FIRST MAJESTIC

SILVER CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

925 West Georgia Street, Suite 1800, Vancouver, B.C., Canada V6C 3L2
Phone: 604.688.3033 | Fax: 604.639.8873| Toll Free: 1.866.529.2807 | Email: info@firstmajestic.com
www.firstmajestic.com

Management's Responsibilities over Financial Reporting

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

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

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

The condensed interim consolidated financial statements have not been audited.

Keith Neumeyer
President & CEO
August 9, 2018

Raymond Polman, CPA, CA
Chief Financial Officer
August 9, 2018

TABLE OF CONTENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	**2018**	**2017**	**2018**	**2017**
Revenues	5	**$79,687**	**$60,116**	**$138,280**	**$129,222**
Mine operating costs					
Cost of sales	7	59,285	40,004	98,966	79,666
Depletion, depreciation and amortization		22,706	18,707	42,041	38,155
		81,991	**58,711**	141,007	117,821
Mine operating (loss) earnings		**(2,304)**	**1,405**	**(2,727)**	**11,401**
General and administrative expenses	8	5,201	4,477	10,069	9,020
Share-based payments		2,247	2,169	4,763	4,460
Impairment of non-current assets	17	31,660	—	31,660	—
Acquisition costs	4	4,877	—	4,877	—
Foreign exchange loss (gain)		285	(661)	2,581	(1,075)
Operating loss		**(46,574)**	**(4,580)**	**(56,677)**	**(1,004)**
Investment and other income (loss)	9	1,038	(1,100)	(421)	(924)
Finance costs	10	(3,799)	(1,016)	(6,258)	(2,186)
Loss before income taxes		**(49,335)**	**(6,696)**	**(63,356)**	**(4,114)**
Income taxes					
Current income tax expense		1,680	1,663	2,374	2,445
Deferred income tax recovery		(10,982)	(9,771)	(20,105)	(10,691)
		(9,302)	(8,108)	(17,731)	(8,246)
Net (loss) earnings for the period		**($40,033)**	**$1,412**	**($45,625)**	**$4,132**
(Loss) earnings per common share					
Basic	11	**($0.22)**	**$0.01**	**($0.26)**	**$0.03**
Diluted	11	**($0.22)**	**$0.01**	**($0.26)**	**$0.02**
Weighted average shares outstanding					
Basic	11	**181,126,340**	**165,117,436**	**173,515,346**	**164,967,617**
Diluted	11	**181,126,340**	**167,466,952**	**173,515,346**	**167,450,457**

Approved by the Board of Directors

Keith Neumeyer, Director

Douglas Penrose, Director

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 and 2017

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

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

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2018	**2017**	**2018**	**2017**
Net (loss) earnings for the period		**($40,033)**	**$1,412**	**($45,625)**	**$4,132**
Other comprehensive loss					
Items that will not be subsequently reclassified to profit or loss:					
Unrealized loss on fair value of investments in marketable securities	14	(350)	(65)	(698)	(310)
Other comprehensive loss		(350)	(65)	(698)	(310)
Total comprehensive (loss) income		**($40,383)**	**$1,347**	**($46,323)**	**$3,822**

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

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

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2018	2017	2018	2017
Operating Activities					
Net (loss) earnings for the period		($40,033)	$1,412	($45,625)	$4,132
Adjustments for:					
Depletion, depreciation and amortization		22,876	18,955	42,398	38,652
Share-based payments		2,247	2,169	4,763	4,460
Impairment of non-current assets	17	31,660	—	31,660	—
Income tax recovery		(9,302)	(8,108)	(17,731)	(8,246)
Finance costs	10	3,799	1,016	6,258	2,186
Acquisition costs	4	4,877	—	4,877	—
Other	23	(1,894)	2,533	3,271	3,411
Operating cash flows before movements in working capital and taxes		**14,230**	**17,977**	**29,871**	**44,595**
Net change in non-cash working capital items	23	(2,514)	(461)	(8,023)	(3,140)
Income taxes paid		(4,885)	(17)	(5,146)	(5,936)
Cash generated by operating activities		**6,831**	**17,499**	**16,702**	**35,519**
Investing Activities					
Expenditures on mining interests		(17,612)	(11,528)	(34,251)	(23,598)
Acquisition of property, plant and equipment		(8,634)	(5,784)	(14,903)	(10,746)
Deposits paid for acquisition of non-current assets		(1,324)	(170)	(2,150)	(241)
Primero acquisition costs, net of cash acquired	4	(1,006)	—	(1,006)	—
Cash used in investing activities		**(28,576)**	**(17,482)**	**(52,310)**	**(34,585)**
Financing Activities					
Proceeds from exercise of stock options		1,203	525	1,886	3,169
Net proceeds from convertible debentures	19(a)	—	—	151,079	—
Net proceeds from debt facilities	19(b)	34,006	—	34,006	—
Repayment of debt facilities	19(b)	(16,000)	—	(16,000)	—
Repayment of Scotia debt facilities	19(c)	(28,890)	(3,132)	(32,072)	(6,363)
Repayment of Primero's debt facilities	19(d)	(106,110)	—	(106,110)	—
Proceeds from equipment financing obligations	20(b)	—	2,966	—	2,966
Repayment of equipment financing obligations	20(b)	(1,246)	(1,606)	(1,956)	(3,667)
Finance costs paid		(654)	(558)	(1,294)	(1,369)
Shares repurchased and cancelled	21(d)	(35)	—	(1,324)	—
Cash provided by (used in) financing activities		**(117,726)**	**(1,805)**	**28,215**	**(5,264)**
Effect of exchange rate on cash and cash equivalents held in foreign currencies		(540)	1,082	(1,520)	2,180
Decrease in cash and cash equivalents		**(139,471)**	**(1,788)**	**(7,393)**	**(4,330)**
Cash and cash equivalents, beginning of the period		249,239	127,605	118,141	129,049
Cash and cash equivalents, end of period		**$109,228**	**$126,899**	**$109,228**	**$126,899**
Cash		$77,035	$87,798	$77,035	$87,798
Short-term investments		32,193	39,101	32,193	39,101
Cash and cash equivalents, end of period		**$109,228**	**$126,899**	**$109,228**	**$126,899**
Supplemental cash flow information	23				

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

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

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

	Note	June 30, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		$109,228	$118,141
Trade and other receivables	12	5,629	5,378
Value added taxes receivable		49,737	14,984
Income taxes receivable		—	493
Inventories	13	29,229	18,858
Other financial assets	14	9,016	11,326
Prepaid expenses and other		2,795	1,478
Total current assets		**205,634**	**170,658**
Non-current assets			
Mining interests	15	536,312	374,146
Property, plant and equipment	16	303,804	192,052
Deposits on non-current assets		2,862	869
Non-current income taxes receivable	24	19,937	—
Deferred tax assets		62,897	43,716
Total assets		**$1,131,446**	**$781,441**
Liabilities and Equity			
Current liabilities			
Trade and other payables	18	$55,221	$35,567
Unearned revenue	6	956	2,190
Current portion of debt facilities	19	1,555	12,464
Current portion of equipment financing obligations	20	3,130	4,154
Income taxes payable		3,416	—
Total current liabilities		**64,278**	**54,375**
Non-current liabilities			
Debt facilities	19	145,138	19,305
Equipment financing obligations	20	4,334	5,151
Decommissioning liabilities		21,004	16,076
Other liabilities		4,698	655
Deferred tax liabilities		144,384	103,394
Total liabilities		**$383,836**	**$198,956**
Equity			
Share capital		825,109	636,672
Equity reserves		85,020	62,303
Accumulated deficit		(162,519)	(116,490)
Total equity		**$747,610**	**$582,485**
Total liabilities and equity		**$1,131,446**	**$781,441**

Commitments (Note 15; Note 22(c))

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

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

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

	Share Capital		Equity Reserves					
	Shares	Amount	Share-based payments[(a)]	Other comprehensive income[(b)]	Equity component of convertible debenture[(c)]	Total equity reserves	Retained earnings (Accumulated deficit)	Total equity
Balance at December 31, 2016	**164,461,567**	**$628,565**	**$58,879**	**($2,525)**	**$—**	**$56,354**	**($63,218)**	**$621,701**
Net earnings for the period	—	—	—	—	—	—	4,132	4,132
Other comprehensive loss	—	—	—	(310)	—	(310)	—	(310)
Total comprehensive income	**—**	**—**	**—**	**(310)**	**—**	**(310)**	**4,132**	**3,822**
Share-based payments	—	—	4,460	—	—	4,460	—	4,460
Shares issued for:								
Exercise of stock options (Note 21(b))	708,504	4,177	(1,008)	—	—	(1,008)	—	3,169
Balance at June 30, 2017	**165,170,071**	**$632,742**	**$62,331**	**($2,835)**	**$—**	**$59,496**	**($59,086)**	**$633,152**
Balance at December 31, 2017	**165,824,164**	**$636,672**	**$65,307**	**($3,004)**	**$—**	**$62,303**	**($116,490)**	**$582,485**
Net loss for the period	—	—	—	—	—	—	(45,625)	(45,625)
Other comprehensive loss	—	—	—	(698)	—	(698)	—	(698)
Total comprehensive loss	**—**	**—**	**—**	**(698)**	**—**	**(698)**	**(45,625)**	**(46,323)**
Share-based payments	—	—	4,763	—	—	4,763	—	4,763
Equity component of convertible debenture, net of tax (Note 19(c))	—	—	—	—	19,164	19,164	—	19,164
Shares issued for:								
Exercise of stock options (Note 21(b))	462,440	2,398	(512)	—	—	(512)	—	1,886
Acquisition of Primero (Note 4)	27,333,184	186,959	—	—	—	—	—	186,959
Shares repurchased and cancelled (Note 21(d))	(230,000)	(899)	—	—	—	—	(390)	(1,289)
Shares repurchased for delisting from Bolsa (Note 21(e))	(4,985)	(21)	—	—	—	—	(14)	(35)
Balance at June 30, 2018	**193,384,803**	**$825,109**	**$69,558**	**($3,702)**	**$19,164**	**$85,020**	**($162,519)**	**$747,610**

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

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

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

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

1. NATURE OF OPERATIONS

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

With the acquisition of Primero Mining Corp. on May 10, 2018 (see Note 4), First Majestic added the San Dimas Silver/Gold Mine as the Company's seventh producing asset in Mexico. The Company owns and operates seven producing mines: the San Dimas Silver/Gold Mine, the Santa Elena Silver/Gold Mine, La Encantada Silver Mine, La Parrilla Silver Mine, Del Toro Silver Mine, San Martin Silver Mine and the La Guitarra Silver Mine.

In July 2018, the Company announced that it has decided to place the La Guitarra Silver Mine under care and maintenance and review strategic options including the potential sale of the operation.

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

2. BASIS OF PRESENTATION

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

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

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

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

Financial Instruments

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

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

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

2. BASIS OF PRESENTATION (continued)

Financial Instruments (continued)

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

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

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

Revenue Recognition

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

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

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

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

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

2. BASIS OF PRESENTATION (continued)

Other narrow scope amendments/interpretations

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

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

Leases

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

These condensed interim consolidated financial statements of First Majestic for the three and six months ended June 30, 2018 and 2017 were approved and authorized for issue by the Board of Directors on August 9, 2018.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS

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

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

Critical Judgments and Estimates

Fair Value Estimates in the Acquisition of Primero

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

3. SIGNIFICANT ESTIMATES AND JUDGMENTS (continued)

Fair Value Estimates in the Acquisition of Primero (continued)

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

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

Consideration for the Acquisition of Primero

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree.

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

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

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

Revenue recognition as a result of adopting IFRS 15

Determination of performance obligations

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

Transfer of control

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

3. SIGNIFICANT ESTIMATES AND JUDGMENTS (continued)

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

Variable consideration

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

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

4. ACQUISITION OF PRIMERO MINING CORP.

Description of the Transaction

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

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

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

Concurrently and in connection and as part of the Arrangement, First Majestic terminated the pre-existing silver purchase agreement with Wheaton Precious Metals Corp. and its subsidiary, Wheaton Precious Metals International Ltd. (“WPMI”), relating to the San Dimas Mine and entered into a new precious metal purchase agreement (the “New Stream Agreement”) with WPMI and FM Metal Trading (Barbados) Inc., a wholly-owned subsidiary of First Majestic. Pursuant to the New Stream Agreement, WPMI is entitled to receive 25% of the gold production and 25% of the silver production (delivered in gold based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of $600 (subject to a 1% annual inflation adjustment) and the prevailing market price, for each gold ounce delivered under the New Stream Agreement. As part of the restructuring of the stream agreement, WPMI received 20,914,590 common shares of First Majestic with an aggregate fair market value of approximately $143.1 million based on the closing price of First Majestic common shares on May 9, 2018 of $6.84. The final common share purchase consideration was determined based on the closing market price of First Majestic’s common shares on the day before the closing date of the Arrangement.

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

4. ACQUISITION OF PRIMERO MINING CORP. (continued)

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

Consideration and Purchase Price Allocation

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

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

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

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

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

Financial and operating results of Primero are included in the Company's consolidated financial statements effective May 10, 2018. During the three and six months ended June 30, 2018, the acquisition of Primero contributed revenues of $28.0 million and $3.0 million to the Company's net earnings since May 10, 2018.

Had the business combination been effected at January 1, 2018, pro forma revenues and net loss of the Company for the six months ended June 30, 2018 would have been $212.0 million and $31.2 million, respectively.

5. SEGMENTED INFORMATION

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

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

5. SEGMENTED INFORMATION (continued)

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

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

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

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

Three Months Ended June 30, 2018 and 2017		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	**2018**	**$27,989**	**$18,609**	**$4,248**	**$5,132**	**$4,038**
	2017	—	—	—	—	—
Santa Elena	**2018**	**21,211**	**12,903**	**3,063**	**5,245**	**4,423**
	2017	21,848	13,166	3,820	4,862	3,417
La Encantada	**2018**	**5,436**	**7,703**	**3,195**	**(5,462)**	**4,878**
	2017	6,596	7,006	2,433	(2,843)	2,773
La Parrilla	**2018**	**8,425**	**6,524**	**6,097**	**(4,196)**	**3,250**
	2017	8,788	6,737	4,815	(2,764)	3,272
Del Toro	**2018**	**4,526**	**4,815**	**2,089**	**(2,378)**	**3,169**
	2017	9,266	4,855	4,097	314	1,672
San Martin	**2018**	**8,505**	**5,518**	**2,151**	**836**	**2,168**
	2017	10,081	5,144	1,600	3,337	2,514
La Guitarra	**2018**	**3,624**	**3,145**	**2,299**	**(1,820)**	**2,236**
	2017	3,497	2,982	1,593	(1,078)	1,433
Others	**2018**	**(29)**	**68**	**(436)**	**339**	**2,449**
	2017	40	114	349	(423)	1,235
Consolidated	**2018**	**$79,687**	**$59,285**	**$22,706**	**($2,304)**	**$26,611**
	2017	**$60,116**	**$40,004**	**$18,707**	**$1,405**	**$16,316**

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

5. SEGMENTED INFORMATION (continued)

Six Months Ended June 30, 2018 and 2017		Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico						
San Dimas	**2018**	**$27,989**	**$18,609**	**$4,248**	**$5,132**	**$4,038**
	2017	—	—	—	—	—
Santa Elena	**2018**	**44,941**	**25,485**	**5,903**	**13,553**	**9,265**
	2017	44,794	26,439	8,035	10,320	9,430
La Encantada	**2018**	**13,033**	**15,330**	**6,703**	**(9,000)**	**8,335**
	2017	19,279	14,937	6,099	(1,757)	5,206
La Parrilla	**2018**	**16,621**	**12,979**	**12,317**	**(8,675)**	**6,380**
	2017	18,633	12,893	9,877	(4,137)	6,142
Del Toro	**2018**	**10,032**	**9,636**	**4,374**	**(3,978)**	**5,568**
	2017	18,370	9,424	7,383	1,563	3,446
San Martin	**2018**	**18,142**	**10,849**	**4,313**	**2,980**	**4,266**
	2017	19,361	9,872	3,339	6,150	4,684
La Guitarra	**2018**	**7,586**	**6,076**	**4,405**	**(2,895)**	**4,419**
	2017	8,521	5,862	2,936	(277)	4,395
Others	**2018**	**(64)**	**2**	**(222)**	**156**	**4,446**
	2017	264	239	486	(461)	2,093
Consolidated	**2018**	**$138,280**	**$98,966**	**$42,041**	**($2,727)**	**$46,717**
	2017	**$129,222**	**$79,666**	**$38,155**	**$11,401**	**$35,396**

At June 30, 2018 and December 31, 2017		Mining Interests		Property, plant and equipment	Total mining assets	Total assets	Total liabilities
		Producing	Exploration				
Mexico							
San Dimas	**2018**	**$178,872**	**$840**	**$121,959**	**$301,671**	**$362,303**	**$61,607**
	2017	—	—	—	—	—	—
Santa Elena	**2018**	**32,835**	**9,274**	**42,770**	**84,879**	**113,613**	**19,017**
	2017	28,732	7,777	44,786	81,295	123,413	19,399
La Encantada	**2018**	**35,684**	**4,546**	**43,376**	**83,606**	**100,165**	**13,644**
	2017	33,063	5,221	43,929	82,213	96,626	13,254
La Parrilla	**2018**	**88,279**	**15,833**	**40,494**	**144,606**	**165,094**	**34,078**
	2017	93,207	13,982	43,507	150,696	171,695	40,387
Del Toro	**2018**	**37,870**	**11,671**	**22,921**	**72,462**	**99,201**	**7,977**
	2017	37,481	10,117	23,622	71,220	99,402	10,120
San Martin	**2018**	**50,505**	**11,207**	**18,263**	**79,975**	**90,432**	**24,350**
	2017	50,638	9,599	19,752	79,989	92,819	26,617
La Guitarra	**2018**	**21,079**	**5,571**	**2,810**	**29,460**	**76,430**	**17,969**
	2017	44,097	10,385	6,461	60,943	73,117	15,052
Others	**2018**	**—**	**32,246**	**11,211**	**43,457**	**124,208**	**205,194**
	2017	—	29,847	9,995	39,842	124,369	74,127
Consolidated	**2018**	**$445,124**	**$91,188**	**$303,804**	**$840,116**	**$1,131,446**	**$383,836**
	2017	**$287,218**	**$86,928**	**$192,052**	**$566,198**	**$781,441**	**$198,956**

During the six months ended June 30, 2018, the Company had five (June 30, 2017 - six) customers that accounted for 100% of its doré and concentrate sales revenue, with two major customers accounting for 72% and 18% of total revenue, respectively (2017 - two major customers for 36% and 29%).

