UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016 Commission File Number 001-34984

FIRST MAJESTIC SILVER CORP.

(Exact name of registrant as specified in its charter)

British Columbia, Canada	**1041**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

925 West Georgia Street, Suite 1800
Vancouver, British Columbia V6C 3L2, Canada
(604) 688-3033
(Address and telephone number of Registrant's principal executive offices)

National Registered Agents, Inc.
1090 Vermont Avenue N.W., Suite 910
Washington D.C. 20005
(202) 371-8090
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

_____

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of exchange on which registered:
Common Shares, no par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**
For annual reports, indicate by check mark the information filed with this Form.

x Annual information form x Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock asof the close of the period covered by the annual report. 164,461,567

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

¨ Yes ¨ No

EXPLANATORY NOTE

First Majestic Silver Corp. (the “Company” or the “Registrant”) is a Canadian issuer eligible to file its annual report on Form 40-F pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F and the exhibits attached hereto contain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking statements, which are all statements other than statements of historical fact, include, but are not limited to, statements with respect to the future price of silver, the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, reserve determination and reserve conversion rates. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: fluctuations in the price of silver and gold; the absence of control over mining operations from which the Company purchases silver and risks related to these mining operations including risks related to fluctuations in the price of the primary commodities mined at such operations, actual results of mining and exploration activities, economic and political risks of the jurisdictions in which the mining operations are located, changes in project parameters as plans continue to be refined; and differences in the interpretation or application of tax laws and regulations; as well as those factors discussed in the section entitled “Risk Factors” in the Company’s annual information form (the “AIF”) for the financial year ended December 31, 2016. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to: the continued operation of the mining operations from which the Company purchases silver, no material adverse change in the market price of commodities, that the mining operations will operate and the mining projects will be completed in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements and forward-looking information contained or incorporated by reference in this annual report on Form 40-F are included for the purpose of providing investors with information to assist them in understanding the Company’s expected financial and operational performance and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements that are included or incorporated by reference herein, except in accordance with applicable securities laws.

NOTE TO UNITED STATES READERS – DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this annual report on Form 40-F in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company prepares its financial statements (the "Audited Financial Statements") in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The AIF filed as Exhibit 99.1 to this annual report on Form 40-F has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the 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 National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") 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 United States Securities and Exchange Commission ("SEC") Industry Guide 7 ("SEC Industry Guide 7") under the United States Securities Act of 1933, as amended. Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate 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 SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence and 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 resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this annual report on Form 40-F and the documents incorporated by reference herein containing descriptions of the Company's mineral deposits 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 thereunder.

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The functional currency of the Company, the parent entity, is the United States dollar and for the Mexican operations, the functional currency is the United States dollar. The financial statement presentation currency is the United States dollar. The revenues and expenses of our operations where incurred in currencies other than United States dollars are translated at the exchange rates in effect at the date of the underlying transactions. Differences arising from these foreign currency translations are recorded in other comprehensive income.

ANNUAL INFORMATION FORM

The AIF is filed as Exhibit 99.1 to, and incorporated by reference in, this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements for the year ended December 31, 2016, including the report of the independent registered public accounting firm with respect thereto, is filed as Exhibit 99.2 to, and incorporated by reference in, this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2016 is filed as Exhibit 99.3 to, and incorporated by reference in, this annual report on Form 40-F.

CERTIFICATIONS

See Exhibits 99.4, 99.5, 99.6 and 99.7, which are included as Exhibits to this annual report on Form 40-F.

DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this annual report on Form 40-F, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Exchange Act). Based upon the results of that evaluation, the CEO and the CFO have concluded that as of the end of the period covered by this annual report on Form 40-F, the Company's disclosure controls and procedures were effective. Disclosure controls and procedures include controls and other procedures that are designed to ensure that (i) information required to be disclosed by the Company in reports that it files or submits to the SEC under the Exchange Act is recorded, processed, summarized and reported within the appropriate time periods specified in applicable rules and forms and (ii) information required to be disclosed by the Company in reports filed under the Exchange Act is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Company's management, with the participation of the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. 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 and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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;
- 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.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective and no material weakness was identified as of December 31, 2016.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting, as of December 31, 2016, has been audited by Deloitte LLP, an independent registered public accounting firm, who also audited the Company's consolidated financial statements as of and for the years ended December 31, 2016 and 2015, as stated in their reports which appear on the Company's consolidated financial statements, filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

Changes in Internal Control Over Financial Reporting

During the period covered by this annual report on Form 40-F, no change occurred in the Company's internal control over financial reporting 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 CEO and CFO, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been 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 management override of the control. The design of any system of controls 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; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

AUDIT COMMITTEE

Audit Committee

The Company's board of directors has a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Company's audit committee are identified on page 86 of the AIF, filed as Exhibit 99.1 and incorporated by reference herein. In the opinion of the Company's board of directors, all members of the audit committee are independent (as determined under Rule 10A-3 of the Exchange Act and the rules of the New York Stock Exchange) and are financially literate.

Audit Committee Financial Expert

The Company's board of directors has determined that Douglas Penrose is the audit committee financial expert, in that he has an understanding of generally accepted accounting principles and financial statements; is able to assess the general application of accounting principles, including, in connection with the accounting for estimates, accruals and reserves. The financial expert has experience preparing, auditing, analyzing or evaluating financial statements that entail accounting issues of equal breadth and complexity to the Company's financial statements (or actively supervising another person who did so. The financial expert also has an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions.

CODE OF ETHICS

The Company has adopted a written Code of Ethical Conduct. A copy of this code is available on the Company's website at http://www.firstmajestic.com or to any person without charge, by written request addressed to: First Majestic Silver Corp., Attention: Corporate Secretary, Suite 1800 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2 Canada (604) 688-3033, or by email (info@firstmajestic.com).

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte LLP acted as the Company's independent registered public accounting firm for the financial year ended December 31, 2016. See page 87 of the AIF, which is attached hereto as Exhibit 99.1 for the total amount billed to the Company by Deloitte LLP for services performed in the last two financial years by category of service (for audit fees, audit-related fees, tax fees and all other fees) in Canadian dollars.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

See Appendix "A" of the AIF incorporated by reference to this document as Exhibit 99.1.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, or relationships with unconsolidated special purpose entities.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The information provided under the heading "Management's Discussion and Analysis – Management of Risks and Uncertainties – Liquidity Risk" contained in Exhibit 99.3 as filed with this annual report on Form 40-F contains the Company's disclosure of contractual obligations and is incorporated by reference herein.

UNDERTAKINGS

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company filed an Appointment of Agent for Service of Process and Undertaking on Form F-X with respect to the class of securities in relation to which the obligation to file this annual report on Form 40-F arises.

EXHIBIT INDEX

Exhibit	Description
99.1	Annual Information Form of the Company for the year ended December 31, 2016
99.2	The audited consolidated financial statements and related audit reports of the Company, are exhibits to and form a part of this annual report
99.3	Management's Discussion and Analysis for the year ended December 31, 2016
99.4	CEO Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	CFO Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of Leonel Lopez, Principal Geologist of Runge Pincock Minarco
99.9	Consent of Richard Addison, Principal Process Engineer of Runge Pincock Minarco
99.10	Consent of Ramon Mendoza Reyes, P. Eng., Vice President Technical Services of First Majestic Silver Corp.
99.11	Consent of Maria E. Vazquez Jaimes, P. Geo., Geological Database Manager of First Majestic Silver Corp.
99.12	Consent of Jesus M. Velador Beltran, MMSA, Director of Exploration of First Majestic Silver Corp.
99.13	Consent of Gregory Kenneth Kulla, P. Geo., of Amec Foster Wheeler Americas Ltd.
99.14	Consent of Peter Oshust, P. Geo, of Amec Foster Wheeler Americas Ltd.
99.15	Consent of Sabry Abdel-Hafez, P.Eng. formerly with Tetra Tech WEI Inc.
99.16	Consent of Mark Horan, P. Eng. of Tetra Tech Canada Inc.
99.17	Consent of James Barr, P.Geo. of Tetra Tech Canada Inc.
99.18	Consent of Hassan Ghaffari, P. Eng. of Tetra Tech Inc.
99.19	Consent of Ting Lu, P.Eng. formerly with Tetra Tech EBA Inc.
99.20	Consent of Carlos Chaparro, P.Eng. of Tetra Tech Canada Inc.
99.21	Consent of Scott Martin, P.Eng. of Tetra Tech Canada Inc.
99.22	Consent of Nick Michael, MBA formerly with Tetra Tech EBA Inc.
99.23	Consent of Graham Wilkins, P.Eng. of Tetra Tech Canada Inc.
99.24	Consent of Deloitte LLP, Independent Registered Public Accounting Firm

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: March 31, 2017

FIRST MAJESTIC SILVER CORP.

By: */s/ Keith Neumeyer*

Keith Neumeyer
Chief Executive Officer



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2016

March 31, 2017

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

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PRELIMINARY NOTES

Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form (" **AIF**") of First Majestic Silver Corp. (" **First Majestic**" or the "**Company**") is as of December 31, 2016.

Financial Information

The Company's financial results are prepared and reported in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (" **IFRS**") and is presented in United States dollars.

Forward-looking Information

Certain statements contained in this AIF constitute forward-looking information or 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: statements with respect to the Company's business strategy, future planning processes, commercial mining operations, anticipated mineral recoveries, projected quantities of future mineral production, interpretation of drill results and other technical data, anticipated development, expansion, exploration activities and production rates and mine plans and mine life, the estimated cost and timing of plant improvements at the Company's operating mines and development of the Company's development projects, the timing of completion of exploration programs and preparation of technical reports, viability of the Company's projects, anticipated reclamation and decommissioning activities, conversion of mineral resources to proven and probable mineral reserves, potential metal recovery rates, analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable, statements with respect to the Company's future financial position including operating efficiencies, cash flow, capital budgets, costs and expenditures, cost savings, allocation of capital, the Company's share price, and statements with respect to the recovery of value added tax receivables and the tax regime in Mexico, the Company's plans with respect to enforcement of certain judgments in favour of the Company and the likelihood of collection under those judgments, the Company's ability to comply with future legislation or regulations, the Company's intent to comply with future regulatory matters, future regulatory trends, future market conditions, future staffing levels and needs, assessment of future opportunities of the Company, future payments of dividends by the Company, assumptions of management maintaining relations with local communities, renewing contracts related to material properties, the Share Repurchase Program (as hereinafter defined) and maintaining relations wih employees. All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable mineral reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered as and if the property is developed, and in the case of Measured and Indicated Mineral Resources or Proven and Probable Mineral Reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. 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 involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements involve risks and uncertainties relating to, among other things, global economic conditions, changes in commodity prices and, particularly, silver prices, changes in exchange rates, access to skilled mining development and mill production personnel, labour relations, costs of labour, relations with local communities and aboriginal groups, results of exploration and development activities, accuracy of resource estimates, uninsured risks, defects in title, availability and costs of materials and equipment, inability to meet future financing needs on acceptable terms, changes in national or local governments, changes in applicable legislation or application thereof, timeliness of government approvals, actual performance of facilities, equipment, and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Additional factors that could cause actual results to differ materially include, but are not limited to, the risk factors described herein. See "Risk Factors".

The Company believes that the expectations reflected in those 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 in, or incorporated by reference into, this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF, as the case may be. 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 Notes to U.S. Investors Concerning Reserve and Resource Estimates

This AIF has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. All mining terms used herein but not otherwise defined have the meanings set forth in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). The definitions of Proven and Probable Reserves ("Mineral Reserves" or "Reserves") used in NI 43-101 differ from the definitions in the Industry Guide 7. Under SEC Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three year history average price is used in any reserve or cash flow analysis to designate 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 SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into 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 securities laws, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in certain specific cases. Additionally, disclosure of "contained ounces" in a resource is permitted disclosure under Canadian securities laws, however the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measurements.

Accordingly, information contained in this AIF containing descriptions of the Company's mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of United States federal securities laws and the rules and regulations thereunder.

Currency and Exchange Rate Information

The Company uses the US dollar as its presentation currency. This AIF contains references to both U.S. dollars and Canadian dollars. **All dollar amounts (i.e. "$" or "US$"), unless otherwise indicated, are expressed in U.S. dollars and Canadian dollars are referred to as "C$"**.

On March 30, 2017, the exchange rate of Canadian dollars into US dollars, being the noon exchange rate published by the Bank of Canada was US$1.00 equals C$1.3304.

GLOSSARY OF CERTAIN TECHNICAL TERMS

Following is a description of certain technical terms and abbreviations used in this AIF.

"**Ag**" means silver.

"**Ag-Eq**" means silver equivalent.

"**AISC**" means all-in sustaining costs.

"**Au**" means gold.

"**BQ**" means a standard wire line bit size which produces a core diameter of 37 millimetres.

"**CCD**" means counter-current decantation, a separation technique involving water or solution and a solid .

"**Concentrate**" means partially purified ore .

"**CRMs**" means certified reference materials.

"**DD**" means diamond drill.

"**Doré**" means a mixture of gold and silver in cast bars, as bullion .

"**Fe**" means iron.

"**g/t**" means grams per tonne.

"**Grade**" means the metal content of ore in grams per ton or percent .

"**HQ**" means a standard wire line bit size which produces a core diameter of 63 millimetres.

"**Indicated Mineral Resource**" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"**Inferred Mineral Resource**" means that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological grade and continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"**Life of Mine**" or "**LOM**" means the time in which, through the employment of the available capital, the ore reserves, or such reasonable extension of the ore reserves as conservative geological analysis may justify, will be extracted .

"**Merrill-Crowe**" or "**MC**" means a separation technique for removing gold from a cyanide solution.

"**Measured Mineral Resource**" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"**Mineral Reserve**" means the economically mineable part of a Measured Mineral Resource or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

"**Mineral Resource**" means a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

"**NQ**" means a standard wire line bit size which produces a core diameter of 48 millimetres.

"**NSR**" means net smelter royalty.

"**Oxides**" or "**Oxide Ore**" means a mixture of valuable minerals and gangue minerals from which at least one of the minerals can be extracted .

"**Pb**" means lead.

"**Probable Mineral Reserve**" means the economically mineable part of an Indicated Mineral Resource, and in some circumstances, a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"**Proven Mineral Reserve**" means the economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

"**QA/QC**" means quality assurance and quality control.

"**RC**" means reverse circulation, a type of drilling

"**Reserves**" means Mineral Reserves.

"**Resources**" means Mineral Resources.

"**Run of Mine**" or "**ROM**" means ore in its natural, unprocessed state.

"**Specific Gravity**" or "**SG**" means a measurement that determines the density of minerals.

"**Sulphide Minerals**" or "**Sulphide Ore**" means any member of a group of compounds of sulfur with one or more metals .

"**tpd**" means metric tonnes per day.

"**UG**" means underground.

"**Zn**" means zinc.

CORPORATE STRUCTURE

Name, Address and Incorporation

First Majestic is the continuing corporation of "Brandy Resources Inc." which was incorporated pursuant to the *Company Act* (British Columbia) (the predecessor legislation of the *Business Corporations Act* (British Columbia) on September 26, 1979.

On September 5, 1984, the Company changed its name to Vital Pacific Resources Ltd. and consolidated its share capital on a two for one basis.

On May 26, 1987, the Company continued out of British Columbia and was continued as a federal company pursuant to the *Canada Business Corporations Act*.

On August 21, 1998, the Company continued out of Canada and was continued into the jurisdiction of the Commonwealth of the Bahamas under the *Companies Act* (Bahamas).

On January 2, 2002, the Company continued out of the Commonwealth of the Bahamas and was continued to the Yukon Territory pursuant to the *Business Corporations Act* (Yukon). Concurrently with this continuation, the Company consolidated its share capital on a 10 for one basis.

On January 17, 2005, the Company continued out of the Yukon Territory and was continued to British Columbia pursuant to the *Business Corporations Act* (British Columbia).

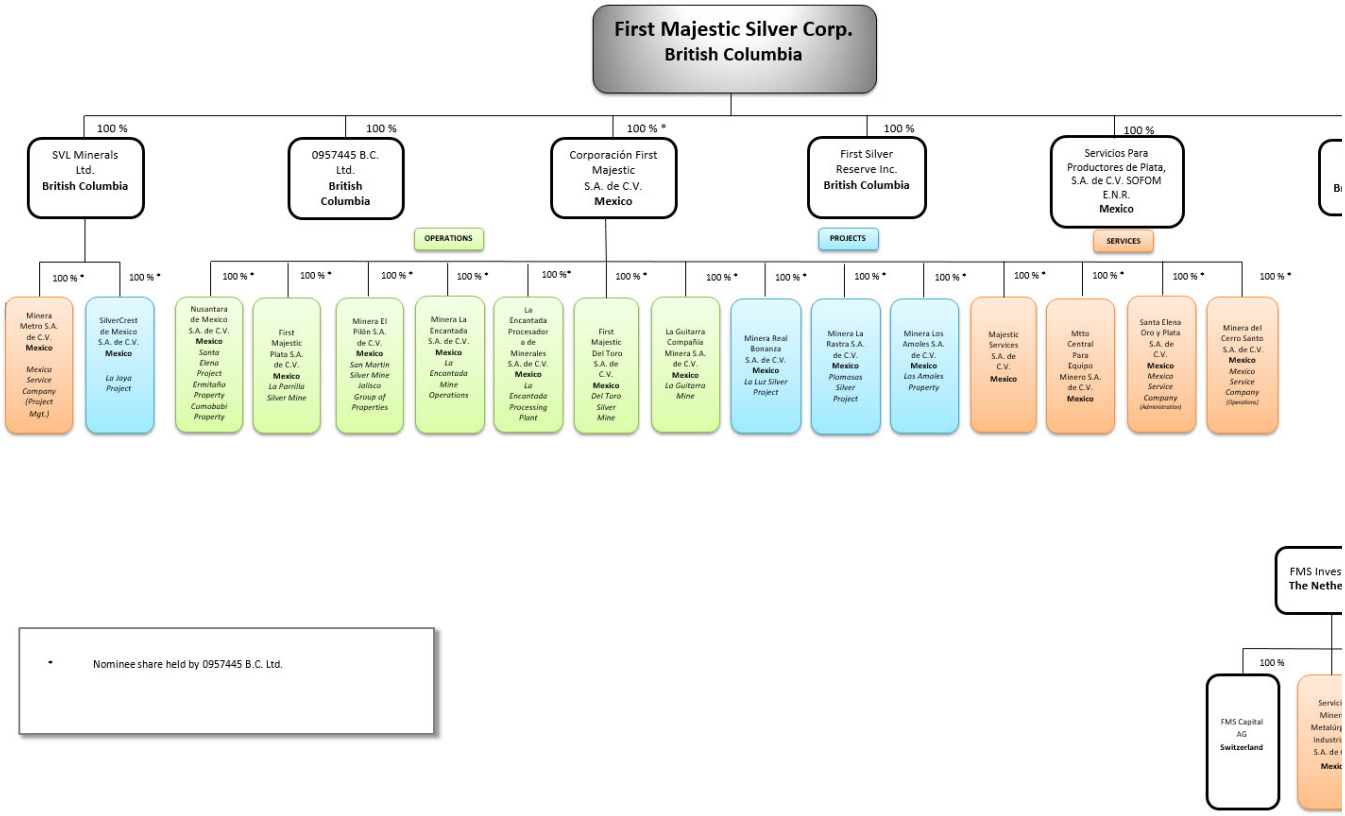
Since incorporation, First Majestic has undergone three name changes. The last name change occurred on November 22, 2006, when the Company adopted its current name.

The Company's head office is located at Suite 1800 – 925 W. Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2 and its registered office is located at 2600 – 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

The Company is a reporting issuer in each of the provinces of Canada.

Intercorporate Relationships

The chart set out below illustrates the corporate structure of the Company and its material subsidiaries, their respective jurisdictions of incorporation, the percentage of voting securities held and their respective interests in various mineral projects and mining properties.


First Majestic Silver Corp.
British Columbia
100 %
SVL Minerals Ltd.
British Columbia
100 %
0957445 B.C. Ltd.
British Columbia
100 % *
Corporación First Majestic S.A. de C.V.
Mexico
100 %
First Silver Reserve Inc.
British Columbia
100 %
Servicios Para Productores de Plata, S.A. de C.V. SOFOM E.N.R.
Mexico
OPERATIONS
PROJECTS
SERVICES
Minera Metro S.A. de C.V. Mexico Mexico Service Company (Project Mgt.)
SilverCrest de Mexico S.A. de C.V. Mexico La Joya Project
Nusantara de Mexico S.A. de C.V. Mexico Santa Elena Project Ermitaño Property Cumobabi Property
First Majestic Plata S.A. de C.V. Mexico La Parrilla Silver Mine
Minera El Pilón S.A. de C.V. Mexico San Martin Silver Mine Jalisco Group of Properties
Minera La Encantada S.A. de C.V. Mexico La Encantada Mine Operations
La Encantada Procesadora de Minerales S.A. de C.V. Mexico La Encantada Processing Plant
First Majestic Del Toro S.A. de C.V. Mexico Del Toro Silver Mine
La Guitarra Compañía Minera S.A. de C.V. Mexico La Guitarra Mine
Minera Real Bonanza S.A. de C.V. Mexico La Luz Silver Project
Minera La Rastra S.A. de C.V. Mexico Plomosas Silver Project
Minera Los Amoles S.A. de C.V. Mexico Los Amoles Property
Majestic Services S.A. de C.V. Mexico
Mtto Central Para Equipo Minero S.A. de C.V. Mexico
Santa Elena Oro y Plata S.A. de C.V. Mexico Mexico Service Company (Administration)
Minera del Cerro Santo S.A. de C.V. Mexico Mexico Service Company (Operations)
100 % *
* Nominee share held by 0957445 B.C. Ltd.
100 %
FMS Capital AG Switzerland

GENERAL DEVELOPMENT OF THE BUSINESS

History

Since inception in 2003, First Majestic has been in the business of acquiring, exploring and developing silver properties and producing silver from its mines and mineral properties located in México.

In the past 15 years, the Company has been aggregating a portfolio of silver mines, properties and projects which consists of six producing mines which it owns and operates in México, two advanced-stage development silver projects as well as a number of exploration projects. The mines and material properties are as follows:

Producing Silver Mines	Location	Acquired
La Parrilla Silver Mine	Durango State, México	January 2004
San Martín Silver Mine	Jalisco State, México	May 2006 to September 2006
La Encantada Silver Mine	Coahuila State, México	November 2006 to March 2007
Del Toro Silver Mine	Zacatecas State, México	March 2004 to August 2005
La Guitarra Silver Mine	México State, México	July 2012
Santa Elena Silver / Gold Mine	Sonora State, México	October 2015

Development Projects	Location	Acquired
La Luz Silver Project	San Luis Potosi State, México	November 2009
Plomosas Silver Project	Sinaloa State, México	July 2012
La Joya Silver Project	Durango State, Mexico	October 2015

Since inception in 2003 until the date of this AIF, the Company has completed nine financings consisting of six private placements and three public offerings. The Company has also completed four public market acquisitions, has issued and outstanding a total of 165,065,914 common shares, and has raised and/or issued total capital of $632.1 million.

Most Recent Three Years

2014

In March 2014, the board of directors approved the renewal of the Company's share repurchase program (the " **Share Repurchase Program**") which was initially commenced in March 2013. The Company repurchased and cancelled 140,000 shares in its capital under the Share Repurchase Program for a total consideration of $1.0 million during the year ended December 31, 2014.

In April 2014, the Company entered into a $30 million forward sale contract with Bank of America Merrill Lynch (" **BAML**") for 15,911.3 metric tonnes (" **MT**") of lead at a fixed price of $0.945 per pound ($2,083/MT) (the " **BAML Facility**' in order to fund the Company's continuing expansion plans, and for general working capital. The BAML Facility had a three year term from April 2014 to September 2017, with a six-month repayment holiday from April 2014 to September 2014. The amount of lead the Company was obliged to sell under the BAML Facility represented approximately 35% of the Company's total estimated future lead production over this period. Annual interest was payable under the BAML Facility at a rate equal to the one year LIBOR rate plus 3.5%. The BAML Facility was paid out in full and terminated in 2016, as discussed below.

A mill expansion at the San Martín Silver Mine was completed during the second quarter of 2014. The expansion included the installation of a new and larger 9.5' x 12' ball mill to replace the older 8.5' x 12' ball mill and production capacity increased from 900 tpd to 1,300 tpd.

On July 1, 2014, First Majestic spun-out its wholly-owned subsidiary, Minera Terra Plata, S.A. de C.V. (" **Terra Plata**"), to Sundance Minerals Ltd. ("**Sundance**", now known as First Mining Finance Corp. (" **First Mining**")), a private company focused on precious metal located in the Americas, in exchange for the issuance by Sundance of 14,509,279 common shares in its capital to First Majestic, which was equal to approximately 35% of the outstanding shares of Sundance at that time (the "**Terra Plata Transaction** "). At the time of the spin out, Terra Plata owned a 100% interest in a number of grass roots exploration projects which include the Peñasco Quemado Project, the La Frazada Project and the Los Lobos Project, each of which were properties acquired by First Majestic through its acquisition of Silvermex Resources Inc. in July of 2012.

The Company's common shares were authorized for listing on the Bolsa Mexicana de Valores (the Mexican Stock Exchange) (" **BMV**") and its shares began trading on August 25, 2014 under the trading symbol "AG".

2015

On March 30, 2015, Albion Petroleum Ltd., a capital pool company listed on the TSX Venture Exchange (the " **TSXV**"), acquired Sundance by the issuance of common shares in its capital to Sundance shareholders (including the Company) by way of a plan of arrangement under the *Business Corporations Act* (British Columbia) and changed its name to First Mining Finance Corp. (" **First Mining**"). First Mining is currently listed on the TSXV under the symbol "FF". First Majestic's current holdings represent less than 5% of First Mining's issued and outstanding common shares.

The Share Repurchase Program was renewed for a second time in March 2015.

On April 22, 2015, the Company closed a bought deal private placement, led by BMO Capital Markets pursuant to which the Company issued an aggregate of 4,620,000 of its common shares at a price of C$6.50 per common share for gross proceeds of C$30,030,000 (the "**BMO Offering**").

On October 1, 2015, the Company completed the acquisition, pursuant to a plan of arrangement (the " **SilverCrest Arrangement**"), of all the issued and outstanding shares of SilverCrest Mines Inc. (" **SilverCrest**"), a publicly traded company listed on the TSX whose primary asset was the Santa Elena Silver / Gold Mine located in Sonora State, México. Shareholders of SilverCrest received 0.2769 common shares in the capital of First Majestic and C$0.0001 for each share of SilverCrest held resulting in the Company issuing a total of 33,141,663 common shares. In addition, shareholders of SilverCrest received 0.1667 shares in the capital of a newly formed company named SilverCrest Metals Inc., which received certain exploration assets previously held by First Majestic.

2016

On February 8, 2016, the Company entered into a credit agreement with The Bank of Nova Scotia and Investec Bank PLC as lenders in connection with a senior secured credit facility (the " **Credit Facility**") consisting of a $25 million revolving credit line and a $35 million term loan. The Credit Facility is guaranteed by certain subsidiaries of the Company and is secured by a first charge against the assets of the Company and such subsidiaries. The term loan is repayable in quarterly instalments plus related interest, with the first of such instalments commencing in August 2016. The revolving credit line terminates on maturity, being February 8, 2019.

$31.5 million of the term loan was utilized to payout the BAML Facility, while the remaining $3.5 million thereunder was used for general corporate purposes. A portion of the $25 million revolving credit line was used to payout a $15 million revolving credit facility assumed by the Company in connection with the SilverCrest Arrangement.

The Credit Facility contains market financial covenants, including the following, each tested quarterly, on a consolidated basis: (a) a leverage ratio based on total debt to rolling 4 quarters adjusted EBITDA less 50% of sustaining capital expenditures of not more than 3.00 to 1.00; (b) an interest coverage ratio, based on rolling 4 quarters adjusted EBITDA divided by interest payments, of not less than 4.00:1.00; and (c) tangible net worth of not less than $436 million, plus 80% of its positive earnings subsequent to December 31, 2015. The Credit Facility also provides for negative and positive covenants, customary for these types of facilities, including standard indebtedness baskets such as capital leases (up to $30 million).

Subsequent to the execution of the Credit Facility, the Company completed an intra-group reorganization among its wholly owned subsidiaries, whereby NorCrest Silver Inc. (" **Norcrest"**) merged into Corporación First Majestic S.A. de C.V. ("**CFM**") resulting in the subsidiaries of NorCrest, becoming subsidiaries of CFM.

The Share Repurchase Program was renewed for a third time in March 2016.

On September 15, 2016, Mr. Ramon Davila resigned from the board of directors. Mr. Davila had served as a director of the Company since 2004 and was also its Chief Operating Oficer ("**COO**") until July 2014.

On May 12, 2016, the Company closed a bought deal private placement that was co-led by Cormark Securities Inc. and BMO Capital Markets on behalf of a syndicate of underwriters including Desjardins Securities Inc., National Bank Financial Inc. and TD Securities Inc. The Company issued an aggregate of 5,250,900 common shares (the "**Common Shares**") at a price of C$10.95 per Common Share for gross proceeds of C$57,497,355 (the " **Cormark and BMO Offering**"). The use of proceeds of the Cormark

and BMO Offering are intended to be used for the mill and mine expansion at La Guitarra mine to 1,000 tpd, to further advance the roasting analysis and testing at La Encantada mine, to allow the Company to increase the amount of development and exploration across the Company's six operating mines, and for general corporate and working capital purposes.

2017 to date

On March 1, 2017, Dustin VanDoorselaere, previously Vice President of Operations, was promoted to the role of COO. Mr. VanDoorselaere, an experienced mining engineer, will be responsible for overseeing all operational functions at each of the Company's six operating silver mines in México. Salvador García, who had previously held the COO position since July 2014, has been appointed to the new position of Country Manager of México and will be responsible for government and stakeholder relations in México. In addition, Marjorie Co was appointed to the Company's board of directors.

The Share Repurchase Program was renewed for a fourth time in March 2017. Pursuant to the renewed Share Repurchase Program, the Company is authorized to repurchase up to 8,249,204 common shares of the Company during the ensuing 12 month period, which represents 5% of the 164,984,089 issued and outstanding shares of the Company as of March 10, 2017.

DESCRIPTION OF BUSINESS

General

The Company is in the business of the production, development, exploration and acquisition of mineral properties with a focus on silver production in México. The common shares of the Company trade on the TSX under the symbol "FR", on the New York Stock Exchange under the symbol "AG" and on the BMV under the symbol "AG". The Company's common shares are also quoted on the Frankfurt Stock Exchange under the symbol "FMV".

The Company owns and operates six producing mines in México:

1. the La Encantada Silver Mine in Coahuila State ("**La Encantada Silver Mine**" or "**La Encantada**");
2. the La Parrilla Silver Mine in Durango State ("**La Parrilla Silver Mine**" or "**La Parrilla**");
3. the San Martín Silver Mine in Jalisco State ("**San Martín Silver Mine**" or "**San Martín**");
4. the La Guitarra Silver Mine in México State ("**La Guitarra Silver Mine**" or "**La Guitarra**");
5. the Del Toro Silver Mine in Zacatecas State ("**Del Toro Silver Mine**" or "**Del Toro**"); and
6. the Santa Elena Silver / Gold Mine in Sonora State ("**Santa Elena Silver / Gold Mine**" or "**Santa Elena**").

The Company also owns three advanced-stage silver development projects in México, being the Plomosas Silver Project in Sinaloa State, the La Luz Silver Project in San Luis Potosi State and La Joya Silver Project in Durango State, as well as a number of exploration projects in México. As such, the Company's business is dependent on foreign operations in México.

The Company's business is not materially affected by intangibles such as licences, patents and trademarks, nor is it significantly affected by seasonal changes other than seasonal weather. The Company is not aware of any aspect of its business which may be affected in the current financial year by renegotiation or termination of contracts.

At December 31, 2016, the Company had 25 employees based in its Vancouver corporate office, 162 employees in its Durango offices, 10 employees in its México City office, four employees in Switzerland, three employees in the Netherlands and approximately 3,808 employees, contractors and other personnel in various mining locations in México. Additional consultants are also retained from time to time for specific corporate activities, development and exploration programs.

Principal Markets for Silver

Silver is a precious metal that is desirable as jewellery and for investment purposes; it is also an important industrial commodity. Silver has a unique combination of characteristics including: durability, malleability, ductility, conductivity, reflectivity and anti-bacterial properties, which makes it valuable in numerous industrial applications including circuit boards, electrical wiring, semi & superconductors, brazing and soldering, mirror and window coatings, electroplating, chemical catalysts, pharmaceuticals, filtration systems, solar panels, batteries, televisions, household appliances, automobiles and a wide variety of other electronic products.

Silver as a global commodity is predominantly traded on the London Bullion Market (" **LBM**"), an over-the-counter silver market and the COMEX, a futures and options exchange in New York where most fund activity in relation to silver is focused. The LBM is the global hub of over-the-counter trading in silver and is the metal's main physical market. Here, a bidding process results in a daily reference price known as the fix. Silver is quoted in US dollars per troy ounce. The Company assigns silver from its doré sales to one of two global banks; whereas, for concentrate sales, metal prices are determined by monthly averages based on contract terms with one of three smelter contracts. Smelter contracts are established with an annual tendering process which fix smelting charges normally to an annual basis.

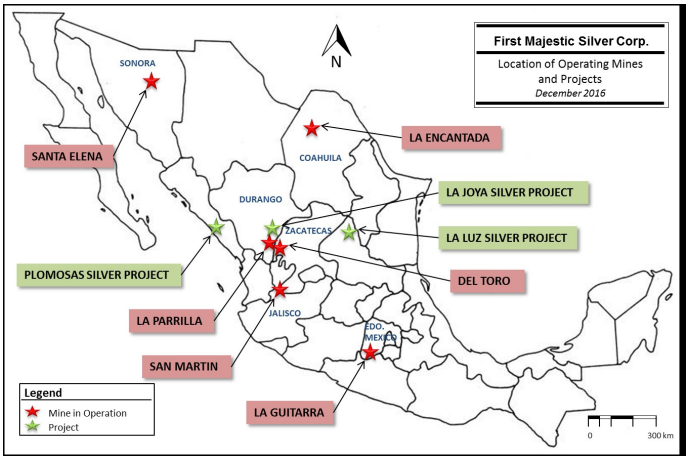
Silver can be supplied as a primary product from mining silver, or as a by-product from the mining of gold or base metals. The Company is a primary silver producer with approximately 67% of its revenue in 2016 and 70% of its revenue in 2015 coming from the sale of silver.

The Company also maintains an e-commerce website from which it sells a small portion (less than 1%) of its silver production directly to retail buyers (business to consumer) over the internet. See "Product Marketing and Sales".

Mineral Projects

Pursuant to National Instrument 51-102 - Continuous Disclosure Obligations (" **NI 51-102**"), the following properties have been identified by First Majestic as being material: the La Encantada Silver Mine, the La Parrilla Silver Mine, the San Martín Silver Mine, the Del Toro Silver Mine, the La Guitarra Silver Mine and the Santa Elena Silver/Gold Mine. Production estimates and throughputs for operating mines are quoted as metric tonnes per day related to the tonnes per day capacity of the mine. Production estimates and throughput averages for each mine take into account an average of two days of maintenance per month. Annual estimates of production are based on an average of 365 calendar days per year for each of the operating mines, and these mines generally operate 330 days per year even though the throughput rates are based on 365 calendar days average.

The following map of México indicates the locations of each of the Company's mines and projects:



Summary of Mineral Resources and Mineral Reserves

The Mineral Resources and Mineral Reserves reported herein represent the most up to date revisions completed by First Majestic. Readers are cautioned against relying on such reports and upon the Resource and Reserve estimates therein since these estimates are based on certain assumptions regarding future events and performance like: commodity prices, operating costs, taxes, metallurgical performance and commercial terms. Interpretations and Resource and Reserve estimates are based on limited sampling information that may not be representative of the mineral deposits. The following three tables set out the Company's Mineral Resources and Mineral Reserves estimated as of December 31, 2016. The technical reports from which the following information is derived under the heading "Current Technical Reports for Material Properties". In general, the consolidated Mineral Reserves for First Majestic, based on the most recent estimate of December 31, 2016, have decreased 7% in terms of tonnage and have decreased 14% in terms of silver-equivalent ("Ag-Eq") metal content compared to the prior estimate of December 31, 2015. These reductions are mainly due to production depletion despite a modest increase of about 3% in the assumed silver and gold prices and higher metal prices for lead and zinc. Another reason for the reductions in Mineral Reserves is the effect of an average increase of 10% in the cutoff grades for most of the mines. This escalation in the cutoff grade is a reflection of an increase in the mining and sustaining cost per tonne caused by adopting more selective mining methods and the re-activation of sustaining development and near-mine exploration.

TABLE 1
Proven and Probable Mineral Reserves for the operating mines with an Effective Date of December 31, 2016
(update prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP Mining for First Majestic)

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA ENCANTADA	Proven (UG)	Oxides	289	239	—	—	—	239	2,222	2,222
	Probable (UG)	Oxides	1,516	213	—	—	—	213	10,372	10,372
	Probable (UG)	Oxides - Flotation	809	147	—	2.35	—	196	3,817	5,093
	Probable (Tailings)	Oxides	4,138	110	—	—	—	110	14,633	14,633
	Total Proven and Probable (UG)	Oxides + Tailings	6,751	143	—	0.28	—	149	31,043	32,319
LA PARRILLA	Proven (UG)	Oxides	181	200	0.12	—	—	210	1,164	1,220
	Probable (UG)	Oxides	671	161	—	—	—	164	3,469	3,546
	Total Proven and Probable (UG)	Oxides	852	169	0.06	—	—	174	4,633	4,766
	Proven (UG)	Sulphides	410	185	0.01	1.67	1.55	280	2,442	3,687
	Probable (UG)	Sulphides	649	209	0.04	2.01	2.01	328	4,370	6,853
	Total Proven and Probable (UG)	Sulphides	1,059	200	0.02	1.88	1.83	310	6,812	10,539
	Total Proven and Probable (UG)	Oxides + Sulphides	1,910	186	0.04	1.04	1.02	249	11,445	15,305
SAN MARTÍN	Proven (UG)	Oxides	880	246	0.28	—	—	267	6,973	7,561
	Probable (UG)	Oxides	1,311	243	0.16	—	—	255	10,220	10,728
	Total Proven and Probable (UG)	Oxides	2,191	244	0.21	—	—	260	17,193	18,289
DEL TORO	Proven (UG)	Transition + Sulphides	708	211	0.09	4.12	1.87	352	4,800	8,010
	Probable (UG)	Transition + Sulphides	647	233	0.26	4.39	2.94	401	4,846	8,349
	Total Proven and Probable (UG)	Transition + Sulphides	1,356	221	0.17	4.25	2.38	375	9,646	16,360
LA GUITARRA	Proven (UG)	Sulphides	88	179	1.47	—	—	273	509	775
	Probable (UG)	Sulphides	1,041	256	1.34	—	—	341	8,577	11,423
	Total Proven and Probable (UG)	Sulphides	1,129	250	1.35	—	—	336	9,086	12,198
SANTA ELENA	Probable (UG Main)	Sulphides	2,597	110	1.63	—	—	215	9,208	17,927
	Probable (PAD)	Oxides Spent Ore	1,882	31	0.62	—	—	71	1,857	4,275
	Total Probable	Oxides + Sulphides	4,479	77	1.21	—	—	154	11,065	22,202
	Total Proven and Probable	**All mineral types**	**17,977**	**155**	**0.42**	**0.54**	**0.29**	**201**	**89,551**	**116,384**

(1) Mineral Reserves have been classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into NI 43-101.
(2) Metal prices considered for Mineral Reserves estimates were $18.00/oz Ag, $1,250/oz Au, $1.00/lb Pb, and $1.15/lb Zn.
(3) The Mineral Reserves information provided above is based on internal estimates prepared as of December 31, 2016. The information provided was reviewed and validated by the Company's internal Qualified Person, Mr. Ramon Mendoza Reyes, P.Eng., who has the appropriate relevant qualifications, and experience in mining and reserves estimation practices.
(4) Silver-equivalent grade is estimated considering: metal price assumptions, metallurgical recovery for the corresponding mineral type/mineral process and the metal payable of the corresponding contract of each mine. Estimation details are listed in each mine section of this AIF.
(5) The cut-off grades and modifying factors used to convert Mineral Reserves from Mineral Resources are different for all mines. The cut-off grades and factors are listed in each mine section of this AIF.
(6) The technical reports from which the above-mentioned information is derived are cited under the heading "Current Technical Reports for Material Properties".

