



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022



Management's Responsibilities For Financial Reporting

The consolidated financial statements of First Majestic Silver Corp. (the "Company") have been prepared and are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimates and judgment based on information currently available. Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

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

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

/s/ Keith Neumeyer

Keith Neumeyer
President & CEO
February 21, 2024

/s/ David Soares

David Soares, CPA, CA
Chief Financial Officer
February 21, 2024

Management's Report on Internal Control over Financial Reporting

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

The Company's management assessed the effectiveness of the Company's Internal control over financial reporting as of the year ended December 31, 2023, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of the year ended December 31, 2023, the Company's internal control over financial reporting was effective.

Deloitte LLP, an Independent Registered Public Accounting Firm, has audited the Company's consolidated financial statements for the year ended December 31, 2023, and as stated in the Report of Independent Registered Public Accounting Firm, they have expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of the year ended December 31, 2023.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of First Majestic Silver Corp. and subsidiaries (the "Company") as at December 31, 2023 and 2022, the related consolidated statements of earnings (loss), comprehensive income (loss), changes in equity, and cash flows, for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2023, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matters

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

Impairment - Assessment of Whether Indicators of Impairment or Impairment Reversal Exist in Non-Current Assets - Refer to Note 3 to the Financial Statements

Critical Audit Matter Description

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

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

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the in-situ value of reserves, resources and exploration potential, and changes in market conditions including future commodity prices and market interest rates in the assessment of whether indicators of impairment or impairment reversal exists included the following, among others:

- Evaluated the effectiveness of controls over management’s assessment of whether there are indicators of impairment or impairment reversal;
- Assessed management’s determination of the in-situ value of reserves, resources and exploration potential; and
- Assessed if changes in market conditions could indicate impairment by:
 - Comparing management’s future commodity prices to third party forecasts; and
 - Evaluating if there were any significant changes in the market interest rates.

Impairment of Non-Current Asset at the Jerritt Canyon Gold Mine Cash Generating Unit ("CGU") - Refer to Notes 15, 16 and 18 to the Financial Statements

Critical Audit Matter Description

The Company’s determination of whether an indicator of impairment exists in non-financial assets at the CGU level requires significant management judgments. An impairment loss is recognized if the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount of the CGU is estimated based on the higher of its fair value less cost of disposal ("FVLCD") and its value in use. An impairment indicator was identified at the Jerritt Canyon Gold Mine CGU ("identified CGU") due to temporary suspension of operations, heightened costs, and operating mine performance. Management assessed the recoverable value of the identified CGU based on its FVLCD. The recoverable amount of the identified CGU was lower than its carrying value, causing the Company to recognize an impairment charge.

While there are several inputs that are required to determine the recoverable value of the identified CGU, the estimates and assumptions with the highest degree of subjectivity and judgment uncertainty are the in-situ value of reserves and mineral resources valuation multiples. Auditing these estimates and assumptions required a high degree of auditor judgments in applying audit procedures and evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the in-situ value of reserves and mineral resources valuation multiples used in determining the recoverable value of the identified CGU, included the following, among others:

- Evaluated the effectiveness of controls over management’s determination of the in-situ value of reserves and mineral resources valuation multiples; and
- With the assistance of fair value specialists, evaluated the reasonableness of the in-situ value of reserves and mineral resources valuation multiples by obtaining third party information from market transactions and comparing those to the assumptions used by management.

Primero Tax Rulings — Refer to Note 28(b) to the Financial Statements

Critical Audit Matter Description

The Company has an ongoing dispute with the Mexican Tax Authorities, the Servicio de Administracion Tributaria ("SAT"). The dispute relates to the determination of the transfer price, which is based upon an Advanced Pricing Agreement ("APA") from the SAT, applied to intercompany silver sales in connection with a silver streaming arrangement with an unrelated third-party. In 2020, the Mexican Federal Court on Administrative Matters issued a decision nullifying the APA and directing the SAT to reexamine the evidence and basis for the issuance of the APA; the Company has appealed this decision to the Mexican Circuit Courts. As a result of the tax dispute with the SAT, should the Company ultimately be required to pay tax on its intercompany silver revenues based on market prices, the incremental income tax for the years 2010 - 2019 would be approximately \$314.2

million, before interest and penalties, without any mitigating adjustments. The Company has not recognized a tax liability related to the Primero tax dispute with the SAT.

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

How the Critical Audit Matter Was Addressed in the Audit

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

- Inquired of management to understand the developments of the tax dispute;
- Evaluated the effectiveness of management's controls over the evaluation of the appropriateness of income tax filing positions and corresponding disclosures in the financial statements;
- Obtained and evaluated management's assessment of the dispute, including analysis from the Company's external counsel;
- With the assistance of tax specialists, analyzed the Company's accounting position related to the tax dispute; and
- Evaluated the Company's disclosures for consistency with our knowledge of the Company's tax matters and audit evidence obtained.

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, Canada

February 22, 2024

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

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

First Majestic Silver Corp.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of First Majestic Silver Corp. and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as at and for the year ended December 31, 2023, of the Company and our report dated February 22, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, Canada

February 22, 2024

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**CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Audited Consolidated Financial Statements

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

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

		Year Ended December 31,	
	Note	2023	2022
Revenues	<u>5</u>	\$573,801	\$624,221
Mine operating costs			
Cost of sales	<u>6</u>	410,057	471,687
Cost of sales - standby costs	<u>6</u>	13,438	—
Depletion, depreciation and amortization		124,664	135,782
		548,159	607,469
Mine operating earnings		25,642	16,752
General and administrative expenses	<u>7</u>	38,709	36,372
Share-based payments		13,177	13,958
Mine holding costs	<u>8</u>	22,088	11,930
Write down on asset held-for-sale	<u>14</u>	7,229	—
Restructuring costs		6,883	—
Impairment (reversal of impairment) of non-current asset	<u>14, 18</u>	125,200	(2,651)
Loss (gain) on sale of mining interest	<u>14</u>	3,024	(4,301)
Foreign exchange (gain) loss		(11,884)	637
Operating loss		(178,784)	(39,193)
Investment and other income (loss)	<u>9</u>	9,149	(1,888)
Finance costs	<u>10</u>	(26,280)	(20,323)
Loss before income taxes		(195,915)	(61,404)
Income taxes			
Current income tax expense	<u>24</u>	14,005	56,250
Deferred income tax recovery	<u>24</u>	(74,808)	(3,378)
		(60,803)	52,872
Net loss for the year		(\$135,112)	(\$114,276)
Loss per common share			
Basic	<u>11</u>	(\$0.48)	(\$0.43)
Diluted	<u>11</u>	(\$0.48)	(\$0.43)
Weighted average shares outstanding			
Basic	<u>11</u>	282,331,106	263,122,252
Diluted	<u>11</u>	282,331,106	263,122,252

Approved and authorized by the Board of Directors for issuance on February 21, 2024

/s/ Keith Neumeyer
Keith Neumeyer, Director

/s/ Colette Rustad
Colette Rustad, Director

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Audited Consolidated Financial Statements

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

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

	Note	Year Ended December 31,	
		2023	2022
Net loss for the year		(\$135,112)	(\$114,276)
Other comprehensive earnings			
Items that will not be subsequently reclassified to net loss:			
Unrealized loss on fair value of investments in marketable securities, net of tax	13(b)	(18,768)	(10,333)
Realized (loss) gain on investments in marketable securities, net of tax	13(b)	(580)	482
Remeasurement of retirement benefit plan		50	312
Other comprehensive loss		(19,298)	(9,539)
Total comprehensive loss		(\$154,410)	(\$123,815)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Audited Consolidated Financial Statements

(In thousands of US dollars)

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

		Year Ended December 31,	
	Note	2023	2022
Operating Activities			
Net loss for the year		(\$135,112)	(\$114,276)
Adjustments for:			
Depletion, depreciation and amortization		126,170	137,411
Share-based payments		12,874	13,958
Income tax (recovery) expense	<u>24</u>	(60,803)	52,872
Finance costs	<u>10</u>	26,280	20,323
Write down on asset held-for-sale	<u>14</u>	7,229	—
Unrealized (gain) loss from marketable securities and silver futures derivatives		(2,639)	4,242
Loss (gain) on sale of mining interest	<u>14</u>	3,024	(4,301)
Impairment (reversal of impairment) of non-current asset	<u>18</u>	125,200	(2,651)
Other		(3,029)	1,843
Operating cash flows before non-cash working capital and taxes		99,194	109,421
Net change in non-cash working capital items	<u>27</u>	(18,916)	(27,686)
Income taxes paid		(24,664)	(62,747)
Cash generated by operating activities		55,614	18,988
Investing Activities			
Expenditures on mining interests		(113,994)	(157,975)
Acquisition of property, plant and equipment		(31,987)	(59,705)
Cash disposed as part of the sale of La Guitarra	<u>27</u>	(5,401)	—
Deposits paid for acquisition of non-current assets		(1,398)	(1,135)
Other	<u>27</u>	(1,219)	5,018
Cash used in investing activities		(153,999)	(213,797)
Financing Activities			
Proceeds from prospectus offering, net of share issue costs	<u>25(a)</u>	92,092	113,395
Proceeds from exercise of stock options		2,134	4,664
Repayment of lease liabilities	<u>22</u>	(15,238)	(13,469)
Finance costs paid		(8,471)	(3,172)
Proceeds from debt facilities	<u>21(b)</u>	—	50,000
Repayment of debt facilities	<u>21(b)</u>	—	(30,000)
Dividends declared and paid	<u>25(g)</u>	(5,868)	(6,867)
Shares repurchased and cancelled	<u>25(f)</u>	—	(665)
Cash provided by financing activities		64,649	113,886
Effect of exchange rate on cash and cash equivalents held in foreign currencies		2,660	(346)
Decrease in cash and cash equivalents		(33,736)	(80,923)
Cash and cash equivalents, beginning of the year		151,438	237,926
Change in cash and cash equivalents classified as held for sale	<u>14</u>	5,219	—
Cash and cash equivalents reclassified as held for sale		—	(5,219)
Cash and cash equivalents, end of year		\$125,581	\$151,438
Supplemental cash flow information	<u>27</u>		

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 AND DECEMBER 31, 2022

Audited Consolidated Financial Statements

(In thousands of US dollars)

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

	Note	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		\$125,581	\$151,438
Trade and other receivables		10,099	8,598
Value added taxes receivable	<u>26(c)</u>	38,587	32,618
Inventories	<u>12</u>	63,690	64,761
Other financial assets	<u>13</u>	62,380	34,528
Prepaid expenses and other		8,720	5,617
Assets held-for-sale	<u>14</u>	—	72,729
Total current assets		309,057	370,289
Non-current assets			
Mining interests	<u>15</u>	998,835	1,061,124
Property, plant and equipment	<u>16</u>	406,294	451,335
Right-of-use assets	<u>17</u>	27,284	26,649
Deposits on non-current assets		6,430	6,003
Non-current restricted cash	<u>19</u>	125,573	125,193
Non-current value added taxes receivable	<u>26(c)</u>	14,150	12,354
Deferred tax assets	<u>24</u>	88,732	57,062
Total assets		\$1,976,355	\$2,110,009
Liabilities and Equity			
Current liabilities			
Trade and other payables	<u>20</u>	\$94,413	\$115,120
Unearned revenue	<u>5</u>	2,301	3,383
Current portion of debt facilities	<u>21</u>	832	551
Current portion of lease liabilities	<u>22</u>	17,370	13,827
Liabilities relating to assets held-for-sale	<u>14</u>	—	16,278
Income taxes payable	<u>24</u>	5,222	18,240
Total current liabilities		120,138	167,399
Non-current liabilities			
Debt facilities	<u>21</u>	218,980	209,811
Lease liabilities	<u>22</u>	19,332	23,756
Decommissioning liabilities	<u>23</u>	151,564	149,017
Other liabilities		5,592	5,655
Non-current income taxes payable	<u>24</u>	23,612	20,605
Deferred tax liabilities	<u>24</u>	79,017	122,468
Total liabilities		\$618,235	\$698,711
Equity			
Share capital		1,879,971	1,781,280
Equity reserves		88,025	98,914
Accumulated deficit		(609,876)	(468,896)
Total equity		\$1,358,120	\$1,411,298
Total liabilities and equity		\$1,976,355	\$2,110,009
Commitments (Note 15); Contingencies (Note 28); Subsequent event (Note 31)			

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Audited Consolidated Financial Statements

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

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

	Share Capital		Equity Reserves					Total equity
	Shares	Amount	Share-based payments ^(a)	Other comprehensive income(loss) ^(b)	Equity component of convertible debenture ^(c)	Total equity reserves	Accumulated deficit	
Balance at December 31, 2021	260,050,658	\$1,659,781	\$101,385	(\$6,387)	\$3,945	\$98,943	(\$347,753)	\$1,410,971
Net loss for the period	—	—	—	—	—	—	(114,276)	(114,276)
Other comprehensive loss	—	—	—	(9,539)	—	(9,539)	—	(9,539)
Total comprehensive loss	—	—	—	(9,539)	—	(9,539)	(114,276)	(123,815)
Share-based payments	—	—	13,615	—	—	13,615	—	13,615
Shares issued for:								
Prospectus offerings (Note 25(a))	11,869,145	113,395	—	—	—	—	—	113,395
Exercise of stock options (Note 25(b))	609,623	6,872	(2,208)	—	—	(2,208)	—	4,664
Settlement of restricted and deferred share units (Note 25(c) and 25(e))	148,553	1,897	(1,897)	—	—	(1,897)	—	—
Shares repurchased and cancelled (Note 25(f))	(100,000)	(665)	—	—	—	—	—	(665)
Dividend declared and paid (Note 25(g))	—	—	—	—	—	—	(6,867)	(6,867)
Balance at December 31, 2022	272,577,979	\$1,781,280	\$110,895	(\$15,926)	\$3,945	\$98,914	(\$468,896)	\$1,411,298
Net loss for the period	—	—	—	—	—	—	(135,112)	(135,112)
Other comprehensive loss	—	—	—	(19,298)	—	(19,298)	—	(19,298)
Total comprehensive loss	—	—	—	(19,298)	—	(19,298)	(135,112)	(154,410)
Share-based payments	—	—	12,874	—	—	12,874	—	12,874
Shares issued for:								
Prospectus offerings (Note 25(a))	13,919,634	92,092	—	—	—	—	—	92,092
Exercise of stock options (Note 25(b))	337,500	3,189	(1,055)	—	—	(1,055)	—	2,134
Settlement of restricted and deferred share units (Note 25(c) and 25(e))	311,602	3,410	(3,410)	—	—	(3,410)	—	—
Dividend declared and paid (Note 25(g))	—	—	—	—	—	—	(5,868)	(5,868)
Balance at December 31, 2023	287,146,715	\$1,879,971	\$119,304	(\$35,224)	\$3,945	\$88,025	(\$609,876)	\$1,358,120

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

(Tabular amounts are expressed in thousands of US dollars)

1. NATURE OF OPERATIONS

First Majestic Silver Corp. (the “Company” or “First Majestic”) is in the business of production, development, exploration, and acquisition of mineral properties with a focus on silver and gold production in North America. The Company owns three producing mines in Mexico consisting of the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine and the La Encantada Silver Mine. The Company also owns the Jerritt Canyon Gold Mine in Nevada, USA which has been placed on temporary suspension as of March 20, 2023 to focus on exploration, definition, and expansion of the mineral resources and optimization of mine planning and plant operations. In addition, the Company owns two mines in suspension: the San Martin Silver Mine and the Del Toro Silver Mine, and several exploration stage projects.

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

2. BASIS OF PRESENTATION

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

These audited consolidated financial statements have been prepared on an historical cost basis except for certain items that are measured at fair value such as other financial assets (Note 13). All dollar amounts presented are in thousands of United States dollars unless otherwise specified.

These audited consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiaries (see Note 29). Intercompany balances, transactions, income and expenses are eliminated on consolidation.

These audited consolidated financial statements of First Majestic Silver Corp. for the years ended December 31, 2023 and 2022 were approved and authorized for issue by the Board of Directors on February 21, 2024.

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS

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

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

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

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

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

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

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

The amendments were applied effective January 1, 2023 and did not have a material impact on the Company's consolidated financial statements.

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

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

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

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

The amendments were applied effective January 1, 2023 and did not have a material impact on the Company's consolidated financial statements.

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

The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. The amendments were applied effective January 1, 2023 and did not have a material impact on the Company's consolidated financial statements.

[Impact of Pillar Two Legislation](#)

In December 2021, the Organization for Economic Co-operation and Development ("OECD") released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the "Amendments") International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on May 23, 2023.

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

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

Impact of Pillar Two Legislation (continued)

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred taxes and liabilities related to Pillar Two income taxes. This amendment to the IFRS Accounting Standards is mandatory effective for reporting periods beginning on or after January 1, 2023. For the year ended December 31, 2023, Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company has operations. However, the Pillar Two legislation does not apply to the Company, as its consolidated revenue does not meet the required threshold for applicability of EUR 750 million. The Company will continue to evaluate the potential impact on future periods of the Pillar Two framework, pending legislative adoption by additional individual companies.

Business Combinations

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

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

Accounting Estimates and Judgments:

Determination of a Business

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Business Combinations (continued)

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

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

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

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

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

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

The fair value of assets acquired and liabilities assumed are subject to change for up to one year from the Acquisition Date. If new information arises which would impact management's assessment of the fair value at the Acquisition Date, any adjustments to the allocation of the purchase consideration will be recognized retrospectively and comparative information will be revised.

Accounting Estimates and Judgments: [Consideration for any acquisition](#)

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Business Combinations (continued)

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

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

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

Goodwill

Accounting Policy: Goodwill arising on the acquisition of a business is carried at cost as established at the date of the acquisition less accumulated impairment losses, if any. Goodwill is allocated to each of the Company's cash-generating units that is expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of earnings or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods. As at December 31, 2023, the Company had \$nil goodwill (2022 - \$nil).

Foreign Currency

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

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

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

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Revenue Recognition (Note 5)

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

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

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

Metals in doré sold are priced on date of transfer of control. Final weights and assays are adjusted on final settlement which is approximately one month after delivery.

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

Accounting Estimates and Judgments: Determination of Performance Obligations

The Company applied judgment to determine if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is the delivery of the bullion and doré.

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Inventories (Note 12)

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

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

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

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

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Exploration Potential, Exploration and Evaluation Expenditures (Note 15)

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

- Acquiring the rights to explore;
- Researching and analyzing historical exploration data;
- Gathering exploration data through topographical, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements; and
- Compiling pre-feasibility and feasibility studies.

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

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

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

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

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

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

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Exploration Potential, Exploration and Evaluation Expenditures (Note 15) (continued)

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

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

Mining Interests (Note 15)

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

Upon commencement of commercial production, mining interests are depleted on a units-of-production basis over the estimated economic life of the mine. In applying the units of production method, depletion is determined using quantity of material extracted from the mine in the period as a portion of total quantity of material to be extracted in current and future periods based on reserves and resources considered to be highly probable to be economically extracted over the life of mine. If no published reserves and resources are available, the Company may rely on internal estimates of economically recoverable mineralized material, prepared on a basis consistent with that used for determining reserves and resources, for purpose of determining depletion.

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Mining Interests (Note 15) (continued)

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

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

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

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

Mining interests are depleted on a units-of-production basis over the estimated economic life of the mine. In applying the units of production method, depletion is determined using quantity of material extracted from the mine in the period as a portion of total quantity of material to be extracted in current and future periods based on reserves and resources considered to be highly probable to be economically extracted over the life of mine. Should there be a change in the associated depletion rate from the initial estimate, the change in estimate would be made prospectively in the consolidated statements of earnings or loss.

Stream Asset (Note 15)

Accounting Policy:

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

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Property, Plant and Equipment (Note 16)

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

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

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

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

Accounting Estimates and Judgments: Commencement of Commercial Production

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

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

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

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

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Borrowing Costs

Accounting Policy: Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred. As at December 31, 2023 and 2022, the Company does not have any qualifying assets under construction.

Right of Use Assets (Note 17) and Lease Liabilities (Note 22)

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

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

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

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

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

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

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Right of Use Assets (Note 17) and Lease Liabilities (Note 22) (continued)

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

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

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

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

Impairment of Non-Current Assets (Note 18)

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

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

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

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Impairment of Non-Current Assets (Note 18) (continued)

Accounting Estimates and Judgments: Indications of Impairment and Reversal of Impairment

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

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

Fair Value Estimates

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

Once an indicator of impairment is identified, significant judgement is required to determine the recoverable amounts of the Company's mining interests. Following the temporary suspension of operations at Jerritt Canyon, the Company has determined that there was an indicator of impairment. The Company determined that the value of the CGU can be estimated using the market approach, based on the implied value per in-situ ounce of the property, rather than from the future cash flows from continuing operations.

In estimating the FVLCD, the Company took into account the consideration paid in recent transactions for comparable Companies and benchmarked the value per in-situ ounce at Jerritt Canyon against these transactions. The Company concluded that the resulting measurement is more representative of the fair value of the CGU in the circumstances existing at the end of the current period.

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Share-based Payment Transactions (Note 25(b)(c)(d)(e))

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

The Company adopted the 2022 Long-Term Incentive Plan ("LTIP") to allow the Company to grant to its directors, employees and consultants non-transferable Restricted Share Units ("RSU's") based on the value of the Company's share price at the date of grant. Unless otherwise stated, the awards typically have a graded vesting schedule over a three-year period and can be settled either in cash or equity upon vesting at the discretion of the Company. The Company intends to settle all RSU's in equity.

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

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

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Taxation (Note 24)

Accounting Policy:

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

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

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

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

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

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

The Company has applied the mandatory exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes (i.e. income taxes arising from the jurisdictional implementation of OECD's Pillar Two Model Rules).

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Taxation (Note 24) (continued)

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

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

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

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

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

Cash and Cash Equivalents (Note 19)

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

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

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

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

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Financial Instruments

Accounting Policy:

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

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

Amortized cost

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

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

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

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

Fair value through other comprehensive income ("FVTOCI")

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

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

The Company has designated certain investments in marketable securities that are not held for trading as FVTOCI (Note [13](#)).

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Financial Instruments (continued)

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

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

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

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note [26](#). The Company's financial assets at FVTPL include its account receivable arising from sales of metal contained in concentrates.

[Financial liabilities and equity](#)

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

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

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as FVTPL, are measured at amortized cost using the effective interest method. The Company's financial liabilities at amortized cost primarily include trade and other payables, debt facilities (Note [21](#)) and lease liabilities (Note [22](#)).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Financial Instruments (continued)

Accounting Estimates and Judgments: Investments in Associates and Joint Ventures

As a result of the sale of the La Guitarra Mine and the La Parrilla Mine, the Company is a material shareholder of Sierra Madre Gold and Silver Ltd. ("Sierra Madre") and of Silver Storm Mining Ltd. (formerly Golden Tag Resources Ltd.) ("Silver Storm"). Judgement is needed to assess whether the Company's interest in an investee meets the definition of having significant influence and therefore requires to be accounted for under the equity method.

In making a judgement of whether the Company has significant influence over the entity, management has evaluated the ownership percentage as well as other qualitative factors including but not limited to representation on the Board of Directors, participation in operational or financial policy-making processes, material transactions between the Company and the investee, interchange of managerial personnel, provision of technical information and the nature of potential voting rights.

As part of this assessment, management has considered that until such time that the Company holds less than 19.9% of the outstanding shares, the Company has agreed to vote in the manner recommended by the Board of Directors of each of Sierra Madre and Silver Storm.

Based on the qualitative factors noted above, the restrictions imposed on voting rights, and the lack of rights to have or appoint members to the Board, the Company has determined that significant influence does not exist despite holding a 46% interest in Sierra Madre and a 41% interest in Silver Storm. The Company began accounting for the shares received from Sierra Madre and Silver Storm as equity securities at FVTOCI.

Provisions (Note 23)

Accounting Policy:

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

Accounting Estimates and Judgments: Estimated Reclamation and Closure Costs

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Earnings or Loss per Share (Note 11)

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

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

Assets Held-for-Sale (Note 14)

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

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

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

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

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

Accounting Estimates and Judgments: Probability of Sale Completion Within One Year

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

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2023:

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

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

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

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

[Lease Liability in a Sale and Leaseback \(Amendments to IFRS 16\)](#)

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

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

[Supplier Financing Arrangements \(Amendments to IAS 7 and IFRS 7\)](#)

The amendments require disclosure requirements regarding the effects of supplier finance arrangements on their liabilities, cash flows and exposure to liquidity risk. Entities are required to disclose the following:

- The terms and conditions;
- The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are reflected in the balance sheet;
- Ranges of payment due dates; and
- Liquidity risk information

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS (continued)

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2023 (continued):

Lack of Exchangeability (Amendments to IAS 21)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Although this would be relatively uncommon, a lack of exchangeability might arise when a government imposes foreign exchange controls that prohibit the exchange of a currency or that limit the volume of foreign currency transactions. If a currency is deemed not exchangeable, an entity is required to disclose information about:

- The nature and financial effects of the currency not being exchangeable into the other currency;
- The spot exchange rate(s) used;
- The estimation process; and
- The risks to which the entity is exposed because of the currency not being exchangeable into the other currency.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025 although earlier application is permitted. This amendment is not expected to have a material impact on the Company's financial statements.

4. SEGMENTED INFORMATION

All of the Company's operations are within the mining industry and its major products are precious metals doré which are refined or smelted into pure silver and gold and sold to global metal brokers. 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.

An operating segment is defined as a component of the Company that:

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

For the year ended December 31, 2023, the Company's significant operating segments include its three operating mines in Mexico, the Jerritt Canyon Gold Mine in Nevada, United States and its "non-producing properties" in Mexico which include the Del Toro and San Martin mines, which have been placed on suspension. The Jerritt Canyon Gold mine has been placed on temporary suspension as of March 20, 2023 to focus on exploration, definition, and expansion of the mineral resources and optimization of mine planning and plant operations. "Others" consists primarily of the Company's corporate assets including cash and cash equivalents, other development and exploration properties (Note 15), debt facilities (Note 21), coins and bullion sales, and corporate expenses which are not allocated to operating segments. The Company's chief operating decision maker ("CODM") evaluates segment performance based on mine operating earnings. Therefore, other income and expense items are not allocated to the segments.

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

4. SEGMENTED INFORMATION (continued)

Year Ended December 31, 2023 and 2022		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	2023	\$242,958	\$173,987	\$50,327	\$18,644	\$49,657
	2022	228,701	141,274	47,613	39,814	47,363
Santa Elena⁽³⁾	2023	224,356	117,191	39,950	67,215	49,062
	2022	190,189	106,788	26,819	56,582	47,714
La Encantada	2023	64,118	56,443	12,186	(4,511)	8,608
	2022	67,721	46,126	8,861	12,734	10,225
Non-producing Properties	2023	—	—	291	(291)	637
	2022	—	—	397	(397)	869
United States						
Jerritt Canyon⁽²⁾⁽³⁾	2023	40,521	74,682	18,891	(53,052)	28,113
	2022	130,219	173,341	49,229	(92,351)	94,776
Others⁽¹⁾	2023	8,889	5,875	3,019	(5)	4,892
	2022	11,706	6,747	2,863	2,096	28,530
Intercompany elimination	2023	(7,041)	(4,683)	—	(2,358)	—
	2022	(4,315)	(2,589)	—	(1,726)	—
Consolidated	2023	\$573,801	\$423,495	\$124,664	\$25,642	\$140,970
	2022	\$624,221	\$471,687	\$135,782	\$16,752	\$229,477

(1) The "Others" segment includes revenues of \$8.9 million (2022 - \$11.6 million) from coins and bullion sales of 290,432 silver ounces (2022 - 444,576) at an average price of \$26.60 per ounce (2022 - \$26.20).

(2) Cost of Sales for Jerritt Canyon is inclusive of one time standby costs (Note 6).

(3) Santa Elena and Jerritt Canyon have incurred mine holding costs related to care and maintenance and temporary suspension activities (Note 8).

During the year ended December 31, 2023, the Company had three (December 31, 2022 - three) customers that accounted for 98% (December 31, 2022 - 97%) of its sales revenue, with one major metal broker accounting for 94% of total revenue (December 31, 2022 - 92%).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

4. SEGMENTED INFORMATION (continued)

At December 31, 2023 and 2022		Mining Interests		Property, plant and equipment	Total mining assets	Total assets	Total liabilities
		Producing	Exploration				
Mexico							
San Dimas	2023	\$227,942	\$24,696	\$97,112	\$349,750	\$581,639	\$89,280
	2022	211,658	38,831	94,377	344,866	489,970	76,835
Santa Elena	2023	123,123	50,483	98,513	272,119	363,460	98,100
	2022	110,094	41,731	99,979	251,804	295,489	79,295
La Encantada	2023	22,181	4,461	30,015	56,657	112,310	26,702
	2022	23,496	4,935	24,422	52,853	106,008	30,601
Non-producing Properties	2023	62,566	14,404	17,611	94,581	141,841	17,794
	2022	62,414	13,781	18,195	94,390	206,796	33,391
United States							
Jerritt Canyon	2023	350,504	82,645	133,971	567,120	600,101	150,958
	2022	425,158	93,680	166,778	685,616	756,062	226,814
Others	2023	—	35,830	29,072	64,902	177,004	235,401
	2022	—	35,346	47,584	82,930	255,684	251,775
Consolidated	2023	\$786,316	\$212,519	\$406,294	\$1,405,129	\$1,976,355	\$618,235
	2022	\$832,820	\$228,304	\$451,335	\$1,512,459	\$2,110,009	\$698,711

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

5. REVENUES

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

Revenues for the year are summarized as follows:

	Year Ended December 31,			
	2023		2022	
Gross revenue from payable metals:				
Silver	\$243,682	42%	\$237,107	38%
Gold	332,703	58%	389,743	62%
Gross revenue	576,385	100%	626,850	100%
Less: smelting and refining costs	(2,584)		(2,629)	
Revenues	\$573,801		\$624,221	

As at December 31, 2023, the Company had \$2.3 million of unearned revenue (December 31, 2022 - \$3.4 million) that has not satisfied performance obligations.

(a) Gold Stream Agreement with Sandstorm Gold Ltd.

The Santa Elena mine is subject to a gold streaming agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the Company to sell to Sandstorm 20% of its gold production over the life of mine from its leach pad and a designated area of its underground operations at the Santa Elena mine. The selling price to Sandstorm is the lesser of the prevailing market price or \$450 per ounce, subject to 1% annual inflation. During the year ended December 31, 2023, the Company delivered 1,094 ounces (2022 - 2,433 ounces) of gold to Sandstorm at an average price of \$473 per ounce (2022 - \$472 per ounce).

(b) Net Smelter Royalty

The Santa Elena mine has a net smelter royalty ("NSR") agreement with Orogen Royalties Inc. that requires a 2% NSR from the production of the Ermitaño property. In addition, there is an underlying NSR royalty where Osisko Gold Royalties Ltd. retains a 2% NSR from the sale of mineral products extracted from the Ermitaño property. For the year ended December 31, 2023, the Company has incurred \$8.7 million (2022 - \$5.8 million) in NSR payments from the production of Ermitaño.