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

6. REVENUES

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

Revenues for the period are summarized as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Gross revenue by material form:								
Doré	$65,913	81%	$42,527	67%	$109,777	77%	$91,526	67%
Concentrate	15,823	19%	20,809	33%	33,212	23%	44,669	33%
Gross revenue	**$81,736**	**100%**	**$63,336**	**100%**	**$142,989**	**100%**	**$136,195**	**100%**
Gross revenue from payable metals:								
Silver(1)	$47,086	58%	$40,023	63%	$83,193	58%	$88,976	65%
Gold	28,863	35%	15,695	25%	47,553	33%	31,552	23%
Lead	4,096	5%	6,799	11%	8,533	6%	13,925	10%
Zinc	1,691	2%	819	1%	3,710	3%	1,742	1%
Gross revenue	**81,736**	**100%**	**63,336**	**100%**	**142,989**	**100%**	**136,195**	**100%**
Less: smelting and refining costs	(2,049)		(3,220)		(4,709)		(6,973)	
Revenues	**$79,687**		**$60,116**		**$138,280**		**$129,222**	

As at June 30, 2018, $1.0 million of revenues that have not satisfied performance obligations were recorded as unearned revenue (2017 - $2.2 million) and will be recorded as Revenue in the subsequent period. During the three and six months ended June 30, 2018, revenue related to provisional pricing adjustments on concentrate sales was $0.3 million and $0.1 million, respectively.

The Santa Elena mine has a purchase agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the Company to sell 20% of its gold production over the life of mine from its leach pad and a designated area of its underground operations. The selling price to Sandstorm is the lesser of the prevailing market price or $450 per ounce, subject to a 1% annual inflation. During the three and six months ended June 30, 2018, the Company delivered 2,154 and 4,869 ounces of gold (2017 - 2,481 and 5,157 ounces) to Sandstorm at an average price of $452 per ounce (2017 - $362 per ounce).

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

During the six months ended June 30, 2018, the Company delivered 3,738 ounces of gold to WPM at $600 per ounce under the New Stream plus 452,197 ounces of silver at $4.30 per ounce, which were opening inventory acquired from Primero on the acquisition date which were covered under the old stream.

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

7. COST OF SALES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Consumables and materials	$13,214	$8,403	$21,526	$17,164
Labour costs	25,411	16,846	43,194	32,726
Energy	8,913	7,101	17,066	14,923
Other costs	4,424	3,297	8,138	7,612
Production costs	**$51,962**	**$35,647**	**$89,924**	**$72,425**
Transportation and other selling costs	900	795	1,802	1,595
Workers participation costs	711	1,026	1,052	1,547
Environmental duties and royalties	340	249	595	551
Inventory changes	5,372	889	5,593	2,150
Standby costs during stoppage at the La Encantada mine	—	1,398	—	1,398
	$59,285	**$40,004**	**$98,966**	**$79,666**

8. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Corporate administration	$1,825	$1,049	$2,932	$1,698
Salaries and benefits	2,266	2,082	4,529	4,449
Audit, legal and professional fees	664	797	1,641	1,732
Filing and listing fees	100	105	250	271
Directors fees and expenses	176	195	360	373
Depreciation	170	249	357	497
	$5,201	**$4,477**	**$10,069**	**$9,020**

9. INVESTMENT AND OTHER INCOME (LOSS)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Interest income and other	$1,139	349	$1,829	$664
Loss from investment in marketable securities (Note 14)	(101)	($2,021)	(2,250)	(2,160)
Gain from investment in silver futures derivatives	—	572	—	572
	$1,038	**($1,100)**	**($421)**	**($924)**

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

10. FINANCE COSTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Debt facilities (Note 19)	$3,083	$569	$4,966	$1,163
Equipment financing obligations (Note 20)	142	161	290	282
Accretion of decommissioning liabilities	358	237	687	459
Silver sales and other	216	49	315	282
	$3,799	**$1,016**	**$6,258**	**$2,186**

11. (LOSS) EARNINGS PER SHARE

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net (loss) earnings for the period	($40,033)	$1,412	($45,625)	$4,132
Weighted average number of shares on issue - basic	181,126,340	165,117,436	173,515,346	164,967,617
Adjustment for stock options	—	2,349,516	—	2,482,840
Weighted average number of shares on issue - diluted(1)	181,126,340	167,466,952	173,515,346	167,450,457
(Loss) earnings per share - basic	($0.22)	$0.01	($0.26)	$0.03
(Loss) earnings per share - diluted	($0.22)	$0.01	($0.26)	$0.02

(1) Diluted weighted average number of shares excluded 5,786,161 (2017 - 5,073,853) options and 16,327,598 common shares issuable under the convertible debentures (Note 19(a))that were anti-dilutive for the three and six months ended June 30, 2018.

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Company are comprised of:

	June 30, 2018	December 31, 2017
Trade receivables	$4,680	$4,038
Other	949	1,340
	$5,629	**$5,378**

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

13. INVENTORIES

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

	June 30, 2018	December 31, 2017
Finished goods - doré and concentrates	$2,258	$1,299
Work-in-process	3,510	1,152
Stockpile	320	217
Silver coins and bullion	419	303
Materials and supplies	22,722	15,887
	$29,229	**$18,858**

The amount of inventories recognized as an expense during the period is equivalent to the total of cost of sales plus depletion, depreciation and amortization for the period. As at June 30, 2018, mineral inventories, which consist of stockpile, work-in-process and finished goods, includes a $1.1 million (December 31, 2017 - $0.7 million) write-down which was recognized in cost of sales during the period.

14. OTHER FINANCIAL ASSETS

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

	June 30, 2018	December 31, 2017
First Mining Gold Corp. (TSX: FF)	$5,239	$7,576
Sprott Physical Silver Trust (NYSE: PSLV)	2,348	2,536
FVTPL Marketable Securities	**$7,587**	**$10,112**
FVTOCI Marketable Securities	$1,243	$1,214
Total Marketable Securities	**$8,830**	**$11,326**
Foreign Exchange Derivatives	$186	$—
Total Other Financial Assets	**$9,016**	**$11,326**

(a) Marketable Securities

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

(b) Foreign Exchange Derivatives

As at June 30, 2018, the Company carried foreign exchange forward contracts, with dates of expiration from July to October 2018, to hedge its exposure on the Mexican peso. These forward contracts have a fair value of $0.2 million as at June 30, 2018 (December 31, 2017 – $nil) based on market quoted price.

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

15. MINING INTERESTS

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

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

	June 30, 2018	December 31, 2017
Producing properties	$445,124	$287,218
Exploration properties (non-depletable)	91,188	86,928
	$536,312	**$374,146**

Producing properties are allocated as follows:

Producing properties	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Total
Cost								
At December 31, 2016	**$—**	**$27,629**	**$85,829**	**$146,189**	**$99,678**	**$86,314**	**$101,000**	**$546,639**
Additions	—	8,386	2,588	8,339	4,512	3,613	5,233	32,671
Change in decommissioning liabilities	—	356	210	823	445	1,028	458	3,320
At December 31, 2017	**$—**	**$36,371**	**$88,627**	**$155,351**	**$104,635**	**$90,955**	**$106,691**	**$582,630**
Additions	2,313	4,226	3,002	3,219	2,918	2,051	2,179	19,908
Acquired from Primero (Note 4)	178,183	—	—	—	—	—	—	178,183
Change in decommissioning liabilities	446	—	—	—	—	—	—	446
Transfer from exploration properties	—	1,694	1,900	—	—	—	—	3,594
At June 30, 2018	**$180,942**	**$42,291**	**$93,529**	**$158,570**	**$107,553**	**$93,006**	**$108,870**	**$784,761**
Accumulated depletion, amortization and impairment								
At December 31, 2016	**$—**	**($3,404)**	**($51,399)**	**($48,975)**	**($27,274)**	**($37,354)**	**($59,020)**	**($227,426)**
Depletion and amortization	—	(4,235)	(4,165)	(13,169)	(5,480)	(2,963)	(3,574)	(33,586)
Impairment	—	—	—	—	(34,400)	—	—	(34,400)
At December 31, 2017	**$—**	**($7,639)**	**($55,564)**	**($62,144)**	**($67,154)**	**($40,317)**	**($62,594)**	**($295,412)**
Depletion and amortization	(2,070)	(1,817)	(2,281)	(8,147)	(2,529)	(2,184)	(2,543)	(21,571)
Impairment (Note 17)	—	—	—	—	—	—	(22,654)	(22,654)
At June 30, 2018	**($2,070)**	**($9,456)**	**($57,845)**	**($70,291)**	**($69,683)**	**($42,501)**	**($87,791)**	**($339,637)**
Carrying values								
At December 31, 2017	**$—**	**$28,732**	**$33,063**	**$93,207**	**$37,481**	**$50,638**	**$44,097**	**$287,218**
At June 30, 2018	**$178,872**	**$32,835**	**$35,684**	**$88,279**	**$37,870**	**$50,505**	**$21,079**	**$445,124**

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

15. MINING INTERESTS (continued)

Exploration properties are allocated as follows:

Exploration properties	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other	Total
Cost									
At December 31, 2016	**$—**	**$1,028**	**$2,557**	**$10,628**	**$16,812**	**$6,101**	**$7,810**	**$26,260**	**$71,196**
Exploration and evaluation expenditures	—	6,749	2,664	3,354	2,605	3,498	2,575	3,587	25,032
Impairment	—	—	—	—	(9,300)	—	—	—	(9,300)
At December 31, 2017	**$—**	**$7,777**	**$5,221**	**$13,982**	**$10,117**	**$9,599**	**$10,385**	**$29,847**	**$86,928**
Exploration and evaluation expenditures	840	3,191	1,225	1,851	1,554	1,608	1,173	2,399	13,841
Impairment (Note 17)	—	—	—	—	—	—	(5,987)	—	(5,987)
Transfer to producing properties	—	(1,694)	(1,900)	—	—	—	—	—	(3,594)
At June 30, 2018	**$840**	**$9,274**	**$4,546**	**$15,833**	**$11,671**	**$11,207**	**$5,571**	**$32,246**	**$91,188**

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

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

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

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

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

(c) Del Toro Silver Mine, Zacatecas State

In September 2016, the Company entered into two agreements to acquire 1,223 hectares of mining concessions adjacent to the Del Toro Silver Mine. The total purchase price amounted to $3.6 million in cash, of which $2.2 million has been paid, $1.0 million due in September 2018 and $0.4 million in 2019, respectively.

In October 2016, the Company entered into an agreement to acquire 7,205 hectares of mining concessions adjacent to the Del Toro Silver Mine. The total purchase price amounted to $1.5 million, payable over six equal payments every six months. As at June 30, 2018, $1.0 million (December 31, 2017 - $0.9 million) has been paid.

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

16. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment are comprised of the following:

	Land and Buildings(1)	Machinery and Equipment	Assets under Construction	Other	Total
Cost					
At December 31, 2016	**$133,122**	**$325,230**	**$21,815**	**$13,150**	**$493,317**
Additions	—	6,295	17,281	123	23,699
Transfers and disposals	1,276	10,374	(17,147)	1,438	(4,059)
At December 31, 2017	**$134,398**	**$341,899**	**$21,949**	**$14,711**	**$512,957**
Additions	9	2,919	9,866	174	12,968
Acquired from Primero (Note 4)	40,404	70,064	7,169	5,178	122,815
Transfers and disposals	88	2,620	(3,064)	107	(249)
At June 30, 2018	**$174,899**	**$417,502**	**$35,920**	**$20,170**	**$648,491**
Accumulated depreciation, amortization and impairment					
At December 31, 2016	**($65,982)**	**($180,362)**	**$—**	**($9,335)**	**($255,679)**
Depreciation and amortization	(8,347)	(34,556)	—	(1,896)	(44,799)
Transfers and disposals	226	961	—	186	1,373
Impairment	(12,301)	(9,396)	—	(103)	(21,800)
At December 31, 2017	**($86,404)**	**($223,353)**	**$—**	**($11,148)**	**($320,905)**
Depreciation and amortization	(3,244)	(16,805)	—	(813)	(20,862)
Impairment (Note 17)	(652)	(1,753)	(474)	(140)	(3,019)
Transfers and disposals	—	78	—	21	99
At June 30, 2018	**($90,300)**	**($241,833)**	**($474)**	**($12,080)**	**($344,687)**
Carrying values					
At December 31, 2017	**$47,994**	**$118,546**	**$21,949**	**$3,563**	**$192,052**
At June 30, 2018	**$84,599**	**$175,669**	**$35,446**	**$8,090**	**$303,804**

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

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

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other	Total
Cost									
At December 31, 2016	**$—**	**$69,370**	**$116,923**	**$94,693**	**$117,128**	**$45,879**	**$25,751**	**$23,573**	**$493,317**
Additions	—	2,913	7,246	3,630	1,473	3,724	2,029	2,684	23,699
Transfers and disposals	—	1,401	29	(1,832)	(1,400)	(2,062)	335	(530)	(4,059)
At December 31, 2017	**$—**	**$73,684**	**$124,198**	**$96,491**	**$117,201**	**$47,541**	**$28,115**	**$25,727**	**$512,957**
Additions	885	1,848	4,108	1,310	1,096	607	1,067	2,047	12,968
Acquired from Primero (Note 4)	122,815	—	—	—	—	—	—	—	122,815
Transfers and disposals	(166)	668	(1,149)	(286)	158	34	592	(100)	(249)
At June 30, 2018	**$123,534**	**$76,200**	**$127,157**	**$97,515**	**$118,455**	**$48,182**	**$29,774**	**$27,674**	**$648,491**
Accumulated depreciation, amortization and impairment									
At December 31, 2016	**$—**	**($15,870)**	**($72,013)**	**($46,566)**	**($63,234)**	**($25,782)**	**($18,347)**	**($13,867)**	**($255,679)**
Depreciation and amortization	—	(12,181)	(8,779)	(6,585)	(8,580)	(3,691)	(2,974)	(2,009)	(44,799)
Transfers and disposals	—	(847)	523	167	35	1,684	(333)	144	1,373
Impairment	—	—	—	—	(21,800)	—	—	—	(21,800)
At December 31, 2017	**$—**	**($28,898)**	**($80,269)**	**($52,984)**	**($93,579)**	**($27,789)**	**($21,654)**	**($15,732)**	**($320,905)**
Depreciation and amortization	(1,575)	(4,086)	(4,421)	(4,185)	(1,845)	(2,129)	(1,862)	(759)	(20,862)
Impairment (Note 17)	—	—	—	—	—	—	(3,019)	—	(3,019)
Transfers and disposals	—	(446)	909	148	(110)	(1)	(429)	28	99
At June 30, 2018	**($1,575)**	**($33,430)**	**($83,781)**	**($57,021)**	**($95,534)**	**($29,919)**	**($26,964)**	**($16,463)**	**($344,687)**
Carrying values									
At December 31, 2017	**$—**	**$44,786**	**$43,929**	**$43,507**	**$23,622**	**$19,752**	**$6,461**	**$9,995**	**$192,052**
At June 30, 2018	**$121,959**	**$42,770**	**$43,376**	**$40,494**	**$22,921**	**$18,263**	**$2,810**	**$11,211**	**$303,804**

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

17. IMPAIRMENT OF NON-CURRENT ASSETS

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

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

At June 30, 2018, the Company also 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 period ended June 30, 2018 (2017 - $nil).

The impairment charge recognized for the three and six months ended June 30, 2018 with respect to the La Guitarra operating segment was as follows:

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

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

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

	June 30, 2018	
Commodity Prices	**2018-2021 Average**	**Long-term**
Silver (per ounce)	$19.38	$20.00
Gold (per ounce)	$1,333	$1,350

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

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

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

18. TRADE AND OTHER PAYABLES

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

Trade and other payables are comprised of the following items:

	June 30, 2018	December 31, 2017
Trade payables	$23,396	$18,281
Trade related accruals	14,199	11,378
Payroll and related benefits(1)	15,606	4,028
Environmental duty	846	1,047
Other accrued liabilities	1,174	833
	$55,221	**$35,567**

(1) Payroll and related benefits includes $5.9 million of 2017 accrued annual bonus for San Dimas union workers and employees assumed as part of the acquisition of Primero (Note 4), which were paid subsequent to the quarter end in July 2018.