The Company's consolidated Measured and Indicated Mineral Resources have decreased 11% in terms of silver-equivalent metal content, mainly attributable to the production depletion and increase of the production cost per tonne.

TABLE 2
Measured and Indicated Mineral Resources with an Effective Date of December 31, 2016
(update prepared under the supervision of Jesus M. Velador Beltran, MMSA, QP Geology for First Majestic)

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA ENCANTADA	Measured (UG)	Oxides	305	269	—	—	—	269	2,637	2,637
	Indicated (UG)	Oxides	894	297	—	—	—	297	8,518	8,518
	Indicated (UG)	Oxides - Flotation	734	246	—	4.07	—	325	5,795	7,662
	Indicated (Tailings)	Oxides	4,222	110	—	—	—	110	14,931	14,931
	Total Measured and Indicated (UG)	Oxides + Tailings	6,154	161	—	0.49	—	171	31,881	33,748
LA PARRILLA	Measured (UG)	Oxides	207	225	—	—	—	235	1,497	1,564
	Indicated (UG)	Oxides	674	180	0.06	—	—	185	3,900	4,003
	Total Measured and Indicated (UG)	Oxides	881	191	0.08	—	—	197	5,397	5,567
	Measured (UG)	Sulphides	420	224	—	1.99	1.88	337	3,024	4,553
	Indicated (UG)	Sulphides	596	240	—	2.31	2.32	378	4,600	7,229
	Total Measured and Indicated (UG)	Sulphides	1,016	233	—	2.18	2.14	361	7,624	11,782
	Total Measured and Indicated (UG)	Oxides + Sulphides	1,897	213	0.05	1.17	1.14	284	13,021	17,349
SAN MARTÍN	Measured (UG)	Oxides	1,009	266	0.27	—	—	285	8,632	9,254
	Indicated (UG)	Oxides	1,631	254	0.14	—	—	264	13,292	13,822
	Total Measured and Indicated (UG)	Oxides	2,639	258	0.19	—	—	272	21,923	23,075
DEL TORO	Measured (UG)	Transition + Sulphides	980	220	0.07	4.13	1.97	361	6,925	11,362
	Indicated (UG)	Transition + Sulphides	1,321	205	0.25	3.63	3.07	350	8,690	14,884
	Total Measured and Indicated (UG)	Transition + Sulphides	2,301	211	0.17	3.84	2.60	355	15,616	26,246
LA GUITARRA	Measured (UG)	Sulphides	83	204	1.61	—	—	305	547	818
	Indicated (UG)	Sulphides	992	291	1.51	—	—	385	9,273	12,289
	Total Measured and Indicated (UG)	Sulphides	1,075	284	1.52	—	—	379	9,821	13,107
SANTA ELENA	Indicated (UG)	Sulphides	2,629	131	2.03	—	—	259	11,083	21,859
	Indicated (Pad)	Oxides	1,882	31	0.62	—	—	70	1,857	4,230
	Total Indicated	Oxides + Sulphides	4,511	89	1.44	—	—	180	12,940	26,089
	Total Measured and Indicated	**All mineral types**	**18,577**	**176**	**0.49**	**0.76**	**0.44**	**234**	**105,202**	**139,614**

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into NI 43-101.
(2) In all cases, metal prices considered for Mineral Resource estimates were $19.00/oz Ag, $1,300/oz Au, $1.00/lb Pb, and $1.20/lb Zn.
(3) The Mineral Resources information provided above for La Parrilla, Del Toro and San Martín is based on internal estimates prepared as of December 31, 2016. The information provided was reviewed and validated by the Company's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA, QP Geology, who has the appropriate relevant qualifications, and experience in geology and resource estimation.
(4) Mineral Resource estimates for La Guitarra are based on information contained in the 2015 Technical Report compiled by First Majestic with contribution of Amec Foster Wheeler Americas Ltd. which were updated by First Majestic with information to December 31, 2016.
(5) Mineral Resource estimates for La Encantada are based on information contained in the 2016 Technical Report compiled by First Majestic with contribution of Amec Foster Wheeler Americas Ltd. which were updated by First Majestic with information to 31 December, 2016.
(6) Mineral Resource estimates for Santa Elena are internal estimates based on the 2014 Update to Santa Elena Pre-Feasibility Study Technical Report compiled by SilverCrest and re-addressed to First Majestic in October, 2015. These estimates were reviewed and validated by the Company's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA, QP Geology.
(7) Silver-equivalent grade is estimated considering: metal price assumptions, metallurgical recovery for the corresponding mineral type/mineral process and the metal payable of the corresponding contract of each mine. Estimation details are listed in each mine section below.
(8) The cut-off grades for Mineral Resources are different for all mines. The cut-off grades are listed in each mine section below.
(9) Measured and Indicated Mineral Resources are reported inclusive of Mineral Reserves.
(10) The technical reports from which the above-mentioned information is derived are cited under the heading "Current Technical Reports for Material Properties".

Consolidated Inferred Mineral Resources decreased 15% in terms of silver-equivalent metal content mainly due to an increase in the cutoff grade as a reflection of an increase of the mining and sustaining cost per tonne.

TABLE 3
Inferred Mineral Resources with an Effective Date of December 31, 2016
(update prepared under the supervision of Jesus M. Velador Beltran, MMSA, QP Geology for First Majestic)

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Cu (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA ENCANTADA	Inferred Ojuelas (UG)	Oxides - Flotation	35	292	—	0.78	—	—	305	325	340
	Inferred other deposits (UG)	Oxides	728	232	—	—	—	—	232	5,430	5,430
	Inferred Total (UG)	Oxides	762	235	—	0.04	—	—	235	5,756	5,770
LA PARRILLA	Inferred (UG)	Oxides	1,478	229	0.04	—	—	—	232	10,868	11,001
	Inferred (UG)	Sulphides	2,967	224	—	2.32	2.42	—	362	21,415	34,520
	Inferred Total (UG)	Oxides + Sulphides	4,445	226	0.01	1.55	1.62	—	319	32,282	45,521
SAN MARTÍN	Inferred Total (UG)	Oxides	3,918	259	—	—	—	—	259	32,592	32,592
DEL TORO	Inferred Total (UG)	Transition + Sulphides	4,637	164	0.12	3.30	3.37	—	293	24,397	43,753
LA GUITARRA	Inferred Total (UG)	Sulphides	679	290	1.44	—	—	—	380	6,322	8,285
SANTA ELENA	Inferred Total (UG)	Sulphides	591	103	2.04	—	—	—	232	1,966	4,408
LA JOYA	Inferred Total (OP)	Sulphides	27,927	58	0.28	—	—	0.47	103	51,646	92,907
	Total Inferred	**All mineral types**	**42,960**	**112**	**0.25**	**0.52**	**0.53**	**0.31**	**169**	**154,961**	**233,237**

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into NI 43-101.
(2) In all cases, metal prices considered for Mineral Resource estimates were $19.00/oz Ag, $1,300/oz Au, $1.00/lb Pb, and $1.20/lb Zn.
(3) The Mineral Resources information provided above for La Parrilla, Del Toro and San Martín is based on internal estimates prepared as of December 31, 2016. The information provided was reviewed and validated by the Company's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA, QP Geology, who has the appropriate relevant qualifications, and experience in geology and resource estimation.
(4) Mineral Resource estimates for La Guitarra are based on information contained in the 2015 Technical Report compiled by First Majestic with contribution of Amec Foster Wheeler Americas Ltd. which were updated by First Majestic with information to December 31, 2016.
(5) Mineral Resource estimates for La Encantada are based on information contained in the 2016 Technical Report compiled by First Majestic with contribution of Amec Foster Wheeler Americas Ltd. which were updated by First Majestic with information to December 31, 2016.
(6) Mineral Resource estimates for Santa Elena are internal estimates based on the 2014 Update to Santa Elena Pre-Feasibility Study Technical Report compiled by SilverCrest and re-addressed to First Majestic in October 2015. These estimates were reviewed and validated by the Company's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA, QP Geology
(7) Silver-equivalent grade is estimated considering: metal price assumptions, metallurgical recovery for the corresponding mineral type/mineral process and the metal payable of the corresponding contract of each mine. Estimation details are listed in each mine section below.
(8) The cut-off grades for Mineral Resources are different for all mines. The cut-off grades are listed in each mine section below.
(9) Inferred Mineral Resource estimates for La Joya Project are based on the 2013 Preliminary Economic Assessment Technical Report compiled for SilverCrest.
(10) The technical reports from which the above-mentioned information is derived are cited under the heading "Current Technical Reports for Material Properties".

Historical Resources

First Majestic secured ownership of the Plomosas Silver Project (" **Plomosas**") through the acquisition of Silvermex Resources Inc. in July 2012. Plomosas has a total of 8,468 hectares of mining concessions in southeast State of Sinaloa, México. The mining concessions consolidate two past producing mines: Plomosas and San Juan. The following table shows the historical resources for Plomosas.

TABLE 4
Plomosas Historical Estimates

Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (k Oz)	Ag-Eq (k Oz)
PLOMOSAS	Not in accordance with CIM Standards	Sulphides (UG)	896	192	0.8	2.1	3.4	5,500	11,000

(1) Plomosas historical estimates figures are sourced from Grupo México's estimates prepared in 2001.
(2) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(3) The Company's Qualified Persons have not done sufficient work to classify the historical estimates as current Mineral Resources or Mineral Reserves and the Company is not treating these historical estimates as current Mineral Reserves or Mineral Resources. Since the historical estimates do not have demonstrated current economic viability, these estimates should not be relied upon until the verification process and due diligence in progress by the Company's Qualified Person is completed.
(4) In order to verify or upgrade the historical estimates, the Company will need to complete a diamond drilling program at the Rosario and San Juan mines to confirm the historical estimates reported by Grupo México and a second exploration program focused on locating extensions of the known mineralization. Other work required to verify the historical estimates as current includes, but it is not limited to: re-survey of underground workings, re-survey of available exploration drill-hole monuments, review of drilling, sampling and assays databases, and the re-assessment of the estimates following CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines and CIM Definition Standards for Mineral Resources and Mineral Reserves based on a completion of at least a Pre-Feasibility study based on the re-assessed Indicated and Measured Mineral Resources.

The La Luz Silver Project was acquired by First Majestic in November 2009 as a result of the purchase of all the issued and outstanding shares of Normabec Mining Resources Ltd. The property consists of 36 mining concessions covering 5,174 hectares. The following table shows the historical resources for La Luz.

TABLE 5
La Luz Historical Estimates

Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA LUZ	Not in accordance with current CIM standards	Oxides and Sulphides	5,005	204	—	—	—	204	32,836	32,836

(1) The La Luz resource estimates are taken from the Real de Catorce Property Technical Report dated July 25, 2008 and the Real de Catorce Property Technical Report dated July 30, 2007. The Company's Qualified Persons consider that those reports do not reflect current economic conditions and are working on applying similar economic inputs to the La Luz Silver Project to those applied to the other properties.
(2) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(3) The Company's Qualified Persons have not done sufficient work to classify the historical estimates as current Mineral Resources or Mineral Reserves and the Company is not treating these historical estimates as current Mineral Reserves or Mineral Resources. Since the historical estimates do not have demonstrated current economic viability, these estimates should not be relied upon until the verification process and due diligence in progress by the Company's Qualified Person is completed.
(4) In order to verify or upgrade the historical estimates, the Company will need to implement a diamond drilling program at the La Luz mines to confirm the historical estimates reported in previous Technical reports and a second exploration program focused on locating extensions of the known mineralization. Other work required to verify the historical estimates as current includes, but it is not limited to: re-survey of underground workings, re-survey of available exploration drill-hole monuments, review of drilling, sampling and assays databases, and the re-assessment of the estimates following CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines and CIM Definition Standards on Mineral Resources and Mineral Reserves based on a completion of at least a Pre-Feasibility study based on the re-assessed Indicated and Measured Mineral Resources.

Current Technical Reports for the material properties

Technical reports were prepared in respect of each of the Company's material properties as follows:

1. A technical report for the La Guitarra Silver Mine was compiled by the Company under the supervision of Mr. Jesus M. Velador Beltran, MMSA QP, and Mr. Ramon Mendoza Reyes, P.Eng., as the internal Qualified Persons for the Company. The Resource estimate of the Coloso area of La Guitarra was prepared by Amec Foster Wheeler Americas Ltd. ("**Amec Foster Wheeler**") under the supervision of Mr. Greg Kulla, P.Geo., as Qualified Person.
2. A technical report for the La Encantada Silver Mine was compiled by the Company under the supervision of Mr. Jesus M. Velador Beltran, MMSA QP, and Mr. Ramon Mendoza Reyes, P.Eng., as the internal Qualified Persons for the Company. The Resource estimate of the Ojuelas area of La Encantada was prepared by Amec Foster Wheeler under the supervision of Mr. Peter Oshust, P.Geo. as Qualified Person.
3. The technical reports for La Parrilla Silver Mine, the San Martín Silver Mine and the Del Toro Silver Mine were prepared by Leonel Lopez, C.P.G. of Runge Pincock Minarco (" **RPM**"), formerly called Pincock Allen & Holt, as the independent Qualified Person for the Company.
4. A technical report for the Santa Elena Silver / Gold Mine was reviewed and deemed current by the Company by Mr. Jesus M. Velador Beltran, MMSA QP, and Mr. Ramon Mendoza Reyes, P.Eng., as the internal Qualified Persons for the Company.

(items 1-4 collectively referred to as the "**NI 43-101 Technical Reports**")

Details on data verification, exploration information, and key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves for each of the Company's material properties are contained in the respective technical reports above. Certain of the assumptions for the December 31, 2016 effective date estimates have been updated in the footnotes to Tables 2 and 3 above.

The effective dates of the current NI 43-101 Technical Reports and the effective dates of the corresponding mineral resource and mineral reserve estimates were:

TABLE 6
Effective dates of First Majestic Technical Reports

Mine / Project	Effective date of the Technical Report	Effective date of the estimate of mineral resources and mineral reserves ("cut-off date")
La Encantada	March 15, 2016	December 31, 2015
La Parrilla	September 8, 2011	June 30, 2011
San Martín	May 23, 2013	December 31, 2012
Del Toro	August 20, 2012	June 30, 2012
La Guitarra	March 15, 2015	December 31, 2014
Santa Elena	December 31, 2014	December 31, 2014

The following table shows the total tonnage mined from each of the Company's six producing properties during 2016, including total ounces of silver and silver equivalent ounces produced from each property and the tonnage mined from delineated Reserves and Resources at each property. A portion of the production from each mine came from material other than Reserves or Resources, as set out below under the heading "Material Not in Reserves".

TABLE 7
First Majestic 2016 Production

	LA ENCANTADA	LA PARRILLA	DEL TORO	SAN MARTIN	LA GUITARRA	SANTA ELENA	TOTAL
TONNES OF ORE PROCESSED	881,075	610,509	337,020	297,802	155,696	988,060	**3,270,162**
OZ OF SILVER PRODUCED	2,706,516	2,220,874	1,500,951	1,902,963	923,597	2,598,537	**11,853,438**
OZ OF SILVER EQ. PRODUCED FROM OTHER METALS (1)	6,856	1,167,560	1,148,375	306,072	600,091	3,587,408	6,816,362
TOTAL OZ OF SILVER EQ. PRODUCED	2,713,372	3,388,434	2,649,326	2,209,035	1,523,688	6,185,945	**18,669,800**
TONNES MINED FROM MATERIAL IN RESERVES	47,722	588,624	315,937	213,362	117,414	932,033	**2,215,092**
TONNES MINED FROM MATERIAL NOT IN RESERVES	833,353	21,885	21,083	84,440	38,282	56,027	**1,055,070**

(1) Silver-equivalent ounces are estimated considering: metal price assumptions, metallurgical recovery for the corresponding mineral type/mineral process and the metal payable of the corresponding contract of each mine. Details as to the method of calculation can be found in the applicable tables within the remainder of this section.
(2) Totals may not add up due to rounding.

La Encantada Silver Mine, Coahuila State, México

La Encantada Silver Mine is an underground producing silver mine and processing facility located in the state of Coahuila, México and has been owned and operated by the Company since 2006.

Certain of the information on the La Encantada Silver Mine is based on the NI 43-101 Technical Report titled, "Technical Report for the La Encantada Silver Mine, Ocampo, Coahuila, México" prepared by Maria E. Vazquez Jaimes, P.Geo., Jesus M. Velador Beltran, MMSA QP, Peter Oshust, P.Geo. and Ramon Mendoza Reyes P.Eng., with effective date of December 31, 2015, which was filed on SEDAR on March 29, 2016 (the " **2016 La Encantada Technical Report**"). Mrs. Maria E. Vazquez Jaimes, Mr. Jesus M. Velador Beltran and Mr. Ramon Mendoza Reyes are Qualified Persons for the purposes of NI 43-101 and are each employees of First Majestic and accordingly, are not considered independent.

La Encantada comprises operations in different deposits: vein systems and other minor deposits, Milagros and San Javier Breccias, Ojuelas, and tailings deposit No. 4. The 2016 La Encantada Technical Report includes results of an updated resource model for the Ojuelas area prepared for First Majestic by Amec Foster Wheeler under the supervision of Mr. Peter Oshust, P. Geo. It also includes First Majestic's revision of the Resource estimates for vein systems and other minor deposits, Milagros and San Javier Breccias, and tailings deposit No. 4 that has been supervised by Mr. Jesus M. Velador Beltran. All the Reserves estimates have been prepared internally by First Majestic under the supervision of Mr. Ramon Mendoza Reyes based on assumptions and factors reflecting the implemented underground mining method and the processing method based on the cyanidation circuit currently in operation and a projected reconditioning of the flotation circuit. The 2016 La Encantada Technical Report has been filed with the securities regulatory authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the 2016 La Encantada Technical Report which is available for review on SEDAR at www.sedar.com.

Project Description and Location

The mine is wholly-owned and operated by Minera La Encantada, S.A. de C.V. (" **Minera La Encantada**"), a wholly-owned indirect subsidiary of the Company held through its Mexican holding company, Corporación First Majestic, S.A. de C.V. ("**CFM**"). La Encantada consists of two main silver underground mines, being the La Encantada and the El Plomo mines which have been consolidated into one operation, and an industrial complex that includes a 4,000 tpd cyanidation plant, a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, airstrip and the infrastructure required for such an operation.

The La Encantada property is comprised of 22 mining exploitation concessions covering 4,076 hectares (10,072 acres). The rights to all of the concessions expire after 2030 but may be subsequently extended for an additional 50 year period. First Majestic owns land surface rights covering a total of 20,812 hectares including 1,337 hectares of surface rights on industrial land and 19,475 in a nearby area with potential to host water sources for the leaching process.

Minera La Encantada has all necessary permits for current mining and processing operations, including an operating license, a mine water use permit, an Environmental Impact Authorization ("EIA") for the La Encantada mine, processing plants and tailings management facilities, and a permit for power generation.

Also included is a recently obtained EIA for the expansion and operation of the crushing and grinding facilities known as Plant No. 1.

Accessibility, Climate, Local Resources, Infrastructure, and Physiography

La Encantada is located in the north western portion of the State of Coahuila, in northern México in the municipality of Ocampo, approximately 120 kilometres from the city of Múzquiz and approximately 120 kilometres from the city of Ocampo. The mine is located in the northern part of the Sierra Madre Oriental physiographic province where the elevations vary from 1,000 metres above sea-level to over 3,500 metres above sea-level. Mountain ranges in the area are generally oriented north-west.

Access to the mine is primarily by charter airplane from Durango city (about 2:00 hours flying time), or from Torreón city (about 1:15 hours flying time). The Company operates its own private airstrip at La Encantada. The airstrip is paved, 1,200 metres long by 17 metres wide and located at 1,300 metres above sea-level. Driving time from the city of Múzquiz is approximately 2.5 hours and about four to five hours from the city of Ocampo.

La Encantada's remote location has required the construction of substantial infrastructure, which has been developed during a long period of active operation by the mine's previous owners, Metalúrgica Met-Mex Peñoles S.A. de C.V. ("**Peñoles**") and

Compañía Minera Los Angeles. The camp at La Encantada consists of 180 houses for accommodation of employees, offices, warehouses, a recreational club, restaurants, three guest houses, a school, a church, a hospital, water wells and an airstrip.

There are four ball mills at La Encantada, two processing fresh mined ore at an average rate of approximately 2,000 tpd, a third ball mill used until 2013 for processing tailings, and after the expansion of the crushing and grinding capacity, a new 12' x 24' ball mill, a new tertiary crusher, two vibrating screens and a series of conveyor belts have been installed. The plant expansion was completed in May 2015, and the ramp up to 3,000 tpd was attained in July 2015. Two ball mills with a capacity of 2,000 tpd sit in care and maintenance.

Power supply to the mine, processing facilities and camp site is diesel and LNG generated and provided by First Majestic. Drinkable water supply is also provided by First Majestic. First Majestic has installed a satellite communication system with internet telephone. Hand held radios are carried by all supervisors, managers and all vehicle operators for communication. Most of the supplies and labour required for the operation are sourced from the city of Múzquiz, Coahuila, or directly from suppliers.

The climate at La Encantada is semi-hot and dry desert. Annual average temperatures range from 10°C to 22°C, with a high of 30°C and a low of 2°C. Days with recorded freezing temperature are 20 to 40 days during the year. Annual average rainfall varies from 10 millimetres to 400 millimetres with most of the rain occurring during the summer months in short storms. Predominant winds are to the northeast.

Vegetation in the area consists of desert bush and shrub, including small mesquite, cacti and grasses. At higher elevations there are pine, cedar and oak trees. Farming is sparse in the area; principal crops are corn, beans and pumpkins. Fauna in the area consist of black bear, deer, cougar, some reptiles, wild boar and birds of prey.

History

Exploration activities in La Encantada area were initiated in 1956 by the Mexican company Compañía Minera Los Angeles, S.A. de C.V. The San José, Guadalupe, La Escondida and San Francisco deposits located to the north of the La Escondida breccia pipe deposit were discovered and developed during the period from 1956 to 1963. In 1963, the La Prieta deposit was discovered within the area. In 1967, Peñoles and Tormex established a joint venture partnership (called "Minera La Encantada") to acquire and develop the La Encantada project. In July 2004, Peñoles awarded a contract to operate the La Encantada mine, including the processing plant, and all installed facilities to a private Mexican company, Desmín, S.A. de C.V. ("**Desmin**"). Desmin operated the mine and processing plant at a 25 percent capacity until November 1, 2006, when First Majestic purchased all of the outstanding shares of Desmin. Subsequently, First Majestic reached an agreement to acquire all of the outstanding shares of Minera La Encantada from Peñoles. The terms of the agreement between First Majestic and Peñoles included royalty payments to Peñoles of up to 11 percent on the net smelter return. First Majestic purchased the royalty from Peñoles in 2007. First Majestic is now the sole owner of La Encantada Silver Mine and all its assets, including mineral rights, surface rights position, water rights, processing plant and ancillary facilities.

From November 2006 to June 2010, First Majestic operated a 1,000 tpd flotation plant which was upgraded after the purchase of Desmin and La Encantada to achieve designed throughput. All production during this period from the flotation plant was in the form of a lead-silver concentrate.

In July 2008, First Majestic commenced construction of a cyanidation plant with a capacity of 3,750 tpd. Production commenced in November 2009 and commercial production was achieved on April 1, 2010. During 2011, several modifications were made to the cyanidation plant increasing its capacity to 4,000 tpd. The flotation circuit was placed under care and maintenance in June 2010, except for the crushing and grinding areas, which remain in operation. Since that time, the La Encantada operation has been producing doré bars only.

During the period of 2010 to 2013, First Majestic re-processed old tailings from the flotation circuit with approximately 1,000 tpd of ore feed from the underground mine for a combined throughput of 4,000 tpd. Starting in 2014, silver market conditions precluded the re-processing of tailings, and only production from underground workings was fed to the mill and the cyanidation plant.

In August 2014, First Majestic began a plant expansion initiative to bring the crushing and grinding capacity to 3,000 tpd. The plant expansion was completed by the end of June 2015, commissioning began in July 2015, allowing for the ramp up to 3,000 tpd which was completed by October 2015.

Geological Setting

The La Encantada mining district contains replacement and vein deposits with concentrations of silver, lead, iron and zinc in oxide and sulphide deposits hosted by calcareous sedimentary rocks of Cretaceous age. The styles of mineralization that have been recognized at La Encantada are veins, stockwork, mantos (stratabound replacements), dissemination in breccia pipes (chimneys) and intrusions, and dissemination of sulphides in skarn.

(a) Regional Geology

The La Encantada mining district is located within the Sierra Madre Oriental physiographic province. It occurs on the eastern flank on a regional anticline that consists of a complex northwest-southeast folded and faulted sequence of Mesozoic age (Early Cretaceous to Late Cretaceous) sedimentary rock formations. The Cupido, La Peña, Aurora, Cuesta del Cura, Georgetown, Del Rio and Buda formations constitute the stratigraphic column in the region and consist predominantly of limestone, dolomite and shale.

The sedimentary sequence in the region was affected by intrusive rocks of dioritic, granodioritic and rhyolitic compositions, which branched out into the calcareous formations as dikes, sills and stocks. Skarn, marble and hornfels metamorphic rocks were developed by the intrusion of the stocks, dikes and sills.

The Cupido Formation (Hauterivian to Barremian, Lower Cretaceous age) has been identified in the lower parts of La Encantada Silver Mine, at the underground Level 1,535, as well as in some drill hole intercepts adjoining the La Morena deposit. Its upper contact is gradational into the La Peña Formation. The Cupido Formation hosts sulphide mineralization in other regions in Coahuila State, such as Lampazos and Ocampo, as appears to be the case in the lower parts of La Encantada mine.

The La Peña Formation (Aptian – Lower Albian, Lower to Middle Cretaceous age) consists of a 60 metres thick sequence of calcareous and carbonaceous shale intercalated with thin limestone and dolomite beds. At La Encantada it occurs as a thin bedded sequence of black carbonaceous shale which appears to have been deposited in a reducing environment.

The Aurora Formation (Lower to Middle Albian, Lower Cretaceous age) is the main host for mineralization at La Encantada. It consists of a sequence of thick to massive alternating beds of limestone and dolomite. The thickness of this formation at the mine is estimated to be about 500 metres.

(b) Deposit Geology

The La Encantada mine is located on a mountain range that corresponds to a symmetrical anticline (La Encantada range). The La Encantada mountain range runs for about 45 kilometres in the northwest-southeast direction and has elevations that vary from about 1,500 metres to over 2,400 metres. The range is affected by a regional northwest trending normal fault zone (La Encantada – Norias fault) that puts into contact the Aurora (Albian) and the Georgetown (Upper Albian) Formations. The area is also affected by a series of subsidiary northwest and northeast trending faults.

The main sedimentary formations and intrusive rocks recognized at La Encantada are the Cupido, La Peña and Aurora formations, strongly altered dikes of apparent basalt-andesite composition, and coarse-grained dikes and stocks of diorite, granodiorite and rhyolite composition.

The physical (brittle) and chemical (reactive) characteristics of the Aurora Formation favoured the deposition of mineralization in the form of veins, stockworks, breccias and replacements. The localization of veins, stockworks and breccias appears to be controlled by the intersection of northeast trending and northwest trending subsidiary faults. In terms of volume, the most important mineral deposits that occur at La Encantada are mineralized tectonic breccias and breccia pipes. Skarn, hornfels and marble are developed at depth at the contact with the main stocks (Skarn dome and Milagros areas) and often contain sulphides mineralization; i.e. sphalerite and acanthite.

Mineralization

Silver, lead and zinc oxide and sulphide mineralization at La Encantada occurs in vein, manto, breccia skarn replacement and stockwork deposits. In general, shallower veins, mantos and breccias are oxidized whereas deeper mantos, skarn dissemination and stockworks contain primary sulphides; i.e. mineral deposits have been affected by a long process of oxidation and secondary enrichment. Most mining at La Encantada has been done in the oxidized mineral deposits and only some drilling and limited underground access has been done in the deposits with primary sulphides. The most recent drilling indicates potential for deep seated disseminated or massive sulphide replacements.

Oxidized mineral deposits consist of unconsolidated massive concentrations of oxides that contain hematite, goethite, manganese oxides (pyrolusite-psilomelane), zinc oxides (zincite), sulfates (jarosite and anglesite) and carbonates (calcite, siderite, manganiferous calcite, cerusite). Silver represents the main economic metal within the oxidized deposits at La Encantada. Silver mineralization occurs in the form of acanthite and native silver. Mineral deposition at La Encantada is recognized in a vertical extent of at least 500 metres; 1,535 metres to 2,035 metres above sea-level. Primary sulphides generally occur below the 1,600 metres elevation, at the skarn dome area (La Prieta) and Milagros area. Sulphide mineralization consists primarily of sphalerite, galena, pyrite and acanthite. According to historical records from Peñoles, typical grades in the oxidized deposits are of 400 g/t Ag, 5% Pb, and 20% Fe. In some high grade parts of La Encantada deposits, the mineralization may reach grades of over 1,000 g/t Ag, 20% Pb and 30% Fe. Primary sulphides at the Milagros stockwork zone show typical grades of 4.5% Zn, 1.0% Pb and 50 g/t Ag.

Exploration and Drilling

The La Encantada property has been the subject of exploration programs since its discovery in the 1950's by prospectors in the early stages and by Peñoles from the late 1960's to 2003. Current exploration programs at La Encantada consist of diamond drilling in combination with direct underground development which has proven to be the most effective approach for exploration at La Encantada. First Majestic's exploration programs carried out from late 2006 to 2016 were primarily focused on categorizing and increasing the resource base for the La Encantada mine. Major efforts have been focused on the deposits of Milagros breccia, San Javier breccia, La Escalera breccia, Milagros intrusive, Ojuelas manto, Bonanza dike, San Francisco dike, Azul y Oro vein, Buenos Aires vein, 990 vein, 990-2 vein, Regalo vein, and Cuerpo de Zinc. Currently, the Company's exploration strategy consists of exploring irregular shaped bodies and breccias in the Milagros area and Ojuelas like mantos along the south flank of the skarn dome. Geologic interpretations and exploration in 2016 allowed First Majestic to find the La Fe replacement, which is an Ojuelas like manto sitting on the southern flank of the skarn dome. In late 2016, First Majestic carried out a geophysical study (airborne magnetics) on 8,000 hectares to be able to identify additional exploration targets. Surface mapping and rock sampling was also carried out in the property on some selected magnetic anomalies.

During the period of October 2008 to December 2015, a total of 89,426 metres of core drilling were completed in 591 holes, as set out in the 2016 La Encantada Technical Report. As of December 31, 2016, 100,365 metres had been drilled by First Majestic from underground and surface in order to categorize, delineate and increase Mineral Resources and a total of 10,939 metres were drilled in 59 holes during 2016. Exploration drilling detected or extended the boundaries of the economic mineralization of several ore deposits or areas such as Buenos Aires, Azul y Oro, Ojuelas manto the Skarn dome, Milagros and La Fe. A substantial amount of the metres drilled during 2016 were of expansionary nature to explore new vein targets and manto-type deposits along the southern flank of the skarn dome. Drilling during 2016 was carried out by the contractor Versa Perforaciones. As of December 31, 2016 underground developments at La Encantada operations totaled approximately 77.8 kilometres of which 3,766 metres were developed during 2016. This development program is part of the ongoing mining activities at the Milagros area and is a key element in the Company's efforts to prepare for extraction of the reserves in the San Javier and Milagros breccias.

Sampling Analysis and Security

La Encantada's current sampling team consists of two sampling crews with three employees each. Representative chip samples are collected with chisel and hammer and channel samples are cut and broken with electric saw and hammer. The broken sample is collected on a tarp, put in numbered sample bags and channel samples are weighted prior to being sent to the laboratory.

Exploration sampling for reserve delineation at the La Encantada mine is conducted by drifting along the mineralized zones so that chip samples can be taken. Chip samples are the primary means of sampling in the mine (stopes, drifts, crosscuts, ramps, etc.) and are taken perpendicular to the vein structures, across the back of the drift and across the drifts and workings in breccia zones. Sampling crews collect chip samples at regular intervals of 3 metres for ore control and for resource estimation purposes. Muck piles are sampled for ore control purposes. Chip and channel samples have lengths that vary from tens of centimetres to usually one metre depending on the width of the mineralized structure.

A sampling line or channel consists of two or more individual samples which are taken to reflect changes in geochemistry and/or mineralogy across the structural zone. Each sample weighs between two and four kilograms. Locally, a drift can be completely enclosed by the mineralized structure, and the full thickness of the vein may not be sampled. All samples are marked with paint by the geologist and numbered on the walls of the drifts for proper orientation and identification. First Majestic has a written procedure for chip and channel sampling that describes details about sample collection and security.

Historical drill-hole data provided by Peñoles is considered in the geologic modelling and if the information is confirmed and checked with further sampling, then it is included in the Resource/Reserve depletion estimation carried out by First Majestic.

Core logging is performed by First Majestic geologists and geological information is input into Datashed. Core samples from current drilling are cut with a saw and the half core sample is sent to the corresponding laboratory for assaying. First Majestic has a written QA/QC procedure that describes all the quality controls that should be inserted in a sample batch. Quality controls are inserted in chip and core sample batches prior to sending to the corresponding laboratory. The Company's QA/QC procedure establishes that a minimum of 20% of the samples submitted are quality control samples inserted in a typical sample batch. Quality controls include three standard reference materials, coarse and pulp blanks, field, coarse and pulp duplicates, and pulp checks with a secondary or check laboratory. Quality assurance is done by statistical analysis of data and visual inspection of plots constructed with assay results of the quality controls.

During 2016, all core samples for Mineral Resource estimation purposes were sent either to First Majestic's Central Laboratory (**"First Majestic Central Lab")** in La Parrilla or to SGS laboratory in Durango, México. Chip, muck and core samples for production or ore control purposes were assayed at La Encantada's laboratory. La Encantada's lab performs periodic assay checks with the First Majestic Central Lab. In May 2015, the First Majestic Central Lab obtained certification under the ISO-9001:2008 standard. First Majestic has implemented LabWare in order to automate the assay reporting processes at the First Majestic Central Lab. The First Majestic Central Lab follows strict QA/QC protocols and is used as a secondary or check lab by La Encantada's lab, for production and ore control samples. At La Encantada's lab, average correlation coefficient of the silver grades is 97% for the set of samples. The chip samples reproducibility for silver assays at La Encantada's lab has a correlation coefficient of 87%. Results of the sample checks carried out at the First Majestic Central Lab show that there is a low bias of the La Encantada's lab in comparison with the First Majestic Central Lab.

Mineral Resources and Mineral Reserves

Mineral Resources from La Encantada were classified in order of increasing geological confidence into Inferred, Indicated and Measured categories as defined by the "CIM Definition Standards – For Mineral Resources and Mineral Reserves" in 2014.
Mineral Resources for the veins system and other minor deposits, the San Javier Breccia and Milagros Breccia areas, and the tailings deposit No. 4 have been estimated by First Majestic under the supervision of Jesus M. Velador Beltran, MMSA QP.

Mineral Resources for veins system and other minor deposits have been estimated based on exploration results and chip and channel sampling programs from 2008 to 2015, using the polygonal method to construct longitudinal sections of the vein shoots or deposits.

Estimates for the San Javier Breccia and Milagros Breccia are based on exploration results and channel sampling programs from the 2008 to 2014 exploration campaigns, and upon geologically constrained block models.

Mineral Resources for the tailings deposit No. 4 is based on the 2015 drilling campaign and upon a 3D block model of the deposit.

Mineral Resources for the Ojuelas area have been estimated for First Majestic by Amec Foster Wheeler under the supervision of Peter Oshust, P.Geo. The estimates are based on exploration results from the 2014 and 2015 exploration campaigns, and upon geologically constrained block models. The La Encantada Reserve blocks are estimated by applying modifying factors to the Resource blocks. The following table sets out the most recent Mineral Reserve estimates for the La Encantada mine prepared under the supervision of First Majestic's internal Qualified Person, Mr. Ramon Mendoza Reyes, P.Eng. as of December 31, 2016:

TABLE 8
La Encantada Silver Mine Mineral Reserves Estimates with an Effective Date of December 31, 2016
(estimates prepared under the supervision of Ramon Mendoza Reyes, P.Eng. QP Mining for First Majestic)

Area	Category	Material Type	k tonnes	Ag (g/t)	Pb (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
Veins System and other Deposits	Proven (UG)	Oxides	289	239	—	239	2,222	2,222
	Probable (UG)	Oxides	432	265	—	265	3,679	3,679
	Total Proven and Probable (UG)	Oxides	721	255	—	255	5,901	5,901
San Javier and Milagros Breccias	Probable (UG)	Oxides	1,084	192	—	192	6,693	6,693
	Total Proven and Probable (UG)	Oxides	1,084	192	—	192	6,693	6,693
Ojuelas	Probable (UG)	Oxides - Flotation	809	147	2.35	196	3,817	5,093
	Total Proven and Probable (UG)	Oxides - Flotation	809	147	2.35	196	3,817	5,093
Tailings Deposit No.4	Probable (Tailings)	Oxides	4,138	110	—	110	14,633	14,633
	Total Proven and Probable (Tailings)	Oxides	4,138	110	—	110	14,633	14,633

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Pb (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA ENCANTADA	Proven (UG)	Oxides	289	239	—	239	2,222	2,222
	Probable (UG)	Oxides	1,516	213	—	213	10,372	10,372
	Probable (UG)	Oxides - Flotation	809	147	2.35	196	3,817	5,093
	Probable (Tailings)	Tailings	4,138	110	—	110	14,633	14,633
	Total Proven and Probable (UG)	All Material	6,751	143	0.28	149	31,043	32,319

(1) Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $18.00/oz Ag, and $0.90/lb Pb for Ojuelas.
(3) Cut-off grade for the Veins System, other minor deposits and the San Javier and Milagros Breccias was 225 g/t Ag and is based on actual and estimated operating and sustaining costs, and metallurgical recoveries.
(4) Cut-off considered for Ojuelas was a NSR $53.91/tonne and is based on estimated operating cost, sustaining costs and the production schedule ran in PCBC, and metallurgical recoveries.
(5) Cut-off grade considered for Tailings Deposit No. 4 was 85 g/t Ag and is based on estimated operating and sustaining costs, and metallurgical recoveries.
(6) Metallurgical recovery of silver was assumed 58% for the Veins System, other minor deposits and the San Javier and Milagros Breccias.
(7) Metallurgical recovery used for Ojuelas was 67% for silver and 60% for lead.
(8) Metallurgical recovery used for Tailings Deposit No. 4 followed a constant tail approach, which for 85 g/t Ag results in 53% recovery of Ag.
(9) Metal payable used for the Veins System, other minor deposits, the San Javier and Milagros Breccias and Tailings Deposit No. 4 was 99.6%.
(10) Metal payable used for Ojuelas was 95% for silver and 95% for lead.
(11) Silver equivalent grade is estimated as:
Ag-Eq = Ag Grade + [(Pb Grade x Pb Recovery x Pb Payable x Pb Price x 2,204.62)] / (Ag Recovery x Ag Payable x Ag Price).
(12) Dilution for Veins System and other Minor deposits was estimated at 15%, dilution for San Javier and Milagros Breccias was estimated at 40%, dilution for Ojuleas was estimated at 20% and dilution for Tailing Deposit No. 4 was estimated at 3%.
(13) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(14) Totals may not add up due to rounding.

The following table sets out the most recent Mineral Resource estimates for the La Encantada's veins system and other minor deposits, the San Javier Breccia and Milagros Breccia areas, and the tailings deposit No. 4 prepared under the supervision of First Majestic's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA QP Geology, as of December 31, 2016, and the estimate of the Mineral Resource for the Ojuelas deposit prepared under the supervision of Peter Oshust, P.Geo., Principal Geologist for Amec Foster Wheeler.