In 2022, the Company sold a portfolio of its existing royalty interests to Metalla Royalty and Streaming Limited ("Metalla"). The agreement requires a 100% royalty for the first 1,000 ounces of gold produced annually from the La Encantada property. For the year ended December 31, 2023, the Company has incurred \$0.5 million (2022 - \$nil) in NSR payments from production at La Encantada.

(c) Gold Stream Agreement with Wheaton Precious Metals Corporation

In 2018, the San Dimas mine entered into a purchase agreement with Wheaton Precious Metals International ("WPMI"), a wholly owned subsidiary of Wheaton Precious Metals Corp., which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment) and the prevailing market price for each gold equivalent ounce delivered. Should the average gold to silver ratio over a six-month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as of December 31, 2023, was 70:1.

During the year ended December 31, 2023, the Company delivered 42,172 ounces (2022 - 41,841 ounces) of gold to WPMI at \$628 per ounce (2022 - \$623 per ounce).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

6. COST OF SALES

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

	Year Ended December 31,	
	2023	2022
Consumables and materials	\$91,197	\$112,620
Labour costs	208,050	227,767
Energy	42,292	55,542
Maintenance	6,847	9,595
Assays and labwork	3,299	6,169
Insurance	3,531	4,875
Other costs ⁽¹⁾	13,796	15,792
Production costs	\$369,012	\$432,360
Transportation and other selling costs	3,163	2,788
Workers' participation costs	18,897	17,265
Environmental duties and royalties	12,880	11,063
Finished goods inventory changes	6,105	4,550
Other ⁽²⁾	—	3,661
Cost of Sales	\$410,057	\$471,687
Cost of Sales - Standby Costs⁽³⁾	\$13,438	\$—

(1) Other costs include inventory write-downs at La Encantada resulting from heightened costs due to lower grades, recoveries and throughput which lowered performance. This balance also includes stockpile and work-in-process inventory changes, land access payments as well as services related to travel and medical testing. The inventory write-downs during the year ended December 31, 2023 totaled \$15.5 million (2022 - \$23.8 million) and related to inventory at both Jerritt Canyon of \$13.9 million (2022 - \$23.8 million) and La Encantada of \$1.6 million (2022 - nil) during the year.

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

(3) Cost of sales for the year ended December 31, 2023 included one time standby costs of \$13.4 million primarily related to direct severance and demobilization costs at the Jerritt Canyon mine following the temporary suspension announced on March 20, 2023.

7. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Year Ended December 31,	
	2023	2022
Corporate administration	\$9,190	\$9,001
Salaries and benefits	17,570	16,387
Audit, legal and professional fees	9,090	7,683
Filing and listing fees	610	805
Directors' fees and expenses	743	867
Depreciation	1,506	1,629
	\$38,709	\$36,372

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

8. MINE HOLDING COSTS

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

	Year Ended December 31,	
	2023	2022
La Parrilla ⁽¹⁾	\$3,576	\$3,320
Del Toro	2,849	2,347
San Martin	905	3,609
La Guitarra ⁽¹⁾	514	2,654
Santa Elena ⁽²⁾	3,296	—
Jerritt Canyon	10,948	—
	\$22,088	\$11,930

(1) The La Guitarra and the La Parrilla mines, previously classified as an asset held-for-sale, were sold during the first quarter and the third quarter of 2023, respectively (Note 14).

(2) During 2023, the Company processed ore solely from the Ermitaño mine which is part of the Santa Elena operation. During the year ended December 31, 2023, the Company has incurred \$3.3 million (2022 - \$nil) in holding costs relating to care and maintenance charges for the Santa Elena mine.

9. INVESTMENT AND OTHER INCOME (LOSS)

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

	Year Ended December 31,	
	2023	2022
Gain (loss) from investment in silver futures derivatives	\$4,279	(\$376)
Loss from investment in marketable securities (Note 13(a))	(1,640)	(3,865)
Interest income and other	6,510	2,353
	\$9,149	(\$1,888)

10. FINANCE COSTS

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

	Year Ended December 31,	
	2023	2022
Debt facilities ⁽¹⁾ (Note 21)	\$12,644	\$10,810
Accretion of decommissioning liabilities	8,325	6,102
Lease liabilities (Note 22)	2,605	2,131
Interest and other	2,706	1,280
	\$26,280	\$20,323

(1) During the year ended December 31, 2023, finance costs for debt facilities includes non-cash accretion expense of \$9.6 million (2022 - \$8.7 million).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

11. EARNINGS OR LOSS PER SHARE

Basic earnings or loss per share is the net earnings or loss available to common shareholders divided by the weighted average number of common shares outstanding during the years. Diluted net earnings or loss per share adjusts basic net earnings or loss per share for the effects of potential dilutive common shares. The calculations of basic and diluted earnings or loss per share for the years ended December 31, 2023 and 2022 are as follows:

	Year Ended December 31,	
	2023	2022
Net loss for the year	(\$135,112)	(\$114,276)
Weighted average number of shares on issue - basic	282,331,106	263,122,252
Weighted average number of shares on issue - diluted⁽¹⁾	282,331,106	263,122,252
Loss per share - basic and diluted	(\$0.48)	(\$0.43)

(1) For the year ended December 31, 2023, diluted weighted average number of shares excluded 6,984,369 (2022 - 5,579,618) options, 5,000,000 (2022 - 5,000,000) warrants, 1,556,458 restricted and performance share units (2022 - 1,177,594) and 13,888,895 common shares issuable under the 2021 convertible debentures (2022 - 13,888,895) (Note 21(a)) that were anti-dilutive.

12. INVENTORIES

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

	December 31, 2023	December 31, 2022
Finished goods - doré	\$3,529	\$5,561
Work-in-process	7,542	9,176
Stockpile	5,055	4,825
Silver coins and bullion	8,360	8,001
Materials and supplies	39,204	37,198
	\$63,690	\$64,761

The amount of inventories recognized as an expense during the period is equivalent to the total of cost of sales plus depletion, depreciation and amortization for the period. As at December 31, 2023, mineral inventories, which consist of stockpile, work-in-process and finished goods includes a \$0.7 million write down, which was recorded during the three months ended December 31, 2023 (December 2022 - \$9.3 million) and was recognized in cost of sales (Note 6).

13. OTHER FINANCIAL ASSETS

As at December 31, 2023, other financial assets consists of the Company's investment in marketable securities comprised of the following:

	December 31, 2023	December 31, 2022
FVTPL marketable securities (a)	\$6,279	\$6,657
FVTOCI marketable securities (b)	56,101	27,871
Total other financial assets	\$62,380	\$34,528

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

Loss on marketable securities designated as FVTPL for the year ended December 31, 2023 was \$1.6 million (2022 - loss of \$3.9 million) and was recorded through profit or loss.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

13. OTHER FINANCIAL ASSETS

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

Changes in fair value of marketable securities designated as FVTOCI for the year ended December 31, 2023 was a loss of \$19.3 million (2022 - loss of \$9.9 million), net of tax, and were recorded through other comprehensive income and will not be transferred into earnings or loss upon disposition or impairment. The Company made the irrevocable election to designate these equity securities as FVTOCI because these financial assets are not held for trading and are not contingent consideration recognized in a business combination. As at December 31, 2023, the carrying value of all shares designated at FVTOCI was \$56.1 million (2022 - \$27.9 million).

14. DIVESTITURES

(a) La Guitarra Silver Mine

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

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

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

On March 29, 2023, the Company completed the sale of La Guitarra to Sierra Madre and received total consideration of \$33.2 million net of transaction costs, before working capital adjustments. Pursuant to the share purchase agreement, the purchase price is increased to the extent the working capital of La Guitarra is greater than zero, and decreased to the extent the working capital is less than zero. Based on the carrying value of the asset at the time of disposal of \$34.3 million, and the working capital adjustment of \$0.2 million, the Company has recorded a loss on disposition of \$1.4 million. The Company began accounting for the common shares received from Sierra Madre as an equity security at FVTOCI (Note [13](#)).

(Tabular amounts are expressed in thousands of US dollars)

14. DIVESTITURES (continued)**(b) La Parrilla Silver Mine**

On December 7, 2022, the Company announced that it had entered into an asset purchase agreement with Silver Storm Mining Ltd. (formerly Golden Tag Resources Ltd.) ("Silver Storm") to sell the La Parrilla Silver Mine for total consideration of up to \$33.5 million, consisting of 143,673,684 common shares of Silver Storm at a deemed price of \$0.16 per share, having an aggregate value as of the date of the sale agreement of \$20 million, and up to \$13.5 million in contingent consideration, in the form of three milestone payments payable in either cash or Silver Storm shares, out of which \$2.7 million is payable no later than 18 months following the closing date. The Company has also agreed to purchase \$2.7 million of Silver Storm securities in a future Silver Storm equity financing of up to CAD \$7.2 million. Closing the transaction was subject to customary closing conditions, including completion of such financing and receipt of all necessary regulatory approvals (which were obtained in May 2023).

At December 31, 2022, the sale was considered highly probable; therefore, the assets of La Parrilla were classified as assets held for sale and presented separately under current assets. Immediately prior to the classification to assets held for sale, the carrying amount of La Parrilla was remeasured to its recoverable amount, being its FVLCD, based on the \$20 million initial payment, and the first milestone payment of \$2.7 million.

During 2022, the Company recorded an impairment loss related to the La Parrilla assets of \$9.6 million based on the recoverable amount implied by the asset purchase agreement. Out of the impairment of \$9.6 million related to La Parrilla, \$5.7 million was allocated to depletable mining interest, \$2.1 million was allocated to non-depletable mining interest with the remaining \$1.7 million allocated to property, plant and equipment, resulting in an impairment of \$9.6 million, net of a \$nil adjustment to the deferred tax liability. The recoverable amount of La Parrilla, being its FVLCD, was \$22.7 million, net of estimated transaction costs, based on the expected proceeds from the sale.

During the three months ended June 30, 2023, the Company recorded an additional write down on asset held-for-sale related to La Parrilla of \$7.2 million, based on the change in value of Silver Storm's common shares at the end of the reporting period.

From the \$7.2 million write down related to La Parrilla, \$3.7 million was allocated to depletable mining interest, \$1.4 million was allocated to non-depletable mining interest with the remaining \$2.1 million allocated to property, plant and equipment, resulting in a write down of \$7.2 million, net of a \$nil adjustment to the deferred tax liability. The recoverable amount of La Parrilla, being its FVLCD, was \$14.9 million, net of estimated transaction costs, based on the expected proceeds from the sale.

On August 14, 2023, the Company completed the sale of La Parrilla to Silver Storm and received total consideration of \$13.3 million net of transaction costs. Based on the price of Silver Storm's common shares at the time of closing the transaction, the Company has recorded a loss on disposition of \$1.6 million. In addition, First Majestic participated in Silver Storm's offering of subscription receipts (the "Subscription Receipts") and purchased 18,009,000 Subscription Receipts at a price of CAD\$0.20 per Subscription Receipt which, in accordance with their terms, have now converted into 18,009,000 Silver Storm common shares and 9,004,500 common share purchase warrants (the "Warrants"). Each Warrant is exercisable for one additional Silver Storm common share until August 14, 2026, at a price of CAD\$0.34. The Company began accounting for the shares received from Silver Storm as an equity security at FVTOCI (Note [13](#)).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

14. DIVESTITURES (continued)

(b) La Parrilla Silver Mine (continued)

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

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

⁽¹⁾ On March 29, 2023, the Company completed the sale of La Guitarra to Sierra Madre Gold and Silver Ltd. As such, the asset is no longer classified as held-for-sale, with the assets and liabilities derecognized after disposition.

⁽²⁾ On August 14, 2023, the Company completed the sale of La Parrilla to Silver Storm Mining Ltd. (formerly Golden Tag Resources Ltd.). As such, the asset is no longer classified as held-for-sale, with the asset derecognized after disposition.

The La Guitarra and La Parrilla mines are presented in the non-producing properties reportable segment up to the date of disposition (Note 4, 15 and 16).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

14. DIVESTITURES (continued)

(c) Sale of Royalty Portfolio

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

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

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

The value of the consideration received was credited to mining interests for each property, resulting in a \$4.3 million gain during the period ended December 31, 2022 derived from the disposal of the royalty in the Plomosas property, which had a carrying value of \$nil.

With the exception of La Encantada, all mines included within the royalty portfolio are presented in the non-producing properties reportable segment (Note 4 and 15).

15. MINING INTERESTS

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

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

	December 31, 2023	December 31, 2022
Depletable properties	\$786,316	\$832,820
Non-depletable properties (exploration and evaluation costs, exploration potential)	212,519	228,304
	\$998,835	\$1,061,124

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

Depletable properties are allocated as follows:

Depletable properties	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-producing Properties ⁽¹⁾	Total
Cost						
At December 31, 2021	\$286,196	\$125,921	\$122,735	\$386,069	\$494,569	\$1,415,490
Additions	30,733	23,957	2,507	58,728	—	115,925
Transfer to assets held-for-sale (Note 14)	—	—	—	—	(279,399)	(279,399)
Change in decommissioning liabilities (Note 23)	(1,800)	1,518	(879)	1,241	(2,332)	(2,252)
Disposal of royalty portfolio (Note 14)	—	—	(1,721)	—	—	(1,721)
Transfer from non-depletable properties	—	—	2,098	30,503	—	32,601
At December 31, 2022	\$315,129	\$151,396	\$124,740	\$476,541	\$212,838	\$1,280,644
Additions	26,602	29,014	2,752	13,307	—	71,675
Change in decommissioning liabilities (Note 23)	(2,685)	816	(634)	(3,183)	152	(5,534)
Transfer from non-depletable properties	26,426	1,897	2,021	—	—	30,344
At December 31, 2023	\$365,472	\$183,123	\$128,879	\$486,665	\$212,990	\$1,377,129
Accumulated depletion, amortization and impairment						
At December 31, 2021	(\$72,671)	(\$28,650)	(\$96,908)	(\$23,258)	(\$388,354)	(\$609,841)
Depletion and amortization	(30,800)	(12,652)	(4,336)	(28,125)	—	(75,913)
Reversal of impairment (Note 14)	—	—	—	—	8,203	8,203
Transfer to assets held-for-sale (Note 14)	—	—	—	—	235,448	235,448
Impairment (Note 14)	—	—	—	—	(5,721)	(5,721)
At December 31, 2022	(\$103,471)	(\$41,302)	(\$101,244)	(\$51,383)	(\$150,424)	(\$447,824)
Depletion and amortization	(34,059)	(18,698)	(5,454)	(6,650)	—	(64,861)
Impairment (Note 18)	—	—	—	(78,128)	—	(78,128)
At December 31, 2023	(\$137,530)	(\$60,000)	(\$106,698)	(\$136,161)	(\$150,424)	(\$590,813)
Carrying values						
At December 31, 2022	\$211,658	\$110,094	\$23,496	\$425,158	\$62,414	\$832,820
At December 31, 2023	\$227,942	\$123,123	\$22,181	\$350,504	\$62,566	\$786,316

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines. La Guitarra and La Parrilla were classified as assets held-for-sale up to the date of disposition on March 29, 2023 and August 14, 2023, respectively. As of December 31, 2023, the assets and liabilities have been derecognized (the net carrying value of the disposal group at December 31, 2022 was \$44.0 million) (Note 14).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

Non-depletable properties costs are allocated as follows:

Non-depletable properties	San Dimas ^(a)	Santa Elena ^(b)	La Encantada ^(c)	Jerritt Canyon ^(d)	Non-producing Properties ⁽¹⁾	Exploration Projects ⁽²⁾	Springpole Stream ^(e)	Total
At December 31, 2021	\$29,186	\$31,067	\$4,640	\$104,431	\$38,752	\$22,948	\$11,856	\$242,881
Exploration and evaluation expenditures	9,645	10,664	2,393	19,752	771	694	—	43,919
Change in decommissioning liabilities	—	—	—	—	—	(153)	—	(153)
Impairment (Note 14)	—	—	—	—	(2,132)	—	—	(2,132)
Reversal of impairment	—	—	—	—	1,044	—	—	1,044
Metalla royalty	—	—	—	—	(15,485)	—	—	(15,485)
Transfer to assets held-for-sale (Note 14)	—	—	—	—	(9,169)	—	—	(9,169)
Transfer to depletable properties	—	—	(2,098)	(30,503)	—	—	—	(32,601)
At December 31, 2022	\$38,831	\$41,731	\$4,935	\$93,680	\$13,781	\$23,489	\$11,856	\$228,304
Exploration and evaluation expenditures	12,291	10,649	1,547	6,353	623	695	—	32,158
Change in decommissioning liabilities (Note 23)	—	—	—	—	—	(15)	—	(15)
Impairment (Note 18)	—	—	—	(17,388)	—	—	—	(17,388)
Disposal of La Joya	—	—	—	—	—	(196)	—	(196)
Transfer to depletable properties	(26,426)	(1,897)	(2,021)	—	—	—	—	(30,344)
At December 31, 2023	\$24,696	\$50,483	\$4,461	\$82,645	\$14,404	\$23,973	\$11,856	\$212,519

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines. La Guitarra and La Parrilla were classified as assets held-for-sale up to the date of disposition on March 29, 2023 and August 14, 2023, respectively. As of December 31, 2023, the assets and liabilities have been derecognized (the net carrying value of the disposal group at December 31, 2022 was \$9.2 million) (Note 14).

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

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

The San Dimas Mine is subject to a gold and silver streaming agreement with WPMI which entitles WPMI to receive 25% of the gold equivalent production (based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of \$600 (subject to a 1% annual inflation adjustment commencing in May 2019) and the prevailing market price for each gold ounce delivered. Should the average gold to silver ratio over a six-month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as of December 31, 2023, was 70:1.

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

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

The Santa Elena mine has a net smelter royalty ("NSR") agreement with Orogen Royalties Inc. that requires a 2% NSR from the production of the Ermitaño property. In addition, there is an underlying NSR royalty where Osisko Gold Royalties Ltd. retains a 2% NSR from the sale of mineral products extracted from the Ermitaño property. During the year ended December 31, 2023, the Company has incurred \$8.7 million (2022 - \$5.8 million) in NSR payments from the production of Ermitaño.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

15. MINING INTERESTS (continued)

(c) La Encantada Silver Mine, Coahuila State, Mexico

In December 2022, the Company sold a portfolio of its existing royalty interests to Metalla Royalty and Streaming Limited. Under the terms of the agreement, the Company is required to pay a 100% gross value royalty on the first 1,000 ounces of gold produced annually from the La Encantada property. For the year ended December 31, 2023, the Company has incurred \$0.5 million (2022 - \$nil) in royalty payments from gold production at La Encantada.

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

The Jerritt Canyon Mine is subject to a 0.75% NSR royalty on production of gold and silver from the Jerritt Canyon mines and processing plant. The royalty is applied, at a fixed rate of 0.75%, against proceeds from gold and silver products after deducting treatment, refining, transportation, insurance, taxes and levies charges.

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

As at December 31, 2023, total NSR royalty accrual outstanding was \$0.7 million (December 31, 2022 - \$0.8 million).

(e) Springpole Silver Stream, Ontario, Canada

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

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

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

In connection with the streaming agreement, First Mining also granted First Majestic 30.0 million common share purchase warrants of First Mining (the "First Mining Warrants"), each of which will entitle the Company to purchase one common share of First Mining at CAD\$0.40 over a period of five years. As a result of the distribution by First Mining of shares and warrants of Treasury Metals Inc. that was completed by First Mining on July 15, 2021, pursuant to the adjustment provisions of the First Mining Warrants, the exercise price of these warrants was reduced from \$0.40 to \$0.37, and the number of these warrants was increased from 30.0 million to 32.1 million. The fair value of the warrants was measured at \$5.7 million using the Black-Scholes option pricing model. First Mining has the right to repurchase 50% of the silver stream for \$22.5 million at any time prior to the commencement of production at Springpole, and if such a repurchase takes place, the Company will be left with a reduced silver stream of 25% of life of mine payable silver production from Springpole. First Mining is a related party with two independent board members who are also directors and/or officers of First Majestic.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

16. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment are comprised of the following:

	Land and Buildings ⁽¹⁾	Machinery and Equipment	Assets under Construction ⁽²⁾	Other	Total
Cost					
At December 31, 2021	\$244,957	\$624,462	\$90,451	\$33,583	\$993,453
Additions	—	5,038	64,088	507	69,633
Reclassification to assets held-for-sale (Note 14)	(30,903)	(82,275)	(176)	(2,111)	(115,465)
Transfers and disposals	23,192	47,783	(80,436)	4,772	(4,689)
At December 31, 2022	\$237,246	\$595,008	\$73,927	\$36,751	\$942,932
Additions	14	2,719	33,749	655	37,137
Reclassification to asset held-for-sale (Note 14)	(14)	26	—	—	12
Transfers and disposals	8,014	43,276	(58,938)	1,039	(6,609)
At December 31, 2023	\$245,260	\$641,029	\$48,738	\$38,445	\$973,472
Accumulated depreciation, amortization and impairment reversal					
At December 31, 2021	(\$147,079)	(\$374,879)	\$—	(\$22,258)	(\$544,216)
Depreciation and amortization	(12,016)	(40,419)	—	(3,793)	(56,228)
Impairment (Note 14)	(1,742)	—	—	—	(1,742)
Reversal of impairment (Note 14)	3,076	—	—	—	3,076
Reclassification to assets held-for-sale (Note 14)	20,774	80,964	—	1,902	103,640
Transfers and disposals	—	3,606	—	267	3,873
At December 31, 2022	(\$136,987)	(\$330,728)	\$—	(\$23,882)	(\$491,597)
Depreciation and amortization	(13,303)	(32,134)	—	(3,600)	(49,037)
Impairment (Note 18)	(7,585)	(21,979)	—	(120)	(29,684)
Reclassification to asset held-for-sale (Note 14)	—	(117)	—	—	(117)
Transfers and disposals	249	2,819	—	189	3,257
At December 31, 2023	(\$157,626)	(\$382,139)	\$—	(\$27,413)	(\$567,178)
Carrying values					
At December 31, 2022	\$100,259	\$264,280	\$73,927	\$12,869	\$451,335
At December 31, 2023	\$87,634	\$258,890	\$48,738	\$11,032	\$406,294

(1) Included in land and buildings is \$10.4 million (2022 - \$11.2 million) of land which is not subject to depreciation.

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-producing Properties ⁽¹⁾	Other	Total
Cost							
At December 31, 2021	\$158,528	\$122,597	\$150,718	\$193,085	\$285,806	\$82,719	\$993,453
Additions ⁽²⁾	6,985	13,093	5,325	16,297	98	27,835	69,633
Reclassification to assets held-for-sale	—	—	—	—	(115,465)	—	(115,465)
Transfers and disposals	(717)	31,852	1,880	367	(5,421)	(32,650)	(4,689)
At December 31, 2022	\$164,796	\$167,542	\$157,923	\$209,749	\$165,018	\$77,904	\$942,932
Additions ⁽²⁾	10,765	9,399	4,309	8,453	14	4,197	37,137
Reclassification to asset held-for-sale (Note 14)	—	—	—	—	12	—	12
Transfers and disposals	7,810	3,187	6,504	(1,534)	(1,546)	(21,030)	(6,609)
At December 31, 2023	\$183,371	\$180,128	\$168,736	\$216,668	\$163,498	\$61,071	\$973,472
Accumulated depreciation, amortization and impairment							
At December 31, 2021	(\$53,055)	(\$57,754)	(\$130,038)	(\$20,228)	(\$258,626)	(\$24,515)	(\$544,216)
Depreciation and amortization	(17,554)	(10,058)	(2,809)	(22,747)	(222)	(2,838)	(56,228)
Impairment	—	—	—	—	(1,742)	—	(1,742)
Reversal of impairment	—	—	—	—	3,076	—	3,076
Reclassification to assets held-for-sale	—	—	—	—	103,640	—	103,640
Transfers and disposals	190	249	(654)	4	7,051	(2,967)	3,873
At December 31, 2022	(\$70,419)	(\$67,563)	(\$133,501)	(\$42,971)	(\$146,823)	(\$30,320)	(\$491,597)
Depreciation and amortization	(15,577)	(15,543)	(4,889)	(10,614)	(165)	(2,249)	(49,037)
Impairment (Note 18)	—	—	—	(29,684)	—	—	(29,684)
Reclassification to asset held-for-sale (Note 14)	—	—	—	—	(117)	—	(117)
Transfers and disposals	(263)	1,491	(331)	572	1,218	570	3,257
At December 31, 2023	(\$86,259)	(\$81,615)	(\$138,721)	(\$82,697)	(\$145,887)	(\$31,999)	(\$567,178)
Carrying values							
At December 31, 2022	\$94,377	\$99,979	\$24,422	\$166,778	\$18,195	\$47,584	\$451,335
At December 31, 2023	\$97,112	\$98,513	\$30,015	\$133,971	\$17,611	\$29,072	\$406,294

(1) Non-producing properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines. La Guitarra and La Parrilla were classified as assets held-for-sale up to the date of disposition on March 29, 2023 and August 14, 2023, respectively. As of December 31, 2023, the assets and liabilities have been derecognized (the net carrying value of the disposal group at December 31, 2022 was \$11.8 million).

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

17. RIGHT-OF-USE ASSETS

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

17. RIGHT-OF-USE ASSETS (continued)

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

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

	Land and Buildings	Machinery and Equipment	Other	Total
At December 31, 2021	\$8,302	\$20,921	\$2	\$29,225
Additions	1,786	1,514	14	3,314
Remeasurements	578	2,239	(2)	2,815
Depreciation and amortization	(1,608)	(6,431)	(5)	(8,044)
Transfer to asset held-for-sale	(634)	(27)	—	(661)
At December 31, 2022	\$8,424	\$18,216	\$9	\$26,649
Additions	1,719	2,821	—	4,540
Remeasurements	131	6,020	—	6,151
Depreciation and amortization	(1,813)	(8,301)	(9)	(10,123)
Transfer to asset held-for-sale (Note 14)	47	10	—	57
Disposals	15	(5)	—	10
At December 31, 2023	\$8,523	\$18,761	\$—	\$27,284

18. IMPAIRMENT OF NON-CURRENT ASSET

On March 20, 2023, the Company announced the temporary suspension of operations at the Jerritt Canyon Gold mine. Having considered the facts and circumstances including the temporary suspension of operations, heightened costs, and operating mine performance, the Company determined that impairment indicators existed for the Jerritt Canyon Gold mine. IFRS accounting standards require an entity to assess its assets for indicators of impairment at the cash-generating unit level based on their individual recoverable amounts. After the Company identified an indicator of impairment for Jerritt Canyon, the Company assessed the recoverable value of the Jerritt Canyon Gold Mine based on its FVLCD.

Key Assumptions

The FVLCD for Jerritt Canyon was determined using a multiple-based valuation method to estimate the value per in-situ ounce based on comparable market transactions. Valuation multiples applied to mineral resources and property, plant and equipment in the CGU, subject to impairment testing were determined as follows:

- External valuation specialists were used to obtain a population of gold exploration, development and operating companies. The value of trading multiples for operating companies based on recent transactions was determined to be between \$149 per ounce and \$248 per ounce.
- Management considered the \$165 per ounce multiple to be the most reasonable estimate of the fair value of Jerritt Canyon, as companies in this range included companies in operations that had invested significantly in exploration, capital structure, an operating plant and had significant exploration potential.

The market approach used to determine FVLCD is significantly affected by changes in key assumptions of determining which population of comparable companies are most relevant and the price for these precedent transactions. In determining the comparability of public companies and precedent transactions, factors such as primary ore, location, stage of operations, reserves and resources, exploration potential, infrastructure, and accessibility for the underlying commodity were taken into consideration. The Company performed a sensitivity analysis on the key assumption being the population of comparable transactions and determined that a change in this assumption could lead to a different fair value of this asset. Management's estimate of FVLCD is classified as a level 3 in the fair value hierarchy as the inputs are not based on observable market data.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

18. IMPAIRMENT OF NON-CURRENT ASSET (continued)

In prior periods, management utilized the discounted cash flow method as the valuation technique to determine the recoverable amount. Recoverable values were determined with internal discounted cash flow economic models projected using management's best estimate of recoverable mineral reserves and resources, future operating costs, capital expenditures and long-term foreign exchange rates and corroborated by in situ value of its Reserves and Resources. As Jerritt Canyon does not currently have a mine plan to estimate future cash flows, the market approach was used during the current period to determine the FVLCD.

Based on the Company's assessment, the Company concluded that the carrying value of the Jerritt Canyon mine had an estimated recoverable value, based on its FVLCD, below its carrying value at March 31, 2023. As a result, the following impairment charge was recognized during the first quarter of 2023:

	Year Ended December 31, 2023
Impairment of non-current asset	\$125,200
Deferred income tax recovery	(31,237)
Impairment of non-current asset, net of tax	\$93,963

With the exception of La Parrilla (Note 14), 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 year ended December 31, 2023 (2022 - \$2.7 million reversal of impairment).

The impairment charge recognized for the year ended December 31, 2023 with respect to the Jerritt Canyon operating segment, which was recorded during the first quarter of 2023, was allocated as follows:

	Year Ended December 31, 2023
Mining interest - producing properties	\$78,128
Mining interests - exploration properties (non-depletable)	17,388
Property, plant and equipment	29,684
Impairment of non-current asset	\$125,200

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

19. RESTRICTED CASH

Restricted cash is comprised of the following:

	December 31, 2023	December 31, 2022
Nevada Division of Environmental Protection ⁽¹⁾	\$18,408	\$17,702
Chartis Commutation Account ⁽²⁾	—	28,365
SAT Primero tax dispute ⁽³⁾	107,165	79,126
Non-Current Restricted Cash	\$125,573	\$125,193

1. On November 2, 2021, the Company executed an agreement with the Nevada Division of Environmental Protection ("NDEP") relating to funds required to establish a trust agreement to cover post-closure water treatment cost at Jerritt Canyon. During the year ended December 31, 2022, the Company funded \$17.7 million into a trust; these amounts are included within non-current restricted cash.
2. The Company owns an environmental risk transfer program (the "ERTP") for Jerritt Canyon from American Insurance Group ("AIG"). As part of the ERTP, \$28.7 million was on deposit in an interest-bearing account with AIG (the "Commutation Account"). The Commutation Account principal plus interest earned on the principal is used to fund ongoing reclamation and mine closure obligations. The Company elected to extinguish all rights under the policy releasing AIG from reclamation cost and financial assurance liabilities by replacing the policy with surety bonds on June 28, 2023. During the third quarter of 2023, the NDEP and the USDA Forest Services ("USFS") accepted replacement of the surety bonds and the Company received total funds of \$28.7 million.
3. In connection with the dispute between Primero Empresa Minera, S.A. de C.V. ("PEM") and the Servicio de Administracion Tributaria ("SAT") in relation to the advanced pricing agreement (Note 28), the tax authority has frozen a PEM bank account with funds of \$107.2 million (1,810 million MXN) as a guarantee against certain disputed tax assessments. This balance consists of Value Added Tax ("VAT") refunds that the Company has received which were previously withheld by the tax authority. The Company does not agree with SAT's position and has challenged it through the relevant legal channels.