19. DEBT FACILITIES

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

	Convertible Debentures (a)	Revolving Credit Facility (b)	Scotia Debt Facilities (c)	Primero Debt Facilities (d)	Total
Balance at December 31, 2016	**$—**	**$—**	**$43,938**	**$—**	**$43,938**
Interest and accretion expense	—	—	2,206	—	2,206
Repayments of principal	—	—	(12,726)	—	(12,726)
Repayments of finance costs	—	—	(1,649)	—	(1,649)
Balance at December 31, 2017	**$—**	**$—**	**$31,769**	**$—**	**$31,769**
Net proceeds from debt financing	151,079	34,006	—	—	185,085
Acquired from Primero (Note 4)	—	—	—	106,111	106,111
Portion allocated to equity reserves	(26,252)	—	—	—	(26,252)
Finance costs					
Interest expense	1,239	340	529	—	2,108
Accretion	2,213	91	555	—	2,859
Repayments of principal	—	(16,000)	(32,072)	(106,111)	(154,183)
Repayments of finance costs	—	(23)	(781)	—	(804)
Balance at June 30, 2018	**$128,279**	**$18,414**	**$—**	**$—**	**$146,693**
Statements of Financial Position Presentation					
Current portion of debt facilities	$1,239	$316	$—	$—	$1,555
Non-current portion of debt facilities	127,040	18,098	—	—	145,138
Balance at June 30, 2018	**$128,279**	**$18,414**	**$—**	**$—**	**$146,693**

19. DEBT FACILITIES (continued)

(a) Convertible Debentures

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

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

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

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

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

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

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

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

(b) Revolving Credit Facility

On May 10, 2018, the Company entered into a $75.0 million senior secured revolving credit facility ("Revolving Credit Facility") with the Bank of Nova Scotia, Bank of Montreal and Investec Bank PLC, as lenders. The Revolving Credit Facility will mature on its third anniversary date. Interest on the drawn balance will accrue at LIBOR plus an applicable range of 2.25% to 3.5% while the undrawn portion is subject to a standby fee with an applicable range of 0.5625% to 0.875%, dependent on certain financial parameters of First Majestic. As at June 30, 2018, the applicable rates were 5.6% and 0.875%, respectively.

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

19. DEBT FACILITIES (continued)

(b) Revolving Credit Facility (continued)

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

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

(c) Scotia Debt Facilities

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

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

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

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

(d) Primero Debt

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

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

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

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

20. EQUIPMENT FINANCING OBLIGATIONS

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

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

	Finance Leases (a)	Equipment Financing (b)	Total
Balance at December 31, 2016	**$8,186**	**$—**	**$8,186**
Net proceeds from equipment financing	—	7,894	7,894
Finance costs	326	233	559
Repayments of principal	(6,083)	(698)	(6,781)
Repayments of finance costs	(320)	(233)	(553)
Balance at December 31, 2017	**$2,109**	**$7,196**	**$9,305**
Finance costs	57	233	290
Repayments of principal	(1,337)	(615)	(1,952)
Repayments of finance costs	(57)	(122)	(179)
Balance at June 30, 2018	**$772**	**$6,692**	**$7,464**
Statements of Financial Position Presentation			
Current portion of equipment financing obligations	$554	$2,576	$3,130
Non-current portion of equipment financing obligations	218	4,116	4,334
Balance at June 30, 2018	**$772**	**$6,692**	**$7,464**

(a) Finance Leases

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

As at June 30, 2018, the net book value of property, plant and equipment includes $4.4 million (December 31, 2017 - $10.0 million) of equipment in property, plant and equipment pledged as security under finance leases.

(b) Equipment Financing

During 2017, the Company entered into a $7.9 million credit facility with repayment terms ranging from 12 to 16 equal quarterly installments in principal plus related interest. The facility bears an interest rate of LIBOR plus 4.60%. Proceeds from the equipment financing were primarily used for the purchase and rehabilitation of property, plant and equipment. The equipment financing is secured by certain equipment of the Company and is subject to various covenants, including the requirement for First Majestic to maintain a leverage ratio based on total debt to rolling four quarters adjusted EBITDA. As at June 30, 2018 and December 31, 2017, the Company was in compliance with these covenants.

As at June 30, 2018, the net book value of property, plant and equipment includes $5.8 million (December 31, 2017 - $6.9 million) of equipment pledged as security for the equipment financing.

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

21. SHARE CAPITAL

(a) Authorized and issued capital

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

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

(b) Stock options

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

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

	Options Outstanding			Options Exercisable		
Exercise prices (CAD$)	Number of Options	Weighted Average Exercise Price (CAD $/Share)	Weighted Average Remaining Life (Years)	Number of Options	Weighted Average Exercise Price (CAD $/Share)	Weighted Average Remaining Life (Years)
2.01 - 5.00	1,730,423	4.79	2.50	1,197,611	4.78	2.50
5.01 - 10.00	3,848,601	7.77	6.25	1,445,982	6.02	1.45
10.01 - 15.00	4,424,246	10.94	2.96	2,078,795	10.88	2.03
15.01 - 20.00	235,000	16.58	3.11	126,250	16.55	3.10
20.01 - 250.00	229,408	88.94	2.50	225,658	90.06	2.49
	10,467,678	10.60	4.08	5,074,296	11.72	2.02

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

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price (CAD $/Share)	Number of Options	Weighted Average Exercise Price (CAD $/Share)
Balance, beginning of the period	9,431,737	9.35	9,599,270	9.76
Granted[(1)]	2,232,796	17.24	3,205,137	10.48
Exercised	(462,440)	5.25	(1,292,206)	5.76
Cancelled or expired	(734,415)	18.12	(2,080,464)	15.21
Balance, end of the period	10,467,678	10.60	9,431,737	9.35

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

During the six months ended June 30, 2018, the aggregate fair value of stock options granted was $7.1 million (2017 - $8.3 million), or a weighted average fair value of $3.18 per stock option granted (2017 - $3.08).

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

21. SHARE CAPITAL (continued)

(b) Stock options (continued)

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

Assumption	Based on	Six Months Ended June 30, 2018	Year Ended December 31, 2017
Risk-free interest rate (%)	Yield curves on Canadian government zero- coupon bonds with a remaining term equal to the stock options' expected life	1.80	1.02
Expected life (years)	Average of the expected vesting term and expiry term of the option	5.34	3.77
Expected volatility (%)	Historical and implied volatility of the precious metals mining sector	52.00	52.00
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	—	—

The weighted average closing share price at date of exercise for the six months ended June 30, 2018 was CAD$9.55 (December 31, 2017 - CAD$11.44).

(c) Warrants

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

(d) Share repurchase program

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

(e) Delisting from the Mexican Stock Exchange

In the first quarter of 2018, the Company filed before the Mexican National Banking and Securities Commission for delisting from the Mexican Stock Exchange ("Bolsa") due to low trading volumes and high costs associated with regulatory compliance. On February 21, 2018, the Company received authorization and has officially delisted. In connection with the delisting, during the six months ended June 30, 2018, the Company has repurchased and cancelled 4,985 of the Company's shares on Bolsa. The Company is required to offer to repurchase Bolsa shares until August 2018 through a trustee.

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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

(a) Fair value and categories of financial instruments

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

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

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

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

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

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

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

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

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

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

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

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

	June 30, 2018			December 31, 2017		
		Fair value measurement			Fair value measurement	
	Carrying value	Level 1	Level 2	Carrying value	Level 1	Level 2
Financial assets						
Trade receivables	$1,963	$—	$1,963	$1,847	$—	$1,847
Marketable securities (Note 14)	8,830	8,830	—	11,326	11,326	—

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

(b) Capital risk management

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

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

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

	June 30, 2018	December 31, 2017
Equity	$747,610	$582,485
Debt facilities	146,693	31,769
Equipment financing obligations	7,464	9,305
Less: cash and cash equivalents	(109,228)	(118,141)
	$792,539	$505,418

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

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

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

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management

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

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to trade receivables in the ordinary course of business, VAT and other receivables (Note 12).

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and contractual obligations.

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

	Carrying Amount	Contractual Cash Flows	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	$55,221	$55,221	$55,221	$—	$—	$—
Debt facilities	146,693	194,692	4,533	28,768	161,391	—
Equipment financing obligations	7,464	8,190	3,555	4,388	247	—
Other liabilities	4,698	4,729	—	—	—	4,729
	$214,076	**$262,832**	**$63,309**	**$33,156**	**$161,638**	**$4,729**

At June 30, 2018, the Company had working capital of $141.4 million (December 31, 2017 – $130.9 million). Total available liquidity at June 30, 2018 was $196.4 million, including $55.0 million of undrawn revolving credit facility. The Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months.

Currency Risk

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

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

22. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

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

								June 30, 2018
	Cash and cash equivalents	Trade and other receivables	Value added taxes receivable	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	$36,886	$273	$—	$5,239	($1,613)	$—	$40,785	$4,079
Mexican peso	6,630	646	49,737	—	(24,332)	11,000	43,681	4,368
	$43,516	**$919**	**$49,737**	**$5,239**	**($25,945)**	**$11,000**	**$84,466**	**$8,447**

Commodity Price Risk

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

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

					June 30, 2018
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	Total
Metals subject to provisional price adjustments	$299	$44	$409	$49	$801
Metals in doré and concentrates inventory	82	171	23	5	281
	$381	**$215**	**$432**	**$54**	**$1,082**

Interest Rate Risk

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

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

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

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

23. SUPPLEMENTAL CASH FLOW INFORMATION

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2018	2017	2018	2017
Adjustments to reconcile net earnings to operating cash flows before movements in working capital:					
Unrealized foreign exchange (gain) loss and other		($1,995)	$512	$1,021	$1,251
Unrealized loss from marketable securities	14	101	2,021	2,250	2,160
		($1,894)	**$2,533**	**$3,271**	**$3,411**
Net change in non-cash working capital items:					
(Increase) decrease in trade and other receivables		($2,385)	($23)	($6,505)	$1,828
Decrease in inventories		4,581	1,057	5,247	2,718
Decrease (increase) in prepaid expenses and other		2,322	452	(158)	(620)
Increase (decrease) in income taxes payable		158	(1,103)	(474)	(827)
Decrease in trade and other payables		(7,190)	(844)	(6,133)	(6,239)
		($2,514)	**($461)**	**($8,023)**	**($3,140)**
Non-cash investing and financing activities:					
Transfer of share-based payments reserve upon exercise of options		**$60**	**$165**	**$512**	**$1,008**

24. CONTINGENCIES AND OTHER MATTERS

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

Primero Tax Rulings

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

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

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

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

24. CONTINGENCIES AND OTHER MATTERS (continued)

Primero Tax Rulings (continued)

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

While the Company continues to vigorously defend the validity of the APA and its transfer pricing position, it is also engaging in dialogue with the SAT seeking to resolve matters and bring tax certainty through a negotiated solution. Since January 1, 2015, PEM has recorded its revenue from the sale of silver for purposes of Mexican tax accounting in a manner consistent with the APA, on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law. Due to the uncertainty in timing of resolution to this matter, which may take more than one year, the Company has classified its income taxes receivable of $19.9 million as non-current as at June 30, 2018.

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

Primero Class Action Suit

In July 2016, Primero and certain of its officers were served with a class action lawsuit that was filed in federal court in the State of California seeking to recover damages for investors in the Company's common shares under the U.S. federal securities laws. Primero filed a motion to dismiss this action which was granted on January 30, 2017. The plaintiff's claims were dismissed without prejudice and the plaintiffs filed an amended complaint on February 27, 2017. On July 14, 2017 the Company's motion to dismiss the amended complaint was granted and the plaintiffs' claims were dismissed without prejudice. Rather than amend the complaint again, the plaintiffs asked the federal court to enter final judgment and initiated an appeal of the dismissal to the Ninth Circuit Court of Appeals on September 8, 2017. The parties have filed their briefs in this appeal and a ruling on the appeal is expected sometime in the fall of 2018. The Company continues to vigorously defend this class action lawsuit on behalf of Primero and no liability has been recognized in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED JUNE 30, 2018

925 West Georgia Street, Suite 1800, Vancouver, B.C., Canada V6C 3L2
Phone: 604.688.3033 | Fax: 604.639.8873| Toll Free: 1.866.529.2807 | Email: info@firstmajestic.com
www.firstmajestic.com

TABLE OF CONTENTS

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

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of First Majestic Silver Corp. ("First Majestic" or "the Company") for the three and six months ended June 30, 2018, and the audited consolidated financial statements for the year ended December 31, 2017, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All dollar amounts are expressed in United States ("US") dollars and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences. This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of August 9, 2018 unless otherwise stated.

COMPANY OVERVIEW

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

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

2018 SECOND QUARTER HIGHLIGHTS

Key Performance Metrics	2018-Q2	2018-Q1	Change Q2 vs Q1	2017-Q2	Change Q2 vs Q2	2018-YTD	2017-YTD	Change
Operational								
Ore Processed / Tonnes Milled	851,349	809,775	5%	691,833	23%	1,661,124	1,514,170	10%
Silver Ounces Produced	2,756,263	2,167,030	27%	2,287,188	21%	4,923,292	4,996,166	(1%)
Silver Equivalent Ounces Produced	5,137,318	3,879,678	32%	3,888,944	32%	9,016,996	8,156,294	11%
Cash Costs per Ounce (1)	$7.59	$7.83	(3%)	$7.01	8%	$7.70	$6.63	16%
All-in Sustaining Cost per Ounce (1)	$16.43	$16.01	3%	$14.17	16%	$16.25	$12.92	26%
Total Production Cost per Tonne (1)	$61.04	$46.88	30%	$51.53	18%	$54.14	$47.83	13%
Average Realized Silver Price per Ounce (1)	$16.74	$16.76	0%	$17.17	(3%)	$16.75	$17.37	(4%)
Financial (in $millions)								
Revenues	$79.7	$58.6	36%	$60.1	33%	$138.3	$129.2	7%
Mine Operating (Loss) Earnings	($2.3)	($0.4)	(445%)	$1.4	(264%)	($2.7)	$11.4	(124%)
Impairment of non-current assets	$31.7	$0.0	100%	$0.0	100%	$31.7	$0.0	100%
Net (Loss) Earnings	($40.0)	($5.6)	(616%)	$1.4	(2,935%)	($45.6)	$4.1	(1,204%)
Operating Cash Flows before Working Capital and Taxes	$14.2	$15.6	(9%)	$18.0	(21%)	$29.9	$44.6	(33%)
Cash and Cash Equivalents	$109.2	$249.2	(56%)	$126.9	(14%)	$109.2	$126.9	(14%)
Working Capital (1)	$141.4	$235.6	(40%)	$130.9	8%	$141.4	$130.9	8%
Shareholders								
(Loss) Earnings per Share ("EPS") - Basic	($0.22)	($0.03)	(555%)	$0.01	(2,685%)	($0.26)	$0.03	(1,150%)
Adjusted EPS (1)	($0.07)	($0.06)	(8%)	($0.02)	(197%)	($0.13)	$0.00	(25,524%)
Cash Flow per Share (1)	$0.08	$0.09	(17%)	$0.11	(28%)	$0.17	$0.27	(36%)

(1) The Company reports non-GAAP measures which include cash costs per ounce produced, all-in sustaining cost per ounce, total production cost per tonne, average realized silver price per ounce sold, working capital, adjusted EPS and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 38 to 44 for a reconciliation of non-GAAP to GAAP measures.

Second Quarter Production Summary	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Ore Processed / Tonnes Milled	85,765	228,054	237,862	123,642	65,879	74,431	35,715	**851,349**
Silver Ounces Produced	808,923	535,015	325,603	360,862	167,591	419,815	138,454	**2,756,263**
Silver Equivalent Ounces Produced	1,698,382	1,407,880	327,458	605,826	323,714	524,843	249,214	**5,137,318**
Cash Costs per Ounce	$0.24	$1.39	$23.05	$10.42	$18.01	$9.68	$12.89	**$7.59**
All-in Sustaining Cost per Ounce	$5.41	$6.60	$30.81	$16.39	$32.08	$12.49	$18.11	**$16.43**
Total Production Cost per Tonne	$148.91	$55.97	$31.09	$49.10	$69.23	$72.77	$83.68	**$61.04**

Corporate Developments

- On May 10, 2018, the Company completed its acquisition of all of the issued and outstanding common shares of Primero Mining Corp. ("Primero") for a total consideration of $187.0 million in common shares of First Majestic. With the acquisition, First Majestic has integrated a large, world-class, silver and gold mine into its portfolio of operating mines. The San Dimas mine, becoming First Majestic's seventh mine in Mexico, will result in significant growth in our production profile with an estimated doubling of silver equivalent ounces produced.

- In connection with the plan of arrangement, the Company has restructured the pre-existing silver purchase agreement with Wheaton Precious Metals Corp. ("WPM"). Pursuant to the New Stream Agreement, WPM will be entitled to receive 25% of the gold production and 25% of the silver production converted to gold equivalent at a fixed exchange ratio of 70:1 at San Dimas in exchange for ongoing payments equal to the lesser of US$600 (subject to a 1% annual inflation adjustment) and the prevailing market price, for each gold ounce delivered under the agreement ("New Stream Agreement"). The New

Stream Agreement provides for a number of value creation opportunities with alignment between silver and gold production and increased post-stream cash flow at San Dimas.

- During the 52 days since being acquired by First Majestic, San Dimas made an immediate impact to First Majestic's production profile and bottom line by producing 808,923 ounces of silver or 1,698,382 ounces of silver equivalents while generating mine operating earnings of $5.1 million.
- During the quarter, First Majestic has also entered into a $75.0 million senior secured revolving credit facility, which will mature on its third anniversary date in May 2021. Interest will accrue at LIBOR plus an applicable range dependent on certain financial parameters of First Majestic. Proceeds from the credit facility were used primarily to repay and close First Majestic's pre-existing debt facilities as well as the $30.2 million revolving credit facility assumed from the Primero acquisition.
- See more details of the arrangement agreement in connection with the acquisition of Primero in the "Acquisition of Primero" section below.