TABLE 9
La Encantada Silver Mine Mineral Resources Estimates with an Effective Date of December 31, 2016
(estimates prepared under the supervision of Jesus M. Velador Beltran, MMSA QP Geology for First Majestic with the exception of Ojuelas deposit which was prepared under the supervision of Peter Oshust, P.Geo., Principal Geologist for Amec Foster Wheeler)

Measured and Indicated Mineral Resources

Area	Category	Mineral Type	k tonnes	Ag (g/t)	Pb (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
Veins System and other Minor Deposits	Measured (UG)	Oxides	305	269	—	269	2,637	2,637
	Indicated (UG)	Oxides	396	305	—	305	3,875	3,875
	Total Measured and Indicated (UG)	Oxides	700	289	—	289	6,512	6,512
San Javier and Milagros Breccias	Indicated (UG)	Oxides	498	290	—	290	4,643	4,643
	Total Measured and Indicated (UG)	Oxides	498	290	—	290	4,643	4,643
Ojuelas	Indicated (UG)	Oxides - Flotation	734	246	4.07	325	5,795	7,662
	Total Measured and Indicated (UG)	Oxides - Flotation	734	246	4.07	325	5,795	7,662
Tailings Deposit No. 4	Indicated (Tailings)	Oxides	4,222	110	—	110	14,931	14,931
	Total Measured and Indicated (Tailings)	Oxides	4,222	110	—	110	14,931	14,931

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Pb (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA ENCANTADA	Measured (UG)	Oxides	305	269	—	269	2,637	2,637
	Indicated (UG)	Oxides	894	297	—	297	8,518	8,518
	Indicated (UG)	Oxides - Flotation	734	246	4.07	325	5,795	7,662
	Indicated (Tailings)	Oxides	4,222	110	—	110	14,931	14,931
	Total Measured and Indicated (UG + Tailings)	Oxides	6,154	161	0.49	171	31,881	33,748

Inferred Mineral Resources

Area	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
Inferred Ojuelas	Inferred (UG)	Oxides - Flotation	35	292	—	0.78	305	325	340
Inferred other deposits	Inferred (UG)	Oxides	728	232	—	—	232	5,430	5,430

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA ENCANTADA	Inferred (UG)	Oxides	762	235	—	0.04	235	5,756	5,770

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered for all deposits were $19.00/oz Ag, with the exception of Ojuelas which used $19.50/oz Ag and $0.95/lb Pb.
(3) Cut-off grade considered for the Veins System and other Minor Deposits was 210g/t; cut-off grade for the San Javier and Milagros Breccias was 130 g/t Ag, cut-off grade for Ojuelas was 135 g/t Ag-Eq, and cutoff grade for Tailings Deposit No. 4 was 85 g/t Ag. Cut-off estimates are based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Metallurgical recovery of silver was assumed 58% for the Veins System, other Minor Deposits and the San Javier and Milagros Breccias.
(5) Metallurgical recovery used for Ojuelas was 67% for silver and 60% for lead.
(6) Metallurgical recovery of silver for Tailings Deposit No. 4 was assumed at 53%.
(7) Metal payable used for the Veins System, other minor deposits, the San Javier and Milagros Breccias and Tailings Deposit No. 4 was 99.6%.
(8) Metal payable used for Ojuelas was 95% for silver and 95% for lead.
(9) Silver equivalent grade for Ojuelas is estimated as:
Ag-Eq = Ag Grade + (Pb Grade x Pb Recovery x Pb Payable x Pb Price x 2204.62) / (Ag Recovery x Ag Payable x Ag Price / 31.1035).
(10) Tonnage is expressed in thousands of tonnes and silver content in thousands of ounces.
(11) Totals may not add up due to rounding.
(12) Measured and Indicated Mineral Resources are reported inclusive or Mineral Reserves.
(13) Mineral Resources estimates for the San Javier Breccia, Milagros Breccia, Vein Systems areas and Tailings Deposit No. 4 were prepared under supervision of Jesus M. Velador Beltran, MMSA QP Geology for First Majestic, and estimates for the Ojuelas area were prepared under supervision of Peter Oshust, P.Geo. of Amec Foster Wheeler Americas Ltd.

Mining and Milling Operations

Total mill throughput in 2016 was 881,075 tonnes grading an average of 164 g/t Ag which resulted in 2.71 million ounces of silver being produced. The increase in production was primarily due to a 3% increase in tonnes milled and improvements in average silver grade and metallurgical recoveries. In 2016 the Company focused on mining mineralized material from old stopes, stockpiles, recovery of pillars and a portion of high grade narrow veins. During 2016, 47,722 tonnes of ore were processed from reserves and 833,353 tonnes were processed from material not in reserves.

The La Encantada mine has largely been developed below ore zones indicated from surface exploration work within a block about four kilometres long, 700 metres wide and 400 metres in height. The mine was initially developed from shafts as a conventional operation with rail haulage levels, and utilizing standard rail-bound loading and hauling equipment. Subsequently, La Encantada was converted to a mainly trackless operation, although rail haulage and shaft hoisting are still used on some areas of the mine. The mine has been developed to the northeast of the shafts over a vertical range of about 400 metres from the surface (2,035 metres above sea-level) to about the 1525 level (1,525 metres above sea-level), where the water table has been encountered. The mine has not been developed into the large prospective area to the southwest of the developed mine area. In order to improve mine safety the Company built two underground mine refuges with a capacity of 20 people each. The Company also constructed a new underground maintenance shop in 2011 to improve the availability and productivity of the underground fleet.

Mining the veins system and other minor deposits at La Encantada is undertaken using primarily the conventional overhand cut-and-fill mining method. Ramps are driven into the orebodies, and stopes are developed from sill drifts driven in the ore zones and slashed out the full width of the ore.

Mining operations at La Encantada are partially mechanized. Drilling of access drifts and ramps is carried out using hydraulic jumbos, and most of the headings and cut-and-fill stoping is accomplished using pneumatic hand-held jackleg machines.

The cut-and-fill stoping cycle is started with blast holes drilled using hand-held jackleg drills, followed by blasting using conventional mining explosives. After blasting, low-profile loaders are used to muck the blasted ore. The cut and fill stopes range between 50-150 metres in length along strike, and extend between levels which are typically spaced 15 to 30 metres apart vertically. Each cut is 2.5 to 3.0 metres in height. Depending on ground conditions, the blast holes are drilled either upward or horizontally. Waste and mineralized material below cut-off grade is blasted down and used as backfill as needed.

The minimum mining width is 2.0 metres, and planned dilution is included in the mine design, which varies according to the ground conditions, vein width, and the dip of the vein. The dilution factors range from 5% to 20%, with an average of approximately 10%. Mined areas are measured to compare the width of the vein and the width of the cut on a regular basis; as mining advances, this comparison is used as means of reconciliation and to build the historical database of the dilution and mining recovery factors. Sills and access drifts are excavated at 2.5 metres wide by 3.0 metres high, cross-cuts and access ramps to the stopes are excavated 3.0 metres wide by 3.0 metres high, and main access ramps are excavated 4.0 metres wide by 4.5 metres high.

Conventional diesel haul trucks are used for haulage of the ore to the ROM pad located close to the primary crusher site.

Employee and material movement in and out of the mine is via the mine portal driven into the side of the mountain, or from the Maria Isabel shaft.

Based on the geotechnical characteristics and the geometry of the San Javier and Milagros breccias, First Majestic has started the implementation of a variant of inclined caving for these areas. This configuration allows the extraction of ore by building draw-points at different elevations, starting from the outside of the deposits and working inwards as the lower levels are developed. Production from material not in reserves is expected to continue in the first half of 2017 at similar levels to the 2016 throughput while the preparation of the caving blocks is completed.

As a result of the addition of the cyanidation plant in 2009, the only area operating at the old flotation plant is the crushing and grinding areas for the mined fresh ore. There are four ball mills at La Encantada, two processing fresh mined ore at an average rate of approximately 2,000 tpd, a third ball mill used until 2013 for processing tailings, and after the expansion of the crushing and grinding capacity, a new 12' x 24' ball mill, a new tertiary crusher, two vibrating screens and a series of conveyor belts have been installed. The plant expansion was completed in May 2015, and the ramp up to 3,000 tpd was attained in July 2015. Two ball mills with a capacity or 2,000 tpd sit in care and maintenance.

Fresh crushed ore is fed to the grinding circuit where cyanide is added to pre-condition the pulp and promote silver leaching. The resulting pre-conditioned pulp is sent to a dynamic cyanidation plant which includes primary and secondary leaching circuits.

The silver rich (pregnant) solution is sent to a Merrill-Crowe plant to obtain silver precipitates which are then melted in an induction furnace and poured into 25-30 kilogram silver doré bars containing between 80% to 90% silver.

The average head grade of fresh mine ore fed to the mill for 2016 was 164 g/t of silver. Metallurgical recovery of the fresh ore in the cyanidation plant was 58% resulting in the production of 2.71 million ounces of silver in 2016.

Total development during 2016 was 3,767 metres. In comparison, total development during 2015 was 7,258 metres. A total of 10,939 metres of exploration drilling were completed in 2016 at La Encantada which represents a 3% decrease in drilling compared to the 11,266 metres drilled in 2015.

Capital and Operating Costs

The site production costs for La Encantada averaged $33.11 per tonne mined and milled during the year 2016. The La Encantada production costs are based on the mining, milling and processing of 881,075 tonnes of oxide ore during 2016. The annual cash costs averaged $11.21 per ounce of payable silver in 2016. The AISC in 2016 was $12.76. Capital expenditure for sustaining items in the past years and planned for the next year are primarily related to underground development, infrastructure upgrades, equipment replacement, and infill exploration. Capital expenditures budgeted for 2017 for expansionary items include exploration of several geological anomalies, and the start of manufacturing the equipment for a new roasting plant which is designed to process 2,000 tonnes per day of tailings for further reprocessing to capture additional silver.

La Parrilla Silver Mine, Durango State, México

La Parrilla Silver Mine is an underground producing silver mine and processing facility located in the state of Durango, México and has been owned and operated by the Company since 2004.

Certain of the information regarding the La Parrilla Silver Mine is based on the technical report prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of RPM entitled, "Technical Report for the La Parrilla Silver Mine, Durango State, México" dated September 8, 2011 (the "**2011 La Parrilla Technical Report**"). Mr. Addison and Mr. Lopez are independent Qualified Persons for the purposes of NI 43-101. The 2011 La Parrilla Technical Report has been filed with securities regulatory authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the 2011 La Parrilla Technical Report which is available for review on SEDAR located at www.sedar.com. Additional information since the date of the 2011 La Parrilla Technical Report has been prepared by First Majestic under the supervision of Mr. Ramon Mendoza Reyes who is a Qualified Person for the purposes of NI 43-101.

Project Description and Location

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 mine is wholly-owned and operated by First Majestic Plata, S.A. de C.V. ("**FM Plata**") a wholly-owned indirect subsidiary of the Company through CFM.

La Parrilla consists of 41 contiguous mining concessions in the La Parrilla mining district of Durango State which provides mineral rights which cover an area of 69,478 hectares (171,684 acres). All of these mining concessions convey exploitation rights for 50 years from the date of registration. Additionally, First Majestic owns land surface rights through purchase and lease agreements covering a total of 144 hectares.

Certain of the La Parrilla claims were purchased from Grupo México and was subject to NSR of 1.5% payable to Grupo México. The royalties payable thereunder were capped at a total of $2,500,000. The royalty commitment of $2,500,000 was fulfilled in 2016 and the NSR has now expired. There are no other encumbrances on La Parrilla mining concessions.

The La Parrilla area is located partly within Ejido San José de la Parrilla and partly within private property. FM Plata entered into an agreement for the surface rights (60 hectares) with Ejido San José de la Parrilla for a period of 15 years which is renewable under the provisions included in the Mexican Mining law to permit the use of surface rights for development of projects that are of general economic interest including mining operations. First Majestic has purchased the rest of the land holdings which host the mine and processing plan from private land holders.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The La Parrilla Silver Mine is located in the south-eastern part of the state of Durango, about 80 kilometres from the capital city of Durango. La Parrilla Silver Mine is well connected to various populated towns and villages within distances from 10 kilometres to 20 kilometres, including Nombre de Dios and Vicente Guerrero, which is a town of 12,000 inhabitants where banks, hotels, restaurants, churches and schools are available. Durango and Zacatecas cities are located at easy driving distance from La Parrilla for more specialized services such as universities and hospitals. Most of the supplies and labour required for the operation come from small communities in the region and from the nearby cities of Durango, Vicente Guerrero, and Zacatecas.

Access to the La Parrilla mine is by Federal Highway No. 45 that connects Durango to Zacatecas city. A four kilometre detour at the 75 kilometre milestone leads to the village of San José de la Parrilla and to the mine and processing plant. La Parrilla is connected to the San José de la Parrilla village by a one kilometre dirt road. Driving time from the city of Durango to La Parrilla takes approximately one hour. International flights by commercial airlines to some major American cities and to most major Mexican cities are available from the cities of Durango and Zacatecas.

La Parrilla operates two parallel metallurgical complexes: a cyanidation plant to treat the oxide ore and a flotation circuit to process the sulphide minerals. The cyanidation plant has a capacity to process 1,000 tpd and includes two 8-1/2' x 12' ball mills where cyanide is added to pre-condition the pulp before being sent to a leaching circuit. The silver rich (pregnant) solution is sent to a Merrill-Crowe plant in order to obtain silver precipitates which are then melted in an induction furnace and poured into doré bars. The sulphide treatment plant comprises a 14' x 10' ball mill followed by a differential flotation circuit that produces (silver-rich) lead and zinc concentrates.
Power supply to the camp is provided by the national power grid. Potable water supply is provided from water wells. Telephone communications are integrated into the national telecommunications grid, including internet communications provided via copper wire from Telmex. Hand held radios are carried by all supervisors, managers and all vehicle operators for internal communications.

The climate at La Parrilla is semi-dry with annual average temperatures that vary from 12ºC to 26°C, with an annual average of about 18°C. The annual average rainfall is about 580 millimetres with most of the rain occurring during the summer months, with only occasional rains during the winter. Occasional heavy rain storms may partially interrupt the La Parrilla operations.

Vegetation in the area consists of desert bush and shrub, including small mesquite, cacti, and grasses. At higher elevations there are pine, cedar and oak trees. Farming is mostly developed in the areas neighboring the population centers in the Mesa Central flatlands, and the principal crops are corn, beans and some wheat. Apple and peach trees are also grown in the region. Fauna in the area consists of deer, coyotes, small reptiles, and small animals such as rabbits, jackrabbits and birds of prey.

The La Parrilla property is located within the physiographic sub-province of Sierras y Llanuras de Durango, which straddles the Sierra Madre Occidental and the Mesa Central in northwestern México. This physiographic sub-province presents elevations of about 1,600 metres above sea-level in the Mesa Central and up to 3,000 metres above sea-level in the mountain peaks of the Sierra Madre Occidental. Topography in the La Parrilla area is dominated by either isolated mountains or northwest oriented mountain chains, all surrounded by the plateaus and flat lands of the Mesa Central. The main La Parrilla (San José) mine portal is located at an elevation of 2,100 metres above sea-level.

History

Mining activity in La Parrilla mining district began during colonial times. La Parrilla consists of underground silver-gold-lead mines with a processing facility that was originally constructed in 1956. In 1960, the mining claims were acquired by Minera Los Rosarios, S.A. de C.V. ("**Minera Los Rosarios**") who operated the mine until 1999 when operations were shut down due to low silver prices. The Comision de Fomento Minero (the " **Comision**"), a Mexican federal entity responsible for promoting and supporting mining, constructed a 180 tpd flotation plant at La Parrilla, which operated as a custom mill, processing ores from nearby areas, such as Chalchihuites, Sombrerete and Zacatecas. This plant was purchased in 1990 by Minera Los Rosarios from the Comision.

In 2004, First Majestic acquired the mining rights and the plant from Minera Los Rosarios and, in 2006, successfully negotiated the acquisition of the mineral rights held by Grupo México which surrounded the original La Parrilla mine. Today, First Majestic has consolidated ownership of the plant and all the mining rights of the land surrounding La Parrilla, where numerous mineral occurrences and mineral deposits are being investigated.

Geological Setting

The project is located in the border zone between the physiographic provinces of the Sierra Madre Occidental and the Mesa Central, in the northwestern part of México, within the sub province of Sierras y Llanuras de Durango. La Parrilla consists of a mining complex made up of four separate mines which include mineral deposits situated in the surrounding border of the geological contact zone between a diorite intrusion and a sequence of Cretaceous limestones.

La Parrilla's mineral deposits are associated with geologic structures, which appear to be related to the main intrusive, dikes and sills. Breccia zones are developed at intersection of structures which created favourable conditions for mineral deposition. The contact zone between the intrusion and sedimentary rocks has also favoured the emplacement of metasomatic deposits.

The most important known deposits at La Parrilla occur as vein deposits that pinch and swell along strike, as well as downdip. These are enclosed by three main structural systems within the mining district. The first structural system may be related to the orientation of the regional intrusive stock. Its general strike is northeast 60º, dipping nearly vertical. It cuts through all regional rock units and it does not appear to contain economic mineralization.

The second structural system occurs with a general orientation of northwest 45º to northwest 75º dipping approximately 50º to 85º to the northeast. It cuts through limestone, diorite and skarn lithologies. It hosts several mineral deposits in the area such as Los Rosarios, La Blanca, El Cármen, San Cayetano and San José.

The third regional structural system is oriented north-south and dips to the east with variable angle from 45º to 90º. It is generally concordant with the stratification and it encloses mineral deposits in the form of veins and replacements, such as San Marcos, Quebradillas, San Nicolas and Vacas.

Mineralization

Mineralization styles at La Parrilla are typical of hydrothermal vein deposits and replacements associated with an intrusive-skarn contact zone. Weathering of the La Parrilla mineral deposits has produced oxidation and secondary enrichment zones containing cerargyrite, acanthite and carbonates (cerussite and hydrozincite), sulfates (anglesite), zinc silicates (willemite and hemimorphite), and iron oxides (hematite and goethite) that may reach depths of up to 150 metres from surface. In the sulphides zone, the primary minerals consist of pyrite, sphalerite, galena, some chalcopyrite, acanthite and silver sulfosalts (pyrargyrite and stephanite) associated with calcite and quartz as gangue minerals. Oxidation and secondary enrichment of these sulphides makes up the mineral concentrations in the upper parts of the deposits, which consist of halides (cerargyrite), carbonates (cerussite and hydrozincite), sulfates (anglesite), silicates (willemite and hemimorphite) and iron oxides (hematite and goethite).

Exploration and Drilling

La Parrilla was discovered and partially developed from outcroppings by following mineralization along the structures during colonial times. In 2012, the Company carried out a Titan 24 deep-penetrating geophysical survey within the areas of Quebradillas, Sacramento, Vacas, Santa Paula (formerly Los Perros) and other prospective areas. The survey resolved chargeability and resistivity anomalies, pointing to potential mineralized structures. Some of the anomalies over the main mineralized structures have been tested by drilling and some other anomalies in prospective areas still remain to be tested.

In 2016, First Majestic conducted a comprehensive mapping and sampling campaign south of the Quebradillas pit and started drilling the La Fé and Esperanza veins. Additionally, the Company conducted a high resolution airborne magnetic survey over 31,500 hectares of the property in order to identify magnetic highs and magnetic lineaments that can lead to drilling targets.

First Majestic took control of La Parrilla operations in January 2004, and in 2005 initiated an aggressive drilling program to explore the various areas of interest within ts concessions. From 2007 to the cut-off date of the 2011 La Parrilla Technical Report on June 30, 2011, a total of 60,774 metres were drilled. A total of 76,888 metres have been drilled at La Parrilla since the 2011 La Parrilla Technical Report. A total of 15,326 metres were drilled in 2016 which represents an increase of 57% compared to the 9,750 metres drilled in 2015.

La Parrilla's drill-hole database is compiled in electronic format in Datashed. The data base contains collar, surveys, lithology, and assay information with silver/gold/lead/zinc values and core photographs. Most of the holes are drilled at an angle to intersect vein or mineralized structures that generally dip at near vertical angles. Most of First Majestic's drill holes are longer than 150 metres. Drill-hole deviation is assessed with a reflex surveying tool every 50 metres in exploration drill holes.

Core logging is performed by project geologists in each of the areas being investigated. In 2015, First Majestic implemented Datashed, as a data base administration platform, and Logchief, an electronic logging tool, in order to avoid paper logging and minimize transcription errors. The project geologists also determine the sample intervals. Trained assistants are in charge of core cutting and sampling as per the project geologists' indications.

Sampling Analysis and Security

(a) Sample Preparation

Core, ore control and mill samples are sent to the First Majestic Central Lab which performs chemical analysis of silver, gold, lead and zinc.

At the First Majestic Central Lab, samples received are passed through a jaw crusher to reduce them to an approximate size of minus 1.3 centimetres (1/2"). A 500 gram split is taken and passed through gyratory or disk crushers to reduce its size to minus 10-mesh (1/8") size. A 200 to 300 gram split is taken and placed in a drying oven at 120°C. After drying, the material is put into two pulverizers, one disk pulverizer and one ring puck pulverizer to grind the rock to minus 100-mesh. The resulting pulp is homogenized and ten grams taken for fire assay analysis of silver and gold for geology samples and for concentrates, 20 grams are taken for head samples and one gram is required for precipitate samples.

For gold and silver assaying, the ten-gram pulps are placed in fusion crucibles and placed into an electric furnace for fusion into lead buttons. The lead buttons are placed in cupellation cupels and placed into an electric furnace for cupellation into a silver-gold bead. The bead is weighed and then put into nitric acid to dissolve away the silver and then the remaining gold bead is weighed again. The microbalance used has a sensitivity of + 1 per 10,000 (equivalent to an actual grade of +0.1 gram per tonne), while the gold beads commonly range in weight from 100 milligrams down to less than 1 milligram. As a result, the determination of the smaller bead weight is at or below the detection limits of the microbalance.

(b) Check Assaying

For the period of October 1, 2008 to June 30, 2011 (the earlier date being the cut-off for information included in the 2011 La Parrilla Technical Report), First Majestic sent 103 sample duplicates to Inspectorate Laboratories and to Eco Tech Laboratory Ltd., two independent commercial laboratories in Reno, Nevada and Vancouver, British Columbia respectively for duplicate analysis. For the period of June 2011 to December 2016, core samples were assayed at the First Majestic Central Lab and SGS in Durango México with sample checks in a certified commercial laboratory. All of the sample batches sent to the First Majestic Central Lab include quality controls such as standard reference materials, coarse and pulp blanks, field, coarse and pulp duplicates and pulp checks with a secondary laboratory. Channel sample checks are performed by analyzing random sample pulps at the First Majestic Central Lab with assay checks done in a certified commercial laboratory. The assays include silver, gold, lead and zinc.

The correlation for silver assays of coarse duplicate samples is only 66% due to discrepancies on high-grade samples, for instance Ag 5,752 g/t vs. Ag 2,970 g/t at the maximum assays, while the pulp duplicates correlation is acceptable at 93%. The correlation for assays of lead is 88% and 97% for coarse duplicate and pulp duplicate samples respectively. The correlation for zinc assays is 81% for coarse duplicate samples and 97% for pulp duplicate samples. The range of silver values is from zero to 5,752 g/t, with an average grade of 178 g/t, while the range for lead is zero to 30% with an average of 1.19% and for zinc is zero to 24% with an average grade of 0.87%.

(c) Security of Samples and Data Verification

The current QA/QC protocol followed at La Parrilla consists of insertion of three standard reference materials, coarse and pulp blanks, field, coarse and pulp duplicates, and pulp checks that are sent to a secondary certified laboratory. The total percentage of quality control samples inserted in each sample batch is around 20%. Quality assurance is done with basic statistics and visual inspection on correlation plots for assays results of the quality control samples.

Mineral Resources and Mineral Reserves

The La Parrilla mine has estimated Mineral Reserves for the following deposits:

- La Rosa - Rosarios vein system
- Intermedia
- San Marcos

- Quebradillas UG
- San Nicolas

First Majestic is working on an updated resource and reserve estimate and technical report for La Parrilla. The following table sets out the most recent Mineral Reserve estimates for the La Parrilla mine prepared and reviewed by First Majestic's internal Qualified Person, Mr. Ramon Mendoza Reyes as of December 31, 2016.

TABLE 10
La Parrilla Mineral Reserves with an effective date of December 31, 2016
(update prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP Mining for First Majestic)

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA PARRILLA	Proven (UG)	Oxides	181	200	—	—	—	210	1,164	1,220
	Probable (UG)	Oxides	671	161	—	—	—	164	3,469	3,546
	Total Proven and Probable (UG)	Oxides	852	169	—	—	—	174	4,633	4,766
	Proven (UG)	Sulphides	410	185	—	1.67	1.55	280	2,442	3,687
	Probable (UG)	Sulphides	649	209	—	2.01	2.01	328	4,370	6,853
	Total Proven and Probable (UG)	Sulphides	1,059	200	—	1.88	1.83	310	6,812	10,539
	Total Proven and Probable (UG)	Oxides + Sulphides	1,910	186	—	1.04	1.02	249	11,445	15,305

(1) Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $18.00/oz Ag, $1,250/oz Au, $1.00/lb Pb and $1.15/lb zinc.
(3) Cut-off grade considered for oxides was 170 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Cut-off grade considered for sulphides was 165 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(5) Metallurgical recovery used for oxides was 68% for silver and 81% for gold.
(6) Metallurgical recovery used for sulphides was 83% for silver, 80% for gold, 76% for lead and 53% for zinc.
(7) Metal payable used was 99.6% for silver and 95% for gold in doré produced from oxides.
(8) Metal payable used was 95% for silver, gold and lead and 85% for zinc in concentrates produced from sulphides.
(9) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + [(Au Grade x Au Recovery x Au Payable x Au Price / 31.1035) + (Pb Grade x Pb Recovery x Pb Payable x Pb Price x 2204.62) + (Zn Grade x Zn Recovery x Zn Payable x Zn Price x 2,204.62)] / (Ag Recovery x Ag Payable x Ag Price / 31.1035).
(10) Dilution was estimated at an average of 15% considering the true thickness of each deposit, the minimum mining width and a consideration for mucking and handling dilution.
(11) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(12) Totals may not add up due to rounding.

The following table sets out the most recent Mineral Resource estimates for the La Parrilla Silver Mine prepared under the supervision of First Majestic's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA QP Geology, as of December 31, 2016.

TABLE 11
La Parrilla Mineral Resources with an effective date of December 31, 2016
(update prepared under the supervision of Jesus M. Velador Beltran, MMSA, QP Geology for First Majestic)

Measured and Indicated Mineral Resources

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA PARRILLA	Measured (UG)	Oxides	207	225	0.13	—	—	235	1,497	1,564
	Indicated (UG)	Oxides	674	180	0.06	—	—	185	3,900	4,003
	Total Measured and Indicated (UG)	Oxides	881	191	0.08	—	—	197	5,397	5,567
	Measured (UG)	Sulphides	420	224	0.01	1.99	1.88	337	3,024	4,553
	Indicated (UG)	Sulphides	596	240	0.04	2.31	2.32	378	4,600	7,229
	Total Measured and Indicated (UG)	Sulphides	1,016	233	0.03	2.18	2.14	361	7,624	11,782
	Total Measured and Indicated (UG)	Oxides + Sulphides	1,897	213	0.05	1.17	1.14	284	13,021	17,349

Inferred Mineral Resources

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
LA PARRILLA	Inferred (UG)	Oxides	1,478	229	0.04	—	—	232	10,868	11,001
	Inferred (UG)	Sulphides	2,967	224	—	2.32	2.42	362	21,415	34,520
	Inferred Total (UG)	Oxides + Sulphides	4,445	226	0.01	1.55	1.62	319	32,282	45,521

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $19.00 /oz Ag, $1,300 /oz Au, $1.00 /lb Pb and $1.20 /lb zinc.
(3) Cut-off grade considered for oxides was 160 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Cut-off grade considered for sulphides was 155 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(5) Metallurgical recovery used for oxides was 68% for silver and 82% for gold.
(6) Metallurgical recovery used for sulphides was 83% for silver, 80% for gold, 76% for lead and 54% for zinc.
(7) Metal payable used was 99.6% for silver and 95% for gold in doré produced from oxides.
(8) Metal payable used was 95% for silver, gold and lead and 85% for zinc in concentrates produced from sulphides.
(9) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + [(Au Grade x Au Recovery x Au Payable x Au Price / 31.1035) + (Pb Grade x Pb Recovery x Pb Payable x Pb Price x 2204.62) + (Zn Grade x Zn Recovery x Zn Payable x Zn Price x 2,204.62)] / (Ag Recovery x Ag Payable x Ag Price / 31.1035).
(10) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(11) Totals may not add up due to rounding.
(12) Measured and Indicated Mineral Resources are reported inclusive of Mineral Reserves.

Mining and Milling Operations

La Parrilla operations include production from four different underground mines, and a small open pit. The underground operations are Rosario-La Blanca, San Marcos, Quebradillas and Vacas. The open pit has been developed on oxide ore situated atop the active Quebradillas underground mine. Mineral Reserves at the open pit have depleted but the Company has acquired additional adjoining land and is in the process of drilling and delineating an expansion of the pit to the northwest. The Quebradillas and Vacas projects, along with an extensive adjoining land package, were acquired from Grupo México in 2006.

The underground stoping method used for mining the near-vertical veins and ore bodies of the operations of La Parrilla is overhand cut and fill. Some long-hole stoping has been done in the recent past and long-hole stopes are currently being prepared to be mined at the San Marcos area. Stope cuts are currently drilled with hand-held pneumatic jackleg drills and jumbos. Stoping is largely done using breast-mining techniques, although some back stoping is also done. Ore is mucked in the stopes utilizing diesel-powered load-haul-dump units ("**LHDs**"), which have access to the stopes through crosscuts driven from ramps in the footwall of the stope. Once a stope has been completely mined out, backfilling is done using waste from development. The minimum mining width for all the mine operations is approximately 2 metres.

La Parrilla operates two parallel metallurgical complexes: a cyanidation plant to treat the oxide ore and a flotation circuit to process the sulphide minerals. The cyanidation plant has a capacity to process 1,000 tpd and includes two 8-1/2' x 12' ball mills where cyanide is added to pre-condition the pulp before being sent to a leaching circuit. The silver rich (pregnant) solution is sent to a Merrill-Crowe plant in order to obtain silver precipitates which are then melted in an induction furnace and poured into doré bars. The sulphide treatment plant comprises a 14' x 10' ball mill followed by a differential flotation circuit that produces (silver-rich) lead and zinc concentrates.

In 2016, mine and mill production from La Parrilla was of 3.39 million equivalent ounces of silver from mining 610,509 tonnes of ore, of which 193,937 tonnes were oxide and 416,572 tonnes were sulphide ore. First Majestic has produced 19.17 million silver-equivalent ounces from La Parrilla since the June 30, 2011 cut-off date of the 2011 La Parrilla Technical Report. Production at La Parrilla for the year ended December 31, 2016 amounted to 610,509 tonnes of ore of which 588,624 tonnes were processed from reserves and 21,885 tonnes were processed from material not in Mineral Reserves.

Mine development for La Parrilla is done with conventional methods, although blasthole drilling with hand-held jackleg drills is being replaced with electro-hydraulic diesel-powered drill rigs (jumbos). The development sequence is still drill-blast-muck, with mucking done with rubber-tired, diesel-powered LHDs. Haulage of ore and waste is accomplished using both low-profile and highway type diesel dump trucks. Drifts and ramps require little ground support, and the operators are installing rock bolts with or without wire mesh, and also shotcrete in dubious ground conditions of the backs and ribs of drifts and ramps, and also in stope backs. Bored and conventional raises are largely unsupported with occasional rock bolting done where dubious ground conditions have been identified.

A considerable amount of mine development and exploration projects are required to sustain the ore reserves and stope development at the levels required to maintain the target production rates for La Parrilla. A total of 9,416 metres was developed

during 2016. In comparison, a total of 7,371 metres of development was completed during 2015. Improvement in metal prices and cost reductions initiatives allowed for the increase in development and near-mine exploration in La Parrilla starting the second half of 2016.

A total of 15,326 metres of exploration drilling was completed in the mines during 2016 as compared to a total of 9,750 metres of exploration drilling completed in 2015. Exploration drilling increased in 2016 in order to continue expanding the known resources.

Capital and Operating Costs

The site direct production costs for La Parrilla averaged $ 38.85 per tonne mined and milled during the year 2016. The La Parrilla operating costs are based on the mining, milling and processing of 193,937 tonnes of oxide ore and 416,572 tonnes of sulphide ore during 2016. The annual cash cost averaged $7.58 per ounce of silver in 2016 and AISC was $ 10.47 per ounce.

Capital funds expended in the past four years have been primarily related to underground development, open pit development, infrastructure upgrades, equipment purchases, extraction system and exploration. Capital expenditures budgeted for 2017 are mainly sustaining in nature to maintain current production levels, equipment repairs, infrastructure upgrades, underground development, exploration and tailings management facilities upgrades.

San Martín Silver Mine, Jalisco State, México

The San Martín Silver Mine is an underground producing silver mine and processing facility located in the state of Jalisco, México and has been owned and operated by the Company since 2006.

Certain of the information in this section is based on the 43-101 Technical Report entitled "NI 43-101 Technical Report for the San Martín Silver Mine, State of Jalisco, México" prepared by Leonel Lopez, C.P.G. of RPM dated May 23, 2013 (the "**2013 San Martín Technical Report** "). The 2013 San Martín Technical Report has been filed with securities regulatory authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the San Martín Technical Report which is available for review on SEDAR located at www.sedar.com.

Additional information since the date of the 2013 San Martín Technical Report has been prepared by the Company under the supervision of Mr. Ramon Mendoza Reyes who is a Qualified Person for the purposes of NI 43-101.

Project Description and Location

The San Martín Silver Mine and processing plant are located next to the town of San Martín de Bolaños in the Bolaños River valley. The San Martín de Bolaños town is located in the northern part of Jalisco State, México. The San Martín mine is wholly-owned and operated by the Company through Minera El Pilón, S.A. de C.V. ("**El Pilón**"), a wholly-owned indirect subsidiary of the Company held by CFM.

The 1,300 tpd San Martín processing plant is located on the eastern side of the Bolaños River, to the southeast of the San Martín de Bolaños town at an elevation of 850 metres above sea-level. The San Martín Silver Mine is located 10 kilometres northwest from the town at elevations varying between 1,080 and 1,190 metres above sea-level. The Universal Transverse Mercator ("**UTM**") and geographic coordinates at the center of the San Martín mine area are north 2,375,500 and east 615,000 (zone 13) and 21 degrees 45' north latitude and 103 degrees 45' west longitude, respectively.

Silver ore is processed by conventional cyanidation, using agitation in tanks, CCD thickening, and precipitation of the dissolved silver and gold by cementation with zinc dust in the Merrill-Crowe process. The Company also runs additional processes including an acid wash and lead elimination processes prior to producing a final precipitate. The mill throughput averaged 816 tpd (out of a capacity of 1,300 tpd) all of which was through the cyanidation circuit for the production of silver doré.

San Martín consists of 33 contiguous mining concessions in the San Martín de Bolaños mining district that cover mineral rights over 37,518 hectares. These include 33 mining concessions with exploitation rights. Mineral rights for the earliest titled concessions expire in the year 2024, and most other claims have expiration dates in the 2060s. All mineral rights may be renewed for a period of 50 years following expiration. No royalties or any other encumbrances are due on any of the San Martín mining concessions.

In addition to mineral rights, San Martín consists of 1,296 hectares of surface land that cover the areas where the Company has the mines access, mine installations, and part of the access roads and an additional 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located. A portion of the access roads to the mine are located on land owned by private owners. Some surface rights agreements with individual land owners also exist for parts of the access roads.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

San Martín is located 250 kilometres north from Guadalajara or 480 kilometres from the city of Durango. Driving time from Guadalajara is approximately four hours and from Durango approximately six hours. Flying time is approximately 45 minutes by charter plane from Guadalajara or 1.5 hours from Durango City. The town of San Martín de Bolaños constitutes the commercial centre for the immediately surrounding region. Major facilities, including international airports, are located in the cities of Guadalajara, Durango, Zacatecas and Aguascalientes.

The municipality of San Martín de Bolaños is occupied by approximately 3,000 people. The town is connected to the national power grid and it has standard telephone lines, internet availability, and satellite communications. Water for the town's inhabitants' consumption is pumped from wells. Other than the mine, being the largest employer in the region, most of the people living in the area depend on small scale farming, raising livestock, and growing fruit.

The San Martín mine and processing plant are connected to the national power grid through a substation located about 20 kilometres to the north at the neighbouring Bolaños Mine. Power is supplied by the grid at 33 kVa and 60 Hz cycle. Two 1,000-volt transformers supply power to the plant. Diesel generators are located at the plant for emergency and stand-by power in case of power interruptions. Air compressors are located at the plant to supply low-pressure air to the leach tanks. The water source for the processing plant is the Bolaños River, which supplies a permanent flow, except in extreme drought conditions, such as the one that occurred during the 2012 summer season. The Company has constructed a 13 kilometre pipeline from the regional mountains as a back-up water supply to mitigate the effects of future drought. Mine and plant installations, including camp facilities, tailings storage and waste disposal areas required for the mining and milling operation of San Martín are located on company owned land.

The infrastructure on-site includes the support facilities for the operations, which are located near the plant and include the main administrative offices, warehouse, assay laboratory, tailings facilities, maintenance buildings, restaurant and other employee housing. The maintenance department operates from the extensive shops and warehouses located at the plant site and by the mine. Maintenance personnel are supplied for mine and plant requirements from this department.

San Martín is located on the eastern slopes of the southern part of the Sierra Madre Occidental, in the Bolaños river valley. It is located at elevations of approximately 850 metres above sea-level. The Sierra Madre Occidental consists of a mountain range that borders the west coast of México and extends into the United States and part of Canada as the Rocky Mountains.

The climate in San Martín is generally warm and semi-wet with rain in the summer season. The year-round average temperature in the area is about 22°C, with the lowest monthly average in February (19.7°C), and the highest in May (30.5°C). Annual freezing temperatures in the region are recorded mostly during the month of February, and range from 0 to 20 days, while hail may occur during the rainy season for less than five days per year. Average yearly accumulated rainfall in San Martín de Bolaños is registered as 592 mm, most of which occurs during June through October. The highest monthly rate of precipitation is recorded at 197 mm during the month of October. The San Martín mine may operate all year with only occasional short interruptions by extraordinary seasonal rain events.

The climate and topographical conditions in the San Martín de Bolaños area support farming and cattle ranching by the river valley; however, in the surrounding areas, only sparse to moderately dense desert vegetation of bushes and shrubs cover the hill slopes. The mine area is within a transition zone that changes from desert grasses in the lower elevations to evergreens, pines and oaks and other types of trees at higher elevations.

History

San Martín is located on the southern portion of the north-south trending Bolaños graben, which consists of an approximately 20-kilometre long geologic structure along the Bolaños River. Since colonial times, most of the historical mining production from the region was extracted from the Bolaños Mine which is located on the northern part of the Bolaños graben. The most recent operators like Kennecott and Cyprus developed the mine into a 1,500 tpd underground mining and processing operation during the early 1980s.

Within the San Martín area, past mining developments included primarily underground workings in the Zuloaga vein with some drifting at the Ballenas, Mancha, Plomosa, Melón and Hedionda and partial discoveries of the La Blanca, Condesa, Cinco Señores, and Rosario veins among other smaller mine developments. According to historical records, over 41 million silver equivalent ounces have been extracted from about 6.1 million tonnes of mineral reserves from the property since 1983.

In 1981, Mr. Héctor Dávila Santos purchased the San Martín property, developed the mine, constructed the process plant, and then began production in 1983. In 1997 First Silver Reserve, Inc. (" **FSR**") by way of reverse takeover, acquired all the shares of El Pilón and became the owner and operator of the San Martín Silver Mine. In April 2006 the Company entered into an irrevocable share purchase agreement to acquire a majority share interest in FSR from Mr. Dávila Santos. The Company took control of FSR and the San Martín mine in June 2006, and subsequently acquired the remaining shares of FSR pursuant to a business combination which closed on September 14, 2006.

A mill expansion at the San Martín Silver Mine was completed during the second quarter of 2014. The expansion included the installation of a new and larger 9.5' x 12' ball mill to replace the older 8.5' x 12' ball mill and production capacity increased from 900 tpd to 1,300 tpd.

Geological Setting

The San Martín mine lies in the southern part of the Sierra Madre Occidental, which is an extensive volcanic province extending from near the United States-Mexican border to the southeast into the states of Zacatecas and Jalisco. The province is composed of Tertiary age volcanic rocks that have been divided into a lower andesitic sequence of early Tertiary age (40 to 70 million years) and an upper rhyolitic sequence of middle Tertiary age (20 to 40 million years). Volcanism followed by faulting and mineralization occurred in the San Martín area during the late Miocene. Two distinct features have been recognized by different authors, the pre- and post-mineralization rock formations, and the marker unit Guásima Formation.

