealized foreign exchange loss (gain) and other		$377	($2,563)	$1,398	($1,312)
Unrealized loss (gain) from marketable securities	14	1,528	(164)	3,778	1,996
		$1,905	**($2,727)**	**$5,176**	**$684**
Net change in non-cash working capital items:					
(Increase) decrease in trade and other receivables		($1,347)	($569)	($607)	$1,972
(Increase) decrease in value added taxes receivable		(12,017)	(2,715)	(19,262)	(3,428)
Decrease (increase) in inventories		495	(415)	5,742	2,303
(Increase) decrease in prepaid expenses and other		(136)	(384)	(294)	(1,004)
(Decrease) increase in income taxes payable		(482)	(403)	(956)	(1,230)
(Decrease) increase in trade and other payables		(5,876)	2,197	(12,009)	(4,042)
		($19,363)	**($2,289)**	**($27,386)**	**($5,429)**
Non-cash investing and financing activities:					
Transfer of share-based payments reserve upon exercise of options		$195	$613	$707	$1,621
Settlement of liabilities		($500)	($500)	($500)	($500)

24. CONTINGENCIES AND OTHER MATTERS

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

Primero Tax Rulings

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

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

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

24. CONTINGENCIES AND OTHER MATTERS (continued)

Primero Tax Rulings (continued)

In February 2016, PEM received a legal claim from the SAT seeking to nullify the APA. The legal claim initiated does not identify any different basis for paying taxes, nor have any tax reassessments been received from SAT. The Company intends to continue Primero's effort to vigorously defend the validity of its APA. If the SAT is successful in retroactively nullifying the APA, the SAT may seek to audit and reassess Primero in respect of its sales of silver in connection with the Old Stream Agreement for 2010 through 2014. If the SAT is successful in retroactively nullifying the APA and issuing reassessments, it would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. PEM would have rights of appeal in connection with any reassessments.

In June 2017 and October 2017, as part of the ongoing annual audits of the PEM tax returns, the SAT issued observations letters for the 2010 and 2011 tax years, respectively. Observations letters are issued to a taxpayer in advance of a reassessment being issued and provide an outline of the SAT's position on matters under audit, and affords the taxpayer an opportunity to respond to such position in advance of the reassessment being issued. In the observations letters issued to PEM, the SAT made explicit its view that PEM should pay taxes based on the market price of silver which, if successfully applied to its 2010 and 2011 taxation years, would make PEM liable for an additional $8.5 million and $23.4 million, respectively, of taxes before penalties or interest. As the Company continues to defend the APA in the Mexican legal proceeding, the APA remains valid and the Company will vigorously dispute any reassessment that may be issued in the future on a basis that assesses taxes on PEM's historical silver revenues that is inconsistent with the APA. The observations letter does not represent a tax reassessment and no liability has been recognized in the financial statements. Based on the Company's assessments, the Company believes Primero's filings were appropriate and continues to believe its tax filing position based upon the APA is correct. Should the Company ultimately be required to pay tax on its silver revenues based on market prices without any mitigating adjustments, the incremental income tax for the years 2012-2017 would be in the range of $130 - $145 million, before interest or penalties.

While the Company continues to vigorously defend the validity of the APA and its transfer pricing position, it is also engaging in dialogue with the SAT seeking to resolve matters and bring tax certainty through a negotiated solution. Since January 1, 2015, PEM has recorded its revenue from the sale of silver for purposes of Mexican tax accounting in a manner consistent with the APA, on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law. Due to the uncertainty in timing of resolution to this matter, which may take more than one year, the Company has classified its income taxes receivable of $19.7 million as non-current as at September 30, 2018.

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

Primero Class Action Suit

In July 2016, Primero and certain of its officers were served with a class action lawsuit that was filed in federal court in the State of California seeking to recover damages for investors in the Company's common shares under the U.S. federal securities laws. Primero filed a motion to dismiss this action which was granted on January 30, 2017. The plaintiff's claims were dismissed without prejudice and the plaintiffs filed an amended complaint on February 27, 2017. On July 14, 2017 the Company's motion to dismiss the amended complaint was granted and the plaintiffs' claims were dismissed without prejudice. Rather than amend the complaint again, the plaintiffs asked the federal court to enter final judgment and initiated an appeal of the dismissal to the Ninth Circuit Court of Appeals on September 8, 2017. The parties have filed their briefs in this appeal and a hearing on the appeal is expected sometime in the first half of 2019. The Company continues to vigorously defend this class action lawsuit on behalf of Primero and no liability has been recognized in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of First Majestic Silver Corp. ("First Majestic" or "the Company") for the three and nine months ended September 30, 2018, and the audited consolidated financial statements for the year ended December 31, 2017, 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 November 7, 2018 unless otherwise stated.

COMPANY OVERVIEW

First Majestic is a multinational mining company headquartered in Vancouver, Canada, focused on primary silver production in México and is pursuing the development of its existing mineral property assets and acquiring new assets. During the quarter ended September 30, 2018, the Company owns and operates six producing mines: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine, La Encantada Silver Mine, La Parrilla Silver Mine, Del Toro Silver Mine and the San Martin Silver Mine.

In August 2018, the Company placed the La Guitarra Silver Mine under care and maintenance and is currently reviewing strategic options including the potential sale of the operation.

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".

2018 THIRD QUARTER HIGHLIGHTS

Key Performance Metrics	2018-Q3	2018-Q2	Change Q3 vs Q2	2017-Q3	Change Q3 vs Q3	2018-YTD	2017-YTD	Change
Operational								
Ore Processed / Tonnes Milled	864,056	851,349	1%	730,652	18%	2,525,180	2,244,822	12%
Silver Ounces Produced	3,505,344	2,756,263	27%	2,415,962	45%	8,428,636	7,412,128	14%
Silver Equivalent Ounces Produced	6,740,315	5,137,318	31%	3,986,274	69%	15,757,310	12,142,568	30%
Cash Costs per Ounce (1)	$6.85	$7.59	(10%)	$8.15	(16%)	$7.34	$7.13	3%
All-in Sustaining Cost per Ounce (1)	$15.12	$16.43	(8%)	$15.36	(2%)	$15.78	$13.72	15%
Total Production Cost per Tonne (1)	$68.87	$61.04	13%	$54.15	27%	$59.17	$49.89	19%
Average Realized Silver Price per Ounce (1)	$14.66	$16.74	(12%)	$17.11	(14%)	$15.89	$17.29	(8%)
Financial (in $millions)								
Revenues	$88.5	$79.7	11%	$61.9	43%	$226.8	$191.1	19%
Mine Operating (Loss) Earnings	($0.1)	($2.3)	94%	$3.2	(105%)	($2.9)	$14.6	(120%)
Impairment of non-current assets	$—	$31.7	(100%)	$—	0%	$31.7	$0.0	100%
Net Earnings (Loss)	$5.9	($40.0)	115%	($1.3)	547%	($39.7)	$2.8	(1,513%)
Operating Cash Flows before Working Capital and Taxes	$20.7	$14.2	45%	$17.7	17%	$50.6	$62.3	(19%)
Cash and Cash Equivalents	$72.4	$109.2	(34%)	$120.8	(40%)	$72.4	$120.8	(40%)
Working Capital (1)	$127.8	$141.4	(10%)	$126.3	1%	$127.8	$126.3	1%
Shareholders								
Earnings (Loss) per Share ("EPS") - Basic	$0.03	($0.22)	114%	($0.01)	482%	($0.22)	$0.02	(1,394%)
Adjusted EPS (1)	($0.03)	($0.07)	53%	$0.00	(3,241%)	($0.16)	$0.00	31,904%
Cash Flow per Share (1)	$0.11	$0.08	36%	$0.11	0%	$0.28	$0.38	(26%)

(1) The Company reports non-GAAP measures which include cash costs per ounce produced, all-in sustaining cost per ounce, total production cost per tonne, average realized silver price per ounce sold, working capital, adjusted EPS and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 32 to 38 for a reconciliation of non-GAAP to GAAP measures.

Third Quarter Production Summary	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra (1)	Consolidated
Ore Processed / Tonnes Milled	176,884	225,873	196,030	117,130	65,323	67,926	14,891	**864,056**
Silver Ounces Produced	1,445,918	598,693	378,983	330,047	231,350	438,061	82,292	**3,505,344**
Silver Equivalent Ounces Produced	3,225,352	1,475,635	379,773	537,986	427,218	557,746	136,605	**6,740,315**
Cash Costs per Ounce	($0.40)	$5.77	$21.15	$16.29	$13.07	$9.78	$6.99	**$6.85**
All-in Sustaining Cost per Ounce	$6.74	$9.03	$27.25	$23.34	$24.48	$13.37	$12.30	**$15.12**
Total Production Cost per Tonne	$105.91	$63.15	$40.20	$58.18	$73.50	$88.15	$68.47	**$68.87**

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

Operational

- In the third quarter, the Company's production from its six operating mines reached a new Company record. Total silver equivalents production increased by 31% to 6,740,315 ounces while silver production increased 27% to 3,505,344 ounces compared to the previous quarter. The increase in production was primarily due to a full quarter of production from the San Dimas operation, as well as increases in consolidated silver and gold grades of 19% and 35%, respectively.
- Total production consisted of 3.5 million ounces of silver, 35,260 ounces of gold, 4.4 million pounds of lead and 1.2 million pounds of zinc. Silver production for the first three quarters of 2018 totaled 8.4 million ounces, or 15.8 million silver equivalent ounces, remaining in-line with the 2018 production guidance of between 12.0 to 13.2 million silver ounces or 20.5 to 22.6 million silver equivalent ounces.
- Cash cost per ounce in the quarter was $6.85, a decrease of 10% or $0.74 per ounce compared to the previous quarter. Cash cost per ounce was lower than the previous quarter primarily attributed to increased silver production and gold by-

product credits from a full quarter of production by the San Dimas mine, partially offset by higher energy costs as both electricity and diesel rates increased during the quarter.

- All-in sustaining cost per ounce (“AISC”) in the third quarter was $15.12, a decrease of 8% or $1.31 per ounce compared to the previous quarter, primarily attributed to higher payable silver ounces produced during the quarter.
- To offset the impact of lower precious metal prices, the Company has embarked on a cost control program which is expected to cut expenditures, including exploration and development, by 20% by the end of the fourth quarter of 2018.

Financial

- Generated revenues of $88.5 million in the quarter, an increase of 43% compared to $61.9 million in the third quarter of 2017 primarily due to a 69% increase in silver equivalent ounces sold, partially offset by a 14% decrease in average realized silver price compared to the same quarter of the prior year.
- The Company recognized a mine operating loss of $0.1 million compared to mine operating earnings of $3.2 million in the third quarter of 2017. Despite the addition of San Dimas, which contributed $13.0 million in mine operating earnings from a full quarter of production, mine operating earnings were lower compared to the same quarter of the previous year due to a decline in production from La Parrilla, La Encantada, Del Toro and La Guitarra.
- The Company generated net earnings of $5.9 million (EPS of $0.03) compared to net loss of $1.3 million (EPS of $(0.01)) in the third quarter of 2017. Adjusted net loss for the quarter was $6.4 million (adjusted loss per share of $0.03), after excluding non-cash and non-recurring items including share-based payments, gain or loss from marketable securities, deferred income tax recovery or expense and acquisition costs (see "Adjusted EPS" on page 37).
- Cash flow from operations before movements in working capital and income taxes in the quarter was $20.7 million ($0.11 per share) compared to $17.7 million ($0.11 per share) in the third quarter of 2017.