Operational

- In the second quarter, the Company's production from its seven operating mines reached a new Company record. Total silver equivalents production increased by 32% to 5,137,318 ounces while silver production increased 27% to 2,756,263 ounces compared to the previous quarter. The increase in production was primarily due to the addition of the San Dimas Silver/Gold mine.
- Total ore processed during the quarter amounted to 851,349 tonnes, representing a 5% increase compared to the previous quarter. The increase in tonnes compared to the prior quarter was primarily due to the addition of San Dimas production, offset by a 17% decrease in throughput at Del Toro and a 14% decrease at La Encantada.
- Consolidated silver grades in the quarter averaged 127 g/t compared to 111 g/t in the previous quarter. The 14% increase in silver grades was primarily the result of the addition of 52 days of production from San Dimas, which had average silver head grades of 307 g/t.
- Consolidated silver recoveries averaged 79%, representing a 5% increase compared to the previous quarter. The Company expects further improvements in recoveries with the anticipated installation and commissioning of the microbubble flotation columns at La Parrilla in the third quarter of 2018, followed by Del Toro in the first quarter of 2019.
- Cash cost per ounce in the quarter was $7.59, a decrease of 3% or $0.24 per ounce compared to the previous quarter. Cash cost per ounce was lower than the previous quarter primarily due to the addition of San Dimas, which was producing at a cash cost of $0.24 per ounce, partially offset by higher cash costs at La Encantada and Del Toro due to lower production.
- All-in sustaining cost per ounce (“AISC”) in the second quarter was $16.43, an increase of 3% or $0.42 per ounce compared to the previous quarter, primarily attributed to higher general and administrative expenses and sustaining capital expenditures pursuant to the integration of San Dimas. AISC per ounce was also higher due to lower production from La Encantada and Del Toro.
- The Company's underground development in the second quarter consisted of 17,838 metres, reflecting a 20% increase compared to 14,914 metres completed in the previous quarter. Additional development contractors were brought in during the second quarter at La Encantada and Del Toro to focus on increasing development rates to support expanding production in the coming quarters. Development remains focused on opening new production areas, exploring high potential zones and new stope preparation.
- During the quarter, up to 29 diamond drill rigs were active across the Company’s properties. A total of 298 drill holes were completed for a total of 73,899 metres on the seven producing assets as well as the Plomosas Silver Project, representing a 65% increase in drilled metres compared to the previous quarter. Primary exploration activities focused on replacement deposits at the Quebradillas mine and the epithermal vein system at Cerro de Santiago at La Parrilla, exploring extensions of the main Santa Elena vein, vein splays of Santa Elena and at the Ermitaño-West project at Santa Elena, exploring Santa Jessica, Santa Regina and Alexa veins in the Central block and Sinaloa Graben at San Dimas and exploring vein mineralization at the San Juan mine at the Plomosas Silver Project.

Financial

- Generated revenues of $79.7 million in the quarter, an increase of 33% compared to $60.1 million in the second quarter of 2017 primarily due to a 43% increase in silver equivalent ounces sold, partially offset by a 3% decrease in average realized silver price compared to the same quarter of the prior year.

- The Company recognized a mine operating loss of $2.3 million compared to mine operating earnings of $1.4 million in the second quarter of 2017. Despite the addition of San Dimas, which contributed $5.1 million in mine operating earnings during its 52 days of operations under First Majestic management, consolidated mine operating earnings underperformed the previous year due to decline in production from Del Toro and La Encantada.
- The Company recorded an impairment charge of $31.7 million, or $20.5 million net of tax, on the non-current assets of La Guitarra Silver Mine pursuant to management's decision to place the mine on care and maintenance effective August 3, 2018.
- Adjusted net loss for the quarter was $11.8 million (adjusted loss per share of $0.07), after excluding non-cash and non-recurring items including impairment of non-current assets, share-based payments, gain or loss from marketable securities, deferred income tax recovery or expense and acquisition costs (see "Adjusted EPS" on page 43).
- The Company generated a net loss of $40.0 million (loss per share of $0.22) compared to net earnings of $1.4 million (EPS of $0.01) in the second quarter of 2017, primarily due to $31.7 million impairment of non-current assets, a decrease in mine operating earnings, acquisition costs and higher financing costs associated with convertible debentures issued in the first quarter of 2018.
- Cash flow from operations before movements in working capital and income taxes in the quarter was $14.2 million ($0.08 per share) compared to $18.0 million ($0.11 per share) in the second quarter of 2017.

ACQUISITION OF PRIMERO MINING CORP.

Description of the Transaction

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

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

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

Concurrently and in connection and as part of the Arrangement, First Majestic terminated the pre-existing silver purchase agreement with Wheaton Precious Metals Corp. and its subsidiary, Wheaton Precious Metals International Ltd. (“WPMI”), relating to the San Dimas Mine and entered into a new precious metal purchase agreement with WPMI and FM Metal Trading (Barbados) Inc., a wholly-owned subsidiary of First Majestic. Pursuant to the New Stream Agreement, WPMI is entitled to receive 25% of the gold production and 25% of the silver production (delivered in gold based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of $600 (subject to a 1% annual inflation adjustment) and the prevailing market price, for each gold ounce delivered under the New Stream Agreement. As part of the restructuring of the stream agreement, WPMI received 20,914,590 common shares of First Majestic with an aggregate fair market value of approximately $143.1 million based on the closing price of First Majestic common shares on May 9, 2018 of $6.84. The final common share purchase consideration was determined based on the closing market price of First Majestic’s common shares on the day before the closing date of the Arrangement.

Financing and Settlement of Primero Debt Facilities

To fund the repayment of the Primero Debentures, amounts outstanding under Primero's existing revolving credit facility and other costs related to the closing of the Arrangement, the Company raised cash through the following debt financing arrangements:

- $156.5 million unsecured senior convertible debentures (the "Notes") issued on January 29, 2018 and February 15, 2018, respectively, the proceeds of which were used primarily for repayment of the Debentures, other costs related to the closing of the Arrangement and general working capital purposes. The Notes mature on March 1, 2023 and bear an interest rate of 1.875% per annum. The Notes are convertible into common shares of the Company at a conversion rate of 104.3297 common shares per $1,000 principal amount of Notes converted, representing an initial conversion price of $9.59 per common share, subject to certain anti-dilution adjustments. Proceeds from the Notes were primarily used to pay out all outstanding amounts of Primero's $75.8 million of convertible debentures.

- A $75.0 million senior secured revolving term credit facility (the "New Credit Facility") which was used to replace an existing First Majestic credit facility and the prior credit facility of Primero. The New Credit Facility will mature on the third anniversary date but can be prepaid in advance of such date. Interest will accrue at LIBOR plus an applicable range which is dependent on certain financial parameters of First Majestic.

Consideration and Purchase Price Allocation

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

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

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

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

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

2018 SECOND HALF PRODUCTION OUTLOOK AND COST GUIDANCE UPDATE

This section provides management's production outlook and cost guidance for 2018. 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 production outlook and cost guidance includes the acquisition of Primero as announced on May 10, 2018.

Following the transformational acquisition of the San Dimas operation, the Company will be implementing various cost saving programs and operational modifications in order to improve profitability across its portfolio of assets. The Company has revised its annual production guidance to incorporate the following operational adjustments:

1. The addition of approximately 3.7 to 4.0 million ounces of silver (or 7.1 to 7.7 million silver equivalent ounces) of production in 2018 from San Dimas. On an annualized rate, production at San Dimas is projected to be 5.8 to 6.4 million ounces of silver (or 10.8 to 12.0 million silver equivalent ounces).
2. Increased silver grades at Santa Elena to 94 g/t compared to the previous estimate of 89 g/t, due to mine sequencing into areas of the mine with higher silver grades and lower gold grades. Blended gold grades from the heap leach pad together with fresh underground ore are expected to average 1.5 g/t for the full year compared to 1.7 g/t which was achieved in the first half of the 2018.
3. Reduction of head grades at La Encantada to 110 g/t, from previous estimates of 150 g/t, due to a delay in accessing higher grade material from sub-level caving at the San Javier and La Prieta breccias. The slight production delay was due to difficult ground conditions affecting drilling and support in the cave initiation and have since been resolved. Grades and tonnage from these two areas are expected to increase in the second half of 2018 and improve silver production. In addition, initial production from the new roaster is now scheduled to begin at the end of August, previous start-up guidance was March, and ramping up to commercial production by the end of the year. The delays with the roaster and accessing higher grade ounces from sub-level caving resulted in approximately a 1.0 million ounce deferral in annual silver production at La Encantada compared to the original guidance.
4. Reduction in throughput at Del Toro in the second half of the year to 800 tpd due to decreased development rates in the San Juan and Dolores mines. In addition, silver recoveries are now planned at 67% compared to 78% due to a higher volume of transitional ore being processed through the flotation circuit. The microbubble flotation cells which are planned to be installed in the first quarter of 2019 are expected to improve these recoveries.
5. Following an extensive review of the La Guitarra operation, the Company has decided to place the mine and mill under care and maintenance and review strategic options including the potential sale of the operation. The decision to place the operation under care and maintenance on August 3rd. The reallocation of capital and resources to projects that have better economics and internal rates of return such as the newly acquired San Dimas operation are taking priority. The Company will continue with current permitting activities and remediation programs to prepare the operation for a potential reopening in the future, subject to a sufficient improvement in the economic situation to justify a restart of the operation.

As a result of these operational modifications, our 2018 annual silver production has been increased to an estimated range of 12.0 to 13.2 million ounces, or 20.5 to 22.6 million silver equivalent ounces. This compares to the previous annual production guidance of 10.6 to 11.8 million ounces of silver, or 15.7 to 17.5 million silver equivalent ounces.

The Company is also providing guidance for the second half of 2018 on a mine-by-mine basis below. Cash cost and AISC guidance are shown per payable silver ounce. Metal price and foreign currency assumptions for calculating silver equivalent ounces were unchanged compared to the previous guidance: silver: $16.50/oz, gold: $1,250/oz, lead: $1.10/lb, zinc: $1.40/lb, MXN:USD 19:1.

Guidance for Second Half of 2018

Mine	Silver Oz (M)	Silver Eqv Oz (M)	Cash Costs ($)	AISC ($)
San Dimas	2.9 - 3.2	5.4 - 6.0	2.71 - 3.74	7.12 - 8.64
Santa Elena	1.2 - 1.3	2.4 - 2.7	5.70 - 6.67	9.52 - 10.63
La Encantada	1.4 - 1.6	1.4 - 1.6	11.74 - 12.52	15.47 - 16.58
La Parrilla	0.7 - 0.8	1.2 - 1.3	8.65 - 9.29	14.71 - 15.76
Del Toro	0.4 - 0.5	0.8 - 0.9	10.74 - 12.08	21.61 - 24.20
San Martin	0.9 - 1.0	1.0 - 1.2	8.60 - 9.30	11.83 - 12.82
La Guitarra(1)	0.0	0.1	15.15 - 16.29	29.63 - 31.70
Consolidated	**7.6 - 8.4**	**12.4 - 13.8**	**$6.63 - $7.54**	**$13.28 - $14.84**

*Certain amounts shown may not add exactly to the total amount due to rounding differences.
*Consolidated AISC includes Corporate General & Administrative cost estimates and non-cash costs of $1.99 to $2.22 per payable silver ounce.
(1) Effective August 3, 2018, the La Guitarra Silver Mine has been placed on care and maintenance.

In the second half of 2018, the Company expects silver production to range between 7.6 - 8.4 million ounces, representing a 55% to 71% increase when compared to 4.9 million silver ounces produced in the first half of 2018. Additionally, total production is now expected to range between 12.4 - 13.8 million silver equivalent ounces in the second half of 2018, representing a 38% to 53% increase when compared to 9.0 million silver equivalent ounces produced in the first half of 2018.

A mine-by-mine breakdown of the revised full year 2018 production guidance is included in the table below and assumes the same metal prices and foreign currency assumptions as stated previously.

Guidance for Full Year of 2018

Mine	Silver Oz (M)	Silver Eqv Oz (M)	Cash Costs ($)	AISC ($)
San Dimas	3.7 - 4.0	7.1 - 7.7	2.88 - 3.66	6.99 - 8.19
Santa Elena	2.1 - 2.3	5.0 - 5.6	2.48 - 3.03	7.28 - 8.18
La Encantada	2.1 - 2.3	2.1 - 2.4	14.25 - 14.79	18.52 - 19.47
La Parrilla	1.4 - 1.5	2.3 - 2.5	9.67 - 10.08	15.77 - 16.70
Del Toro	0.7 - 0.8	1.5 - 1.6	12.16 - 12.91	22.25 - 24.15
San Martin	1.7 - 1.9	2.0 - 2.2	8.61 - 9.00	11.53 - 12.20
La Guitarra	0.3	0.5	11.17 - 11.45	20.28 - 21.38
Consolidated	**12.0 - 13.2**	**20.5 - 22.6**	**$7.18 - $7.75**	**$14.53 - $15.83**

*Certain amounts shown may not add exactly to the total amount due to rounding differences.
*Consolidated AISC includes general and administrative cost estimates and non-cash costs of $2.42 to $2.69 per payable silver ounce.

Annual cash costs are now expected to be within the range of $7.18 to $7.75 per ounce, compared to the previous guidance of $8.30 to $9.09 per ounce, primarily due to the addition of the low-cost San Dimas operation. In addition, annual all-in sustaining costs are now expected to be within a range of $14.53 to $15.83 per ounce, compared to the previous guidance of $15.21 to $16.56 per ounce.

Revised Capital Budget

The Company has updated its 2018 capital budget to include the San Dimas operation as well as the reallocation of capital for development and exploration across its operations. As a result, total capital investments for 2018 are now estimated at $148.7 million, consisting of $64.8 million for sustaining requirements and $83.9 million for expansionary projects. This represents a 19% increase compared to the original 2018 capital budget of $125.4 million primarily due to the inclusion of the San Dimas operation and additional investments related to corporate projects. The revised budget includes $59.2 million to be spent on underground development, $35.6 million towards property, plant and equipment, $27.4 million in exploration and $26.5 million towards corporate projects including mill automation and HIG mill technology.

On a mine-by-mine basis, capital expenditures in the second half of 2018 are comprised of the following:

Capital Budget ($millions)	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other(1)	Total
Mining Interest	$16.6	$9.8	$4.0	$6.4	$4.8	$3.9	$2.2	$2.5	$50.2
Property Plant and Equipment	5.8	1.6	7.1	2.5	3.1	2.0	0.4	24.2	46.7
Total	$22.4	$11.4	$11.1	$8.9	$7.9	$5.9	$2.6	$26.7	$96.9

Revised capital expenditures for 2018 on an annual basis are comprised of the following:

Revised 2018 Capital Budget ($millions)	Sustaining	Expansionary	Total
Underground Development	$32.8	$26.4	$59.2
Exploration	4.4	23.0	27.4
Property, Plant and Equipment	23.9	11.7	35.6
Corporate Projects(1)	3.5	23.0	26.5
Total	$64.8	$83.9	$148.7

Revised 2018 capital budget allocated by mine as follows:

($millions)	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other(1)	Total
Sustaining									
Mining Interest	$11.9	$6.9	$3.5	$5.1	$5.4	$2.3	$2.2	$—	$37.3
Property Plant and Equipment	5.8	3.7	5.9	3.1	2.1	2.9	0.5	3.5	27.5
Total	$17.7	$10.6	$9.4	$8.2	$7.5	$5.2	$2.7	$3.5	$64.8
Expansionary									
Mining Interest	$8.2	$10.6	$4.8	$6.6	$4.3	$5.4	$4.1	$5.4	$49.4
Property Plant and Equipment	1.0	0.5	5.1	0.8	2.7	—	1.1	23.3	34.5
Total	$9.2	$11.1	$9.9	$7.4	$7.0	$5.4	$5.2	$28.7	$83.9

*Certain amounts shown may not add exactly to the total amount due to rounding differences.
(1) Strategic transformation projects to be allocated to operations upon completion and projects

In the first half of 2018, the Company completed 32,752 metres of underground development and 118,726 metres of exploration drilling. Under the revised 2018 budget, the Company is now expecting to complete a total of 76,700 metres of underground development, representing a 6% increase compared the original budget of 72,477 metres. In addition, the Company is now planning to complete a total of 203,500 metres of exploration drilling in 2018, representing an 11% increase compared to the original budget of 183,000 metres, primarily due the addition of 33,400 metres of exploration drilling planned at San Dimas.