Mineralization

The San Martín mine was originally developed on the Zuloaga vein, which occurs along an east-west trending normal fault zone that dips 75 degrees to the north in average; the hanging wall of the fault was thrown-down 100 to 200 metres. The vein has been identified over a strike length of 3 kilometres, with a known vertical extent of about 350 metres. Production also occurs from the La Blanca Vein, a vertical split off of the Zuloaga vein. San Martín has carried out underground development workings along crosscutting veins to the Zuloaga vein providing access to other veins such as the Rosario, La Condesa, La Hedionda, La Huichola and La Esperanza veins which make up the current production.

The Rosario vein is recognized along strike for 3.8 kilometres and has a known vertical extension of about 130 metres. Mine workings developed along the vein include the Rosario mine, Old Rasario Mine, Huichola South, Mina del Agua, Condesa, and Cinco Señores. Its general orientation is to the north 30 degrees west dipping 72 degrees to the northeast. It occurs as a structurally-controlled mineralized breccia with oxidized mineralization and cemented with calcite and quartz. Channel sampling along the exploration drifts have indicated high-grade mineral concentrations in ore pockets the extension of which varies from a few metres up to about 150 metres in length and one metre to 15 metres in width. This long vein is intersected by other secondary veins such as La Hedionda, La Guitarrona, El Pitayo, La Reyna, and La Plomosa.

Exploration and Drilling

Historically, exploration programs at San Martín have been primarily based on direct development workings complemented by limited drilling. This allows for mine preparation at the same time as the exploration advances along the mineralized structures. The steep topography in the mine area makes proper surface drilling difficult mainly because some veins dip against the slope of the mountain range. However, in recent years, and particularly since 2002, more extensive programs have been carried out consisting of exploration based on diamond drilling, both from underground stations and surface.

A total of 84 kilometres of underground development has occurred at San Martín between the acquisition date of September 14, 2006 and December 31, 2016. A total of 10,120 metres were developed during 2016. This recent development program has been focused on the Rosarios, Intermedia and Veladora veins.

As of December 31, 2016, drilling has totalled 719 diamond drill holes with a total length of 123,556 metres at an average depth per hole of about 180 metres. A total of 22,135 metres of drilling in 104 holes were completed at San Martín during 2016. Most of the drilling carried out during 2016 was to explore the recently discovered Veladora vein and to expand resources in Rosarios and Huichola north.

The Company's geological staff at San Martín includes five active geologists supported by four exploration geologists active throughout the Company's other operations with full support from management, to carry out and supervise the exploration efforts.

Direct exploration development is integrated into the mine preparation programs, and for vein deposits this has proven to be the most cost effective method of exploration. For the 2016 calendar year drilling consisted of 104 drill holes from underground and surface sites for a total length of 22,135 metres. Most of the drilling during 2016 was carried out by the contractor Versa Perforaciones.

Core drilling is incorporated in the regular mining operations to test the vertical vein projections and both walls for mine planning as well as for geologic investigations. First Majestic's geology staff reports core recoveries of about 90 percent with exceptions in brecciated rock where it may drop to 50 percent. Core diameter used at San Martín is generally BQ for short underground drill holes and NQ and HQ for long underground and surface drilling. The core is then logged by the geology staff and sampled.

Sampling Analysis and Security

San Martín's current sampling team consists of two sampling crews with three employees each and two more samplers at the core shack. Representative chip samples are taken with chisel and hammer. The samples are collected on tarp and deposited in numbered bags for transportation to the laboratory. Core samples are taken at the core shack after the core logging has been completed.

Exploration sampling for reserve delineation in the San Martín mine is conducted by drifting along the mineralized zone so that channel samples can be taken and diamond drilling can be conducted. Channel samples are the primary means of sampling in the mine and are taken perpendicular to the vein structure, across the back of the drift. Core drilling is conducted locally to test the upward and downward projections of the structural zone at a distance from the drifts. Core samples are BQ, NQ and HQ size, and generally good core recovery with an average of 90% reported for the entire hole and 85% for the mineralized zones.

Chip and channel samples are collected from drifts, crosscuts, ramps, and stopes as required. Sampling is based on the vein width and the size of the opening being sampled. Samples commence at the lower left of the exposure being sampled, and continue at approximately one metre or less intervals in a semi-circle round to the lower right. Sample lengths honour geological, structural and mineralization contacts. Samples are then taken as continuous chip samples to approximately 2 cm depth across the entire length of the half-circle. An average one-metre long sample would weigh 1 to 2 kg.

Core drilling is conducted locally to test the upward and downward projections of the structural zone at a distance from the drifts. Core samples are BQ, NQ or HQ sizes in diameter, and holes are of generally good recovery with an average of 90% reported for the entire hole and 85% for the mineralized zones. Drill-hole and channel data are used in the resource estimation. Drilling results are applied in the grade calculations giving more weight to the larger-size channel sample data.

Chip, channel and small diameter core samples are sent to San Martín's onsite laboratory for chemical analysis of silver and gold. In more recent years additional analyses by atomic absorption for lead and zinc in geology samples have become routine. Core samples from exploration holes with NQ and HQ diameters are sent to the First Majestic Central Lab or SGS in Durango México. A typical channel or core sample received by the laboratory, weighing approximately 2 kilograms, is passed through a jaw crusher to reduce it to minus 1.3-centimetre (1/2") size. A 500-gram split is taken and passed through a gyratory crusher to reduce it to minus 10-mesh (1/8") size. A 200 to 300 gram split is taken and placed in a drying oven at 150°C. After drying, the material is put into two pulverizers, one disk pulverizer and one ring and puck pulverizer, to control the metallic minerals, and to grind the rock to minus 100 mesh. The resulting pulp is homogenized and 10 grams taken for fire assay analysis of silver and gold for geology samples and concentrates; 20 grams for head samples and 1 gram for precipitate samples.

The 10-gram pulps are placed in fusion crucibles and placed into an electric furnace for fusion into a lead button. The lead buttons are placed in cupellation cupels and placed into an electric furnace for cupellation into a silver-gold bead. The bead is weighed and then put into nitric acid to dissolve away the silver and then the remaining gold bead is weighed again. The final gold bead weight is the gold content, while the difference in weight is the silver content for the samples.

To evaluate sample quality control, the Company performs multiple assays up to three times on some samples and periodic check analyses on samples. Pulp checks are systematically inserted every 20 samples and, since 2004, the sample checks have been sent either to Chemex Laboratories, SGS Laboratories, Met-Mex Peñoles Laboratory, Laboratorio Industrial Metalurgica Herrera or to the First Majestic Central Lab.

RPM reported that their review of field duplicates, lab duplicates, pulp duplicates, and duplicates analyzed at a secondary lab found that taking into consideration the nature of the mineralization at the San Martín veins, there is an inferred satisfactory level of precision in the results reported by the onsite San Martín lab. The detailed review of the available standard and blank results found some limitations, but has overall inferred a satisfactory level of accuracy within the silver results reported by the onsite lab at San Martín. Gold started to be assayed at the San Martín lab in 2013; assay checks are being carried out at the First Majestic Central Lab systematically to assess precision and accuracy.

Review by RPM of secondary check sample results reported has found that the levels of bias are not significant enough to cause RPM to be concerned with the original reported sample assay quality.

Mineral Resources and Mineral Reserves

The Company uses conventional, manual methods, assisted by computer databases, to estimate the tonnage and average grades of the mineral resources and reserves. No further independent Resource Estimates have been conducted since December 31, 2012, the effective date of the 2013 San Martín Technical Report. The following table sets out the most recent Mineral Reserve estimate for the San Martín mine prepared and reviewed by the Company's internal Qualified Person, Mr. Ramon Mendoza Reyes, P.Eng., as of December 31, 2016.

TABLE 12
San Martín Mineral Reserves with an effective date of December 31, 2016
(update prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP Mining for First Majestic)

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
SAN MARTÍN	Proven (UG)	Oxides	880	246	0.28	267	6,973	7,561
	Probable (UG)	Oxides	1,311	243	0.16	255	10,220	10,728
	Total Proven and Probable (UG)	Oxides	2,191	244	0.21	260	17,193	18,289

(1) Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $18.00/oz Ag, $1,250 /oz Au.
(3) Cut-off grade considered for oxides was 195 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Metallurgical recovery used was 83% for silver and 87% for gold.
(5) Metal payable used was 99.6% for silver and 95% for gold.
(6) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + (Au Grade x Au Recovery x Au Payable x Au Price) / (Ag Recovery x Ag Payable x Ag Price).
(7) Dilution was estimated at an average of 15% considering the true thickness of each deposit, the minimum mining width and a consideration for mucking and handling dilution. Mining loss is estimated at 3.5%.
(8) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(9) Totals may not add up due to rounding.

Table 13 sets out the most recent Mineral Resource estimate for the San Martín Silver Mine prepared under the supervision of the Company's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA, QP Geology as of December 31, 2016.

TABLE 13
San Martin Mineral Resources with an effective date of December 31, 2016
(update prepared under the supervision of Jesus M. Velador Beltran, MMSA, QP Geology for First Majestic)

Measured and Indicated Mineral Resources

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
SAN MARTÍN	Measured (UG)	Oxides	1,009	266	0.27	285	8,632	9,254
	Indicated (UG)	Oxides	1,631	254	0.14	264	13,292	13,822
	Total Measured and Indicated (UG)	Oxides	2,639	258	0.19	272	21,923	23,075

Inferred Mineral Resources

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
SAN MARTÍN	Inferred Total (UG)	Oxides	3,918	259	—	259	32,592	32,592

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $19.00 /oz Ag, $1,300 /oz Au.
(3) Cut-off grade considered for oxides was 185 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Metallurgical recovery used was 83% for silver and 87% for gold.

(5) Metal payable used was 99.6% for silver and 95% for gold.
(6) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + (Au Grade x Au Recovery x Au Payable x Au Price) / (Ag Recovery x Ag Payable x Ag Price).
(7) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(8) Totals may not add up due to rounding.
(9) Measured an Indicated Mineral Resources are reported inclusive or Mineral Reserves.

The resource estimation contained in Table 13 is based on projections of the mineralized zones of 25 metres from the data points obtained from drillholes and channel samples for the Measured Resources, and another 25 metres beyond the boundaries of the Measured Resources for the blocks of Indicated Resources. The grade for these blocks is determined from the grade estimated for the adjacent reserve blocks, and sampling in mine workings and drill holes located within the block area.

The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Mineral Reserves.

Mining and Milling Operations

From 1983 to 2013 mining operations at San Martín included underground operations at the Zuloaga vein which was largely developed through six main adit levels at an approximate 35 metre vertical separation. Each one of the levels has been developed to a maximum extension of approximately 3,000 metres, with interconnecting ramps between levels, and all have surface access to the Cerro Colorado hillside. Since 1983 to the December 31, 2012 cut-off date, over 5.4 million tonnes of silver ore have been extracted and processed for sales of approximately 38.1 million ounces of silver, including some gold and lead. La Blanca, Rosario, Cinco Señores, Condesa, and La Esperanza veins commenced production in 2014.

In 2016 production was generated from the Rosario and Huichola vein systems. Mine development was focused at the Rosario, Hedionda, La Reyna, Guitarrona and the recently developed Veladora structure in order to bring these areas into production. There are fifteen cut and fill stopes currently in production in these areas.

Mechanized cut and fill stopes are developed either directly on the vein or by first driving a drift on the vein and then driving a parallel drift about eight metres away, leaving a pillar between the drifts. Crosscuts are then driven about every 10 metres from the parallel drift through the pillar to the vein for ore extraction. Raises are driven as needed to provide access, services and ventilation. During the last three years a long-hole drill system has been operating to recover some ore that was left in the pillars. Stopes are mined by breasting down, and drilling is with a single-boom jumbo or with hand-held jackleg air drills. Blasting is performed using ANFO primed with sticks of water gel, which is initiated with a non-electric initiation device.

Underground loading and haulage is performed with two cubic yard, three cubic yard and five cubic yard LHD machines (Scooptrams) and 10 to 22 tonne capacity trucks. Mineralized material from the underground workings is hauled to stockpile areas near the main adits. This ore is loaded from the stockpiles with front-end loaders into 22-tonne capacity trucks for transport to the mill some 13 kilometres away over a gravel road. Ore haulage from the mine to the mill is performed by a contractor.

Since December 31, 2012, several improvements have been made at the mill in order to improve efficiencies, costs and throughput. Silver ore is processed by conventional cyanidation, using agitation in tanks, CCD thickening, and precipitation of the dissolved silver and gold by cementation with zinc dust in the Merrill-Crowe process. The Company also runs additional processes including an acid wash and lead elimination processes prior to producing a final precipitate. The precipitate is then smelted to produce silver doré for shipment to commercial refineries. In addition to the cyanidation system, the plant can produce a gravity concentrate and there is also a flotation circuit which is presently in care and maintenance pending further capital investment and improved and sustained prices of lead and zinc. During 2016, production focused on higher grade ore and improvements in silver recovery, as a result, mill throughput averaged 816 tpd (out of a capacity of 1,300 tpd) all of which was through the cyanidation circuit for the production of silver doré.

Following successful lab tests, the Company has begun the installation of oxygen injectors and lead nitrate into the processing leach tanks which is expected to increase metallurgical recoveries in 2017.

Production for 2016 amounted to 297,802 tonnes grading 241 g/t Ag and 0.49 g/t Au resulting in total silver production of 1.90 million ounces plus 306 thousand ounces of silver equivalents from gold production for a total equivalent silver ounces of 2.21 million. Approximately 213,362 tonnes of ore came out of the current delineated Reserve/Resource while 84,400 tonnes were mined from areas that were not included in any previous delineated estimates.

Since December 31, 2012, the cut-off date of the 2013 San Martín Technical Report to December 31, 2016, a total of 1.64 million tonnes have been mined from San Martín representing approximately 8.42 million ounces of silver equivalent (including gold. It

should be noted that since the cutoff date of the Technical Report, 1.093 million tonnes were mined from material included in the reserves and 240 thousand tonnes were mined from material not in reserves.

Capital and Operating Costs

The production costs for San Martín averaged $ 58.64 per tonne mined and milled during 2016. The San Martín production costs are based on the mining, milling and processing of 297,802 tonnes of oxide ore during 2016. The 2016 annual cash costs averaged $7.07 per ounce of silver and AISC was $ 9.40 per ounce of silver.

Capital expenditures for the San Martín mine operation during the last few years have mainly been for replacement of mine equipment and mine development and exploration.

In 2016 the Company commenced work on the installation of filter presses at San Martín. At of the end of 2016, the project was 33% complete. The filter presses, which are designed to recover and re-use tailings solution and to save on water consumption, are expected to be completed by April 2017, the related discharge conveyor and feed tank is expected to be completed in June 2017 and the system is planned to undergo testing in July 2017.

Del Toro Silver Mine, Zacatecas State, México

The Del Toro Silver Mine is an underground producing silver mine and processing facility located in the state of Zacatecas, México. The mine was established as a brown field project by the Company, which commenced commercial production in 2013. The mine is 100% owned and operated by the Company.

Certain of the information on the Del Toro Silver Mine is based on the updated and restated technical report titled, "Technical Report for the Del Toro Silver Mine, Zacatecas State, México" prepared by Leonel Lopez, C.P.G. of RPM and dated August 20, 2012 (the "**2012 Del Toro Technical Report** "). Mr. Leonel Lopez is an independent Qualified Person for the purposes of NI 43-101. The 2012 Del Toro Technical Report is an update of the previously filed technical report for the Del Toro Silver Mine dated May 18, 2012 and includes results of additional drilling and assays completed to June 30, 2012. The 2012 Del Toro Technical Report has been filed with the securities regulatory authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Del Toro Technical Report which is available for review on SEDAR at www.sedar.com.

Additional information since the date of the 2012 Del Toro Technical Report has been prepared by the Company under the supervision of Mr. Ramon Mendoza Reyes who is a Qualified Person for the purposes of NI 43-101.

Project Description and Location

The Del Toro Silver Mine is located near the municipality of Chalchihuites, in the northwestern part of the State of Zacatecas, México. The property is wholly-owned and operated by First Majestic Del Toro, S.A. de C.V. (" **FM Del Toro**"), a wholly-owned, indirect subsidiary of First Majestic.

Del Toro includes a 2,000 tpd flotation circuit and a 2,000 tpd cyanidation circuit which is currently in care and maintenance.

The Del Toro mine consists of 78 mining concessions including 57 contiguous concessions in the Chalchihuites area, nine concessions in a neighboring area and 12 other concessions that have been recently acquired by First Majestic in the area known as Jimenez del Teul, covering a total of 14,777 hectares (35,279 acres). These mining concessions include exploitation rights. Mexican mining concessions include mineral rights for a renewable period of 50 years from the date of the title. The earliest renewal date for First Majestic's concessions at Del Toro is for the Perseverancia concession which has a renewal date of April 23, 2021. FM Del Toro owns all mineral rights in the concessions, including the recently acquired Los Panchos, Reyna Maria, Santa Rosalia, Arturo, Sutti and Ampliacion Karina.

The Verdiosa and Nueva India mining claims are currently subject to a 1% NSR royalty capped at $200,000 and $500,000, respectively in total payment. There are no other encumbrances on the Del Toro mining concessions.

At Del Toro, the access to San Juan, Perseverancia and most other mining prospects is open due to historical works and developments. First Majestic has acquired five parcels of surface rights covering 216 hectares (535 acres) from private owners for plant installations, tailings storage, and other project requirements.

The Del Toro mine includes three main mineral deposits under exploitation, exploration and further development, being San Juan and Lupita in the San Juan mine and San Nicolas vein in the Perseverancia mine, as well as two newer areas recently developed, being the Dolores and Santa Teresa mineral deposits. Four areas which are currently being defined by drilling and underground development are: Santa Teresa, Purisima, Carmen Consuelo and Lupita North.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Del Toro Silver Mine is located in the northwestern part of the state of Zacatecas, about 150 kilometres northwest of the capital city of Zacatecas in the bordering zone between the Sierra Madre Occidental and Mesa Central provinces. It is located at about 40 kilometres southeast of First Majestic's La Parrilla Silver Mine and approximately 120 kilometres southeast of the capital city of Durango. It is located at elevations ranging from 2,300 metres to 2,900 metres while the adjacent Sierra Negra and Sierra Chalchihuites reach elevations of 3,000 metres.

Access to the Del Toro mine is by highway 45 from Durango City, 120 kilometres to the southeast past the La Parrilla Silver Mine. Driving time from Durango to Chalchihuites is about two hours. The property boundary is located approximately one kilometre to the east of the village of Chalchihuites and the mill is located approximately three kilometres away from the property and can be accessed by all-weather dirt roads.

Another route of access to Chalchihuites is from the city of Zacatecas by highway 45 to the northwest for 170 kilometres; from the city of Sombrerete a 50 kilometre highway leads west to the village of Chalchihuites. Driving time from Zacatecas to Chalchihuites is about 3 hours. The towns of Vicente Guerrero in the state of Durango (21,000 inhabitants at an elevation of 1,960 m) and Sombrerete in the state of Zacatecas (58,000 inhabitants at an elevation of 2,300 metres) are located within 50 kilometres from the Del Toro Silver Mine area.

The Chalchihuites region's main economic activities are agriculture, cattle and mining. Electric power is provided by the national grid. Potable water is available to all the towns from water wells. The Gualterio railroad station is located 10 kilometres from Chalchihuites with connections to the rest of the country.

All basic facilities such as hotels, restaurants, telephone, including cellular, banking and postal service are available in most major population communities within the region. Elementary and secondary schools are available in all medium to major cities within the region. Higher education institutions are established in Durango and Zacatecas cities. Airports with service for international flights are available at Durango and Zacatecas cities, at 2.5 hours and 3 hours driving distance respectively from the Del Toro mine.

Approximately 4,000 inhabitants live in the village of Chalchihuites. Numerous other villages and towns are located within the mining district, such as José María Morelos (about 1,000 inhabitants), San José de Buena Vista (700 inhabitants), El Mineral de La Colorada (500 inhabitants), La Candelaria (500 inhabitants), Piedras Azules (400 inhabitants) and El Hormiguero (300 inhabitants).

The climate of the Del Toro area is moderate with average annual temperatures of 16˚C to 18˚C and semi-wet with annual total rainfall of 600 millimetres to 700 millimetres. The main rainy season occurs during the months of July to October.

Vegetation in the area consists of xerophile plants in the lower elevations, including cactuses (maguey, nopal and biznaga) and grasslands, while in the higher elevations the predominant vegetation consists of coniferous or evergreen oak forests (pine and oak trees). Most farming (corn, beans, chiles, wheat and some fruit trees such as apples and peaches) in the area takes place in the valleys and lower elevation zones.

History

The Del Toro mine is located near the municipality of Chalchihuites, in the northwestern part of the state of Zacatecas, México. According to historical references during the period of 1554 – 1558, the Spanish captains Martín Pérez and Francisco Ibarra carried out expeditions to explore the Sombrerete, Chalchihuites and San Martín mineral zones.

First Majestic initiated investigations in the Chalchihuites area in late 2004 under various option agreements. First Majestic has consolidated ownership of a group of 39 properties in the Del Toro area. This group of properties includes the San Juan and Perseverancia silver deposits. The newly discovered San Nicolás mineralization is located within the Perseverancia group of properties.

In 2014, the Company completed a 45-kilometre, 115 kilovolt power line which crosses two states and five communities and connects Del Toro to the Mexican National power grid. The power line supplies 100% of the energy needs at Del Toro and provides more consistent operations without power interruptions.

Geological Setting

The Chalchihuites mining district (the "**Chalchihuites District**") consists of multiple mineral occurrences enclosed by skarns which surround a regional intrusive and various satellite stocks of granodiorite composition intruding Cretaceous limestone rocks of the Cuesta del Cura and Indidura Formations.

Regional geology of the Chalchihuites District is dominated by a 15-kilometre long north 60 degree west anticline. This structure is composed of an uplifted sedimentary calcareous sequence of Cretaceous rocks intruded by a granodiorite intrusive with approximate dimensions of seven kilometres by one kilometre. The Del Toro mineral deposit's geology consists of mineralized structures within skarn and granodiorite along the contact zone between the intrusive stock and sedimentary rocks of the Indidura and Cuesta del Cura Formations.

The Chalchihuites District mineral occurrences generally consist of silver/lead/zinc/copper in oxidized and sulphide mineral concentrations. At present, First Majestic's exploration in the Del Toro area is focused in the San Juan, Lupita, Dolores, and San Nicolás mineral deposits. The San Juan deposit comprises three silver/lead/zinc mineral concentrations identified by underground workings and drilling. These mineral concentrations consist of mineralization with oxides in the upper parts, a transition zone where the mineralization is a mixture of oxides and sulphides and mainly sulphides at depth. The Perseverancia deposit comprises two high grade breccia pipes with silver/lead/zinc in sulphides. The Dolores, Lupita, Zaragoza and San Nicolás consist of vein deposits which have been developed since 2013.

Mineralization

Mineralization at the Chalchihuites District is a typical assemblage of metasomatic deposits and hydrothermal vein deposits with high silver content. These mineral assemblages have been affected by oxidation and secondary enrichment processes. The assemblages mainly consist of pyrite, sphalerite, galena, some chalcopyrite, argentite and other silver sulfosalts associated with calcite and quartz as gangue minerals. Oxidation and secondary enrichment of these sulphides makes up the mineral concentrations in the upper parts of the deposits, such as the Cuerpo Uno at the San Juan deposit, which contains silver species such as: ceragyrite and achantite, carbonates (cerussite, hydrozincite, hemimorphite, malachite, azurite), sulfates (anglesite, willemite, jarosite), and iron oxides, hematite and goethite.

Mineral deposits of the Chalchihuites District consist of underground silver-gold-lead-copper mines. The Chalchihuites District comprises numerous small mine developments located around a regional granodiorite intrusive within metasomatic rocks at the contact with Cretaceous limestones. Mineralized structures include vein-type, manto replacement, and breccia pipe deposits. Most mine workings within the Chalchihuites District are superficial developments with exceptions at the San Juan mine where a 90 metres deep shaft was developed to extract some of the high grade silver minerals, and at the Perseverancia silver mine where two shafts were developed following two adjacent breccia pipe deposits to a depth of about 200 metres. No official records exist of mineral production from the Chalchihuites mines; however, historical production by surveying volumes of old stopes within the San Juan and Perseverancia mine workings suggest that approximately 4 million oz of silver were extracted from these mines at an estimated grade of about 700 g/t Ag, 10 % to 35% Pb and 2 to 3% Zn. The Perseverancia mine was operated by Mr. Raúl Mazatán for a period of 23 years until 1997 shipping 150 to 300 hand-sorted ore tonnes per month to the Peñoles smelter in Torreón city. The ore was reported to contain 1,500 to 3,000 g/t Ag and 20 to 40% Pb in sulphides.

Exploration and Drilling

Since the acquisition of the Del Toro mine, First Majestic has conducted an exploration and development program that includes ramps construction, drifting and crosscutting into the old working areas of the San Juan, San Nicolás, Perseverancia, and Dolores areas to access the mineralized zones and for preparation of underground workings for drilling sites.

First Majestic's exploration, preparation and development program for Del Toro has been focused on the investigation of four main mineral deposits within the Chalchihuites District: (i) San Juan which includes five mineral domains or deposits (Ore bodies 1, 2, 3, Zinc body and the Lupita vein); (ii) Perseverancia which includes two chimneys, and the San Nicolas and Escondida veins; (iii) the Dolores vein system and (iv) the Santa Teresa and Purisima veins in the Dolores mine area, which were explored and delineated during 2016.

Exploration studies at the Del Toro from 2004 to December 31, 2016 comprise an aggregate of 446 drill holes completed from underground and surface sites for a total of 104,578 metres drilled, 15 kilometres of geophysical surveying (IP/RA) covering 2,325,000 square metres of aeromagnetic investigation and over 1,700 soil and rock samples for geochemical research taken at a 50 by 100 metres spacing and covering the whole property. Alteration and structural mapping has been also carried out during 2016.

First Majestic has carried out two geophysical investigations to confirm previous studies within the Del Toro property. These investigations have confirmed the presence of significant chargeability, resistivity and magnetic anomalies in skarn and intrusive rock. Other studies carried out by First Majestic in the property include a systematic geochemical exploration survey over the whole property and alteration mapping using a Terraspec® ASD (Analytical Spectral Device). The geochemical program included a total of 1700 soil and rock samples to confirm and assess some of the target areas resolved by the geophysical surveys. Lead, zinc and silver geochemical anomalies were resolved and the defined exploration targets are being investigated. Geochemical samples were collected on a 50 by 100 metres grid and quality controls (reference standard materials, blanks, duplicates and pulp checks) were inserted in every sample batch prior to submission to the laboratory. All the samples were analyzed at the First Majestic Central Lab and pulp checks were analyzed at SGS. The geochemical, alteration and geophysical surveys resolved anomalies that in combination with geologic mapping have resulted in the definition of new exploration targets; e.g. Fanny-Lupita, Zaragoza-Huitron, Carmen-Consuelo, San Marcelo and Cotorras. The targets have been classified into shallow vein targets (structurally controlled) and deep massive sulphide replacement targets resolved by the Titan 24 deep penetration geophysical survey.

Drilling programs at the Del Toro mining district have been limited by past operators since the best exploration results may have been obtained through underground development. However, First Majestic has obtained positive results by increasing the amount of drilling to define the extent of known deposits and to evaluate new mineralized zones, as well as to investigate the continuity of ore shoots along strike and to depth for development.

In 2005, First Majestic initiated a drilling program to explore the various areas of interest within the Del Toro holdings. The initial campaign was completed between 2004 and June 2012 and consisted of 141 diamond drill-holes, for a total drilled depth of 45,143 metres that were drilled in San Juan, Perseverancia, Dolores and San Nicolas. From the last Technical Report with cut-off date of June 30, 2012 to December 31, 2016 the exploration program has continued with a total of 305 holes have been drilled for a total length of 59,435 metres.

Geologic interpretations of the San Juan deposits indicate the presence of several vein-like and replacement deposits, while surface and underground mapping at Perseverancia suggest potential for additional high grade veins and chimneys. During the Perseverancia ramp development in November 2011, the San Nicolas chimney was discovered. Development and production is now in progress at the San Nicolas vein. The Company's planned exploration program for 2017 is focused on expanding resources around the known veins and chimneys in San Juan, Perseverancia, drilling shallow vein targets around Lupita and Purisima veins and deeper chimney and manto type targets around Perseverancia mine. First Majestic continues with an exploration program in the area with the goal of increasing, upgrading and adding new resources at Del Toro.

First Majestic has been drilling within the Del Toro property since November 2005, shortly after executing an option agreement to acquire the Perseverancia group of properties.

First Majestic's exploration drilling program at Del Toro up to December 31, 2016 included a total of 446 holes for a total drilled length of 104,578 metres. During 2016, First Majestic drilled 14,839 metres in a total of 87 drill holes of which 77 were underground and 10 were from surface. Most of the drilling during 2016 was carried out on contract by Versa Perforaciones. A minor proportion of drilling was carried out by First Majestic.

First Majestic's drill-hole database is compiled in electronic format, which contains collar, assay intervals, lithology, and assay information with gold, silver, lead and zinc values. Most of the holes are drilled at an angle to intersect vein or mineralized structures that generally dip at near vertical angles. Based on geologic interpretations, First Majestic has detected no apparent deviations in drill holes. First Majestic implemented a down-hole surveying procedure which is performed during drilling every 50 metres. From June 30, 2012 to December 31, 2016, a total of 59,435 metres were drilled and all of the drill-hole information has been incorporated into a digital database. During this period, core recoveries of 90% or greater have been obtained from underground and surface drill-holes.

Core logging is performed by Del Toro's exploration geologists in each of the areas being investigated. The geologists also determine the sample intervals. Samples are generally taken according to geologic features generally at less than 1.50 metres sample intervals. Trained assistants are in charge of core measuring to determine recoveries, splitting and sampling as per the geologist's

indications. All core samples from the 2015 exploration campaign were sent for assaying to SGS in Durango and the First Majestic Central Lab. Quality controls such as reference standard materials, coarse and pulp blanks, field, coarse and pulp duplicates and pulp checks are inserted in every sample batch from exploration drilling.

Geologic interpretations carried out by First Majestic geologists on site were based on cross sections at 30 metres spacing along the strike of the mineralized structures. Plan view interpretations are prepared at about 10 metres elevation intervals. These sections and plan view maps are the basis for the Mineral Resource estimates.

Grades of resource blocks are estimated using drill-hole intercepts and channel samples along drifts and crosscuts in underground.

Sampling, Analysis and Security

The current sampling team at the Del Toro mine consists of two sampling crews with three employees each for underground and channel sampling, one sampler for drill core, and one sampling supervisor. This process is managed by mine and exploration geologists.

All samples are placed in pre-numbered bags which are sealed including sample number inside and outside of the bags. The individual sample bags are collected in sacs that contain all the samples of one drill hole or one mine stope.

Channel samples and production drilling core samples are sent to the mine's laboratory and all the exploration core and chip samples are sent to the First Majestic Central Lab. Custody of the samples remains with the First Majestic project geologist until delivered to the representative of the external lab.

Exploration sampling for Resources delineation at Del Toro is conducted by drifting, crosscutting and ramps construction for access to the mineralized zones so that channel samples can be taken. Channel samples are the primary means of sampling in the mine workings and are taken perpendicular to the vein structures, across the back of the drift and across the drifts and workings, generally from the footwall towards the hanging wall of the mineralized structure. Sampling crews take channel samples at regular intervals ranging from 2 metres to 3 metres, typically with several samples along every sampling channel on new openings (drifts, crosscuts, ramps, stopes, etc.). Channel samples are taken in consecutive lengths of less than 1.50 metres along the channel, depending on geologic features. Channels are cut with diamond saw and samples are broken with rotary hammer or chisel and hammer. The broken pieces of samples are collected in a canvas tarp and deposited in numbered bags for transportation to the laboratory.

A channel "line" typically consists of two or more individual samples taken to reflect changes in geology and/or mineralogy across the mineralized structural zone. Each sample weighs approximately two kilograms. All channels for sampling are painted by the geologist and numbered on the drift's walls for proper orientation and identification.

The assay QA/QC program currently followed at Del Toro consists of the following quality control samples, which represent an insertion rate of 20% of the original samples: three reference standard materials, coarse and pulp blanks, field duplicates, coarse and pulp duplicates and pulp checks that are sent to a commercial certified laboratory for every sample batch. Quality assurance consists of performing basic statistics for assays of the quality controls and doing visual inspection on correlation plots prepared with the assay data of the quality controls.

Sampling of the drill core is done after the core has been logged by the project geologists. The geologist marks the core on the basis of geologic and mineralization features. Then the sampling crew splits the core with a diamond saw, as indicated by the geologist and one half of the core is placed in a numbered bag and sent to the First Majestic Central Lab.

Drill-hole and channel sample data is included in the Mineral Resource estimation.

Mineral Resources and Mineral Reserves

The Del Toro Mineral Reserves are estimated from the resource blocks by applying modifying factors that include mining dilution and factors of mining extraction. Proven Mineral Reserves are estimated based on the Measured Mineral Resource blocks and Probable Mineral Reserves are estimated based on the Indicated Mineral Resource blocks. The following table shows the most recent Mineral Reserve estimates for the Del Toro mine prepared under the supervision of the Company's internal Qualified Person, Mr. Ramon Mendoza Reyes, P.Eng., as of December 31, 2016:

TABLE 14
Del Toro Mineral Reserves with an effective date of December 31, 2016
(update prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP Mining for First Majestic)

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
DEL TORO	Proven (UG)	Transition + Sulphides	708	211	0.09	4.12	1.87	352	4,800	8,010
	Probable (UG)	Transition + Sulphides	647	233	0.26	4.39	2.94	401	4,846	8,349
	Total Proven and Probable (UG)	Transition + Sulphides	1,356	221	0.17	4.25	2.38	375	9,646	16,360

(1) Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $18.00 /oz Ag, $1,250 /oz Au, $1.00 /lb Pb and $1.15 /lb zinc.
(3) Cut-off grade considered for transition and sulphides minerals was 165 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Metallurgical recovery used for transition and sulphides minerals was 82% for silver, 80% for gold, 67% for lead and 15% for zinc.
(5) Metal payable used was 95% for silver, gold and lead and 85% for zinc in concentrates produced from transition and sulphides minerals.
(6) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + [(Au Grade x Au Recovery x Au Payable x Au Price / 31.1035) + (Pb Grade x Pb Recovery x Pb Payable x Pb Price x 2204.62) + (Zn Grade x Zn Recovery x Zn Payable x Zn Price x 2,204.62)] / (Ag Recovery x Ag Payable x Ag Price / 31.1035).
(7) Dilution was estimated at an average of 20% considering the true thickness of each deposit, the minimum mining width and a consideration for mucking and handling dilution. Mining loss is estimated at 3.5%.
(8) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(9) Totals may not add up due to rounding.

For resource estimation, the cross sectional area of mineralization is drawn on each of the blocks using CAD software and the assayed sample lengths. Tonnage and grade are based largely on channel and core samples. Mineralized blocks range in length according to variable extensions of the ore shoots along the veins and breccia or mineralized zones. The vertical extension of the ore blocks is projected at half distance between contiguous drift levels. The vertical extent of the measured blocks is generally 25 metres, the extent of the indicated blocks is an additional 25 metres and the extent of the Inferred Resource blocks is generally 50 metres. The estimated resource blocks may be limited by underground levels and previous mining extraction. Longitudinal projections depend on the drift development along the mineralized zones and known ore shoot continuity. The Del Toro Mineral Resource estimates are based on accessible underground workings and drill-hole intercepts.

The following table shows the most recent Mineral Resource estimates for the Del Toro Silver Mine prepared under the supervision of the Company's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA, QP Geology, as of December 31, 2016:

TABLE 15
Del Toro Mineral Resources with an effective date of December 31, 2016
(update prepared under the supervision of Jesus M. Velador Beltran, MMSA, QP Geology for First Majestic)
Measured and Indicated Mineral Resources

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
DEL TORO	Measured (UG)	Transition + Sulphides	980	220	0.07	4.13	1.97	361	6,925	11,362
	Indicated (UG)	Transition + Sulphides	1,321	205	0.25	3.63	3.07	350	8,690	14,884
	Total Measured and Indicated (UG)	Transition + Sulphides	2,301	211	0.17	3.84	2.60	355	15,616	26,246

Inferred Mineral Resources

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
DEL TORO	Inferred Total (UG)	Transition + Sulphides	4,637	164	0.12	3.30	3.37	293	24,397	43,753

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $19.00 /oz Ag, $1,300 /oz Au, $1.00 /lb Pb and $1.20 /lb zinc.
(3) Cut-off grade considered for transition and sulphides minerals was 195 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Metallurgical recovery used for transition and sulphides minerals was 82% for silver, 80% for gold, 67% for lead and 15% for zinc.
(5) Metal payable used was 95% for silver, gold and lead and 85% for zinc in concentrates produced from transition and sulphides minerals.
(6) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + [(Au Grade x Au Recovery x Au Payable x Au Price / 31.1035) + (Pb Grade x Pb Recovery x Pb Payable x Pb Price x 2,204.62) + (Zn Grade x Zn Recovery x Zn Payable x Zn Price x 2,204.62)] / (Ag Recovery x Ag Payable x Ag Price / 31.1035).
(7) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(8) Totals may not add up due to rounding.
(9) Measured and Indicated Mineral Resources are reported inclusive of Mineral Reserves.

Mining and Milling Operations

In early 2011, based on positive exploration results and favorable economic evaluations, First Majestic's management decided to construct a mill and process plant for the Del Toro mine, consisting of flotation circuits as well as a counter-current decantation cyanide circuit, and initiate stope and ancillary underground development at the San Juan, San Nicolás, Perseverancia and Dolores mineralized areas, each of which is planned to be developed as an independent operation. Upon completion of the sulphide recovery circuit for the mill and process plant, First Majestic started commercial production in April 2013. The start-up of the counter-current decantation circuit for oxidized silver and gold ore began operations on October 20, 2013 and reached commercial production on or about January 1, 2014.

Del Toro includes a 2,000 tpd flotation circuit and a 2,000 tpd cyanidation circuit which is currently in care and maintenance.

The major part of Del Toro's Mineral Resource and Mineral Reserve are located within the San Juan area, which contains transitional ore and the bulk of the sulphide ore. The principal access to the San Juan area is a decline, driven from the surface during the exploration phase of the project, and which is being continued as the principal access for ore body development as well as for use as an ancillary haulage way and service facility. This decline has been driven at a cross-section of 4.5 by 4.5 metres at a maximum gradient of 12%. It has been extended to the 12 Level (2,120 metres above sea-level), and the total length driven to date is about 6,500 metres. This decline is expected to be extended to the bottom of the No. 3 ore body as the mine is deepened.

A major access decline has also been driven into the Perseverancia, San Nicolas, and Dolores ore zones. Each of these has also been driven at a 12% gradient, and the lengths are about 2,102 metres, 3,205 metres and 1,390 metres, respectively. These workings were also commenced during the exploration phase of the project and are being continued for stope development accesses and ore haulage.

The stoping method selected for mining the near-vertical veins and ore bodies of De Toro is overhand cut and fill stoping, with or without in-situ support (post) pillars, with delayed backfill. Pillar support will be required in both the San Juan and Perseverancia ore zones because of the fair to poor ground conditions within the ore zones in these areas. The minimum mining width for all the cut and fill operations is 1.5 metres.

First Majestic's production during 2016 was 337,020 tonnes of sulphides and transitional ore. Due to the large transition ore area within the San Juan ore body which contains high lead content, at the end of the second quarter of 2014 it was determined that the most economical method of production is to process the transition ore through flotation rather than cyanidation. As a result of the plant reconfiguration and addition of a regrinding area, silver recoveries averaged 81% during 2016, up 7% from the silver recovery obtained in 2015.

Since the June 30, 2012 cut-off date of the Del Toro Technical Report mineral resource and mineral reserve estimates, to December 31, 2016, approximately 12.08 million ounces of silver-equivalent (including gold, lead and zinc) have been produced from the mine. Production at Del Toro for the year ended December 31, 2016 amounted to 337,020 tonnes of ore of which 94% of the ore was mined from areas previously identified in the reserves estimates and 6% of the ore was mined from material not in reserves.

Capital and Operating Costs

The site direct production costs for Del Toro averaged $ 51.67 per tonne mined and milled during the year 2016. The Del Toro site direct production costs are based on the mining, milling and processing of 337,020 tonnes of ore during 2016. The annual cash cost averaged $5.73 per ounce of payable silver in 2016 and AISC was $8.61 per ounce. These operating costs were affected by the fact that the power line installation was completed in September 2014 and power is being supplied from the power grid since then.