20. TRADE AND OTHER PAYABLES

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

Trade and other payables are comprised of the following items:

	December 31, 2023	December 31, 2022
Trade payables	\$31,863	\$40,782
Trade related accruals	16,302	30,312
Payroll and related benefits	35,331	31,797
Restructuring obligations	1,456	—
NSR royalty liabilities (Notes 15(b)(c))	2,850	1,518
Environmental duty and net mineral sales proceeds tax	3,023	3,570
Other accrued liabilities	3,588	7,141
	\$94,413	\$115,120

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

21. DEBT FACILITIES

The movement in debt facilities during the year ended December 31, 2023 and year ended December 31, 2022, respectively, are comprised of the following:

	Convertible Debentures (a)	Revolving Credit Facility (b)	Total
Balance at December 31, 2021	\$181,178	\$56	\$181,234
Finance costs			
Interest expense	896	1,241	2,137
Accretion	8,673	—	8,673
Proceeds from drawdown of revolving credit facility	—	50,000	50,000
Repayments of principal	—	(30,000)	(30,000)
Payments of finance costs	(505)	(1,177)	(1,682)
Balance at December 31, 2022	\$190,242	\$20,120	\$210,362
Finance costs			
Interest expense	858	2,616	3,474
Accretion	9,170	—	9,170
Payments of finance costs	(864)	(2,330)	(3,194)
Balance at December 31, 2023	\$199,406	\$20,406	\$219,812
Statements of Financial Position Presentation			
Current portion of debt facilities	\$431	\$120	\$551
Non-current portion of debt facilities	189,811	20,000	209,811
Balance at December 31, 2022	\$190,242	\$20,120	\$210,362
Current portion of debt facilities	\$426	\$406	\$832
Non-current portion of debt facilities	198,980	20,000	218,980
Balance at December 31, 2023	\$199,406	\$20,406	\$219,812

(a) Convertible Debentures

Senior Convertible Debentures

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

The Notes are convertible into common shares of the Company at any time prior to maturity at a conversion rate of 60.3865 common shares per \$1,000 principal amount of Notes converted, representing an initial conversion price of \$16.56 per common share, subject to certain anti-dilution adjustments. In addition, if certain fundamental changes occur, holders of the Notes may be entitled to an increased conversion rate.

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

(Tabular amounts are expressed in thousands of US dollars)

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

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

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

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

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

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

(b) Revolving Credit Facility

On June 29, 2023, the Company amended its senior secured revolving credit facility (the "Revolving Credit Facility") with the Bank of Montreal, BMO Harris Bank N.A., Bank of Nova Scotia, Toronto Dominion Bank, and National Bank of Canada ("syndicate") by extending the maturity date from March 31, 2025 to June 29, 2026 and increasing the credit limit from \$100.0 million to \$175.0 million. Interest on the drawn balance will accrue at the Secured Overnight Financing Rate ("SOFR") plus an applicable range of 2.25% to 3.5% per annum while the undrawn portion is subject to a standby fee with an applicable range of 0.563% to 0.875% per annum, dependent on certain financial parameters of First Majestic. As at December 31, 2023, the applicable rates were 2.750% and 0.688% per annum, respectively.

(Tabular amounts are expressed in thousands of US dollars)

21. DEBT FACILITIES (continued)

(b) Revolving Credit Facility (continued)

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

The Revolving Credit Facility includes financial covenants, to be tested quarterly on a consolidated basis, requiring First Majestic to maintain the following: (a) a leverage ratio based on net indebtedness to rolling four quarters adjusted EBITDA of not more than 3.00 to 1.00; and (b) an interest coverage ratio, based on rolling four quarters adjusted EBITDA divided by interest payments, of not less than 4.00 to 1.00. The debt facilities also provide for negative covenants customary for these types of facilities and allows the Company to enter into finance leases, excluding any leases that would have been classified as operating leases in effect immediately prior to the implementation of IFRS 16 - Leases, of up to \$50.0 million. As at December 31, 2023 and December 31, 2022, the Company was in compliance with these covenants.

During the year, as part of ongoing reclamation and mine closure obligations, the Company issued \$25.4 million (2022 - \$5.0 million) in letters of credit for a total outstanding commitment of \$30.4 million. As at December 31, 2023 the undrawn portion of the Revolving Credit Facility net of the letters of credit and drawdowns totals \$124.6 million (December 2022 - \$75.0 million).

22. LEASE LIABILITIES

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

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

22. LEASE LIABILITIES (continued)

The movement in lease liabilities during the years ended December 31, 2023 and December 31, 2022 are comprised of the following:

	Category I Leases ^(a)	Category II Leases ^(b)	Equipment Financing ^(c)	Total
Balance at December 31, 2021	\$5,253	\$34,544	\$64	\$39,861
Additions	3,109	3,314	—	6,423
Remeasurements	—	2,815	—	2,815
Finance costs	237	1,894	—	2,131
Repayments of principal	(2,446)	(9,065)	(64)	(11,575)
Repayments of finance costs	(210)	(1,894)	—	(2,104)
Transfer to asset held-for-sale (Note 14)	—	(458)	—	(458)
Foreign exchange	—	490	—	490
Balance at December 31, 2022	\$5,943	\$31,640	\$—	\$37,583
Additions	2,231	4,540	—	6,771
Remeasurements	—	6,151	—	6,151
Disposals	—	(36)	—	(36)
Finance costs	388	2,217	—	2,605
Repayment of principal	(3,502)	(11,736)	—	(15,238)
Repayments of finance costs	(389)	(2,183)	—	(2,572)
Transfer to asset held-for-sale (Note 14)	—	(82)	—	(82)
Foreign Exchange	—	1,520	—	1,520
Balance at December 31, 2023	\$4,671	\$32,031	\$—	\$36,702
Statements of Financial Position Presentation				
Current portion of lease liabilities	\$2,801	\$11,026	\$—	\$13,827
Non-current portion of lease liabilities	3,142	20,614	—	23,756
Balance at December 31, 2022	\$5,943	\$31,640	\$—	\$37,583
Current portion of lease liabilities	\$3,144	\$14,226	\$—	\$17,370
Non-current portion of lease liabilities	1,527	17,805	—	19,332
Balance at December 31, 2023	\$4,671	\$32,031	\$—	\$36,702

(a) Category I leases

Category I leases primarily relate to financing arrangements entered into for the rental of vehicles and equipment. These leases have remaining lease terms of one to three years, some of which include options to terminate the leases within a year, with incremental borrowing rates ranging from 3.4% to 11.4% per annum.

(b) Category II leases

Category II leases primarily relate to equipment and building rental contracts, land easement contracts and service contracts that contain embedded leases for property, plant and equipment. These leases have remaining lease terms of one to seven years, some of which include options to terminate the leases within a year, with incremental borrowing rates ranging from 4.5% to 11.4% per annum.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

22. LEASE LIABILITIES (continued)

(b) Category II leases (continued)

During the year ended December 31, 2023 and 2022, the amounts of lease payments recognized in the profit and loss are summarized as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Expenses relating to variable lease payments not included in the measurement of lease liability	\$113,486	\$132,101
Expenses relating to short-term leases	29,996	35,913
Expenses relating to low value leases	661	760
	\$144,143	\$168,774

(c) Equipment financing

During 2017, the Company entered into a \$7.9 million credit facility with repayment terms ranging from 12 to 16 equal quarterly installments in principal plus related interest. Proceeds from the equipment financing were primarily used for the purchase and rehabilitation of property, plant and equipment. The equipment financing is secured by certain equipment of the Company and is subject to various covenants, including the requirement for First Majestic to maintain a leverage ratio based on total debt to rolling four quarters adjusted EBITDA. As of December 31, 2023, the credit facility has expired. As of December 31, 2022, the Company was in compliance with these covenants.

As at December 31, 2023, the net book value of property, plant and equipment includes \$nil (December 31, 2022 - \$nil) equipment pledged as security for the equipment financing.

23. DECOMMISSIONING LIABILITIES

The Company has an obligation to undertake decommissioning, restoration, rehabilitation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining operation. Movements in decommissioning liabilities during the years ended December 31, 2023 and 2022 are allocated as follows:

	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Non-Operating Properties ⁽¹⁾	Total
Balance at December 31, 2021	\$15,529	\$8,441	\$10,995	\$100,390	\$18,252	\$153,607
Movements during the year:						
Transfer to liability held-for-sale	—	—	—	—	(7,118)	(7,118)
Change in rehabilitation provision	(1,800)	1,518	(879)	1,240	(2,488)	(2,409)
Reclamation costs incurred	—	(31)	—	(2,704)	(223)	(2,958)
Accretion expense	1,190	650	848	2,053	1,361	6,102
Foreign exchange gain	504	261	342	—	686	1,793
Balance at December 31, 2022	\$15,423	\$10,839	\$11,306	\$100,979	\$10,470	\$149,017
Movements during the year:						
Change in rehabilitation provision	(2,687)	816	(634)	(3,183)	139	(5,549)
Reclamation costs incurred	—	—	—	(270)	(5)	(275)
Accretion expense	1,467	1,032	1,076	3,796	954	8,325
Other	—	—	—	—	46	46
Balance at December 31, 2023	\$14,203	\$12,687	\$11,748	\$101,322	\$11,604	\$151,564

(1) Non-operating properties include the San Martin, Del Toro, La Parrilla and La Guitarra mines, along with the La Luz project. La Guitarra and La Parrilla were classified as assets held-for-sale up to the date of disposition on March 29, 2023 and August 14, 2023, respectively. As of December 31, 2023, the assets and liabilities have been derecognized (the net carrying value of the disposal group at December 31, 2022 was \$7.2 million) (Note 14).

(Tabular amounts are expressed in thousands of US dollars)

23. DECOMMISSIONING LIABILITIES (continued)

A provision for decommissioning liabilities is estimated based on current regulatory requirements and is recognized at the present value of such costs. The expected timing of cash flows in respect of the provision is based on the estimated life of the Company's mining operations. The discount rate for Mexico is 9.7% (2022 - 9.5%), while the inflation rate used is based on long-term expected inflation rate of 3.6% (2022 - 3.7%).

At the Jerritt Canyon Gold Mine, the discount rate used is 4.7% (2022 - 3.8%), while the inflation rate is based on the long-term expected inflation rate of 2.4% in the U.S (2022 - 2.8%).

The present value of reclamation liabilities may be subject to change based on changes to cost estimates, remediation technologies or applicable laws and regulations. Changes in decommissioning liabilities are recorded against mining interests.

At December 31, 2023, the reclamation and closure cost obligation for the Jerritt Canyon Gold Mine totaled \$101.3 million. This obligation is secured through \$82.4 million in surety bonds held with the NDEP and the USFS, with \$30.4 million in letters of credit as collateral for these bonds, to support various reclamation obligation bonding requirements (Note [19](#)).

Additionally, on November 2, 2021, the Company executed an agreement with the NDEP relating to funds required to establish a trust agreement to cover post-closure water treatment cost at Jerritt Canyon. The amounts were funded into a trust on October 31, 2022 which are included in the decommissioning liabilities provision with a total of \$18.4 million being currently held in this account.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

24. INCOME TAXES

The following is a reconciliation of income taxes calculated at the combined Canadian federal and provincial statutory tax rate to the income tax expense for the year ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
Loss before tax	(\$195,915)	(\$61,404)
Combined statutory tax rate	27%	27%
Income tax recovery computed at statutory tax rate	(52,897)	(16,579)
Reconciling items:		
Effect of different foreign statutory tax rates on earnings of subsidiaries	6,152	1,052
Impact of foreign exchange on deferred income tax assets and liabilities	(60,889)	(20,238)
Change in unrecognized deferred income tax asset	44,230	2,097
7.5% mining royalty in Mexico and Nevada net proceeds tax	2,100	11,345
Other non-deductible expenses	13,994	16,941
Impact of inflationary adjustments	(12,714)	(18,015)
Change in tax provision estimates	448	(2,127)
Value of losses forgone due to tax settlement	—	55,657
Tax settlement	—	24,033
Other	(1,227)	(1,294)
Income tax (recovery) expense	(\$60,803)	\$52,872
Statements of Earnings Presentation		
Current income tax expense	\$14,005	\$56,250
Deferred income tax recovery	(74,808)	(3,378)
Income tax (recovery) expense	(\$60,803)	\$52,872
Effective tax rate	31%	(86%)

The Company's statutory tax rate increased effective January 1, 2018 to 27.00%.

For the year ended December 31, 2023, the effective income tax rate on income from operations was 31% (2022 - (86%)). The significant items impacting the effective income tax rate on losses from operations include the tax impact of the deferred tax assets not recognized, foreign exchange effects, Mexico specific mining tax, and the impact of divestiture, restructurings and withholding taxes. The tax provision on earnings is computed after taking account of intercompany transactions such as interest on loans, sales, and other charges and credits among subsidiaries resulting from their capital structure as well as from the various jurisdictions in which operations and assets are owned. For these reasons, the effective tax rate differs from the combined corporate statutory rate in Canada. The Company's effective tax rate and its cash tax cost depend on the laws of numerous countries and the provisions of multiple income tax conventions between various countries in which the Company operates.

As at December 31, 2023 and 2022, the Company has the following income tax payable balances:

	Year Ended December 31,	
	2023	2022
Current income tax payable	\$5,222	\$18,240
Non-current income tax payable	23,612	20,605
	\$28,834	\$38,845

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

24. INCOME TAXES (continued)

During the years ended December 31, 2023 and 2022, the movement in deferred tax assets and deferred tax liabilities is shown as follows:

Deferred tax assets	Losses	Provisions	Deferred tax asset not recognized	Other	Total
At December 31, 2021	\$187,270	\$41,743	(\$101,607)	\$16,769	\$144,175
(Expense) benefit to statement of earnings	(5,451)	3,217	(5,449)	1,082	(6,601)
Charge to equity	—	—	—	(1,458)	(1,458)
Re-class to liabilities held for sale	(34,189)	(2,283)	36,340	(399)	(531)
At December 31, 2022	\$147,630	\$42,677	(\$70,716)	\$15,994	\$135,585
(Expense) benefit to statement of earnings	54,978	(784)	(59,897)	5,824	121
Translation and other	—	314	—	—	314
At December 31, 2023	\$202,608	\$42,207	(\$130,613)	\$21,818	\$136,020

Deferred tax liabilities	Property, plant and equipment and mining interests	Effect of Mexican tax deconsolidation	Other	Total
At December 31, 2021	\$192,648	\$606	\$27,500	\$220,754
Benefit to statement of earnings	(4,884)	—	(5,095)	(9,979)
Reclassified to current income taxes payable	—	(606)	—	(606)
Translation and other	—	—	(393)	(393)
Re-class to liabilities held-for-sale	(8,773)	—	(12)	(8,785)
At December 31, 2022	\$178,991	\$—	\$22,000	\$200,991
Benefit to statement of earnings	(49,050)	—	(25,637)	(74,687)
At December 31, 2023	\$129,941	\$—	(\$3,637)	\$126,304

Statements of Financial Position Presentation

Deferred tax assets	\$57,062
Deferred tax liabilities	122,468
At December 31, 2022	\$65,406
Deferred tax assets	\$88,732
Deferred tax liabilities	79,017
At December 31, 2023	(\$9,715)

At December 31, 2023, the Company recognized \$88.7 million (2022 - \$57.1 million) of net deferred tax assets in entities that have had a loss for tax purposes in either 2023 or 2022, or both. In evaluating whether it is probable that sufficient taxable income will be generated to realize the benefit of these deferred tax assets, the Company considered all available evidence, including approved budgets, forecasts and business plans and, in certain cases, tax planning opportunities.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

24. INCOME TAXES (continued)

The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred taxes have not been recognized, as at December 31, 2023 was \$263.9 million (2022 - \$187.2 million).

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

	Year Ended December 31,	
	2023	2022
Non-capital losses	\$347,291	\$277,067
Capital losses	33,005	26,592
Accrued expenses	628	888
Mineral properties, plant and equipment	46,188	45,264
Other	53,592	30,769
	\$480,704	\$380,580

As at December 31, 2023 and 2022, the Company has available Canadian, US and Mexican non-capital tax losses, which if not utilized will expire as follows:

Year of expiry	Canadian non-capital losses	US non-capital losses	Mexican non-capital losses	December 31, 2023	December 31, 2022
2023	\$—	\$—	\$—	\$—	2,298
2024	—	—	33,213	33,213	31,322
2025	—	—	21,168	21,168	21,785
2026	—	—	3,211	3,211	4,158
2027	—	—	8,587	8,587	12,739
2028	—	—	48,690	48,690	49,174
2029	—	—	89,522	89,522	82,358
2030	—	—	55,906	55,906	74,040
2031	—	—	62,244	62,244	73,648
2032	—	—	8,904	8,904	80,114
2033 and after	42,579	26,492	63,014	132,085	34,288
No expiry	—	261,576	—	261,576	161,662
Total	\$42,579	\$288,068	\$394,459	\$725,106	\$627,586
Unrecognized losses	\$42,579	\$26,492	\$106,634	\$175,705	\$277,067

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. SHARE CAPITAL

(a) Authorized and issued capital

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

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

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Number of Shares	Net Proceeds	Number of Shares	Net Proceeds
ATM program ⁽¹⁾⁽²⁾⁽³⁾	13,919,634	\$92,092	11,869,145	\$113,395

- (1) The Company files prospectus supplements to its short form base shelf prospectus, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company. The sale of common shares is to be made through "at-the-market distributions" ("ATM"), as defined in the Canadian Securities Administrators' National Instrument 44-102 Shelf Distributions, directly on the New York Stock Exchange. For the year ended December 31, 2022, the Company sold 11,869,145 common shares of the Company under the 2021 ATM program at an average price of \$9.80 per common share for gross proceeds of \$116.3 million, or net proceeds of \$113.4 million. At December 31, 2022, the Company incurred \$2.9 million in transaction costs in relation to the ATM.
- (2) During the year ended December 31, 2023, the Company sold 1,719,634 (2022 - nil) common shares of the Company under the 2022 ATM program at an average price of \$8.75 per common share (2022 - \$nil) for gross proceeds of \$15.0 million (2022 - \$nil), or net proceeds of \$14.4 million (2022 - \$nil). At December 31, 2023, the Company incurred \$0.6 million (2022 - \$nil) in transaction costs in relation to the 2022 ATM.
- (3) During the year ended December 31, 2023, the Company sold 12,200,000 (2022 - nil) common shares of the Company under the 2023 ATM program at an average price of \$6.51 per common share (2022 - \$nil) for gross proceeds of \$79.5 million (2022 - \$nil), or net proceeds of \$77.7 million (2022 - \$nil). At December 31, 2023, the Company incurred \$1.8 million (2022 - \$nil) in transaction costs in relation to the ATM.

On August 3, 2023, the Company filed a final short form base shelf prospectus in each province of Canada (other than Quebec), and a registration statement on Form F-10 in the United States, which will allow the Company to undertake offerings (including by way of ATM) under one or more prospectus supplements of various securities listed in the shelf prospectus, up to an aggregate total of \$500.0 million, over a 25-month period commencing as of the filing date of the shelf prospectus.

(b) Stock options

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. SHARE CAPITAL (continued)

(b) Stock options (continued)

The following table summarizes information about stock options outstanding as at December 31, 2023:

Exercise prices (CAD\$)	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Weighted Average Remaining Life (Years)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Weighted Average Remaining Life (Years)
5.01 - 10.00	2,595,193	8.43	6.93	1,370,545	8.69	4.84
10.01 - 15.00	3,304,827	12.82	7.93	1,651,640	13.41	7.23
15.01 - 20.00	997,732	16.42	6.85	781,332	16.35	6.68
20.01 - 250.00	468,500	21.61	7.42	430,100	21.60	7.42
	7,366,252	12.32	7.40	4,233,617	13.26	6.37

The movements in stock options issued for the year ended December 31, 2023 and year ended December 31, 2022 are summarized as follows:

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price (CAD \$/Share)	Number of Options	Weighted Average Exercise Price (CAD \$/Share)
Balance, beginning of the year	7,275,744	13.19	5,638,383	13.29
Granted	1,881,297	9.15	3,107,500	12.96
Exercised	(337,500)	8.42	(609,623)	9.76
Cancelled or expired	(1,453,289)	13.51	(860,516)	15.44
Balance, end of the year	7,366,252	12.32	7,275,744	13.19

During the year ended December 31, 2023, the aggregate fair value of stock options granted was \$6.1 million (December 31, 2022 - \$14.7 million), or a weighted average fair value of \$3.23 per stock option granted (December 31, 2022 - \$4.73).

During the year ended December 31, 2023, total share-based payments expense related to stock options was \$6.9 million (December 31, 2022 - \$9.0 million).

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

Assumption	Based on	Year Ended	Year Ended
		December 31, 2023	December 31, 2022
Risk-free interest rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	3.80	2.16
Expected life (years)	Weighted average life of previously transacted awards	4.06	5.91
Expected volatility (%)	Historical volatility of the Company's stock	59.05	49.00
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	0.35%	1.64%

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. SHARE CAPITAL (continued)

(b) Stock options (continued)

The weighted average closing share price at date of exercise for the year ended December 31, 2023 was CAD\$9.78 (December 31, 2022 - CAD\$14.70).

(c) Restricted Share Units

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

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

The following table summarizes the changes in RSU's for the year ended December 31, 2023 and the year ended December 31, 2022:

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the year	652,339	14.35	400,549	16.77
Granted	768,066	10.90	498,740	13.18
Settled	(273,515)	14.74	(159,016)	16.57
Forfeited	(266,001)	12.05	(87,934)	14.74
Outstanding, end of the year	880,889	11.92	652,339	14.35

During the year ended December 31, 2023, total share-based payments expense related to RSU's was \$4.5 million (December 31, 2022 - \$2.9 million).

(d) Performance Share Units

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. SHARE CAPITAL (continued)

(d) Performance Share Units (continued)

The following table summarizes the changes in PSU's granted to employees and consultants for the year ended December 31, 2023 and the year ended December 31, 2022:

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the period	474,654	14.82	275,516	16.58
Granted	384,653	11.12	268,955	13.21
Settled	(38,087)	15.47	—	—
Forfeited	(196,252)	13.69	(69,817)	15.55
Outstanding, end of the period	624,968	12.86	474,654	14.82

During the year ended December 31, 2023, total share-based payments expense related to PSU's was \$1.5 million (year ended December 31, 2022 - \$1.5 million).

(e) Deferred Share Units

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

On March 23, 2022, a new DSU plan was adopted ("2022 DSU Plan"). All DSU's issued under the 2022 DSU Plan will be settled in cash. There were 53,189 DSU's granted under the 2022 plan during the year ended December 31, 2023 resulting in a total expense of \$0.3 million (2022 - \$0.1 million). As at December 31, 2023, there were a total of 62,332 DSU's outstanding, with a total liability of \$0.4 million.

The following table summarizes the changes in DSU's granted to directors for the year ended December 31, 2023 and the year ended December 31, 2022 under the 2019 DSU plan:

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Number of shares	Weighted Average Fair Value (CAD\$)	Number of shares	Weighted Average Fair Value (CAD\$)
Outstanding, beginning of the year	50,601	15.83	25,185	18.31
Granted	—	—	37,312	14.07
Settled	—	—	(11,896)	15.55
Outstanding, end of the year	50,601	15.83	50,601	15.83

During the year ended December 31, 2023, total share-based payments expense related to DSU's was \$0.3 million (year ended December 31, 2022 - \$0.3 million).

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

25. SHARE CAPITAL (continued)

(f) Share Repurchase Program and Share Cancellation

The Company has an ongoing share repurchase program to repurchase up to 5,000,000 of the Company's issued and outstanding shares up to March 31, 2024. The normal course issuer bid will be carried out through the facilities of the Toronto Stock Exchange and alternative Canadian marketplaces. All common shares, if any, purchased pursuant to the share repurchase program will be cancelled. The Company believes that from time to time, the market price of its common shares may not fully reflect the underlying value of the Company's business and its future business prospects. The Company believes that at such times, the purchase of common shares would be in the best interest of the Company. During the year ended December 31, 2023, the Company repurchased an aggregate of nil common shares (December 2022 - 100,000) at an average price of \$nil per share as part of the share repurchase program (December 2022 - \$8.52) for total proceeds of \$nil (December 2022 - \$0.7 million), net of transaction costs.

(g) Dividends

The Company declared the following dividends during the year ended December 31, 2023:

Declaration Date	Record Date	Dividend per Common Share
February 23, 2023	March 10, 2023	\$0.0054
May 4, 2023	May 18, 2023	\$0.0057
August 3, 2023	August 16, 2023	\$0.0051
November 1, 2023	November 15, 2023	\$0.0046
February 21, 2024 ⁽¹⁾	March 14, 2024	\$0.0048

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

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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

(a) Fair value and categories of financial instruments

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

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

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

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

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

During the year ended December 31, 2023, marketable securities valued at \$19.6 million have been transferred from Level 3 to Level 1 (there were no transfers between levels 1, 2, and 3 for the year ended December 31, 2022) due to the resumption of trading of Sierra Madre shares on the TSX Venture on June 5, 2023. Level 1 assets include those assets in which unadjusted quoted prices in active markets are accessible to the Company at the measurement date.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

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

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

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

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

	December 31, 2023			December 31, 2022		
	Carrying value	Fair value measurement		Carrying value	Fair value measurement	
		Level 1	Level 2		Level 1	Level 2
Financial assets						
Marketable securities (Note 13)	\$62,380	\$61,749	\$631	\$34,528	\$33,426	\$1,102

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

In 2022, an impairment reversal and impairment were recorded for the La Guitarra and La Parrilla mines, respectively, bringing the carrying value of the asset to its recoverable amount, being its FVLCD. The valuation technique used in the calculation of this fair value is categorized as Level 2 as it is based on the implied selling price within the purchase agreement (Note 14). During the year ended December 31, 2023, an impairment was recorded for the Jerritt Canyon mine bringing the carrying value of the asset to its recoverable amount, being its FVLCD (Note 18). Management's estimate of FVLCD is classified as a level 3 in the fair value hierarchy as the inputs are not based on observable market data. During the year ended December 31, 2023, an additional write down was recorded for the La Parrilla mine, bringing the carrying value of the asset to its recoverable amount, being its FVLCD. The valuation technique used in the calculation of the fair value of consideration receivable, was categorized as Level 2 as it is based on the selling price in the market (Note 14).

(b) Capital risk management

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

	December 31, 2023	December 31, 2022
Equity	\$1,358,120	\$1,411,298
Debt facilities	219,812	210,362
Lease liabilities	36,702	37,583
Less: cash and cash equivalents	(125,581)	(151,438)
	\$1,489,053	\$1,507,805

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

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenants under the debt facilities (Note [21\(b\)](#)) and lease liabilities (Note [22\(b\)](#)). As at December 31, 2023 and December 31, 2022, the Company was in compliance with these covenants.

(c) Financial risk management

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

Credit Risk

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

As at December 31, 2023, net VAT receivable was \$52.7 million (December 31, 2022 - \$44.9 million), of which \$27.5 million (December 31, 2022 - \$21.6 million) relates to Minera La Encantada S.A. de C.V. ("MLE") and \$29.0 million (December 31, 2022 - \$17.7 million) relates to PEM, offset by VAT payable balances.

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

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Liquidity Risk

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

The following table summarizes the maturities of the Company's financial liabilities as at December 31, 2023 based on the undiscounted contractual cash flows:

	Carrying Amount	Contractual Cash Flows	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$94,413	\$94,413	\$94,413	\$—	\$—	\$—
Debt facilities	219,812	258,264	3,104	25,088	230,072	—
Lease liabilities	36,702	40,572	17,465	18,624	3,805	678
Other liabilities	5,592	5,592	—	394	5,198	—
Commitments	172	172	172	—	—	—
	\$356,691	\$399,013	\$115,154	\$44,106	\$239,075	\$678

At December 31, 2023, the Company had working capital of \$188.9 million (December 31, 2022 – \$202.9 million). Total available liquidity at December 31, 2023 was \$313.6 million (December 31, 2022 - \$277.9 million), including \$124.6 million of undrawn revolving credit facility (December 31, 2022 - \$75.0 million).

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

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

26. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Currency Risk

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

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

	December 31, 2023						
	Cash and cash equivalents	Restricted cash	Value added taxes receivable	Other financial assets	Trade and other payables	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian Dollar	\$11,645	\$—	\$—	\$1,565	(\$4,009)	\$9,201	\$920
Mexican Peso	6,380	107,165	52,737	—	(61,936)	104,346	10,435
	\$18,025	\$107,165	\$52,737	\$1,565	(\$65,945)	\$113,547	\$11,355

From time to time, the Company utilizes certain derivatives to manage its foreign exchange exposures to the Mexican Peso. During the year ended December 31, 2023, the Company had an unrealized gain of \$0.4 million (2022 - no gain or loss) on fair value adjustments to its foreign currency derivatives. As at December 31, 2023, the Company does not hold any foreign currency derivatives (December 31, 2022- \$nil).

Commodity Price Risk

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

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

	December 31, 2023		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$1,604	\$523	\$2,127
	\$1,604	\$523	\$2,127

Interest Rate Risk

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

As at December 31, 2023, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities and lease liabilities. Based on the Company's interest rate exposure at December 31, 2023, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

27. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31,	
	2023	2022
Other adjustments to investing activities:		
Purchase of marketable securities	(\$2,493)	(\$1,728)
Proceeds from disposal of marketable securities	1,274	2,739
Cash received on settlement of silver futures	—	4,007
	(\$1,219)	\$5,018
Net change in non-cash working capital items:		
Increase in trade and other receivables	(\$1,501)	(\$870)
(Increase) decrease in value added taxes receivable	(7,765)	1,732
Increase in inventories	(505)	(3,447)
Increase in prepaid expenses and other	(3,103)	(316)
Increase (decrease) in income taxes payable	531	(4,426)
Decrease in trade and other payables	(6,193)	(22,748)
(Increase) decrease in restricted cash (Note 19)	(380)	2,389
	(\$18,916)	(\$27,686)
Non-cash investing and financing activities:		
Shares received from disposition of mining interest	\$46,994	\$21,507
Disposition of La Guitarra and La Parrilla ^(a)	(49,238)	—
Disposition of mining claims in relation to sale of royalty portfolio	—	(17,206)
Transfer of share-based payments reserve upon settlement of RSU's	3,410	1,897
Transfer of share-based payments reserve upon exercise of options	1,055	2,208
Assets acquired by finance lease	(2,231)	(3,109)
	(\$10)	\$5,297

As at December 31, 2023, cash and cash equivalents include \$1.9 million (December 31, 2022 - \$1.4 million) that are held in trust as bonds for tax audits in Mexico.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

27. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

(a) Disposition of mining interest

As referred to in Note 14, On March 30, 2023 and August 14, 2023, the Company disposed of its interest in the La Guitarra and La Parrilla mines, respectively. The carrying value of the net assets of these mining interests at the date of disposal were as follows:

At date of disposition	March 30, 2023	August 14, 2023
	La Guitarra	La Parrilla
Cash and cash equivalents	\$5,401	\$—
Other Receivable	427	—
Inventory	440	854
Prepaid expenses and other	35	—
Mineral Property Interest	34,089	13,891
Property plant and equipment	4,003	5,829
Other assets	40	680
Total assets	\$44,435	\$21,254
Trade Payables and accrued liabilities	\$232	\$—
Leases	21	519
Deferred tax liabilities	6,894	1,667
Decommissioning liabilities	2,951	4,167
Total liabilities	\$10,098	\$6,353
Net assets disposed	\$34,337	\$14,901
Loss on disposal	(\$1,378)	(\$1,646)
Total non-cash consideration	\$33,172	\$13,822

(Tabular amounts are expressed in thousands of US dollars)

28. CONTINGENCIES AND OTHER MATTERS

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is probable and the amount can be reasonably estimated.