OVERVIEW OF OPERATING RESULTS

Selected Production Results for the Past Eight Quarters

	2018		2017				2016	
PRODUCTION HIGHLIGHTS	**Q2[1]**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Ore processed/tonnes milled								
San Dimas	85,765	—	—	—	—	—	—	—
Santa Elena	228,054	223,498	232,575	232,662	232,451	230,050	257,771	241,996
La Encantada	237,862	276,191	198,845	212,092	148,039	266,510	235,039	247,858
La Parrilla	123,642	125,114	138,124	132,389	132,880	140,592	153,309	147,414
Del Toro	65,879	79,769	56,753	60,501	81,843	79,108	82,767	86,646
San Martin	74,431	75,374	72,503	69,113	67,073	69,563	76,848	75,228
La Guitarra	35,715	29,829	37,885	23,896	29,547	36,514	38,422	39,092
Consolidated	**851,349**	**809,775**	**736,684**	**730,652**	**691,833**	**822,336**	**844,155**	**838,233**
Silver equivalent ounces produced								
San Dimas	1,698,382	—	—	—	—	—	—	—
Santa Elena	1,407,880	1,543,776	1,653,941	1,503,376	1,399,940	1,369,875	1,470,612	1,430,506
La Encantada	327,458	452,420	489,071	610,307	375,563	708,959	569,504	687,841
La Parrilla	605,826	615,541	643,799	612,116	593,852	667,431	699,497	739,026
Del Toro	323,714	437,743	369,992	472,804	712,714	682,219	680,802	707,524
San Martin	524,843	574,838	617,879	604,686	577,598	522,672	573,349	562,096
La Guitarra	249,214	255,359	290,654	182,986	229,276	316,195	386,713	397,627
Consolidated	**5,137,318**	**3,879,678**	**4,065,336**	**3,986,274**	**3,888,944**	**4,267,350**	**4,380,477**	**4,524,619**
Silver ounces produced								
San Dimas	808,923	—	—	—	—	—	—	—
Santa Elena	535,015	521,784	582,789	560,054	557,914	581,425	660,207	671,423
La Encantada	325,603	449,522	486,514	609,138	374,901	707,479	567,930	685,478
La Parrilla	360,862	337,332	401,090	424,358	425,060	479,875	497,466	547,913
Del Toro	167,591	236,478	185,695	233,015	365,323	340,958	343,894	446,137
San Martin	419,815	483,740	514,678	471,893	425,645	410,082	510,423	500,441
La Guitarra	138,454	138,173	166,698	117,504	138,345	189,159	239,788	263,235
Consolidated	**2,756,263**	**2,167,030**	**2,337,463**	**2,415,962**	**2,287,188**	**2,708,978**	**2,819,708**	**3,114,627**
Cash cost per ounce								
San Dimas	$0.24	—	—	—	—	—	—	—
Santa Elena	$1.39	($4.74)	($6.93)	($0.18)	$1.24	($0.12)	($1.43)	($0.81)
La Encantada	$23.05	$16.93	$15.23	$12.47	$13.59	$10.83	$13.87	$11.20
La Parrilla	$10.42	$11.02	$11.21	$12.26	$11.15	$9.96	$10.22	$7.70
Del Toro	$18.01	$13.66	$12.53	$6.41	$3.99	$2.64	$2.80	$3.41
San Martin	$9.68	$8.04	$7.55	$7.11	$5.43	$6.42	$6.94	$7.05
La Guitarra	$12.89	$7.97	$11.20	$19.02	$12.65	$6.36	$7.74	$6.93
Consolidated	**$7.59**	**$7.83**	**$6.76**	**$8.15**	**$7.01**	**$6.31**	**$6.49**	**$5.84**
All-in sustaining cost per ounce								
San Dimas	$5.41	—	—	—	—	—	—	—
Santa Elena	$6.60	($0.17)	($2.01)	$3.08	$5.02	$2.95	$1.64	$1.82
La Encantada	$30.81	$20.97	$19.20	$14.98	$17.95	$12.07	$16.53	$12.81
La Parrilla	$16.39	$17.66	$15.28	$18.85	$17.12	$13.86	$15.34	$10.65
Del Toro	$32.08	$20.61	$25.48	$12.92	$7.93	$7.95	$8.43	$6.01
San Martin	$12.49	$9.98	$9.73	$10.03	$7.53	$8.66	$10.01	$9.92
La Guitarra	$18.11	$15.76	$17.77	$31.55	$19.51	$11.83	$15.99	$13.60
Consolidated	**$16.43**	**$16.01**	**$14.13**	**$15.36**	**$14.17**	**$11.85**	**$12.90**	**$10.52**
Production cost per tonne								
San Dimas	$148.91	—	—	—	—	—	—	—
Santa Elena	$55.97	$54.31	$47.13	$55.65	$54.44	$52.90	$37.57	$44.75
La Encantada	$31.09	$27.00	$36.42	$34.77	$33.65	$27.92	$32.96	$30.18
La Parrilla	$49.10	$48.12	$48.00	$50.75	$44.54	$43.22	$41.92	$41.20
Del Toro	$69.23	$58.12	$72.77	$71.80	$57.16	$51.58	$52.45	$48.15
San Martin	$72.77	$68.06	$73.14	$76.81	$69.37	$61.28	$56.70	$59.39
La Guitarra	$83.68	$86.50	$83.61	$120.09	$93.49	$75.33	$78.31	$79.68
Consolidated	**$61.04**	**$46.88**	**$50.81**	**$54.15**	**$51.53**	**$44.72**	**$42.13**	**$43.11**

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

Operating Results – Consolidated Operations

CONSOLIDATED	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q2 vs Q1	Change '18 vs '17
Ore processed/tonnes milled	851,349	809,775	1,661,124	1,514,170	5%	10%
Average silver grade (g/t)	127	111	119	133	14%	(11%)
Average gold grade (g/t)	0.99	0.66	0.83	0.68	50%	22%
Average lead grade (g/t)	1.61	1.77	1.69	2.51	(9%)	(33%)
Average zinc grade (g/t)	0.61	0.69	0.65	0.42	(12%)	55%
Silver recovery (%)	79%	75%	77%	77%	5%	0%
Gold recovery (%)	94%	93%	93%	92%	1%	1%
Lead recovery (%)	64%	62%	63%	70%	3%	(10%)
Zinc recovery (%)	60%	57%	58%	48%	5%	21%
Production						
Silver ounces produced	2,756,263	2,167,030	4,923,292	4,996,166	27%	(1%)
Gold ounces produced	25,449	15,887	41,336	30,233	60%	37%
Pounds of lead produced	3,949,410	4,448,378	8,397,788	15,079,301	(11%)	(44%)
Pounds of zinc produced	1,382,760	1,611,699	2,994,459	1,732,535	(14%)	73%
Total production - ounces silver equivalent	5,137,318	3,879,678	9,016,996	8,156,294	32%	11%
Cost						
Cash cost per ounce	$7.59	$7.83	$7.70	6.63	(3%)	16%
All-In sustaining costs per ounce	$16.43	$16.01	$16.25	12.92	3%	26%
Total production cost per tonne	$61.04	$46.88	$54.14	47.83	30%	13%
Underground development (m)	17,838	14,914	32,752	28,692	20%	14%
Diamond drilling (m)	73,899	44,827	118,726	58,070	65%	104%

Production

Total production for the quarter was 5,137,318 silver equivalent ounces, consisting of 2,756,263 ounces of silver, 25,449 ounces of gold, 3,949,410 pounds of lead and 1,382,760 pounds of zinc. The increase in production was primarily due to the addition of the San Dimas Silver/Gold mine, which contributed 52 days of production or 808,923 ounces of silver and 1,698,382 ounces of silver equivalents production during the quarter. The increase in production was partially offset by decreases of 28% and 26% in silver equivalents production at La Encantada and Del Toro, respectively.

Total ore processed during the quarter at the Company's seven operating silver mines: San Dimas, Santa Elena, La Encantada, La Parrilla, Del Toro, San Martin and La Guitarra, amounted to 851,349 tonnes, representing a 5% increase compared to the previous quarter. The increase in tonnes compared to the prior quarter was primarily due to the addition of San Dimas production, offset by a 17% decrease in throughput at Del Toro and a 14% decrease at La Encantada, respectively, due to metallurgical challenges of ore bodies in current operating areas.

Consolidated silver grades in the quarter averaged 127 g/t compared to 111 g/t in the previous quarter. The 14% increase in silver grades was primarily the result of the addition of 52 days of production from San Dimas, which had average silver head grades of 307 g/t.

Consolidated silver recoveries in the quarter averaged 79%, a 5% increase compared to the previous quarter. The Company expects further improvements in recoveries with the anticipated installation and commissioning of the microbubble flotation columns at La Parrilla in the third quarter of 2018, followed by Del Toro in the first quarter of 2019. In addition, delivery and installation of the High Intensity Grinding ("HIG") mills at Santa Elena and San Dimas are planned for October and November, respectively, followed by commissioning over the following quarter. The benefits of this new technology, most notably higher recoveries and lower operating costs, are expected to be realized after completing ramp up to commercial production in the first half of 2019.

Cash Cost per Ounce

Cash cost per ounce for the quarter was $7.59 per payable ounce of silver, a decrease of 3% from $7.83 per ounce in the first quarter of 2018. Cash cost per ounce was lower than the previous quarter primarily due to the addition of San Dimas, which was producing at a cash cost of $0.24 per ounce, offset by higher cash cost per ounce incurred at La Encantada and Del Toro due to declines in production.

All-In Sustaining Cost per Ounce

AISC in the second quarter was $16.43, an increase of 3% or $0.42 per ounce compared to the previous quarter, primarily attributed to higher general and administrative expenses and sustaining capital expenditures pursuant to the acquisition of Primero and the integration of San Dimas into the Company's portfolio. AISC per ounce was also higher due to lower production from La Encantada and Del Toro.

Development and Exploration

The Company's underground development in the second quarter consisted of 17,838 metres, comparable to 14,914 metres completed in the previous quarter. Additional development contractors were brought in during the second quarter at La Encantada and Del Toro to focus on increasing development rates to increase production in the coming quarters. Development remains focused on opening new production areas, exploring high potential zones and new stope preparation.

During the quarter, up to 29 diamond drill rigs were active across the Company’s properties. A total of 298 drill holes were completed for a total of 73,899 metres on the seven producing assets as well as the Plomosas Silver Project, representing a 65% increase in drilled metres compared to 44,827 metres in the prior quarter. Primary exploration activities focused on replacement deposits at the Quebradillas mine and the epithermal vein system at Cerro de Santiago at La Parrilla, exploring extensions of the main Santa Elena vein, vein splays of Santa Elena and at the Ermitaño-West project at Santa Elena, exploring Santa Jessica, Santa Regina and Alexa veins in the Central block and Sinaloa Graben at San Dimas and exploring vein mineralization at the San Juan mine at the Plomosas Silver Project.

San Dimas Silver/Gold Mine, Durango, México

The San Dimas Silver/Gold Mine is located approximately 130 km northwest of Durango, Durango State, Mexico and contains 71,867 hectares of mining claims located in the state of Durango, Mexico. San Dimas is one of the country's most prominent silver and gold mines as well as the largest producing underground mine in the state of Durango, with over 250 years of operating history. First Majestic acquired the San Dimas mine with the acquisition of Primero Mining Corp. in May 2018. The San Dimas operation involves processing ore from an underground mine with a 2,500 tpd capacity milling operation. The mine is accessible via a 40 minute flight from Durango to the mine's airstrip. The Company owns 100% of the San Dimas mine.

San Dimas	2018-Q2
Total ore processed/tonnes milled	85,765
Average silver grade (g/t)	307
Average gold grade (g/t)	4.3
Silver recovery (%)	96%
Gold recovery (%)	97%
Production	
Silver ounces produced	808,923
Gold ounces produced	11,348
Total production - ounces silver equivalent	1,698,382
Cost	
Cash cost per ounce	$0.24
All-In sustaining costs per ounce	$5.41
Total production cost per tonne	$148.91
Underground development (m)	2,481
Diamond drilling (m)	10,522

On May 10, 2018, First Majestic completed the acquisition of Primero which added the San Dimas Silver/Gold Mine as the Company's seventh producing asset in Mexico. During the 52 days after acquiring San Dimas, the operation produced 808,923 silver ounces of silver and 11,348 ounces of gold for a total production of 1,698,382 silver equivalent ounces. The mill processed a total of 85,765 tonnes with average silver and gold grades of 307 g/t and 4.3 g/t, respectively, during the quarter.

Cash cost in the second quarter was $0.24 per payable silver ounce, primarily attributed to high by-product credits from its gold production which accounts for approximately half of the mine's total production. AISC in the quarter was $5.41 per ounce.

As part of the acquisition of Primero, First Majestic renegotiated San Dimas' streaming agreement with WPM which is entitled to receive 25% of the gold production and 25% of the silver production (delivered in gold based on a fixed exchange ratio of 70 silver ounces to 1 gold ounce) at San Dimas in exchange for ongoing payments equal to the lesser of $600 (subject to a 1% annual inflation adjustment) and the prevailing market price for each gold ounce delivered, with provisions to adjust the gold to silver ratio if the average gold to silver ratio moves above or below 90:1 or 50:1, respectively, for a period of six months. The New Stream Agreement enables the operation to generate more significant cash flows and First Majestic to deploy capital towards exploration and underground development in areas of the mine that were previously deemed uneconomic. During the three and six months ended June 30, 2018, the Company has delivered a total of 3,738 ounces of gold to WPM at $600 per ounce under the New Stream plus 452,197 ounces of silver at $4.30 per ounce, which were opening inventory acquired from Primero on the acquisition date which were covered under the old stream.

A total of 2,481 metres of underground development was completed by First Majestic in the second quarter.

Six drill rigs completed 22 drill holes for a total of 10,522 metres of exploration drilling during the quarter with a primary focus around Santa Jessica, Santa Regina and Alexa veins in the Central block and Sinaloa Graben.

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

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

In the second half of the 2018, production rates at San Dimas are expected to average 1,700 tpd with estimated average silver and gold grades of 345 g/t and 3.9 g/t, respectively. It should be noted that many of the anticipated benefits from these mine and mill modifications are not yet reflected in the forecasted operating results above and are expected to take several operating quarters to materialize.

Santa Elena Silver/Gold Mine, Sonora, México

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

SANTA ELENA	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q2 vs Q1	Change '18 vs '17
Total ore processed/tonnes milled	228,054	223,498	451,553	462,501	2%	(2%)
Underground tonnes						
Tonnes milled	128,200	124,827	253,028	279,027	3%	(9%)
Average silver grade (g/t)	120	124	122	112	(3%)	9%
Average gold grade (g/t)	2.3	2.9	2.6	2.2	(21%)	18%
Heap leach tonnes						
Tonnes milled	99,854	98,671	198,525	183,473	1%	8%
Average silver grade (g/t)	36	32	34	45	13%	(24%)
Average gold grade (g/t)	0.7	0.6	0.6	0.7	17%	(14%)
Silver recovery (%)	87%	87%	87%	89%	0%	(2%)
Gold recovery (%)	95%	95%	95%	95%	0%	0%
Production						
Silver ounces produced	535,015	521,784	1,056,799	1,139,339	3%	(7%)
Gold ounces produced	11,040	12,887	23,927	22,784	(14%)	5%
Total production - ounces silver equivalent	1,407,880	1,543,776	2,951,656	2,769,815	(9%)	7%
Cost						
Cash cost per ounce	$1.39	($4.74)	($1.64)	$0.55	(129%)	(398%)
All-In sustaining costs per ounce	$6.60	($0.17)	$3.25	$3.96	(3,982%)	(18%)
Total production cost per tonne	$55.97	$54.31	$55.15	$53.68	3%	3%
Underground development (m)	2,926	3,030	5,956	5,469	(3%)	9%
Diamond drilling (m)	10,717	7,097	17,814	6,338	51%	181%

During the second quarter, Santa Elena produced 535,015 silver ounces and 11,040 ounces of gold for a total production of 1,407,880 silver equivalent ounces, reflecting a decrease of 9% compared to the prior quarter due to lower gold grades in current operating areas.

The mill processed a total of 228,054 tonnes during the quarter, consisting of 128,200 tonnes of underground ore and 99,854 tonnes from the above ground heap leach pad representing a 2% increase compared to the prior quarter.

Silver and gold grades from underground ore averaged 120 g/t and 2.3 g/t, respectively. Silver and gold grades from the above ground heap leach pad averaged 36 g/t and 0.7 g/t, respectively, during the quarter. The Company expects to improve recoveries at Santa Elena with the installation of the HIG mill planned for October followed by commissioning over the following quarter.

Cash cost in the second quarter was $1.39 per payable silver ounce compared to negative $4.74 per payable silver ounce in the previous quarter. Cash cost per ounce was higher primarily due to decrease in gold by-product credits, which were impacted by a 21% decrease in gold head grades during the quarter, which was anticipated due to mine sequencing.

AISC in the second quarter was $6.60 per ounce compared to negative $0.17 per ounce in the previous quarter. The increase was mainly attributed to increase in cash costs.

A total of 2,926 metres of underground development was completed in the second quarter compared to 3,030 metres of development in the previous quarter.

Four drill rigs completed 35 drill holes for a total of 10,717 metres of exploration during the quarter compared to 7,097 metres of drilling in the previous quarter. Primary exploration activities focused on exploring extensions of the main Santa Elena vein, particularly continuation to the west and at depth to the east, vein splays of Santa Elena and at the Ermitaño-West project at Santa Elena. Surface drilling was conducted on the Ermitaño and Cumobabi properties to explore the Ermitaño West, Aitana and San Judas veins respectively. Three drill-holes were drilled at San Judas and nine drill-holes at Ermitaño West during the second quarter. Hole EW-18-15 intercepted Ermitaño vein with 15.0 metres (ETT) and hole EW-18-20 intercepted Ermitaño vein with 24 metres (ETT); assays were not available for these holes at the time of this release.

The Santa Elena mine has a gold streaming agreement with Sandstorm Gold Ltd. ("Sandstorm"), which requires the mine to sell 20% of its gold production from leach pad and a designated area of its underground operations over the life of mine to Sandstorm. In September 2017, the Company exceeded 50,000 cumulative ounces delivered to Sandstorm which increased the base selling price from $350 per ounce to $450 per ounce. The selling price to Sandstorm is currently the lesser of $450 per ounce (subject to a 1% annual inflation increase commencing in April 2018) and the prevailing market price. During the quarter ended June 30, 2018 the Company delivered to Sandstorm 2,154 ounces of gold.

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

The Company has an option agreement with Evrim Resources Corp. ("Evrim") to earn 100% of the Ermitaño Project by paying $75,000 upon signing the agreement and $50,000 each anniversary thereafter, completing a minimum of $500,000 in exploration expenditures in the first year (all of which have been fulfilled), and by delivering a production notice by January 10, 2019, at which time Evrim will retain a 2% net smelter royalty ("NSR"). The Company has completed all of the payment and exploration expenditure requirements under the option agreement and has delivered the production notice as required and accordingly has met all of the requirements to exercise the option. Evrim has improperly refused to give effect to the exercise of the option and the Company has therefore commenced arbitration proceedings against Evrim during the first quarter of 2018. Evrim and First Majestic are currently in negotiations for a settlement, which is expected to be reached by the third quarter of 2018.