Capital expenditures include sustaining development and exploration as well as underground and plant equipment replacement. The Company's plan for further expansions in Del Toro is currently suspended due to the lower metal price environment.

La Guitarra Silver Mine, México State, México

The La Guitarra Silver Mine is an underground producing silver mine and processing facility located in the state of México, México. First Majestic has owned and operated the La Guitarra Silver Mine since July 3, 2012 when it acquired all of the issued and outstanding common shares of Silvermex Resources Inc. ("**Silvermex**") pursuant to a plan of arrangement.

La Guitarra Silver Mine comprises two operating mines, La Guitarra and Coloso, and three exploration areas, Nazareno, Mina de Agua and El Rincon. The mine includes a processing facility with a floation circuit rated at 500 tpd.

Certain of the information on the La Guitarra Silver Mine is based on the Technical Report titled, "Technical Report for the La Guitarra Silver Mine, Temascaltepec, México" prepared by Maria E. Vazquez Jaimes, P.Geo., Jesus M. Velador Beltran, MMSA QP, Gregory Kenneth Kulla, P.Geo. and Ramon Mendoza Reyes P.Eng., dated March 15, 2015 (the " **2015 La Guitarra Technical Report** "). Mrs. Maria E. Vazquez Jaimes, Mr. Jesus M. Velador Beltran and Mr. Ramon Mendoza Reyes are Qualified Persons for the purposes of NI 43-101, and as employees of First Majestic Mrs. Vazquez, Mr. Velador and Mr. Mendoza are not considered independent.

The 2015 La Guitarra Technical Report includes results of an updated resource model for the Coloso area prepared for First Majestic by Amec Foster Wheeler under the supervision of Mr. Gregory Kenneth Kulla P. Geo. It also includes First Majestic's revision of the resource estimates for La Guitarra and Nazareno areas and work on the other exploration areas that has been supervised by Mr. Jesus M. Velador Beltran. All the reserves estimates have been prepared internally by First Majestic under the supervision of Mr. Ramon Mendoza Reyes based on assumptions and factors reflecting the implemented underground mining method and the processing method based on the flotation circuit currently in operation. The 2015 La Guitarra Technical Report has been filed with the securities regulatory authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the 2015 La Guitarra Technical Report which is available for review on SEDAR at www.sedar.com.

Property Description and Location

The La Guitarra mine is a producing property situated within the Temascaltepec mining district (the " **Temascaltepec District**") in the Municipality of Temascaltepec, State of México, México, approximately 130 kilometres southwest of México City. It is comprised of 43 exploitation concessions covering 39,714 hectares (98,135 acres), which are operated and owned by La Guitarra Compañia Minera S.A. de C.V. (" **La Guitarra**"), a wholly-owned subsidiary of First Majestic. Some concessions are in the municipalities of Valle de Bravo and San Simón de Guerrero.

All concessions have an annual minimum investment to complete, and an annual mining tax to be paid to keep the concessions in good standing. All concessions are exploitation concessions that have a 50 year life, and can be renewed as long as the mine is active. Of the current concessions, the oldest were granted in 1983 and the most recent in 2007.

Surface rights in the area of the mining concessions are held both privately and through group ownership either as communal lands, or Ejido lands.

La Guitarra currently leases surface rights covering 62 hectares from the community of La Albarrada under a Temporary Occupation Agreement in effect for 15 years commencing January 1, 2012. The current areas of operations, the existing mill and the majority of the existing infrastructure are located within these 62 hectares. La Guitarra owns an additional 420 hectares of surface rights covering the northwest portion of the outcropping Creston bulk tonnage target and the Nazareno area of the property. La Guitarra also owns 34 hectares of surface rights in the Municipality of San Simon de Guerrero, which cover part of the Santa Ana Vein. Negotiations with the community of Mina de Agua are being conducted in order to allow the Company to access the old Mina de Agua mine. In order to expand operations in other areas, First Majestic may need to purchase additional surface rights or negotiate additional temporary occupation agreements.

The La Guitarra mill is rated at 500 tpd after the expansion. In 2016, the feed rate averaged 427 tpd with an annual output of 155,696 tonnes for an annual production of 1,523,688 ounces of silver equivalent.

There are no royalties in effect over First Majestic's concessions at La Guitarra

La Guitarra has all necessary permits for current mining and processing operations, including: an operating license, water use permit, Environmental Impact Authorization (" **EIA**") for La Guitarra and Coloso mines, exploration permits for Nazareno, Tlacotal, Trancas, La Guitarra NW, Temascaltepec and San Simon projects.

In April 2015, the Mexican environmental agency completed the assessment of the EIA and granted permit to access the Tlacotal mine, this permit facilitates access to the Mina de Agua historic mine area, although access activities are suspended due to budget constraints; additionally, a request to increase the authorized volume of water use has been submitted to the authorities.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Temascaltepec District and La Guitarra Silver Mine are located approximately 130 kilometres southwest of México City and approximately 65 kilometres from Toluca, México state's capital. La Guitarra is at an elevation of approximately 2,100 metres. The nearest local town is Temascaltepec, which is approximately 6 kilometres from La Guitarra Silver Mine.

International airports are located in both México City and Toluca. Major population centres in the area include Temascaltepec, San Simon de Guerrero and Valle de Bravo. There are paved roads throughout the Temascaltepec District. Current areas of operations are situated less than 2 kilometres from paved roads and are easily accessible by two-wheel drive vehicles. As the Temascaltepec District has a long history of mining, most areas of potential interest are located within a few hundred metres of gravel or paved roads.

The climate in the area is moderate in temperature and very humid. The average annual temperature is about 18°C . The warm month average may be as high as 26°C and the cold month average may be in the order of 8°C. The majority of the approximately 1,200 millimetres of annual rain falls during the summer months from June to September. Evaporation is relatively high and exceeds the precipitation.

The La Guitarra mine has good access to local infrastructure and services. Telephone and high speed internet connection for the mine site are provided by a link to the town of Temascaltepec. The local communities provide a large labour pool to draw from, and sufficient accommodation to support any current or anticipated levels of staffing from outside the area. The national power grid crosses the property within 700 metres of the existing mill and offices. All current and projected production centres are near natural water sources. Medical clinics are located in the communities of Temascaltepec and San Simon de Guerrero, and hospitals are located in Valle de Bravo and Toluca. Proximity to the major industrial centres of Toluca and México City provides access to a large variety of suppliers.

The infrastructure at the mine site consists of an analytical laboratory, drill core storage facilities, a flotation plant and mill, offices, repair shops, and warehouses. The various buildings at the mine site are joined together in a computer network. Water is supplied from the mine workings and surface streams. The mine holds the right to take 192,000 cubic metres of water per annum from the Temascaltepec River.

The mine and the plant facilities at La Guitarra are located in rough, hilly terrain. The elevation at the plant is approximately 2,100 metres. The topographic relief in the area is 500 metres. Much of the area is forest covered with pine trees that are less than 260 centimetres in diameter. In some areas, the underbrush is dense and difficult to pass through. The stream valleys have broad, relatively flat flood plains that are used for agriculture.

History

Mining in the Temascaltepec area started in the mid-1500s when the Spanish miners first arrived. Old tools, ancient buildings and antiquated mining shafts are found throughout the area. Early Spanish operations were focused in an area 4 kilometres southeast of La Guitarra at a place called Mina de Agua, where much softer rock made it easier to access the underlying silver and gold. Production in the Temascaltepec District has been ongoing since the 1550s.

In the 18th century, the Mina de Agua mine and surrounding areas were one of México's largest silver producers, generating roughly 10% of the country's total mineral wealth. The mine was well known for its very high, or 'bonanza'-type, grades of silver and gold, and historical records from the period refer to several kilograms of silver per tonne and several tens of grams of gold per tonne. Historical documents indicate that production was valued in excess of $100 per tonne, when prices were roughly $15 per ounce for gold and $1 per ounce for silver. One of these areas at the Cinco Senores shaft was abandoned due to flooding while in the midst of mining bonanza grade ore. Two efforts were made to finance the recovery of this mine: one in 1831 by London mine financiers and another in 1907 by financiers from France. Both efforts were thwarted by financial crises in those respective countries, and today the mine remains closed.

Mining in the Temascaltepec District came to a halt in the early 19th century for two primary reasons: technology was unable to handle the underground flooding that occurred in several mining shafts; and the 1810 War of Independence in México caused political upheaval in the Temascaltepec District.

Temascaltepec remained more or less idle from 1810 until the early 20th century when the American Rincon Mining Company began significant mining and smelting operations at Rincon, in the southeast portion of the Temascaltepec District. This operation continued until the mid-1930s, when it closed as a result of inadequate capital reinvestment. Over the life of the Rincon mine, the Temascaltepec District was the third largest silver producer in México.

In 1990, modern mining commenced when the Compañia Mineria Arauco returned to where the Spaniards were purported to have begun as early as 1555, conducting exploration and development work on the La Guitarra vein with an initial production rate of 30 tpd. In 1993, Luismin SA acquired the property and began consolidating the Temascaltepec District. Luismin SA expanded the reserve base in La Guitarra Silver Mine and increased the milling capacity to 320 tpd.

In August of 2003, Genco Resources Ltd. purchased the La Guitarra mine from Luismin S.A. de C.V. and later in 2010 Silvermex, through a business combination agreement gained control over all mineral concessions within the Temascaltepec District. In July 2012, First Majestic acquired Silvermex pursuant to a plan of arrangement.

In 2013, First Majestic further expanded the milling capacity at the La Guitarra mine to 500 tpd by installing a new ball mill and new flotation cells.

Geological Setting

The La Guitarra mine is located in the southeast end of the Sierra Madre Occidental. The Sierra Madre Occidental province, or the Eocene-Oligocene Ignimbrite Belt, includes large volumes of rhyolite and andesitic volcanic material that contain numerous low to intermediate sulphidation epithermal Ag-Au deposits. In the southern part of the belt in the Temascaltepec area, where La Guitarra and a number of other deposits are located, basalt flows of the Trans-Mexican volcanic belt overlie the intermediate to felsic Sierra Madre volcanics.

The Jurassic rocks that make-up the basement in the Temascaltepec were deformed by folding and uplifting prior to the deposition of the Eocene-Oligocene volcanic rocks. After the folding, there were several periods of extensional faulting. The intrusion of the late Eocene to Oligocene granites and out-pouring of volcanic rocks are apparently associated with the faulting. Vein mineralization has a pronounced northwest trend reflecting that faulting played an important role in controlling vein emplacement. Kinematic indicators are difficult to distinguish.

Field evidences suggest that vein mineralization occurred at the time of the Oligocene age volcanism. The veins have a pronounced northwest trend indicating the strong structural control and show evidence of extension during deposition. Some veins have indicators that suggest normal displacement and many veins in the Mina de Agua region and further east show kinematic indicators that suggest left lateral sense of movement.

The Temascaltepec fault was active during and slightly after the Miocene. This northwest dipping normal fault has thrown down La Guitarra area relative to the Mina de Agua area to the southeast, which allowed the preservation of a large area of Miocene basalts in a structural basin west of the fault. The high-level epithermal veins of La Guitarra area were preserved by this fault with only deeper level vein systems preserved to the southeast. The fault strikes northeast and is considered to be at the contact of the metamorphic rocks and the basalt just south of the Town of Temascaltepec.

The mineralized veins that occur in the property are described as polymetallic, low intermediate sulphidation epithermal veins. There are in excess of 100 epithermal veins traversing the property in four main vein trends called El Coloso/Nazareno, La Guitarra, Mina de Agua and El Rincon. These mineralized veins traverse the property along a strike length of greater than 15 kilometres and a width of greater than four kilometres.

The emplacement of the veins is structurally controlled by normal and strike slip faulting. This structural control is typical for the Mexican low-intermediate sulphidation epithermal vein deposits. The veins cut across different rock types but all veins are considered to be coeval.

Vein widths vary from less than one metre to over 20 metres. The quartz veining consists of well banded, chalcedonic and fine grained crystalline quartz with minor amounts of calcite. The chalcedonic quartz is thought to indicate an upper part of the mineral system suggesting that the potential for mineralization at depth is reasonable. The hosting rocks around are argillically and propylitically altered. The alteration halo typically extends up to 50 metres away from the veins.

Field evidence suggests that the portions of the veins that were open at the time of the silver and gold mineralization form the ore shoots. The localization of these ore shoots was probably controlled by bends, changes of strike and intersections of veins with a north trending system of faults. Due to the recurring nature of the vein sets and the regular spacing of the north trending faults, it is possible that the ore shoots occur at regular intervals of 150 to 250 metres along the northwest trending veins.

La Guitarra vein system outcrops along a strike of more than 3.5 kilometres and has been explored in part to a depth of 500 metres. In the eastern part, the veins strike generally northwest and in the westerly part change to westerly strike. The dip of the veins is steeply to the south from 70 degrees to 90 degrees.

At La Guitarra, one metre to four metres wide ore shoots occur within a large quartz vein that could reach up to 20 metres wide. The brecciated and multistage mineralized veins have very complex geometries that pinch and swell forming loops over short distances.

The silver and gold grades are contained within silver sulphides, sulphosalts and electrum. Other minerals in the veins include minor amounts of pyrite and other sulphides such as galena and sphalerite. The mineral paragenesis can be grouped in three main stages: a first stage rich in base metals; a second stage dominated by quartz deposition containing some precious metals; and a third stage providing quartz with high concentrations of gold and silver.

Mineralization

Vein mineralization at the La Guitarra property is classified as Intermediate Sulfidation (IS) epithermal. There are in excess of one hundred epithermal veins within the property in five main vein systems: La Guitarra (NW, Central and SE zones), Coloso (Jessica and Joya Larga veins), Comales-Nazareno, Mina de Agua and El Rincón. The vein systems at La Guitarra property form a belt with an approximate width of 4 km that strikes NW - SE in excess of 15 km. Individual veins pinch and swell and vary in width from tens of centimetres to more than twenty metres. Economic zones, with widths usually between 1 and 4 metres, are embedded in quartz (vein structure) having widths up to 20 metres (e.g. Guitarra vein). The ore shoots or economic zones can either be localized in the hanging wall or the foot wall of the vein structure.

Gangue mineralogy consists of banded quartz, amethyst quartz, colloform chalcedony, fine-grained crystalline quartz, calcite, fluorite, pyrite, marcasite, barite, anhydrite, illite - smectite, adularia and alunite. Anhydrite and alunite veins are observed mostly filling narrow fractures. The ore mineralogy consists of proustite - pyrargyrite solid solution, electrum, acanthite, polybasite, sphalerite, galena and chalcopyrite. Secondary minerals such as malachite and smithsonite - hydrozincite (calamines) have been observed in some of the veins at Mina de Agua.

Exploration and Drilling

Between July 2006 and August 2008, Silvermex conducted an extensive exploration program within the Temascaltepec District. Initial surface mapping and sampling was followed by diamond drilling from surface using both core and reverse circulation ("**RC**") drilling. A total of 85,645 metres of drilling in 452 drill holes consisting of 289 core drill holes, and 163 reverse circulation drill holes were completed. The RC drilling campaign was focused on, but not limited to, testing the Creston target. The core drilling campaign was primarily designed to explore Coloso, Nazareno, Santa Ana, La Guitarra/San Rafael and part of the Creston target. Drilling was conducted by BDW Drilling and Silvermex's own personnel. In August 2011, Silvermex resumed exploration activities in the Temascaltepec District drilling 7,623 metres of diamond drill holes in the Coloso area. In 2012, Silvermex completed a diamond drill program of 32,828 metres, 20,596 metres of these targeted Coloso and Nazareno and 12,232 metres were drilled underground at La Guitarra mine. Silvermex drilling program consisted of a total of 262 diamond drill-holes for a total of 40,451 metres drilled between 2011 and 2012. The geological data base generated by Silvermex for Coloso was verified by First Majestic's and Amec Foster Wheeler geologists. First Majestic detected that some legacy core was lost due to poor storage practices and therefore built a core shack and concluded the core organization. A second core shack was constructed during 2015 for core storage from future drilling campaigns. Between July 2012 and December 2016 First Majestic has drilled 57,346 metres in 345 diamond drill-holes. In 2016, First Majestic drilled 21,771 metres in 83 underground and surface holes. Drilling in 2016 was focused on expanding resources at the Coloso mine and Nazareno project. Most of the drilling during 2016 was carried out by Grupo DrilCor.

Sampling Analysis and Security

La Guitarra's current sampling team consists of two sampling crews with two samplers per crew. Representative chip samples are collected with chisel and hammer and channel samples are cut and broken with electric saw and hammer. The broken sample is collected on a tarp and then put in numbered sample bags prior to be sent to the laboratory.

Chip and channel samples are the primary means of sampling in the mine (stopes, drifts, crosscuts, ramps, etc.) and are taken perpendicular to the vein structures. Sampling crews collect chip samples at regular intervals of 1.5 metres for ore control and channel samples at 12 metre intervals. Muck piles are sampled for ore control purposes. Chip and channel samples have lengths that vary from tens of centimetres to usually 50 centimetres depending on the width of the mineralized structure. Chip and muck

samples are used for ore control and they are assayed at La Guitarra's local laboratory. La Guitarra's laboratory performs periodic assay checks with First Majestic's Central Lab. Channel samples were assayed in a commercial certified laboratory.

A sampling line or channel typically consists of two or more individual samples which are taken to reflect changes in geochemistry and/or mineralogy across the structural zone. All samples are marked with paint by the geologist and numbered on the walls of the drifts for proper orientation and identification.

Core samples from exploration holes are cut with a saw and half core is sent to a certified laboratory for assaying. Quality control samples are inserted in chip, channel and core sample batches prior to sending to the corresponding laboratory. Quality controls include: three standard reference materials, coarse and pulp blanks, field, coarse and pulp duplicates and pulp checks with a secondary or arbitral laboratory. Quality assurance is performed by statistical analysis of data and visual inspection of plots constructed with assay results of the quality controls.

Mineral Resources and Mineral Reserves

The La Guitarra Mineral Reserves are estimated from the Measured and Indicated Mineral Resource blocks by applying modifying factors that include mining dilution and mining extraction. Proven Mineral Reserves are estimated based on the Measured Mineral Resource blocks and Probable Mineral Reserves are estimated based on the Indicated Mineral Resource blocks. The following table shows an update of the Mineral Reserve estimates for the La Guitarra Silver Mine prepared under the supervision of the Company's internal Qualified Person, Mr. Ramon Mendoza Reyes, P.Eng. as of December 31, 2016.

TABLE 17
La Guitarra Silver Mine Mineral Reserves with an effective date of December 31, 2016
(update prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP Mining for First Majestic)

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
La Guitarra Area	Proven (UG)	Sulphides	88	179	1.47	273	509	775
	Probable (UG)	Sulphides	197	202	1.86	321	1,280	2,030
	Total Proven and Probable (UG)	Sulphides	285	195	1.74	306	1,788	2,804
Coloso Area	Probable (UG)	Sulphides	600	239	1.50	334	4,602	6,444
	Total Proven and Probable (UG)	Sulphides	600	239	1.50	334	4,602	6,444
Nazareno Area	Probable (UG)	Sulphides	141	369	0.68	412	1,676	1,874
	Total Proven and Probable (UG)	Sulphides	141	369	0.68	412	1,676	1,874
Santa Ana Veta Rica	Probable (UG)	Sulphides	103	307	0.27	324	1,019	1,076
	Total Proven and Probable (UG)	Sulphides	103	307	0.27	324	1,019	1,076
LA GUITARRA	Proven (UG)	Sulphides	88	179	1.47	273	509	775
	Probable (UG)	Sulphides	1,041	256	1.34	341	8,577	11,423
	Total Proven and Probable (UG)	Sulphides	1,129	250	1.35	336	9,086	12,198

(1) Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $18.00/oz Ag, $1,250/oz Au.
(3) Cut-off grade considered for sulphides was 280 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Metallurgical recovery used was 81% for silver and 75% for gold.
(5) Metal payable used was 96% for silver and 95% for gold.
(6) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + (Au Grade x Au Recovery x Au Payable x Au Price) / (Ag Recovery x Ag Payable x Ag Price).
(7) Dilution was estimated at an average of 35% considering the true thickness of each deposit, the minimum mining width and a consideration for mucking and handling dilution. Mining loss is estimated at 4%.
(8) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(9) Totals may not add up due to rounding.

The following table shows the most recent Mineral Resource estimates for the La Guitarra Silver Mine prepared under the supervision of the Company's internal Qualified Person, Mr. Jesus M. Velador Beltran, MMSA, QP Geology, as of December 31, 2016.

TABLE 16
La Guitarra Mineral Resources with an effective date of December 31, 2016
(update prepared under the supervision of Jesus M. Velador Beltran, MMSA, QP Geology for First Majestic)

Measured and Indicated Mineral Resources

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
La Guitarra Area	Measured (UG)	Sulphides	80	202	1.66	306	522	791
	Indicated (UG)	Sulphides	179	228	2.10	360	1,313	2,070
	Total Measured and Indicated (UG)	Sulphides	259	220	1.96	343	1,835	2,861
Coloso Area	Indicated (UG)	Sulphides	577	274	1.69	380	5,091	7,059
	Total Measured and Indicated (UG)	Sulphides	577	274	1.69	380	5,091	7,059
Nazareno Area	Indicated (UG)	Sulphides	142	398	0.82	449	1,820	2,053
	Total Measured and Indicated (UG)	Sulphides	142	398	0.82	449	1,820	2,053
Santa Ana Veta Rica	Measured (UG)	Sulphides	3	260	0.27	277	25	27
	Indicated (UG)	Sulphides	93	350	0.30	369	1,050	1,107
	Total Measured and Indicated (UG)	Sulphides	96	347	0.30	366	1,075	1,134
La Guitarra	Measured (UG)	Sulphides	83	204	1.61	305	547	818
	Indicated (UG)	Sulphides	992	291	1.51	385	9,273	12,289
	Total Measured and Indicated (UG)	Sulphides	1,075	284	1.52	379	9,821	13,107

Inferred Mineral Resources

Mine / Project	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
La Guitarra Area	Inferred (UG)	Sulphides	180	208	1.88	326	1,201	1,882
Coloso Area	Inferred (UG)	Sulphides	338	233	1.82	347	2,533	3,772
Nazareno Area	Inferred (UG)	Sulphides	129	543	0.10	549	2,246	2,271
Santa Ana Veta Rica	Inferred (UG)	Sulphides	33	324	0.28	342	342	360
	Inferred Total (UG)	Sulphides	679	290	1.44	380	6,322	8,285

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $19.00/oz Ag, $1,300/oz Au.
(3) Cut-off grade considered for oxides was 265 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Metallurgical recovery used was 81% for silver and 75% for gold.
(5) Metal payable used was 96% for silver and 95% for gold.
(6) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + (Au Grade x Au Recovery x Au Payable x Au Price) / (Ag Recovery x Ag Payable x Ag Price).
(7) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(8) Totals may not add up due to rounding.
(9) Measured and Indicated Mineral Resources are reported inclusive of Mineral Reserves.

Mineral Resources for the Coloso area have been updated by First Majestic under the supervision of Mr. Jesus M. Velador Beltran, MMSA, QP Geology. These estimates are based on exploration results from the 2008, 2011, 2012, 2015 and 2016 exploration

campaigns and upon geologically constrained block models constructed in 2014 by interpolating capped, composited assay values as well as channel samples obtained in the drifts developed during 2015.

Two separate block models were constructed, being the Jessica Block Model consisting of four different mineralized domains used in the estimation process (Jessica Main, Jessica Splays 1 and 2, and Jessica Low grade) and the Joya Larga Block Model, consisting of three different mineralized domains used in the estimation process (Joya Larga Main, Joya Larga Splay, and Joya Larga Low grade). Both block models were rotated to match the average strike and dip of the Jessica and Joya Larga Main mineralized domains.

Silver and gold grades in the Main, Splay, and Low grade domains were estimated using an inverse distance to the power of 3 interpolator. Arsenic, lead, and zinc grades in all domains were estimated for the purpose of assessing concentrate qualities, using an inverse distance to the power of 2 interpolator. Silver and gold grade estimation in the Main domains were undertaken in unfolded space to remove the effect of the variable geometry of the mineralized domains on the estimation. All other estimations were conducted in normal space.

A two-pass interpolation approach was used for silver and gold within the Main domains. A three-pass interpolation approach was used for silver and gold in the splay domains and for arsenic, lead, and zinc in all domains. A four-pass interpolation approach was used for silver and gold within the Low grade domains. Each successive pass has greater search distances and fewer samples required for selection criteria.

A hard estimation boundary was used for all metals, meaning that composites from outside domains were not used in the interpolation of grade within the domains. Estimation was done separately within each mineralized domain for the Main and Splay domains, while all Low grade domains were combined into a single domain for estimation.

The estimated grade model was validated by the following:

- folded space transformation check;
- visual comparison of estimated grades with composites;
- global grade bias check;
- local grade bias check; and
- change of support check.

The Mineral Resource is classified in accordance with the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 10, 2014), whose definitions are incorporated by reference into NI 43-101. Mineral Resources are required to be classified as Inferred, Indicated, and Measured, according to increasing confidence in geological information, grade continuity, and other technical and economic factors impacting the resources. The Coloso Mineral Resource is classified within the defined constraining minable shape using the following criteria:

A criteria of a minimum one drill hole and distance to the closest composite of less than 100 metres for Inferred Mineral Resources and a minimum of two drill holes with distance to the closest composite less than 13.75 metres and distance to the second closest composite less than 30.80 metres for Indicated Mineral Resources. There were no Measured Mineral Resources estimated at the time of writing the 2015 La Guitarra Technical Report.

Constraining minable shapes were generated taking into consideration the mining method; overhand cut-and-fill and the minimum selective minable shape of 0.5 metres wide by 5 metres long by 5 metres high. No external dilution or mining losses were included, although minable shapes include internal dilution.

The December 2016 update to the Mineral Resources estimates were constrained within a minable shape and were prepared using the following economic assumptions:

- Mining cost - $20.85/tonne
- Processing cost - $17.14/tonne
- G&A, Indirect, Sustaining Capital - $73.29/tonne
- Silver Price - $19.00/oz
- Gold Price - $1,300/oz
- Silver metallurgical recovery - 81%
- Gold metallurgical recovery - 74.9%
- Smelter payable silver 96% and gold 95%
- Refining charges - $1.88/oz Ag

These economic assumptions result in a cut-off grade of 265 g/t silver equivalent. Silver Equivalent accounts for metallurgical and smelter recoveries and is calculated using the following formula:

Ag-Eq = Ag Grade + (Au Grade x Au Recovery x Au Payable x Au Price) / (Ag Recovery x Ag Payable x Ag Price)

Ag-Eq (g/t) = Ag (g/t) + Au (g/t) x 62.6

Mineral Resources for La Guitarra and Mina de Agua have been estimated by First Majestic based on chip and channel samples collected perpendicular to mineralized veins, recent exploration drill-holes and underground geologic mapping, then using the polygonal method constructed on longitudinal sections of the vein shoots. The Nazareno Mineral Resource estimate is based on the same polygonal method and is using drill-hole information from the 2008, 2011, 2012 and 2016 drilling campaign.

Cross and longitudinal sections are drawn using drill-hole data and maps with chip and channel sample lines at 1.5 to 3.0 metres of spacing. Polygons of Measured Mineral Resources are projected vertically (up and down) 12.5 metres away from mine levels with chip and/or channel sample lines. Polygons of indicated resources are projected up to 25 metres vertically or laterally away from the edge of the measured resources only if there is continuity of mineralization as indicated by drill holes or mine levels with sample lines reporting economic grades. Inferred Mineral Resources are projected 50 metres and in some cases up to 100 metres from polygons of Indicated Mineral Resources or drill hole intercepts, only if there is potential for mineralization based on geologic information or interpretations that suggest continuity of mineralization for more than 50 metres. Drill hole spacing is variable from 25 metres on zones of measured and indicated resources to up to 100 metres in zones of Inferred Mineral Resources.

Once the polygons for resources are drawn on longitudinal vertical sections, areas, average width, volumes and weighted mean grades are estimated. Capping of outlier grades is done before compositing and calculation of weighted mean grades. Capping grades are estimated with cumulative frequency histograms; the grade at the 95th percentile is selected. Tonnage is estimated using the estimated volume and a specific gravity of 2.5 grams per cubic centimetre. Once the tonnage is estimated, the metallic contents (ounces) are estimated using the weighted mean grades. For the December 31, 2016 update, some of the Indicated Resources in the Guitarra area have been converted into Measured Resources after minable blocks have been defined through direct development, and structure continuity and grades have been confirmed with channel or chip sampling.

Mining and Milling Operations

Mining at La Guitarra and Coloso is from underground stopes. The main mine access to both La Guitarra mine and Coloso mine is via 4 by 4 metres haulage ramps, these access ramps are driven at approximately 12% grade. Stope access is achieved via ramps and drifts driven from the access ramp adjacent to the veins, generally on the footwall side. Sill development occurs within the vein. Mining is primarily accomplished using overhand cut-and-fill, but some shrinkage is employed without backfilling. Rubber tired mobile equipment is used to transport ore and waste underground and to surface. Mined cut-and-fill stopes are backfilled with development rock, rock from surface excavations, sand fill or by blasting the walls of the stope. These mining methods allow for recovery of the reserve blocks of 95% in average.

The El Coloso mine has been in operation since the first quarter of 2014. Currently more than nine production areas are active.

The La Guitarra mill is rated at 500 tpd after the expansion. In 2016, the feed rate averaged 427 tpd with an annual output of 155,696 tonnes for an annual production of 1,523,688 ounces of silver equivalent.

The ore at La Guitarra is put on a pad next to the crushing circuit. The ore is then fed to the primary 10" x 24" jaw crusher using a front-end loader. When possible, ore blending is performed by mixing different ore types directly in the feed of the primary crusher. The product from the jaw crusher is sent to a secondary (fine) crushing circuit that comprises a 3' short-head cone crusher. The product from the crushing circuit is ground in the three ball mills in parallel. The ground ore is processed in a flotation plant that produces a bulk sulphide concentrate containing precious metals. The concentrate is filtered and dried and then trucked to Manzanillo where a third party broker receives the concentrate. Historically, the average silver recoveries since 1991 have been approximately 84% and the average gold recoveries have been 80% at the La Guitarra mill.

Capital and Operating Costs

Capital Expenditures in La Guitarra include sustaining development, exploration, and underground and plant equipment replacements as well as expenditures related to the expansion of the tailings management facilities. During 2016, a total 7,581 metres of development were completed at the different areas of La Guitarra mine and the Coloso mine.

Capital expenditure at La Guitarra amounted to $9.3 million during 2016 and includes exploration mine access, mine preparation, mine infrastructure, expansion of the tailings management facilities and expenses in environmental permitting.

The site direct production costs for La Guitarra averaged $77.43 per tonne mined and milled during 2016. The annual cash cost averaged $7.23 per ounce of payable silver in 2016 and AISC was $13.33 per ounce.

Santa Elena Silver / Gold Mine, Sonora State, México

The Santa Elena Silver / Gold Mine is an operating underground (and formerly open pit) gold and silver mine located in Sonora, México. The mine was acquired by First Majestic in October, 2015 as a result of the acquisition by First Majestic of all of the shares of SilverCrest Mines Inc. ("**SilverCrest**") pursuant to a plan of arrangement.

A technical report was prepared for SilverCrest in accordance with NI 43-101 entitled "Update to Santa Elena Pre-Feasibility Study, Sonora, México" dated March 31, 2015, and re-addressed to First Majestic on October 1, 2015, having an effective date of December 31, 2014 (the "**2014 Santa Elena Technical Report**").

The following description of the Santa Elena Silver / Gold Mine has been sourced, in part, from the 2014 Santa Elena Report and readers should consult the 2014 Santa Elena Technical Report to obtain further particulars regarding Santa Elena. The 2014 Santa Elena Technical Report is available for review under First Majestic's profile on the SEDAR website located at www.sedar.com.

Information in this section that provides non-material updates to the information in the 2014 Santa Elena Technical Report has been generated internally by First Majestic. These updates include First Majestic's revision of the resource estimates for Santa Elena, Alejandras and Tortuga areas, supervised by Mr. Jesus M. Velador Beltran. All the reserves estimates have been prepared internally by First Majestic under the supervision of Mr. Ramon Mendoza Reyes based on assumptions and factors reflecting the implemented underground mining method and the processing method based on the cyanidation circuit currently in operation. Mr. Velador Beltran and Mr. Mendoza Reyes are Qualified Persons for the purposes of NI 43-101 and they approve the scientific and technical information on the Santa Elena Silver / Gold Mine presented in this document.

Project Description and Location

The Santa Elena mine is currently producing gold and silver from a nominal 3,000 tpd newly commissioned CCD/Merrill-Crowe processing facility including ore from the underground operations and reprocessing of spent ore from the existing heap leach pad . Commercial production for the 3,000 tpd mill and plant facility was declared on August 1, 2014. Underground development has been ongoing since January 2013 with commercial production declared on October 1, 2014. Pursuant to a purchase agreement dated May 14, 2009 among SilverCrest, Nusantara de México, S.A. de C.V. ("**Nusantara**"), Sandstorm Resources Ltd., and Sandstorm Resources (Barbados) Ltd. (" **Sandstorm Gold**"), 20% of the gold production is forward sold to Sandstorm Gold at a price that is the lesser of (i) the market price as quoted by London Metals Exchange and (ii) either $350 per ounce of gold or $450 per ounce of gold produced from an underground mine, with such fixed prices being subject to an annual 1% adjustment commencing three years after the start of commercial production.

The Santa Elena mine is located in Sonora, México, approximately 150 kilometres northeast of the state capital city of Hermosillo and seven kilometres east of the community of Banámichi. The Santa Elena mine consists of ten contiguous concessions (the "**Santa Elena Concessions**") covering approximately 9,091 hectares registered in the name of Nusantara, a wholly owned subsidiary of First Majestic. All concessions were ground surveyed by a registered land surveyor at the time of staking.

On December 8, 2005, Nusantara entered into an option agreement with Tungsteno de México S.A. de C.V. (" **Tungsteno**") to acquire a 100% interest in nine of the Santa Elena Concessions through staged option payments over five years for a total cost of $4.0 million paid in cash and SilverCrest shares. Payments were completed in August of 2009 with SilverCrest owning 100% of Santa Elena with no underlying royalties. Nusantara has maintained all of the necessary permits for exploration and facilities at the Santa Elena mine. In 2009, the Santa Elena mine received its Manifestacion de Impacto Ambiental ("**MIA**") and operating permit from Secretaría de Medio Ambiente y Recursos Naturales ("**SEMARNAT**"). Taxes based on the surface area of each concession are due in January and July of each year at a total annual cost of approximately $51,000 and have been paid to date. A further MIA was submitted to SEMARNAT in early January of 2013 for an amendment of the land use licence related to the underground expansion project and was approved in May 2013. The amendment approval allows for tailings facilities that were not previously required for the open pit and heap leach operation.

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 5,802 hectares of mining concessions adjacent to 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 royalty on the related concessions, and to pay $1.4 million in cash, of which $0.1 million was due on or before the date of agreement (paid), $0.2 million in December 2017, $0.2 million in December 2018, $0.3 million in December 2019 and $0.7 million in December 2020, respectively.

In March 2017, the Company acquired the El Gachi Properties located in Sonora State, Mexico from Santacruz Silver Mining Ltd. for total consideration of US$2.5 million plus applicable VAT. The El Gachi Properties comprise 48,157 hectares located adjacent to the Santa Elena Silver / Gold Mine.

All mining concessions in México are valid for a period of 50 years. A mining concession in México does not confer any ownership of surface rights. The Santa Elena Concessions are located on Ejido (community or co-op) land, and on November 12, 2007, a lease agreement with the surface owners was signed which allows First Majestic access and authorization to complete exploration and mine operations activities for 20 years for a maximum of 841 hectares of surface land. The annual cost per year for this lease ranges from approximately $55,000 to $160,000 dependent on the number of hectares required. Lease obligations have been met to date.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Santa Elena mine can be accessed year-round by paved highways 90 kilometres east from Hermosillo to Ures, then 50 kilometres north along a paved secondary road to the community of Banámichi, then by a maintained gravel road that runs east for seven kilometres to the mine site.

The Santa Elena mine is located on the western edge of the north trending Sierra Madre Occidental mountain range geographically adjacent to the Sonora River Valley. Property elevations range from 800 metres above sea level to 1,000 metres above sea level. The property is located on the range front at a low elevation in relation to the mountains immediately east and west, respectively. Vegetation is scarce during the dry season, limited primarily to juvenile and mature mesquite trees and cactus plants. During the wet season, various blooming cactus, trees and grasses are abundant in drainage areas.

The climate is typical for the Sonoran Desert, with a dry season from October to May. Average rainfall is estimated at 300 millimetres per annum, with the majority of the rainfall registered during the wet season from June to September. These summer rains are short with heavy thunderstorms whereas the winter rains are longer and lighter. Seasonal temperatures vary from 0°C to 40°C. Summer afternoon thunderstorms are common and can temporarily impact the local electrical service. Flash flooding is common in the area.

Water for Santa Elena is available from two wells which were installed and tested in 2009 and 2011. The mine site, including newly completed expansion, has adequate water supply for operations.

A small amount of electrical line power is available from nearby sources that currently supply municipalities and agriculture but is insufficient for the Santa Elena operation. Additional power for production is provided by onsite diesel generators. Provision of grid power is possible in the future, but requires permitting and a significant capital expenditure.

The Santa Elena mine facilities consist of a seven kilometre main access road from the paved highway and local community of Banamichi, an open pit mine (depleted in April 2015), a new 3,000 tpd CCD/MC processing facility, a waste dump with the estimated permitted capacity of 35 million tonnes, a new 3-stage crusher, a lined and certified leach pad, a lined and certified barren and pregnant solution pond, a lined and certified emergency pond designed for 100 year event, a new Merrill-Crowe plant and refinery, an on-site laboratory for production and exploration work, an administration office, a maintenance shop, a new warehouse for inventory, power magazines, diesel generators (some decommissioned), and all required piping, power and security. The material on the existing heap leach facility is planned to be removed, and there is space on the facility for re-handling of the tailings prior to transport to the waste dump as dry stack tailings. Once pad ore is removed, space will be available for reloading lower grade material for other resources. In January of 2012, the expansion of Santa Elena from an open pit heap leach operation to an underground mill operation was commenced with ground breaking of the underground portal. By the end of 2014, the expansion was completed with all major equipment purchased and installed for the new processing facility, and underground development to approximately the 520 metre elevation. Santa Elena is located in the foothills of a north-south trending mountain range. Foothills area provides ample space for all required facilities and potential for future expansion.

Northern México has significant precious and base metal mines and there is a significant workforce of trained mining and processing personnel. The communities of Cananea, located approximately 100 kilometres north, and Hermosillo, located 150 kilometres southwest of Santa Elena, are both considered exploration and mining centres and can provide services for heavy

machine purchase and repair, materials fabrication and engineering services and supplies to Santa Elena. Alternatively, Tucson, Arizona is approximately a four-hour drive north across the international Mexican-USA border from Santa Elena.

History

Although minor amounts of historic production are evident at Santa Elena, the documentation in support of this work is sparse, not detailed and cannot be relied upon for future projections of economic viability.

Consolidated Fields operated the Santa Elena mine from the late 19th century until the onset of the Mexican revolution in 1910. It is estimated that the most extensive underground development occurred during this period. The recent commencement of open cut mining has made these underground workings unsafe to enter. SilverCrest estimated that approximately 35,000 tonnes of the original tailings from Consolidated Fields' operations remain onsite. During the 1960's, Industrias Peñoles S.A de C.V. drilled two or three holes on the property but no records are available for this drilling. During the early 1980's, Tungsteno mined 45,000 tonnes grading 3.5 grams per tonne of gold and 60 grams per tonne of silver from an open cut at Santa Elena.

After 2003, Tungsteno periodically surface mined high silica/low fluorine material from Santa Elena. During 2003, Tungsteno conducted an exploration program at Santa Elena consisting of 117 surface and underground samples. In late 2003, Nevada Pacific Gold Inc. completed a brief surface and underground sampling program with the collection of 119 samples. A report was completed and provided to the owner which was subsequently misplaced. Only the ALS-Chemex assay sheets and a rough location map were available for review. Sample lengths are unclear. In early 2004, Fronteer Development Group ("**Fronteer**") completed an extensive surface and underground mapping and sampling program. A total of 145 channel samples (89 underground and 56 surfaces) were collected and analyzed by ALS-Chemex of Hermosillo, México. This data was used by SilverCrest for early exploration and target development.