(a) Claims and Legal Proceedings Risks

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

(b) Primero Tax Rulings

When Primero, the previous owner of San Dimas acquired the San Dimas Mine in August 2010, it assumed the obligations under a Silver Purchase Agreement ("Old Stream Agreement") that required its subsidiary PEM to sell exclusively to Wheaton Precious Metals ("WPMI") up to 6 million ounces silver produced from the San Dimas Mine, and 50% of silver produced thereafter, at the lower of: (i) the spot market price and (ii) \$4.014 per ounce plus an annual increase of 1% ("PEM Realized Price"). In May 2018, the Old Stream Agreement was terminated between WPMI and Silver Trading (Barbados) Limited ("STB") in connection with the Company entering into a new stream agreement with WPMI concurrent with the acquisition of Primero by the Company.

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

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

In August 2015, the SAT commenced a legal process seeking to retroactively nullify the APA.

In 2019, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$359.3 million (6,070 million MXN) inclusive of interest, inflation, and penalties. In 2021, the SAT also issued a reassessment against PEM for the 2013 tax year in the total amount of \$189.9 million (3,208 million MXN) and in 2023, the SAT issued reassessments for the 2014, 2015, and 2016 tax years in the total amount of \$484.2 million (8,179 million MXN) inclusive of interest, inflation, and penalties (collectively, the "Reassessments"). The Company believes that the Reassessments fail to recognize the applicability of a valid transfer pricing methodology. The major items in the Reassessments include determination of revenue based on silver spot market prices, denial of the deductibility of interest expense and service fees, SAT technical error related to double counting of taxes, and interest and penalties.

(Tabular amounts are expressed in thousands of US dollars)

28. CONTINGENCIES AND OTHER MATTERS (continued)

(b) Primero Tax Rulings (continued)

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

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

Domestic Remedies

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

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

The Company filed an appeal of the decision to the Mexican Circuit Courts on November 30, 2020. As two writs of certiorari were filed before the Mexican Supreme Court of Justice, on April 15, 2021, the Plenary of the Supreme Court i) admitted one of those writs, ii) requested the Circuit Court to send the appeal file to them, and iii) assigned such writ to the Second Chamber of the Supreme Court for issuing the corresponding decision. Both writs of certiorari were withdrawn in December 2022. The challenge filed by the Company was returned to the Mexican Circuit Courts and on December 5, 2023, the Second Collegiate Court issued a decision, which was formally notified to the Company on January 4, 2024.

In such decision, the Second Collegiate Court partially granted constitutional protection to the Company with respect to certain matters, but not others.

Accordingly, on January 18, 2024, PEM filed an extraordinary appeal to the Mexican Supreme Court of Justice with respect to the Second Collegiate Court's decision, and PEM is currently waiting for the Supreme Court to admit such appeal.

International Remedies

i. NAFTA APA Claim

The Company submitted a Request for Arbitration dated March 1, 2021 to the International Centre for Settlement of Investment Disputes ("ICSID"), on its own behalf and on behalf of PEM, pursuant to Chapter 11 of NAFTA. On March 31, 2021, the Notice of Registration of the Request for Arbitration was issued by the ICSID Secretariat. Once the NAFTA Arbitration Panel (the "Tribunal") was fully constituted on August 20, 2021 by the appointment of all three panel members, the NAFTA arbitration proceedings in respect of the APA (the "NAFTA APA Claim") were deemed to have been fully commenced. The first session of the Tribunal was held by videoconference on September 24, 2021 to decide upon the procedural rules which will govern the NAFTA APA Claim. The Tribunal issued Procedural Order No. 1 on October 21, 2021. Thereafter, on April 26, 2022, the Company submitted its Claimant's Memorial including expert reports and witness statements to the Tribunal, and in response, Mexico submitted its Counter-Memorial dated November 25, 2022. On January 4, 2023, the Company submitted a Request for Provisional Measures (the "PM Request") to the Tribunal. Following a reply that was filed by Mexico on February 10, 2023, a hearing regarding the request took place on March 13, 2023. On May 26, 2023, the Tribunal partially granted the provisional measures requested by the Company, issuing an order for the Government of Mexico to permit the withdrawal of the Company's VAT refunds for the period as of January 4, 2023 that had been deposited by the SAT into a frozen bank account and to deposit all future VAT refunds into an account which shall remain freely accessible by the Company (the "PM Decision"). On June 15, 2023, the Company requested Mexico to comply with the PM Decision, and in response, on June 19, 2023, Mexico filed a Revocation Request against the PM Decision. On July 21, 2023, the Company filed its response to Mexico's Revocation Request.

(Tabular amounts are expressed in thousands of US dollars)

28. CONTINGENCIES AND OTHER MATTERS (continued)

(b) Primero Tax Rulings (continued)

On July 28, 2023, the Government of Mexico filed a Preliminary Objection to Jurisdiction (the "Preliminary Objection") and Request for Bifurcation (the "Bifurcation Request") in which it has requested that the Tribunal should stay the merits phase of the international arbitration commenced in 2021, and instead proceed to examine on a preliminary basis, under what is commonly called a bifurcated procedure, whether the Company's commencement of the new NAFTA Chapter 11 proceeding limited to the recovery of PEM's VAT refunds (as discussed further below) impinges on the Tribunal's jurisdiction. On September 1, 2023, the Company submitted its response to the Preliminary Objection that had been filed by Mexico.

In addition, also on September 1, 2023, after receiving the Company's submissions opposing the Revocation Request, the Tribunal issued its decision dismissing Mexico's Revocation Request, and reaffirming the PM Decision. The Government of Mexico is therefore obligated to comply with the PM Decision which requires payment of VAT refunds owing to PEM as of January 4, 2023 and into the future until the final award is rendered by the Tribunal.

On October 9, 2023, Mexico filed a reply to the Company's response on the Preliminary Objection. The Company's rejoinder on the Preliminary Objection was filed on November 6, 2023. The Tribunal rendered its decision dismissing the Preliminary Objection on December 20, 2023. The Tribunal confirmed that the second arbitration regarding the recovery of the VAT refunds (the NAFTA VAT Claim, as defined in the section below) does not breach the waiver under NAFTA (i.e. the same measures are not in dispute). Both the NAFTA APA Claim and the NAFTA VAT Claim may now proceed. As a result, the Tribunal did not need to consider Mexico's Bifurcation Request, as that became a moot point.

Subsequent to the end of the financial year ended December 31, 2023, on February 12, 2024, Mexico filed a request (the "Consolidation Request") with ICSID pursuant to the procedure in Article 1126 of NAFTA to consolidate the NAFTA APA Claim and the NAFTA VAT Claim (as defined below), and has requested a stay in both of these arbitration proceedings until a new tribunal has been constituted to decide on the Consolidation Request. We expect that a separate tribunal to consider the Consolidation Request will be constituted within 60 days of the date of the Consolidation request, and once constituted, it will take 4-6 months for the tribunal to decide on whether to approve the Consolidation Request. During this period, both the NAFTA APA Claim and the NAFTA VAT Claim will be stayed.

If the SAT's attempts to retroactively nullify the APA are successful, the SAT can be expected to enforce any Reassessments for 2010 through 2014 against PEM in respect of its sales of silver pursuant to the Old Stream Agreement. Such an outcome would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. Should the Company ultimately be required to pay tax on its silver revenues based on spot market prices without any mitigating adjustments, the incremental income tax for the years 2010-2019 would be approximately \$314.2 million (5,307 million MXN), before taking into consideration interest or penalties.

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

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

ii. NAFTA VAT Claim

On March 31, 2023, the Company filed a new Notice of Intent on its own behalf and on behalf of PEM under the "legacy investment" claim provisions contained in Annex 14-C of the Canada-United States-Mexico Agreement ("CUSMA") and Chapter 11 of NAFTA to invite the Government of Mexico to engage in discussions to resolve the dispute regarding the ongoing denial of access to PEM's VAT refunds ("NAFTA VAT Claim") within the stipulated 90-day consultation period. On June 29, 2023, the Company submitted its Request for Arbitration for the NAFTA VAT Claim to ICSID in order to preserve its legacy claim within NAFTA's applicable limitation period. The Request for Arbitration was registered by ICSID on July 21, 2023. In light of the Consolidation Request (described above), the NAFTA VAT Claim will be stayed until the separate tribunal that will be constituted in respect of the Consolidation Request has rendered its decision as to whether or not the request should be approved.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

28. CONTINGENCIES AND OTHER MATTERS (continued)

(b) Primero Tax Rulings (continued)

Accordingly, the tribunal for the NAFTA VAT Claim will not be constituted until a decision has been made regarding the Consolidation Request.

While the Company remains confident in its position with regards to its two NAFTA claims, it continues to engage with the Government of Mexico in consultation discussions so as to amicably resolve these disputes.

(c) La Encantada Tax Re-assessments

In December 2019, as part of the ongoing annual audits of the tax returns of Minera La Encantada S.A. de C.V. ("MLE") and Corporacion First Majestic S.A. de C.V. ("CFM"), the SAT issued tax assessments for fiscal 2012 and 2013 for corporate income tax in the amount of \$14.2 million (239 million MXN) and \$45.0 million (761 million MXN) including interest, inflation and penalties, respectively. In December 2022, the SAT issued tax assessments to MLE for fiscal years 2014 and 2015 for corporate income tax in the amount of \$19.1 million (322 million MXN) and \$239.8 million (4,051 million MXN). In 2023, the SAT issued a tax assessment to MLE for the fiscal year 2016 for corporate income tax in the amount of \$3.5 million (59 million MXN). The major items relate to forward silver purchase agreement and denial of the deductibility of mine development costs and service fees. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes MLE's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

(d) San Martin Tax Re-assessments

In 2023, as part of the ongoing annual audits of the tax returns of Minera El Pilon S.A. de C.V. ("MEP"), the SAT issued tax assessments for fiscal 2014, 2015 and 2016 for corporate income tax in the total amount of \$28.5 million (482 million MXN) including interest, inflation and penalties. The major items relate to forward silver purchase agreement and denial of the deductibility of mine development costs. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes MEP's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

(e) La Parrilla Tax Re-assessments

In 2023, as part of the ongoing annual audits of the tax returns of First Majestic Plata S.A. de C.V. ("FMP"), the SAT issued tax assessment for fiscal 2014 and 2016 for corporate income tax in the total amount of \$29.9 million (506 million MXN) including interest, inflation and penalties. The major items relate to forward silver purchase agreement and denial of the deductibility of mine development costs. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes FMP's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

(f) Del Toro Tax Re-assessments

In 2023, as part of the ongoing annual audits of the tax returns of First Majestic Del Toro S.A. de C.V. ("FMDT"), the SAT issued tax assessment for fiscal 2015 and 2016 for corporate income tax in the total amount of \$28.6 million (483 million MXN) including interest, inflation and penalties. The major items relate to and denial of the deductibility of mine development costs, refining costs, and other expenses. The Company continues to defend the validity of the expenses and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes FMDT's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

(Tabular amounts are expressed in thousands of US dollars)

28. CONTINGENCIES AND OTHER MATTERS (continued)**(g) CFM Tax Re-assessments**

In 2023, as part of the ongoing annual audits of the tax returns of CFM the SAT issued tax assessment for fiscal 2016 for corporate income tax in the total amount of \$85.8 million (1,449 million MXN) including interest, inflation and penalties. The major item relates to planning that took place post-acquisition of Santa Elena (via the acquisition of SilverCrest Mines Inc. on October 1, 2015) at the Canadian level. Mexico contends a right to tax a disposition of the shares of SilverCrest Mines Inc. by First Majestic Silver Corp. although the transaction in question involved the disposition of the shares of one Canadian company by another Canadian company and was reported for tax purposes in Canada. The Company continues to defend the validity of the transaction in question and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes CFM's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

(h) First Silver Litigation

In April 2013, the Company received a positive judgment on the First Silver litigation from the Supreme Court of British Columbia (the "Court"), which awarded the sum of \$93.8 million in favour of First Majestic against Hector Davila Santos (the "Defendant") in connection with a dispute between the Company and the Defendant and his private company involving a mine in México (the "Bolaños Mine") as set out further below. The Company received a sum of \$14.1 million in June 2013 as partial payment of the judgment, leaving an unpaid amount of approximately \$64.3 million (CAD\$81.5 million). As part of the ruling, the Court granted orders restricting any transfer or encumbrance of the Bolaños Mine by the Defendant and limiting mining at the Bolaños Mine. The orders also require 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. After many years of domestic Mexican litigation, the enforceability of the British Columbia judgment was finally recognized by the Mexican Supreme Court in a written judgment on November 11, 2022. The Company has commenced collection actions in Mexico against the Defendant's assets and continues to seek recovery of the balance against one of the Defendant's assets located in the United States. Nonetheless, there can be no guarantee that the remainder of the judgment amount will be collected. Therefore, as at December 31, 2023, the Company has not accrued any of the remaining \$64.3 million (CAD\$81.5 million) unrecovered judgment in favour of the Company.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are expressed in thousands of US dollars)

29. SUBSIDIARIES

The consolidated financial statements of the Company include the following significant subsidiaries as at December 31, 2023 and 2022 as follows:

Name of subsidiary	Operations and Projects	Location	2023	2022
			% Ownership	% Ownership
First Majestic Silver Corp.	Parent company and bullion sales	Canada	100%	100%
Corporación First Majestic, S.A. de C.V.	Holding company	Mexico	100%	100%
Primero Empresa Minera, S.A. de C.V.	San Dimas Silver/Gold Mine	Mexico	100%	100%
Nusantara de Mexico, S.A. de C.V.	Santa Elena Silver/Gold Mine	Mexico	100%	100%
Minera La Encantada, S.A. de C.V.	La Encantada Silver Mine	Mexico	100%	100%
First Majestic Plata, S.A. de C.V. ⁽¹⁾	La Parrilla Silver Mine	Mexico	100%	100%
Minera El Pilón, S.A. de C.V.	San Martin Silver Mine	Mexico	100%	100%
First Majestic Del Toro, S.A. de C.V.	Del Toro Silver Mine	Mexico	100%	100%
La Guitarra Compañía Minera, S.A. de C.V. ⁽¹⁾	La Guitarra Silver Mine	Mexico	0%	100%
Majestic Services, S.A. de C.V.	Service company	Mexico	100%	100%
Jerritt Canyon Canada Ltd.	Holding company	Canada	100%	100%
Jerritt Canyon Gold LLC	Jerritt Canyon Gold Mine	United States	100%	100%
First Mint LLC	Minting company	United States	100%	0%
FM Metal Trading (Barbados) Inc.	Metals trading company	Barbados	100%	100%
FMS Trading AG	Metals trading company	Switzerland	100%	100%

(1) La Guitarra and La Parrilla were classified as assets held-for-sale up to the date of disposition on March 29, 2023 and August 14, 2023, respectively. As of December 31, 2023, the assets and liabilities of La Guitarra and assets of La Parrilla have been derecognized (the net carrying value of the disposal group at December 31, 2022 was \$56.4 million) (Note 14). The liabilities of La Parrilla still remain at 100% ownership of the Company as the sale was an asset purchase agreement.

30. KEY MANAGEMENT COMPENSATION

	Year Ended December 31,	
	2023	2022
Salaries, bonuses, fees and benefits		
Independent members of the Board of Directors	\$818	\$837
Other members of key management ⁽¹⁾	7,148	4,983
Share-based payments		
Independent members of the Board of Directors	552	713
Other members of key management	4,306	4,059
	\$12,824	\$10,592

(1) Key management compensation for 2023 is inclusive of one-time severance costs incurred during the year.

31. SUBSEQUENT EVENTS

Declaration of Quarterly Dividend

On February 21, 2024, the Company's Board of Directors approved the declaration of its quarterly common share dividend of \$0.0048 per share, payable on or after March 28, 2024, to common shareholders of record at the close of business on March 14, 2024. This dividend was declared subsequent to the year-end and has not been recognized as a distribution to owners during the year ended December 31, 2023.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR AND QUARTER ENDED DECEMBER 31, 2023

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

This Management’s Discussion and Analysis of Results of Operations and Financial Condition (“MD&A”) should be read in conjunction with the audited consolidated financial statements of First Majestic Silver Corp. (“First Majestic” or the “Company”) for the year ended December 31, 2023 which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). All dollar amounts are expressed in United States (“US”) dollars and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences.

This MD&A contains “forward-looking statements” that are subject to risk factors set out in a cautionary note contained at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of February 21, 2024 unless otherwise stated.

COMPANY OVERVIEW

First Majestic is a multinational mining company headquartered in Vancouver, Canada, focused on primary silver and gold production in North America, pursuing the exploration and development of its existing mineral properties and acquiring new assets. The Company owns three producing mines in Mexico consisting of the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine and the La Encantada Silver Mine. The Company also owns the Jerritt Canyon Gold Mine in Nevada, USA which has been placed on temporary suspension as of March 20, 2023 to focus on exploration, definition, and expansion of the mineral resources and optimization of mine planning and plant operations. In addition, the Company owns two mines currently in care and maintenance in Mexico: the San Martin Silver Mine and the Del Toro Silver Mine, as well as several exploration projects.

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

IN PRODUCTION

- 1 San Dimas
- 2 Santa Elena
- 3 La Encantada

PROJECTS

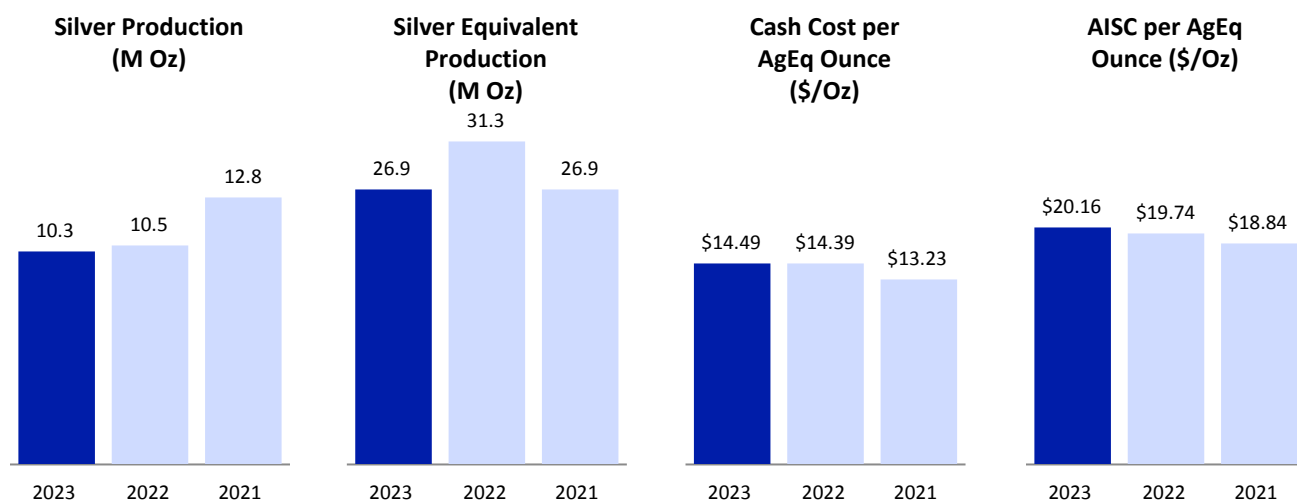
- 4 San Martin
- 5 Del Toro
- 6 Jerritt Canyon

2023 ANNUAL HIGHLIGHTS

Key Performance Metrics	2023	2022	2021	Change '23 vs '22
Operational				
Ore Processed / Tonnes Milled	2,901,972	3,468,987	3,339,394	(16%)
Silver Ounces Produced	10,250,755	10,522,051	12,842,945	(3%)
Gold Ounces Produced	198,921	248,394	192,353	(20%)
Silver Equivalent Ounces Produced	26,874,417	31,252,920	26,855,783	(14%)
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$14.49	\$14.39	\$13.23	1%
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$20.16	\$19.74	\$18.84	2%
Total Production Cost per Tonne ⁽¹⁾	\$127.16	\$124.64	\$102.77	2%
Average Realized Silver Price per Ounce ⁽¹⁾	\$23.29	\$22.49	\$25.16	4%
Financial (in \$millions)¹				
Revenues	\$573.8	\$624.2	\$584.1	(8%)
Mine Operating Earnings	\$25.6	\$16.8	\$101.4	53%
(Loss) Earnings before Income Taxes	(\$195.9)	(\$61.4)	\$25.3	NM
Net Loss	(\$135.1)	(\$114.3)	(\$4.9)	(18%)
Operating Cash Flows before Working Capital and Taxes	\$99.2	\$109.4	\$176.8	(9%)
Cash and Cash Equivalents	\$125.6	\$151.4	\$237.9	(17%)
Total Assets	\$1,976.4	\$2,110.0	\$2,125.0	(6%)
Total Non-Current Financial Liabilities	\$498.1	\$531.3	\$541.2	(6%)
Working Capital ⁽¹⁾	\$188.9	\$202.9	\$224.4	(7%)
Free Cash Flow ⁽¹⁾	(\$9.0)	(\$64.9)	(\$16.9)	86%
Shareholders				
Loss per Share ("EPS") - Basic	(\$0.48)	(\$0.43)	(\$0.02)	(10%)
Adjusted EPS ⁽¹⁾	(\$0.08)	(\$0.21)	\$0.02	60%

NM - Not meaningful

(1) These measures do not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate these measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.



Operational Highlights

Annual Production Summary	San Dimas	Santa Elena	La Encantada	Jerritt Canyon ⁽²⁾	Consolidated
Ore Processed / Tonnes Milled	875,345	882,592	966,392	177,643	2,901,972
Silver Ounces Produced	6,355,308	1,176,591	2,718,856	—	10,250,755
Gold Ounces Produced	76,964	100,535	321	21,101	198,921
Silver Equivalent Ounces Produced	12,789,920	9,571,792	2,745,622	1,767,083	26,874,417
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$12.51	\$11.87	\$20.05	\$34.17	\$14.49
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$16.48	\$14.83	\$24.28	\$38.99	\$20.16
Cash Cost per Gold Ounce	N/A	N/A	N/A	\$2,859	N/A
All-in Sustaining Costs per Gold Ounce	N/A	N/A	N/A	\$3,262	N/A
Total Production Cost per Tonne ⁽¹⁾	\$176.84	\$115.48	\$54.74	\$334.39	\$127.16

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

(2) On March 20, 2023, management made the decision to temporarily suspend all mining activities at Jerritt Canyon effective immediately. As of April 24, 2023, all activities at the Jerritt Canyon processing plant were suspended.

- **Consolidated silver equivalent ("AgEq") production:** Total AgEq production in 2023 reached 26.9 million ounces, aligned to the midpoint of the 2023 revised guidance of between 26.2 to 27.8 million AgEq ounces. The year-over-year decrease in production can be attributable to the temporary suspension of Jerritt Canyon that was announced by the Company on March 20, 2023.
- **Annual silver production:** Silver production for 2023 reached 10.3 million ounces compared to the Company's revised guidance range of between 10.5 to 11.2 million ounces, primarily due to a lower silver contribution from La Encantada due to the water availability issues which occurred in the second quarter of 2023.
- **Annual gold production:** Gold production for 2023 totalled 198,921 ounces which was aligned with the higher end of the Company's revised guidance range of between 190,000 to 201,000 ounces.
- **Santa Elena produced a new annual record of AgEq ounces:** Santa Elena produced 9.6 million AgEq ounces in 2023, representing a 5% increase compared to 2022. Mine output and grades from Ermitaño remained strong throughout 2023 and combined with record metallurgical recoveries facilitated by the newly commissioned dual-circuit plant, this enabled Santa Elena to deliver strong production in 2023.
- **Safety:** The 2023 consolidated Total Reportable Incident Frequency Rate ("TRIFR") was 1.06 and the Lost Time Incident Frequency Rate (LTIFR) was 0.34, an improvement of 16% and 33% compared to the prior year, respectively.
- **Environmental, Social and Governance:** The Company's Sustainability score has improved from 50.56 in 2022 to 31.0 by the end of 2023, putting the Company in the top 38% of its industry peers.
- **Announced the launch of 100% owned and operated minting facility:** First Mint, LLC ("First Mint"), which is currently in the commissioning stage, is expected to expand upon existing bullion sales through vertically integrating production of investment-grade fine silver bullion. This is expected to allow First Majestic to sell a substantially greater portion of its silver production directly to its end customers.
- **Inventory:** The Company held 300,000 silver bullion ounces in finished goods inventory as at December 31, 2023 that has been dedicated to build an initial inventory balance for the Company's minting facility, First Mint. The fair value of this inventory at December 31, 2023 was \$7.1 million.
- **Move of the ISO 9001:2015 certified Central Lab:** Completed the move of the Central Lab from Durango to Santa Elena.
- **Successfully closed the sales of the La Guitarra Silver Mine and the La Parrilla Silver Mine:** The sale of both mines to Sierra Madre Gold & Silver Ltd. ("Sierra Madre") and Silver Storm Mining Ltd (formerly Golden Tag Resources Ltd.) ("Silver Storm"), respectively, closed by the end of the third quarter.
- **Cash cost per AgEq ounce:** Cash cost per AgEq ounce in the year was \$14.49, representing a marginal increase compared to \$14.39 per ounce in the previous year. The increase in cash cost per AgEq ounce was primarily due to the strengthening of the Mexican Peso, which averaged 12% higher compared to the prior year and lower AgEq production at La Encantada. This was partially offset by increased AgEq production at Santa Elena. Production at Santa Elena set a new annual record and increased by 5%, compared to the prior year, as a direct result of processing higher grade silver and gold ore from the Ermitaño underground mine combined with record metallurgical recoveries facilitated by the newly commissioned dual-circuit plant.

The Company has implemented numerous costs saving initiatives to help offset the strengthening of the Mexican Peso and to combat inflationary impacts primarily in energy, reagents, and other major consumables. This included restructuring and headcount reduction efforts undertaken in 2023 to reduce the impact of rising labor and overall costs.

- **All-in sustaining cost ("AISC")¹ per AgEq ounce:** AISC per AgEq ounce in the year was \$20.16, representing a 2% increase compared to \$19.74 in the previous year. The increase in AISC per AgEq ounce was primarily attributed to higher cash costs, partially offset by a decrease in sustaining capital expenditures due to the temporary suspension of Jerritt Canyon.

Financial Highlights

- **Cash position and liquidity:** The Company ended the year with cash and cash equivalents of \$125.6 million compared to \$151.4 million at the end of the previous year, while working capital decreased to \$188.9 million compared to \$202.9 million. Cash and cash equivalents exclude an additional \$125.6 million that is held in restricted cash.
- **Revenue:** The Company generated revenues of \$573.8 million in 2023, or 8% lower than the previous year. The decrease in revenues was primarily attributed to a 10% decrease in the total number of payable AgEq ounces sold compared to 2022, which was mostly due to the temporary suspension of mining activities at Jerritt Canyon in March of 2023 resulting in lower gold ounces produced for the year. This was partially offset by a 4% increase in payable AgEq ounces produced at Santa Elena and a 4% increase in the average realized silver price per ounce which averaged \$23.29 per ounce compared to \$22.49 per ounce in 2022.
- **Mine operating earnings:** During the year, the Company recognized mine operating earnings of \$25.6 million compared to \$16.8 million in 2022. The increase in mine operating earnings was primarily driven by a decrease in operating losses at Jerritt Canyon of \$39.3 million compared to 2022, following the temporary suspension of mining activities during the first quarter of 2023. Additionally, operating earnings at Santa Elena increased by \$10.6 million, representing a 19% improvement compared to the prior year, attributable to stronger metal recoveries and grades from Ermitaño which allowed the mine to achieve a new annual production record. Cost savings measures implemented by the Company helped offset the strengthening of the Mexican Peso and combat the inflationary impacts relating to energy, reagents and other major consumables.
- **Net loss:** The Company recognized a net loss of \$135.1 million (EPS of (\$0.48)) in 2023 compared to a net loss of \$114.3 million (EPS of (\$0.43)) in 2022. The increase in net loss was primarily attributable to an impairment charge of \$125.2 million recorded on the Jerritt Canyon mine due to the temporary suspension of mining operations announced March 20, 2023. Additionally, the net loss was also impacted by one-time standby costs of \$13.4 million at Jerritt Canyon, a \$7.2 million non-cash charge related to the sale of La Parrilla, along with severance and restructuring costs of \$6.9 million incurred to optimize the workforce across the Company. This was partially offset by realized mine operating earnings of \$25.6 million, compared to \$16.8 million in 2022, along with an increase in deferred income tax recoveries of \$71.4 million compared to 2022.
- **Adjusted net loss¹:** Adjusted net loss, normalized for non-cash or non-recurring items such as impairment, tax settlements, write-down of mineral inventory, share-based payments, write-down on assets held-for-sale, restructuring costs, loss on disposition of assets, unrealized losses on marketable securities and deferred income taxes for the year ended December 31, 2023 was \$23.8 million ((\$0.08) per share), compared to an adjusted loss of \$55.4 million ((\$0.21) per share) in 2022.
- **Cash flow from operations:** During the year, cash flow from operations before changes in working capital and income taxes was \$99.2 million compared to \$109.4 million in 2022.

Corporate Development and Other:

- On March 29, 2023, the Company completed the sale of La Guitarra Silver Mine to Sierra Madre Gold & Silver Ltd. and received total consideration of \$33.2 million net of transaction costs, before working capital adjustments. Pursuant to the share purchase agreement, the purchase price is increased to the extent the working capital of La Guitarra is greater than zero, and decreased to the extent the working capital is less than zero. Based on the carrying value of the asset at the time of disposal of \$34.3 million, and the working capital adjustment of \$0.2 million, the Company has recorded a loss on disposition of \$1.4 million.