Corporate Developments

- During the quarter, the Company signed a 25 year surface and access rights agreement with a local Banamichi Ejido for full access to the Ermitaño West project. In addition, the Company exercised the Ermitaño and Cumobabi option agreements with Evrim Resources Corp. for a 100% earn-in on the mining concessions on both projects. Following these two significant achievements, the Company began a 4,400 metre infill exploration program on the Ermitaño West project in mid-September with the objective of upgrading a portion of the Inferred Resources to Indicated Resources and to prepare for future production.
- As previously announced, the Company placed the La Guitarra milling and mining operations under care and maintenance on August 3rd and is currently reviewing strategic options including the potential sale of the operation. The Company will continue with current permitting activities and remediation programs to prepare the operation for a potential reopening in the future, subject to a sufficient improvement in economic conditions to justify a restart of the operation.

OVERVIEW OF OPERATING RESULTS

Selected Production Results for the Past Eight Quarters

	2018			2017				2016
PRODUCTION HIGHLIGHTS	**Q3**	**Q2[(1)]**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Ore processed/tonnes milled								
San Dimas	176,884	85,765	—	—	—	—	—	—
Santa Elena	225,873	228,054	223,498	232,575	232,662	232,451	230,050	257,771
La Encantada	196,030	237,862	276,191	198,845	212,092	148,039	266,510	235,039
La Parrilla	117,130	123,642	125,114	138,124	132,389	132,880	140,592	153,309
Del Toro	65,323	65,879	79,769	56,753	60,501	81,843	79,108	82,767
San Martin	67,926	74,431	75,374	72,503	69,113	67,073	69,563	76,848
La Guitarra	14,891	35,715	29,829	37,885	23,896	29,547	36,514	38,422
Consolidated	**864,056**	**851,349**	**809,775**	**736,684**	**730,652**	**691,833**	**822,336**	**844,155**
Silver equivalent ounces produced								
San Dimas	3,225,352	1,698,382	—	—	—	—	—	—
Santa Elena	1,475,635	1,407,880	1,543,776	1,653,941	1,503,376	1,399,940	1,369,875	1,470,612
La Encantada	379,773	327,458	452,420	489,071	610,307	375,563	708,959	569,504
La Parrilla	537,986	605,826	615,541	643,799	612,116	593,852	667,431	699,497
Del Toro	427,218	323,714	437,743	369,992	472,804	712,714	682,219	680,802
San Martin	557,746	524,843	574,838	617,879	604,686	577,598	522,672	573,349
La Guitarra	136,605	249,214	255,359	290,654	182,986	229,276	316,195	386,713
Consolidated	**6,740,315**	**5,137,318**	**3,879,678**	**4,065,336**	**3,986,274**	**3,888,944**	**4,267,350**	**4,380,477**
Silver ounces produced								
San Dimas	1,445,918	808,923	—	—	—	—	—	—
Santa Elena	598,693	535,015	521,784	582,789	560,054	557,914	581,425	660,207
La Encantada	378,983	325,603	449,522	486,514	609,138	374,901	707,479	567,930
La Parrilla	330,047	360,862	337,332	401,090	424,358	425,060	479,875	497,466
Del Toro	231,350	167,591	236,478	185,695	233,015	365,323	340,958	343,894
San Martin	438,061	419,815	483,740	514,678	471,893	425,645	410,082	510,423
La Guitarra	82,292	138,454	138,173	166,698	117,504	138,345	189,159	239,788
Consolidated	**3,505,344**	**2,756,263**	**2,167,030**	**2,337,463**	**2,415,962**	**2,287,188**	**2,708,978**	**2,819,708**
Cash cost per ounce								
San Dimas	($0.40)	$0.24	—	—	—	—	—	—
Santa Elena	$5.77	$1.39	($4.74)	($6.93)	($0.18)	$1.24	($0.12)	($1.43)
La Encantada	$21.15	$23.05	$16.93	$15.23	$12.47	$13.59	$10.83	$13.87
La Parrilla	$16.29	$10.42	$11.02	$11.21	$12.26	$11.15	$9.96	$10.22
Del Toro	$13.07	$18.01	$13.66	$12.53	$6.41	$3.99	$2.64	$2.80
San Martin	$9.78	$9.68	$8.04	$7.55	$7.11	$5.43	$6.42	$6.94
La Guitarra	$6.99	$12.89	$7.97	$11.20	$19.02	$12.65	$6.36	$7.74
Consolidated	**$6.85**	**$7.59**	**$7.83**	**$6.76**	**$8.15**	**$7.01**	**$6.31**	**$6.49**
All-in sustaining cost per ounce								
San Dimas	$6.74	$5.41	—	—	—	—	—	—
Santa Elena	$9.03	$6.60	($0.17)	($2.01)	$3.08	$5.02	$2.95	$1.64
La Encantada	$27.25	$30.81	$20.97	$19.20	$14.98	$17.95	$12.07	$16.53
La Parrilla	$23.34	$16.39	$17.66	$15.28	$18.85	$17.12	$13.86	$15.34
Del Toro	$24.48	$32.08	$20.61	$25.48	$12.92	$7.93	$7.95	$8.43
San Martin	$13.37	$12.49	$9.98	$9.73	$10.03	$7.53	$8.66	$10.01
La Guitarra	$12.30	$18.11	$15.76	$17.77	$31.55	$19.51	$11.83	$15.99
Consolidated	**$15.12**	**$16.43**	**$16.01**	**$14.13**	**$15.36**	**$14.17**	**$11.85**	**$12.90**
Production cost per tonne								
San Dimas	$105.91	$148.91	—	—	—	—	—	—
Santa Elena	$63.15	$55.97	$54.31	$47.13	$55.65	$54.44	$52.90	$37.57
La Encantada	$40.20	$31.09	$27.00	$36.42	$34.77	$33.65	$27.92	$32.96
La Parrilla	$58.18	$49.10	$48.12	$48.00	$50.75	$44.54	$43.22	$41.92
Del Toro	$73.50	$69.23	$58.12	$72.77	$71.80	$57.16	$51.58	$52.45
San Martin	$88.15	$72.77	$68.06	$73.14	$76.81	$69.37	$61.28	$56.70
La Guitarra	$68.47	$83.68	$86.50	$83.61	$120.09	$93.49	$75.33	$78.31
Consolidated	**$68.87**	**$61.04**	**$46.88**	**$50.81**	**$54.15**	**$51.53**	**$44.72**	**$42.13**

1) San Dimas production was from the period May 10, 2018 to June 30, 2018, or 52 days in the second quarter of 2018.

Operating Results – Consolidated Operations

CONSOLIDATED	2018-Q3	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q3 vs Q2	Change '18 vs '17
Ore processed/tonnes milled	864,056	851,349	809,775	2,525,180	2,244,822	1%	12%
Average silver grade (g/t)	152	127	111	130	133	19%	(2%)
Average gold grade (g/t)	1.33	0.99	0.66	1.00	0.69	35%	45%
Average lead grade (g/t)	2.07	1.61	1.77	1.81	2.42	29%	(25%)
Average zinc grade (g/t)	0.73	0.61	0.69	0.67	0.46	20%	46%
Silver recovery (%)	83%	79%	75%	80%	77%	5%	4%
Gold recovery (%)	95%	94%	93%	94%	92%	1%	2%
Lead recovery (%)	65%	64%	62%	63%	70%	2%	(10%)
Zinc recovery (%)	51%	60%	57%	56%	48%	(15%)	17%
Production							
Silver ounces produced	3,505,344	2,756,263	2,167,030	8,428,636	7,412,128	27%	14%
Gold ounces produced	35,260	25,449	15,887	76,597	45,648	39%	68%
Pounds of lead produced	4,443,290	3,949,410	4,448,378	12,841,078	20,250,833	13%	(37%)
Pounds of zinc produced	1,234,385	1,382,760	1,611,699	4,228,844	2,655,201	(11%)	59%
Total production - ounces silver equivalent	6,740,315	5,137,318	3,879,678	15,757,310	12,142,568	31%	30%
Cost							
Cash cost per ounce	$6.85	$7.59	$7.83	$7.34	7.13	(10%)	3%
All-In sustaining costs per ounce	$15.12	$16.43	$16.01	$15.78	13.72	(8%)	15%
Total production cost per tonne	$68.87	$61.04	$46.88	$59.17	49.89	13%	19%
Underground development (m)	18,833	17,838	14,914	51,585	43,623	6%	18%
Diamond drilling (m)	60,439	73,899	44,827	179,165	106,708	(18%)	68%

Production

Total production for the quarter was 6,740,315 silver equivalent ounces, consisting of 3,505,344 ounces of silver, 35,260 ounces of gold, 4,443,290 pounds of lead and 1,234,385 pounds of zinc. The increase in production was primarily due to receiving a full quarter of production from the San Dimas operation, along with increases in consolidated silver and gold grades of 19% and 35%, respectively.

Silver production for the first three quarters of 2018 totaled 8.4 million ounces, or 15.8 million silver equivalent ounces, remaining in-line with the 2018 production guidance of between 12.0 to 13.2 million silver ounces or 20.5 to 22.6 million silver equivalent ounces.

Total ore processed during the quarter amounted to 864,056 tonnes, representing a 1% increase compared to the previous quarter. The increase in tonnes compared to the prior quarter was primarily due to a 106% increase in tonnes processed at San Dimas, offset by an 18% decrease in throughput processed at La Encantada and a 58% decrease at La Guitarra. The decrease at La Guitarra was due to the operation being placed in care and maintenance on August 3, 2018.

Consolidated silver grades in the quarter averaged 152 g/t compared to 127 g/t in the previous quarter. This 19% increase was primarily the result of a full quarter of production at San Dimas as well as higher grades at La Encantada, Santa Elena, Del Toro and San Martin. Consolidated gold grades increased 35% in the quarter averaging 1.33 g/t compared to 0.99 g/t in the prior quarter. The increase was primarily due to higher production at San Dimas as well as higher gold grades at San Martin.

Quarterly consolidated silver and gold recoveries averaged 83% and 95%, representing a 5% and 1% increase, respectively, compared to the previous quarter. The Company continues to expect further improvements in recoveries associated with higher grades and with the planned installation of microbubble flotation technologies for concentrates production. The microbubble cells are expected to be delivered and installed in the first half of 2019. In addition, installation of new fine grinding technologies has been postponed until the second quarter of 2019 due to additional detailed engineering and process planning. The benefits of this new technology, most notably higher recoveries and lower operating costs, are expected to be realized after completing ramp up to planned operating levels in the second half of 2019.

Cash Cost per Ounce

Cash cost per ounce for the quarter was $6.85 per payable ounce of silver, a decrease of 10% from $7.59 per ounce in the second quarter of 2018. Cash cost per ounce was lower than the previous quarter primarily attributed to increased silver production and gold by-product credits from a full quarter of production by the San Dimas mine, partially offset by higher energy costs as both electricity and diesel rates increased during the quarter.

All-In Sustaining Cost per Ounce

AISC in the third quarter was $15.12, a decrease of 8% or $1.31 per ounce compared to the previous quarter, primarily attributed to improved economies of scale attributed to an increase of payable silver ounces produced.

Development and Exploration

The Company's underground development in the third quarter consisted of 18,833 metres, an increase of 6% compared to 17,838 metres completed in the previous quarter, primarily attributed to additional development contractors brought in during the second quarter at La Encantada and Del Toro to focus on increasing development rates to increase production in the coming quarters. Development remains focused on opening new production areas, exploring high potential zones and new stope preparation.

During the quarter, a total of 60,439 metres of diamond drilling was completed, an 18% decrease compared to 73,899 metres in the prior quarter. Primary exploration activities focused on replacement deposits and to upgrade Mineral Resources confidence and to delineate areas with potential for additional Measured, Indicated or Inferred Resources:

- **San Dimas** - the Santa Jessica, Santa Regina and Alexa veins in the Central block and Sinaloa Graben;
- **Santa Elena** - extensions of the Tortuga and Americana veins, and the main vein and splays of Santa Elena vein, as well as the Ermitaño West and Aitana vein systems;
- **La Parrilla** - the Quebradillas mine and the epithermal vein system at Cerro de Santiago, Los Perros, Rosario, Quebradillas, and San Marcos vein systems;
- **La Encantada** - the Conejo- Intermedio Dike and Azul y Oro vein systems;
- **Del Toro** - the Santa Teresa, Delores, San Jose, Cuerpo 2, and Carmen - Consuelo vein systems;
- **San Martin** - the Rosario, Hedionda II, Santa Sofia, and Lima vein systems;
- **Plomosas** - the San Juan mine.