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

La Parrilla Silver Mine, Durango, México

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

LA PARRILLA	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q2 vs Q1	Change '18 vs '17
Total ore processed/tonnes milled	123,642	125,114	248,756	273,472	(1%)	(9%)
Cyanidation						
Tonnes milled	52,871	49,260	102,131	112,740	7%	(9%)
Average silver grade (g/t)	105	125	114	134	(16%)	(15%)
Average gold grade (g/t)	0.13	0.14	0.13	0.12	(7%)	8%
Silver recovery (%)	71%	71%	71%	71%	0%	0%
Gold recovery (%)	81%	81%	81%	79%	0%	3%
Flotation						
Tonnes milled	70,771	75,854	146,625	160,732	(7%)	(9%)
Average silver grade (g/t)	131	105	118	128	25%	(8%)
Average lead grade (g/t)	1.4	1.3	1.4	1.3	8%	8%
Average zinc grade (g/t)	1.5	1.7	1.6	1.0	(12%)	60%
Silver recovery (%)	78%	77%	78%	81%	1%	(4%)
Lead recovery (%)	77%	73%	75%	76%	5%	(1%)
Zinc recovery (%)	60%	57%	58%	48%	5%	21%
Production						
Silver ounces produced	360,862	337,332	698,193	904,935	7%	(23%)
Gold ounces produced	235	247	482	465	(5%)	4%
Pounds of lead produced	1,653,868	1,606,332	3,260,200	3,459,096	3%	(6%)
Pounds of zinc produced	1,382,760	1,611,699	2,994,459	1,732,535	(14%)	73%
Total production - ounces silver equivalent	605,826	615,541	1,221,367	1,261,284	(2%)	(3%)
Cost						
Cash cost per ounce	$10.42	$11.02	$10.71	$10.52	(5%)	2%
All-In sustaining costs per ounce	$16.39	$17.67	$17.00	$15.39	(7%)	10%
Total production cost per tonne	$49.10	$48.12	$48.61	$43.87	2%	11%
Underground development (m)	2,761	3,254	6,015	6,060	(15%)	(1%)
Diamond drilling (m)	10,444	8,358	18,801	11,236	25%	67%

In the second quarter, total production from the La Parrilla mine was 605,826 silver equivalent ounces, a decrease of 2% compared to 615,541 equivalent ounces of silver in the previous quarter. During the quarter, the flotation circuit processed 70,771 tonnes (778 tpd) with an average silver grade of 131 g/t and a 78% recovery while the cyanidation circuit processed 52,871 tonnes (581 tpd) with an average silver grade of 105 g/t and a 71% recovery for total production of 605,826 silver equivalent ounces.

During the quarter, the lead circuit processed ore with an average lead grade of 1.4 g/t with recoveries of 77% for a total lead production of 1,653,868 pounds, representing a 3% increase compared to the previous quarter. The zinc circuit processed an average zinc grade of 1.5 g/t with recoveries of 60% for a total zinc production of 1,382,760 pounds, representing a 14% decrease compared to the previous quarter.

Cash cost in the first quarter was $10.42 per ounce, a decrease of 5% compared to $11.02 per ounce in the previous quarter. AISC per ounce in the quarter was $16.39, a decrease of 7% or $1.28 compared to the previous quarter. The decreases in cash cost and AISC per ounce were primarily attributed to 7% increase in silver produced.

During the quarter, a total of 2,761 metres of underground development was completed compared to 3,254 metres in the previous quarter. The mine is in the process of changing its development contractor in order to improve development rates.

Five drill rigs completed 41 drill holes for 10,444 metres of exploration drilling in the quarter compared to 8,358 metres of diamond drilling in the first quarter of 2018. Primary exploration activities focused on replacement deposits at the Quebradillas mine and the epithermal vein system at Cerro de Santiago at La Parrilla. The most significant results were obtained at Quebradillas 460-Replacement where hole ILP-Q-18-37 intercepted 6.5 metres of estimated true-thickness (ETT) and hole ILP-Q-18-61 intercepted 7.0 metres ETT.

Delivery and installation of the microbubble cells to La Parrilla is expected in the third quarter of 2018 followed by commissioning and ramp up to commercial production by year end. By using microbubble technology, the Company expects to achieve higher metallurgical recoveries in the treatment of sulphide ore within the flotation circuit at La Parrilla.

La Encantada Silver Mine, Coahuila, México

The La Encantada Silver Mine is an underground mine located in the northern México State of Coahuila, 708 kilometres northeast of Torreon. La Encantada has 4,076 hectares of mineral rights and surface land ownership of 1,343 hectares. La Encantada also has a 4,000 tpd cyanidation plant, a village with 180 houses as well as administrative offices, laboratory, general store, hospital, airstrip and the infrastructure required for such an operation. The mine is accessible via a 1.5 hour flight from Torreon, Coahuila to the mine's private airstrip or via a mostly paved road from the closest town, Muzquiz, which is 225 kilometres away. The Company owns 100% of the La Encantada Silver Mine.

LA ENCANTADA	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q2 vs Q1	Change '18 vs '17
Ore processed/tonnes milled	237,862	276,191	514,053	414,549	(14%)	24%
Average silver grade (g/t)	83	85	84	131	(2%)	(36%)
Silver recovery (%)	51%	60%	56%	62%	(15%)	(10%)
Production						
Silver ounces produced	325,603	449,522	775,125	1,082,380	(28%)	(28%)
Gold ounces produced	23	37	60	30	(38%)	100%
Total production - ounces silver equivalent	327,458	452,420	779,878	1,084,522	(28%)	(28%)
Cost						
Cash cost per ounce	$23.05	$16.93	$19.50	$11.78	36%	66%
All-In sustaining costs per ounce	$30.81	$20.97	$25.11	$14.10	47%	78%
Total production cost per tonne	$31.09	$27.00	$28.89	$29.96	15%	(4%)
Underground development (m)	1,718	1,445	3,162	1,148	19%	175%
Diamond drilling (m)	7,020	4,574	11,593	5,704	53%	103%

For the quarter, silver production was 325,603 ounces, representing a 28% decrease from the previous quarter, primarily due to a 14% decrease in tonnes milled and a 15% decrease in silver recoveries compared to the prior quarter. The reduction in throughput was a decision made due to decrease of mined ore which contained impurities and clays that caused recovery problems in the plant.

Silver grades and recoveries during the quarter averaged 83 g/t and 51%, respectively. The San Javier breccia produced 27,500 tonnes with an average silver grade of 103 g/t. Silver grades began to show improvements starting in June as some of the existing ore extraction points passed through a low-grade column of ore and then began drawing from the higher grade column of ore above. Further grade improvements are expected in the second half of 2018 due to higher production rates from San Javier and the start-up of production at the La Prieta breccia.

The Company has revised its annual production guidance to incorporate operational adjustments which includes reduction of head grades at La Encantada to 110 g/t for the full year, from previous estimates of 150 g/t, due to a delay in accessing higher grade material from sub-level caving at the San Javier and La Prieta breccias. The production delay was due to difficult ground conditions affecting drilling and support in the cave initiation and have since been resolved. Grades and tonnages from these two areas are expected to increase in the second half of 2018 and improve silver production.

The roasting project advanced in the second quarter with the completion of the rotary kiln brick lining, grate cooler and thermal insulation of the tertiary air duct. At the end of June, approximately 87% of the project was completed. The coal pulverizing facility, motor control center and electrical wiring are to be completed by the end of July. Initial production from the roaster is estimated to begin in late August and ramp up to commercial production by the end of the year.

Cash cost per ounce for the quarter was $23.05 per ounce, an increase of 36% compared to $16.93 per ounce in the previous quarter, while AISC per ounce was $30.81 compared to $20.97 in the previous quarter. The increase in cash cost per ounce was primarily attributed to a 28% decrease in silver production related to caving and roaster delays, as total cash costs remained consistent compared to the previous quarter. AISC was also affected by increase in sustaining capital expenditures relating to additional development contractors brought in during the second quarter to focus on increasing development rates to increase production of fresh ore in the coming quarters.

A total of 1,718 metres of underground development was completed in the second quarter compared to 1,445 metres in the first quarter of 2018.

Two drill rigs completed 41 drill holes for a total of 7,020 metres of exploration drilling during the second quarter compared to 4,574 metres in the previous quarter. The Company started drilling the El Conejo vein at the end of the second quarter and obtained significant results in drill-hole ILE-18-418 that intercepted 3.6 metres ETT with 196 g/t Ag and ILE-18-422 that intercepted 6.6 metres ETT. Drilling in the Buenos Aires vein also resulted in drill-hole ILE-18-422 intercepting 2.3 metres with 245 g/t Ag.

Del Toro Silver Mine, Zacatecas, México

The Del Toro Silver Mine is located 60 kilometres to the southeast of the Company's La Parrilla mine and consists of 2,132 hectares of mining claims and 219 hectares of surface rights. The Del Toro operation represents the consolidation of three historical silver mines, the Perseverancia, San Juan and Dolores mines, which are approximately one and three kilometres apart, respectively. Del Toro includes a 2,000 tpd flotation circuit and a 2,000 tpd cyanidation circuit which is currently in care and maintenance. First Majestic owns 100% of the Del Toro Silver Mine.

DEL TORO	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q2 vs Q1	Change '18 vs '17
Ore processed/tonnes milled	65,879	79,769	145,648	160,951	(17%)	(10%)
Average silver grade (g/t)	117	133	126	168	(12%)	(25%)
Average lead grade (g/t)	2.7	2.9	2.8	4.8	(7%)	(42%)
Silver recovery (%)	68%	69%	69%	81%	(1%)	(15%)
Lead recovery (%)	58%	57%	57%	69%	2%	(17%)
Production						
Silver ounces produced	167,591	236,478	404,070	706,282	(29%)	(43%)
Pounds of lead produced	2,295,542	2,842,046	5,137,588	11,620,205	(19%)	(56%)
Total production - ounces silver equivalent	323,714	437,743	761,458	1,394,933	(26%)	(45%)
Cost						
Cash cost per ounce	$18.01	$13.66	$15.47	$3.34	32%	363%
All-In sustaining costs per ounce	$32.08	$20.61	$25.37	$7.94	56%	220%
Total production cost per tonne	$69.23	$58.12	$63.14	$54.41	19%	16%
Underground development (m)	3,044	2,836	5,880	5,932	7%	(1%)
Diamond drilling (m)	9,145	5,824	14,969	7,667	57%	95%

During the second quarter, the Del Toro mine produced a total of 323,714 silver equivalent ounces, a 26% decrease compared to 437,743 ounces produced in the previous quarter primarily due to a 17% decrease in throughput and a 12% decrease in silver grade.

The mill processed a total of 65,879 tonnes (724 tpd) during the quarter, a decrease of 17% compared to the previous quarter primarily due to decreased development rates in the San Juan and Dolores mines affected by reduced mechanical availability of jumbos as well as manpower issues for development miners. This has been addressed by the inclusion of a specialty mining contractor for the second half of the year. As a result, the Company has revised its guidance for Del Toro to incorporate operational adjustments which includes reduction in throughput at Del Toro in the second half of the year to 800 tpd. Meanwhile, the addition of the mining development contractor will improve throughput in the coming quarters.

Silver grades and recoveries during the quarter averaged 117 g/t and 68%, respectively. Recoveries in the quarter continued to be affected by the higher volume of transitional ore being processed through the flotation circuit, which has a presence of anglesite (lead-oxide) in the feed that is not floatable. The microbubble flotation cells which are planned to be installed in the first quarter of 2019 are expected to improve these recoveries.

During the quarter, lead grades and recoveries averaged 2.7 g/t and 58%, respectively, producing a total of 2,295,542 pounds of lead representing a 19% decrease compared to 2,842,046 pounds of lead in the previous quarter.

Cash cost per ounce for the quarter was $18.01, an increase of 32% compared to $13.66 per ounce in the previous quarter. The increase in cash cost per ounce was directly attributed to the 29% decrease in silver production. AISC in the quarter was $32.08 per ounce compared to $20.61 in the previous quarter, primarily due to a decrease in silver production as well as an increase in sustaining capital expenditures relating to additional development contractors brought in during the second quarter to focus on increasing development rates to increase production in the coming quarters.

Underground development completed in the second quarter totaled 3,044 metres compared to 2,836 metres developed in the first quarter. Development in the quarter focused on opening production areas in the Dolores mine: the Purisima and Selma veins; in the San Juan mine access were completed to the Cuerpo 3 North and into the San Miguel vein. In Perseverancia mine, access to stope 17 was also completed during the quarter.

Three drill rigs completed 70 drill holes for a total of 9,145 metres of exploration drilling during the quarter compared to 5,824 metres of drilling in the previous quarter. Underground exploration efforts focused mainly in the Vania vein in the Dolores mine and in the San Juan mine exploring an extension of Cuerpo 2. Surface drilling was carried out in San Juan Mine to explore the Zaragoza and Huitron veins and in the Perseverancia area to explore the Carmen and Consuelo veins.

San Martin Silver Mine, Jalisco, México

The San Martin Silver Mine is an underground mine located near the town of San Martin de Bolaños in the Bolaños River valley, in the northern portion of the State of Jalisco, México. San Martin has 31 contiguous mining concessions in the San Martin de Bolaños mining district covering mineral rights for 37,517 hectares, including the application to acquire a new mining concession covering 29,676 hectares. In addition, the mine owns 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located, and an additional 640 hectares of surface rights. The 1,300 tpd mill and processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks and a Merrill-Crowe doré production system. The mine can be accessed via small plane, 150 kilometres by air from Durango or 250 kilometres by paved road north of Guadalajara, Jalisco. The San Martin Silver Mine is 100% owned by the Company.

SAN MARTIN	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q2 vs Q1	Change '18 vs '17
Ore processed/tonnes milled	74,431	75,374	149,806	136,636	(1%)	10%
Average silver grade (g/t)	203	234	218	227	(13%)	(4%)
Average gold grade (g/t)	0.6	0.5	0.6	0.9	20%	(33%)
Silver recovery (%)	87%	85%	86%	84%	2%	2%
Gold recovery (%)	87%	91%	89%	93%	(4%)	(4%)
Production						
Silver ounces produced	419,815	483,740	903,555	835,727	(13%)	8%
Gold ounces produced	1,331	1,148	2,480	3,693	16%	(33%)
Total production - ounces silver equivalent	524,843	574,838	1,099,681	1,100,270	(9%)	0%
Cost						
Cash cost per ounce	$9.68	$8.04	$8.81	$5.91	20%	49%
All-In sustaining costs per ounce	$12.49	$9.98	$11.15	$8.08	25%	38%
Total production cost per tonne	$72.77	$68.06	$70.40	$65.25	7%	8%
Underground development (m)	2,957	2,966	5,923	5,351	0%	11%
Diamond drilling (m)	9,781	4,928	14,709	11,487	98%	28%

During the quarter, San Martin produced 419,815 silver ounces and 1,331 ounces of gold for a total production of 524,843 silver equivalent ounces, a 9% decrease compared to the prior quarter. The decrease in production was primarily attributed to a 13% decrease in silver grades, partially offset by an increase in gold grades.

For the quarter, the San Martin mine processed a total of 74,431 tonnes, comparable to 75,374 tonnes in the previous quarter. Silver grades and recoveries averaged 203 g/t and 87%, respectively, while gold grades and recoveries averaged 0.6 g/t and 87%, respectively.

Cash cost per ounce was $9.68 in the quarter compared to $8.04 in the previous quarter. The increase in cash cost was primarily due to the 13% decrease in production, partially offset by higher by-product gold credits.

AISC per ounce in the quarter was $12.49 compared to $9.98 in the first quarter. The increase in AISC per ounce was attributed to higher cash costs as well as higher sustaining capital expenditures relating to equipment overhauls.

In the second quarter, a total of 2,957 metres of underground development was completed compared to 2,966 metres in the previous quarter. The mine focused development activities in preparing access to key production areas, in Hedionda and Rosario veins. The mine saw lower development rates due to some difficult ground conditions requiring additional ground support and slowing down the mining cycle. Different mining methods are being examined to determine if a change is required due to the continued poor ground conditions being encountered.

Three drill rigs completed 36 drill holes for a total of 9,781 metres of exploration drilling during the quarter compared to 4,928 metres of drilling in the previous quarter. At quarter end, two underground drill rigs were active at the San Martin property, focusing on upgrading and expanding resources in the Intermedia, Rosario and La Lima veins. Surface exploration drilling focused on the Pinalillo area exploring the Zuloaga vein extension and in the El Sauz area to explore the regional fault.

La Guitarra Silver Mine, México State, México

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

LA GUITARRA	2018-Q2	2018-Q1	2018-YTD	2017-YTD	Change Q2 vs Q1	Change '18 vs '17
Ore processed/tonnes milled	35,715	29,829	65,544	66,061	20%	(1%)
Average silver grade (g/t)	154	187	169	200	(18%)	(16%)
Average gold grade (g/t)	1.5	1.9	1.7	2.0	(21%)	(15%)
Silver recovery (%)	78%	77%	78%	77%	1%	1%
Gold recovery (%)	79%	80%	80%	73%	(1%)	10%
Production						
Silver ounces produced	138,454	138,173	276,627	327,504	0%	(16%)
Gold ounces produced	1,399	1,477	2,876	3,070	(5%)	(6%)
Total production - ounces silver equivalent	249,214	255,359	504,574	545,471	(2%)	(7%)
Cost						
Cash cost per ounce	$12.89	$7.97	$10.43	$9.02	62%	16%
All-In sustaining costs per ounce	$18.11	$15.76	$16.94	$15.08	15%	12%
Total production cost per tonne	$83.68	$86.50	$84.96	$83.45	(3%)	2%
Underground development (m)	1,950	1,384	3,334	4,373	41%	(24%)
Diamond drilling (m)	7,613	5,806	13,420	10,508	31%	28%

Following an extensive review of the La Guitarra operation, the Company has decided to place the mine and mill under care and maintenance effective August 3, 2018 and review strategic options including the potential sale of the operation. Unfortunately, the reallocation of capital and resources to projects that have better economics and internal rates of return such as the newly acquired San Dimas operation are taking priority. The Company will continue with current permitting activities and remediation programs to prepare the operation for a potential reopening in the future, subject to a sufficient improvement in the economic situation to justify a restart of the operation.