¹ This measure does not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate this measure may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

- On August 14, 2023, the Company completed the sale of La Parrilla Silver Mine to Silver Storm Mining Ltd. and received total consideration of \$13.3 million net of transaction costs. Based on the price of Silver Storm's common shares at the time of closing the transaction, the Company has recorded a loss on disposition of \$1.6 million. In addition, First Majestic participated in Silver Storm's offering of subscription receipts (the "Subscription Receipts") and purchased 18,009,000 Subscription Receipts at a price of CAD\$0.20 per Subscription Receipt which, in accordance with their terms, have now converted into 18,009,000 Silver Storm common shares and 9,004,500 common share purchase warrants (the "Warrants"). Each Warrant is exercisable for one additional Silver Storm common share until August 14, 2026, at a price of CAD\$0.34.

2023 FOURTH QUARTER HIGHLIGHTS

Key Performance Metrics	2023-Q4	2023-Q3	Change Q4 vs Q3	2022-Q4	Change Q4 vs Q4
Operational					
Ore Processed / Tonnes Milled	652,731	670,203	(3%)	851,564	(23%)
Silver Ounces Produced	2,612,416	2,461,868	6%	2,396,696	9%
Gold Ounces Produced	46,585	46,720	0%	63,039	(26%)
Silver Equivalent Ounces Produced	6,640,550	6,285,790	6%	7,558,791	(12%)
Cash Costs per Silver Equivalent Ounce ⁽¹⁾	\$13.01	\$14.13	(8%)	\$15.36	(15%)
All-in Sustaining Cost per Silver Equivalent Ounce ⁽¹⁾	\$18.50	\$19.74	(6%)	\$20.69	(11%)
Total Production Cost per Tonne ⁽¹⁾	\$122.76	\$125.81	(2%)	\$131.41	(7%)
Average Realized Silver Price per Silver Equivalent Ounce ⁽¹⁾	\$24.16	\$22.41	8%	\$23.24	4%
Financial (in \$millions)					
Revenues	\$136.9	\$133.2	3%	\$148.2	(8%)
Mine Operating Earnings (Loss)	\$17.9	\$13.0	37%	(\$13.3)	NM
Net Earnings (Loss)	\$10.2	(\$27.1)	138%	(\$16.8)	161%
Operating Cash Flows before Non-Cash Working Capital and Taxes	\$36.3	\$14.1	157%	\$13.4	171%
Cash and Cash Equivalents	\$125.6	\$138.3	(9%)	\$151.4	(17%)
Total Assets	\$1,976.4	\$1,952.4	1%	\$2,110.0	(6%)
Total Non-Current Financial Liabilities	\$498.1	\$512.3	(3%)	\$531.3	(6%)
Working Capital ⁽¹⁾	\$188.9	\$197.8	(4%)	\$202.9	(7%)
Free Cash Flow ⁽¹⁾	\$3.8	\$6.4	(41%)	(\$32.3)	112%
Shareholders					
Earnings (loss) per Share ("EPS") - Basic	\$0.04	(\$0.09)	138%	(\$0.06)	157%
Adjusted EPS ⁽¹⁾	(\$0.03)	(\$0.04)	21%	(\$0.07)	54%

NM - Not meaningful

(1) These measures do not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate these measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

Fourth Quarter Production Summary	San Dimas	Santa Elena	La Encantada	Jerritt Canyon ⁽¹⁾	Consolidated
Ore Processed / Tonnes Milled	215,232	233,601	203,898	—	652,731
Silver Ounces Produced	1,513,791	582,484	516,141	—	2,612,416
Gold Ounces Produced	18,468	28,056	61	—	46,585
Silver Equivalent Ounces Produced	3,110,677	3,008,449	521,424	—	6,640,550
Cash Costs per Silver Equivalent Ounce	\$13.21	\$10.42	\$26.19	\$—	\$13.01
All-in Sustaining Cost per Silver Equivalent Ounce	\$17.80	\$12.82	\$34.14	\$—	\$18.50
Total Production Cost per Tonne	\$183.61	\$117.36	\$64.70	\$—	\$122.76

(1) Jerritt Canyon did not have production in the fourth quarter. Refer to Jerritt Canyon operational highlights for further details.

Fourth Quarter Operational Highlights

- **Total AgEq production increased by 6% quarter-over-quarter:** Total production reached 6.6 million AgEq ounces in the quarter, representing a 6% increase when compared to 6.3 million AgEq ounces produced in the previous quarter. The higher production is related to record quarterly production at Santa Elena of 3.0 million AgEq ounces, partially offset by lower silver production at La Encantada due to ongoing limited water availability.
- **Record production at Santa Elena:** Santa Elena achieved a new quarterly production record in the fourth quarter. Strong metal recoveries and grades from Ermitaño enabled Santa Elena to produce 3.0 million AgEq ounces in the fourth quarter, representing a 13% increase when compared to 2.7 million AgEq ounces in the prior quarter.
- **Cash Cost per AgEq Ounce:** Cash cost per AgEq ounce for the quarter was \$13.01 per ounce, representing an 8% improvement from \$14.13 per ounce in the previous quarter. The improvement in cash costs per ounce was primarily attributable to an increase in AgEq production at Santa Elena. Production at Santa Elena increased by 13%, compared to the prior quarter, as a direct result of processing higher grade silver and gold ore from the Ermitaño underground mine as well as record recoveries achieved due to the dual-circuit plant. Additionally, restructuring and headcount reduction efforts undertaken in the third quarter of 2023 helped to reduce the impact of rising labour costs which improved the cash cost per AgEq ounce during the quarter.
- **AISC per AgEq Ounce:** AISC per AgEq ounce in the fourth quarter was \$18.50 per ounce, representing a 6% improvement from \$19.74 per ounce in the previous quarter. The improvement in AISC per AgEq ounce was primarily attributable to the lower cash costs.
- **16 Active Drill Rigs:** The Company completed a total of 32,881 metres of drilling across its mines in Mexico during the fourth quarter. Throughout the quarter, up to sixteen drill rigs were active consisting of twelve rigs at San Dimas, and four rigs at Santa Elena. Please refer to the Company's press release dated February 7, 2024, where the Company reported on its 2023 drilling program including some high-grade exploration results at the San Dimas, Santa Elena and the Jerritt Canyon mines.

Fourth Quarter Financial Highlights

- **Revenue:** In the fourth quarter, the Company generated revenues of \$136.9 million compared to \$148.2 million in the fourth quarter of 2022. The decrease in revenues was primarily attributed to an 11% decrease in the total number of payable AgEq ounces sold compared to the fourth quarter of 2022 primarily due to the temporary suspension of mining activities at Jerritt Canyon in 2023 and slightly lower production at San Dimas and La Encantada. This was offset by a 29% increase in payable AgEq ounces produced at Santa Elena. Additionally, there was a 4% increase in the average realized silver price, which was \$24.16 per ounce during the quarter, compared to \$23.24 per ounce in the fourth quarter of 2022.
- **Mine Operating Earnings:** The Company realized mine operating earnings of \$17.9 million compared to a mine operating loss of \$13.3 million in the fourth quarter of 2022. The increase in mine operating earnings was primarily attributed to a decrease in operating loss of \$22.6 million at Jerritt Canyon compared to the fourth quarter of 2022. Additionally, operating earnings at Santa Elena increased by \$13.6 million compared to the fourth quarter of 2022, attributable to stronger metal recoveries and grades from Ermitaño which allowed the mine to achieve a new quarterly production record.
- **Cash flow from operations:** Operating cash flow before changes in working capital and taxes in the quarter was \$36.3 million compared to \$13.4 million in the fourth quarter of 2022. This was primarily driven by a \$31.2 million increase in mine operating earnings compared to the fourth quarter of 2022, resulting from strong performance at Santa Elena which generated a \$13.6 million increase in mine operating earnings compared to the same quarter of 2022. Additionally, there was a \$22.6 million decrease in operating losses at Jerritt Canyon compared to the fourth quarter of 2022 following management's decision to temporarily suspend mining activities during the first quarter of 2023.
- **Net earnings:** Net earnings for the quarter was \$10.2 million (EPS of \$0.04) compared to a net loss of \$16.8 million (EPS of (\$0.06)) in the fourth quarter of 2022. The increase in net earnings was primarily attributed to realized mine operating earnings of \$17.9 million, which represented a \$31.2 million increase compared to a loss of \$13.3 million in the fourth quarter of 2022. This was partially offset by increased mine holding costs primarily related to the temporary suspension of Jerritt Canyon.

- **Adjusted net loss²:** Adjusted net loss for the quarter, normalized for non-cash or non-recurring items such as share-based payments, write-downs on mineral inventory, restructuring costs, unrealized losses on marketable securities, and deferred income tax for the quarter ended December 31, 2023, was \$8.3 million (Adjusted EPS of (\$0.03)) compared to an adjusted net loss of \$17.4 million (Adjusted EPS of (\$0.07)) in the fourth quarter of 2022.

² This measure does not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate this measure may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

2024 PRODUCTION OUTLOOK AND COST GUIDANCE UPDATE

This section provides management's revised production outlook and cost guidance for 2024. These are forward-looking estimates and are subject to the cautionary note regarding the risks associated with relying on forward-looking statements at the end of this MD&A. Actual results may vary based on production throughputs, grades, recoveries and changes in economic circumstances.

The Company expects to achieve total production in 2024 from its three operating mines in Mexico of between 21.1 to 23.5 million AgEq ounces consisting of 8.6 to 9.6 million ounces of silver and 150,000 to 167,000 ounces of gold. The decrease in forecasted gold production compared to 2023 is primarily due to the temporary suspension of the Jerritt Canyon Gold Mine in Nevada announced in Q1 2023 and lower throughput due to water shortages at La Encantada.

A mine-by-mine breakdown of the 2024 production guidance is included in the table below. The Company reports cost guidance to reflect cash costs and AISC on a per AgEq payable ounce. For 2024, the Company is using an 83:1 silver to gold ratio, consistent with its revised 2023 guidance. Metal price and foreign currency assumptions for calculating equivalents are silver: \$24.00/oz, gold: \$2,000/oz, MXN:USD 18:1.

GUIDANCE FOR 2024

	Silver Oz (M)	Gold Oz (k)	Silver Eqv Oz (M)	Cash Cost (\$ per AgEq oz)	AISC (\$ per AgEq oz)
Operation:					
San Dimas, Mexico	5.3 – 5.9	69 – 77	11.1 – 12.3	11.89 – 12.57	15.54 – 16.57
Santa Elena, Mexico	1.1 – 1.2	81 – 90	7.8 – 8.7	13.38 – 14.10	16.25 – 17.26
La Encantada, Mexico	2.2 – 2.4	–	2.2 – 2.4	24.03 – 24.51	28.25 – 30.09
Operations Total:	8.6 – 9.6	150 – 167	21.1 – 23.5	13.69 – 14.46	18.62 – 19.90
Corporate:					
General, Administration & Services	–	–	–	–	0.70 – 0.78
Total:					
Consolidated	8.6 – 9.6	150 – 167	21.1 – 23.5	13.69 – 14.46	19.32 – 20.68

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

* Cash Costs and AISC are non-GAAP measures and are not standardized financial measures under the Company's financial reporting framework. The Company calculates cash costs and consolidated AISC in the manner set out in the table below. These measures have been calculated on a basis consistent with historical periods. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

La Encantada's 2024 production guidance has been adjusted lower to reflect a conservative view regarding temporary limited water availability at the mine. We assume in this guidance that water availability will remain an issue for all of 2024. The 2024 budget includes capital consideration to explore for additional water sources in the area. Management is reviewing cost reduction programs at La Encantada to offset the low production impact on cost and remains optimistic that the water flow to the mill will return to historic levels within the year.

The Company is projecting its consolidated 2024 AISC to be within a range of \$19.32 to \$20.68 on a per consolidated payable AgEq ounce basis. Excluding non-cash items, the Company anticipates its 2024 AISC to be within a range of \$18.62 to \$19.89 per payable AgEq ounce. An itemized AISC cost table is provided below:

All-In Sustaining Cost Calculation	FY 2024 (\$ per AgEq oz)
Total Cash Costs per Payable Equivalent Silver Ounce	13.69 – 14.46
General and Administrative Costs	1.55 – 1.72
Sustaining Development Costs	1.14 – 1.21
Sustaining Property, Plant and Equipment Costs	0.77 – 0.86
Profit Sharing	0.82 – 0.91
Lease Payments	0.65 – 0.73
Share-based Payments (non-cash)	0.54 – 0.61
Accretion and Reclamation Costs (non-cash)	0.16 – 0.18
All-In Sustaining Costs (Ag Eq Oz)	19.32 – 20.68
All-In Sustaining Costs: (Ag Eq Oz excluding non-cash items)	18.62 – 19.89

1. AISC is a non-GAAP measure and is calculated based on the Company's consolidated operating performance. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles, the definition of "sustaining costs" and the distinction between sustaining and expansionary capital costs. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.
2. Consolidated AISC includes general and administrative cost estimates and non-cash costs of \$2.25 to \$2.51 per AgEq ounce.

CAPITAL INVESTMENTS IN 2024

In 2024, the Company plans to invest a total of \$125.0 million on capital expenditures consisting of \$45.0 million for sustaining activities and \$80.0 million for expansionary projects. This represents an 11% decrease compared to the 2023 revised capital expenditures and is aligned with the Company's future growth strategy of increasing exploration and development activities at Santa Elena and San Dimas and increasing exploration at Jerritt Canyon.

2024 Capital Guidance (\$millions)	Sustaining	Expansionary	Total
Underground Development	\$27.0	\$39.0	\$66.0
Exploration	—	35.1	35.1
Property, Plant and Equipment	17.6	4.3	21.9
Corporate Projects	0.4	1.6	2.0
Total	\$45.0	\$80.0	\$125.0

The 2024 annual guidance includes total capital investments of \$66.0 million for underground development; \$21.9 million towards property, plant and equipment; \$35.1 million in exploration; and \$2.0 million towards corporate innovation projects. Management may revise the guidance during the year to reflect actual and anticipated changes in metal prices or to the business. There can be no assurance that cost estimates related to the Company's 2024 guidance will prove to be accurate. For further details regarding risks related to the allocation of capital by the Company, see the section in the Annual Information Form ("AIF") entitled "*Risk Factors - Financial Risks - Allocation of Capital - Sustaining and Expansionary Capital*".

The Company is planning approximately 188,500 metres of exploration drilling in 2024; this represents a significant increase compared to the 143,465 metres completed in 2023. The 2024 drilling program is expected to consist of:

- At San Dimas, approximately 95,000 metres of drilling are planned with infill, step-out and exploratory holes focused on near mine and brownfield targets including major ore controlling structures in the West, Central and Sinaloa blocks. Exploration efforts represent a balanced approach to adding Inferred Resources along known veins, converting Inferred to Indicated Resources and identifying new veins in locations where post mineral cover has deferred work to date.
- At Santa Elena, approximately 59,000 metres of drilling are planned. Greenfield and brownfield drilling at Santa Elena will focus on several targets within a 5-kilometre radius around the processing plant where the goal is to find a new mineralized vein. The Company is also planning to return to the Los Hernandez property, to test updated targets and projections of mineralized structures. Resource addition and conversion drilling is also to take place.
- At Jerritt Canyon, approximately 25,000 metres of drilling are planned. Exploration work will be focused on drilling open ends of inferred mineralization with large volume potential as well as testing projections of ore controlling

structures below outcropping Upper Plate (cover rock) where the presence of large, mineralized volumes is possible and has been poorly tested to date.

The Company plans to complete approximately 30,900 metres of underground development in 2024 compared to 34,046 metres completed in 2023. The 2024 development program consists of approximately 17,100 metres at San Dimas, 10,300 metres at Santa Elena and 3,500 metres at La Encantada. At San Dimas, the Company is planning to concentrate development metres in the Perez, Roberta, Regina and Elia Veins. At the Santa Elena district, underground development is expected to focus on Ermitaño. At La Encantada, the Company plans to develop the second levels of both the Ojuelas and Milagros orebodies for 2024 production.

OVERVIEW OF OPERATING RESULTS

Selected Production Results for the Past Eight Quarters

PRODUCTION HIGHLIGHTS	2023				2022			
	Q4	Q3 ⁽²⁾	Q2 ⁽²⁾	Q1 ⁽²⁾	Q4	Q3	Q2	Q1
Ore processed/tonnes milled								
San Dimas	215,232	213,681	227,065	219,367	210,108	185,126	197,102	195,300
Santa Elena	233,601	226,292	213,878	208,821	207,188	214,387	228,487	201,911
La Encantada	203,898	230,230	260,986	271,278	254,766	255,945	264,555	249,906
Jerritt Canyon	—	—	31,240	146,403	179,502	181,056	213,647	230,001
Consolidated	652,731	670,203	733,170	845,868	851,564	836,514	903,791	877,118
Silver equivalent ounces produced								
San Dimas	3,110,677	3,010,458	3,372,418	3,296,367	3,054,098	3,776,124	3,046,664	3,080,940
Santa Elena	3,008,449	2,669,411	1,788,596	2,105,336	2,302,904	2,733,761	2,241,763	1,868,787
La Encantada	521,424	573,458	806,789	843,951	813,649	788,872	871,365	651,875
Jerritt Canyon	—	32,463	353,168	1,381,452	1,388,140	1,467,435	1,546,143	1,620,400
Consolidated	6,640,550	6,285,790	6,320,971	7,627,105	7,558,791	8,766,192	7,705,935	7,222,002
Silver ounces produced								
San Dimas	1,513,791	1,548,203	1,690,831	1,602,483	1,392,506	1,649,002	1,527,465	1,632,117
Santa Elena	582,484	347,941	142,037	104,129	199,388	308,070	384,953	337,201
La Encantada	516,141	565,724	800,543	836,448	804,802	779,028	863,510	644,009
Consolidated	2,612,416	2,461,868	2,633,411	2,543,059	2,396,696	2,736,100	2,775,928	2,613,327
Gold ounces produced								
San Dimas	18,468	17,863	20,509	20,124	20,257	23,675	18,354	18,528
Santa Elena	28,056	28,367	20,073	24,039	25,830	26,989	22,309	19,556
Jerritt Canyon	—	396	4,364	16,341	16,845	16,299	18,632	20,707
Consolidated	46,524	46,626	44,946	60,504	62,932	66,963	59,295	58,791
Cash cost per Ounce⁽¹⁾								
San Dimas (per AgEq Ounce)	\$ 13.21	\$ 14.07	\$ 12.07	\$ 10.86	\$ 11.54	\$ 8.25	\$ 10.41	\$ 9.41
Santa Elena (per AgEq Ounce)	\$ 10.42	\$ 11.72	\$ 14.45	\$ 11.93	\$ 11.20	\$ 10.37	\$ 12.34	\$ 12.96
La Encantada (per AgEq Ounce)	\$ 26.19	\$ 25.63	\$ 16.90	\$ 15.48	\$ 15.48	\$ 15.55	\$ 14.09	\$ 16.41
Jerritt Canyon (per Au Ounce)	\$ —	\$ 1,478	\$ 4,181	\$ 2,540	\$ 2,519	\$ 2,767	\$ 1,989	\$ 2,120
Consolidated (per AgEq Ounce)	\$ 13.01	\$ 14.13	\$ 15.58	\$ 15.16	\$ 15.36	\$ 13.34	\$ 14.12	\$ 14.94
All-in sustaining cost per Ounce⁽¹⁾								
San Dimas (per AgEq Ounce)	\$ 17.80	\$ 17.76	\$ 15.89	\$ 14.67	\$ 16.79	\$ 10.97	\$ 14.97	\$ 12.98
Santa Elena (per AgEq Ounce)	\$ 12.82	\$ 14.68	\$ 18.00	\$ 15.18	\$ 12.75	\$ 12.29	\$ 15.34	\$ 16.31
La Encantada (per AgEq Ounce)	\$ 34.14	\$ 29.86	\$ 19.83	\$ 18.64	\$ 19.39	\$ 18.61	\$ 16.65	\$ 19.63
Jerritt Canyon (per Au Ounce)	\$ —	\$ 1,730	\$ 4,205	\$ 3,055	\$ 2,865	\$ 3,317	\$ 2,429	\$ 2,488
Consolidated (per AgEq Ounce)	\$ 18.50	\$ 19.74	\$ 21.52	\$ 20.90	\$ 20.69	\$ 17.83	\$ 19.91	\$ 20.87
Production cost per tonne								
San Dimas	\$ 183.61	\$ 193.41	\$ 173.62	\$ 157.39	\$ 162.68	\$ 161.41	\$ 155.09	\$ 143.66
Santa Elena	\$ 117.36	\$ 125.05	\$ 109.88	\$ 108.74	\$ 114.29	\$ 124.94	\$ 109.50	\$ 111.36
La Encantada	\$ 64.70	\$ 61.35	\$ 49.91	\$ 46.27	\$ 47.69	\$ 46.29	\$ 44.58	\$ 41.43
Jerritt Canyon	\$ —	\$ —	\$ 577.83	\$ 278.57	\$ 233.39	\$ 245.66	\$ 169.16	\$ 187.15
Consolidated	\$ 122.76	\$ 125.81	\$ 128.21	\$ 130.71	\$ 131.41	\$ 135.07	\$ 114.55	\$ 118.51

1) These measures do not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate these measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

2) At Jerritt Canyon, the Company incurred costs related to mining activities for only 79 days during the first quarter. Jerritt Canyon production during the second quarter comprised of processing most of its remaining ore stockpiles and work-in-process ("WIP") inventory throughout April and May. Jerritt Canyon production during the third quarter comprised of pouring ounces from its in-process inventory. Refer to Jerritt Canyon operational highlights for further details.

Operating Results – Consolidated Operations

CONSOLIDATED	2023-Q4	2023-Q3	2023-Q2	2023-Q1	2023-YTD	2022-YTD	Change Q4 vs Q3	Change '23 vs '22
Ore processed/tonnes milled	652,731	670,203	733,170	845,868	2,901,972	3,468,987	(3%)	(16%)
Production								
Silver ounces produced	2,612,416	2,461,868	2,633,411	2,543,059	10,250,755	10,522,051	6%	(3%)
Gold ounces produced	46,585	46,720	45,022	60,594	198,921	248,394	0%	(20%)
Silver equivalent ounces produced	6,640,550	6,285,790	6,320,971	7,627,105	26,874,417	31,252,920	6%	(14%)
Cost								
Cash cost per AgEq Ounce ⁽¹⁾	\$13.01	\$14.13	\$15.58	\$15.16	\$14.49	\$14.39	(8%)	1%
All-in sustaining costs per AgEq Ounce ⁽¹⁾	\$18.50	\$19.74	\$21.52	\$20.90	\$20.16	\$19.74	(6%)	2%
Total production cost per tonne ⁽¹⁾	\$122.76	\$125.81	\$128.21	\$130.71	\$127.16	\$124.64	(2%)	2%
Underground development (m)	6,676	7,722	8,687	10,962	34,046	45,614	(14%)	(25%)
Exploration drilling (m)	32,881	31,611	42,285	36,688	143,465	248,123	4%	(42%)

1) These measures do not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate these measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

Production

During the year, the Company produced 26.9 million AgEq ounces, consisting of 10.3 million ounces of silver and 198,921 ounces of gold, representing a decrease of 3% and 20% respectively, compared to the prior year. The decrease in silver production was primarily due to lower silver production at La Encantada resulting from limited water availability during the second half of the year. The decrease in gold production was primarily due to the temporary suspension of mining activities at Jerritt Canyon announced on March 20, 2023. This was partially offset by increased gold production at Santa Elena. Mine output and grades from Ermitaño remained strong throughout 2023 and combined with record metallurgical recoveries facilitated by the newly commissioned dual-circuit plant, this enabled Santa Elena to deliver strong production in 2023.

Total production in the fourth quarter of 2023 was 6.6 million AgEq ounces consisting of 2.6 million ounces of silver, and 46,585 ounces of gold representing a 6% increase and a marginal decrease, respectively, when compared to the previous quarter. The higher production is related to record quarterly production at Santa Elena of 3.0 million AgEq ounces, partially offset by lower silver production at La Encantada.

Total ore processed amounted to 2.9 million tonnes during the year and 652,731 tonnes during the quarter, representing a 16% and 3% decrease compared to the prior year and quarter, respectively. The lower tonnes for the year was primarily due to temporary suspension of mining activities at Jerritt Canyon. The decrease as compared to the prior quarter was primarily due to lower tonnes processed at La Encantada resulting from limited water availability as disclosed previously, partially offset by increased tonnes processed at Santa Elena.

Cash Cost and All-In Sustaining Cost per Ounce

Cash cost per AgEq ounce in the year was \$14.49, representing a marginal increase compared to \$14.39 per ounce in the previous year. The increase in cash cost per AgEq ounce was primarily due to the strengthening of the Mexican Peso, which averaged 12% higher compared to the prior year and lower production at La Encantada due to drought conditions and limited water availability which lowered plant throughput rates beginning mid-year. This was partially offset by increased AgEq production at Santa Elena. Production at Santa Elena set a record and increased by 5%, compared to the prior year, as a direct result of processing higher grade silver and gold ore from the Ermitaño underground mine combined with record metallurgical recoveries facilitated by the newly commissioned dual-circuit plant.

The Company has implemented numerous costs saving initiatives to help offset the strengthening of the Mexican Peso and to combat inflationary impacts primarily in energy, reagents, and other major consumables. This included restructuring and headcount reduction efforts undertaken in 2023 to reduce the impact of rising labor and overall costs.

Cash cost per AgEq ounce for the quarter was \$13.01 per ounce, representing an 8% improvement from \$14.13 per ounce in the previous quarter. The improvement in cash costs per ounce was primarily attributable to an increase in AgEq production at Santa Elena. Production at Santa Elena increased by 13%, compared to the prior quarter, as a direct result of processing higher grade silver and gold ore from the Ermitaño underground mine as well as record recoveries achieved due to the dual-circuit plant. Additionally, restructuring and headcount reduction efforts undertaken in the third quarter of 2023 helped to reduce the impact of rising labour costs which improved the cash cost per AgEq ounce during the quarter.

All-in Sustaining Cost per AgEq ounce in the year was \$20.16 representing a 2% increase compared to \$19.74 per ounce in the previous year. The increase in AISC per AgEq ounce was primarily attributed to higher cash costs, partially offset by a decrease in sustaining capital expenditures due to the temporary suspension of Jerritt Canyon.

All-in Sustaining Cost per AgEq ounce in the fourth quarter was \$18.50 per ounce, representing a 6% decrease from \$19.74 per ounce in the previous quarter. The improvement in AISC per AgEq ounce was primarily attributable to the lower cash costs.

Management continues to undertake a series of cost reduction initiatives across the organization aimed at improving efficiencies, lowering production costs, capital spending, care and maintenance holding costs and corporate G&A costs while also increasing production. Current initiatives for 2024 include:

- Renegotiating certain contracts and reducing the use of external consultants;
- Restructuring to optimize the workforce and reduce labour costs;
- Optimizing use of reagent consumption;
- Implementing changes in shift line-up and changes to increase productivity at San Dimas;
- Utilizing special ore control drilling methods to verify stope positioning, while also increasing rates of mine development to open additional ore stopes at San Dimas;
- Optimizing mining sequencing to improve ore extraction at Santa Elena;
- Shifting all cemented rock fill operations underground to increase backfill efficiencies and reduce backfill costs at Santa Elena;
- Increasing the capacity of the tailing filtration of the new press filters at Santa Elena by adding a higher capacity offtake conveyor system;
- Implementing plant optimization methods to lower costs due to the ongoing water shortage at La Encantada;
- Adding instrumentation and prioritizing the consumption of water within the La Encantada water delivery system including construction of new water wells; and
- Lower holding costs at the Company's suspended operations including the Jerritt Canyon Gold Mine.

Development and Exploration

During the year, the Company completed 34,046 metres of underground development and 143,465 metres of exploration drilling, compared to 45,614 metres and 248,123 metres, respectively, in the previous year.

During the quarter, the Company completed 6,676 metres of underground development and 32,881 metres of exploration drilling, compared to 7,722 metres and 31,611 metres, respectively, in the previous quarter. Throughout the quarter, up to sixteen drill rigs were active consisting of twelve rigs at San Dimas, and four rigs at Santa Elena. Throughout the quarter, up to sixteen drill rigs were active consisting of twelve rigs at San Dimas, and four rigs at Santa Elena. Exploration activities in Jerritt Canyon consisted of surface mapping and sampling, seismic survey and permitting in support of the planned 2024 exploration program. Exploration activities at La Encantada were temporarily refocused on water source development.

San Dimas Silver/Gold Mine, Durango, Mexico

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

San Dimas	2023-Q4	2023-Q3	2023-Q2	2023-Q1	2023-YTD	2022-YTD	Change Q4 vs Q3	Change '23 vs '22
Total ore processed/tonnes milled	215,232	213,681	227,065	219,367	875,345	787,636	1%	11%
Average silver grade (g/t)	234	237	245	241	240	261	(1%)	(8%)
Average gold grade (g/t)	2.77	2.71	2.92	2.98	2.85	3.31	2%	(14%)
Silver recovery (%)	93%	95%	95%	94%	94%	94%	(2%)	0%
Gold recovery (%)	96%	96%	96%	96%	96%	96%	0%	0%
Production								
Silver ounces produced	1,513,791	1,548,203	1,690,831	1,602,483	6,355,308	6,201,090	(2%)	2%
Gold ounces produced	18,468	17,863	20,509	20,124	76,964	80,814	3%	(5%)
Silver equivalent ounces produced	3,110,677	3,010,458	3,372,418	3,296,367	12,789,920	12,957,826	3%	(1%)
Cost								
Cash cost per AgEq Ounce ⁽¹⁾	\$13.21	\$14.07	\$12.07	\$10.86	\$12.51	\$9.81	(6%)	28%
All-In sustaining costs per AgEq Ounce ⁽¹⁾	\$17.80	\$17.76	\$15.89	\$14.67	\$16.48	\$13.76	0%	20%
Total production cost per tonne ⁽¹⁾	\$183.61	\$193.41	\$173.62	\$157.39	\$176.84	\$155.76	(5%)	14%
Underground development (m)	3,713	4,369	4,895	4,664	17,641	20,521	(15%)	(14%)
Exploration drilling (m)	24,932	22,374	16,588	14,145	78,039	64,791	11%	20%

(1) These measures do not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate these measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

2023 vs. 2022

In 2023, San Dimas produced 6,355,308 ounces of silver and 76,964 ounces of gold for a total production of 12,789,920 AgEq ounces, a marginal decrease compared to 12,957,826 AgEq ounces in 2022. The mill processed a total of 875,345 tonnes, an 11% increase compared to 787,636 tonnes processed in the previous year.