SilverCrest acquired the Santa Elena mine in December of 2005. The Santa Elena pit started commercial production of gold and silver in July 2011, and its Mineral Reserves were depleted in April 2015. First Majestic acquired the Santa Elena mine through its acquisition of SilverCrest on October 1, 2015.

Geological Setting

Regional Geology

The Santa Elena mine is located in northwestern México where much of the geology can be attributed to the subduction and related volcanism of the Farallon Plate beneath the North American Plate. The east-directed subduction of the Farallon Plate began approximately 200 million years ago with the tectonic rifting of the supercontinent Pangea. The resulting northwest/southeast trending Sierra Madre Occidental extends from the USA-Mexican border to Guadalajara in the southeast, a distance of over 1,200 kilometres. It is proposed that subduction of the Farallon Plate occurred at a relatively shallow angle, resulting in continental uplift across northern México with accretionary terrains developing along the western fringes. The shallow subduction is also thought to be responsible for the tectonics that produced the Laramide orogeny. Continental arc volcanism culminated with the Laramide orogeny in the early to late Eocene. The waning of compression coincides with east-west directed extension between late Eocene to the early Oligocene along the eastern Sierra Madre Occidental flank and is considered to be the first formation stage of the Basin and Range province. By early to mid-Miocene, extension migrated west into Northern Sonora and along the western flank of the Sierra Madre Occidental resulting in north/northwest striking normal faults. This extensional regime caused major deformation across the Sierra Madre Occidental resulting in exhumation of pre-Cambrian basement rocks, especially in the Northern Sierra Madre Occidental. Northwest trending shear and fault zones appear to be an important control on mineralization in the Sonora region. Mineralizing fluids may have been sourced from Cenozoic intrusions. The structural separation along the faults formed conduits for mineral bearing solutions. The heat source for the mineralizing fluids was likely from the plutonic rocks that commonly outcrop in Sonora. Many significant porphyry deposits of the Sierra Madre Occidental occur in the Lower Volcanics and are correlated with the various Middle Jurassic through to Tertiary aged intrusions. These include Cananea, Nacozari and La Caridad. In Sonora, emplacement of these systems has been influenced by the early Eocene east-west and east/northeast–west/southwest directed extension. The Santa Elena vein has a similar orientation to this extensional trend. The silicic volcanism is thought to be related to fractional crystallisation of mantle sourced basalts from subduction. The five main igneous deposits of the Sierra Madre Occidental are: (a) Plutonic/volcanic rocks: Late Cretaceous-Paleocene; (b) Andesite and lesser Dacite-Rhyolite: Eocene (Lower Volcanic Complex); (c) Silicic ignimbrites: Early Oligocene & Miocene (Upper Volcanic Complex); (d) Basaltic-andesitic flows: late stage of and after ignimbrites pulses; and (e) repeat and episodic volcanic events related to rifting of the Gulf of California (alkaline basalt and ignimbrite) emplaced to western flanks: Late Miocene Pliocene and Quaternary. To the west of the Sierra Madre Occidental are the parallel ranges and valleys that show structural similarities to the extensional tectonic regimes of the Basin and Ranges Province to the east. Elevations in the west are lower than the eastern Provinces, with transition to the Coastal plains and Gulf of California.

Local and Property Geology

The Santa Elena property is located at the northwestern extent of the Sierra Madre Occidental. The primary rock types observed at Santa Elena are the tertiary andesite and rhyolite flows. These units have been uplifted and strike north-south with a dip of 10 degrees to 45 degrees east/northeast. The volcanic units in the immediate area of the Santa Elena deposit exhibit propylitic to silicic alteration. Within the main mineralized structure, widespread argillic alteration and silicification proximal to quartz veining is present. Within the andesite beds, chloritic alteration increases away from the mineralized zone. The main mineralized zone is hosted within an east-west tending structure cross-cutting the volcanic units. The structure hosts an epithermal quartz calcite vein that has been mapped for approximately 1.2 kilometres in length with a width from one metre to 35 metres averaging approximately 15 metres. The structure dips from 40 degrees to 60 degrees to the south and has been drill-tested to a down-dip depth of approximately 600 metres below surface. Splaying and cross-cutting northwest trending structures appear to influence mineralization at intersections with the main mineralized zone and along a northwest-southeast trending the footwall of the vein. Andesite and granodiorite dikes have been identified at the Santa Elena deposit. The heat source for mineralization is unknown but an intrusive at depth is postulated. The main structure is infilled with quartz veining, quartz veinlets and stockwork, banded quartz, vuggy quartz and black calcite. Breccias are found locally at areas of fault intersections. Adularia has been identified in a few hand-specimens. Iron oxides including limonite, jarosite, goethite and hematite are associated with mineralization. Results of induced polarization, resistivity and magnetometer surveys by Pacific Geophysical Ltd. in 2007 showed that the main mineralized zone is a resistivity high (silica) and induced polarization low (minor sulphides) which can be traced for approximately 1.2 kilometres along strike of the zone.

Interpretation from surface, open pit and underground mapping and drill hole intercepts has shown that there are eight major faults directly related to the Santa Elena main mineralized zone.

Mineralization

Mineralization occurs as a series of replacement veins, stockworks and hydrothermal breccias typical of other high level low-sulphidation epithermal deposits found in the Sierra Madre. These deposits form in predominantly felsic sub-aerial volcanic complexes in extensional and strike-slip structural regimes. Samples previously collected by various parties including SilverCrest show a geochemical signature of gold, silver, antimony, lead, zinc, barium, calcium and manganese which is consistent with a high calcium, high level, low-sulphidation system. The mineralization is the result of ascending structurally controlled low-sulphidation silica-rich fluids into a near-surface environment. Mineral deposition takes place as the fluids undergo cooling by fluid mixing, boiling and decompression. Brecciation of the mineralized zone appears to be due to explosive venting from an assumed intrusive at depth followed by deposition of the mineralization by ascending fluids.

The structure consists of multiple banded quartz veins and stockwork with associated adularia, fluorite, calcite and minor sulphides. Bonanza ore shoots (greater than 500 grams per tonne of silver and 30 grams per tonne of gold) appear to be locally present but require more definition to determine their full extent. Metal zonation appears to exist with higher grades and thicker mineralized widths near the epithermal boiling zone, one of which daylights in the open pit area. A trend of higher grades and thicker veining is apparent with a plunge of approximately 25 degrees to the east. Drill hole SE-12-74 intersected the vein at approximately 500 vertical metres depth with an average uncapped grade of 1.56 grams per tonne gold and 133 grams per tonne silver over seven metres (not calculated as true width) along this plunging trend from the open pit operation. Zonation also appears to correspond to northwest-trending cross-cutting structures that intersect the main zone and form high grade shoots. Vertical zonation shows gold content consistent with depth and silver content increasing. At the surface, the silver to gold ratio is 20:1. At 500 metres below surface, the ratio is approximately 100:1. Minor sulphides have been observed in a few locations within the mineralized zone. The andesite in the hanging-wall shows disseminated pyrite averaging 5%. Calcite is found in close proximity to pyrite and averages about the same. Some select locations in the hanging-wall show greater than 30% of finely disseminated pyrite spatially associated with greater than 30% disseminated and veinlet calcite. Hydrothermal breccias exist in the hanging-wall andesites proximal to the Main Zone with drill holes intercepting up to 200 metres of breccia with a pyrite/calcite matrix.

Alteration within the deposit is widespread and pervasive, with the most significant being silicification, kaolinization, and chloritization. Kaolin and alunite has formed primarily along structures and contacts, which are deeply weathered and oxidized. Limonite within the oxide zone consists of a brick-red colour after pyrite, brown goethite and local yellow jarosite. Manganese occurs locally as pyrolusite and minor psilomelane near the surface. Gangue minerals consist of quartz, calcite, adularia, chlorite and fluorite. Analyses shows calcium content of up to 15%.

Exploration and Drilling

From 2006 to 2015, SilverCrest completed several extensive exploration programs at Santa Elena. The 2013-2014 exploration programs included surface mapping and channel sampling, underground mapping, underground channel sampling and core drilling. The Exploration Department at Santa Elena completed a more detailed geological map of the open pit, compiling all geological and structural information defining a revised surface exposure of main geological units and structural setting. An underground mapping and sampling program has been ongoing since 2013 at Santa Elena and includes the underground developed areas. The majority of the sampling and mapping has been done in exploration cross-cuts and in short delineation core drilling. First Majestic has carried out exploration at Santa Elena between October 2015 and December 2016. These exploration activities include geologic mapping, alteration mapping with the aid of the Terraspec ASD® (Analytical Spectral Device), geochemistry and diamond drilling.

SilverCrest completed four drill programs from early 2006 through 2011. In 2012-2013, SilverCrest targeted delineation of shallow, below-pit mineralization and deep mineralization, mostly trending to the east, with additional drilling and the first underground drilling program to take place at Santa Elena in fall 2013. Three drilling companies were contracted; Major Drilling de México based in Hermosillo, México, Guardian Drilling from Saskatchewan, Canada, and DrilCor based in Durango, México. All companies were involved in surface drilling programs, however, only DrilCor worked with the underground exploration drilling. This drilling focused on delineating and extending the areas along trend and down-dip of the main mineralized zone. Other drilling was located off strike to explore for near parallel mineralization. A total of 20 drill holes were collared using RC drilling to expedite hanging wall drilling, then finished with diamond core from approximately 40-50 metres before the vein target depth through to the barren footwall. This practice was discontinued due to significant deviation in the pre-collared holes. A total of 21 DD holes (1,590.7 metres) were drilled in the underground 2013 program. A total of 218 holes (72,965 metres including RC with DD tails) were drilled during the 2012-13 program, including holes drilled from within the pit and the 2013 underground program.

During 2014, SilverCrest targeted infill drilling in the underground area for the initial stopes. This drilling resulted in approximate spacing of about 25 metres in the initial stope area, which was previously around 50 metres, allowing SilverCrest to create a more defined model and giving a better idea of grade distribution. This drilling was completed by Major Drilling de México based in Hermosillo, México and DrilCor based in Durango. A series of additional deep drill holes to both the east and the west of the main mineralized zone were done to focus on the delineation and extension of the ore body to depth and also some drill holes targeting the extension of the El Cholugo and Tortuga vein were completed in 2014. To the date of the Santa Elena Report, down hole surveys were completed on the majority of the drill holes including all 2014 drill holes both at surface and underground drilling. For the 2014 drilling, surveys were taken at an interval of approximately 30 metres, an initial reading at 10 metres was first taken to ensure no deviation had occurred during set up for the drill rig.

During 2015, SilverCrest continued infill and delineation drilling in the underground area for 15 additional stopes. This drilling resulted in approximate spacing of about 25 metres in those stope areas. This drilling campaign included 66 drill-holes, for approximately 2,110 metres and these were carried out by Major Drilling de México based in Hermosillo, México.

Also in 2012, 10 trenches and subsequent bulk composite samples were excavated using an excavator to an average depth of five metres on the leach pad. Sampling was to test spent ore metallurgy for estimated recovery rates through the milling process.

Since the acquisition of Santa Elena, First Majestic has drilled 12,764 metres in 59 holes. In 2016 First Majestic drilled 12,566 metres in 58 holes. A significant amount of this drilling has been targeted on the Santa Elena Norte and Ermitaño West prospects. Additionally, the Company acquired a high resolution SPOT satellite image covering approximately 175,000 hectares to carry out structural interpretations. Alteration mapping with the support of the Terraspec ASD ® spectrometer has also been completed in the Santa Elena Norte and Ermitaño West prospects.

Sampling Analysis and Security

The 2006 sampling by SilverCrest consisted of continuous surface channel sampling along exposed road cuts and outcrops. The underground verification channel sampling program consisted of semi-continuous horizontal sampling of identified Frontеer sample locations. The samples were collected over selected intervals, placed in plastic bags and periodically shipped to ALS-Chemex in Hermosillo México for preparation, with sample pulps shipped to and analysed by ALS-Chemex, North Vancouver, BC. The 2006, 2007 and 2008 core drilling procedure included the collection and labelling of the drill core. After logging and identifying the mineralized zone, core was selected for splitting and sampling. The 2008 RC drilling program consisted of collecting chips and cataloguing. The 2012 and 2013 drilling program included procedures for the collection and labelling of the drill core. A total of 15 drill holes were first drilled by RC methods and finished with diamond core tails with a further four drilled purely as RC of HQ size drill core (63.5 millimetres diameter). Although RC cuttings were not retained, a number of samples from the hanging wall were sampled.

The drill core was recovered and stored in vinyl boxes, each of which contains approximately 2.25 metres of core. Drill runs were identified in the field by drillers using markers in the core boxes at three metre intervals. These intervals were validated by SilverCrest geologists. Recovered drill core was boxed by the drillers on-site. The core boxes were collected and delivered twice daily to the on-site core logging facility where the core was logged and sampled by SilverCrest technical staff. Core is currently stored on-site for future viewing and reference. Core logging procedures included review of the core quality and recording of recovery, lithological, geotechnical and mineralogical data within standardized company logging forms. After characterizing the mineralization, SilverCrest geologists marked the start and end of each interval for sampling. The drill core sample lengths range from 0.11 to 36.7 metres (the latter was checked in supplied drill logs as being correct) and mode of approximately two metres. Not all drill holes were entirely sampled. The average sample length used in the 2013 resource is 1.74 metres.

Sample intervals were recorded on the core box with sample tags. The intervals were marked on the drill core which was cut in half by a SilverCrest technician using a diamond saw blade. Half of the core was sealed in a sample bag with the corresponding sample tag. The other half of the core sample was returned to the core box for company record and future viewing. Sample numbers, intervals, and descriptions were recorded on the standardized drill logs. SilverCrest inserted CRMs, blanks and duplicates samples at regular intervals into the sampling stream. In addition, internal laboratory QA/QC procedures were followed.

The 2013-2014 drilling program included procedures for the collection and labelling of the drill core. The entire core was checked to make sure it was placed and oriented well. The core boxes were marked with the start and end of each box run. While doing this the geologists looked over the core to have a general idea of the geology and mineralization before starting their description. The core was photographed and logged in detail. The samples were measured based on the above sample requirements and included the percent recovery within the drill run. There were marker tags put in at the start of each sample. If there was a sample that had no sampling to be done after because of waste rock then a marker was put in to indicate the end of the sample for the core cutter. The core was then cut with an electrical diamond saw into halves. The uncut half of the core was carefully placed back into the correct location in the box. After cutting the interval, samples were placed in a bag marked with the sample number, hole name and project name. The sample identification tag was then placed in the bag and the bag was tied.

For standards, CRMs contain known metal concentrations (grade and variability). They are used to assess analytical accuracy and to detect biases by comparing the assay results against the expected grade of the standard. The Company created a reference standard from the source deposit processed in CDN Laboratory. Using those results, materials were measured out on a scale and put into envelopes containing 100 grams. Lab sheets were filled out and the samples were delivered to the lab. Rejects and pulps were picked up directly from the lab as soon as the assay was completed and were stored in the core storage in Santa Elena. Samples collected, that are to be used for resource or reserve evaluation, should contain a minimum of one kilogram of sampled material when appropriate. Exceptions may include narrow widths sampled in outcrop or core intervals where collecting a one-kilogram sample is impractical. However, in these cases the sample must be representative of the total material being assessed.

Four different sample types have been taken to date at the underground of the Santa Elena mine: (i) infill drill core samples, (ii) channel (chip) samples, (iii) muck samples and (vi) long-hole drilling samples:

Infill Drill Core Samples

Infill drill core samples consist of the 2015 underground infill and delineation drilling program, comprising of 66 drill holes of NQ drill core (47.5 millimetres diameter). Sampling protocols included procedures for the collection and labelling of the drill core. After the drill core was recovered, it was stored in vinyl boxes, each of which contains approximately 2.25 metres of core. Drill runs were identified in the field by drillers using markers in the core boxes at three-metre intervals. These intervals were validated by SilverCrest geologists. Recovered drill core was boxed by the drillers on-site. The core boxes were collected and delivered twice daily to the on-site core logging facility where the core was logged and sampled by SilverCrest technical staff. Core is currently stored on-site for future viewing and reference. Core logging procedures included review of the core quality and recording of recovery, lithological, geotechnical and mineralogical data within standardized company logging forms. After characterizing the mineralization, SilverCrest geologists marked the start and end of each interval for sampling. The drill core sample lengths range from 0.45 to 2.65 metres and mode of approximately 1.5 metres. The drill core is sampled in the entire mineralized zone. A total of 1,124 samples were collected.

Sample intervals were recorded on the core box with sample tags. The intervals were marked on the drill core which was cut in half by a SilverCrest technician using a diamond saw blade. Half of the core was sealed in a sample bag with the corresponding sample tag. The other half of the core sample was returned to the core box for company record and future viewing. Sample numbers, intervals, and descriptions were recorded on the standardized drill logs. SilverCrest inserted CRMs, blanks and duplicates samples at regular intervals into the sampling stream. In addition, internal laboratory QA/QC procedures were followed.

The 2015 drilling program included procedures for the collection and labelling of the drill core. The entire core was checked to make sure it was placed and oriented well. The core boxes were marked with the start and end of each box run. While doing this the geologists looked over the core to have a general idea of the geology and mineralization before starting their description. The core was photographed and logged in detail. The samples were measured based on the above sample requirements and included the percent recovery within the drill run. There were marker tags put in at the start of each sample. If there was a sample that had no sampling to be done after because of waste rock then a marker was put in to indicate the end of the sample for the core cutter. The core was then cut with an electrical diamond saw into halves. The uncut half of the core was carefully placed back into the correct location in the box. After cutting the interval, samples were placed in a bag marked with the sample number, hole name and project name. The sample identification tag was then placed in the bag and the bag was tied.

For standards, CRMs contain known metal concentrations (grade and variability). They are used to assess analytical accuracy and to detect biases by comparing the assay results against the expected grade of the standard. SilverCrest created a reference standard from the source deposit processed in CDN Laboratory. Using those results, materials were measured out on a scale and put into envelopes containing 100 grams. Lab sheets were filled out and the samples were delivered to the lab. Rejects and pulps were picked up directly from the lab as soon as the assay was completed and were stored in the core storage in Santa Elena. Samples must be representative of the total material being assessed.

Core and surface chip samples collected during 2016 were analyzed in First Majestic´s Central Lab and SGS Lab in Durango. Most samples for resource update and resource estimation were analyzed at SGS. Underground chip samples were analyzed at Santa Elena's mine lab.

The assay QA/QC program currently followed at Santa Elena consists of the following quality control samples, which represent an insertion rate of 20% of the original samples: three reference standard materials, coarse and pulp blanks, field duplicates, coarse and pulp duplicates and pulp checks that are sent to a commercial certified laboratory. Quality assurance consists of performing basic statistics for assays of the quality controls and doing visual inspection on correlation plots prepared with the assay data of the quality controls.

Channel Samples (Chip Samples)

Channel samples (chip samples) consist of:

- Face Channel Samples, where: (a) every round of a new development face is sampled, for that purpose the geologists mark the channel to be taken to the geological assistants; (b) this mark is done around 1.5 metres from the floor elevation, from the foot-wall to the hanging-wall the channel is divided according to the lithology or features of the face, not taking samples greater than 1.5 metres; (c) the sampler takes the samples based on the marked provided by the geologist using a chisel and hammer; (d) to recover the sample the crew use a plastic canvas that is cleaned after every sample is collected; (e) the sample has an identification number that helps recognize the precedence and assay from the lab; and (f) on every face the geologist marks a composite line that is for QA/QC duplicates. A blank sample is introduced every face, usually after the highest grade are identified by the geologist.

- Back Sample, where: (a) channels are marked by the geologist every 10 metres along the back to be sampled; (b) from the footwall to the hanging wall - the channel is divided according the lithology or features of the back, not taking samples greater than 1.5 metres; (c) the sampler arrives to the area and takes the samples based on the mark provided by the geologist - these samples are taken on the lifter (tele handler), using a chisel and hammer (d) to recover the sample the crew use a plastic canvas that is cleaned after every sample is collected - this is on the floor of the lifter; (e) the samples have an identification number that help recognize the procedure and assay from the lab.

- Exploration Crosscuts Sample, where: (a) this mark is done around 1.5 metres from the floor elevation, from the footwall to the hanging wall – the channel is divided according to the lithology or features of the face, not taking samples greater than 1.5 metres, marks are done in both walls of the cross-cut; (b) the sampler arrives to the face and takes the samples based on the mark provided by the geologist using a chisel and hammer; (c) to recover the sample the crew use a plastic canvas that is cleaned after every sample is collected; and (d) the samples has an identification number that help recognize the precedence and assay from the lab.

Muck Samples

The procedure followed in respect of the muck samples is to have all trucks that are sent from underground as ore (from stopes, slashes, development) dumped in the stock piles of the primary crusher and sampled. Every morning and afternoon the samplers arrive to site and wash the muck; from every muck pile, a 75 centimetre distance grid is marked and a sample is taken in all of

the intersections of that grid. The sample has an identification number that help recognize the precedence and assay from the lab. QA/QC control consists of rejects resampled from the highest grade samples.

Long Hole Drilling Samples

The objective of the long hole drilling sample method is to sample all the holes that are going to be drilled in that shift. The geologist and the operations team communicate as to where drilling will be done and samples of the cuts of the drill hole are taken every two rods (approx. three metres); there are as many bags as the length of the hole, with each bag having the name of the hole that is being drilled. The bags are then analyzed by the geologist to choose one or two representative samples using a splitter. The samples have an identification number that help recognize the precedence and assay from the lab.

For the 2012-2013 sampling, two analytical laboratories were used for sample analyses: Nusantara de México S.A. de C.V (" **Nusantara Lab**"), an on-site grade control laboratory for Santa Elena operations; and ALS-Chemex. Nusantara Lab either prepared and analysed samples, or prepared and transported samples to ALS-Chemex in Chihuahua or Hermosillo for further preparation before being sent to ALS-Chemex in Vancouver for analyses. For the 2013-2014 sampling, three analytical laboratories were used for sample analyses: Nusantara Lab, ALS-Chemex and Inspectorate. Nusantara Lab either prepared and analysed samples, or prepared and transported samples to ALS-Chemex or Inspectorate in Hermosillo for further preparation before being sent to ALS-Chemex or Inspectorate Mining and Metals in Vancouver for analyses.

For the leach pad material sampling, preparation and analyses for 2012 to 2013, all sampling was carried out by SilverCrest's geologists and sampling protocols adopted the following procedures: (a) plastic bags were placed in a tray in the vertical outlet of the cyclone and into a container to avoid loss of material; (b) full interval was sampled and samples were taken at multiple orders according to the depth of the hole; for holes with a length of 10 and 20 metres, samples were taken every two metres; for holes with length of 15 metres, samples were collected every three metres, and only one five metre sample was collected for holes with five metre length; (c) all bags were labelled with the corresponding depth; and (d) the samples were delivered to the Nusantara Lab for splitting to pulverization and additional splitting to generate aliquot for analyses. All samples were handled by geologists at Santa Elena site. Samples were sent to the Nusantara Lab for analyses. Analytical method for gold included Fire Assay finishing in AA as well as gravimetric analyses for comparison purposes and for silver an Aqua Regia digestion finishing in AA. Blanks and CRM were inserted by exploration personnel prior to the sampling preparation at the Nusantara lab to carry out a QA/QC protocol in the preparation and analyses of the samples collected by the drilling program on the pad. The results did not indicate deviations from the blanks and CRMs assay values.

For the 2015 infill and delineation sampling, Nusantara Lab, the on-site grade control laboratory for Santa Elena operations was used.

Data Verification and Security of Samples

Historical data prior to the 2006 SilverCrest drilling campaign is not included in the current geological database.

During April 2006, Scott Wilson Roscoe Postle Associates (" **SWRPA**") collected select samples for verification, including an underground continuous channel sample and quarter splits of drill core and sent to ALS - Chemex in Hermosillo with a regular shipment of core samples. Overall, the grade comparisons are considered to be within acceptable ranges.

In May 2006, SilverCrest collected 15 underground channel samples to verify the sampling results of Fronteer samples. Although there was variation in the data, SWRPA considered it acceptable at this stage of property development to use the Fronteer data in the resource estimate. Gravimetric silver grades were consistently higher compared to both the Fronteer and the SilverCrest silver fire with AA finish results. The result lends support to the higher values. The fire assay with AA results was used in the resource estimate as they were more similar to the Fronteer results which were also used.

In addition to the underground sampling by SilverCrest, SilverCrest completed silver geochemical analyses on 289 surface samples for fire assay AA finish and fire assay gravimetric analyses. Results show an overall 20.3% increase in silver grade using silver gravimetric assays. AA silver results were used in the resource estimation and are considered conservative for grade estimation. For QA/QC, duplicate analyses on 16 of 298 samples were completed at ACME Laboratories in Vancouver on ALS-Chemex pulps from core sampling and preparation. Although the ACME results have a higher detection limit, the limited results on the duplicate pulps show consistent correlation of grades between laboratories. During the 2008 drilling, approximately every 20th sample was duplicated in a different laboratory for QA/QC purposes. The comparison for 2008 drill sample results show average gold and silver results to be similar and within acceptable limits for QA/QC. The authors of the Santa Elena Report are of the opinion that the data meet accepted industry standards and are suitable for use in estimating resources.

EBA Engineering Consulting visited the Santa Elena mine between May 10-11, 2012 and October 13-14, 2012 (during the 2012–2013 drilling campaign). At this time, rock exposure in the open pit and exploration underground decline were inspected, sample collection and logging procedures were reviewed, verification samples were collected and recommendations for sampling quality control measures were made.

Insertion of CRMs at regular intervals was completed by SilverCrest staff during the 2013-2014 Santa Elena drill program. SilverCrest inserted 114 blank samples in a random fashion and near to expected high grade samples during the 2013-2014 drilling program, each blank was labelled "Blank" or "Blanco" in the drill hole data base.

First Majestic's internal qualified person has reviewed the data verification methods at Santa Elena and believes that the methods meet an industry standard of practice and are sufficient to support estimation of Mineral Resources and Mineral Reserves.

Mineral Processing and Metallurgical Testing

There has been varied metallurgical test work done on the Santa Elena mine over the last thirty years. More recently, metallurgical test work was carried out by Inspectorate Mining and Metals (" **Inspectorate**") in their Richmond, BC facility on samples from Santa Elena. Inspectorate also generated slurry samples for testing at Pocock Industrial in Salt Lake City for thickening and filtration characterization. Additional test work was carried out in Sonora at the University of Sonora.

As detailed in the Santa Elena Report, extensive metallurgical test work including ongoing operations data show that all declared Mineral Reserves are amenable to conventional leaching by standard CCD milling with a Merrill-Crowe recovery system for doré bar production.

Metallurgical Operational Results up to December 31, 2016

The Santa Elena heap leach operation was completed in mid-2014 with the transition to the new CCD/MC processing facility. As of *December 31, 2016*, 1.9 million tonnes of leach pad material remain and has been fully or partial leached with overall recovery rates of 60% gold and 30% silver. The leach pad material ore is currently being reprocessed through the new processing facility. No crushing is required for this ore with direct feed to a reclaim stockpile area where it is mixed with crushed underground ore. The new 3,000 tpd conventional CCD/MC processing facility was commissioned between May to August 2014 and commercial production was declared on August 1, 2014.

For 2016, a total of 0.99 million tonnes of ore with average grades of 1.62 grams per tonne gold and 92 grams per tonne silver were processed through the new facility. The overall blend (mix) of pad ore, and underground ore was approximately 50/50. A total of 2.6 million ounces of silver and 48,676 ounces of gold were produced in 2016.

Mineral Resources and Mineral Reserves

The update to the Mineral Reserves and Mineral Resources (underground and leach pad) for the Santa Elena mine is shown in the table below. Only Indicated Mineral Resources were used to define Mineral Reserves in the updated mine plan.

To summarize, as of December 31, 2016, total Probable Mineral Reserves are 4.48 million tonnes grading 77 grams per tonne silver and 1.21 grams per tonne gold, containing 11.1 million ounces of silver and 174,000 ounces of gold. Updated Indicated Mineral Resources (inclusive of Probable Mineral Reserves) are estimated at 4.51 million tonnes grading 89 grams per tonne silver and 1.44 grams per tonne gold, containing 12.9 million ounces of silver and 209,000 ounces of gold. Updated Inferred Mineral Resources are estimated at 0.59 million tonnes grading 103 grams per tonne silver and 2.04 grams per tonne gold, containing 1.96 million ounces of silver and 39,000 ounces of gold.

The following tables set forth the updated estimated Mineral Reserves and Mineral Resources for the Santa Elena Silver / Gold Mine sourced from the internal estimates prepared by First Majestic under supervision of its internal QPs as of December 31, 2016:

TABLE 18
Santa Elena Mineral Reserves Estimates with an Effective Date of December 31, 2016
(update prepared under the supervision of Ramon Mendoza Reyes, P.Eng., QP Mining for First Majestic)

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
SANTA ELENA	Probable (UG)	Sulphides	2,597	110	1.63	215	9,208	17,927
	Probable (PAD)	Oxides Spent Ore	1,882	31	0.62	71	1,857	4,275
	Total Probable	Oxides + Sulphides	4,479	77	1.21	154	11,065	22,202

(1) Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $18.00/oz Ag, $1,250/oz Au, the effect of the Sandstorm Stream is also considered.
(3) Cut-off grade considered for UG ore was 155 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Cut-off grade considered for Spent ore was 65 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(5) Metallurgical recovery used was 89% for silver and 95% for gold.
(6) Metal payable used was 99.85% for silver and gold.
(7) Silver equivalent grade is estimated as:
Ag-Eq = Ag Grade + (Au Grade x Au Recovery x Au Payable x Au Price) / (Ag Recovery x Ag Payable x Ag Price).
(8) Dilution for underground mining includes consideration for internal dilution for designed stopes, and an additional 8% dilution due to material handling. Mining loss is estimated at 6%.
(9) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(10) Totals may not add up due to rounding.

With the update to Mineral Reserves, the Santa Elena LOM is scheduled to continue for five years at a nominal milling rate of 2,750 tpd with reduced throughput in the last year upon depletion of the leach pad reserves. The mine schedule is based on mining long-hole stopes early in the mine life at lower costs with small reserve being mined using cut and fill stopes towards the end of the mine schedule.

TABLE 19
Santa Elena Mineral Resources Estimates with an Effective Date of December 31, 2016
(update prepared under the supervision of Jesus M. Velador Beltran, MMSA, QP Geology for First Majestic)

Measured and Indicated Mineral Resource

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
SANTA ELENA	Indicated (UG)	Sulphides	2,629	131	2.03	259	11,083	21,859
	Indicated (PAD)	Oxides Spent Ore	1,882	31	0.62	70	1,857	4,230
	Total Indicated	Oxides + Sulphides	4,511	89	1.44	180	12,940	26,089

Inferred Mineral Resources

Mine	Category	Mineral Type	k tonnes	Ag (g/t)	Au (g/t)	Ag-Eq (g/t)	Ag (k Oz)	Ag-Eq (k Oz)
SANTA ELENA	Inferred (UG)	Sulphides	591	103	2.04	232	1,966	4,408

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves.
(2) Metal prices considered were $19.00/oz Ag, $1,300/oz Au, the effect of the Sandstorm Stream is also considered.
(3) Cut-off grade considered for UG ore was 145 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(4) Cut-off grade considered for Spent ore was 70 g/t Ag-Eq and is based on actual and budgeted operating and sustaining costs, and metallurgical recoveries.
(5) Metallurgical recovery used was 89% for silver and 95% for gold.
(6) Metal payable used was 99.85% for silver and gold.
(7) Silver equivalent grade is estimated as: Ag-Eq = Ag Grade + (Au Grade x Au Recovery x Au Payable x Au Price) / (Ag Recovery x Ag Payable x Ag Price).
(8) Tonnage is expressed in thousands of tonnes, metal content is expressed in thousands of ounces.
(9) Totals may not add up due to rounding.
(10) Measured and Indicated Mineral Resources are reported inclusive of Mineral Reserves.

Mining Operations, Exploration, Development and Production

Initially, the Santa Elena open pit heap leach mine was constructed in late 2009 and 2010 and was operational from 2010 to 2015. During 2013 and 2014, the open pit heap leach was transitioned into an underground, milling and CCD/MC 3,000 tonne per day processing facility. As of December 31, 2015 the underground mine was fully operational and producing steadily. The Santa Elena ore body varies in dip and thickness along strike and at depth. As a result, two well established underground mining methods have been selected for ore extraction, as follows:

Table 20
Selected underground mining methods

Orebody Geometry	Mining Method
Dip > 55 degrees, Thickness > 5 metres	Longitudinal Long hole Stoping (including Avoca)
Dip < 55 Degrees, > 5 metres	Mechanized Cut and Fill

In general, conventional mechanized mining methods have been selected. As of December 31, 2015, First Majestic has undertaken ore development, production drilling, blasting and loading operating its own equipment, and is using a contractor for the waste rock and ore haulage to surface. A contractor is retained to carry out the main ramp development. Approximately 89% of stoping is expected to be by long hole method and 11% by cut and fill methods. Most long hole stopes are produced early in the mine schedule. Average stope width is 10 metres.

Mining of the heap leach spent ore (" **pad ore**") is completed by loader and conveyor to transport material to the plant .

As of December 31, 2016, the main ramp had been developed to approximately the 440 metre elevation with development drifts every 25 metres from the level 700 to the 475 metre level (elevations above sea level). Underground stope production during 2016 consisted of long hole stoping of Stope #15 to Stope #21 which were located mainly east of the Fault B and preparation of stopes #22 to #30. Mineral reserves from the open pit were depleted in April 2015.

During 2016, First Majestic continued the development of the Alejandra and Alejandra Bajo narrow veins and prepared the levels 550, 575, 600, 625 and 655. These veins are being mined using the cut and fill mining method. In 2016 the Company started the development of a second ramp called the San Salvador ramp. At the end of 2016, total development of the new San Salvador ramp reached 1,486 metres, or 65% of a 2,300 metres development plan. The new ramp will connect to the Main Vein along level 575 by April 2017. Once the ramp is completed, it is expected to improve underground productivity by reducing trucking bottlenecks.

First Majestic's mining schedule estimates the tonnages to be mined from the underground and the existing pad ore to feed the process plant at a nominal rate of 2,750 tpd. The schedule is based on optimizing higher grade long hole stopes first, with more costly cut and fill mining in the main vein left for later in the mine life. An underground mining schedule has been developed for the stopes in the reserve model and for development required to access the stopes throughout the life of mine. A 55%/45% mix (underground to pad ore) is assumed for the LOM.

Milling Operations

The ore from underground reserves is currently processed by conventional milling and cyanide leaching technology. In addition, partially leached material from the existing heap leach operations is blended with underground ore at a variable rate and reprocessed through the same plant. Santa Elena ore (Underground and pad ore) contains an estimated grade of 1.19 grams per tonne gold and 76.3 grams per tonne silver and after crushing and grinding has historically been leached in cyanide to yield approximately 92.5% gold recovery and 85.5% silver recovery. Because of the relatively high level of silver in the ore (and hence solutions) there are advantages and benefits to using traditional CCD and Merrill-Crowe for metal recovery rather than carbon-in-leach/carbon-in-pulp ("**CIL**/**CIP**") process. The partially leached pad ore yielded recoveries of approximately 60% gold and 30% silver when crushed to 10 millimeters and processed on the heap leach (partial leach cycle to Q2 2014). On re-leaching after grinding in the new plant, the balance of the metals are recovered to the level expected from fresh ore from underground, at a rate of 95% for gold and 89% for silver. The process plant has been designed to treat a nominal 3,000 tpd of ore, a mixture of freshly mined material and partially leached heap leach residue, but First Majestic has found that after increasing the retaining time in the ball mill in order to achieve a finer particle, the metallurgical recovery of silver has increased significantly, which has resulted in a reduction of the nominal plant feed to 2,750 tpd. The plant has been designed to treat any proportion of these two types of feed.

Infrastructure, Permitting and Compliance Activities

As of December 31, 2014, all transition projects have been fully constructed, commissioned and commercial production announced. Much of the same infrastructure facilities utilized for the open pit mine continue to be used for the new operations, including, but not limited to, access roads, waste dumps, explosive magazines, office buildings, fuel storage facilities, power generation, primary crushing equipment, heap leach pads and solution collection ponds.

Environmental studies were conducted on the open pit excavation that occurred at the Santa Elena mine. An independent Closure and Mine Reclamation Plan was created for the Santa Elena project in March 2010, and updated in January 2014, by Global Resource Engineering Ltd. This initial plan incorporated study results from baseline environmental impact, water quality and geotechnical stability studies for the original open pit, processing and waste dump. The updated plan in 2014 incorporates plans for earthworks in regards to topsoil placement on impacted grounds, earthworks for erosion control, demolition and removal of old buildings. Consideration for mine closure, remediation and ongoing monitoring and stewardship activities are included within the economic model for the Santa Elena mine. First Majestic updated these estimates internally for the year-end 2016.

Capital and Operating Costs

As of December 31, 2016, First Majestic estimated total sustaining capital costs for the remaining LOM of $32.5 million, including development, delineation and infill drilling, plant and infrastructure sustaining capital.

Table 21
Capital Cost Estimates

Sustaining Capital Cost, Including Exploration Drilling Expense

Mill Sustaining Capital	$	2,500
Underground waste development expenses		21,700
Underground equipment and infrastructure		6,500
Underground and surface drilling		7,400
TOTAL CAPITAL COSTS:	$	38,100

Note: All numbers in thousands of US dollars, rounded to the nearest thousand.

Operating Costs

Operating costs for Santa Elena have been estimated for the underground mining, processing costs and general and administrative costs. First Majestic currently estimates the LOM plan operating costs at an average of $51.75 per tonne of ore processed based on current and projected costs. The life-of-mine plan assumed an approximate 55% underground ore to 45% pad ore blend.

Table 22
Operating Costs estimates

Mining Method	**Underground Long Hole Average**	**Underground Cut & Fill Average**	**Leach Pad Reprocess**
Process Method	CCD Mill	CCD Mill	CCD Mill
Mining Cost/tonne (1)	$22.50	$27.00	$0.00 (2)
Processing Cost/tonne (3)	$21.70	$21.70	$23.70
Indirect Cost/tonne (4)	$5.30	$5.30	$5.30

(1) Long hole stopes in Main Vein are 86% of designed stopes and cut & fill stopes are 14% of designed stopes. Mining in Narrow Veins is designed with cut & fill. Excludes ore development costs. Includes adjustment for exchange ratio impact in the mining costs.
(2) Mining cost of spent ore on leach pad is covered under processing costs.
(3) Processing includes crushing, milling, site refining and dry stack tailings disposal.
(4) Estimated based on current operations and may vary on an annual basis.

Plomosas Silver Project

The Plomosas Silver Project is located approximately 94 kilometres southeast of Mazatlan in southeast Sinaloa State, México and is adjacent to the town of Rosario. Access to the Plomosas Silver Project is by driving approximately 220 kilometres of toll road from Durango city to Rosarios, then driving south and east another 31 kilometres of paved road to the village of Matatán and finally 30 kilometres of dirt road to the village of La Rastra. The Perleros camp site at Plomosas is a further four kilometres from La Rastra.

The Plomosas mining district is historically known as a significant area for silver, gold, lead and zinc production. The two key areas of interest within the property 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, a 20-year surface rights agreement in good standing, a 30-year water use permit, tailings dam, 60-kilometre 33 KV power line, 120-man camp, infirmary, offices, shops and warehouses, and an assay lab. Extensive underground development at the Rosario and San Juan mines allows rubber tire access to mineralized zones. These existing developments are expected to allow First Majestic to accelerate development at a significant cost savings when and if it determines to proceed with the project.

Plomosas is 100% owned by First Majestic's Mexican subsidiary Minera La Rastra S.A. de C.V. and was acquired in July 2012 as a result of the acquisition of Silvermex. The mining claims consist of 13 mining concessions covering 6,986 hectares.

The Company is utilizing the mining camp infrastructure to maintain the old structures under care and maintenance. Future plans include the continued exploration at depth and along strike of the existing known structure and collection of material for advanced metallurgical testing.