During the second quarter, La Guitarra produced a total of 249,214 silver equivalent ounces, consisting of 138,454 silver ounces and 1,399 gold ounces, a 2% decrease compared to the prior quarter.

For the quarter, the La Guitarra mine processed a total of 35,715 tonnes, an increase of 20% compared to 29,829 tonnes processed in the previous quarter. Silver grades and recoveries during the quarter averaged 154 g/t and 78%, respectively, while gold grades and recoveries averaged 1.5 g/t and 79%, respectively.

Cash cost in this quarter was $12.89 per ounce, a 62% increase compared to $7.97 per ounce in the previous quarter. The increase in cash cost per ounce was primarily attributed to increased throughput to compensate for lower silver and gold grades while total production cost per tonne remained relatively consistent compared to the prior quarter. AISC per ounce in the quarter was $18.11, an increase of 15% compared to the previous quarter due to higher cash costs.

During the second quarter, a total of 1,950 metres of development were completed compared to 1,384 metres of development in the previous quarter.

Three drill rigs completed 21 drill holes for a total of 7,613 metres of exploration drilling during the quarter compared to 5,806 metres of drilling during the previous quarter. Underground and surface drilling during the quarter was focused in the Nazareno area.

In 2014, the Company entered into two agreements to acquire 757 hectares of adjacent mineral rights at La Guitarra. The total purchase price amounted to $5.4 million. As at June 30, 2018, the Company has paid the $0.2 million and has issued $4.7 million in common shares. The remaining balance of $0.5 million is due in September 2018 and can be settled by cash or common shares based on the Company's five-day volume weighted average market price at the time of the payments.

DEVELOPMENT AND EXPLORATION PROJECTS AND PROPERTIES

Plomosas Silver Project, Sinaloa, Mexico

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

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

The Company is preparing the underground infrastructure, including dewatering and ventilation, in order to access and equip the three underground drilling stations. During the second quarter of 2018, three drill rigs were active on site and the Company completed 8,658 metres of diamond drilling at the Plomosas Silver Project, compared to 8,240 metres in the previous quarter. Surface exploration drilling during the second quarter focused on the San Juan mine area. Preliminary results shows positive hole intercepts at La Colorada vein at depth and at Plomositas vein.

The exploration program in 2018 includes 560 metres of crosscuts development to prepare underground drill stations for deeper exploration of the Plomositas vein at Plomosas north. The drilling and development programs are designed to provide geological and analytical data in order to prepare a NI 43-101 Technical Report with a maiden Resource Estimates and a Preliminary Economic Assessment in the second half of 2019.

La Luz Silver Project, San Luis Potosi, México

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

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

La Joya Silver Project, Durango, México

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

Jalisco Group of Properties, Jalisco, México

The Company owns 100% of a group of mining claims totalling 5,103 hectares located in various mining districts located in Jalisco State, México.

Jimenez del Teul Properties, Zacatecas, Mexico

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

OVERVIEW OF FINANCIAL PERFORMANCE

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

	Second Quarter 2018	Second Quarter 2017	Variance %	
Revenues	**$79,687**	**$60,116**	**33 %**	(1)
Mine operating costs				
Cost of sales	59,285	40,004	48 %	(2)
Depletion, depreciation and amortization	22,706	18,707	21 %	(3)
	81,991	58,711	40 %	
Mine operating (loss) earnings	**(2,304)**	**1,405**	**(264)%**	(4)
General and administrative expenses	5,201	4,477	16 %	(5)
Share-based payments	2,247	2,169	4 %	
Impairment of non-current assets	31,660	—	100 %	(6)
Acquisition costs	4,877	—	100 %	(7)
Foreign exchange loss (gain)	285	(661)	(143)%	
Operating loss	**(46,574)**	**(4,580)**	**917 %**	
Investment and other income	1,038	(1,100)	(194)%	
Finance costs	(3,799)	(1,016)	274 %	(8)
Loss before income taxes	**(49,335)**	**(6,696)**	**637 %**	
Current income tax expense	1,680	1,663	1 %	
Deferred income tax (recovery)	(10,982)	(9,771)	12 %	
Income tax (recovery)	(9,302)	(8,108)	15 %	(9)
Net (loss) earnings for the period	**($40,033)**	**$1,412**	**(2,935)%**	(10)
(Loss) earnings per share (basic and diluted)	**($0.22)**	**$0.01**	**(2,685)%**	(10)

1. **Revenues** in the quarter increased 33% compared to the same quarter of the previous year primarily attributed to:

   - a 43% increase in ***silver equivalent ounces sold*** compared to the second quarter of 2017, primarily attributed to the addition of 52 days of production from San Dimas; and
   - ***smelting and refining*** costs decreased from $3.2 million ($1.63 per ounce) to $2.0 million ($0.75 per ounce). The savings in smelting and refining costs per ounce were attributed to the lower smelting and refining rates renegotiated in July 2017, as well as lower per unit costs from doré production at San Dimas.

   Partially offset by:

   - a 3% decrease in ***average realized silver price*** of $16.74 per ounce compared to $17.17 in the same quarter of the prior year; and
   - ***finished goods inventory acquired from Primero***, consisting of 452,198 ounces of silver which, were sold by First Majestic under the old WPM stream agreement at $4.32 per ounce. Had these inventories been sold at spot market prices, the Company would have realized an additional $5.6 million in revenue.

2. **Cost of sales** in the quarter increased 48% or $19.3 million compared to the same quarter of the previous year as a result of the following factors:
   - the ***addition of the San Dimas mine*** on May 10, 2018, which contributed $13.1 million to cost of sales during its 52 days of operations under First Majestic;
   - a $4.5 million ***increase in inventory changes***, primarily due to $3.9 million of finished goods inventory acquired from Primero which were subsequently sold during the quarter; and

- ***increase in energy costs*** compared to the second quarter of 2017, primarily due to an approximately 30% rate hike by Mexico's Federal Electricity Commission during the second quarter.

3. **Depletion, depreciation and amortization** in the quarter increased $4.0 million or 21% compared to the same quarter of the previous year primarily as a result of the addition of the San Dimas mine, which incurred $4.2 million of depletion, depreciation and amortization during the quarter.

4. **Mine operating earnings** during the quarter decreased by $3.7 million to mine operating loss of $2.3 million compared to the second quarter of 2017. In the first 52 days under management by First Majestic, Primero generated mine operating earnings of $5.1 million; however, this was offset by $2.6 million decrease in mine operating earnings at La Encantada and $2.6 million decrease in Del Toro, respectively.

5. **General and administrative expenses** increased $0.7 million or 16% during the quarter compared to the same quarter of 2017, primarily attributed to incremental general and administrative costs absorbed from the acquisition of Primero. The Company expects these costs to reduce in the coming quarters as further synergies are achieved.

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

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

8. **Finance costs** increased $2.8 million compared to the same quarter of the prior year, primarily attributed to $0.7 million in interest expense and $1.4 million in accretion expense related to the $156.5 million convertible debentures that the Company issued in the first quarter of 2018.

9. During the quarter, the Company recorded a current income tax expense of $1.7 million and a deferred income tax recovery of $11.0 million, resulting in a **net income tax recovery** of $9.3 million compared to an income tax recovery of $8.1 million in the second quarter of 2017. The increase in income tax recovery in the quarter was primarily attributed to an $11.2 million deferred income tax recovery related to impairment of non-current assets.

10. As a result of the foregoing, **net loss** for the quarter was $40.0 million (loss per share of $0.22) compared to net earnings of $1.4 million (EPS of $0.01) in the same quarter of the prior year.

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

	Year to date 2018	Year to date 2017	Variance % '18 vs '17	
Revenues	**$138,280**	**$129,222**	**7 %**	(1)
Mine operating costs				
Cost of sales	98,966	79,666	24 %	(2)
Depletion, depreciation and amortization	42,041	38,155	10 %	(3)
	141,007	117,821		
Mine operating (loss) earnings	**(2,727)**	**11,401**	**(124)%**	(4)
General and administrative	10,069	9,020	12 %	
Share-based payments	4,763	4,460	7 %	
Impairment of non-current assets	31,660	—	100 %	(5)
Acquisition costs	4,877	—	100 %	(6)
Foreign exchange loss (gain)	2,581	(1,075)	340 %	
Operating (loss) earnings	**(56,677)**	**(1,004)**	**5,545 %**	
Investment and other (loss) income	(421)	(924)	(54)%	
Finance costs	(6,258)	(2,186)	186 %	(7)
(Loss) before income taxes	**(63,356)**	**(4,114)**	**1,440 %**	
Current income tax expense	2,374	2,445	(3)%	
Deferred income tax (recovery)	(20,105)	(10,691)	88 %	
Income tax (recovery)	(17,731)	(8,246)	115 %	(8)
Net (Loss) earnings for the period	**($45,625)**	**$4,132**	**(1,204)%**	(9)
Earnings (Loss) per share (basic and diluted)	**($0.26)**	**$0.03**	**(1,150)%**	(9)
Cash and cash equivalents	**$109,228**	**$118,141**		
Total assets	**$1,131,446**	**$781,441**		
Non-current liabilities	**$319,558**	**$144,581**		

1. **Revenues** in the six months ended June 30, 2018 increased 7% compared to the previous year due to the following significant contributors:

   - ***Silver equivalent ounces sold*** increased by 14% compared to the previous year, primarily attributed to the addition of 52 days of production from San Dimas; and
   - ***Smelting and refining* costs** decreased from $7.0 million ($1.43 per ounce) to $4.7 million ($0.97 per ounce) as a result of savings attributed to the new smelting and refining agreements negotiated over in 2017, as well as lower per unit costs from doré production at San Dimas.

   Partially offset by:

   - a 4% decrease in ***average realized silver price*** of $16.75 per ounce compared to $17.37 per ounce in the same period of the prior year;
   - ***finished goods inventory acquired from Primero***, consisting of 452,198 ounces of silver, were sold by First Majestic under the old WPM stream agreement at $4.32 per ounce. Had these inventories been sold at spot market prices, the Company would have realized an additional $5.6 million in revenue.

2. **Cost of sales** in the year increased $19.3 million or 24% compared to 2017 as a result of the following factors:
   - the ***addition of the San Dimas mine*** on May 10, 2018, which contributed $13.1 million to cost of sales during its 52 days of operations under First Majestic;

- a $3.4 million ***increase in inventory changes***, primarily due to $3.9 million of finished goods inventory acquired from Primero which were subsequently sold during the quarter; and
- ***increase in energy costs*** compared to the second quarter of 2017, primarily due to an approximately 30% rate hike by Mexico's Federal Electricity Commission during the second quarter.

3. **Depletion, depreciation and amortization** in the year increased $3.9 million or 10% compared to the same quarter of the previous year primarily as a result of the addition of the San Dimas mine, which incurred $4.2 million of depletion, depreciation and amortization during the quarter.

4. **Mine operating earnings** during the six months ended June 30, 2018 decreased $14.1 million from 2017. In the first 52 days under management by First Majestic, Primero generated mine operating earnings of $5.1 million. However, this was offset by $7.2 million decrease in mine operating earnings at La Encantada, $5.5 million decrease in Del Toro and $4.5 million decrease in La Parrilla, respectively.

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

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

7. **Finance costs** increased $4.1 million during the six months ended June 30, 2018 compared to the previous year, primarily due to $1.2 million in interest expense and $2.2 million in accretion expense related to the $156.5 million convertible debentures that the Company issued in the first quarter of 2018, as well as $0.5 million in accelerated accretion costs as a result of early termination of previous debt facilities.

8. During the six months ended June 30, 2018, the Company recorded a current income tax expense of $2.4 million and a deferred income tax recovery of $20.1 million for a net **income tax recovery** of $17.7 million, compared to an income tax recovery of $8.2 million in the same period of 2017. The increase in income tax recovery was attributed to deferred income tax effect of $11.2 million on the $31.7 million impairment charge on non-current assets.

9. As a result of the foregoing, **net loss** for the six months ended June 30, 2018 was $45.6 million (loss per share of $0.26), compared to earnings of $4.1 million (EPS of $0.03) in the prior year.

SUMMARY OF QUARTERLY RESULTS

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

	2018		2017				2016	
Selected Financial Information	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	$79,687	$58,593	$61,165	$61,901	$60,116	$69,106	$66,170	$79,326
Cost of sales	$59,285	$39,681	$39,309	$40,290	$40,004	$39,662	$37,346	$38,421
Depletion, depreciation and amortization	$22,706	$19,335	$20,454	$18,436	$18,707	$19,448	$18,881	$20,955
Mine operating (loss) earnings	($2,304)	($423)	$1,402	$3,175	$1,405	$9,996	$9,943	$19,950
Net (loss) earnings after tax	($40,033)	($5,592)	($56,084)	($1,320)	$1,412	$2,720	$1,814	$8,115
(Loss) earnings per share-basic	($0.22)	($0.03)	($0.34)	($0.01)	$0.01	$0.02	$0.01	$0.05
(Loss) earnings per share-diluted	($0.22)	($0.03)	($0.34)	($0.01)	$0.01	$0.02	$0.01	$0.05

During the second quarter of 2018, mine operating net loss was $2.3 million compared to a net loss of $0.4 million in the previous quarter. In the first 52 days under management by First Majestic, Primero generated mine operating earnings of $5.1 million. However, this was offset by $3.1 million decrease in mine operating earnings at Santa Elena, $1.9 million decrease in La Encantada and $0.7 million decrease in Del Toro, respectively, primarily due to lower head grades. Net loss after tax decreased $34.4 million compared to the previous quarter primarily due to primarily due to: $31.7 million, or $20.5 million net of tax, impairment of non-current assets due to management's decision to place the La Guitarra Silver Mine on care and maintenance effective August 3, 2018; $4.9 million in acquisition costs for Primero; and $1.9 million decrease in mine operating earnings.

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at June 30, 2018, the Company had cash and cash equivalents of $109.2 million, a decrease of $8.9 million compared to $118.1 million at December 31, 2017. The Company's cash and cash equivalents primarily comprised of cash held with reputable financial institutions and is invested in cash accounts and in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Cash flow				
Cash generated by operating activities	6,831	17,499	16,702	35,519
Cash used in investing activities	(28,576)	(17,482)	(52,310)	(34,585)
Cash used in financing activities	(117,726)	(1,805)	28,215	(5,264)
Decrease in cash and cash equivalents	**(139,471)**	**(1,788)**	**(7,393)**	**(4,330)**
Effect of exchange rate on cash and cash equivalents held in foreign currencies	(540)	1,082	(1,520)	2,180
Cash and cash equivalents, beginning of the period	249,239	127,605	118,141	129,049
Cash and cash equivalents, end of period	**$109,228**	**$126,899**	**$109,228**	**$126,899**

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

- **Cash provided from operating activities** of $16.7 million, a decrease of $18.8 million compared to the same period of the prior year primarily due to a $49.8 million decrease in net earnings, partially offset by non-cash impairment charge of $31.7 million;
- **Cash used in investing activities** of $52.3 million, primarily related to:
  - $34.3 million spent on mine development and exploration activities;
  - $14.9 million spent on purchase of property, plant and equipment; and
  - $2.2 million spent on deposit on non-current assets;
  - $1.0 million spent on the the Primero acquisition.
- **Cash provided from financing activities** of $28.2 million, primarily consists of the following:
  - $151.1 million of net proceeds from the issuance of the convertible debentures; and
  - $34.0 million of net proceeds from the revolving credit facility;

  net of:
  - $106.1 million repayment on Primero debt facilities;
  - $32.1 million on repayment of Scotia debt facilities;
  - $16.0 million repayment of revolving credit facility;
  - $2.0 million on repayment of lease obligations; and
  - $1.3 million on repurchase and cancellation of shares.

Working capital as at June 30, 2018 was $141.4 million compared to $116.3 million at December 31, 2017. Total available liquidity at June 30, 2018 was $196.4 million (see page 44), including $55.0 million of undrawn revolving credit facility.

Capital Resources

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

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

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

Contractual Obligations and Commitments

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

	Contractual Cash Flows	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	$55,221	$55,221	$—	$—	$—
Debt facilities	194,692	4,533	28,768	161,391	—
Equipment financing obligations	8,190	3,555	4,388	247	—
Other liabilities	4,729	—	—	—	4,729
Purchase obligations and commitments	11,346	10,579	767	—	—
	$274,178	**$73,888**	**$33,923**	**$161,638**	**$4,729**

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

MANAGEMENT OF RISKS AND UNCERTAINTIES

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

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to trade receivables in the ordinary course of business, VAT and other receivables (Note 12).

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and contractual obligations.

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

Currency Risk

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

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

								June 30, 2018
	Cash and cash equivalents	Trade and other receivables	Value added taxes receivable	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	$36,886	$273	$—	$5,239	($1,613)	$—	$40,785	$4,079
Mexican peso	6,630	646	49,737	—	(24,332)	11,000	43,681	4,368
	$43,516	**$919**	**$49,737**	**$5,239**	**($25,945)**	**$11,000**	**$84,466**	**$8,447**

Commodity Price Risk

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

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

					June 30, 2018
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	Total
Metals subject to provisional price adjustments	$299	$44	$409	$49	$801
Metals in doré and concentrates inventory	82	171	23	5	281
	$381	**$215**	**$432**	**$54**	**$1,082**

Political and Country Risk

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

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

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

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

Environmental and Health and Safety Risks

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

Claims and Legal Proceedings Risks

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

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

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

Primero Tax Rulings

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

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

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

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

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

While the Company continues to vigorously defend the validity of the APA and its transfer pricing position, it is also engaging in dialogue with the SAT seeking to resolve matters and bring tax certainty through a negotiated solution. Since January 1, 2015, PEM has recorded its revenue from the sale of silver for purposes of Mexican tax accounting in a manner consistent with the APA, on the basis that the applicable facts and laws have not changed. The Company's legal and financial advisors continue to believe that the Company has filed its tax returns compliant with applicable Mexican law. Due to the uncertainty in timing of resolution to this matter, which may take more than one year, the Company has classified its income taxes receivable of $19.9 million as non-current as at June 30, 2018.