During the year, silver and gold grades averaged 240 g/t and 2.85 g/t, respectively, compared to 261 g/t and 3.31 g/t in the previous year. Silver and gold grades were lower in 2023 compared to 2022 due to the depletion of the Jessica, Regina and Victoria veins as the mine transitioned to narrower veins and blending with lower grade, historical backfill material in 2023. Silver recoveries averaged 94%, while gold recoveries averaged 96%, which were both consistent with 2022.

During the year, cash cost per AgEq ounce was \$12.51, representing a 28% increase compared to \$9.81 per AgEq ounce in 2022. AISC per AgEq ounce in the year was \$16.48, representing a 20% increase compared to \$13.76 per AgEq ounce in 2022. The increase in cash costs during the year was primarily due to an increase in direct production costs due to a stronger Mexican Peso against the U.S. dollar which averaged 12% higher compared to the previous year and higher energy costs as the Company utilized less power from the on-site hydroelectric plant due to lower-than-expected rainfall in the third quarter. The increase in AISC per AgEq ounce was primarily attributable to the higher cash costs. During the year, the Company incurred restructuring costs associated with San Dimas of \$5.8 million as the Company continued to focus on workforce optimization to reduce the impact of rising labor costs.

The San Dimas mine is subject to a gold and silver streaming agreement with Wheaton Precious Metals Corp. ("Wheaton" or "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 commencing in May 2019) and the prevailing market price, for each gold ounce delivered. Should the average gold to silver ratio over a six-month period exceed 90:1 or fall below 50:1, the fixed exchange ratio would be increased to 90:1 or decreased to 50:1, respectively. The fixed gold to silver exchange ratio as of December 31, 2023, was 70:1. During the year ended December 31, 2023, the Company delivered 42,172 ounces (2022 - 41,841 ounces) of gold to WPM at \$628 per ounce (2022 - \$623 per ounce).

During the year, a total of 17,641 metres of underground development and 78,039 metres of exploration drilling were completed compared to 20,521 metres and 64,791 metres, respectively, in the prior year. Total exploration costs for the year were \$9.5 million compared to \$7.6 million in the prior year driven by the increased drilling metres.

2023 Q4 vs. 2023 Q3

During the fourth quarter, San Dimas produced 3,110,677 AgEq ounces consisting of 1,513,791 ounces of silver and 18,468 ounces of gold representing a 2% decrease and a 3% increase, respectively, when compared to the prior quarter.

The mill processed a total of 215,232 tonnes of ore with average silver and gold grades of 234 g/t and 2.77 g/t, respectively, compared to 213,681 tonnes milled with average silver and gold grades of 237 g/t and 2.71 g/t, respectively, in the previous quarter.

Silver and gold recoveries averaged 93% and 96%, respectively, which were in line with the prior quarter.

The Central Block and Sinaloa Graben areas contributed approximately 78% and 22%, respectively, of the total production during the quarter.

In the fourth quarter, cash cost per AgEq ounce was \$13.21, representing a 6% decrease compared to \$14.07 per AgEq ounce in the prior quarter. The improvement in cash costs during the quarter was primarily due to the decrease in production costs compared to the prior quarter as a result of the workforce restructuring that took place in the third quarter, along with a 3% increase in AgEq ounces produced.

AISC per AgEq ounce for the quarter was \$17.80, representing a marginal increase compared to \$17.76 per AgEq ounce in the prior quarter. The increase was primarily due to increased worker participation costs along with higher sustaining capital expenditures incurred during the quarter.

A total of 3,713 metres of underground development was completed in the fourth quarter, compared to 4,369 metres in the prior quarter. During the fourth quarter, up to twelve drill rigs were active, consisting of ten underground and two on surface completing a total of 24,932 metres of exploration drilling compared to 22,374 metres in the prior quarter. Total exploration costs were \$3.1 million compared to \$2.8 million in the prior quarter. This increase was a result of increased drilling metres during the quarter.

Santa Elena Silver/Gold Mine, Sonora, Mexico

The Santa Elena Silver/Gold Mine is located approximately 150 kilometres northeast of the city of Hermosillo, Sonora, Mexico. The operating plan for Santa Elena involves the processing of ore in a 3,000 tpd cyanidation circuit from underground reserves. Santa Elena consists of a central processing plant that can receive ore from two separate underground mining operations, Santa Elena and Ermitaño. The Company owns 100% of the Santa Elena Silver/Gold Mine including mining concessions totaling over 102,244 hectares.

SANTA ELENA	2023-Q4	2023-Q3	2023-Q2	2023-Q1	2023-YTD	2022-YTD	Change Q4 vs Q3	Change '23 vs '22
Total ore processed/tonnes milled	233,601	226,292	213,878	208,821	882,592	851,973	3%	4%
Average silver grade (g/t)	106	75	39	31	64	61	41%	5%
Average gold grade (g/t)	3.88	4.09	3.12	4.00	3.77	3.75	(5%)	1%
Silver recovery (%)	73%	64%	52%	50%	64%	73%	14%	(12%)
Gold recovery (%)	96%	95%	94%	90%	94%	92%	1%	2%
Production								
Silver ounces produced	582,484	347,941	142,037	104,129	1,176,591	1,229,612	67%	(4%)
Gold ounces produced	28,056	28,367	20,073	24,039	100,535	94,684	(1%)	6%
Silver equivalent ounces produced	3,008,449	2,669,411	1,788,596	2,105,336	9,571,792	9,147,215	13%	5%
Cost								
Cash cost per AgEq Ounce ⁽¹⁾	\$10.42	\$11.72	\$14.45	\$11.93	\$11.87	\$11.59	(11%)	2%
All-In sustaining costs per AgEq Ounce ⁽¹⁾	\$12.82	\$14.68	\$18.00	\$15.18	\$14.83	\$13.97	(13%)	6%
Total production cost per tonne ⁽¹⁾	\$117.36	\$125.05	\$109.88	\$108.74	\$115.48	\$114.99	(6%)	0%
Underground development (m)	2,224	2,609	3,042	2,623	10,497	12,924	(15%)	(19%)
Exploration drilling (m)	7,949	9,237	16,373	14,499	48,058	42,990	(14%)	12%

(1) These measures do not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate these measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

2023 vs. 2022

In 2023, Santa Elena produced 1,176,591 ounces of silver and 100,535 ounces of gold for a total production of 9,571,792 AgEq ounces, a new annual record and a 5% increase compared to 9,147,215 AgEq ounces in 2022. The mill processed a total of 882,592 tonnes of ore, a 4% increase compared to 851,973 tonnes processed in the previous year.

Silver and gold grades from Santa Elena averaged 64 g/t and 3.77 g/t, respectively, compared to 61 g/t and 3.75 g/t in the previous year. Silver recoveries decreased from 73% in 2022 to 64% in 2023 due to lower silver grades in the first half of 2023. Gold recoveries increased from 92% to 94% in 2023 and were the result of the robust operational performance of the new 3,000 tpd filter press and dual-circuit plant. The new tailing filter press combined with additional leaching and settling capacity allowed the plant to reduce the grind size, thus liberating more gold and increasing recoveries.

During the year, the Company successfully completed the move of the Company's ISO 9001:2015 certified Central Lab from Durango to Santa Elena.

For 2023, cash cost per AgEq ounce was \$11.87, representing a 2% increase compared to \$11.59 per ounce in 2022. AISC per AgEq ounce was \$14.83, representing a 6% increase compared to \$13.97 per AgEq ounce in the previous year. The increase in cash costs and AISC was primarily attributed to the negative impact of a stronger Mexican Peso which averaged 12% higher compared to the previous year. This was partially offset by a 5% increase in AgEq ounces produced compared to the previous year.

The Santa Elena mine is subject to a gold streaming agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the mine to sell 20% of its gold production from the leach pad and a designated area of its underground operations over the life of mine to Sandstorm. The selling price to Sandstorm is currently the lesser of \$450 per ounce (subject to a 1% annual inflation increase every April) and the prevailing market price. During the year ended December 31, 2023, the Company delivered 1,094 ounces of gold (2022 - 2,433 ounces) to Sandstorm at an average price of \$473 per ounce (2022 - \$472 per ounce). During the fourth quarter, no ore was processed from the Santa Elena mine.

Orogen Royalties Inc., formerly Evrim Resource Corp., retains a 2% net smelter return ("NSR") royalty from the sale of mineral products extracted from the Ermitaño mining concessions. In addition, Osisko Gold Royalties Ltd. has a 2% NSR royalty from the sale of mineral products extracted from the Ermitaño mining concessions. For the year ended December 31, 2023, the Company has incurred \$8.7 million (December 31, 2022 - \$5.8 million) in NSR payments from the production of Ermitaño.

During the year, a total of 10,497 metres of underground development and 48,058 metres of exploration drilling were completed compared to 12,924 metres of underground development and 42,990 metres of exploration drilling in the prior year. Total exploration costs for the year were \$8.7 million compared to \$8.1 million in the prior year driven by the increased drilling metres.

2023 Q4 vs. 2023 Q3

During the fourth quarter, Santa Elena produced a quarterly record of 3,008,449 AgEq ounces consisting of 582,484 ounces of silver and 28,056 ounces of gold representing a 67% increase in silver ounces and a marginal decrease in gold ounces when compared to the prior quarter. The increase in silver equivalent production was primarily driven by higher silver grades and recoveries in the period.

The mill processed 233,601 tonnes of ore during the quarter from Ermitaño, another quarterly record, compared to 226,292 tonnes in the previous quarter. Average silver and gold head grades were 106 g/t and 3.88 g/t, compared to 75 g/t and 4.09 g/t in the previous quarter.

Silver and gold recoveries from Ermitaño ore reached another record during the quarter averaging 73% and 96%, respectively, compared to 64% and 95%, respectively, in the prior quarter. The record metallurgical recoveries were facilitated by the continuous operational optimization of the new dual-circuit plant.

Cash cost per AgEq ounce in the fourth quarter was \$10.42, representing an 11% decrease compared to \$11.72 per AgEq ounce in the previous quarter. The improvement in cash cost was primarily attributed to a 13% increase in AgEq ounces produced resulting from higher silver grades and recoveries as compared to the prior quarter.

AISC per AgEq ounce for the quarter was \$12.82, representing a 13% decrease compared to \$14.68 per AgEq ounce in the prior quarter. The improvement in AISC was primarily driven by the decrease in cash costs per AgEq ounce.

During the quarter, a total of 2,224 metres of underground development was completed at the Ermitaño mine at Santa Elena, compared to 2,609 metres in the previous quarter. Up to four drill rigs consisting of two surface rigs and two underground rigs completed 7,949 metres of exploration drilling in the region compared to 9,237 metres in the prior quarter. Total exploration costs in the fourth quarter were \$1.5 million compared to \$2.0 million in the previous quarter due to lower exploration metres.

La Encantada Silver Mine, Coahuila, Mexico

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

LA ENCANTADA	2023-Q4	2023-Q3	2023-Q2	2023-Q1	2023-YTD	2022-YTD	Change Q4 vs Q3	Change '23 vs '22
Ore processed/tonnes milled	203,898	230,230	260,986	271,278	966,392	1,025,172	(11%)	(6%)
Average silver grade (g/t)	110	109	127	132	121	123	2%	(2%)
Silver recovery (%)	71%	70%	75%	72%	73%	76%	1%	(4%)
Production								
Silver ounces produced	516,141	565,724	800,543	836,448	2,718,856	3,091,349	(9%)	(12%)
Gold ounces produced	61	94	76	89	321	413	(35%)	(22%)
Silver equivalent ounces produced	521,424	573,458	806,789	843,951	2,745,622	3,125,761	(9%)	(12%)
Cost								
Cash cost per AgEq Ounce ⁽¹⁾	\$26.19	\$25.63	\$16.90	\$15.48	\$20.05	\$15.30	2%	31%
All-In sustaining costs per AgEq Ounce ⁽¹⁾	\$34.14	\$29.86	\$19.83	\$18.64	\$24.28	\$18.48	14%	31%
Total production cost per tonne ⁽¹⁾	\$64.70	\$61.35	\$49.91	\$46.27	\$54.74	\$45.01	5%	22%
Underground development (m)	739	744	750	834	3,067	2,555	(1%)	20%
Exploration drilling (m)	—	—	1,950	1,863	3,812	10,020	0%	(62%)

(1) These measures do not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate these measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

2023 vs. 2022

In 2023, La Encantada produced 2,718,856 ounces of silver and 321 ounces of gold for a total of 2,745,622 AgEq ounces, a decrease of 12% compared to 3,125,761 AgEq ounces in 2022. The mill processed a total of 966,392 tonnes of ore, a 6% decrease compared to 1,025,172 tonnes processed in the previous year. The decrease in production and tonnes milled was primarily due to the impact of limited water supply to the mill, mainly driven by severe drought conditions throughout the year which impacted existing water wells in the area. During the second half of the year, the Company drilled three water exploration holes in an effort to source additional water supply to the mill. The Company has identified several new targets that will be drilled in Q1 and Q2 2024 to seek to identify additional water sources. Refer to 2024 Production Guidance for further discussion.

Silver recoveries averaged 73% during the year, compared to 76% in 2022. Silver grades during the year averaged 121 g/t, a decrease of 2% compared to 123 g/t in 2022.

During the year, cash cost per AgEq ounce was \$20.05, representing a 31% increase compared to \$15.30 per AgEq ounce in 2022. AISC per AgEq ounce was \$24.28 per ounce in 2023, representing a 31% increase compared to \$18.48 per AgEq ounce in 2022. The increase in cash costs per AgEq ounce during the year was primarily due to the 12% decrease in AgEq ounces produced driven by lower production in the second half of the year due to water availability issues. Additionally, there was an increase in direct production costs due to the negative impact of a stronger Mexican Peso which averaged 12% higher compared to the previous year. The increase in AISC per AgEq ounce for the year was due to higher cash costs incurred during the year. Management is reviewing mine plan optimization and cost reduction programs at La Encantada to offset the lower production impact on costs.

In December 2022, the Company sold a royalty interest on La Encantada to Metalla Royalty and Streaming Limited ("Metalla"). Under the terms of the agreement, the Company is required to pay a 100% gross value royalty on the first 1,000 ounces of gold produced annually from the La Encantada property. For the year ended December 31, 2023, the Company incurred \$0.5 million (December 31, 2022 - \$nil) in royalty payments from gold production at La Encantada.

A total of 3,067 metres of underground development and 3,812 metres of exploration drilling were completed in 2023 compared to 2,555 metres of underground development and 10,020 metres of exploration drilling in the prior year. Total exploration costs for the year were \$1.5 million compared to \$2.3 million in the prior year driven by the decrease in drilling metres as exploration drilling at La Encantada was temporarily suspended in the third and fourth quarter as a water conservation measure.

2023 Q4 vs. 2023 Q3

During the fourth quarter, La Encantada produced 521,424 AgEq ounces consisting of 516,141 ounces of silver and 61 ounces of gold representing a 9% decrease in silver ounces and a 35% decrease in gold ounces when compared to the prior quarter. The lower production is primarily related to the continued decline in throughput due to reduced water availability, along with lower average silver grades.

The mill processed a total of 203,898 tonnes of ore with an average silver grade and recovery during the quarter of 110 g/t and 71%, respectively, compared to 230,230 tonnes, 109 g/t and 70%, respectively, in the previous quarter. Stope production from the new Beca Zone has contributed 48,811 tonnes with average silver grades of 121 g/t, compared to 74,695 tonnes and 146 g/t, respectively in the third quarter.

Cash cost per AgEq ounce for the quarter was \$26.19, representing a 2% increase compared to \$25.63 per AgEq ounce in the prior quarter. The increase is primarily due to the 9% decrease in AgEq ounces produced compared to the prior quarter, resulting from the continued lack of available water and lower ore grades.

AISC per AgEq ounce for the quarter was \$34.14, representing a 14% increase compared to \$29.86 per AgEq ounce in the previous quarter. The increase in AISC per AgEq ounce was primarily due to the increase in cash costs along with additional sustaining capital expenditures related to drilling for additional water sources and improvements to water well infrastructure.

A total of 739 metres of underground development was completed in the fourth quarter compared to 744 metres in the prior quarter. Exploration drilling at La Encantada was temporarily suspended in the third and fourth quarter as a water conservation measure.

Jerritt Canyon Gold Mine, Nevada, United States

The Jerritt Canyon Gold Mine is an underground mining complex located in northern Nevada, United States. Jerritt Canyon was discovered in 1972 and has been in production since 1981 having produced over 9.5 million ounces of gold over its 40-year production history. The operation, which was purchased by the Company on April 30, 2021, has one of only three permitted gold processing plants in Nevada that uses roasting in its treatment of ore. This processing plant has a capacity of 4,000 tpd. On March 20, 2023, the Company temporarily suspended mining activities at Jerritt Canyon to reduce overall costs and refocus mining and exploration plans at the mine. The property consists of a large, underexplored land package consisting of 30,821 hectares (119 square miles). Jerritt Canyon is 100% owned by the Company.

Jerritt Canyon	2023-Q4	2023-Q3	2023-Q2	2023-Q1	2023-YTD	2022-YTD	Change '23 vs '22
Ore processed/tonnes milled	—	—	31,240	146,403	177,643	804,206	(78%)
Average gold grade (g/t)	—	—	4.90	4.03	4.26	3.42	25%
Gold recovery (%)	0 %	0 %	89%	86%	87%	82%	6%
Production							
Gold ounces produced	—	396	4,364	16,341	21,101	72,483	(71%)
Silver equivalent ounces produced	—	32,463	353,168	1,381,452	1,767,083	6,022,118	(71%)
Cost							
Cash cost per Au Ounce ⁽¹⁾	\$—	\$1,478	\$4,181	\$2,540	\$2,862	\$2,326	23%
All-In sustaining costs per Au Ounce ⁽¹⁾	\$—	\$1,730	\$4,205	\$3,055	\$3,265	\$2,748	19%
Total production cost per tonne ⁽¹⁾	\$—	\$—	\$577.83	\$278.57	\$334.39	\$205.87	62%
Underground development (m)	—	—	—	2,841	2,841	9,614	(70%)
Exploration drilling (m)	—	—	7,375	6,181	13,556	130,322	(90%)

(1) These measures do not have a standardized meaning under the Company's financial reporting framework and the methods used by the Company to calculate these measures may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 50 to 59 for further details on these measures and a reconciliation of non-GAAP to GAAP measures.

2023 vs. 2022

On March 20, 2023, management made the decision to temporarily suspend all mining activities at Jerritt Canyon effective immediately. Since the acquisition of the Jerritt Canyon Gold Mine in Nevada, the Company focused on increasing underground mining rates to sustainably feed the processing plant at a minimum of 3,000 tpd in order to generate free cash flow. Despite these efforts, mining rates remained below this threshold and cash costs per ounce remained higher than anticipated primarily due to ongoing challenges such as contractor inefficiencies, inflationary pressures, lower than expected head grades and extreme weather events affecting northern Nevada. Going forward, the Company plans to focus on exploration, definition, and expansion of the mineral resources and optimization of mine planning and plant operations. As of April 24, 2023, all activities at the Jerritt Canyon processing plant were suspended. In 2023, Jerritt Canyon produced 21,101 ounces of gold, a decrease of 71% compared to 72,483 gold ounces in 2022 following the temporary suspension of all mining activities.

The mill processed a total of 177,643 tonnes of ore in 2023 compared to 804,206 in the previous year, with an average gold grade of 4.26 g/t, or an increase of 25% compared to 3.42 g/t in 2022. Gold recoveries averaged 87% during the year, compared to 82% in 2022.

During the year, cash cost per Au ounce averaged \$2,862 per ounce, a 23% increase compared to \$2,326 per ounce in 2022. AISC per Au ounce averaged \$3,265 in 2023, a 19% increase compared to \$2,748 per ounce in 2022.

One-time standby costs of \$13.4 million were incurred year-to-date, primarily related to one-time severance and demobilization costs due to the temporary suspension of mining and processing activities. All contractors are now off site with mining and processing activities suspended. The Company expects to continue to advance certain environmental

management projects and exploration efforts at Jerritt Canyon following positive drill results highlighting the exploration potential of Jerritt Canyon.

A total of 2,841 metres of underground development and 13,556 metres of exploration drilling were completed in 2023 compared to 9,614 metres of underground development and 130,322 metres of exploration drilling in the prior year. Total exploration costs for 2023 were \$5.2 million compared to \$15.7 million in the prior year. At Jerritt Canyon, approximately 25,000 metres of drilling are planned for 2024.

2023 Q4 vs. 2023 Q3

As of April 24, 2023, all activities at the Jerritt Canyon processing plant were suspended following the Company's previously announced temporary suspension of mining activities on March 20, 2023.

No drilling occurred in the fourth quarter as all underground rigs were demobilized in the third quarter. Exploration activities at Jerritt Canyon consisted of surface mapping and sampling, seismic survey and permitting in support of the planned exploration program for 2024. Surface drilling programs have been deferred to mid-2024 to prioritize drilling targets. At Jerritt Canyon, approximately 25,000 metres of drilling are planned for 2024.

La Parrilla Silver Mine, Durango, México

The La Parrilla Silver Mine, located approximately 65 kilometres southeast of the city of Durango in Durango State, México, is a complex of underground operations consisting of the Rosarios, La Blanca and San Marcos mines which are interconnected through underground workings, and the Vacas and Quebradillas mines which are connected via above-ground gravel roads. La Parrilla includes a 2,000 tpd sequential processing plant consisting of a 1,000 tpd cyanidation circuit and a 1,000 tpd flotation circuit, metallurgical pilot plant, buildings, offices and associated infrastructure.

Operations at the La Parrilla mine were placed on care and maintenance in September 2019.

On December 7, 2022, the Company announced that it had entered into an asset purchase agreement with Silver Storm Mining Ltd. (formerly Golden Tag Resources Ltd.) ("Silver Storm") to sell the La Parrilla Silver Mine for total consideration of up to \$33.5 million, consisting of 143,673,684 common shares of Silver Storm at a deemed price of \$0.16 per share, having an aggregate value as of the date of the sale agreement of \$20 million, and up to \$13.5 million in contingent consideration, in the form of three milestone payments payable in either cash or Silver Storm shares, out of which \$2.7 million is payable no later than 18 months following the closing date.

As of December 31, 2022, the sale was considered highly probable; therefore, the assets of La Parrilla were classified as assets held for sale and presented separately under current assets. Immediately prior to the classification to assets held for sale, the carrying amount of La Parrilla was remeasured to its recoverable amount, being its fair value less costs of disposal ("FVLCD"), based on the \$20 million initial payment, and the first milestone payment of \$2.7 million.

During the three months ended June 30, 2023, the Company recorded an additional write down on asset held-for-sale related to La Parrilla of \$7.2 million, based on the change in value of Silver Storm's common shares at the end of the reporting period. The recoverable amount of La Parrilla, being its FVLCD, was \$14.9 million, net of estimated transaction costs, based on the expected proceeds from the sale.

On August 14, 2023, the Company completed the sale of La Parrilla to Silver Storm and received total consideration of \$13.3 million net of transaction costs. Based on the price of Silver Storm's common shares at the time of closing the transaction, the Company has recorded a loss on disposition of \$1.6 million. In addition, First Majestic participated in Silver Storm's offering of subscription receipts (the "Subscription Receipts") and purchased 18,009,000 Subscription Receipts at a price of CAD\$0.20 per Subscription Receipt which, in accordance with their terms, have now converted into 18,009,000 Silver Storm common shares and 9,004,500 common share purchase warrants (the "Warrants"). Each Warrant is exercisable for one additional Silver Storm common share until August 14, 2026, at a price of CAD\$0.34. The Company began accounting for the shares received from Silver Storm as an equity security at fair value through other comprehensive income ("FVTOCI").

La Guitarra Silver Mine, Mexico State, Mexico

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 milling and mining operations were placed under care and maintenance in August 2018.

On May 24, 2022, the Company announced that it had entered into a share purchase agreement with Sierra Madre Gold and Silver Ltd. ("Sierra Madre"), to sell the Company's subsidiary La Guitarra Compañía Minera S.A. de C.V. ("La Guitarra"), which owned the La Guitarra Silver Mine, to Sierra Madre for total consideration of approximately \$35 million, consisting of 69,063,076 Sierra Madre common shares at a deemed price of \$0.51 per share.

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

On March 29, 2023, the Company completed the sale of La Guitarra to Sierra Madre and received total consideration of \$33.2 million net of transaction costs (paid in common shares of Sierra Madre), before working capital adjustments. Based

on the carrying value of the asset at the time of disposal of \$34.3 million, and the working capital adjustment of \$0.2 million, the Company has recorded a loss on disposition of \$1.4 million. The Company began accounting for the common shares received from Sierra Madre as an equity security at FVTOCI.

Del Toro Silver Mine, Zacatecas, Mexico

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

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

San Martin Silver Mine, Jalisco, Mexico

The San Martin Silver Mine is an underground mine located near the town of San Martin de Bolaños in the Bolaños river valley, in the northern portion of the State of Jalisco, México. San Martin has 33 contiguous mining concessions in the San Martin de Bolaños mining district covering mineral rights for 12,795 hectares, plus an application of a new mining concession covering 24,723 hectares to be granted. In addition, the mine includes 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located, and an additional 640 hectares of surface rights. The 1,300 tpd mill and processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks and a Merrill-Crowe doré production system. The mine can be accessed via small plane, 150 kilometres from Durango, or 250 kilometres by paved road north of Guadalajara, Jalisco. The San Martin Silver Mine is 100% owned by the Company.

In July 2019, the Company suspended all mining and processing activities at the San Martin operation due to growing insecurity in the area. Increasing violence and safety concerns resulted in the Company removing all of its remaining employees from the area in 2021 and the mine and plant have been occupied and are currently under the de facto control of an organized criminal group. Due to this situation, the Company has been unable to carry out proper care and maintenance of the mine and plant and tailings storage facilities and the Company has limited information as to the current state of repair at the mine, including the tailings storage facility. The Company has repeatedly requested all applicable governmental authorities to take action to secure the area but, to date, the Mexican government has failed to take any such action and the Company's own efforts have been unsuccessful. The Company is continuing its efforts to work with governmental authorities to take action to secure the area, although it is not known when that might, if ever, occur.

Springpole Silver Stream, Ontario, Canada

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

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

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

In connection with the streaming agreement, First Mining also granted First Majestic 30.0 million common share purchase warrants of First Mining (the "First Mining Warrants"), each of which will entitle the Company to purchase one common share of First Mining at CAD\$0.40 over a period of five years. As a result of the distribution by First Mining of shares and warrants of Treasury Metals Inc. that was completed by First Mining on July 15, 2021, pursuant to the adjustment provisions of the First Mining Warrants, the exercise price of these warrants was reduced from \$0.40 to \$0.37, and the number of these warrants was increased from 30.0 million to 32.1 million. The fair value of the warrants was measured at \$5.7 million using the Black-Scholes option pricing model.

First Mining has the right to repurchase 50% of the silver stream for \$22.5 million at any time prior to the commencement of production at Springpole, and if such a repurchase takes place, the Company will be left with a reduced silver stream of 25% of life of mine payable silver production from Springpole.

Springpole is one of Canada's largest, undeveloped gold projects with permitting underway. In January 2021, First Mining announced results of its Pre-Feasibility Study ("PFS") which supports a 30,000 tpd open pit mining operation over an 11-year mine life. First Mining announced resources of 24.3 million ounces of silver in the Indicated category and 1.4 million ounces of silver in the Inferred category, plus 4.6 million ounces of gold in the Indicated category and 0.3 million ounces of gold in the Inferred category. A draft Environmental Impact Statement for Springpole was published in June 2022, and the Federal and Provincial Environment Assessment processes for the project are in progress.

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

Keith Neumeyer, our President & Chief Executive Officer, and Raymond Polman, a director of the Company, are each directors of First Mining and accordingly may be considered to have a conflict of interest with respect to First Mining and the Springpole Silver Stream Agreement.

OVERVIEW OF FINANCIAL PERFORMANCE

For the years ended December 31, 2023, 2022 and 2021 (in thousands of dollars, except for per share amounts):

	Annual 2023	Annual 2022	Annual 2021	Variance % 23 vs '22
Revenues	\$573,801	\$624,221	\$584,117	(8%) (1)
Mine operating costs				
Cost of sales	410,057	471,687	366,085	(13%) (2)
Cost of sales - standby costs	13,438	—	—	100% (2)
Depletion, depreciation and amortization	124,664	135,782	116,613	(8%) (3)
	548,159	607,469	482,698	(10%)
Mine operating earnings	25,642	16,752	101,419	53%
General and administrative	38,709	36,372	27,063	6% (4)
Share-based payments	13,177	13,958	12,290	(6%)
Mine holding costs	22,088	11,930	12,056	85% (5)
Write down on asset held-for-sale	7,229	—	—	100% (6)
Acquisition costs	—	—	1,973	0%
Restructuring costs	6,883	—	—	100% (7)
Impairment (reversal of impairment) of non-current asset	125,200	(2,651)	—	NM (8)
Loss (gain) on sale of mining interest	3,024	(4,301)	—	(170%) (9)
Foreign exchange (gain) loss	(11,884)	637	(1,165)	NM
Operating (loss) earnings	(178,784)	(39,193)	49,202	NM
Investment and other income (loss)	9,149	(1,888)	(2,948)	NM (10)
Finance costs	(26,280)	(20,323)	(21,004)	29% (11)
Loss before income taxes	(195,915)	(61,404)	25,250	NM
Current income tax expense	14,005	56,250	49,283	(75%)
Deferred income tax recovery	(74,808)	(3,378)	(19,110)	NM
Income tax (recovery) expense	(60,803)	52,872	30,173	NM (12)
Net loss for the year	(\$135,112)	(\$114,276)	(\$4,923)	(18%) (13)
Loss per common share				
Basic and diluted	(\$0.48)	(\$0.43)	(\$0.02)	(10%) (13)

NM - Not meaningful

- Revenues** in the year ended December 31, 2023 decreased \$50.4 million or 8% compared to the previous year, primarily attributed to:
 - a 10% decrease in the total number of payable AgEq ounces sold compared to the prior year which resulted in a decrease in revenues of \$69.0 million. This was primarily due to the temporary suspension of mining activities at Jerritt Canyon in 2023 and lower production at San Dimas and La Encantada.
Partially offset by:
 - a 4% increase in payable AgEq ounces produced at Santa Elena; and
 - a 4% increase in realized silver price per ounce sold, which averaged \$23.29 compared to \$22.49 in the prior year. This resulted in an \$18.5 million increase in revenue compared to the prior year.
- Cost of sales** in the year decreased \$48.2 million or 10% compared to the previous year as a result of the following factors:

- a \$63.3 million decrease in labour, consumables, energy and maintenance costs during the quarter along with other costs including insurance, lab work, and service costs, primarily due to the temporary suspension of operations at the Jerritt Canyon Mine during the first quarter of 2023.