A 2001 report by Grupo México states that the Rosario Mine has estimated historic resources of 895,000 tonnes grading 192 g/t Ag, 3.4 % Zn, 2.1 % Pb, and 0.8 g/t Au. According to this report, the reported resources were estimated by the time Grupo México was closing operations at Rosario in 2000. The 2001 report contains longitudinal sections with grades and tonnages but it does not have details about the method or assumptions used for the estimates. The mine has extensive development and has been partially refurbished by the previous operator in preparation for an 800 tpd operation and has also been dewatered and undergone partial rehabilitation. The historic reserves are located in a number of mineral zones, which include the Veta Plomosas, Plomositas, Lead/Zinc stock work and silver stock work. Extensive data collection, underground mapping, control surveys, resource modeling and preliminary exploration programs have been completed by the prior operator. An extensive underground channel sampling program has been completed at Rosario, which yielded positive results with numerous high grade intersections of gold, silver, lead and zinc. The stock work zones may have potential for tonnage expansion along the strike and dip of the Rosario fault structure.

The San Juan mine is located near the old Plomosas mill site. Extensive data collection, underground mapping, control surveys and exploration programs have been completed at San Juan by previous operators. The San Juan development consists of a main adit approximately 5 metres in width, 5 metres in height and 250 metres long, a crosscut extending easterly for 150 metres, plus a ramp with a further 150 metres development. The mineralized structure averages 3 metres in width and has been traced down dip for approximately 150-200 metres. A decline has been drilled into the San Juan zone and has been tested over a vertical distance of 40 metres with the zone still open to depth.

The Company's Qualified Persons have been coordinating the work for the verification of the information supporting the historical estimates at Plomosas. The historical estimates at Plomosas do not conform to NI 43-101 for reporting purposes; as such, the Company is not treating these historical estimates as current Mineral Reserves or Mineral Resources. Since the historical estimates do not have demonstrated current economic viability, these estimates should not be relied upon until the verification process and due diligence in progress by the Company's Qualified Person is completed. In order to verify or upgrade the historical estimates, the Company will need to complete a diamond drilling program at the Rosario and San Juan mines to confirm the historical estimates reported by Grupo México and a second exploration program focused on locating extensions of the known mineralization. Other work required to verify the historical estimates as current includes, but it is not limited to: re-survey of underground workings, re-survey of available exploration drill-hole monuments, review of drilling, sampling and assays databases, and the re-assessment of the estimates following CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines and CIM Definition Standards on Mineral Resources and Mineral Reserves.

The Company started exploration activities at Plomosas in the fourth quarter of 2016. Exploration works consisted on drilling 1,055 metres in three underground holes in the historical Plomosas mine. The objective of the drilling campaign is to explore the continuity of the Plomosas vein at depth. Additionally, the Company retained the services of MPX and Ellis consulting to carry out a high resolution airborne magnetic survey over the whole property (approximately 8,500 hectares). Exploration activities are continuing into 2017 with a planned drill campaign totalling 40,000 metres.

La Luz Silver Project

The La Luz property is located approximately 25 kilometres west of the town of Matehuala in the San Luis Potosí state of México which lies about 259 kilometres to the south of the industrial city of Saltillo and about 170 kilometres north of the city of San Luis Potosí. Access to Matehuala from the major cities is via the north-south Highway 57 which connects México City to the United States.

Real de Catorce is an old mining district with an estimated historic production, between 1773 and 1990, of 230 million ounces of recovered silver. The majority of production (150 million ounces) occurred from 1773 to 1804 with the remainder occurring

after 1851. A former operator estimated that the average grade of all production over the life of the mines was about 1,350 g/t silver (Grace, 1997).

The property was acquired by First Majestic in November 2009 as a result of the purchase of all the issued and outstanding shares of Normabec Mining Resources Ltd. The property consists of 22 mining concessions covering 6,327 hectares.

As disclosed in the Real de Catorce Property Technical Report dated July 25, 2008 and the Real de Catorce Property Technical Report dated July 30, 2007, La Luz property is estimated to contain an aggregate of 28.8 million ounces of measured and indicated underground resources (silver only), and an aggregate of 4.1 million ounces of measured resources in tailings (silver only). The Company has decided to treat the La Luz mineral resource estimates as a Historical Resource. The 2008 estimates at La Luz require additional work to conform to current NI 43-101 requirements for reporting purposes and as such, the Company is not treating these historical estimates as current Mineral Reserves or Mineral Resources. Since the historical estimates do not have demonstrated current economic viability, these estimates should not be relied upon until the verification process and due diligence in progress by the Company's Qualified Person is completed.

In order to verify or upgrade the historical estimates, the Company will need to complete a twin diamond drilling program at the Veta Madre and Restauradora veins to confirm the historical estimates reported by Normabec in 2008 and a second exploration program focused on locating extensions of the known mineralization. Other work required to verify the historical estimates as current includes, but it is not limited to: re-survey of underground workings, re-survey of available exploration drill-hole monuments, review of drilling, sampling and assays databases, and the re-assessment of the estimates following CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines and CIM Definition Standards on Mineral Resources and Mineral Reserves.

The Company's plans for exploring and developing the La Luz resources are on hold pending the settlement of constitutional legal matters between the Company and the federal government and the local Huichol indigenous people who have requested that the area of the mining concessions be turned into a "biosphere reserve" which has prevented the Company from moving forward with its permits and its development plans.

La Joya Silver Project

The La Joya property is approximately 75 kilometres southeast of the city of Durango, México near the intersection of 23 degrees 52' north latitude, and 103 degrees 55' west longitude or 609,700 east and 2,640,100 north (UTM WGS 84, zone 13Q). The property elevation ranges from 2,000 to 2,600 metres above sea level. The community of La Joya has a population of approximately 1,000 people and is located nine kilometres southwest of the La Joya property.

The property was acquired by First Majestic in October 2015 as a result of the purchase of all the issued and outstanding shares of SilverCrest. The property consists of 15 concessions with a total nominal area of 10,656 hectares. The La Joya concessions are contiguous within the area and are registered with the México Mines Registry.

The La Joya property can be accessed year round by road, commencing by a paved highway going southeast from city of Durango to the city of Vicente Guerrero, a distance of approximately 80 kilometres, then north along a paved secondary road to the community of La Joya, a distance of approximately 10 kilometres, and then by a network of farming and agricultural access dirt roads that span approximately 10 kilometres east of the community of La Joya. La Joya property is located 20 kilometres northeast of the Company's La Parrilla Silver Mine.

The La Joya deposits are carbonate hosted copper skarn deposits with associated silver and gold mineralization. Calc-silicate skarn mineralization is found on the property as andradite garnet, pyroxene, actinolite and wollastonite and is distributed amongst three styles of mineralization recognized to exist on the property. Silver-copper-gold (Ag-Cu-Au) mineralization is concentrated within stratiform manto-style skarn controlled along sub-horizontal bedding (Manto style mineralization). Silver-copper-gold, lead-zinc and tungsten (Ag-Cu-Au, Pb-Zn, and W) mineralization is concentrated within structurally controlled stockwork and veining related skarn (Structure style mineralization). Finally, tungsten (W) mineralization is found within late stage retrograde skarn development along the intrusive contact (Contact Skarn style mineralization). Sulphide mineralization generally transitions from chalcopyrite-dominant in proximal skarn to bornite-dominant in distal skarn.

As disclosed in the Preliminary Economic Assessment for the La Joya Property Technical Report dated October 21, 2013 prepared by EBA Engineering Consultants Ltd., and Tetra Tech WEI Inc. (now collectively "**Tetra Tech Canada Inc.**") when considering a cutoff grade of 60 grams per tonne of silver equivalent, La Joya property is estimated to contain an aggregate of 92.9 million ounces of inferred resources (silver equivalent) contained in 27.9 million tons of mineralized material which could be extracted

by open pit mining methods. Mineral Resources are based on mineralization with potentially recoverable metals: silver, copper and gold.

The Company currently has no plans to explore or develop the La Joya project and as such, the project is in care and maintenance.

Risk Factors

Investment in securities of the Company should be considered a speculative investment due to the high-risk nature of the Company's business which is the acquisition, financing, exploration, development and operation of mining properties, and investors should carefully consider all of the information disclosed in this AIF prior to making an investment in the Company. While First Majestic engages in certain risk management practices, there can be no assurance that such measures will limit the occurrence of events that may negatively impact the Company as many factors are beyond the control of the Company. In addition to the other information presented in this AIF, the risk factors that follow should be given special consideration when evaluating an investment in the Company's securities.

Operational Risks

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 First Majestic'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.

Inaccuracies in Production and Cost Estimates

The Company prepares estimates of future production and future production costs for particular operations. No assurance can be given that production and cost estimates will be achieved. These production and cost estimates are based on, among other things, the following factors: the accuracy of Mineral Reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; equipment and mechanical availability; labour; and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out the Company's activities. Failure to achieve production or cost estimates, or increases in costs, could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; and risks and hazards associated with mining described under "Operating Hazards and Risks" in this section of the AIF. 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. Costs of production may also be affected by a variety of factors, including: dilution, widths, ore grade and metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Future Exploration and Development Activities

The Company has projects at various stages of development and there are inherent risks in the development, construction and permitting of all new mining projects. Exploration and development of mineral properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses

may be required to establish economic reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting precious metals from ore. The Company cannot ensure that its current exploration and development programs will result in profitable commercial mining operations. Also, substantial expenses may be incurred on exploration projects which are subsequently abandoned due to poor exploration results or the inability to define resources which can be developed and mined economically.

The economic feasibility of development projects is reliant upon many factors, including the accuracy of Mineral Reserve and Resource estimates, metal recoveries, capital and operating costs, government regulations relating to prices, taxes, royalties, land tenure, land use, importing, exporting, environmental protection, and metal prices, which are highly volatile. Development projects are also subject to the successful completion of economic evaluations or feasibility studies, issuance of necessary governmental permits and availability of adequate financing. Furthermore, material changes in developing resources into economically viable Mineral Reserves can be effected by ore grades, widths and dilution or metal recoveries at any project.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of Proven and Probable Reserves, Measured and Indicated Resources and Inferred Resources are, to a large extent, based upon detailed geological and engineering analysis. Further, Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty of Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Proven or Probable Mineral Reserves as a result of continued exploration.

Need for Additional Mineral Reserves

Because mines have limited lives based primarily on Proven and Probable Mineral Reserves, the Company must continually replace and expand its Mineral Reserves as the Company's mines produce metals. The ability of the Company to maintain or increase its annual production of metals and the Company's future growth and productivity will be dependent in significant part on its ability to identify and acquire additional commercially mineable mineral rights, to bring new mines into production and to continue to invest in exploration and development at the Company's existing mines or projects in order to develop resources into minable economic Mineral Reserves.

Operating Hazards and Risks

The operation and development of a mine or mineral property involves many risks which a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include:

- major or catastrophic equipment failures;
- mine failures and slope failures;
- deleterious elements materializing in the mined resources;
- environmental hazards and catastrophes;
- industrial accidents and explosions;
- encountering unusual or unexpected geological formations;
- changes in the cost of consumables, power costs and potential power shortages;
- labour shortages or strikes;
- theft, fraud, organized crime, civil disobedience and protests;
- ground fall and underground cave-ins; and
- natural phenomena, such as inclement or severe weather conditions, floods, droughts, rock slides and earthquakes.

These occurrences could result in environmental damage and liabilities, work stoppages and delayed production, increased production costs, damage to, or destruction of, mineral properties or production facilities, personal injury or death, asset write-downs, monetary losses and other liabilities.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supplies are important determinants for capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects and may require the Company to construct alternative infrastructure (such as the water pipeline at its San Martín mine). If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's advanced projects will not be higher than

anticipated. In addition, unusual weather phenomena, sabotage, terrorism, non-governmental organization (" **NGO**") and governmental or other community or indigenous interference in the maintenance or provision of such infrastructure could adversely affect the Company's business, operations and profitability.

Although metal prices declined significantly in the last five years, the relative strength of metal prices for several years preceding 2011 led to increased mining exploration, development and construction activities around the world, which in turn resulted in increased demand for, and cost of, exploration, development and construction services and equipment. Future increases in metal prices may lead to renewed increases in demand for services and equipment which could result in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability and may cause delays due to the need to coordinate the availability of services or equipment, any of which could materially decrease project exploration and development and/or increase production costs and limit profits.

Governmental Regulations, Licenses and Permits

The Company's mining, exploration and development projects are located in México and are subject to extensive laws and regulations governing various matters including, but not limited to, exploration, development, production, price controls, exports, taxes, mining royalties, environmental levies, labour standards, expropriation of property, maintenance of mining claims, land use, land claims of local people, water use, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resource preservation, mine safety, occupational health, and the management and use of toxic substances and explosives, including handling, storage and transportation of hazardous substances.

Such laws and regulations may require the Company to obtain licenses and permits from various governmental authorities. Failure to comply with applicable laws and regulations, including licensing and permitting requirements, may result in civil or criminal fines, penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations, requiring corrective measures, requiring the installation of additional equipment, requiring remedial actions or imposing additional local or foreign parties as joint venture partners, any of which could result in significant expenditures or loss of income by the Company. The Company may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations, licensing requirements or permitting requirements.

The Company's income and its mining, exploration and development projects, could be adversely affected by amendments to such laws and regulations, by future laws and regulations, by more stringent enforcement of current laws and regulations, by changes in the policies of México and Canada affecting foreign trade, investment, mining and repatriation of financial assets, by shifts in political attitudes in México and by exchange controls and currency fluctuations. The effect, if any, of these factors cannot be accurately predicted. Further, there can be no assurance that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Company's mining, exploration and development activities and operations in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations, and new taxes, could become such that the Company would not proceed with mining, exploration and development. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from the Company's mining, exploration and development projects could result in substantial costs and liabilities for the Company such that it would halt or not proceed with mining, exploration and development at one or more of its properties.

Title to Properties

The validity of mining or exploration titles or claims or rights, which constitute most of the Company's property holdings, can be uncertain and may be contested. The Company has used its reasonable commercial efforts to investigate its title or claims to its various properties, however, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties. Mining laws in México are developing and changes in such laws could materially impact the Company's rights to its various properties or interests therein.

Although the Company has obtained title opinions for certain material properties, there is no guarantee that title to such properties will not be challenged or impugned. The Company's properties may be subject to prior unregistered liens, agreements or transfers, land claims or undetected title defects.

In México, legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands (as set out below under the heading “Local Groups and Civil Disobedience”); accordingly, title holders of mining concessions must agree with surface land owners to obtain suitable access to mining concessions and for the amount of compensation in respect of mining activities conducted on such land. If the Company is unable to agree to terms of access with the holder of surface rights with respect to a particular claim, the Company may be able to gain access through a regulatory process in México, however there is no guarantee that such process will be successful or timely or that the terms of such access will be favourable to the Company. In any such event, the Company’s returns may be adversely affected.

Local Groups and Civil Disobedience

An Ejido is a communal ownership of land recognized by the federal laws in México. Following the Mexican Revolution, beginning in 1934 as an important component of agrarian land reform, the Ejido system was introduced to distribute parcels of land to groups of farmers known as Ejidos. While mineral rights are administered by the federal government through federally issued mining concessions, in many cases, an Ejido may control surface rights over communal property through a board of directors which is headed by a President. An Ejido may sell or lease lands directly to a private entity, it also may allow individual members of the Ejido to obtain title to specific parcels of land and thus the right to rent, distribute, or sell the land. While the Company has agreements with the Ejidos that may impact its properties, some of these agreements may be subject to renegotiation from time to time. Changes to the existing agreements may have a significant impact on operations at the Company’s mines.

In the event that the Company conducts activities in areas where no agreements exist with owners which are Ejidos, the Company may face some form of protest, road blocks, or other forms of public expressions against the Company’s activities. If the Company is not able to reach an agreement for the use of the lands with the Ejido, the Company may be required to modify its operations or plans for the development of its mines.

In October 2008, production at La Guitarra Silver Mine was, prior to its acquisition by the Company (in 2012), suspended due to an illegal roadblock, which was removed in November 2009. Operations at La Guitarra resumed in May 2010, after all required permits for operations were obtained. First Majestic believes that the roadblock was an isolated incident, but there are no assurances that there will not be further disruptions to site access in the future, which could negatively impact the long-term viability of the project.

Community Relations and License to Operate

The Company’s relationships with the communities in which it operates are critical to ensuring the future success of its existing operations and the construction and development of its future projects. There is an increasing level of public interest worldwide relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain NGOs, some of which oppose globalization and resource development, are often vocal critics and attempt to interfere with the mining industry and its practices, including the use of cyanide and other hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or their operations specifically, could have an adverse effect on the Company’s reputation or financial condition and may impact its relationship with the communities in which it operates. While the Company believes that it operates in a socially responsible manner, there is no guarantee that the Company’s efforts in this respect will mitigate this potential risk.

Political and Country Risk

First Majestic currently conducts mining operations solely 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: mining royalty and various tax increases or claims by governmental bodies, expropriation or nationalization, foreign exchange controls, high rates of inflation, extreme fluctuations in currency exchange rates, import and export regulations, cancellation or renegotiation of contracts, environmental and permitting regulations, illegal mining operations by third parties on the Company's properties, labour unrest and surface access issue. The Company currently has no political risk insurance coverage against these risks.

The Company is unable to determine the potential 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 México may substantively affect the Company’s exploration, development and production activities.

Violence and other Criminal Activities in México

Certain areas of México have experienced outbreaks of localized violence, thefts, kidnappings and extortion associated with drug cartels and other criminal organizations in various regions. Any increase in the level of violence, or a concentration of violence in areas where the projects and properties of the Company are located, could have an adverse effect on the results and the financial situation of the Company.

The Company has in the past experienced several incidences of significant theft of products and other incidences of criminal activity have occasionally affected the Company's employees. The Company maintains extensive security at each of its operating facilities and has implemented detailed and timely assaying protocols and enhanced security procedures in an effort to reduce the probability of such events in the future, however, there can be no guarantee that such protocols and procedures will be effective at preventing future occurrences of thefts or other criminal activity. If similar events occur in the future, there could be a significant impact on the Company's sale of silver and on its gross and net revenues. Previous losses due to theft have in large part been recovered under the Company's insurance policies, however, any such losses in the future may not be mitigated completely or at all by the Company's insurance policies.

Environmental and Health and Safety Regulation

The Company's operations are subject to extensive laws and regulations governing environmental protection and employee health and safety promulgated by governments and government agencies. Environmental regulation provides for restrictions on, and the prohibition of, spills and the release and emission of various substances related to mining industry operations which could result in environmental pollution.

Environmental laws and regulations are complex and have become more stringent over time. The Company is required to obtain governmental permits and in some instances air, water quality, and mine reclamation permits. 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. Environmental regulation is evolving in a manner resulting in stricter standards and the enforcement of, and fines and penalties for, non-compliance are becoming more stringent. In addition, certain types of operations require submissions of, and approval of, environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

Some of the costs associated with reducing emissions can be offset by increased energy efficiency and technological innovation. However, the cost of compliance with environmental regulation and changes in environmental regulation have the potential to result in increased cost of operations, reducing the profitability of the Company's operations.

There has been increased global attention and the introduction of regulations restricting or prohibiting the use of cyanide and other hazardous substances in mineral processing activities. In addition, the use of open pit mining techniques has come under scrutiny in certain mining jurisdictions, and some governments are reviewing the use of such methods. If legislation restricting or prohibiting the use of cyanide or open pit mining techniques were to be adopted in a region in which the Company operates an open pit mine or relies on the use of cyanide, it would have a significant adverse impact on the Company's results of operations and financial condition as there are few, if any, substitutes for cyanide in extracting metals from certain types of ore.

The Company intends to, and attempts to, fully comply with all applicable environmental regulations. While the health and safety of its people and responsible environmental stewardship are the Company's 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.

Changes in Climate Conditions

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

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

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

Substantial Decommissioning and Reclamation Costs

During the year ended December 31, 2016, the Company reassessed its reclamation obligations at each of its mines based on updated Life of Mine estimates, rehabilitation and closure plans. The total discounted amount of estimated cash flows required to settle the Company's estimated obligations is $11.3 million, which has been discounted using credit adjusted risk free rates ranging from 7.6% to 8.3%, of which $2.8 million of the reclamation obligation relates to the La Encantada Silver Mine; $2.1 million relates to the Santa Elena Silver / Gold Mine; $1.9 million relates to the Del Toro Silver Mine; $1.9 million relates to the La Parrilla Silver Mine; $1.3 million relates to the San Martín Silver Mine; $1.1 million relates to the La Guitarra Silver Mine; and $0.3 million relates to the La Luz Silver Project. The present value of the reclamation liabilities may be subject to change based on management's current and future estimates, changes in the remediation technology or changes to applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

The costs of performing the decommissioning and reclamation must be funded by the Company's operations. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in mining, exploration, development and finance of mining properties is limited and competition for such persons can be intense. As the Company's business activity grows, the Company will require additional key operational, financial, administrative and mining personnel. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such successes. If the Company is not successful in attracting and training and in retaining qualified personnel, the efficiency of the Company's operations could be affected, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Employee Relations

Certain of the Company's operations employees in México are represented by unions. The Company has not experienced any labour strikes or prolonged work stoppages in the past; however, there can be no assurance that the Company will not experience future labour strikes or work stoppages. Union agreements are periodically renegotiated and there can be no assurance that any future union contracts will be on terms favourable to the Company. In addition, relations between the Company and its employees may be impacted by changes to labour relations in México which may be introduced by the relevant governmental authorities. Adverse changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on First Majestic's business, results of operations and financial condition.

Competition

The mining industry is highly competitive in all its phases. The Company competes with a number of companies which are more mature or in later stages of production and may be more able to attract human resources, equipment and materials. These companies may possess greater financial resources, more significant investments in capital equipment and mining infrastructure for the ongoing development, exploration and acquisition of mineral interests, as well as for the recruitment and retention of qualified employees and mining contractors.

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration, mining and development opportunities with a focus on silver in México. As a result, the Company may from time to time acquire additional mineral properties or securities of issuers which hold mineral properties. In pursuit of such opportunities, the Company may fail to select appropriate acquisitions or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company, and such acquired businesses may be subject to unanticipated liabilities. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company. Future acquisitions by the Company may be completed through the issuance of equity, in which case the interests of shareholders in the net assets of the Company may be diluted.

Conflicts of Interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law and the Company's policies to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his or her interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time. All employees, including officers, are required to disclose any conflicts of interest pursuant to the Company's Code of Ethical Conduct.

Claims and Legal Proceedings Risks

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved in a manner that is unfavourable 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 its financial condition, cash flow and results of operations.

Enforcement of Judgments/Bringing Actions

The Company is organized under the laws of, and headquartered in, British Columbia, Canada and none of its directors and officers are residents of the United States. In addition, the majority of the Company's assets are located outside of Canada and the United States. As a result, it may be difficult or impossible for an investor to enforce in courts outside of the United States and Canada judgments against the Company and its directors and officers obtained in United States courts or Canadian courts based upon the civil liability provisions of United States federal securities laws or applicable Canadian securities laws or bring in courts outside of the United States and Canada an original action against the Company and its directors and officers to enforce liabilities based upon such United States or Canadian securities laws.

Anti-Corruption and Anti-Bribery Laws

The Company's operations are governed by, and involve interactions with, many levels of government in numerous countries. The Company is required to comply with anti-corruption and anti-bribery laws, including the *Corruption of Foreign Public Officials Act* (Canada) and the U.S. Foreign Corrupt Practices Act and similar laws in México. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third party agents. The Company's internal procedures and programs may not always be effective in ensuring that the Company, its employees, contractors or third party agents will comply strictly with all such applicable laws. If the Company becomes subject to an enforcement action or is found to be in violation of such laws, this may have a material adverse effect on the Company's reputation, result in significant penalties, fines and/or sanctions, and/or have a material adverse effect on the Company's operations.

Compliance with Canada's Extractive Sector Transparency Measures Act

The *Extractive Sector Transparency Measures Act* (Canada) ("**ESTMA**") became effective June 1, 2015, requiring public disclosure of certain payments to governments by mining and oil and gas companies engaged in the commercial development of oil, gas and minerals who are either publicly listed in Canada or with business or assets in Canada. Mandatory annual reporting is required for extractive companies with respect to payments made to foreign and domestic governments at all levels, including entities established by two or more governments, and including Aboriginal groups. ESTMA requires reporting on the payments of any taxes, royalties, fees, production entitlements, bonuses, dividends, infrastructure reporting or structuring payments to avoid reporting may result in fines. The Company is required to commence reporting in 2017. If the Company becomes subject to an enforcement action or in violation of ESTMA, this may result in significant penalties, fines and/or sanctions which may also have a material adverse effect on the Company's reputation.

Financial Risks

Metal Prices May Fluctuate

The Company's revenue is primarily dependent on the sale of silver and movements in the spot price of silver have a direct and immediate impact on the Company's income and the value of related financial instruments. The Company also derives by-product revenue from the sale of gold, zinc and lead, which accounted for approximately 23% of the Company's gross revenue in 2016. The Company's sales are directly dependent on commodity prices. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control including international economic and political trends, expectations for inflation, currency exchange rate fluctuations, interest rates, global and regional supply and demand, consumption patterns, speculative market activities, worldwide production and inventory levels, and sales programs by central banks. Movements in the price of metals, such as movements in the spot price of silver, have a direct and immediate impact on the Company's income and may affect the marketability of minerals already discovered and any future minerals to be discovered. Mineral Reserves on the Company's properties have been estimated on the basis of economic factors at the time of estimation; variations in such factors may have an impact on the amount of the Company's Mineral Reserves and future price declines could cause any future development of, and commercial production from, the Company's properties to be uneconomic. Depending on the price of silver, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue operations or development at some of its properties or may be forced to sell some of its properties. Future production from the Company's mining properties is dependent on silver prices that are adequate to make these properties economic.

Furthermore, Mineral Reserve estimations and Life-of-Mine plans using significantly lower silver prices could result in material write-downs of the Company's investment in mineral properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting the Company's possible future reserve estimates and its financial condition, declining silver prices may impact operations by requiring a reassessment of the feasibility of a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Price Volatility of Other Commodities

The Company's cost of operations and profitability are also affected by the market prices of commodities that are consumed or otherwise used in connection with the Company's operations, such as diesel fuel, electricity, cyanide, explosives and other reagents and chemicals, steel and cement. Prices of such consumble commodities may be subject to volatile price movements over short periods of time and are affected by factors that are beyond the Company's control. Increases in the prices for such commodities could materially adversely affect the Company's results of operations and financial condition.

Global Financial Conditions

Events in global financial markets, and the volatility of global financial conditions, will continue to have an impact on the global economy. Many industries, including the mining sector, are impacted by market conditions. Some of the key impacts of financial market turmoil include devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. Financial institutions and large corporations may be forced into bankruptcy or need to be rescued by government authorities. Access to financing may also be negatively impacted by future liquidity crises throughout the world. These factors may impact the ability of the Company to obtain equity or debt financing and, if available, to obtain such financing on terms favorable to the Company.

Increased levels of volatility and market turmoil could have an adverse impact on the Company's operations and planned growth and the trading price of the securities of the Company may be adversely affected.

Foreign Currency

The Company carries on its primary mining operations activities outside of Canada. Accordingly, it is subject to the risks associated with fluctuation of the rate of exchange of other foreign currencies, in particular the Mexican Peso (MXP), the currency in which the majority of the Company's material and labour costs are paid, and the United States dollar, the currency used for calculating the Company's sales of metals (and the financial statements of the Company) based on the world's commodity markets, and the Canadian dollar in which some of the Company's treasury is held and in which some of its costs are paid. Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: MXP denominated cash and cash equivalents, short term investments, accounts receivable and value added taxes ("**VAT**") receivable, accounts payable, and investments in mining interests. Such currency fluctuations may materially affect the Company's financial position and results of operations.

Taxation in Multiple Jurisdictions

In the normal course of business, the Company is subject to assessment by taxation authorities in various jurisdictions. Income tax provisions and income tax filing positions require estimates and interpretations of income tax rules and regulations of the various jurisdictions in which the Company and its subsidiaries operate and judgments as to their interpretation and application to the specific situation. The Company's business and operations of the business and operations of its subsidiaries is complex and the Company has, historically, undertaken a number of significant financings, acquisitions and other material transactions.

In assessing the probability of realizing income tax assets recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. While management believes that the Company's provision for income tax is appropriate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Company's interpretation of the applicable tax legislation and regulations. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Any review or adjustment may result in the Company or its subsidiaries incurring additional tax liabilities. Any such liabilities may have a material adverse effect on the Company's financial condition.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada, México, Switzerland or the Netherlands or any other countries in which the Company's subsidiaries may be located, or to which shipments of products are made, could result in an increase in the Company's taxes payable, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on the Company.

Tax Audits and Reassessments

Any reassessment by applicable tax authorities of the Company's tax filings and the continuation or timing of any such process is outside of the Company's control. There is a risk that applicable tax authorities may audit the Company or its subsidiaries and issue a notice of reassessment for material amounts.

In the event that applicable tax authorities issues one or more additional notices of reassessment for material amounts of tax, interest and penalties, the Company is prepared to vigorously defend its position. If the Company is unable to resolve any of these matters favourably, or if applicable tax authorities issue one or more additional notices of reassessment for material amounts of tax, interest and penalties, there may be a material adverse effect on the Company and its financial condition.

VAT Receivables

The Company is subject to credit risk through its significant VAT receivables balance that is collectible from the government of México. Due to legislative rules and a complex collection process, there is a risk that the Company's VAT receivable balance may

not be paid, or payment will be delayed. Even though the Company has in the past recovered VAT routinely, VAT recovery in México remains a highly regulated, complex and, at times, lengthy collection process.

Transfer Pricing

The Company conducts business operations in various jurisdictions and through legal entities in Canada, México, Switzerland and the Netherlands. The tax laws of these jurisdictions have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's-length pricing principles and that contemporaneous documentation must exist to support that pricing. The taxation authorities in the jurisdictions where the Company carries on business could challenge the Company's arm's-length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge the Company's transfer pricing policies, it may be subject to additional income tax expenses and it could also be subject to interest and penalty charges. Any such increase in its income tax expense and related interest and penalties could have a significant impact on the Company's future earnings and future cash flows.

Hedging Risk

The Company currently does not use derivative instruments to hedge its silver commodity price risk. The effect of price variation factors for silver, gold, lead or zinc cannot accurately be predicted and are at this time completely unhedged. In the past, the Company has entered into forward sales arrangements with respect to a portion of its lead and zinc production. In the future the Company may enter into further forward sales arrangements or other hedging agreements. Hedging involves certain inherent risks including: the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with the Company or adversely affect the financial and other terms the counter-party is able to offer the Company; the risk that the Company enters into a hedging position that cannot be closed out quickly; and the risk that, in respect of certain hedging products, an adverse change in the market prices for commodities, currencies or interest rates will result in the Company incurring losses in respect of such hedging products as a result of the hedging products being out-of-the money on their settlement dates.

There can be no assurance that a hedging program will be successful, and although hedging may protect the Company from adverse changes in foreign exchange or currency, and interest rate or commodity price fluctuations, it may also prevent the Company from realizing gains from positive changes.

Counterparty and Market Risks

The Company enters into sales contracts to sell its products, including refined silver from doré bars, silver, lead and zinc concentrates, to metal traders after being refined by refining and smelting companies. In addition to these commercial sales, the Company also markets a small portion of its silver production in the form of coins and bullion products to retail purchasers directly through its corporate e-commerce website. There is no assurance that the Company will be successful in entering into or re-negotiating sales contracts with brokers and metal traders, or refining and smelting companies and retail purchasers on acceptable terms, if at all. If the Company is not successful in entering into or re-negotiating such sales contracts, the Company may be forced to sell some or all of its products, or greater volumes of its products than it may desire in adverse market conditions, thereby reducing the Company's revenues on a per ounce basis.

In addition, should any counterparty to any sales contract not honour such contract or become insolvent, the Company may incur losses for products already shipped, may be forced to sell greater volumes of products, may be forced to sell at lower prices than could be obtained through sales on the spot market, or may not have a market for its products. The Company's future operating results may be materially adversely impacted as a result. Moreover, there can be no assurance that the Company's products will meet the qualitative requirements under future sales contracts or the requirements of buyers.

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 and VAT and other receivables.

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through four international brokerage organizations. Additionally, silver-lead and related base metal by-products are sold primarily through two international organizations. Payments of receivables are scheduled routinely and received normally within sixty days of submission; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is usually 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 of the above, the Company believes it is not exposed to significant credit risk.

Obtaining Future Financing

The further exploitation, development and exploration of mineral properties in which the Company holds interests or which the Company acquires may depend upon its ability to obtain financing through equity financing or debt financing, pre-sale arrangements, joint ventures or other means. There is no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile precious metals and equity markets may make it difficult or impossible for the Company to obtain further financing on favourable terms or at all. If the Company is unable to obtain additional financing, it may be required to delay or postpone exploration, development or production on some or all of its properties, potentially indefinitely.

As at December 31, 2016, the Company had approximately $129.0 million of cash and cash equivalents in its treasury and working capital of $130.6 million while total available liquidity, including $8.8 million of undrawn revolving credi facility, was $139.4 million. As a result of the Company's ability to earn cash flow from its ongoing operations, the Company expects to have sufficient capital to support its current operating requirements in the foreseeable future, provided it can continue to generate cash from its operations and that costs of its capital projects are not materially greater than the Company's projections. There is a risk that commodity prices decline further and that the Company is unable to continue generating sufficient cash flow from operations or that the Company requires significant additional cash to fund expansions and potential acquisitions. Failure to obtain additional financing on a timely basis may cause the Company to postpone acquisitions, major expansion, development and exploration plans.

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 metals market were to decrease significantly, or the Company was to deviate significantly from its operating plan, the Company may need injection of additional capital to address its cash flow requirements.

Indebtedness

As of December 31, 2016, the Company had drawn down $16.2 million on its Revolving Credit Facility and had an outstanding balance of $27.7 million remaining on its Term Loan. The Company is required to use a portion of its cash flow to service principal and interest owing thereunder, which will limit the cash flow available for other business opportunities.

The Company's ability to make scheduled payments of the principal of, to pay interest on, or to refinance its indebtedness depends on its future performance, which is subject to economic, financial, competitive and other factors beyond its control. The Company may not continue to generate sufficient cash flow from operations in the future to service this debt and to make necessary capital expenditures. If the Company is unable to generate such cash flow, it may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The Company's ability to refinance its indebtedness will depend on the capital markets and the Company's financial condition at such time. The Company may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its debt obligations.

The terms of the Credit Facility require the Company to satisfy various positive and negative covenants, including maintaining at all times, certain financial ratios and tests. These covenants limit, among other things, the Company's ability to incur further indebtedness, assume certain liens or engage in certain types of transactions. The Company can provide no assurances that in the future, it will not be constrained in its ability to respond to changes in its business or be restricted in its ability to engage in mergers, acquisitions or dispositions of assets. Failure to comply with these covenants, including a failure to meet the financial tests or ratios, would result in an event of default under the Credit Facility and would allow the lenders thereunder to accelerate maturity of the debt or realize upon security over the Company's assets. An event of default could result in a cross-default under the Company's equipment leases or other indebtedness and could otherwise materially and adversely affect the Company's business, financial condition and results of operations and its ability to meet its payment obligations under the Credit Facility, as well as the market price of the Company's common shares.

Interest Rate Risk

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

As at December 31, 2016, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities. The Company's finance leases bear interest at fixed rates. Based on the Company's interest rate exposure at December 31, 2016, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

Shares Reserved for Future Issuances; Dilution

There are stock options and, from time to time, there may also be share purchase warrants of the Company outstanding pursuant to which common shares may be issued in the future. Options and share purchase warrants are likely to be exercised when the market price of the Company's common shares exceeds the exercise price of such instruments. The exercise of such options and share purchase warrants and the subsequent resale of such common shares in the public markets could adversely affect the prevailing market price of the Company's common shares and the Company's ability to raise equity capital in the future at a time and price which it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional common shares and the Company may grant additional convertible securities. Any share issuances from the Company's treasury will result in immediate dilution to existing shareholders.

Volatility of Share Price

The market price of the shares of precious metals and resource companies, including the Company, tends to be volatile. The trading price of the Company's shares may be subject to large fluctuations and may increase or decrease in response to a number of events and factors, including the following:

- the price of silver and (to a lesser extent) other metals;
- the Company's operating performance and the performance of competitors and other similar companies;
- the public's reaction to the Company's press releases, other public announcements and the Company's filings with securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the Company's common shares or the shares of other companies in the resources sector;
- changes in general economic conditions;
- the number of the Company's common shares to be publicly traded after an offering;
- the arrival or departure of key personnel; and
- acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

In addition, the market price of the Company's shares are affected by many variables not directly related to the Company's success and are therefore not within the Company's control, including developments that affect the market for all resource sector shares, the breadth of the public market for the Company's shares, and the attractiveness of alternative investments. Securities markets frequently experience price and volume volatility, and the market price of securities of many companies may experience wide fluctuations not necessarily related to the operating performance, underlying asset values or prospects of such companies. The effect of these and other factors on the market price of the common shares on the exchanges in which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

Impairments

It is possible that material changes could occur that may adversely affect management's estimate of the carrying value of non-current assets which may have a material adverse effect on the Company. Impairment estimates are based on management's assumptions, and sensitivity analyses and actual future outcomes may differ from these estimates.

Internal Control over Financial Reporting

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, 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 documented and tested during its most recent fiscal year its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act (" **SOX**"), using criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organization of the Treadway Commission ("**COSO**"). SOX requires an annual assessment by management and an independent assessment by the Company's independent registered public accounting firm of the effectiveness of the Company's internal control over financial reporting. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of its common shares or market value of its other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. There can be no assurance that the Company will be able to remediate material weaknesses, if any, identified in future periods, or maintain all of the controls necessary for continued compliance, and there can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's control and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Company continue to improve its internal controls over financial reporting. Although the Company intends to devote substantial time and incur costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in complying with Section 404 of SOX, or that these controls will prevent theft or fraud, especially where collusion exists amongst employees.

Allocation of Capital - Sustaining and Expansionary Capital

The Company has budgeted approximately $124.0 million for 2017 as sustaining capital and expansionary capital for investments in property, plant and equipment, mine development and exploration. Sustaining capital consists of capital expenditures required to maintain current operations. Expansionary capital is earmarked for growth projects to expand current operations. A total of $46.2 million has been earmarked for sustaining capital and $77.8 million has been planned for expansionary capital. There can be no assurance that such cost estimates will prove to be accurate. The Company may alter its allocation of capital to provide for revised strategic planning, metal price declines or other external economic conditions. Actual costs may vary from the estimates depending on a variety of factors, many of which are not within the Company's control. Failure to stay within cost estimates or material increases in costs could have a material adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

Factors which may influence costs include the risks outlined under the heading "Operating Hazards and Risks", as well as the following:

- shortages of principal supplies needed for construction;
- restrictions or regulations imposed by power commissions, governmental or regulatory authorities with respect to planning and construction, including permits, licences and environmental assessments;
- changes in the regulatory environment with respect to planning and construction;
- the introduction of new property or capital taxes; and
- significant fluctuations in the exchange rates for certain currencies.

Insurance Risk

Although the Company has multimodal insurance policies that cover: material damage to buildings, including by earthquakes; material damage to contents, including by earthquakes; loss and consequential damages (including removal, utilities, fixed costs, wages and extraordinary expenses); and responsibility to third parties, such insurance might not cover all the potential risks associated with its operations. These policies also carry deductibles for which the Company would be obligated to pay in connection with a claim thereunder. Liabilities that the Company incurs may exceed the policy limits of its insurance coverage, may not be insurable, or may be liabilities against which the Company has elected not to insure due to high premium costs or other reasons. In any such event, the Company could incur significant costs that could adversely impact its business, operations or profitability.

Product Marketing and Sales

Silver is sold by the Company using a small number of international metal brokers who buy from the Company and act as intermediaries between the Company, the LBM or end consumers. The end product from the Company's facilities comes in two forms: silver doré bars and concentrates of silver, lead, zinc and gold. The physical silver doré bars usually containing greater than 90% silver with some gold and other impurities are delivered to one of three refineries where doré bars are refined to commercially marketable 99.9% pure silver bars. The production of concentrates in powder form containing silver, lead, zinc and gold are delivered to brokers in Manzanillo, México where they are mixed with other producers' concentrates and shipped abroad to smelters where they are smelted to separate the base metal by-products of lead and/or zinc from the silver and gold content for delivery to the global buyers of silver, gold, lead or zinc. The metal refineries and smelters charge the Company for their refining and smelting services, and turn out refined products of silver, gold, lead and zinc. Refining of doré bars is a fraction of the cost of smelting concentrates for silver as measured on a per silver ounce basis.