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

Primero Class Action Suit

In July 2016, Primero and certain of its officers were served with a class action lawsuit that was filed in federal court in the State of California seeking to recover damages for investors in the Company's common shares under the U.S. federal securities laws. Primero filed a motion to dismiss this action which was granted on January 30, 2017. The plaintiff's claims were dismissed without prejudice and the plaintiffs filed an amended complaint on February 27, 2017. On July 14, 2017 the Company's motion to dismiss the amended complaint was granted and the plaintiffs' claims were dismissed without prejudice. Rather than amend the complaint again, the plaintiffs asked the federal court to enter final judgment and initiated an appeal of the dismissal to the Ninth Circuit Court of Appeals on September 8, 2017. The parties have filed their briefs in this appeal and a ruling on the appeal is expected sometime in the fall of 2018. The Company continues to vigorously defend this class action lawsuit on behalf of Primero and no liability has been recognized in the financial statements.

OTHER FINANCIAL INFORMATION

Share Repurchase Program

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

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

Delisting from the Mexican Stock Exchange

In the first quarter of 2018, the Company filed before the Mexican National Banking and Securities Commission for delisting from the Mexican Stock Exchange ("Bolsa") due to low trading volumes and high costs associated with regulatory compliance. On February 21, 2018, the Company received authorization and has officially delisted. In connection with the delisting, during the six months ended June 30, 2018, the Company has repurchased and cancelled 4,985 of the Company's shares on Bolsa. The Company is required to offer to repurchase Bolsa shares until August 2018 through a trustee.

Off-Balance Sheet Arrangements

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

Related Party Disclosures

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

Outstanding Share Data

As at the date on which this MD&A was approved and authorized for issue by the Board of Directors, the Company has 193,566,498 common shares issued and outstanding.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

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

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

Leases

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

NON-GAAP MEASURES

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

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

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

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

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

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

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

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

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Three Months Ended June 30, 2018							
	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Mining cost	$6,882	$4,618	$1,381	$2,498	$1,740	$2,099	$1,134	$20,353
Milling cost	2,791	5,751	4,142	2,114	1,459	1,904	698	18,859
Indirect cost	3,097	2,395	1,871	1,459	1,362	1,413	1,156	12,753
Total production cost (A)	**$12,771**	**$12,764**	**$7,391**	**$6,071**	**$4,560**	**$5,416**	**$2,989**	**$51,962**
Add: transportation and other selling cost	93	125	46	207	126	112	143	900
Add: smelting and refining cost	147	124	70	909	490	84	225	2,049
Add: environmental duty and royalties cost	99	116	13	31	15	45	21	340
Total cash cost before by-product credits (B)	**$13,110**	**$13,129**	**$7,520**	**$7,218**	**$5,191**	**$5,657**	**$3,378**	**$55,251**
Deduct: By-product credits attributed to								
Gold by-product credits	(12,912)	(12,387)	(48)	(229)	(7)	(1,597)	(1,682)	(28,862)
Lead by-product credits	—	—	—	(1,771)	(2,325)	—	—	(4,096)
Zinc by-product credits	—	—	—	(1,691)	—	—	—	(1,691)
Total by-product credits	**($12,912)**	**($12,387)**	**($48)**	**($3,691)**	**($2,332)**	**($1,597)**	**($1,682)**	**($34,649)**
Total cash cost (C)	**$198**	**$742**	**$7,472**	**$3,527**	**$2,859**	**$4,060**	**$1,696**	**$20,602**
Workers' participation	91	171	86	62	80	132	(5)	711
General and administrative expenses	—	—	—	—	—	—	—	5,031
Share-based payments	—	—	—	—	—	—	—	2,247
Accretion of decommissioning liabilities	45	55	66	60	51	50	31	358
Sustaining capital expenditures	4,038	2,559	2,366	1,898	2,103	995	661	15,663
All-In Sustaining Costs (D)	**$4,372**	**$3,527**	**$9,990**	**$5,547**	**$5,092.6**	**$5,237**	**$2,383**	**$44,612**
Payable silver ounces produced (E)	**808,114**	**534,480**	**324,300**	**338,465**	**158,734**	**419,395**	**131,532**	**2,715,020**
Tonnes milled (F)	**85,765**	**228,054**	**237,862**	**123,642**	**65,879**	**74,431**	**35,715**	**851,349**
Total cash cost per ounce, before by-product credits (B/E)	**$16.22**	**$24.56**	**$23.19**	**$21.33**	**$32.70**	**$13.49**	**$25.68**	**$20.35**
Total cash cost per ounce (C/E)	**$0.24**	**$1.38**	**$23.05**	**$10.42**	**$18.01**	**$9.68**	**$12.89**	**$7.59**
All-in sustaining cost per ounce (D/E)	**$5.41**	**$6.59**	**$30.81**	**$16.39**	**$32.08**	**$12.49**	**$18.11**	**$16.43**
Production cost per tonne (A/F)	**$148.91**	**$55.97**	**$31.09**	**$49.10**	**$69.23**	**$72.77**	**$83.68**	**$61.04**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Three Months Ended June 30, 2017						
	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Mining cost	$4,701	$1,489	$2,490	$1,595	$1,499	$1,078	$12,851
Milling cost	5,936	4,303	2,135	1,358	1,632	701	16,064
Indirect cost	1,529	1,649	1,452	1,128	1,132	972	7,862
Total production cost (A)	**$12,655**	**$4,981**	**$5,919**	**$4,678**	**$4,653**	**$2,762**	**$35,647**
Add: transportation and other selling cost	121	23	151	233	92	126	795
Add: smelting and refining cost	137	81	963	1,742	89	207	3,220
Add: environmental duty and royalties cost	110	13	37	27	45	16	249
Total cash cost before by-product credits (B)	**$13,023**	**$5,098**	**$7,069**	**$6,680**	**$4,879**	**$3,111**	**$39,911**
Deduct: By-product credits attributed to							
Gold by-product credits	(12,331)	(23)	(228)	—	(2,567)	(1,449)	(16,600)
Lead by-product credits	—	—	(1,502)	(5,297)	—	—	(6,799)
Zinc by-product credits	—	—	(819)	—	—	—	(819)
Total by-product credits	**($12,331)**	**($23)**	**($2,549)**	**($5,297)**	**($2,567)**	**($1,449)**	**($24,218)**
Total cash cost (C)	**$692**	**$5,075**	**$4,520**	**$1,383**	**$2,312**	**$1,662**	**$15,693**
Workers' participation	216	220	274	87	202	27	1,026
General and administrative expenses	—	—	—	—	—	—	4,228
Share-based payments	—	—	—	—	—	—	2,169
Accretion of decommissioning liabilities	44	59	43	40	30	21	237
Sustaining capital expenditures	1,843	1,347	2,100	1,238	662	853	8,415
All-In Sustaining Costs (D)	**$2,795**	**$6,701**	**$6,937**	**$2,748**	**$3,206**	**$2,563**	**$31,768**
Payable silver ounces produced (E)	**557,077**	**373,402**	**405,221**	**346,536**	**425,219**	**131,428**	**2,238,882**
Tonnes milled (F)	**232,451**	**148,039**	**132,880**	**81,843**	**67,073**	**29,547**	**691,833**
Total cash cost per ounce, before by-product credits (B/E)	**$12.90**	**$13.61**	**$14.11**	**$11.90**	**$8.50**	**$17.32**	**$15.82**
Total cash cost per ounce (C/E)	**$1.24**	**$13.59**	**$11.15**	**$3.99**	**$5.43**	**$12.66**	**$7.01**
All-in sustaining cost per ounce (D/E)	**$5.02**	**$17.95**	**$17.12**	**$7.93**	**$7.53**	**$19.51**	**$14.17**
Production cost per tonne (A/F)	**$54.44**	**$33.65**	**$44.54**	**$57.16**	**$69.37**	**$93.49**	**$51.53**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Six Months Ended June 30, 2018							
	San Dimas	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Mining cost	$6,882	$8,748	$2,664	$4,825	$3,433	$4,090	$1,985	$32,626
Milling cost	2,791	11,464	8,543	4,229	3,078	3,618	1,406	35,130
Indirect cost	3,097	4,691	3,645	3,037	2,685	2,838	2,178	22,173
Total production cost (A)	**$12,771**	**$24,903**	**$14,848**	**$12,091**	**$9,196**	**$10,546**	**$5,569**	**$89,924**
Add: transportation and other selling cost	93	261	89	473	279	226	282	1,802
Add: smelting and refining cost	147	245	166	1,952	1,565	185	449	4,709
Add: environmental duty and royalties cost	99	235	27	62	36	93	43	595
Total cash cost before by-product credits (B)	**$13,110**	**$25,644**	**$15,130**	**$14,578**	**$11,076**	**$11,050**	**$6,343**	**$97,030**
Deduct: By-product credits attributed to								
Gold by-product credits	(12,912)	(27,373)	(79)	(478)	(8)	(3,102)	(3,601)	(47,553)
Lead by-product credits	—	—	—	(3,384)	(5,149)	—	—	(8,533)
Zinc by-product credits	—	—	—	(3,710)	—	—	—	(3,710)
Total by-product credits	**($12,912)**	**($27,373)**	**($79)**	**($7,572)**	**($5,157)**	**($3,102)**	**($3,601)**	**($59,796)**
Total cash cost (C)	**$198**	**($1,729)**	**$15,051**	**$7,006**	**$5,919**	**$7,948**	**$2,742**	**$37,234**
Workers' participation	91	215	166	143	156	171	16	1,052
General and administrative expenses	—	—	—	—	—	—	—	9,712
Share-based payments	—	—	—	—	—	—	—	4,763
Accretion of decommissioning liabilities	45	112	136	123	105	103	63	687
Sustaining capital expenditures	4,038	4,838	4,026	3,852	3,528	1,842	1,631	25,145
All-In Sustaining Costs (D)	**$4,372**	**$3,436**	**$19,379**	**$11,124**	**$9,708**	**$10,064**	**$4,452**	**$78,593**
Payable silver ounces produced (E)	**808,114**	**1,055,742**	**772,025**	**654,210**	**382,715**	**902,651**	**262,796**	**4,838,253**
Tonnes milled (F)	**85,765**	**451,553**	**514,053**	**248,756**	**145,648**	**149,806**	**65,544**	**1,661,124**
Total cash cost per ounce, before by-product credits (B/E)	**$16.22**	**$24.29**	**$19.60**	**$22.28**	**$28.94**	**$12.24**	**$24.13**	**$20.06**
Total cash cost per ounce (C/E)	**$0.24**	**($1.64)**	**$19.50**	**$10.71**	**$15.47**	**$8.81**	**$10.43**	**$7.70**
All-in sustaining cost per ounce (D/E)	**$5.41**	**$3.25**	**$25.11**	**$17.00**	**$25.37**	**$11.15**	**$16.94**	**$16.25**
Production cost per tonne (A/F)	**$148.91**	**$55.15**	**$28.89**	**$48.61**	**$63.14**	**$70.40**	**$84.96**	**$54.14**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Six Months Ended June 30, 2017						
	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Mining cost	$9,051	$2,427	$4,853	$3,379	$3,207	$2,132	$25,050
Milling cost	12,465	7,025	4,113	2,881	3,272	1,329	31,083
Indirect cost	3,305	2,970	3,029	2,499	2,437	2,052	16,292
Total production cost (A)	**$24,821**	**$12,422**	**$11,995**	**$8,758**	**$8,916**	**$5,513**	**$72,425**
Add: transportation and other selling cost	235	47	289	468	183	288	1,595
Add: smelting and refining cost	295	249	2,164	3,578	171	506	6,973
Add: environmental duty and royalties cost	233	37	81	59	95	45	551
Total cash cost before by-product credits (B)	**$25,584**	**$12,755**	**$14,529**	**$12,863**	**$9,365**	**$6,352**	**$81,544**
Deduct: By-product credits attributed to							
Gold by-product credits	(24,966)	(51)	(435)	—	(4,423)	(3,547)	(33,423)
Lead by-product credits	—	—	(3,298)	(10,627)	—	—	(13,925)
Zinc by-product credits	—	—	(1,742)	—	—	—	(1,742)
Total by-product credits	**($24,966)**	**($51)**	**($5,475)**	**($10,627)**	**($4,423)**	**($3,547)**	**($49,090)**
Total cash cost (C)	**$618**	**$12,704**	**$9,054**	**$2,236**	**$4,942**	**$2,805**	**$32,454**
Workers' participation	216	304	301	422	304	—	1,547
General and administrative expenses	—	—	—	—	—	—	8,523
Share-based payments	—	—	—	—	—	—	4,460
Accretion of decommissioning liabilities	86	115	82	78	57	41	459
Sustaining capital expenditures	3,581	2,082	3,810	2,585	1,452	1,845	15,768
All-In Sustaining Costs (D)	**$4,501**	**$15,205**	**$13,247**	**$5,321**	**$6,755**	**$4,691**	**$63,211**
Payable silver ounces produced (E)	**1,137,630**	**1,078,050**	**860,575**	**669,961**	**834,891**	**311,128**	**4,892,235**
Tonnes milled (F)	**462,501**	**414,549**	**273,472**	**160,951**	**136,636**	**66,061**	**1,514,170**
Total cash cost per ounce, before by-product credits (B/E)	**$22.49**	**$11.83**	**$16.88**	**$19.20**	**$11.22**	**$20.42**	**$16.67**
Total cash cost per ounce (C/E)	**$0.55**	**$11.78**	**$10.52**	**$3.34**	**$5.92**	**$9.02**	**$6.63**
All-in sustaining cost per ounce (D/E)	**$3.96**	**$14.10**	**$15.39**	**$7.94**	**$8.09**	**$15.08**	**$12.92**
Production cost per tonne (A/F)	**$53.68**	**$29.96**	**$43.87**	**$54.41**	**$65.25**	**$83.45**	**$47.83**

Average Realized Silver Price per Ounce

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues as reported	**$79,687**	**$60,116**	**$138,280**	**$129,222**
Add back: smelting and refining charges	2,049	3,220	4,709	6,973
Gross revenues	**81,736**	**63,336**	**142,989**	**136,195**
Less: Sandstorm gold revenues	(979)	(904)	(2,201)	(1,869)
Less: Wheaton silver and gold revenues	(4,196)	—	(4,196)	—
Gross revenues, excluding Sandstorm, Wheaton (A)	**$76,561**	**$62,432**	**$136,592**	**$134,326**
Payable equivalent silver ounces sold	5,455,405	3,818,897	9,253,817	8,102,841
Less: Payable equivalent silver ounces sold to Sandstorm	(168,588)	(182,721)	(385,592)	(370,075)
Less: Payable equivalent silver ounces sold to Wheaton	(713,869)	—	(713,869)	—
Payable equivalent silver ounces sold, excluding Sandstorm and Wheaton (B)	**4,572,948**	**3,636,176**	**8,154,356**	**7,732,766**
Average realized price per ounce of silver sold (A/B)[(1)]	**$16.74**	**$17.17**	**$16.75**	**$17.37**
Average market price per ounce of silver per COMEX	$16.65	$17.19	$16.81	$17.32

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

Adjusted Earnings per Share ("Adjusted EPS")

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net (loss) earnings as reported	**($40,033)**	**$1,412**	**($45,625)**	**$4,132**
Adjustments for non-cash or unusual items:				
Impairment of non-current assets	31,660	—	31,660	—
Deferred income tax recovery	(10,982)	(9,771)	(20,105)	(10,691)
Share-based payments	2,247	2,169	4,763	4,460
Loss from investment in derivatives and marketable securities	101	2,021	2,250	2,160
Write-down of mineral inventory	495	546	408	21
Primero acquisition costs	4,721	—	4,721	—
Adjusted net (loss) earnings	**($11,791)**	**($3,623)**	**($21,928)**	**$82**
Weighted average number of shares on issue - basic	181,126,340	165,117,436	173,515,346	164,967,617
Adjusted EPS	**($0.07)**	**($0.02)**	**($0.13)**	**$0.00**

Cash Flow per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating Cash Flows before Working Capital and Taxes	**$14,230**	**$17,977**	**$29,871**	**$44,595**
Weighted average number of shares on issue - basic	181,126,340	165,117,436	173,515,346	164,967,617
Cash Flow per Share	**$0.08**	**$0.11**	**$0.17**	**$0.27**

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.

	June 30, 2018	December 31, 2017
Current Assets	$205,634	$170,658
Less: Current Liabilities	(64,278)	(54,375)
Working Capital	**$141,356**	**$116,283**
Available Undrawn Revolving Credit Facility	55,031	8,782
Available Liquidity	**$196,387**	**$125,065**

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

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

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

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

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

Management excluded from its assessment the internal controls, policies and procedures of Primero, which the Company acquired control on May 10, 2018. Primero's total assets, net assets, total revenues and net profit/loss on a combined basis constitute approximately 32%, 40%, 20% and 7%, respectively, of the condensed interim consolidated financial statement amounts as of June 30, 2018. This limitation of scope is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of DC&P or ICFR to exclude a business that the issuer acquired not more than 365 days before the end of the financial period to which the CEO's and CFO's certification of annual filings relates. With the exception of the internal controls of Primero Mining Corp., there has been no change in the Company's internal control over financial reporting during the six months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

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

CAUTIONARY STATEMENTS

Cautionary Note regarding Forward-Looking Statements

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

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

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

Cautionary Note regarding Reserves and Resources

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

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

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

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

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

Additional Information

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