To offset the impact of lower precious metal prices, the Company has embarked on a cost control program which is expected to cut expenditures, including exploration and development, by 20% by the end of the fourth quarter of 2018.

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 contains 71,867 hectares of mining claims located in the state of Durango, Mexico. San Dimas is one of the country's most prominent silver and gold mines as well as the largest producing underground mine in the state of Durango, with over 250 years of operating history. First Majestic acquired the San Dimas mine with the acquisition of Primero Mining Corp. in May 2018. The San Dimas operation involves processing ore from an underground mine with a 2,500 tpd capacity milling operation. The mine is accessible via a 40 minute flight from Durango to the mine's airstrip. The Company owns 100% of the San Dimas mine.

San Dimas	2018-Q3	2018-Q2	2018-YTD	Change Q3 vs Q2
Total ore processed/tonnes milled	176,884	85,765	262,649	106%
Average silver grade (g/t)	269	307	282	(12%)
Average gold grade (g/t)	4.0	4.3	4.1	(7%)
Silver recovery (%)	94%	96%	95%	(2%)
Gold recovery (%)	97%	97%	97%	0%
Production				
Silver ounces produced	1,445,918	808,923	2,254,840	79%
Gold ounces produced	21,910	11,348	33,259	93%
Total production - ounces silver equivalent	3,225,352	1,698,382	4,923,734	90%
Cost				
Cash cost per ounce	($0.40)	$0.24	($0.17)	(267%)
All-In sustaining costs per ounce	$6.74	$5.41	$6.26	25%
Total production cost per tonne	$105.91	$148.91	$119.95	(29%)
Underground development (m)	5,260	2,481	7,741	112%
Diamond drilling (m)	19,324	10,522	29,846	84%

During the quarter, the San Dimas mine produced 1,445,918 silver ounces of silver and 21,910 ounces of gold for a total production of 3,225,352 silver equivalent ounces, a 90% increase compared to the prior quarter due to a full quarter of production compared to 52 days in the prior quarter.

The mill processed a total of 176,884 tonnes with average silver and gold grades of 269 g/t and 4.0 g/t, respectively, during the quarter. The higher volume is attributable to the unit processing some of the lower grade stopes left behind as they were deemed uneconomical under the old streaming agreement and have now become economical under the new streaming agreement.

In the third quarter, the Company was able to improve profitability of the San Dimas mine by processing lower grade stopes and, with other continuous improvement efforts, resulted in a 29% decrease in production cost per tonne compared to the previous quarter. As a result of processing at higher throughputs, cash cost per payable silver ounce decreased to ($0.40) compared to $0.24 in the prior quarter. AISC increased to $6.74 per ounce compared to $5.41 per once in the prior quarter primarily due to workers participation bonus paid during the third quarter.

With the acquisition of Primero, First Majestic renegotiated San Dimas' streaming agreement with WPM, which is entitled 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 ounce delivered, with provisions to adjust the gold to silver ratio if the average gold to silver ratio moves above or below 90:1 or 50:1, respectively, for a period of six months. The New Stream Agreement enables the operation to generate more significant cash flows and First Majestic to deploy capital towards exploration and underground development in areas of the mine that were previously deemed uneconomic. During the three months ended September 30, 2018, the Company has delivered 9,771 ounces of gold to WPM at $600 per ounce under the New Stream.

A total of 5,260 metres of underground development was completed in the third quarter an increase of 112% compared to the prior quarter.

Since the acquisition announcement in January 2018, First Majestic has been developing a long-term mine and mill automation plan for the future of the operation. The Company has identified numerous projects that will be implemented over the next 12 to 18 months intended to improve production costs at the mine and processing plant, including:

1) Improvement of grinding technologies
2) Lime automation and pH control
3) Upgrading the tailings filtration plant
4) Modernization of the Merrill-Crowe and smelting operations
5) Installation of the third counter-current decantation tank
6) Estimated 40% reduction in dilution and reductions in costs associated with standard ground support
7) Pillar recoveries from Tayoltita, Santa Rita and Noche Buena mines

The Company is currently reviewing the economics of restarting a slag recovery circuit which may improve production at the mine.

Santa Elena Silver/Gold Mine, Sonora, México

The Santa Elena Silver/Gold Mine is located approximately 150 kilometres northeast of the city of Hermosillo, Sonora, Mexico and owns mining concessions over a total of 101,772 hectares. The operating plan for Santa Elena involves the processing of ore in the 3,000 tpd cyanidation circuit from a combination of underground reserves and spent ore from the previous heap leach pad. The Company owns 100% of the Santa Elena mine.

SANTA ELENA	2018-Q3	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q3 vs Q2	Change '18 vs '17
Total ore processed/tonnes milled	225,873	228,054	223,498	677,425	695,162	(1%)	(3%)
Underground tonnes							
Tonnes milled	135,510	128,200	124,827	388,537	420,463	6%	(8%)
Average silver grade (g/t)	128	120	124	124	112	7%	11%
Average gold grade (g/t)	2.2	2.3	2.9	2.5	2.3	(4%)	9%
Heap leach tonnes							
Tonnes milled	90,362	99,854	98,671	288,887	274,700	(10%)	5%
Average silver grade (g/t)	37	36	32	35	43	3%	(19%)
Average gold grade (g/t)	0.6	0.7	0.6	0.6	0.7	(14%)	(14%)
Silver recovery (%)	90%	87%	87%	86%	90%	3%	(4%)
Gold recovery (%)	95%	95%	95%	95%	95%	0%	0%
Production							
Silver ounces produced	598,693	535,015	521,784	1,655,492	1,699,393	12%	(3%)
Gold ounces produced	10,848	11,040	12,887	34,775	35,206	(2%)	(1%)
Total production - ounces silver equivalent	1,475,635	1,407,880	1,543,776	4,427,291	4,273,191	5%	4%
Cost							
Cash cost per ounce	$5.77	$1.39	($4.74)	$1.04	$0.31	315%	235%
All-In sustaining costs per ounce	$9.03	$6.60	($0.17)	$5.34	$3.67	37%	46%
Total production cost per tonne	$63.15	$55.97	$54.31	$57.82	$54.33	13%	6%
Underground development (m)	2,326	2,926	3,030	8,281	8,193	(21%)	1%
Diamond drilling (m)	9,147	10,717	7,097	26,961	13,744	(15%)	96%

During the third quarter, Santa Elena produced 598,693 silver ounces and 10,848 ounces of gold for a total production of 1,475,635 silver equivalent ounces, reflecting an increase of 5% compared to the prior quarter.

The mill processed a total of 225,873 tonnes during the quarter, consisting of 135,510 tonnes of underground ore and 90,362 tonnes from the above ground heap leach pad representing a slight decrease compared to the prior quarter.

Silver and gold grades from underground ore averaged 128 g/t and 2.2 g/t, respectively. Silver and gold grades from the above ground heap leach pad averaged 37 g/t and 0.6 g/t, respectively, during the quarter.

Cash cost in the third quarter was $5.77 per payable silver ounce compared to $1.39 per payable silver ounce in the previous quarter. Cash cost per ounce was higher primarily due to decrease in gold by-product credits, which were impacted by a 4% decrease in gold head grades during the quarter. Costs were also impacted by increased diesel costs which is a primary cost in generating energy from the diesel generators at Santa Elena.

AISC in the third quarter was $9.03 per ounce compared to $6.60 per ounce in the previous quarter. The increase was mainly attributed to an increase in cash costs.

During the quarter, the Santa Elena mine completed a total of 9,147 metres of diamond drilling, consisting of 25 underground drill holes for 4,744 metres at Santa Elena and 13 surface holes for 4,402 metres at the Ermitaño-West project. Drilling at Santa Elena focused on exploring extensions of the Tortuga and Americana veins, and the Main Vein and splays of Santa Elena Vein. Drilling at the Ermitaño-West project focused on exploring the Ermitaño West and Aitana vein systems.

The Santa Elena mine has a gold streaming agreement with Sandstorm Gold Ltd. (“Sandstorm”), which requires the mine to sell 20% of its gold production from leach pad and a designated area of its underground operations over the life of mine to Sandstorm. In September 2017, the Company exceeded 50,000 cumulative ounces delivered to Sandstorm which increased the base selling price from $350 per ounce to $450 per ounce. The selling price to Sandstorm is currently the lesser of $450 per ounce (subject to a 1% annual inflation increase commencing in April 2018) and the prevailing market price. During the quarter ended September 30, 2018 the Company delivered 2,191 ounces of gold to Sandstorm.

The Santa Elena mine is comprised of five major groups of concessions totaling 101,772 hectares, including Santa Elena, Ermitaño, El Gachi, Los Hernandez and Cumobabi.

As previously announced on September 10th, the Company exercised the Ermitaño and Cumobabi option agreements with Evrim Resources Corp. for a 100% earn-in on the mining concessions on both projects for $1.5 million. Evrim will retain a 2% net smelter royalty ("NSR"). During the quarter, the Company signed a 25-year agreement with a local Banamichi Ejido for all surface and access rights to the Ermitaño West project. Following these two significant events, the Company began a 4,400 metres infill exploration program on the Ermitaño West project in mid-September with the objective of upgrading a portion of the Inferred Resources to Indicated Resources.

In December 2016, the Company entered into an option agreement with Compañía Minera Dolores, S.A. de C.V., a subsidiary of Pan American Silver Corp., to acquire the Los Hernandez Property, consisting of 5,802 hectares of mining concessions to the north of the Santa Elena mine. In exchange, First Majestic has agreed: to incur $1.6 million in exploration costs on the property over four years, a 2.5% NSR on the related concessions, and to pay $1.4 million in cash, of which $0.3 million was paid, $0.2 million is due in December 2018, $0.3 million in December 2019 and $0.7 million in December 2020, respectively.

La Parrilla Silver Mine, Durango, México

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

LA PARRILLA	2018-Q3	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q3 vs Q2	Change '18 vs '17
Total ore processed/tonnes milled	117,130	123,642	125,114	365,886	405,861	(5%)	(10%)
Cyanidation							
Tonnes milled	46,859	52,871	49,260	148,991	175,930	(11%)	(15%)
Average silver grade (g/t)	140	105	125	122	143	33%	(15%)
Average gold grade (g/t)	0.15	0.13	0.14	0.14	0.13	15%	8%
Silver recovery (%)	76%	71%	71%	73%	72%	7%	1%
Gold recovery (%)	82%	81%	81%	82%	81%	1%	1%
Flotation							
Tonnes milled	70,271	70,771	75,854	216,896	229,932	(1%)	(6%)
Average silver grade (g/t)	102	131	105	113	126	(22%)	(10%)
Average lead grade (g/t)	1.3	1.4	1.3	1.3	1.3	(7%)	0%
Average zinc grade (g/t)	1.6	1.5	1.7	1.6	1.1	7%	45%
Silver recovery (%)	74%	78%	77%	77%	80%	(5%)	(4%)
Lead recovery (%)	71%	77%	73%	74%	75%	(8%)	(1%)
Zinc recovery (%)	51%	60%	57%	56%	48%	(15%)	17%
Production							
Silver ounces produced	330,047	360,862	337,332	1,028,241	1,329,293	(9%)	(23%)
Gold ounces produced	243	235	247	725	744	3%	(3%)
Pounds of lead produced	1,474,222	1,653,868	1,606,332	4,734,422	4,935,442	(11%)	(4%)
Pounds of zinc produced	1,234,385	1,382,760	1,611,699	4,228,844	2,655,201	(11%)	59%
Total production - ounces silver equivalent	537,986	605,826	615,541	1,759,353	1,873,399	(11%)	(6%)
Cost							
Cash cost per ounce	$16.29	$10.42	$11.02	$12.53	$11.08	56%	13%
All-In sustaining costs per ounce	$23.34	$16.39	$17.66	$19.08	$16.50	42%	16%
Total production cost per tonne	$58.18	$49.10	$48.12	$51.67	$46.11	18%	12%
Underground development (m)	2,492	2,761	3,254	8,507	9,246	(10%)	(8%)
Diamond drilling (m)	8,184	10,444	8,358	26,985	20,373	(22%)	32%

In the third quarter, total production from the La Parrilla mine was 537,986 silver equivalent ounces, a decrease of 11% compared to 605,826 equivalent ounces of silver in the previous quarter. During the quarter, the flotation circuit processed 70,271 tonnes (764 tpd) with an average silver grade of 102 g/t and a 74% recovery while the cyanidation circuit processed 46,859 tonnes (509 tpd) with an average silver grade of 140 g/t and a 76% recovery.