Partially offset by:

- a \$13.4 million increase in one-time standby costs primarily related to one-time severance and demobilization costs following the temporary suspension of mining activities at Jerritt Canyon;
 - a \$1.8 million increase in environmental duties and royalties due to the increased production at Ermitaño which resulted in increased royalties paid;
 - a \$1.6 million increase due to changes in inventory expense compared to the prior year;
 - a \$1.6 million increase in worker participation costs in Mexico; and
 - a stronger Mexican Peso against the U.S. dollar, which averaged 12% higher compared to the same period of 2022.
3. **Depletion, depreciation and amortization** in the year decreased \$11.1 million or 8% compared to the prior year primarily as a result of a \$30.3 million decrease related to lower depletion at Jerritt Canyon due to the temporary suspension of mining activities.

Partially offset by:

- a \$19.1 million increase in depletion and depreciation from the Mexican operations primarily due to an increase in throughput at San Dimas and Santa Elena in addition to a higher depletable base.
4. **General and administrative expense** in the year increased \$2.3 million or 6% compared to the prior year, primarily attributed to higher severance costs related to restructuring efforts to optimize the workforce during the year along with higher audit, legal and professional fees related to the Company's two ongoing NAFTA cases.
5. **Mine holding costs** increased by \$10.2 million compared to the prior year, primarily related to the temporary suspension of Jerritt Canyon and care and maintenance activities at Santa Elena. This was partially offset by lower holding costs due to the sale of La Guitarra and La Parrilla in the first and third quarters of 2023, respectively.
6. **Write down on asset held-for-sale** increased by \$7.2 million compared to the prior year as the Company recorded an additional write down related to La Parrilla based on the change in value of Silver Storm's shares at the end of the second quarter.
7. **Restructuring costs** for the year totalled \$6.9 million as the Company continued to focus on optimizing its workforce during the third and fourth quarters primarily at San Dimas, as well as the Durango regional office and Santa Elena.
8. **Impairment** of \$125.2 million on the Jerritt Canyon mine due to the temporary suspension of mining operations was recorded during the year. This was compared to 2022 where the Company recorded a reversal of impairment of \$12.3 million for La Guitarra, offset by a \$9.6 million impairment related to La Parrilla, based on the recoverable amount, being its fair value less cost of disposal.
9. **Loss on sale of mining interest** for the year increased by \$7.3 million compared to the prior year, following the sale of La Guitarra and La Parrilla to Sierra Madre and Silver Storm, respectively. The sale of La Guitarra was completed on March 29, 2023, and the Company received \$33.2 million in consideration net of transaction costs, before working capital adjustments, representing the value of the Sierra Madre shares received. Based on the carrying value of the asset at the time of disposal of \$34.3 million, and the working capital adjustment of \$0.2 million, along with changes in the foreign exchange rate between the time the asset was classified as held-for-sale and the closing date, the Company recorded a loss on disposition of \$1.4 million. The sale of La Parrilla was completed on August 14, 2023, and the Company received \$13.3 million in consideration net of transaction costs. Based on the carrying value of the asset of \$14.9 million, and the price of Silver Storm's shares at the time of disposal, the Company has recorded a loss on disposition of \$1.6 million. This is compared to 2022 in which the Company recorded a gain of \$4.3 million on the sale of a portfolio of royalty interests to Metalla, for total consideration of 4,168,056 Metalla shares with a fair value of \$21.5 million based on a share price of \$5.16 on the date of closing.
10. **Investment and other income** for the year totalled \$9.2 million compared to the prior year's loss of \$1.9 million. The increase in other income is primarily due to an unrealized gain on silver futures of \$4.3 million, compared to a loss of \$0.4 million in the prior year, interest income of \$6.5 million, compared to \$2.4 million in the prior year, as well as an unrealized loss on marketable securities of \$1.6 million, compared to a loss of \$3.9 million in the prior year.
11. **Finance costs** for the year increased by \$6.0 million compared to the prior year due to an increase in interest expense as a result of higher interest rates on the Company's revolving credit facility and additional interest from the issuance

of surety bonds during the year. Additionally, there was an increase in the accretion expense for decommissioning liabilities of \$2.2 million resulting from changes in the asset retirement obligations.

12. During the year ended December 31, 2023, the Company recorded an **income tax recovery** of \$60.8 million, compared to an income tax expense of \$52.9 million in 2022. The income tax recovery in 2023 was primarily driven by an impairment on non-current assets during the first quarter of 2023, along with foreign exchange and inflationary adjustments. The income tax expense in 2022 was primarily driven by the one-time payment Corporación First Majestic S.A. de C.V. ("CFM") made of approximately \$21.3 million and surrendering of certain tax loss carry forwards resulting in a non-cash deferred tax expense of \$54.0 million in the second quarter of 2022.
13. As a result of the foregoing, **net loss** for the year ended December 31, 2023 was \$135.1 million (EPS of (\$0.48)), compared to the net loss of \$114.3 million (EPS of (\$0.43)) in the prior year.

For the quarters ended December 31, 2023 and 2022 (in thousands of dollars, except for per share amounts):

	Fourth Quarter 2023	Fourth Quarter 2022	Variance %
Revenues	\$136,946	\$148,189	(8%) (1)
Mine operating costs			
Cost of sales	89,395	126,148	(29%) (2)
Depletion, depreciation and amortization	29,650	35,307	(16%) (3)
	119,045	161,455	(26%)
Mine operating earnings (loss)	17,901	(13,266)	NM
General and administrative expenses	8,149	8,165	0%
Share-based payments	2,466	2,845	(13%)
Mine holding costs	7,338	2,645	177% (4)
Restructuring costs	455	—	100% (5)
Impairment of non-current assets	—	4,934	(100%) (6)
Gain on sale of mining interest	—	(4,301)	(100%) (7)
Foreign exchange gain	(2,931)	(2,716)	8%
Operating earnings (loss)	2,424	(24,838)	110%
Investment and other income (loss)	1,005	(962)	NM (8)
Finance costs	(6,592)	(5,662)	16% (9)
Loss before income taxes	(3,163)	(31,462)	90%
Current income tax expense	8,770	5,038	74%
Deferred income tax recovery	(22,164)	(19,681)	13%
Income tax recovery	(13,394)	(14,643)	9% (10)
Net earnings (loss) for the period	\$10,231	(\$16,819)	161% (11)
Earnings (loss) per share (basic and diluted)	\$0.04	(\$0.06)	157% (11)

NM - Not meaningful

1. **Revenues** in the quarter decreased \$11.2 million compared to the same quarter of the prior year primarily attributed to:

- an 11% decrease in the total number of payable AgEq ounces sold compared to the fourth quarter of 2022 which resulted in a decrease in revenues of \$15.7 million. This was primarily due to the temporary suspension of mining activities at Jerritt Canyon in 2023 and slightly lower production at San Dimas and La Encantada.

Partially offset by:

- a 29% increase in payable AgEq ounces produced at Santa Elena; and
- a 4% increase in the average realized silver price, which was \$24.16 per ounce during the quarter, compared to \$23.24 per ounce in the fourth quarter of 2022. This resulted in a \$4.6 million increase in revenue compared to the same quarter of the prior year.

2. **Cost of sales** in the quarter decreased \$36.8 million compared to the same quarter of the prior year primarily due to:

- a \$34.4 million decrease in labour, consumables, energy, other costs including insurance, lab work, and maintenance costs during the quarter primarily due to the temporary suspension of mining activities at Jerritt Canyon during the first quarter of 2023;
- a \$3.0 million decrease in change in inventory expense compared to the same quarter of 2022; and
- a \$2.7 million decrease in worker participation costs in Mexico.

Partially offset by:

- a \$1.1 million increase in environmental duties and royalties due to the increased production at Ermitaño which resulted in increased royalties paid;
- an inventory write-down of \$0.7 million at La Encantada related to higher costs due to lower grades, recoveries and throughput; and
- a stronger Mexican Peso against the U.S. dollar, which averaged 11% higher compared to the same period of 2022.

3. **Depletion, depreciation and amortization** in the quarter decreased \$5.7 million compared to the same quarter of the previous year, primarily as a result of:

- a decrease of \$10.3 million related to lower depletion at Jerritt Canyon following the temporary suspension in the first quarter of 2023.

Partially offset by:

- an increase in depletion of \$4.4 million related to the increase in production from Santa Elena and an increase in depletable assets following the reclassification from non-depletable to depletable mineral interest in the first quarter of 2023.

4. **Mine holding costs** increased by \$4.7 million compared to the same quarter of 2022, primarily related to the temporary suspension of Jerritt Canyon. This was partially offset by lower holding costs due to the sale of La Guitarra and La Parrilla in the first and third quarters of 2023, respectively.

5. **Restructuring Costs** for the quarter totalled \$0.5 million as the Company continues to focus on optimizing its workforce at San Dimas.

6. **Impairment of non-current assets** for the quarter decreased by \$4.9 million compared to the same quarter of 2022, primarily due to the announcement of the sale of the La Guitarra and the La Parrilla mines in Mexico in 2022. During the fourth quarter of 2022, the Company recorded a reversal of impairment loss related to the La Guitarra mine of \$4.7 million, along with a \$9.6 million impairment loss related to La Parrilla, based on the recoverable amount implied by the purchase agreements. The sale of both of these assets were completed in 2023.

7. **Gain on sale of mining interest** for the quarter decreased by \$4.3 million compared to the fourth quarter of the prior year. This was due to the sale of a portfolio of royalty interests to Metalla in the fourth quarter of 2022. The royalty interests were sold for a total consideration of 4,168,056 Metalla shares with a fair value of \$21.5 million based on a share price of \$5.16 on the date of closing.

8. **Investment and other income** for the quarter increased by \$2.0 million compared to the fourth quarter of the prior year, primarily due to a loss from investment in silver future derivatives of \$0.5 million, compared to a loss of \$3.6 million in the same quarter of the prior year. This was partially offset by interest income of \$1.6 million, compared to \$2.2 million in the same quarter of the prior year.

9. **Finance costs** in the quarter increased by \$0.9 million compared to the fourth quarter of the prior year due to an increase in the accretion expense for decommissioning liabilities resulting from changes in the asset retirement obligation. Additionally, there was an increase in interest expense as a result of higher interest rates on the Company's revolving credit facility along with additional interest from the surety bonds issued during the third quarter of 2023.

10. During the quarter, the Company recorded an **income tax recovery** of \$13.4 million compared to a recovery of \$14.6 million in the fourth quarter of 2022. The decrease in income tax recovery was primarily due to an increase in current income tax expense of \$3.7 million resulting from higher earnings at its Mexican operations. This was partially offset by an increase in deferred income tax recovery of \$2.5 million.

11. As a result of the foregoing, **net earnings** for the quarter was \$10.2 million (EPS of \$0.04) compared to a net loss of \$16.8 million (EPS of (\$0.06)) in the same quarter of the prior year.

SUMMARY OF QUARTERLY RESULTS

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

Selected Financial Information	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$136,946	\$133,211	\$146,692	\$156,952	\$148,189	\$159,751	\$159,443	\$156,838
Cost of sales	\$89,395	\$92,187	\$104,607	\$123,868	\$126,148	\$120,707	\$113,619	\$111,213
Depletion, depreciation and amortization	\$29,650	\$27,998	\$32,587	\$34,429	\$35,307	\$35,707	\$34,212	\$30,556
Mine operating earnings (loss)	\$17,901	\$13,026	\$1,138	(\$6,423)	(\$13,266)	\$3,337	\$11,612	\$15,069
Net earnings (loss) after tax	\$10,231	(\$27,149)	(\$17,534)	(\$100,660)	(\$16,819)	(\$20,692)	(\$84,050)	\$7,285
Earnings (loss) per share - basic	\$0.04	(\$0.09)	(\$0.06)	(\$0.37)	(\$0.06)	(\$0.08)	(\$0.32)	\$0.03
Earnings (loss) per share - diluted	\$0.04	(\$0.09)	(\$0.06)	(\$0.37)	(\$0.06)	(\$0.08)	(\$0.32)	\$0.03

During the fourth quarter of 2023, mine operating earnings was \$17.9 million compared to earnings of \$13.0 million in the previous quarter. The increase in mine operating earnings was primarily due to an increase in operating earnings at Santa Elena of \$8.0 million representing a 41% increase compared to the third quarter. The increase in operating earnings at Santa Elena was attributable to stronger metal recoveries and grades from Ermitaño which allowed the mine to achieve a new quarterly production record and increase revenues by 17%.

The net earnings for the quarter was \$10.2 million compared to a net loss of \$27.1 million in the prior quarter. The increase in earnings is primarily attributed to an income tax recovery of \$13.4 million, compared to an expense of \$3.6 million in the prior quarter. Additionally, there was a decrease in restructuring costs of \$6.0 million compared to the prior quarter due to workforce optimization efforts in the third quarter of 2023, and a decrease in general and administrative expenses of \$2.3 million.

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at December 31, 2023, the Company had cash and cash equivalents of \$125.6 million, comprised primarily of cash held with reputable financial institutions and is invested in cash accounts and in highly liquid short-term investments with maturities of three months or less. With the exception of \$1.9 million held in-trust for tax audits in Mexico, the Company's cash and cash equivalents are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations. On August 3, 2023, the Company filed and obtained a receipt for a final short form base shelf prospectus in each province of Canada (other than Quebec), and a registration statement on Form F-10 in the United States, which will allow the Company to undertake offerings (including by way of "at-the-market distributions") under one or more prospectus supplements of various securities listed in the shelf prospectus, up to an aggregate total of \$500.0 million, over a 25-month period commencing as of the filing date of the base shelf prospectus.

Working capital as at December 31, 2023 was \$188.9 million compared to \$202.9 million at December 31, 2022. Total available liquidity at December 31, 2023 was \$313.6 million, including working capital of \$188.9 compared to \$277.9 million at December 31, 2022. The Company has \$124.6 million of undrawn revolving credit facility compared to \$75.0 million at December 31, 2022.

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

	Year Ended December 31,	
	2023	2022
Cash flow		
Cash generated by operating activities	\$55,614	\$18,988
Cash used in investing activities	(153,999)	(213,797)
Cash provided by financing activities	64,649	113,886
Decrease in cash and cash equivalents	(\$33,736)	(\$80,923)
Effect of exchange rate on cash and cash equivalents held in foreign currencies	2,660	(346)
Cash and cash equivalent reclassified as held for sale	—	(5,219)
Change in cash and cash equivalents classified as held for sale	5,219	—
Cash and cash equivalents, beginning of the year	151,438	237,926
Cash and cash equivalents, end of year	\$125,581	\$151,438

The Company's cash flows from operating, investing and financing activities during the year ended December 31, 2023 are summarized as follows:

- **Cash generated by operating activities** of \$55.6 million, primarily due to:
 - \$99.2 million in cash flows from operating activities before movements in working capital and taxes; net of:
 - \$24.7 million in income taxes paid during the period; and
 - \$18.9 million net change in non-cash working capital items during the period, including a \$7.8 million increase in value added tax ("VAT") receivables, a \$6.2 million decrease in trade payable, a \$3.1 million increase in prepaid expenses, a \$1.5 million increase in trade and other receivables, a \$0.5 million increase in inventories, a \$0.5 million increase in income taxes payable, and a \$0.4 million increase in restricted cash.

- **Cash used in investing activities** of \$154.0 million, primarily related to:
 - \$114.0 million spent on mine development and exploration activities;
 - \$32.0 million spent on purchase of property, plant and equipment;
 - \$5.4 million disposal of cash that was held for sale as part of the disposition of La Guitarra;
 - \$1.4 million spent on deposits on non-current assets;
 - \$2.5 million spent on purchasing marketable securities;
 net of:
 - \$1.3 million of proceeds from the disposals of marketable securities.

- **Cash provided by financing activities** of \$64.6 million, primarily consists of the following:
 - \$92.1 million of net proceeds from the issuance of shares through the ATM program;
 - \$2.1 million of net proceeds from the exercise of stock options;
 net of:
 - \$15.2 million for repayment of lease obligations;
 - \$8.5 million payment of financing costs; and
 - \$5.9 million for the payment of dividends during the period.

During the year ended December 31, 2023, the Company received \$56.5 million (954.0 million MXN) related to value added tax filings ("VAT"). In connection with the tax ruling relating to Primero Empresa Minera, S.A. de C.V. ("PEM"), the Servicio de Administracion Tributaria's (the "SAT"), the Mexican tax authority, has frozen a PEM bank account which contains approximately \$107.2 million as security for certain tax re-assessments that are currently being disputed by PEM, and this amount is reflected in the Company's restricted cash accounts. This balance consists of VAT refunds that are owed to PEM and that are currently being withheld from PEM due to the freezing of the bank account into which the SAT is depositing these refunds. The Company does not agree with the SAT's position regarding its tax re-assessments and is challenging the freezing of the bank account, and the failure to provide access to the VAT refunds in such bank account, through various legal actions, both domestically in Mexico and internationally through the NAFTA arbitration process.

During the year, the Company received total funds of \$28.7 million which was previously classified as restricted cash. These funds related to an interest-bearing account previously held with AIG (the "Commutation Account"). The Commutation Account principal plus interest earned on the principal was used to fund ongoing reclamation and mine closure activities. The Company elected to extinguish all rights under the policy releasing AIG from reclamation cost and financial assurance liabilities by replacing the policy with surety bonds on June 28, 2023.

Reconciliation on Use of Proceeds from ATM Programs

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

During the year ended December 31, 2023, the Company sold 13,919,634 common shares under the ATM programs at an average price of \$6.79 per common share for gross proceeds of \$94.5 million, or net proceeds of \$92.1 million after costs. The use of proceeds from the amount raised in the current year is reconciled as follows:

Gross Proceeds:	\$94,524
Use of Proceeds:	
Exploration	32,158
Expansionary development	35,767
Sustaining development	24,167
Offering expenses	2,432
	\$94,524

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

The Company is not subject to any externally imposed capital requirements with the exception of complying with banking covenants defined in its debt facilities. As at December 31, 2023 and December 31, 2022, the Company was fully in compliance with these covenants.

Contractual Obligations and Commitments

As at December 31, 2023, the Company's contractual obligations and commitments are summarized as follows:

	Contractual Cash Flows	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$94,413	\$94,413	\$—	\$—	\$—
Debt facilities	258,264	3,104	25,088	230,072	—
Lease liabilities	40,572	17,465	18,624	3,805	678
Other liabilities	5,592	—	394	5,198	—
Purchase obligations and commitments	172	172	—	—	—
	\$399,013	\$115,154	\$44,106	\$239,075	\$678

At December 31, 2023, the Company had working capital of \$188.9 million (December 2022 - \$202.9 million) and total available liquidity of \$313.6 million (December 2022 - \$277.9 million), including \$124.6 million (December 2022 - \$75.0 million) of undrawn revolving credit facility.

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

MANAGEMENT OF RISKS AND UNCERTAINTIES

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, commodity price risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors. Some of these risks and uncertainties are detailed below. For a comprehensive list of the Company's risks and uncertainties, see the Company's most recent AIF under the heading "Risk Factors". The AIF is available under our SEDAR+ profile at www.sedarplus.ca, and on EDGAR as an exhibit to Form 40-F.

Credit Risk

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

As at December 31, 2023, net VAT receivable was \$52.7 million (December 31, 2022 - \$44.9 million), of which \$27.5 million (December 31, 2022 - \$21.6 million) relates to Minera La Encantada S.A. de C.V. ("MLE") and \$29.0 million (December 31, 2022 - \$17.7 million) relates to PEM, offset by VAT payable balances.

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

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

Liquidity Risk

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

Indebtedness

As of December 31, 2023, the Company's total consolidated indebtedness was \$352.9 million, \$20.4 million of which was secured indebtedness.

The Company may be required to use a portion of its cash flow to service principal and interest owing thereunder, which will limit the cash flow available for other business opportunities. The Company may in the future determine to borrow additional funds from lenders. For further details regarding this risk, see the section in the AIF entitled "Risk Factors – Financial Risks – Indebtedness".

Currency Risk

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

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

	December 31, 2023						
	Cash and cash equivalents	Restricted cash	Value added taxes receivable	Other financial assets	Trade and other payables	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian Dollar	\$11,645	\$—	\$—	\$1,565	(\$4,009)	\$9,201	\$920
Mexican Peso	6,380	107,165	52,737	—	(61,936)	104,346	10,435
	\$18,025	\$107,165	\$52,737	\$1,565	(\$65,945)	\$113,547	\$11,355

Commodity Price Risk

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

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

	December 31, 2023		
	Effect of +/- 10% change in metal prices		
	Silver	Gold	Total
Metals in doré inventory	\$1,604	\$523	\$2,127
	\$1,604	\$523	\$2,127

Interest Rate Risk

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

As at December 31, 2023, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities and lease liabilities. Based on the Company's interest rate exposure at December 31, 2023, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

Political and Country Risk

First Majestic currently conducts foreign operations in Mexico and the United States, and as such the Company's operations are exposed to various levels of political and economic risks by factors outside of the Company's control. These potential factors include, but are not limited to: royalty and tax increases or claims by governmental bodies, the ongoing hostilities in Ukraine and the Middle East, expropriation or nationalization, foreign exchange controls, high rates of inflation, fluctuations in foreign currency exchange rates, import and export tariffs and regulations, lawlessness, cancellation or renegotiation of contracts and environmental and permitting regulations, illegal mining operations by third parties on the Company's properties, labour unrest and surface access issues. The Company currently has no political risk insurance coverage against these risks.

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

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

There is a degree of uncertainty attributable to the estimation of Mineral Resources and Mineral Reserves (as defined in the Canadian Institute of Mining's Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines and included by reference in the Canadian Securities Administrators' National Instrument 43-101). Until Mineral Reserves or Mineral Resources are actually mined, extracted and processed, the quantity of minerals and their grades must be considered estimates only. In addition, the quantity of Mineral Reserves and Mineral Resources may vary depending on, among other things, applicable metal prices, exchange rates assumptions used, underground stability conditions, the ability to maintain constant underground access to all working areas, geological variability, mining methods assumptions used and operating cost escalation. Any material change in the quantity of Mineral Reserves, Mineral Resources, grade or dimensions of the geological structures may affect the economic viability of some or all of the Company's mineral properties and may have a material adverse effect on the Company's operational results and financial condition. Mineral Reserves on the Company's properties have been estimated on the basis of economic factors at the time of calculation, including commodity prices and operating costs; variations in such factors may have an impact on the amount of the Company's Mineral Reserves. In addition, there can be no assurance that metal recoveries in small scale laboratory tests will be replicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue.

Governmental Regulations, Licenses and Permits

On May 8, 2023, the Mexican Government enacted a decree amending several provisions of the Mining Law, the Law on National Waters, the Law on Ecological Equilibrium and Environmental Protection and the General Law for the Prevention and Integral Management of Waste (the "Decree"), which became effective on May 9, 2023. The Decree amends the mining and water laws, including: (i) the duration of the mining concession titles, (ii) the process to obtain new mining concessions (through a public tender), (iii) imposing conditions on water use and availability for the mining concessions, (iv) the elimination of "free land and first applicant" scheme; (v) new social and environmental requirements in order to obtain and keep mining concessions, (vi) the authorization by the Ministry of Economy of any mining concession's transfer, (vii) new penalties and cancellation of mining concessions grounds due to non-compliance with the applicable laws, (viii) the automatic dismissal of any application for new concessions, and (ix) new financial instruments or collaterals that should be provided to guarantee the preventive, mitigation and compensation plans resulting from the social impact assessments, among other amendments.

These amendments are expected to have an impact on our current and future exploration activities and operations in Mexico and the extent of such impact is yet to be determined but could be material for the Company. On June 7, 2023, the Senators of the opposition parties (PRI, PAN and PRD) filed a constitutional action against the Decree, which is pending to be decided by Plenary of the Supreme Court of Justice. Additionally, during the second quarter of 2023, the Company filed amparo lawsuits, challenging the constitutionality of the Decree. Those amparo lawsuits are pending to be decided by the District Courts. For further details regarding risks relating to government regulations, licenses and permits, see the section in the AIF entitled "*Risk Factors – Operational Risks – Governmental Regulations, Licenses and Permits*".

Public Health Crises

Global financial conditions and the global economy in general have, at various times in the past and may in the future, experience extreme volatility in response to economic shocks or other events. Many industries, including the mining industry, are impacted by volatile market conditions in response to the widespread outbreak of epidemics, pandemics, or

other health crises. Such public health crises and the responses of governments and private actors can result in disruptions and volatility in economies, financial markets, and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could impact commodity prices, interest rates, credit ratings, credit risk and inflation.

Any public health crises could materially and adversely impact the Company's business, including without limitation, employee health, workforce availability and productivity, limitations on travel, supply chain disruptions, increased insurance premiums, increased costs and reduced efficiencies, the availability of industry experts and personnel, restrictions on the Company's exploration and drilling programs and/or the timing to process drill and other metallurgical testing and the slowdown or temporary suspension of operations at some or all of the Company's properties, resulting in reduced production volumes. Any such disruptions could have an adverse effect on the Company's production, revenue, net income and business.

Environmental and Health and Safety Risks

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

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

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

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

The Company intends to, and attempts to, fully comply with all applicable environmental regulations, however the Company's ability to conduct adequate maintenance and safety protocols may be considerably constrained or even prevented in areas where its control is impacted by criminal activities, such as the San Martin mine. Although the Company has repeatedly requested all applicable governmental authorities to take action to secure the area, to date, the Mexican government has failed to take any such action and the Company's own efforts have been unsuccessful. Due to this situation, the Company has been unable to conduct care and maintenance activities at San Martin since its remaining employees were withdrawn in 2021 and the Company has limited information as to the current state of repair at the mine, including the tailing storage facility. As a result, there may be an increased risk that an environmental incident may occur at this operation and, as applicable Mexican laws impose strict liability on the property owner, the Company could incur material financial liabilities and suspension of authorizations as a result.

While responsible environmental stewardship is a top priority for the Company, there can be no assurance that the Company has been or will be at all times in complete compliance with applicable environmental laws, regulations and permits, or that the costs of complying with current and future environmental laws and permits will not materially and adversely affect the Company's business, results of operations or financial condition.

Natural Protected Areas Risk

Pursuant to the General Law of Ecological Equilibrium and Environmental Protection (the "General Law"), the Government of Mexico may, from time to time, establish Natural Protected Areas. There are a variety of different levels of environmental protection provided under the General Law which limit the economic activity that may be undertaken in any particular Natural Protected Area. The Mexican government has announced its intention to create additional Natural Protected Areas in Mexico. Although there are currently no Natural Protected Areas in effect in the vicinity of the Company's mining operations in Mexico, there can be no assurance that any such area will not be established in the future. In the event that a Natural Protected Area is established over land which is a part of or is nearby to any of the Company's mineral properties in Mexico, the Company's activities on such properties may be restricted or prevented entirely which may have a material adverse impact on the Company's business.

Climate Related Risks

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

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

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

Substantial Decommissioning and Reclamation Costs

During the year ended December 31, 2023, the Company reassessed its reclamation obligation at each material mine based on updated life of mine ("LOM") estimates, rehabilitation, and closure plans. The total discounted amount of estimated cash flows required to settle the Company's estimated obligations is \$151.6 million, which has been discounted using a risk-free rate of 9.7% for the mines in Mexico and 4.7% for the Jerritt Canyon Gold Mine. The estimated decommissioning and reclamation obligations breakdown primarily consists of \$101.3 million for the reclamation obligation of the Jerritt Canyon Gold Mine, including \$17.6 million related to the Environmental Trust that was funded on October 31, 2022; \$14.2 million for the San Dimas Silver/Gold Mine; \$12.7 million for the Santa Elena Silver/Gold Mine; \$11.7 million for the La Encantada Silver Mine; \$7.0 million for the San Martin Silver Mine; and \$4.1 million for the Del Toro Silver. The present value of the reclamation liabilities may be subject to change based on management's current and future estimates, changes in the remediation technology or changes to applicable laws and regulations. Such changes will be recorded in our accounts as they occur.

The costs of performing the decommissioning and reclamation must be funded by the Company's operations. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and 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. Each of these matters is subject to various uncertainties and it is possible that some of these other matters may be resolved in a manner that is unfavourable to the Company which may result in a material adverse impact on the Company's financial performance, cash flow or results of operations. First Majestic carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated, however there can be no guarantee that the amount of such coverage is sufficient to protect against all potential liabilities. In addition, the Company may in the future be subjected to regulatory investigations or other proceedings and may be involved in disputes with other parties in the future which may result in a significant impact on our financial condition, cash flow and results of operations.

Title of Properties

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

In Mexico, legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands; accordingly, title holders of mining concessions must obtain agreement from surface landowners to obtain suitable access to mining concessions and for the amount of compensation in respect of mining activities conducted on such land. If the Company is unable to agree to terms of access with the holder of surface rights with respect to a particular claim, the Company may be able to gain access through a regulatory process in México, however there is no guarantee that such process will be successful or timely or that the terms of such access will be favorable to the Company. In any such event, access to the Company's properties may be curtailed, which may result in reductions in production and corresponding reductions in revenue. Any such reductions could have a material adverse effect on the Company, its business and its results of operations.

Primero Tax Rulings

When Primero, the previous owner of San Dimas acquired the San Dimas Mine in August 2010, it assumed the obligations under a Silver Purchase Agreement ("Old Stream Agreement") that required its subsidiary PEM to sell exclusively to Wheaton Precious Metals ("WPMI") up to 6 million ounces silver produced from the San Dimas Mine, and 50% of silver produced thereafter, at the lower of: (i) the spot market price and (ii) \$4.014 per ounce plus an annual increase of 1% ("PEM Realized Price"). In May 2018, the Old Stream Agreement was terminated between WPMI and Silver Trading (Barbados) Limited ("STB") in connection with the Company entering into a new stream agreement with WPMI concurrent with the acquisition of Primero by the Company.

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

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

In August 2015, the SAT commenced a legal process seeking to retroactively nullify the APA.

In 2019, the SAT issued reassessments for the 2010 to 2012 tax years in the total amount of \$359.3 million (6,070 million MXN) inclusive of interest, inflation, and penalties. In 2021, the SAT also issued a reassessment against PEM for the 2013 tax year in the total amount of \$189.9 million (3,208 million MXN) and in 2023, the SAT issued reassessments for the 2014, 2015, and 2016 tax years in the total amount of \$484.2 million (8,179 million MXN) inclusive of interest, inflation, and penalties (collectively, the "Reassessments"). The Company believes that the Reassessments fail to recognize the applicability of a valid transfer pricing methodology. The major items in the Reassessments include determination of revenue based on silver spot market prices, denial of the deductibility of interest expense and service fees, SAT technical error related to double counting of taxes, and interest and penalties.

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

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

Domestic Remedies

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

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

The Company filed an appeal of the decision to the Mexican Circuit Courts on November 30, 2020. As two writs of certiorari were filed before the Mexican Supreme Court of Justice, on April 15, 2021, the Plenary of the Supreme Court i) admitted one of those writs, ii) requested the Circuit Court to send the appeal file to them, and iii) assigned such writ to the Second Chamber of the Supreme Court for issuing the corresponding decision. Both writs of certiorari were withdrawn in December 2022. The challenge filed by the Company was returned to the Mexican Circuit Courts and on December 5, 2023, the Second Collegiate Court issued a decision, which was formally notified to the Company on January 4, 2024.