During the quarter, the lead circuit processed ore with an average lead grade of 1.3 g/t with recoveries of 71% for a total lead production of 1,474,222 pounds, representing a 11% decrease compared to the previous quarter. The zinc circuit processed an average zinc grade of 1.6 g/t with recoveries of 51% for a total zinc production of 1,234,385 pounds, representing a 11% decrease compared to the previous quarter.

Cash cost in the first quarter was $16.29 per ounce, an increase of 56% compared to $10.42 per ounce in the previous quarter. AISC per ounce in the quarter was $23.34, an increase of 42% or $6.95 compared to the previous quarter. The increases in cash cost and AISC per ounce were primarily attributed to a decrease in byproduct credits, as lead and zinc prices decreased 12% and 18% respectively compared to the previous quarter. Costs were also affected by a combination of a stronger Mexican Peso, which strengthened 5% against the U.S. dollar this quarter, as well as higher energy costs as electricity rates increased 30% during the quarter.

During the quarter, a total of 2,492 metres of underground development was completed compared to 2,761 metres in the previous quarter. The mine is in the process of changing its development contractor in order to improve development rates.

Due to adjustments in design and manufacturing changes, delivery of the microbubble cells to La Parrilla is expected in the first quarter of 2019 followed by installation, commissioning and ramp up to commercial production. By using microbubble technology, the Company expects to achieve higher metallurgical recoveries in the treatment of sulphide ore within the flotation circuit at La Parrilla.

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

LA ENCANTADA	2018-Q3	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q3 vs Q2	Change '18 vs '17
Ore processed/tonnes milled	196,030	237,862	276,191	710,083	626,641	(18%)	13%
Average silver grade (g/t)	107	83	85	90	132	29%	(32%)
Silver recovery (%)	56%	51%	60%	56%	63%	10%	(11%)
Production							
Silver ounces produced	378,983	325,603	449,522	1,154,108	1,691,518	16%	(32%)
Gold ounces produced	10	23	37	70	46	(57%)	52%
Total production - ounces silver equivalent	379,773	327,458	452,420	1,159,652	1,694,828	16%	(32%)
Cost							
Cash cost per ounce	$21.15	$23.05	$16.93	$20.04	$12.03	(8%)	67%
All-In sustaining costs per ounce	$27.25	$30.81	$20.97	$25.81	$14.42	(12%)	79%
Total production cost per tonne	$40.20	$31.09	$27.00	$32.02	$31.60	29%	1%
Underground development (m)	1,862	1,718	1,445	5,024	2,322	8%	116%
Diamond drilling (m)	6,419	7,020	4,574	18,012	12,497	(9%)	44%

For the quarter, silver production was 378,983 ounces, representing a 16% increase from the previous quarter, primarily due to a 29% increase in silver grades which was offset by an 18% decrease in tonnes milled as the operation was impacted by torrential rains in the month of September.

Silver grades and recoveries during the quarter averaged 107 g/t and 56%, respectively. The increase in silver grades was the result of higher tonnage from the San Javier breccia which produced 64,117 tonnes with an average silver grade of 130 g/t. Additional production from the La Prieta breccia, a new sub-level caving area known to contain higher silver grades of between 150 g/t to 200 g/t, as preparation began in October.

Initial dry commissioning activities commenced on the roaster on August 21, 2018 with the preheating of the rotary furnace to cure the refractory brick lining. The burner was successfully tested using natural gas, however, due to heavy rains throughout most of September the Company postponed initial production and conversion to sustainable coal injection. The roaster is now in its final commissioning stages and the Company anticipates production from tailings to begin by the fourth quarter.

Cash cost per ounce for the quarter was $21.15 per ounce, a decrease of 8% compared to $23.05 per ounce in the previous quarter, while AISC per ounce was $27.25 compared to $30.81 in the previous quarter. The decrease in cash cost per ounce was primarily attributed to a 16% increase in silver production, partially offset by strengthening of the Mexican Peso and higher energy costs.

Del Toro Silver Mine, Zacatecas, México

The Del Toro Silver Mine is located 60 kilometres to the southeast of the Company's La Parrilla mine and consists of 2,132 hectares of mining claims 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 which is currently in care and maintenance. First Majestic owns 100% of the Del Toro Silver Mine.

DEL TORO	2018-Q3	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q3 vs Q2	Change '18 vs '17
Ore processed/tonnes milled	65,323	65,879	79,769	210,971	221,452	(1%)	(5%)
Average silver grade (g/t)	147	117	133	132	163	26%	(19%)
Average lead grade (g/t)	3.3	2.7	2.9	3.0	4.6	22%	(35%)
Silver recovery (%)	75%	68%	69%	71%	81%	10%	(12%)
Lead recovery (%)	62%	58%	57%	59%	69%	7%	(14%)
Production							
Silver ounces produced	231,350	167,591	236,478	635,419	939,297	38%	(32%)
Pounds of lead produced	2,969,068	2,295,542	2,842,046	8,106,656	15,315,391	29%	(47%)
Total production - ounces silver equivalent	427,218	323,714	437,743	1,188,676	1,867,737	32%	(36%)
Cost							
Cash cost per ounce	$13.07	$18.01	$13.66	$14.59	$4.10	(27%)	256%
All-In sustaining costs per ounce	$24.48	$32.08	$20.61	$25.04	$9.18	(24%)	173%
Total production cost per tonne	$73.50	$69.23	$58.12	$66.35	$59.17	6%	12%
Underground development (m)	3,789	3,044	2,836	9,669	8,921	24%	8%
Diamond drilling (m)	5,472	9,145	5,824	20,440	14,340	(40%)	43%

During the third quarter, the Del Toro mine produced a total of 427,218 silver equivalent ounces, a 32% increase compared to 323,714 ounces produced in the previous quarter primarily due to a 26% increase in silver grades, a 22% increase in lead grades and a 10% increase in silver recoveries.

The mill processed a total of 65,323 tonnes (710 tpd) during the quarter, consistent with the previous quarter. Silver grades and recoveries during the quarter averaged 147 g/t and 75%, respectively. Recoveries in the quarter improved this quarter with ore extracted from Cuerpo 3 deposit which is providing higher grade material. The microbubble flotation cells which are planned to be installed in the second quarter of 2019 are expected to further improve these recoveries.

During the quarter, lead grades and recoveries averaged 3.3 g/t and 62%, respectively, producing a total of 2,969,068 pounds of lead representing a 29% increase compared to 2,295,542 pounds of lead in the previous quarter.

Cash cost per ounce for the quarter was $13.07, a decrease of 27% compared to $18.01 per ounce in the previous quarter. AISC in the quarter was $24.48 per ounce compared to $32.08 in the previous quarter. The decrease in cash cost and AISC per ounce was directly attributed to the 38% increase in silver production, partially offset by strengthening of the Mexican Peso and higher energy costs.

San Martin Silver Mine, Jalisco, México

The San Martin Silver Mine is an underground mine located near the town of San Martin de Bolaños in the Bolaños River valley, in the northern portion of the State of Jalisco, México. San Martin has 33 contiguous mining concessions in the San Martin de Bolaños mining district covering mineral rights for 37,902 hectares, including the application to acquire a new mining concession covering 24,723 hectares. In addition, the mine owns 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located, and an additional 640 hectares of surface rights. The 1,300 tpd mill and processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks and a Merrill-Crowe doré production system. The mine can be accessed via small plane, 150 kilometres by air from Durango or 250 kilometres by paved road north of Guadalajara, Jalisco. The San Martin Silver Mine is 100% owned by the Company.

SAN MARTIN	2018-Q3	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q3 vs Q2	Change '18 vs '17
Ore processed/tonnes milled	67,926	74,431	75,374	217,732	205,749	(9%)	6%
Average silver grade (g/t)	224	203	234	220	233	10%	(6%)
Average gold grade (g/t)	0.8	0.6	0.5	0.6	0.9	33%	(33%)
Silver recovery (%)	90%	87%	85%	87%	85%	3%	2%
Gold recovery (%)	89%	87%	91%	89%	93%	2%	(4%)
Production							
Silver ounces produced	438,061	419,815	483,740	1,341,616	1,307,619	4%	3%
Gold ounces produced	1,475	1,331	1,148	3,954	5,443	11%	(27%)
Total production - ounces silver equivalent	557,746	524,843	574,838	1,657,427	1,704,956	6%	(3%)
Cost							
Cash cost per ounce	$9.78	$9.68	$8.04	$9.12	$6.35	1%	44%
All-In sustaining costs per ounce	$13.37	$12.49	$9.98	$11.88	$8.79	7%	35%
Total production cost per tonne	$88.15	$72.77	$68.06	$75.93	$69.13	21%	10%
Underground development (m)	2,934	2,957	2,966	8,857	8,133	(1%)	9%
Diamond drilling (m)	7,954	9,781	4,928	22,664	19,250	(19%)	18%

During the quarter, San Martin produced 438,061 silver ounces and 1,475 ounces of gold for a total production of 557,746 silver equivalent ounces, a 6% increase compared to the prior quarter. The increase in production was primarily attributed to an increase in silver and gold grades of 10% and 33% respectively, as well as a 3% and 2% in respective recoveries.

The San Martin mine processed a total of 67,926 tonnes during the quarter, a 9% decrease compared to 74,431 tonnes in the previous quarter. Silver grades and recoveries averaged 224 g/t and 90%, respectively, while gold grades and recoveries averaged 0.8 g/t and 89%, respectively.

Cash cost per ounce was $9.78 in the quarter, comparable to $9.68 in the previous quarter as the increase in production was offset by the effect of the strengthened Mexican Peso and higher energy costs.

AISC per ounce in the quarter was $13.37 compared to $12.49 in the first quarter. The increase in AISC per ounce was attributed to higher cash costs as well as higher sustaining capital expenditures relating to equipment overhauls.

La Guitarra Silver Mine, México State, México

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

LA GUITARRA	2018-Q3	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q3 vs Q2	Change '18 vs '17
Ore processed/tonnes milled	14,891	35,715	29,829	80,435	89,957	(58%)	(11%)
Average silver grade (g/t)	214	154	187	177	196	39%	(10%)
Average gold grade (g/t)	1.8	1.5	1.9	1.7	1.8	20%	(6%)
Silver recovery (%)	80%	78%	77%	78%	78%	3%	0%
Gold recovery (%)	78%	79%	80%	79%	74%	(1%)	7%
Production							
Silver ounces produced	82,292	138,454	138,173	358,919	445,008	(41%)	(19%)
Gold ounces produced	688	1,399	1,477	3,564	3,932	(51%)	(9%)
Total production - ounces silver equivalent	136,605	249,214	255,359	641,179	728,456	(45%)	(12%)
Cost							
Cash cost per ounce	$6.99	$12.89	$7.97	$9.64	$11.66	(46%)	(17%)
All-In sustaining costs per ounce	$12.30	$18.11	$15.76	$15.88	$19.43	(32%)	(18%)
Total production cost per tonne	$68.47	$83.68	$86.50	$81.92	$93.18	(18%)	(12%)
Underground development (m)	172	1,950	1,384	3,506	6,348	(91%)	(45%)
Diamond drilling (m)	1,119	7,613	5,806	14,539	16,853	(85%)	(14%)

During the 34 days of operations in the third quarter, La Guitarra produced a total of 136,605 silver equivalent ounces, consisting of 82,292 silver ounces and 688 gold ounces.

As previously announced, the Company placed the La Guitarra milling and mining operations under care and maintenance on August 3, 2018 and is currently reviewing strategic options including the potential sale of the operation. The Company will continue with current permitting activities and remediation programs to prepare the operation for a potential reopening in the future, subject to a sufficient improvement in the economic situation to justify a restart of the operation.

Ongoing care and maintenance activities include pumping and de-watering of the underground mine and treatment of the discharge water. Work also continues at the tailings dam to prepare for closure and water treatment. The surface facilities have all been secured and prepared for suspension of activities and some of the excess equipment not required for care and maintenance activities at La Guitarra have been relocated to the Company's other mining operations. Future care and maintenance costs for the mine is expected to be approximately $0.8 million per quarter.

DEVELOPMENT AND EXPLORATION PROJECTS AND PROPERTIES

Plomosas Silver Project, Sinaloa, Mexico

The Plomosas Silver Project consists of 18 mining concessions covering 8,514 hectares, which includes the adjacent Rosario and San Juan historic mines located in Sinaloa State, México.

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

During the third quarter of 2018, three drill rigs were active on site and the Company completed 2,820 metres of diamond drilling at the Plomosas Silver Project, compared to 8,658 metres in the previous quarter. After reaching 19,718 metres drilled of the 22,000 metres budgeted in the year, and due to security issues in the area, the Company decided to halt the drilling program and continue logging and sampling to get the data and continue building the geological model.

La Luz Silver Project, San Luis Potosi, México

The La Luz Silver Project is located 25 kilometres west of the town of Matehuala in San Luis Potosi State, México, near the village of Real de Catorce. The Company owns 100% of the La Luz project and all of the associated mining claims of what was historically known as the Santa Ana Mine and consists of 36 mining concessions covering 4,974 hectares, with estimated historical production of 230 million ounces of silver between 1773 and 1990. The total surface rights on different properties at La Luz amount to 26 hectares.

To date, the Company has completed a Baseline Study and the Geo-hydrologic Study. However, there has been opposition to mining in the La Luz area from certain indigenous people (Huicholes) and non-government organizations ("NGOs") largely residing or based outside of San Luis Potosi State, who placed an injunction on the constitutionality of the concessions given that the claims overlay a traditional pilgrimage route. In a related matter, local Ejido members placed an injunction to defend against attempts to create a biosphere reserve by constitutional decree that includes some mining concession areas of the La Luz Project near Real de Catorce, as that would prohibit them from engaging in many livelihood activities including mining. The Company is currently addressing these constitutional legal matters in the Mexican courts. The Company is ready to submit the Environmental Impact Statement, the Risk Study and the Change of Use of Land Studies to government authorities once the courts resolve the outstanding constitutional matters. The Company is unable at this time to estimate when these legal constitutional matters will be resolved.

La Joya Silver Project, Durango, México

The Company owns 100% of the La Joya Silver Project which is located 75 kilometres southeast of the city of Durango, Mexico and consists of 15 mining concessions covering 4,646 hectares. A Preliminary Economic Assessment for La Joya was previously published by SilverCrest Mines Inc. with an effective date of October 21, 2013, and was amended March 4, 2014.

Jalisco Group of Properties, Jalisco, México

The Company owns 100% of a group of mining claims totalling 4,719 hectares located in various mining districts located in Jalisco State, México.

Jimenez del Teul Properties, Zacatecas, Mexico

The Company owns 100% of the Jimenez del Teul Properties which are located 30 kilometres south of the Del Toro Silver Mine, in the state of Zacatecas, Mexico. These properties consist of 12 mining concessions covering 12,420 hectares. Some of the prospects known as Las Minitas, El Triangulo, La Luz and Reyna Victoria host low-scale historic mining operations.

OVERVIEW OF FINANCIAL PERFORMANCE

For the quarters ended September 30, 2018 and 2017 (in thousands of dollars, except for per share amounts):

	Third Quarter 2018	Third Quarter 2017	Variance %	
Revenues	**$88,521**	**$61,901**	**43 %**	(1)
Mine operating costs				
Cost of sales	63,966	40,290	59 %	(2)
Depletion, depreciation and amortization	24,701	18,436	34 %	(3)
	88,667	58,726	51 %	
Mine operating (loss) earnings	**(146)**	**3,175**	**(105)%**	(4)
General and administrative expenses	5,417	4,521	20 %	(5)
Share-based payments	1,669	1,985	(16)%	
Mine care and maintenance costs	1,473	—	100 %	(6)
Foreign exchange gain	(2,391)	(2,432)	(2)%	
Operating loss	**(6,314)**	**(899)**	**602 %**	
Investment and other income	(1,418)	625	(327)%	(7)
Finance costs	(3,390)	(1,033)	228 %	(8)
Loss before income taxes	**(11,122)**	**(1,307)**	**751 %**	
Current income tax (recovery) expense	(950)	590	(261)%	
Deferred income tax recovery	(16,076)	(577)	2,686 %	
Income tax (recovery) expense	(17,026)	13	(131,069)%	(9)
Net earnings (loss) for the period	**$5,904**	**($1,320)**	**(547)%**	(10)
Earnings (loss) per share (basic and diluted)	**$0.03**	**($0.01)**	**(482)%**	(10)

1. **Revenues** in the quarter increased 43% compared to the same quarter of the previous year primarily attributed to:
   - a 69% increase in ***silver equivalent ounces sold*** compared to the third quarter of 2017, primarily attributed to the addition of the San Dimas mine in May of 2018, which resulted in an increase in revenues of $44.1 million; and
   - ***smelting and refining*** costs decreased from $2.0 million ($1.63 per ounce) to $1.4 million ($0.41 per ounce). The savings in smelting and refining costs per ounce were primarily attributed to a higher volume of doré production at San Dimas, as well as lower smelting and refining rates renegotiated in July 2018.

   Partially offset by:
   - a 14% decrease in ***average realized silver price*** of $14.66 per ounce compared to $17.11 per ounce in the same quarter of the prior year, which resulted in a decrease in revenues of $18.1 million;

2. **Cost of sales** in the quarter increased 59% or $23.7 million compared to the same quarter of the previous year as a result of the following factors:
   - the ***addition of the San Dimas mine*** which incurred $22.1 million in cost of sales;
   - ***increase in energy costs*** of $1.1 million in the current quarter compared to the third quarter of 2017, primarily due to a 30% rate hike by Mexico's Federal Electricity Commission during the quarter as well as higher diesel costs.

3. **Depletion, depreciation and amortization** in the quarter increased $6.3 million or 34% compared to the same quarter of the previous year primarily as a result of the addition of the San Dimas mine, which incurred $6.7 million of depletion, depreciation and amortization during the quarter.

4. **Mine operating earnings** during the quarter decreased by $3.3 million to a mine operating loss of $0.1 million compared to the third quarter of 2017. In the first full quarter of operation under First Majestic, San Dimas generated mine operating earnings of $13.0 million; however, this was offset by $6.8 million decrease in mine operating earnings at La Parrilla, $5.3 million decrease in La Encantada and $2.1 million decrease at Del Toro, respectively, due to a combination of 14% lower average realized silver price and higher costs.

5. **General and administrative expenses** increased $0.9 million or 20% during the quarter compared to the same quarter of 2017, primarily attributed to incremental general and administrative costs from the addition of Primero. The Company expects these costs to reduce in the coming quarters as further synergies are achieved and a 20% cost reduction program across all areas of the business which is expected to be fully realized by the first quarter of 2019.

6. As previously announced, the Company placed the La Guitarra milling and mining operations under care and maintenance on August 3, 2018. **Mine care and maintenance costs** for the quarter was $1.5 million, including $0.6 million in severance costs for terminated employees and workers. Future care and maintenance costs for the mine is expected to be approximately $0.8 million per quarter.

7. **Investment and other loss** in the quarter increased $2.0 million compared to the same quarter of the prior year and relates to unrealized mark-to-market adjustment on investment in marketable securities, partially offset by an increase in interest income.

8. **Finance costs** increased $2.4 million compared to the same quarter of the prior year, primarily attributed to an interest expense of $2.1 million and $0.7 million in accretion expense related to the $156.5 million convertible debentures that the Company issued in the first quarter of 2018.

9. During the quarter, the Company recorded a **net income tax recovery** of $17.0 million compared to an income tax recovery of $nil million in the third quarter of 2017. The increase in income tax recovery in the quarter was primarily driven by foreign exchange impact on the Company's Mexican Peso denominated tax balances.

10. As a result of the foregoing, **net earnings** for the quarter was $5.9 million (EPS of $0.03) compared to net earnings of $1.3 million (EPS of $0.01) in the same quarter of the prior year.

For the year to date period ended September 30, 2018 and 2017 (in thousands of dollars, except for per share amounts):

	Year to date 2018	Year to date 2017	Variance % '18 vs '17
Revenues	**$226,801**	**$191,123**	**19 %** (1)
Mine operating costs			
Cost of sales	162,932	119,956	36 % (2)
Depletion, depreciation and amortization	66,742	56,591	18 % (3)
	229,674	176,547	
Mine operating (loss) earnings	**(2,873)**	**14,576**	**(120)%** (4)
General and administrative	15,486	13,541	14 %
Share-based payments	6,432	6,445	0 %
Impairment of non-current assets	31,660	—	100 % (5)
Acquisition costs	4,877	—	100 % (6)
Mine care and maintenance costs	1,473	—	100 % (7)
Foreign exchange loss (gain)	190	(3,507)	105 %
Operating loss	**(62,991)**	**(1,903)**	**3,210 %**
Investment and other (loss) income	(1,839)	(299)	515 % (8)
Finance costs	(9,648)	(3,219)	200 % (9)
(Loss) before income taxes	**(74,478)**	**(5,421)**	**1,274 %**
Current income tax expense	1,424	3,035	(53)%
Deferred income tax recovery	(36,181)	(11,268)	221 %
Income tax recovery	(34,757)	(8,233)	322 % (10)
Net (loss) earnings for the period	**($39,721)**	**$2,812**	**(1,513)%** (11)
Earnings (loss) per share (basic and diluted)	**($0.22)**	**$0.02**	**(1,394)%** (11)
Cash and cash equivalents	**$72,372**	**$118,141**	
Total assets	**$1,112,197**	**$781,441**	
Non-current liabilities	**$302,208**	**$144,581**	

1. **Revenues** in the nine months ended September 30, 2018 increased 19% compared to the previous year due to the following significant contributors:

   - ***Silver equivalent ounces sold*** increased by 32% compared to the previous year, primarily attributed to the additional production from San Dimas, resulting in an increase in revenues of $69.4 million; and
   - ***Smelting and refining* costs** decreased from $9.0 million ($1.23 per ounce) to $6.1 million ($0.74 per ounce). The savings in smelting and refining costs per ounce were primarily attributed to a higher volume of doré production at San Dimas, as well as lower smelting and refining rates renegotiated in July 2018.

   Partially offset by:

   - an 8% decrease in ***average realized silver price*** of $15.89 per ounce compared to $17.29 per ounce in the same period of the prior year, resulting in a decrease in revenues of $31.0 million;
   - ***finished goods inventory acquired from Primero***, consisting of 452,198 ounces of silver, were sold by First Majestic under the old WPM stream agreement at $4.32 per ounce. Had these inventories been sold at spot market prices, the Company would have realized an additional $5.6 million in revenue.

2. **Cost of sales** in the year increased $43.0 million or 36% compared to 2017 as a result of the following factors:
   - the ***addition of the San Dimas mine*** on May 10, 2018, which incurred $40.7 million in cost of sales during its 144 days of operations under First Majestic;
   - ***increase in energy costs*** of $2.9 million compared to the same period of 2017, primarily due to a 30% rate hike by Mexico's Federal Electricity Commission since the beginning of the year as well as higher diesel costs.