In such decision, the Second Collegiate Court partially granted constitutional protection to the Company with respect to certain matters, but not others.

Accordingly, on January 18, 2024, PEM filed an extraordinary appeal to the Mexican Supreme Court of Justice with respect to the Second Collegiate Court's decision, and PEM is currently waiting for the Supreme Court to admit such appeal.

International Remedies

i. NAFTA APA Claim

The Company submitted a Request for Arbitration dated March 1, 2021 to the International Centre for Settlement of Investment Disputes ("ICSID"), on its own behalf and on behalf of PEM, pursuant to Chapter 11 of NAFTA. On March 31, 2021, the Notice of Registration of the Request for Arbitration was issued by the ICSID Secretariat. Once the NAFTA Arbitration Panel (the "Tribunal") was fully constituted on August 20, 2021 by the appointment of all three panel members, the NAFTA arbitration proceedings in respect of the APA (the "NAFTA APA Claim") were deemed to have been fully commenced. The first session of the Tribunal was held by videoconference on September 24, 2021 to decide upon the procedural rules which will govern the NAFTA APA Claim. The Tribunal issued Procedural Order No. 1 on October 21, 2021. Thereafter, on April 26, 2022, the Company submitted its Claimant's Memorial including expert reports and witness statements to the Tribunal, and in response, Mexico submitted its Counter-Memorial dated November 25, 2022. On January 4, 2023, the Company submitted a Request for Provisional Measures (the "PM Request") to the Tribunal. Following a reply that was filed by Mexico on February 10, 2023, a hearing regarding the request took place on March 13, 2023. On May 26, 2023, the Tribunal partially granted the provisional measures requested by the Company, issuing an order for the Government of Mexico to permit the withdrawal of the Company's VAT refunds for the period as of January 4, 2023 that

had been deposited by the SAT into a frozen bank account and to deposit all future VAT refunds into an account which shall remain freely accessible by the Company (the "PM Decision"). On June 15, 2023, the Company requested Mexico to comply with the PM Decision, and in response, on June 19, 2023, Mexico filed a Revocation Request against the PM Decision. On July 21, 2023, the Company filed its response to Mexico's Revocation Request.

On July 28, 2023, the Government of Mexico filed a Preliminary Objection to Jurisdiction (the "Preliminary Objection") and Request for Bifurcation (the "Bifurcation Request") in which it has requested that the Tribunal should stay the merits phase of the international arbitration commenced in 2021, and instead proceed to examine on a preliminary basis, under what is commonly called a bifurcated procedure, whether the Company's commencement of the new NAFTA Chapter 11 proceeding limited to the recovery of PEM's VAT refunds (as discussed further below) impinges on the Tribunal's jurisdiction. On September 1, 2023, the Company submitted its response to the Preliminary Objection that had been filed by Mexico.

In addition, also on September 1, 2023, after receiving the Company's submissions opposing the Revocation Request, the Tribunal issued its decision dismissing Mexico's Revocation Request, and reaffirming the PM Decision. The Government of Mexico is therefore obligated to comply with the PM Decision which requires payment of VAT refunds owing to PEM as of January 4, 2023 and into the future until the final award is rendered by the Tribunal.

On October 9, 2023, Mexico filed a reply to the Company's response on the Preliminary Objection. The Company's rejoinder on the Preliminary Objection was filed on November 6, 2023. The Tribunal rendered its decision dismissing the Preliminary Objection on December 20, 2023. The Tribunal confirmed that the second arbitration regarding the recovery of the VAT refunds (the NAFTA VAT Claim, as defined in the section below) does not breach the waiver under NAFTA (i.e. the same measures are not in dispute). Both the NAFTA APA Claim and the NAFTA VAT Claim may now proceed. As a result, the Tribunal did not need to consider Mexico's Bifurcation Request, as that became a moot point.

Subsequent to the end of the financial year ended December 31, 2023, on February 12, 2024, Mexico filed a request (the "Consolidation Request") with ICSID pursuant to the procedure in Article 1126 of NAFTA to consolidate the NAFTA APA Claim and the NAFTA VAT Claim (as defined below), and has requested a stay in both of these arbitration proceedings until a new tribunal has been constituted to decide on the Consolidation Request. We expect that a separate tribunal to consider the Consolidation Request will be constituted within 60 days of the date of the Consolidation request, and once constituted, it will take 4-6 months for the tribunal to decide on whether to approve the Consolidation Request. During this period, both the NAFTA APA Claim and the NAFTA VAT Claim will be stayed.

If the SAT's attempts to retroactively nullify the APA are successful, the SAT can be expected to enforce any Reassessments for 2010 through 2014 against PEM in respect of its sales of silver pursuant to the Old Stream Agreement. Such an outcome would likely have a material adverse effect on the Company's results of operations, financial condition and cash flows. Should the Company ultimately be required to pay tax on its silver revenues based on spot market prices without any mitigating adjustments, the incremental income tax for the years 2010-2019 would be approximately \$314.2 million (5,307 million MXN), before taking into consideration interest or penalties.

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

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

ii. NAFTA VAT Claim

On March 31, 2023, the Company filed a new Notice of Intent on its own behalf and on behalf of PEM under the "legacy investment" claim provisions contained in Annex 14-C of the Canada-United States-Mexico Agreement ("CUSMA") and Chapter 11 of NAFTA to invite the Government of Mexico to engage in discussions to resolve the dispute regarding the ongoing denial of access to PEM's VAT refunds ("NAFTA VAT Claim") within the stipulated 90-day consultation period. On June 29, 2023, the Company submitted its Request for Arbitration for the NAFTA VAT Claim to ICSID in order to preserve its legacy claim within NAFTA's applicable limitation period. The Request for Arbitration was registered by ICSID on July 21, 2023. In light of the Consolidation Request (described above), the NAFTA VAT Claim will be stayed until the separate tribunal that will be constituted in respect of the Consolidation Request has rendered its decision as to whether or not the

request should be approved. Accordingly, the tribunal for the NAFTA VAT Claim will not be constituted until a decision has been made regarding the Consolidation Request.

While the Company remains confident in its position with regards to its two NAFTA claims, it continues to engage with the Government of Mexico in consultation discussions so as to amicably resolve these disputes.

La Encantada Tax Re-assessments

In December 2019, as part of the ongoing annual audits of the tax returns of Minera La Encantada S.A. de C.V. ("MLE") and Corporacion First Majestic S.A. de C.V. ("CFM"), the SAT issued tax assessments for fiscal 2012 and 2013 for corporate income tax in the amount of \$14.2 million (239 million MXN) and \$45.0 million (761 million MXN) including interest, inflation and penalties, respectively. In December 2022, the SAT issued tax assessments to MLE for fiscal years 2014 and 2015 for corporate income tax in the amount of \$19.1 million (322 million MXN) and \$239.8 million (4,051 million MXN). In 2023, the SAT issued a tax assessment to MLE for the fiscal year 2016 for corporate income tax in the amount of \$3.5 million (59 million MXN). The major items relate to forward silver purchase agreement and denial of the deductibility of mine development costs and service fees. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes MLE's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

San Martin Tax Re-assessments

In 2023, as part of the ongoing annual audits of the tax returns of Minera El Pilon S.A. de C.V. ("MEP"), the SAT issued tax assessments for fiscal 2014, 2015 and 2016 for corporate income tax in the total amount of \$28.5 million (482 million MXN) including interest, inflation and penalties. The major items relate to forward silver purchase agreement and denial of the deductibility of mine development costs. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes MEP's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

La Parrilla Tax Re-assessments

In 2023, as part of the ongoing annual audits of the tax returns of First Majestic Plata S.A. de C.V. ("FMP"), the SAT issued tax assessment for fiscal 2014 and 2016 for corporate income tax in the total amount of \$29.9 million (506 million MXN) including interest, inflation and penalties. The major items relate to forward silver purchase agreement and denial of the deductibility of mine development costs. The Company continues to defend the validity of the forward silver purchase agreement and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes FMP's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

Del Toro Tax Re-assessments

In 2023, as part of the ongoing annual audits of the tax returns of First Majestic Del Toro S.A. de C.V. ("FMDT"), the SAT issued tax assessment for fiscal 2015 and 2016 for corporate income tax in the total amount of \$28.6 million (483 million MXN) including interest, inflation and penalties. The major items relate to and denial of the deductibility of mine development costs, refining costs, and other expenses. The Company continues to defend the validity of the expenses and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes FMDT's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

CFM Tax Re-assessments

In 2023, as part of the ongoing annual audits of the tax returns of CFM the SAT issued tax assessment for fiscal 2016 for corporate income tax in the total amount of \$85.8 million (1,449 million MXN) including interest, inflation and penalties. The major item relates to planning that took place post-acquisition of Santa Elena (via the acquisition of SilverCrest Mines Inc. on October 1, 2015) at the Canadian level. Mexico contends a right to tax a disposition of the shares of SilverCrest Mines Inc. by First Majestic Silver Corp. although the transaction in question involved the disposition of the shares of one Canadian company by another Canadian company and was reported for tax purposes in Canada. The Company continues to defend the validity of the transaction in question and will vigorously dispute the assessments that have been issued. The Company, based on advice from legal and financial advisors, believes CFM's tax filings were appropriate and its tax filing position is correct, therefore no liability has been recognized in the financial statements.

First Silver litigation

In April 2013, the Company received a positive judgment on the First Silver litigation from the Supreme Court of British Columbia (the "Court"), which awarded the sum of \$93.8 million in favour of First Majestic against Hector Davila Santos (the "Defendant") in connection with a dispute between the Company and the Defendant and his private company involving a mine in México (the "Bolaños Mine") as set out further below. The Company received a sum of \$14.1 million in June 2013 as partial payment of the judgment, leaving an unpaid amount of approximately \$64.3 million (CAD\$81.5 million). As part of the ruling, the Court granted orders restricting any transfer or encumbrance of the Bolaños Mine by the Defendant and limiting mining at the Bolaños Mine. The orders also require 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. After many years of domestic Mexican litigation, the enforceability of the British Columbia judgment was finally recognized by the Mexican Supreme Court in a written judgment on November 11, 2022. The Company has commenced collection actions in Mexico against the Defendant's assets and continues to seek recovery of the balance against one of the Defendant's assets located in the United States. Nonetheless, there can be no guarantee that the remainder of the judgment amount will be collected. Therefore, as at December 31, 2023, the Company has not accrued any of the remaining \$64.3 million (CAD\$81.5 million) unrecovered judgment in favour of the Company.

OTHER FINANCIAL INFORMATION

Share Repurchase Program

The Company has an ongoing share repurchase program to repurchase up to 5,000,000 of the Company's issued and outstanding shares up to March 31, 2024. The normal course issuer bid will be carried out through the facilities of the Toronto Stock Exchange and alternative Canadian marketplaces. All common shares, if any, purchased pursuant to the share repurchase program will be cancelled. The Company believes that from time to time, the market price of its common shares may not fully reflect the underlying value of the Company's business and its future business prospects. The Company believes that at such times, the purchase of common shares would be in the best interest of the Company. During the year ended December 31, 2023, the Company repurchased an aggregate of nil common shares (December 2022 - 100,000) at an average price of \$nil per share as part of the share repurchase program (December 2022 - \$8.52) for total proceeds of \$nil (December 2022 - \$0.7 million), net of transaction costs.

Off-Balance Sheet Arrangements

At December 31, 2023, the Company had no material off-balance sheet arrangements such as contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Company, other than contingent liabilities and vendor liability and interest, as disclosed in this MD&A and the consolidated financial statements and the related notes.

Related Party Disclosures

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

In July 2020, the Company entered into a streaming agreement with First Mining to purchase 50% of the payable silver produced over the life of the Springpole Gold Project for total consideration of \$22.5 million in cash and shares, over three payments. Keith Neumeyer, our President & Chief Executive Officer, and Raymond Polman, a director of the Company, are each directors of First Mining and accordingly may be considered to have a conflict of interest with respect to First Mining and the Springpole Silver Stream Agreement.

With the exception of the agreement with First Mining, there were no transactions with related parties outside of the ordinary course of business during the year ended December 31, 2023.

Outstanding Share Data

As at February 21, 2024, the Company has 287,225,523 common shares issued and outstanding.

Senior Management Changes

During the year, in support of the reorganization and in alignment with First Majestic's growth strategy, the Corporate Secretary and General Counsel positions were combined. These positions were held by two officers who are no longer with the Company. Samir Patel, LL.B., was appointed as the Company's General Counsel & Corporate Secretary, and an officer of the Company.

In addition, Exploration and Technical Services were combined under the leadership of Gonzalo Mercado, Vice President of Exploration and Technical Services, and Michael Deal has been appointed as Vice President of Metallurgy and Innovation.

Finally, Mani Alkhafaji was appointed to the role of Vice President of Corporate Development & Investor Relations. Mr. Alkhafaji joined the Company in 2015 and most recently was Vice President of Business Planning & Procurement.

SUBSEQUENT EVENTS

The following significant events have occurred subsequent to December 31, 2023:

Declaration of Quarterly Dividend

On February 21, 2024, the Company's Board of Directors approved the declaration of its quarterly common share dividend of \$0.0048 per share, payable on or after March 28, 2024, to common shareholders of record at the close of business on March 14, 2024. This dividend was declared subsequent to the year-end and has not been recognized as a distribution to owners during the year ended December 31, 2023.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

The preparation of consolidated financial statements in conformity with IFRS as issued by the International Accounting Standards Board ("IASB") requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of

revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

Assets and liabilities held-for-sale

Accounting Policy

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

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

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

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

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

Significant estimates and judgements

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

Investments in Associates and Joint Ventures

As a result of the sale of the La Guitarra Mine and the La Parrilla Mine, the Company is a material shareholder of Sierra Madre and of Silver Storm. Judgement is needed to assess whether the Company's interest in an investee meets the definition of having significant influence and therefore requires to be accounted for under the equity method.

In making a judgement of whether the Company has significant influence over the entity, management has evaluated the ownership percentage as well as other qualitative factors including but not limited to representation on the Board of Directors, participation in operational or financial policy-making processes, material transactions between the Company and the investee, interchange of managerial personnel, provision of technical information and the nature of potential voting rights.

As part of this assessment, management has considered that until such time that the Company holds less than 19.9% of the outstanding shares, the Company has agreed to vote in the manner recommended by the Board of Directors of each of Sierra Madre and Silver Storm.

Based on the qualitative factors noted above, the restrictions imposed on voting rights, and the lack of rights to have or appoint members to the Board, the Company has determined that significant influence does not exist despite holding a 48% interest in Sierra Madre and a 41% interest in Silver Storm. The Company began accounting for the shares received from Sierra Madre and Silver Storm as equity securities at FVTOCI.

Impairment of Non-Current Asset

Once an indicator of impairment is identified, significant judgement is required to determine the recoverable amounts of the Company's mining interests. Following the temporary suspension of operations at Jerritt Canyon, the Company has determined that there was an indicator of impairment. The Company determined that the value of the cash generating unit

("CGU") can be estimated using the market approach, based on the implied value per in-situ ounce of the property, rather than from the future cash flows from continuing operations.

In estimating the fair value less costs of disposal ("FVLCD"), the Company took into account the consideration paid in recent transactions for comparable Companies and benchmarked the value per in-situ ounce at Jerritt Canyon against these transactions. The Company concluded that the resulting measurement is more representative of the fair value of the CGU in the circumstances existing at the end of the current period.

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

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

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

The amendments were applied effective January 1, 2023 and did not have a material impact on the Company's consolidated financial statements.

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

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

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

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

The amendments were applied effective January 1, 2023 and did not have a material impact on the Company's consolidated financial statements.

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

The amendments clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and decommissioning liabilities. The amendments were applied effective January 1, 2023 and did not have a material impact on the Company's consolidated financial statements.

[Impact of Pillar Two Legislation](#)

In December 2021, the Organization for Economic Co-operation and Development ("OECD") released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the "Amendments") International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on May 23, 2023.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred taxes and liabilities related to Pillar Two income taxes. This amendment to the IFRS Accounting Standards is mandatory effective for reporting periods beginning on or after January 1, 2023. For the year ended December 31, 2023, Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company has operations. However, the Pillar Two legislation does not apply to the Company, as its consolidated revenue does not meet the required threshold for applicability of EUR 750 million. The Company will continue to evaluate the potential impact on future periods of the Pillar Two framework, pending legislative adoption by additional individual companies.

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2023:

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

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

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

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

[Lease Liability in a Sale and Leaseback \(Amendments to IFRS 16\)](#)

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

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

[Supplier Financing Arrangements \(Amendments to IAS 7 and IFRS 7\)](#)

The amendments require disclosure requirements regarding the effects of supplier finance arrangements on their liabilities, cash flows and exposure to liquidity risk. Entities are required to disclose the following:

- The terms and conditions;
- The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are reflected in the balance sheet;
- Ranges of payment due dates; and
- Liquidity risk information

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

[Lack of Exchangeability \(Amendments to IAS 21\)](#)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Although this would be relatively uncommon, a lack of exchangeability might arise when a government imposes foreign exchange controls that prohibit the exchange of a currency or that limit the volume of foreign currency transactions. If a currency is deemed not exchangeable, an entity is required to disclose information about:

- The nature and financial effects of the currency not being exchangeable into the other currency;
- The spot exchange rate(s) used;
- The estimation process; and
- The risks to which the entity is exposed because of the currency not being exchangeable into the other currency.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025 although earlier application is permitted. This amendment is not expected to have a material impact on the Company's financial statements.

NON-GAAP MEASURES

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

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

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

Cash costs per AgEq ounce and total production cost per tonne are non-GAAP performance measures used by the Company to manage and evaluate operating performance at each of the Company's operating mining units, in conjunction with the related GAAP amounts. These metrics are widely reported in the mining industry as benchmarks for performance but do not have a standardized meaning and are disclosed in addition to IFRS measures. Management and investors use these metrics for comparing the costs against peers in the industry and for assessing the performance of each mine within the portfolio.

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

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

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

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

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

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

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

(expressed in thousands of U.S. Dollars, except ounce and per ounce amounts)	Three Months Ended December 31, 2023				
	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$16,413	\$11,762	\$3,941	\$—	\$32,117
Milling cost	9,338	10,089	5,570	—	24,997
Indirect cost	13,767	5,565	3,682	—	23,011
Total production cost (A)	\$39,519	\$27,413	\$13,192	\$—	\$80,124
Add: transportation and other selling cost	276	242	92	—	826
Add: smelting and refining cost	443	173	112	—	729
Add: environmental duty and royalties cost	422	3,068	201	—	3,691
Total cash cost (B)	\$40,660	\$30,896	\$13,597	\$—	\$85,370
Workers' participation	4,017	905	73	—	4,995
General and administrative expenses	—	—	—	—	7,787
Share-based payments	—	—	—	—	2,466
Accretion of decommissioning liabilities	367	258	269	—	894
Sustaining capital expenditures	9,301	4,002	2,818	—	16,121
Operating lease payments	427	1,958	963	—	3,738
All-In Sustaining Costs (C)	\$54,772	\$38,019	\$17,720	\$—	\$121,372
Payable silver equivalent ounces produced (D)	3,077,782	2,965,389	519,109	—	6,562,280
Payable gold ounces produced (E)	N/A	N/A	N/A	—	N/A
Tonnes milled (F)	215,232	233,601	203,898	—	652,731
Cash cost per AgEq ounce (B/D)	\$13.21	\$10.42	\$26.19	\$—	\$13.01
AISC per AgEq ounce (C/D)	\$17.80	\$12.82	\$34.14	\$—	\$18.50
Cash cost per Au ounce (B/E)	N/A	N/A	N/A	\$—	N/A
AISC per Au ounce (C/E)	N/A	N/A	N/A	\$—	N/A
Production cost per tonne (A/F)	\$183.61	\$117.36	\$64.70	N/A	\$122.76

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

(expressed in thousands of U.S. Dollars, except ounce and per ounce amounts)	Year Ended December 31, 2023				
	San Dimas	Santa Elena	La Encantada	Jerritt Canyon	Consolidated
Mining cost	\$65,076	\$42,040	\$16,044	\$27,297	\$150,457
Milling cost	34,457	37,924	22,316	26,853	121,550
Indirect cost	55,262	21,958	14,536	5,252	97,008
Total production cost (A)	\$154,795	\$101,919	\$52,896	\$59,402	\$369,012
Add: transportation and other selling cost	1,409	957	547	34	3,163
Add: smelting and refining cost	1,584	385	556	58	2,584
Add: environmental duty and royalties cost	1,452	9,769	825	834	12,880
Total cash cost (B)	\$159,240	\$113,030	\$54,824	\$60,328	\$387,639
Workers' participation	15,116	2,767	1,014	—	18,897
General and administrative expenses	—	—	—	—	37,203
Share-based payments	—	—	—	—	13,177
Accretion of decommissioning liabilities	1,467	1,032	1,076	514	4,089
Sustaining capital expenditures	33,042	16,794	5,858	7,994	64,630
Operating lease payments	932	7,584	3,597	—	13,609
All-In Sustaining Costs (C)	\$209,797	\$141,207	\$66,369	\$68,836	\$539,244
Payable silver equivalent ounces produced (D)	12,732,827	9,518,887	2,733,851	1,765,316	26,750,881
Payable gold ounces produced (E)	N/A	N/A	N/A	21,080	N/A
Tonnes milled (F)	875,345	882,592	966,392	177,643	2,901,972
Cash cost per AgEq ounce (B/D)	\$12.51	\$11.87	\$20.05	\$34.17	\$14.49
AISC per AgEq ounce (C/D)	\$16.48	\$14.83	\$24.28	\$38.99	\$20.16
Cash cost per Au ounce (B/E)	N/A	N/A	N/A	\$2,862	N/A
AISC per Au ounce (C/E)	N/A	N/A	N/A	\$3,262	N/A
Production cost per tonne (A/F)	\$176.84	\$115.48	\$54.74	\$334.39	\$127.16

Year Ended December 31, 2022

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

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

Average Realized Silver Price per Silver Equivalent Ounce

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

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

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Revenues as reported	\$136,946	\$148,189	\$573,801	\$624,222
Add back: smelting and refining charges	730	600	2,584	2,629
Gross revenues	137,676	148,789	576,385	626,851
Less: Sandstorm gold revenues	(11)	(220)	(518)	(1,148)
Less: Wheaton gold revenues	(6,604)	(6,832)	(26,499)	(26,053)
Gross revenues, excluding Sandstorm, Wheaton (A)	\$131,061	\$141,737	\$549,368	\$599,649
Payable silver equivalent ounces sold	6,295,250	7,007,210	27,205,471	30,320,473
Less: Payable silver equivalent ounces sold to Sandstorm	(1,571)	(35,385)	(90,114)	(200,509)
Less: Payable silver equivalent ounces sold to Wheaton	(869,860)	(873,498)	(3,525,412)	(3,462,825)
Payable silver equivalent ounces sold, excluding Sandstorm and Wheaton (B)	5,423,819	6,098,326	23,589,945	26,657,138
Average realized silver price per silver equivalent ounce (A/B)	\$24.16	\$23.24	\$23.29	\$22.49
Average market price per ounce of silver per COMEX	\$23.25	\$21.29	\$23.39	\$21.80

Average Realized Gold Price per Ounce

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

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

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Gross revenue, excluding Sandstorm, Wheaton	\$131,061	\$141,737	\$549,368	\$599,649
Less: Silver revenues	(56,684)	(56,119)	(243,682)	(237,107)
Gross gold revenues, excluding Sandstorm, Wheaton (A)	\$74,377	\$85,618	\$305,686	\$362,541
Gold ounces sold	47,550	59,511	202,063	246,265
Less: Gold ounces sold to Wheaton	(10,472)	(10,943)	(42,172)	(41,841)
Less: Gold ounces sold to Sandstorm	(22)	(465)	(1,094)	(2,433)
Gold ounces sold, excluding Sandstorm and Wheaton (B)	37,056	48,103	158,797	201,991
Average realized gold price per ounce (A/B)	\$2,007	\$1,780	\$1,925	\$1,795
Average market price per ounce of gold	\$1,977	\$1,731	\$1,943	\$1,801

Free Cash Flow

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

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Operating cash flows	\$19,925	(\$14,758)	\$55,614	\$18,988
Less: Sustaining capital expenditures	16,121	17,521	64,630	83,853
Free cash flow	\$3,804	(\$32,279)	(\$9,016)	(\$64,865)

Adjusted Earnings per Share (“Adjusted EPS”)

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

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

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

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

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

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

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net earnings (loss) as reported	\$10,231	(\$16,819)	(\$135,112)	(\$114,276)
Adjustments for non-cash or unusual items:				
Tax settlement	—	6,300	—	24,033
Impairment (reversal) of non-current assets	—	4,934	125,200	(2,651)
Deferred income tax recovery	(22,164)	(19,681)	(74,808)	(3,378)
Loss (gain) from investment in marketable securities	21	(425)	1,640	3,865
Loss (gain) on divestiture of mining interest	—	(4,301)	3,024	(4,301)
Share-based payments	2,466	2,845	13,177	13,958
Standby Costs	—	—	13,438	—
Abnormal costs ⁽¹⁾	—	436	—	3,553
Restructuring costs	455	—	6,883	—
Write-down on assets held-for-sale	—	—	7,229	—
Write-down of mineral inventory	659	9,314	15,500	23,767
Adjusted net loss	(\$8,332)	(\$17,397)	(\$23,829)	(\$55,430)
Weighted average number of shares on issue - basic	286,997,928	266,673,994	282,331,106	263,122,252
Adjusted EPS	(\$0.03)	(\$0.07)	(\$0.08)	(\$0.21)

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

Working Capital and Available Liquidity

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

	December 31, 2023	December 31, 2022
Current Assets	\$309,057	\$370,289
Less: Current Liabilities	(120,138)	(167,399)
Working Capital	\$188,919	\$202,890
Available Undrawn Revolving Credit Facility	124,640	75,000
Available Liquidity	\$313,559	\$277,890

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

The Company's management, with the participation of its President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that, as of December 31, 2023, 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.

The Company's management evaluated the effectiveness of our internal controls over financial reporting based upon the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation, our CEO and CFO concluded that our internal controls over financial reporting was effective as of December 31, 2023. There have been no significant changes in our internal controls during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

The Company's independent registered public accounting firm, Deloitte LLP, have audited these Consolidated Annual Financial Statements and have issued an attestation report dated February 21, 2024 on the Company's internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of Treadway Commission.

Limitations of Controls and Procedures

The Company's management, including the President and CEO and CFO, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, may not prevent or detect all misstatements because of inherent limitations. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. 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; interpretation of drill results and other technical data; anticipated development, expansion, exploration activities and production rates and costs and mine plans and mine life; the security situation at the San Martin mine; the estimated cost and timing of plant improvements at the Company's operating mines and development of the Company's development projects; construction and operations of the replacement well at La Encantada; the operations of the Company's central lab; the timing of completion of exploration programs and drilling programs; the restarting of operations or potential plans at the Company's temporarily suspended and/or non-operating mines; the temporary suspension of processing activities at Jerritt Canyon; decommissioning activities at Jerritt Canyon; future exploration activities at the Jerritt Canyon Gold Mine and the costs thereof; anticipated reclamation and decommissioning activities and associated costs; conversion of mineral resources to proven and probable mineral reserves; analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable; statements with respect to the Company's future financial position including operating efficiencies, cash flow, capital budgets, costs and expenditures, cost savings, allocation of capital, and statements with respect to the recovery of value added tax receivables and the tax regime in Mexico; the implementation and effect of cost reduction initiatives; the preparation of technical reports and completion of preliminary economic assessments; the repurchase of the Company's shares; viability of the Company's projects; potential metal recovery rates; sales of bullion direct to customers; payment of dividends; the impact of amendments to accounting policies; effectiveness of internal controls and procedures; the validity of the APA; statements with respect to the recovery of value added tax receivables and the tax regime in Mexico; the conduct or outcome of outstanding litigation, regulatory proceedings, negotiations or proceedings under NAFTA or other claims and the compliance by counterparties with judgments or decisions; the anticipated start of silver bullion production from the Company's minting facility; the Share Repurchase Program (as defined herein); maintaining relations with employees; future regulatory trends, future market conditions, future staffing levels and needs and assessment of future opportunities of the Company; the Company's plans with respect to enforcement of certain judgments in favour of the Company and the likelihood of collection under those judgments; the Company's ability to comply with future legislation or regulations including amendments to Mexican mining legislation and the Company's intent to comply with future regulatory and compliance matters; expectations regarding the effects of public health crises including pandemics such as COVID-19 on the Company's operations, the global economy and the market for the Company's products. All statements other than statements of historical fact may be forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "forecast", "potential", "targeting", "intend", "could",

“might”, “should”, “believe” and similar expressions) are not statements of historical fact and may be “forward-looking statements”.

Forward-looking statements are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management made in light of management's experience and perception of historical trends, current conditions and expected future developments at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, without limitation: global economic conditions including public health threats, 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 commodity prices, fluctuating currency exchange rates, 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, uninsured risks, defects in title, availability and costs of materials and equipment, climate change events including, but not limited to, drought conditions, changes in national or local governments, changes in applicable legislation or application thereof, timeliness of government approvals, actual performance of facilities, equipment, and processes relative to specifications and expectations and unanticipated environmental impacts on operations, availability of time on court calendars in Canada and elsewhere; the recognition of Canadian judgments under Mexican law; the possibility of settlement discussions; the risk of appeal of judgment; and the insufficiency of the defendant's assets to satisfy the judgment amount and other factors described in the Company's Annual Information Form under the heading “Risk Factors”.

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

Cautionary Note regarding Reserves and Resources

National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”), issued by the Canadian Securities Administrators, lays out the standards of disclosure for mineral projects. This includes a requirement that a certified Qualified Person (“QP”) (as defined under the NI 43-101) supervises the preparation of the mineral reserves and mineral resources. Gonzalo Mercado, Vice President of Exploration and Technical Services is a certified QP for the Company and has reviewed this MD&A for QP technical disclosures. All NI 43-101 technical reports can be found on the Company's website at www.firstmajestic.com or under the Company's profile on SEDAR+ at www.sedarplus.ca.

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

This Management's Discussion and Analysis has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ materially from the requirements of United States securities laws applicable to U.S. companies. Information concerning our mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of the United States Securities and Exchange Commission (the “SEC”) applicable to domestic United States issuers. Accordingly, the disclosure in this Management's Discussion and Analysis regarding our mineral properties is not comparable to the disclosure of United States issuers subject to the SEC's mining disclosure requirements.

Additional Information

Additional information on the Company, including the Company's Annual Information Form and the Company's audited consolidated financial statements for the year ended December 31, 2023, is available under the Company's profile on SEDAR+ at www.sedarplus.ca and on the Company's website at www.firstmajestic.com.