3. **Depletion, depreciation and amortization** in the year increased $10.2 million or 18% compared to the previous year primarily as a result of the addition of the San Dimas mine, which incurred $10.9 million of depletion, depreciation and amortization during the year.

4. **Mine operating earnings** during the nine months ended September 30, 2018 decreased $17.4 million from the same period in 2017. In the first 144 days under management by First Majestic, Primero generated mine operating earnings of $18.1 million. However, this was offset by $15.4 million decrease in mine operating earnings at La Parrilla, $14.3 million decrease in La Encantada, and $6.1 million decrease in Del Toro, respectively.

5. As a result of management's decision to place the La Guitarra Silver Mine on care and maintenance effective August 3, 2018, the Company assessed the recoverable value of the mine and concluded that its carrying value had an estimated recoverable value below its carrying value. Consequently, the Company recognized an **impairment loss** of $31.7 million during the period.

6. **Acquisition costs** in the year were $4.9 million relating to due diligence costs and closing fees incurred in connection with the acquisition of Primero Mining Corp. which closed on May 10, 2018.

7. As previously announced, the Company placed the La Guitarra milling and mining operations under care and maintenance on August 3, 2018. **Mine care and maintenance costs** for the year was $1.5 million, including $0.6 million in severance costs for terminated employees and workers. Future care and maintenance costs for the mine is expected to be approximately $0.8 million per quarter.

8. **Investment and other loss** increased $1.5 million relates to unrealized mark-to-market adjustment on investment in marketable securities, partially offset by increase in interest income.

9. **Finance costs** increased $6.4 million during the nine months ended September 30, 2018 compared to the previous year, primarily due to $2.0 million in interest expense and $3.6 million in accretion expense related to the $156.5 million convertible debentures that the Company issued in the first quarter of 2018, as well as $0.5 million in accelerated accretion costs as a result of early termination of previous debt facilities.

10. During the nine months ended September 30, 2018, the Company recorded a net **income tax recovery** of $34.8 million, compared to an income tax recovery of $8.2 million in the same period of 2017. The increase in income tax recovery was attributed to foreign exchange impact on the Company's Mexican Peso denominated tax balances as well as deferred income tax effect of $11.2 million on the $31.7 million impairment charge on non-current assets.

11. As a result of the foregoing, **net loss** for the nine months ended September 30, 2018 was $39.7 million (loss per share of $0.22), compared to earnings of $2.8 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:

	2018			2017				2016
Selected Financial Information	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	$88,521	$79,687	$58,593	$61,165	$61,901	$60,116	$69,106	$66,170
Cost of sales	$63,966	$59,285	$39,681	$39,309	$40,290	$40,004	$39,662	$37,346
Depletion, depreciation and amortization	$24,701	$22,706	$19,335	$20,454	$18,436	$18,707	$19,448	$18,881
Mine operating (loss) earnings	($146)	($2,304)	($423)	$1,402	$3,175	$1,405	$9,996	$9,943
Net earnings (loss) after tax	$5,904	($40,033)	($5,592)	($56,084)	($1,320)	$1,412	$2,720	$1,814
(Loss) earnings per share-basic	$0.03	($0.22)	($0.03)	($0.34)	($0.01)	$0.01	$0.02	$0.01
(Loss) earnings per share-diluted	$0.03	($0.22)	($0.03)	($0.34)	($0.01)	$0.01	$0.02	$0.01

During the third quarter of 2018, mine operating loss was $0.1 million compared to a net loss of $2.3 million in the previous quarter. The reduction in mine operating loss was attributed to increased production from San Dimas' first full quarter of production under management by First Majestic, offset by a 12% decrease in average realized silver price compared to the previous quarter. Net earnings after tax increased $45.9 million compared to the previous quarter primarily due to a $7.7 million increase in income tax recovery in the current quarter, as well as an impairment charge of $31.7 million, or $20.5 million net of tax, recognized in the second quarter in connection with management's decision to place the La Guitarra Silver Mine on care and maintenance effective August 3, 2018.

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at September 30, 2018, the Company had cash and cash equivalents of $72.4 million, a decrease of $45.8 million compared to $118.1 million at December 31, 2017. The Company's cash and cash equivalents primarily comprised 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. The funds are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

In connection with the Primero acquisition, First Majestic repaid all outstanding amounts of Primero’s $75.8 million convertible debentures as well as $30.2 million in Primero's revolving credit facilities.

To fund these debt repayments and related costs for the acquisition, in February 2018, the Company issued $156.5 million of five year convertible debentures with a semi-annual interest of 1.875% per annum. The Notes are convertible into common shares of the Company at a conversion rate of 104.3297 common shares per $1,000 principal amount of Notes converted, representing an initial conversion price of $9.59 per common share, subject to certain anti-dilution adjustments.

During the previous quarter, the Company also restructured 100% of its bank debt by entering into a three year $75.0 million Senior Secured Credit Facility.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Cash flow				
Cash generated by operating activities	230	15,378	16,932	50,897
Cash used in investing activities	(33,957)	(22,222)	(86,267)	(56,807)
Cash used in financing activities	(3,461)	(966)	24,754	(6,230)
Decrease in cash and cash equivalents	**(37,188)**	**(7,810)**	**(44,581)**	**(12,140)**
Effect of exchange rate on cash and cash equivalents held in foreign currencies	332	1,705	(1,188)	3,885
Cash and cash equivalents, beginning of the period	109,228	126,899	118,141	129,049
Cash and cash equivalents, end of period	**$72,372**	**$120,794**	**$72,372**	**$120,794**

The Company's cash flows from operating, investing and financing activities during the nine months ended September 30, 2018 are summarized as follows:

- **Cash provided from operating activities** of $16.9 million, primarily due to:
  - $50.6 million in operating cash flows from operating activities before movements in working capital and taxes;

  net of:

  - a $19.3 million increase in value added taxes receivable as a result of delays in recovery from the Mexican tax authorities, primarily related to San Dimas which was 18 months behind on its filings when First Majestic acquired the mine. Since acquisition, the Company has accelerated its filings and, at present, the filings are up to date. The Company has been supplying additional information requested by the SAT as part of the review process and the Company expects the amounts to be refunded or offset against future income tax payments; and
  - $12.0 million decrease in trade and other payables as First Majestic began paying down overdue liabilities assumed from the acquisition of San Dimas.
- **Cash used in investing activities** of $86.3 million, primarily related to:
  - $59.0 million spent on mine development and exploration activities;
  - $24.1 million spent on purchase of property, plant and equipment;
  - $2.2 million spent on deposit on non-current assets; and
  - $1.0 million spent on the Primero acquisition.
- **Cash provided from financing activities** of $24.8 million, primarily consists of the following:
  - $151.1 million of net proceeds from the issuance of the convertible debentures; and
  - $34.0 million of net proceeds from the revolving credit facility;

  net of:

  - $106.1 million repayment on Primero debt facilities;
  - $32.1 million on repayment of Scotia debt facilities;
  - $16.0 million repayment of revolving credit facility;
  - $3.5 million on repayment of lease obligations; and
  - $1.4 million on repurchase and cancellation of shares.

Working capital as at September 30, 2018 was $127.8 million compared to $116.3 million at December 31, 2017. Total available liquidity at September 30, 2018 was $182.9 million (see page 38), including $55.0 million of undrawn revolving credit facility.

Capital Resources

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

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

The Company is not subject to any externally imposed capital requirements with the exception of complying with banking covenants defined in its debt facilities. As at September 30, 2018 and December 31, 2017, the Company was fully in compliance with these covenants.

Contractual Obligations and Commitments

As at September 30, 2018, the Company's contractual obligations and commitments are summarized as follows:

	Contractual Cash Flows	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	$49,611	$49,611	$—	$—	$—
Debt facilities	193,624	4,558	28,409	160,657	—
Equipment financing obligations	6,342	3,160	3,130	52	—
Other liabilities	5,052	—	—	—	5,052
Purchase obligations and commitments	12,897	12,130	767	—	—
	$267,526	**$69,459**	**$32,306**	**$160,709**	**$5,052**

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

MANAGEMENT OF RISKS AND UNCERTAINTIES

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

Credit Risk

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

As at September 30, 2018, value added taxes receivable was $61.8 million (2017 - $15.0 million), including $37.2 million in Primero Empresa Minera S.A. de C.V. ("PEM") as part of the acquisition of Primero. The delay in recovery was primarily attributed to Primero being 18 months behind in its filings when First Majestic acquired the company. Since acquisition, the Company has accelerated its filings and, at present, the filings are up to date. The Company has been supplying additional information requested by the SAT as part of the review process and the Company expects the amounts to be refunded or offset against future income tax payments.

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through three international customers. Silver-lead concentrates and related base metal by-products are sold primarily through two 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 has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and contractual obligations.

Based on the Company's current operating plan, the Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months. If commodity prices in the metal markets were to decrease significantly, or the Company was to deviate significantly from its operating plan, the Company may need further injection of capital to address its cash flow requirements.

Currency Risk

The Company is exposed to foreign exchange risk primarily relating to financial instruments that are denominated in Canadian dollars or Mexican pesos, which would impact the Company's net earnings or loss. To manage foreign exchange risk, the Company may occasionally enter into short-term foreign currency derivatives. The foreign currency derivatives are not designated as hedging instruments for accounting purposes.

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

								September 30, 2018
	Cash and cash equivalents	**Trade and other receivables**	**Value added taxes receivable**	**Other financial assets**	**Trade and other payables**	**Foreign exchange derivative**	**Net assets (liabilities) exposure**	**Effect of +/- 10% change in currency**
Canadian dollar	$35,941	$55	$—	$3,967	($1,545)	$—	$38,418	$3,842
Mexican peso	1,833	1,509	61,045	—	(27,247)	14,000	51,140	5,114
	$37,774	**$1,564**	**$61,045**	**$3,967**	**($28,792)**	**$14,000**	**$89,558**	**$8,956**

Commodity Price Risk

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

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

					September 30, 2018
	Effect of +/- 10% change in metal prices				
	Silver	**Gold**	**Lead**	**Zinc**	**Total**
Metals subject to provisional price adjustments	$162	$—	$114	$48	$324
Metals in doré and concentrates inventory	62	233	32	3	330
	$224	**$233**	**$146**	**$51**	**$654**

Political and Country Risk

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

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

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

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

Environmental and Health and Safety Risks

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

Claims and Legal Proceedings Risks

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

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

In April 2013, the Company received a positive judgment on the First Silver litigation from the Supreme Court of British Columbia (the "Court"), which awarded the sum of $93.8 million in favour of First Majestic against Hector Davila Santos (the "Defendant"). The Company received a sum of $14.1 million in June 2013 as partial payment of the judgment, leaving an unpaid amount of approximately $64.9 million (CAD$81.5 million). As part of the ruling, the Court granted orders restricting any transfer or encumbrance of the Bolaños Mine by the Defendant and limiting mining at the Bolaños Mine. The orders also require that the Defendant to preserve net cash flow from the Bolaños Mine in a holding account and periodically provide to the Company certain information regarding the Bolaños Mine. However, there can be no guarantee that the remainder of the judgment amount will be collected and it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to recover the balance. Therefore, as at September 30, 2018, the Company has not accrued any of the remaining $64.9 million (CAD$81.5 million) unrecovered judgment in favour of the Company.

Primero Tax Rulings

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

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

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

In February 2016, PEM received a legal claim from the SAT seeking to nullify the APA. The legal claim initiated does not identify any different basis for paying taxes, nor have any tax reassessments been received from SAT. The Company intends to continue Primero's effort to vigorously defend the validity of its APA. If the SAT is successful in retroactively nullifying the APA, the SAT may seek to audit and reassess Primero in respect of its sales of silver in connection with the Old Stream Agreement for 2010 through 2014. If the SAT is successful in retroactively nullifying the APA and issuing reassessments, it would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. PEM would have rights of appeal in connection with any reassessments.

In June 2017 and October 2017, as part of the ongoing annual audits of the PEM tax returns, the SAT issued observations letters for the 2010 and 2011 tax years, respectively. Observations letters are issued to a taxpayer in advance of a reassessment being issued and provide an outline of the SAT's position on matters under audit, and affords the taxpayer an opportunity to respond to such position in advance of the reassessment being issued. In the observations letters issued to PEM, the SAT made explicit its view that PEM should pay taxes based on the market price of silver which, if successfully applied to its 2010 and 2011 taxation years, would make PEM liable for an additional $8.5 million and $23.4 million, respectively, of taxes before penalties or interest. As the Company continues to defend the APA in the Mexican legal proceeding, the APA remains valid and the Company will vigorously dispute any reassessment that may be issued in the future on a basis that assesses taxes on PEM's historical silver revenues that is inconsistent with the APA. The observations letter does not represent a tax reassessment and no liability has been recognized in the financial statements. Based on the Company's assessments, the Company believes Primero's filings were appropriate and continues to believe its tax filing position based upon the APA is correct. Should the Company ultimately be required to pay tax on its silver revenues based on market prices without any mitigating adjustments, the incremental income tax for the years 2012-2017 would be in the range of $130 - $145 million, before interest or penalties.

While the Company continues to vigorously defend the validity of the APA and its transfer pricing position, it is also engaging in dialogue with the SAT seeking to resolve matters and bring tax certainty through a negotiated solution. Since January 1, 2015, PEM has recorded its revenue from the sale of silver for purposes of Mexican tax accounting in a manner consistent with the APA, on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law. Due to the uncertainty in timing of resolution to this matter, which may take more than one year, the Company has classified its income taxes receivable of $19.7 million as non-current as at September 30, 2018.

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

Primero Class Action Suit

In July 2016, Primero and certain of its officers were served with a class action lawsuit that was filed in federal court in the State of California seeking to recover damages for investors in the Company's common shares under the U.S. federal securities laws. Primero filed a motion to dismiss this action which was granted on January 30, 2017. The plaintiff's claims were dismissed without prejudice and the plaintiffs filed an amended complaint on February 27, 2017. On July 14, 2017 the Company's motion to dismiss the amended complaint was granted and the plaintiffs' claims were dismissed without prejudice. Rather than amend the complaint again, the plaintiffs asked the federal court to enter final judgment and initiated an appeal of the dismissal to the Ninth Circuit Court of Appeals on September 8, 2017. The parties have filed their briefs in this appeal and a ruling on the appeal is expected sometime in the first half of 2019. The Company continues to vigorously defend this class action lawsuit on behalf of Primero and no liability has been recognized in the financial statements.

OTHER FINANCIAL INFORMATION

Share Repurchase Program

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

During the nine months ended September 30, 2018, the Company repurchased and cancelled 230,000 common shares for a total consideration of $1.3 million through a normal course issuer bid in the open market as approved by the Toronto Stock Exchange. No shares were repurchased during the year ended December 31, 2017.

Delisting from the Mexican Stock Exchange

In the first quarter of 2018, the Company filed before the Mexican National Banking and Securities Commission for delisting from the Mexican Stock Exchange ("Bolsa") due to low trading volumes and high costs associated with regulatory compliance. On February 21, 2018, the Company received authorization and has officially delisted. In connection with the delisting, during the nine months ended September 30, 2018, the Company has repurchased and cancelled 14,343 of the Company's shares on Bolsa. The Company was required to offer to repurchase Bolsa shares until August 2018 through a trustee.

Off-Balance Sheet Arrangements

At September 30, 2018, the Company had no material off-balance sheet arrangements such as contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Company, other than contingent liabilities and vendor liability and interest, as disclosed in this MD&A and the consolidated financial statements and the related notes.

Related Party Disclosures

Amounts paid to related parties were incurred in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties. There were no transactions with related parties outside of the ordinary course of business during the nine months ended September 30, 2018.

Outstanding Share Data

As at the date on which this MD&A was approved and authorized for issue by the Board of Directors, the Company has 193,571,617 common shares issued and outstanding.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

The preparation of consolidated financial statements in conformity with IFRS as issued by IASB requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates. With the exception of the adoption of IFRS 15 - *"Revenue from Contracts with Customers"* and IFRS 9 - *"Financial Instruments", Fair Value Estimates in the Acquisition of Primero* and judgments in *Consideration for the Acquisition of Primero Mining Corp.* as outlined in Note 3 of the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2018, there were no changes in critical accounting judgments and estimates that were significantly different from those disclosed in the Company's annual MD&A as at and for the year ended December 31, 2017.

Future Changes in Accounting Policies Not Yet Effective as at September 30, 2018

Leases

In January 2016, the IASB published a new accounting standard, IFRS 16 - Leases ("IFRS 16") which supersedes IAS 17 - Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, has also been applied. Upon the adoption of IFRS 16, the Company expects to record a material balance of lease assets and associated lease liabilities related to leases with a term of 12 months or more previously classified as operating leases on the Consolidated Statements of Financial Position at January 1, 2019. Due to the recognition of additional lease assets and liabilities, a higher amount of depreciation expense and interest expense on lease liabilities will be recorded under IFRS 16 compared to the current standard. Additionally, a corresponding reduction in production costs is expected. Lastly, the Company expects a positive impact on operating cash flows with a corresponding increase in financing cash outflows under IFRS 16. The Company has not quantified these impacts at this time.

NON-GAAP MEASURES

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

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

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

Cash costs per ounce and total production cost per tonne are non-GAAP measures used by the Company to manage and evaluate operating performance at each of the Company's operating mining units, and are widely reported in the mining industry as benchmarks for performance, but do not have a standardized meaning and are disclosed in addition to IFRS measures.

All-in sustaining cost ("AISC") is a non-GAAP measure and was calculated based on guidance provided by the World Gold Council ("WGC") in June 2013. WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus expansionary capital expenditures. AISC is a more comprehensive measure than cash cost per ounce for the Company's consolidated operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations.

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

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

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

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Three Months Ended September 30, 2018							
	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Mining cost	$10,396	$4,831	$1,666	$2,643	$1,743	$2,301	$446	$24,026
Milling cost	3,653	7,120	4,083	2,574	1,521	2,128	215	21,293
Indirect cost	4,686	2,313	2,132	1,599	1,537	1,559	359	14,185
Total production cost (A)	**$18,734**	**$14,264**	**$7,881**	**$6,816**	**$4,802**	**$5,988**	**$1,020**	**$59,505**
Add: transportation and other selling cost	214	169	43	153	120	77	86	913
Add: smelting and refining cost	318	130	81	395	189	104	193	1,410
Add: environmental duty and royalties cost	166	101	12	23	16	42	10	370
Total cash cost before by-product credits (B)	**$19,432**	**$14,664**	**$8,017**	**$7,387**	**$5,127**	**$6,211**	**$1,309**	**$62,198**
Deduct: By-product credits attributed to								
Gold by-product credits	(20,012)	(11,212)	(32)	(233)	7	(1,930)	(763)	(34,175)
Lead by-product credits	—	—	—	(898)	(2,261)	—	—	(3,159)
Zinc by-product credits	—	—	—	(1,086)	—	—	—	(1,086)
Total by-product credits	**($20,012)**	**($11,212)**	**($32)**	**($2,217)**	**($2,254)**	**($1,930)**	**($763)**	**($38,420)**
Total cash cost (C)	**($580)**	**$3,452**	**$7,985**	**$5,170**	**$2,873**	**$4,281**	**$546**	**$23,778**
Workers' participation	2,952	67	78	80	68	80	(40)	3,191
General and administrative expenses	—	—	—	—	—	—	—	5,268
Share-based payments	—	—	—	—	—	—	—	1,669
Accretion of decommissioning liabilities	90	56	69	61	53	52	32	413
Sustaining capital expenditures	7,273	1,825	2,153	2,096	2,386	1,442	424	18,210
All-In Sustaining Costs (D)	**$9,735**	**$5,400**	**$10,285**	**$7,407**	**$5,380**	**$5,855**	**$962**	**$52,529**
Payable silver ounces produced (E)	**1,444,472**	**598,094**	**377,467**	**317,296**	**219,782**	**437,623**	**78,178**	**3,472,913**
Tonnes milled (F)	**176,884**	**225,873**	**196,030**	**117,130**	**65,323**	**67,926**	**14,891**	**864,056**
Total cash cost per ounce, before by-product credits (B/E)	**$13.45**	**$24.52**	**$21.24**	**$23.28**	**$23.33**	**$14.19**	**$16.74**	**$17.91**
Total cash cost per ounce (C/E)	**($0.40)**	**$5.77**	**$21.15**	**$16.29**	**$13.07**	**$9.78**	**$6.99**	**$6.85**
All-in sustaining cost per ounce (D/E)	**$6.74**	**$9.03**	**$27.25**	**$23.34**	**$24.48**	**$13.37**	**$12.30**	**$15.12**
Production cost per tonne (A/F)	**$105.91**	**$63.15**	**$40.20**	**$58.18**	**$73.50**	**$88.15**	**$68.47**	**$68.87**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Three Months Ended September 30, 2017						
	Santa Elena	**La Encantada**	**La Parrilla**	**Del Toro**	**San Martin**	**La Guitarra**	**Consolidated**
Mining cost	$4,701	$1,489	$2,490	$1,595	$1,499	$1,078	$12,851
Milling cost	5,936	4,303	2,135	1,358	1,632	701	16,064
Indirect cost	1,529	1,649	1,452	1,128	1,132	972	7,862
Total production cost (A)	**$12,656**	**$4,981**	**$5,919**	**$4,678**	**$4,653**	**$2,761**	**$35,647**
Add: transportation and other selling cost	140	37	209	212	113	118	872
Add: smelting and refining cost	123	132	819	646	97	184	2,001
Add: environmental duty and royalties cost	113	22	36	18	45	16	250
Total cash cost before by-product credits (B)	**$13,320**	**$7,567**	**$7,784**	**$5,220**	**$5,563**	**$3,188**	**$42,685**
Deduct: By-product credits attributed to							
Gold by-product credits	(13,424)	(3)	(291)	—	(2,211)	(1,063)	(16,992)
Lead by-product credits	—	—	(1,491)	(3,805)	—	—	(5,296)
Zinc by-product credits	—	—	(1,033)	—	—	—	(1,033)
Total by-product credits	**($13,424)**	**($3)**	**($2,815)**	**($3,805)**	**($2,211)**	**($1,063)**	**($22,443)**
Total cash cost (C)	**($104)**	**$7,564**	**$4,969**	**$1,415**	**$3,352**	**$2,125**	**$19,364**
Workers' participation	58	110	122	(403)	114	8	9
General and administrative expenses	—	—	—	—	—	—	4,255
Share-based payments	—	—	—	—	—	—	1,985
Accretion of decommissioning liabilities	47	62	43	42	30	22	246
Sustaining capital expenditures	1,720	1,355	2,505	1,797	1,231	1,368	10,624
All-In Sustaining Costs (D)	**$1,721**	**$9,091**	**$7,639**	**$2,851**	**$4,727**	**$3,523**	**$36,483**
Payable silver ounces produced (E)	**559,494**	**606,701**	**405,172**	**220,701**	**471,421**	**111,629**	**2,375,118**
Tonnes milled (F)	**232,662**	**212,092**	**132,389**	**60,501**	**69,113**	**23,896**	**730,652**
Total cash cost per ounce, before by-product credits (B/E)	**$23.81**	**$12.47**	**$19.21**	**$23.65**	**$11.80**	**$28.54**	**$15.82**
Total cash cost per ounce (C/E)	**($0.18)**	**$12.47**	**$12.26**	**$6.41**	**$7.11**	**$19.02**	**$8.15**
All-in sustaining cost per ounce (D/E)	**$3.08**	**$14.98**	**$18.85**	**$12.92**	**$10.03**	**$31.55**	**$15.36**
Production cost per tonne (A/F)	**$55.65**	**$34.77**	**$50.75**	**$71.80**	**$76.81**	**$120.09**	**$54.15**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Nine Months Ended September 30, 2018							
	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Mining cost	$17,278	$13,579	$4,330	$7,468	$5,176	$6,391	$2,430	$56,652
Milling cost	6,444	18,584	12,626	6,803	4,599	5,746	1,621	56,423
Indirect cost	7,783	7,004	5,777	4,636	4,223	4,397	2,537	36,358
Total production cost (A)	**$31,505**	**$39,167**	**$22,729**	**$18,907**	**$13,998**	**$16,534**	**$6,589**	**$149,429**
Add: transportation and other selling cost	307	430	132	626	399	303	368	2,715
Add: smelting and refining cost	465	375	247	2,347	1,754	289	642	6,119
Add: environmental duty and royalties cost	265	336	39	85	52	135	53	965
Total cash cost before by-product credits (B)	**$32,542**	**$40,308**	**$23,147**	**$21,965**	**$16,203**	**$17,261**	**$7,652**	**$159,228**
Deduct: By-product credits attributed to								
Gold by-product credits	(32,924)	(38,585)	(111)	(711)	(1)	(5,032)	(4,364)	(81,728)
Lead by-product credits	—	—	—	(4,282)	(7,410)	—	—	(11,692)
Zinc by-product credits	—	—	—	(4,796)	—	—	—	(4,796)
Total by-product credits	**($32,924)**	**($38,585)**	**($111)**	**($9,789)**	**($7,411)**	**($5,032)**	**($4,364)**	**($98,216)**
Total cash cost (C)	**($382)**	**$1,723**	**$23,036**	**$12,176**	**$8,792**	**$12,229**	**$3,288**	**$61,012**
Workers' participation	3,043	282	244	223	224	251	(24)	4,243
General and administrative expenses	—	—	—	—	—	—	—	14,980
Share-based payments	—	—	—	—	—	—	—	6,432
Accretion of decommissioning liabilities	135	168	205	184	158	155	95	1,100
Sustaining capital expenditures	11,311	6,663	6,179	5,948	5,914	3,284	2,055	43,355
All-In Sustaining Costs (D)	**$14,107**	**$8,836**	**$29,664**	**$18,531**	**$15,088**	**$15,919**	**$5,414**	**$131,122**
Payable silver ounces produced (E)	**2,252,586**	**1,653,837**	**1,149,492**	**971,506**	**602,497**	**1,340,274**	**340,973**	**8,311,166**
Tonnes milled (F)	**262,649**	**677,425**	**710,083**	**365,886**	**210,971**	**217,732**	**80,435**	**2,525,180**
Total cash cost per ounce, before by-product credits (B/E)	**$14.45**	**$24.37**	**$20.14**	**$22.61**	**$26.89**	**$12.88**	**$22.44**	**$19.16**
Total cash cost per ounce (C/E)	**($0.17)**	**$1.04**	**$20.04**	**$12.53**	**$14.59**	**$9.12**	**$9.64**	**$7.34**
All-in sustaining cost per ounce (D/E)	**$6.26**	**$5.34**	**$25.81**	**$19.08**	**$25.04**	**$11.88**	**$15.88**	**$15.78**
Production cost per tonne (A/F)	**$119.95**	**$57.82**	**$32.02**	**$51.67**	**$66.35**	**$75.93**	**$81.92**	**$59.17**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Nine Months Ended September 30, 2017						
	Santa Elena	**La Encantada**	**La Parrilla**	**Del Toro**	**San Martin**	**La Guitarra**	**Consolidated**
Mining cost	$9,051	$2,427	$4,853	$3,379	$3,207	$2,132	$25,050
Milling cost	12,465	7,025	4,113	2,881	3,272	1,329	31,083
Indirect cost	3,305	2,970	3,029	2,499	2,437	2,052	16,292
Total production cost (A)	**$24,821**	**$12,422**	**$11,995**	**$8,758**	**$8,916**	**$5,513**	**$72,425**
Add: transportation and other selling cost	375	84	498	680	296	406	2,467
Add: smelting and refining cost	418	381	2,983	4,224	278	690	8,974
Add: environmental duty and royalties cost	346	59	117	77	141	61	801
Total cash cost before by-product credits (B)	**$38,904**	**$20,322**	**$22,313**	**$18,083**	**$14,939**	**$9,540**	**$124,229**
Deduct: By-product credits attributed to							
Gold by-product credits	(38,391)	(54)	(726)	—	(6,635)	(4,610)	(50,416)
Lead by-product credits	—	—	(4,789)	(14,432)	—	—	(19,221)
Zinc by-product credits	—	—	(2,775)	—	—	—	(2,775)
Total by-product credits	**($38,391)**	**($54)**	**($8,290)**	**($14,432)**	**($6,635)**	**($4,610)**	**($72,412)**
Total cash cost (C)	**$513**	**$20,268**	**$14,023**	**$3,651**	**$8,304**	**$4,930**	**$51,817**
Workers' participation	274	414	423	19	418	8	1,556
General and administrative expenses	—	—	—	—	—	—	12,778
Share-based payments	—	—	—	—	—	—	6,445
Accretion of decommissioning liabilities	133	177	125	120	87	63	705
Sustaining capital expenditures	5,301	3,437	6,315	4,382	2,683	3,213	26,392
All-In Sustaining Costs (D)	**$6,221**	**$24,296**	**$20,886**	**$8,172**	**$11,492**	**$8,214**	**$99,693**
Payable silver ounces produced (E)	**1,697,124**	**1,684,752**	**1,265,747**	**890,662**	**1,306,312**	**422,758**	**7,267,353**
Tonnes milled (F)	**695,162**	**626,641**	**405,861**	**221,452**	**205,749**	**89,957**	**2,244,822**
Total cash cost per ounce, before by-product credits (B/E)	**$22.93**	**$12.06**	**$17.63**	**$20.30**	**$11.43**	**$22.56**	**$17.10**
Total cash cost per ounce (C/E)	**$0.30**	**$12.03**	**$11.08**	**$4.10**	**$6.35**	**$11.66**	**$7.13**
All-in sustaining cost per ounce (D/E)	**$3.67**	**$14.42**	**$16.50**	**$9.18**	**$8.79**	**$19.43**	**$13.72**
Production cost per tonne (A/F)	**$54.33**	**$31.60**	**$46.11**	**$59.17**	**$69.13**	**$93.18**	**$49.89**

Average Realized Silver Price per Ounce

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

The following is an analysis of the gross revenues prior to refining and smelting charges, and shows deducted smelting and refining charges to arrive at the net reportable revenue for the period per IFRS. Gross revenues are divided into payable equivalent silver ounces sold to calculate the average realized price per ounce of silver equivalents sold.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues as reported	**$88,521**	**$61,901**	**$226,801**	**$191,123**
Add back: smelting and refining charges	1,411	2,001	6,120	8,974
Gross revenues	**89,932**	**63,902**	**232,921**	**200,097**
Less: Sandstorm gold revenues	(995)	(877)	(3,196)	(2,746)
Less: Wheaton silver revenues	—	—	(1,953)	—
Less: Wheaton gold revenues	(5,862)	—	(8,105)	—
Gross revenues, excluding Sandstorm, Wheaton (A)	**$83,075**	**$63,025**	**$219,667**	**$197,351**
Payable equivalent silver ounces sold	6,528,979	3,862,899	15,782,796	11,965,740
Less: Payable equivalent silver ounces sold to Sandstorm	(178,812)	(178,375)	(564,404)	(548,450)
Less: Payable equivalent silver ounces sold to Wheaton	(683,968)	—	(1,397,837)	—
Payable equivalent silver ounces sold, excluding Sandstorm and Wheaton (B)	**5,666,199**	**3,684,524**	**13,820,555**	**11,417,290**
Average realized price per ounce of silver sold (A/B)(1)	**$14.66**	**$17.11**	**$15.89**	**$17.29**
Average market price per ounce of silver per COMEX	$15.08	$17.19	$16.12	$17.15

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

Adjusted Earnings per Share ("Adjusted EPS")

The Company uses the financial measure "Adjusted EPS" to supplement information in its consolidated financial statements. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information to evaluate the Company's performance. The Company excludes non-cash and unusual items from net earnings to provide a measure which allows the Company and investors to evaluate the operating results of the underlying core operations. The presentation of Adjusted EPS is not meant to be a substitute for EPS presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measure.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net earnings (loss) as reported	**$5,904**	**($1,320)**	**($39,721)**	**$2,812**
Adjustments for non-cash or unusual items:				
Impairment of non-current assets	—	—	31,660	—
Deferred income tax (recovery) expense	(16,076)	(577)	(36,181)	(11,268)
Share-based payments	1,669	1,985	6,432	6,445
Loss (gain) from investment in derivatives and marketable securities	1,529	(164)	3,779	1,996
Write-down (recovery) of mineral inventory	605	(87)	1,013	(66)
Primero acquisition costs	—	—	4,721	—
Adjusted net (loss) earnings	**($6,369)**	**($163)**	**($28,297)**	**($81)**
Weighted average number of shares on issue - basic	193,570,469	165,504,932	180,273,849	165,148,690
Adjusted EPS	**($0.03)**	**$0.00**	**($0.16)**	**$0.00**

Cash Flow per Share

Cash Flow per Share is determined based on operating cash flows before movements in working capital and income taxes, as illustrated in the consolidated statements of cash flow, divided by the weighted average shares outstanding during the period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating Cash Flows before Working Capital and Taxes	**$20,699**	**$17,687**	**$50,570**	**$62,282**
Weighted average number of shares on issue - basic	193,570,469	165,504,932	180,273,849	165,148,690
Cash Flow per Share	**$0.11**	**$0.11**	**$0.28**	**$0.38**

Working Capital and Available Liquidity

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

	September 30, 2018	December 31, 2017
Current Assets	$181,439	$170,658
Less: Current Liabilities	(53,620)	(54,375)
Working Capital	**$127,819**	**$116,283**
Available Undrawn Revolving Credit Facility	55,031	8,782
Available Liquidity	**$182,850**	**$125,065**

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

The Company's management, with the participation of its President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that, as of September 30, 2018, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

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

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

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

There has been no change in the Company's internal control over financial reporting during the nine months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management excluded from its assessment the internal controls, policies and procedures of Primero, which the Company acquired control on May 10, 2018. Primero's total assets, net assets, total revenues and net profit/loss on a combined basis constitute approximately 33%, 42%, 31% and (38)%, respectively, of the condensed interim consolidated financial statement amounts as of September 30, 2018. This limitation of scope is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of DC&P or ICFR to exclude a business that the issuer acquired not more than 365 days before the end of the financial period to which the CEO's and CFO's certification of annual filings relates. With the exception of the internal controls of Primero Mining Corp., there has been no change in the Company's internal control over financial reporting during the nine months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

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

CAUTIONARY STATEMENTS

Cautionary Note regarding Forward-Looking Statements

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

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

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

Cautionary Note regarding Reserves and Resources

Mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 ("NI 43-101"), issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and mineral resources. This includes a requirement that a certified Qualified Person ("QP") (as defined under the NI 43-101) supervises the preparation of the mineral reserves and mineral resources. Ramon Mendoza, P. Eng., Vice President of Technical Services and Jesus Velador, Ph.D., Director of Exploration, are certified QPs for the Company. Ramon Mendoza has reviewed this MD&A for QP technical disclosures. All NI 43-101 technical reports can be found on the Company's website at www.firstmajestic.com or on SEDAR at www.sedar.com.

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

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

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

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

Additional Information

Additional information on the Company, including the Company’s Annual Information Form and the Company’s audited consolidated financial statements for the year ended December 31, 2017, is available on SEDAR at www.sedar.com and on the Company’s website at www.firstmajestic.com.