The Company delivers its production via a combination of private aircrafts, armoured cars and ships to a number of refineries and smelters who then, once they have refined or smelted the silver to commercial grade, transfer the silver and by-products to the physical market for the consumption of the silver and the by-products. The Company transfers risk of ownership at the time it delivers its concentrates to the smelters, and in turn receives immediate assignment of provisional contained metals to its brokerage accounts. With doré, transfer of risk of ownership in some cases is at the time of shipping and in other cases, it is at the time of delivery to the refinery. As concentrates can vary in grade and quality from shipment to shipment, there is a final settlement process to settle any variances based on the outturn of the smelted metals, usually 45 to 60 days after physical transfer of the concentrates. Likewise, but to a lesser extent, doré is turned out usually within 25 to 30 calendar days and any final variances in assays is settled at that time through the refiner assigning any liquidation differences to the metal brokers. The Company normally receives 95% to 98% of the value of its sales of doré on delivery to the refinery, and 90% to 95% of the value of concentrates on delivery to the smelter, with final settlements upon outturn of the smelted or refined metals, less processing costs.

As the Company has a number of metal brokers and refineries and smelters with which it does business, the Company is not economically dependent on any one of its brokers or smelters.

First Majestic's senior management in Vancouver and Europe negotiate sales contracts. Contracts with smelting and refining companies, as well as metals brokers and traders are tendered and re-negotiated as required. The Company sells its silver (gold) doré through three international brokerage organizations. Additionally, silver concentrates and related base metal by-products are sold primarily through two international organizations, with an alternate available to prevent any dependency on the existing smelter of silver, lead and zinc concentrates.

First Majestic continually reviews its cost structures and relationships with smelting and refining companies and metal traders in order to maintain the most competitive pricing possible while not remaining completely dependent on any single smelter, refiner or trader.

In addition to these commercial sales, First Majestic also markets a small portion of its silver production in the form of coins and silver bullion products to retail purchasers directly over its corporate e-commerce web site. Less than 1% of the Company's production was sold in retail transactions during 2016. Products sold included half ounce and one ounce rounds, five ounce ingots, 10 ounce ingots, one kilogram bars, 50 ounce poured bars and an 18 ounce custom coin set.

Social and Environmental Policies

Given the growing strategic importance of social and environmental performance management to assure the sustainability of the Company's operations, and land access requirements, First Majestic added a Vice President of Corporate Affairs and Sustainability ("VP of CSR") to its senior management team in August 2016. The responsibilities of the VP of CSR include safeguarding the Company's social license at all operations and the strategic coordination of the social and environmental departments with other areas of the business.

Corporate Social Responsibility ("CSR")

First Majestic's CSR Department aligns its activities with the prime directive of the Company, "extracting profitable ounces, maximizing cash flows while achieving zero harm to our people and the environment and adding value for all stakeholders".

The CSR department's role is to develop and maintain collaborative relations to ensure the Company's presence adds value to the communities in the vicinity of, and who may be impacted by, First Majestic's operations. It is achieved in part by maintaining solid two-way communications so that the Company can effectively engage and respond to the needs and concerns of local people on projects or issues of mutual interest. The department works in concert with other areas of the Company to maximize local economic value through the Company's hiring and procurement activities. CSR aims to proactively support the development needs of local communities by assisting in the formulation, presentation and/or financing of projects through the mining tax fund, government agencies, third parties, or the Company's own social investment funds. Ultimately, CSR acts to build and maintain the trust of local communities that the Company goes about its activities in a responsible matter, respecting their rights and interests, and contributing in a net positive manner to their socio-economic wellbeing. First Majestic recognizes that only by acting in a socially responsible manner, and integrating such practices into its corporate management systems, can it assure the sustainability of its business.

Last year, the Company undertook a substantive assessment process at each of its operations, which transformed into a three year plan for the CSR Department. This three year plan includes the standardization of several social management procedures including Community Grievance Management, Commitments Registries, Local Hiring and Procurement, Stakeholder Mapping, Risk and Impacts assessments, and a Strategic Social Investment procedure. Currently, the Community Grievance Management Procedure is commencing its roll out at the Company's sites.

Beyond the economic benefits of the Company's mining operations, the Company engages with local populations to identify other key areas of opportunity for social development. The Company's site personnel regularly participate with local schools, medical services and municipal governments in implementing educational activities and campaigns in areas such as regional health promotion, environmental education and management, emergency response, and local cultural heritage.

The Company has been recognized for nine consecutive years with the prestigious Socially Responsible Business Distinction Award by Centro Mexicano para la Filantropia (Mexican Center for Philanthropy). This honour from within the Mexican community recognizes excellence in CSR management, corporate ethics, and quality of life in the workplace, community involvement and environmental responsibility. The award affirms First Majestic's commitment to sound CSR practices, and was achieved through demonstrating transparency, environmental stewardship and sustainability within its operations and projects in México.

Environmental Policies

The Company´s operations are subject to and materially conform with all current environmental laws and regulations in the jurisdictions where it operates. These environmental regulations provide restrictions and prohibitions against spills, releases and emission of various substances related to industrial mining operations that could result in environmental contamination. The Company also has an Environmental Management System ("EMS"), in all its operations, in order to standardize tasks, and strengthen a culture focused on minimizing environmental impacts generated by its operations and new projects. The EMS is based on the requirements of the international standard ISO 14001:2015 and the requirements to obtain the Certificate of Clean Industry, issued by the Ministry of Environment and Natural Resources ("SEMARNAT") through the Federal Attorney of Environmental Protection ("PROFEPA") in México.

The Company has implemented an environmental policy and the general objectives of the policy are:

- To meet all applicable Mexican legal requirements, particularly those expressed in the Ley General del Equilibrio Ecológico Protección al Ambiente y sus Reglamentos (Environmental Balance and Environmental Protection General Laws and Rules), through its subsidiaries;

- To reduce the level of risk in each of the areas of work;
- To maintain the highest standards of social welfare for its workers;
- To mitigate all negative environmental impacts and where possible, to generate positive impacts to the environment of each mining unit;
- To monitor the optimal operation of anti-pollution equipment;
- To protect the installations and the assets of the Company;
- To coordinate and disseminate an environmental management system;
- To participate in training and continuing education programs; and
- To monitor and restrict workers and equipment from areas of high risk.

Responsibilities for each of the activities of the environmental program are assigned to specific individuals that will be responsible for assuring their proper execution. The head of the environmental department is directly responsible for compliance with its plans and programs and ensuring the proper functioning of the EMS.

The PROFEPA awarded a Clean Industry Certificate to the San Martín Silver Mine in August 2015 and the Del Toro Silver Mine in August 2016.

Taxation

The taxation of corporations in México is often complex and is assessed via overlapping layers of taxation on a number of different tax bases, with credits or offsets permitted in certain cases between various tax liabilities. In late 2013, the Mexican government approved major reforms to the Mexican system of taxation, followed by additional reforms enacted in late 2015. The explanation below is not intended to be a detailed and conclusive description of all of the many forms of Mexican corporate taxes, but is a current summary of the most relevant and material forms of corporate taxes impacting mining companies operating in México during fiscal 2016 and expected to apply on a prospective basis.

Taxes in México are levied in the normal course of business and are levied in the form of: (i) Corporate Income Taxes (referred to as ISR), (ii) Special Mining Duty (also referred to as Mining Royalty), (iii) Value Added Taxes ("IVA"), (iv) Profit sharing taxes ("PTU"), (v) Mining Rights Taxes, and (vi) Municipal or Property Taxes. All of these taxes (except for Municipal Taxes) are administered at the federal level by *Servicio de Administration Tributaria ("SAT")* often referred to as "Hacienda".

Corporations resident in México are taxed on their worldwide income. The applicable tax rates and related tax bases applicable to fiscal 2016 are as follows:

(i) *Corporate Income taxes* ("ISR") - 30% on a corporation's taxable income in 2016. Normal business expenses may be deducted in computing a corporation's taxable income, including inflationary accounting for certain concepts of revenue and expenses;

(ii) *Special Mining Duty* - 7.5% on a royalty base which is computed as taxable revenues for income tax purposes (except interest and inflationary adjustment), less allowable deductions for income tax purposes (except interest, inflationary adjustment, depreciation and mining fees), less prospecting and exploration expenses of the year. The royalty is deductible for corporate income tax purposes, therefore after taxes the net impact is 70% of 7.5% or 5.25% after tax;

(iii) *Environmental Duty* - 0.5% on revenues from the sale of precious metals (gold, silver, platinum). The duty is deductible for corporate income tax purposes;

(iv) *Value Added Taxes* ("IVA") - 16% payable monthly on taxable receipts from the sales of goods and services in México and zero % on exports, creditable against the IVA paid on deductible services, expenses and imports;

(v) *Profit sharing Taxes* ("PTU") - 10% on a corporation's taxable income and payable to the workers in the corporation, creditable against corporate income taxes payable;

(vi) *Mining Rights Taxes* - a nominal rate charged on a per hectare basis on a corporation's mining rights; and

(vii) *Municipal Taxes* - Zacatecas State (Chalchihuites Municipality) levies a 1.5% tax on the value of constructed facilities at the Del Toro mine.

Dividends received by a Mexican resident from another Mexican resident are exempt from corporate taxes if they are paid out of tax paid retained earnings. Mexican entities have no preferred treatment for capital gains and in some cases capital losses are restricted. A ten year loss carry forward period exists, subject to inflation adjustment. The Organization for Economic Co-operation and Development rules apply to transfer pricing matters crossing country borders. Thin capitalization rules are based on a 3:1 debt to equity limitation for foreign companies investing in Mexican mining companies.

There is a 10% withholding tax on dividends distributed to resident individuals or foreign residents (including foreign corporations). Per the México-Canada tax treaty this dividend withholding tax rate may be reduced to 5%.

In the past, México allowed corporations at their option to consolidate tax filings, effectively enabling the profits of taxable entities to be offset by tax losses in other companies within the consolidated group. Effective January 1, 2008, management of the Company executed a corporate restructuring for tax purposes, enabling it, on a limited basis, to consolidate tax losses of certain of its subsidiaries against the taxable incomes of other subsidiaries (the "**Tax Consolidation**"). Coincident with the tax consolidation, México introduced an alternative minimum tax or flat tax known as the IETU, effective January 1, 2008 to attempt to limit certain companies from avoiding taxes on their cash earnings in México. In December 2009, México introduced tax consolidation reform rules (the "**Tax Reform**"), which effective January 2010, would require companies to begin the recapture of the benefits of tax consolidation within five years of receiving the benefit, and phased in over a five year period. First Majestic's first tax deferral benefit from the Consolidation was realized in 2008, and as such, the benefit of the Consolidation was expected to be recaptured from 2014 to 2021. The Tax Reform also abolished the existing consolidation regime effective as of January 1, 2014 and requires consolidated groups to deconsolidate. Existing groups that began consolidating after 2007 are now required to pay income taxes deferred by virtue of tax consolidation in annual installments based on a mechanism established in specified transition rules.

The tax deconsolidation results in the availability of entity level loss carry-forwards that were previously used to shelter taxable income of other group companies.

In late 2015, the Mexican government approved another tax reform, effective January 1, 2016 whereby among other things companies with unamortized loss carry-forwards from the period of consolidation can elect to claim a credit against the remaining taxes to be repaid as a result of deconsolidation at a rate of 15% of losses utilized. The Company elected to claim this credit during 2016.

In addition to its Mexican operations, the Company has offices in Europe which are actively involved in investments and the sales and marketing activities regarding the global market for its metal production.

DIVIDENDS

The Company has not paid any dividends since incorporation and it has no plans to pay dividends for the foreseeable future. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. All of the common shares of the Company are entitled to an equal share of any dividends declared and paid.

CAPITAL STRUCTURE

The Company's authorized capital consists of an unlimited number of common shares without par value. A total of 165,065,914 common shares of the Company were issued and outstanding as at the date of this AIF.

Each common share of the Company ranks equally with all other common shares of the Company with respect to dissolution, liquidation or winding-up of the Company and payment of dividends. The holders of common shares of the Company are entitled to one vote for each share of record on all matters to be voted on by such holders and are entitled to receive pro rata such dividends as may be declared by the board of directors of the Company out of funds legally available therefore and to receive, pro rata, the remaining property of the Company on dissolution. The holders of common shares of the Company have no redemption, retraction, purchase, pre-emptive or conversion rights. The rights attaching to the common shares of the Company can only be modified by the affirmative vote of at least two-thirds of the votes cast at a meeting of shareholders called for that purpose.

MARKET FOR SECURITIES

Trading Price and Volume

The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange under the trading symbol "FR". The following table sets forth the high and low trading prices and trading volume of the common shares of the Company as reported by the Toronto Stock Exchange for the periods indicated:

Period	High (C$)	Low (C$)	Volume
December 2016	$13.53	$8.89	29,752,011
November 2016	$13.07	$10.50	41,555,286
October 2016	$13.69	$10.22	23,341,187
September 2016	$17.73	$13.47	26,824,855
August 2016	$24.96	$15.66	28,065,526
July 2016	$22.79	$18.70	30,842,012
June 2016	$17.60	$13.19	26,384,127
May 2016	$15.78	$12.07	38,238,403
April 2016	$13.44	$7.92	30,322,247
March 2016	$9.22	$5.76	36,654,535
February 2016	$6.50	$4.15	15,498,185
January 2016	$4.82	$3.50	10,088,130

The common shares of the Company are also listed and posted for trading on the New York Stock Exchange under the trading symbol “AG”, on the BMV under the trading symbol “AG” and quoted on the Frankfurt Stock Exchange under the symbol “FMV”.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets out the names of the current directors and officers of the Company, their respective provinces or states and countries of residence, positions with the Company, principal occupations within the five preceding years, periods during which each director has served as a director and the number of each class of securities of the Company and percentage of such class beneficially owned, directly or indirectly, or subject to control or direction by that person.

The term of each of the current directors of the Company will expire at the Company’s next Annual General Meeting unless his or her office is earlier vacated in accordance with the Articles of the Company or he or she becomes disqualified to act as a director. In accordance with the Company's Director Tenure Policy, Tony Pezzotti will not be standing for re-election at the Company's 2017 annual general meeting and will cease to be a director of the Company upon conclusion of such Meeting. The Company is not required to have an executive committee but it has an Audit Committee, a Compensation and Nominating Committee, and a Corporate Governance Committee as indicated below.

Name, Position and City, Province and Country of Residence	Principal Occupation or Employment for Past 5 Years[1]	Period as a Director of the Company	No. and Class of Securities[1]	Percentage of Class[2]
KEITH NEUMEYER CEO, President and Director Zug, Switzerland	President of the Company from November 3, 2001 to present; Director of the Company since December 5, 1998; Director and Chairman of First Mining Finance Corp. from March 31, 2015 to present.	December 5, 1998 to present.	Common 3,322,000 Stock Options 1,390,000	2%
DOUGLAS PENROSE, B.Comm., CPA, CA (3) (5) Chairman and Director Summerland, British Columbia, Canada	Retired; Chairman of the Company from January, 2012.	September 7, 2006 to present.	Common 60,000 Stock options 187,089	Less than 1.0%
MARJORIE CO, LLB, MBA Director Vancouver, British Columbia, Canada	Chief Development Officer of The Proof Centre of Excellence from October, 2008 to March, 2012; Director, Strategic Relations of Westport Innovations from April, 2012 to February, 2015; Principal of mc3 solutions inc. from February, 2015 to present.	March 1, 2017 to present.	Common Nil Stock Options 21,997	0%
ROBERT A. McCALLUM, B.Sc., P.Eng (3) (4) (5) Director North Vancouver, British Columbia, Canada	Professional consulting engineer and President of Robert A. McCallum Inc. from 1999 to present; Director of Shore Gold Inc. from October 28, 2005 to February 2012.	December 15, 2005 to present.	Common 65,000 Stock Options 126,089	Less than 1.0%
TONY PEZZOTTI (3) (4) Director Burnaby, British Columbia, Canada	Retired.	November 30, 2001 to present.	Common 564,956 Stock options 187,089	Less than 1.0%
DAVID SHAW, Ph.D. (4) (5) Director Vancouver, British Columbia, Canada	President of Duckmanton Partners Ltd. from June 12, 2000 to present; President and Director of Albion Petroleum Ltd. from October 2006 to March 2015; Director of Talison Lithium Inc. from September 2010 to March 2013; Director of Great Quest Metals Ltd. from December 2010 to present; Director of Global Strategic Metals NL from November 2013 to July 2014; Director of Medallion Resources from June 2014 to present; Director of First Mining Finance Corp. from March 2015 to present.	January 12, 2005 to present.	Common 80,000 Stock options 187,069	Less than 1.0%

Name, Position and City, Province and Country of Residence	Principal Occupation or Employment for Past 5 Years (1)	Period as a Director of the Company	No. and Class of Securities(1)	Percentage of Class (2)
DUSTIN VANDOORSELAERE Chief Operating Officer Durango, Durango México	Chief Operating Officer of the Company from March 2017 to present; VP of Operations of the Company from November 2016 to March 2017; General Manager México & Honduras of Nyrstar NV from October 2014 to October 2016; VP Operations of Goldgroup Mining Inc. from May 2011 to October 2014.	N/A	Common Nil Stock options 250,000	0%
RAYMOND L. POLMAN, CPA, CA Chief Financial Officer Vancouver, British Columbia, Canada	Chief Financial Officer of the Company from February 2007 to present; Director of First Mining Finance Corp. from March 2015 to present.	N/A	Common 145,200 Stock options 676,250	Less than 1.0%
MARTIN PALACIOS Chief Transformation Officer West Vancouver, British Columbia, Canada	Chief Transformation Officer of the Company from April 2015 to present; Chief Information Officer of the Company from January 2012 to April 2015.	N/A	Common Nil Stock Options 695,000	0%
CONNIE LILLICO Corporate Secretary Coquitlam, British Columbia, Canada	Corporate Secretary of the Company from August 2007 to present; Corporate Secretary of First Mining Finance Corp. from March 2015 to June 2016.	N/A	Common 111,500 Stock options 670,000	Less than 1.0%

(1) The information as to principal occupation and shares beneficially owned has been furnished by the respective individuals.
(2) Based upon the 165,065,914 common shares of the Company issued and outstanding as of the date of this AIF.
(3) Member of the Audit Committee.
(4) Member of the Compensation and Nominating Committee.
(5) Member of the Corporate Governance Committee.

The directors and senior officers of the Company beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 4,348,656 common shares of the Company or approximately 3% of the common shares of the Company issued and outstanding as of the date of this AIF.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company nor a shareholder holding a sufficient number of common shares of the Company to materially affect the control of the Company, nor a personal holding company of any of them,

(a) is, at the date of this AIF or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company), that while that person was acting in that capacity,

(i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities registration, for a period of more than 30 consecutive days; or

(iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or comprise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company, nor a shareholder holding a sufficient number of common shares of the Company to affect materially the control of the Company, nor a personal holding company of any of them, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors of the Company are also directors or officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law and by the Company's policies to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

AUDIT COMMITTEE INFORMATION

Pursuant to the provisions of National Instrument 52-110 Audit Committees (" **NI 52-110**") the Company is required to provide the following disclosure with respect to its Audit Committee.

Audit Committee Mandate

The text of the Audit Committee's Charter is attached as Appendix "A" to this AIF.

Composition of the Audit Committee

Members of the Audit Committee are Douglas Penrose, Tony Pezzotti and Robert McCallum. All three members are independent within the meaning of applicable securities laws and all three members are considered financially literate.

Relevant Education and Experience

Douglas Penrose received his Bachelor of Commerce degree from the University of Toronto. He has been a member of the Institute of Chartered Accountants of Ontario from 1974 to 2008 and the Institute of Chartered Accountants of British Columbia since 1978. He brings over 20 years of experience in leadership positions in corporate finance, including the position of Chief Financial Officer and was most recently the Vice President of Finance and Corporate Services at the British Columbia Lottery Corporation.

Tony Pezzotti, currently retired, is a seasoned board member who has served on several public company boards, including OSI Geospatial Inc., First Quantum Minerals Ltd., and Kensington Resources Ltd. He also served as a member of the Audit Committees of those companies and was General Manager and co-owner of a privately held steel fabrication company.

Robert McCallum graduated in 1959 from the University of Witwatersrand, South Africa with a Bachelor of Science (Mining) followed in 1971 by completing the Program for Management Development at Harvard Graduate School of Business, Boston, Massachusetts. He was most recently President and CEO of Kensington Resources Ltd. prior to its merger with Shore Gold Inc. in 2005.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on:

a. the exemption in section 2.4 (*De Minimis Non-Audit Services*) of NI 52-110;
b. the exemption in section 3.2 (*Initial Public Offerings*) of NI 52-110;
c. the exemption in section 3.4 (*Events Outside the Control of the Member*) of NI 52-110;
d. the exemption in section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) of NI 52-110; or
e. an exemption from NI 52-110 in whole or in part, granted under Part 8 of NI 52-110.

Audit Committee Oversight

For the year ended December 31, 2016, the Company's Board of Directors adopted all recommendations by the Audit Committee with respect to the nomination and compensation of the external auditor.

Pre-Approval Policy and Procedures

The Audit Committee has adopted specific policies for the engagement of non-audit services to be provided to the Company by the external auditor which require the auditor to submit to the Audit Committee a proposal for services to be provided and cost estimates for approval.

External Auditor Service Fees

The following table sets out the fees billed to the Company by Deloitte LLP, Independent Registered Public Accounting Firm , and its affiliates for professional services in each of the years ended December 31, 2016 and December 31, 2015, respectively.

Category	Year ended December 31, 2016	Year ended December 31, 2015
Audit Fees	$703,000	$869,000
Audit Related Fees	$5,000	$59,000
Tax Fees	$43,000	$36,000
All Other Fees	Nil	Nil

The audit fees relate to the audit of the consolidated financial statements of the Company, statutory audits for certain of the Company's subsidiaries, and review of the interim consolidated financial statements for the year. The audit related fees in 2015 relate to the acquisition of SilverCrest, the BMO Offering, listing on the BMV and other regulatory related filings. The tax fees relate to tax compliance services.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or persons or companies who beneficially own, control or direct, directly or indirectly, more than 10 percent of any class of outstanding voting securities of the Company, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transactions with the Company within the three most recently completed financial years or during the current financial year, that has materially affected or is reasonably expected to have a material effect on the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Trust Company of Canada (" **Computershare**"). Computershare's register of transfers for the common shares of the Company is located at 510 Burrard Street, Second Floor, Vancouver, British Columbia, Canada, V6C 3B9.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Davila Santos Litigation

Pursuant to a share purchase agreement (the "**FSR Purchase Agreement**") dated April 3, 2006, the Company acquired a controlling interest in First Silver Reserve (" **FSR**") for an aggregate purchase price of C$53.4 million. The purchase price was payable to Hector Davila Santos ("**Davila Santos**") in three instalments. The first and second instalments totaling C$40.0 million were paid in accordance with the FSR Purchase Agreement. The final 25% instalment of C$13.3 million was not paid to Davila Santos as a result of a dispute between the Company and Davila Santos and his private company involving a mine in México ("**the Bolaños Mine**") as set out further below.

In November 2007, the Company and FSR commenced an action against Davila Santos (the " **Action**"). The Company and FSR alleged, among other things that, while holding the positions of director, President and Chief Executive Officer of FSR, Davila Santos through his private company, acquired control of the Bolaños Mine in breach of his fiduciary duties to FSR.

In April 2013, the Company received a positive judgment from the Supreme Court of British Columbia (the " **Court**"), which awarded the sum of C$96.3 million in favour of First Majestic. The Company received the sum of C$14.85 million (representing monies previously held in trust by Davila Santos' lawyer) on June 27, 2013 in partial payment of the April 24, 2013 judgment, leaving an unpaid amount of approximately C$81.45 million. Subsequently, 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 preserve net cash flow from the Bolaños Mine in a holding account and periodically provide to the Company certain information regarding the Bolaños Mine and the holding account and periodically provide to the Company certain information regarding the Bolaños Mine.

As of December 2016, Davila Santos has exhausted all possible appeals of the Court's judgement. The Company is now seeking to enforce the British Columbia judgments in México and elsewhere. There can be no guarantee of collection on any of the remaining C$81.45 million of the judgment amount and it is likely that it will be necessary to take additional action in México and/or elsewhere to recover the balance. Therefore, the Company has not accrued in its financial statements any additional amounts related to the remaining unpaid judgment in favour of the Company.

Regulatory Actions

No penalties or sanctions were imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2016.

No penalties or sanctions were imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision.

The Company did not enter into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2016.

MATERIAL CONTRACTS

The Company is not at present party to any material contracts, other than material contracts entered into in the ordinary course of business and upon which the Company's business is not substantially dependent.

INTERESTS OF EXPERTS

Deloitte LLP is the independent registered public accounting firm of the Company and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

Richard Addison, P.E. and Leonel Lopez, C.P.G. of Runge Pincock Minarco, Peter Oshust, P. Geo and Gregory Kenneth Kulla, P. Geo of Amec Foster Wheeler Americas Ltd., Maria E. Vazquez, P. Geo., Jesus M. Velador Beltran, MMSA QP and Ramon Mendoza Reyes, P. Eng. prepared certain Technical Reports on the Company's mining properties. To management's knowledge, Mr. Addison, Mr. Lopez, Mr. Oshust and Mr. Kulla do not have any registered or beneficial interests, direct or indirect, in any securities or other property of the Company (or of any of its associates or affiliates). Ms. Vazquez Jaimes is the Geological Database Manager of the

Company, Mr. Velador Beltran is the Director of Exploration of the Company and Mr. Mendoza Reyes is the Vice President of Technical Services of the Company. Each of Ms. Vazquez Jaimes, Mr. Velador Beltran and Mr. Mendoza Reyes hold stock options of the Company which represent less than 1% of the outstanding shares of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under the Company's equity compensation plan, as applicable, is contained in the Company's information circular for its most recent annual general meeting.

Additional financial information is provided in the Company's audited financial statements and the Management's Discussion and Analysis of the Company for the year ended December 31, 2016, a copy of which may be requested from First Majestic's head office, or may be viewed on the Company's website (www.firstmajestic.com) or on SEDAR (www.sedar.com).

APPENDIX "A"

TO THE ANNUAL INFORMATION FORM OF

AUDIT COMMITTEE CHARTER

INTRODUCTION

The purpose of the Audit Committee (the " **Committee**") is to assist the board of directors (the " **Board**") of the Company in its oversight responsibilities for:

- the quality and integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements;
- the qualifications, independence and performance of the Company's external auditor;
- the Company's systems of disclosure controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the Company.

Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures, and practices at all levels. The Committee should also provide for open communication among the Company's external auditor, financial and senior management, and the Board.

AUTHORITY

The Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities.

In carrying out its duties and responsibilities, the Committee shall also have the authority to meet with and seek any information it requires from employees, officers, directors, or external parties.

The Company will provide appropriate funding, as determined by the Committee, for compensation to the Company's external auditor, to any advisers that the Committee chooses to engage, and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

COMPOSITION

1. The Audit Committee must be composed of a minimum of three members. Every member of the Audit Committee must be a director of the Company.

2. All members of the Committee must, to the satisfaction of the Board, be independent and financially literate in accordance with applicable corporate and securities laws, regulations and stock exchange rules and have such other qualifications as determined by the Board from time to time.

3. No Committee member may serve on the audit committees of more than two other reporting issuers.

RESPONSIBILITIES

To fulfill its responsibilities and duties, the Committee will:

Financial Reporting

4. Meet with management and, where appropriate, the Company's external auditor to review:

   (i) the annual audited financial statements, with the report of the Company's external auditors, Management's Discussion and Analysis for such period and the impact of unusual items and changes in accounting policies and estimates;

(ii) interim unaudited financial statements, Management's Discussion and Analysis for such period and the impact of unusual items and changes in accounting policies and estimates;

(iii) financial information in earnings press releases, including the type and presentation of information, paying particular attention to any pro forma or adjusted non-IFRS information;

(iv) financial information in annual information forms, and annual reports;

(v) prospectuses;

(vi) the report that the United States Securities and Exchange Commission requires be included in the Company's annual proxy statement; and

(vii) financial information in other public reports and public filings requiring approval by the Board.

5. Discuss with management financial information and earnings guidance provided to analysts and ratings agencies. Such discussions may be in general terms (i.e., discussion of the types of information to be disclosed and the type of presentations to be made).

External auditor

6. Recommend for appointment by shareholders, compensate, retain, and oversee the work performed by the Company's external auditor retained for the purpose of preparing or issuing an audit report or related work.

7. Review the performance and independence of the Company's external auditor, including obtaining written confirmation from the Company's external auditor that it is objective and independent within the meaning of applicable securities legislation and the applicable governing body of the institute to which the external auditor belongs, and remove the Company's external auditor if circumstances warrant.

8. Actively engage in dialogue with the Company's external auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the Company's external auditor.

9. Review and preapprove (which may be pursuant to preapproval policies and procedures) all services (audit and non-audit) to be provided by the Company's external auditor. The authority to grant preapprovals may be delegated to one or more designated members of the Committee, whose decisions will be presented to the full Committee at its next regularly scheduled meeting.

10. Consider whether the auditor's provision of permissible non-audit services is compatible with the auditor's independence.

11. Review with the Company's external auditor any problems or difficulties and management's responses thereto.

12. Oversee the resolution of disagreements between management and the Company's external auditor if any such disagreement arises.

13. Hold timely discussions with the Company's external auditor regarding the following:

    a) *All critical accounting policies and practices;*

    b) *All alternative treatments of financial information within IFRS related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Company's external auditor; and*

    c) *Other material written communications between the Company's external auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.*

14. At least annually, obtain and review a report by the Company's external auditor describing:

    a) *The Company's external auditor's internal quality-control procedures;*

b) *Any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to independent audits carried out by the Company's external auditor, and any steps taken to deal with such issues; and*

c) *All relationships between the Company's external auditor and the Company.*

This report should be used to evaluate the Company's external auditor's qualifications, performance, and independence. Further, the committee will review the experience and qualifications of the lead audit partner each year and consider whether all partner rotation requirements, as promulgated by applicable rules and regulations, have been complied with. The committee will also consider whether there should be rotation of the Company's external auditor itself. The Committee should present its conclusions to the full board.

15. Set policies, consistent with governing laws and regulations, for hiring former personnel of the Company's external auditor.

Financial Reporting Processes, Accounting Policies and Internal Control Structure

16. In consultation with the Company's external auditor, review the integrity of the Company's financial reporting processes.

17. Periodically review the adequacy and effectiveness of the Company's disclosure controls and procedures and the Company's internal control over financial reporting, including any significant deficiencies and significant changes in internal controls.

18. Understand the scope of the Company's external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management responses.

19. Receive and review any disclosure from the Company's Chief Executive Officer and Chief Financial Officer made in connection with the certification of the Company's quarterly and annual financial statements, regarding:

    a) *significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial data; and*

    b) *any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.*

20. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; major issues as to the adequacy of the Company's internal controls; and any special audit steps adopted in light of material control deficiencies.

21. Review analyses prepared by management and the Company's external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting methods on the financial statements.

22. Review the effect of regulatory and accounting initiatives, as well as off-balance-sheet structures, on the financial statements of the Company.

23. Review and report to the Board with respect to all related-party transactions, unless a special committee has been established by the Board to consider a particular matter.

24. Establish and oversee procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential, anonymous submissions by Company employees regarding questionable accounting or auditing matters.

Ethical Compliance, Legal Compliance and Risk Management

25. Oversee, review, and periodically update the Company's Code of Ethical Conduct and the Company's system to monitor compliance with and enforce this code.

26. Review, with the Company's counsel, legal compliance and legal matters that could have a significant impact on the Company's financial statements.

27. Discuss policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Company's major financial risk exposures and the steps management has undertaken to control them.

28. Consider the risk of management's ability to override the Company's internal controls.

29. Review with the Company's external auditors, and if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements.

30. Review adequacy of security of information, information systems and recovery plans.

31. Review the Company's insurance, including directors' and officers' coverage, and provide recommendations to the Board**.**

Other Responsibilities

32. Report regularly to the Board regarding the execution of the Committee's duties and responsibilities, activities, any issues encountered and related recommendations.

33. Discuss, with the Company's external auditor the extent to which changes or improvements in financial or accounting practices have been implemented.

34. Conduct an annual performance assessment relative to the Committee's purpose, duties, and responsibilities outlined herein.

EFFECTIVE DATE

This Charter was approved and adopted by the Board on March 10, 2014 (the " **Effective Date**") and is and shall be effective and in full force and effect in accordance with its terms and conditions from and after such date.

GOVERNING LAW

This Charter shall be interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable in that province.



CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

925 West Georgia Street, Suite 1805, 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 consolidated financial statements of First Majestic Silver Corp. (the "Company") are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimates and judgment based on information currently available.

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

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

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



Keith Neumeyer
President & CEO
February 21, 2017



Raymond Polman, CA
Chief Financial Officer
February 21, 2017

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated financial statements of First Majestic Silver Corp. and subsidiaries (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of earnings (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Majestic Silver Corp. and subsidiaries as at December 31, 2016 and December 31, 2015, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2017 expressed an unmodified / unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte LLP
Chartered Professional Accountants

February 21, 2017
Vancouver, Canada

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

We have audited the internal control over financial reporting of First Majestic Silver Corp. and subsidiaries (the “Company”) as of December 31, 2016, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting

Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated February 21, 2017 expressed an unmodified / unqualified opinion on those financial statements.

/s/ Deloitte LLP
Chartered Professional Accountants

February 21, 2017
Vancouver, Canada

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CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

Audited Consolidated Financial Statements (In thousands of US dollars, except share and per share amounts)

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

		Year Ended December 31,	
	Note	2016	2015
Revenues	6	**$278,077**	**$219,444**
Mine operating costs			
Cost of sales	7	149,281	135,674
Depletion, depreciation and amortization		79,593	75,039
		228,874	210,713
Mine operating earnings		**49,203**	**8,731**
General and administrative expenses	8	17,747	17,004
Share-based payments		4,403	4,926
Impairment of non-current assets	17	—	108,421
Acquisition costs	4	—	2,054
Foreign exchange gain		(1,192)	(3,266)
Operating earnings (loss)		**28,245**	**(120,408)**
Investment and other income (loss)	9	5,209	(34)
Finance costs	10	(7,963)	(5,810)
Earnings (loss) before income taxes		**25,491**	**(126,252)**
Income taxes			
Current income tax expense	23	8,346	2,200
Deferred income tax expense (recovery)	23	8,544	(20,028)
		16,890	(17,828)
Net earnings (loss) for the year		**$8,601**	**($108,424)**
Earnings (loss) per common share			
Basic	11	**$0.05**	**($0.84)**
Diluted	11	**$0.05**	**($0.84)**
Weighted average shares outstanding			
Basic	11	**160,874,038**	**129,117,653**
Diluted	11	**164,257,563**	**129,117,653**

Approved by the Board of Directors



Keith Neumeyer, Director



Douglas Penrose, Director

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

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

	Year Ended December 31,	
	2016	**2015**
Net earnings (loss) for the year	**$8,601**	**($108,424)**
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss:		
Unrealized loss on fair value of available for sale investments (Note 14)	(2,217)	—
Other comprehensive loss	(2,217)	—
Total comprehensive income (loss) for the year	**$6,384**	**($108,424)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

Audited Consolidated Financial Statements (In thousands of US dollars)

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

		Year Ended December 31,	
	Note	2016	2015
Operating Activities			
Net earnings (loss) for the year		$8,601	($108,424)
Adjustments for:			
Depletion, depreciation and amortization		80,352	75,822
Share-based payments		4,403	4,926
Impairment of non-current assets	17	—	108,421
Income tax expense (recovery)	23	16,890	(17,828)
Finance costs	10	7,963	5,810
Other	26	(10,934)	(8,988)
Operating cash flows before movements in working capital and taxes		**107,275**	**59,739**
Net change in non-cash working capital items	26	(2,544)	735
Income taxes paid		(4,719)	(4,380)
Cash generated by operating activities		**100,012**	**56,094**
Investing Activities			
Expenditures on mining interests		(43,770)	(41,985)
Acquisition of property, plant and equipment		(18,690)	(14,952)
Deposits paid for acquisition of non-current assets		(521)	(732)
Purchase of marketable securities		(3,653)	—
Proceeds from sale of marketable securities		48	388
Cash acquired from SilverCrest, net of cash consideration	4	—	28,202
Cash received on settlement of derivatives		—	396
Cash used in investing activities		**(66,586)**	**(28,683)**
Financing Activities			
Proceeds from private placement, net of share issue costs	24(a)	42,716	22,968
Proceeds from exercise of stock options		22,371	—
Proceeds from term loan, net of issuance cost	19(a)	33,709	—
Proceeds from revolving credit facility, net of issuance cost	19(b)	16,161	—
Repayment of prepayment facilities	20	(31,604)	(22,969)
Repayment of debt facilities	19(b)	(21,363)	—
Repayment of lease obligations		(10,239)	(11,755)
Finance costs paid		(6,925)	(4,026)
Cash provided by (used in) financing activities		**44,826**	**(15,782)**
Effect of exchange rate on cash and cash equivalents held in foreign currencies		(221)	(956)
Increase in cash and cash equivalents		**78,252**	**11,629**
Cash and cash equivalents, beginning of the year		51,018	40,345
Cash and cash equivalents, end of year		**$129,049**	**$51,018**
Cash		$91,498	$40,463
Short-term investments		37,551	10,555
Cash and cash equivalents, end of year		**$129,049**	**$51,018**
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The accompanying notes are an integral part of the audited consolidated financial statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016 AND DECEMBER 31, 2015

Audited Consolidated Financial Statements (In thousands of US dollars, except share and per share amounts)

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

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		$129,049	$51,018
Trade and other receivables	12	16,473	24,491
Inventories	13	20,254	22,204
Other financial assets	14	13,688	5,701
Prepaid expenses and other		735	1,371
Total current assets		**180,199**	**104,785**
Non-current assets			
Mining interests	15	390,409	387,337
Property, plant and equipment	16	237,638	259,741
Deposits on non-current assets		783	3,484
Deferred tax assets	23	48,146	34,353
Total assets		**$857,175**	**$789,700**
Liabilities and Equity			
Current liabilities			
Trade and other payables	18	$28,194	$41,899
Unearned revenue		2,539	2,231
Current portion of debt facilities	19	12,378	15,000
Current portion of lease obligations	21	6,078	9,594
Current portion of prepayment facilities	20	—	19,859
Income taxes payable		383	618
Total current liabilities		**49,572**	**89,201**
Non-current liabilities			
Debt facilities	19	31,560	—
Lease obligations	21	2,108	7,357
Decommissioning liabilities	22	11,315	15,592
Other liabilities		2,741	1,334
Prepayment facilities	20	—	11,383
Deferred tax liabilities	23	138,178	120,114
Total liabilities		**$235,474**	**$244,981**
Equity			
Share capital		628,565	557,477
Equity reserves		56,354	59,061
Accumulated deficit		(63,218)	(71,819)
Total equity		**$621,701**	**$544,719**
Total liabilities and equity		**$857,175**	**$789,700**

Commitments (Note 15; Note 25(c)); Subsequent events (Note 30))

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

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

	Share Capital		Equity Reserves				Retained earnings (Accumulated deficit)	Total equity
	Shares	Amount	Share-based payments[a]	Available for sale revaluation[b]	Foreign currency translation[c]	Total equity reserves		
Balance at December 31, 2014	**117,594,640**	**$430,588**	**$53,648**	**$—**	**($308)**	**$53,340**	**$36,605**	**$520,533**
Net loss and total comprehensive loss	—	—	—	—	—	—	(108,424)	(108,424)
Share-based payments	—	—	4,926	—	—	4,926	—	4,926
Shares issued for:								
Acquisition of SilverCrest (Note 4)	33,141,663	103,248	795	—	—	795	—	104,043
Private placement	4,620,000	22,968	—	—	—	—	—	22,968
Acquisition of mining interests	173,519	500	—	—	—	—	—	500
Settlement of liabilities	62,260	228	—	—	—	—	—	228
Shares cancelled	(3,844)	(55)	—	—	—	—	—	(55)
Balance at December 31, 2015	**155,588,238**	**$557,477**	**$59,369**	**$—**	**($308)**	**$59,061**	**($71,819)**	**$544,719**
Net earnings	—	—	—	—	—	—	8,601	8,601
Other comprehensive loss	—	—	—	(2,217)	—	(2,217)	—	(2,217)
Total comprehensive income	**—**	**—**	**—**	**(2,217)**	**—**	**(2,217)**	**8,601**	**6,384**
Share-based payments, net of tax	—	—	4,758	—	—	4,758	—	4,758
Shares issued for:								
Private placement (Note 24(a))	5,250,900	42,716	—	—	—	—	—	42,716
Exercise of stock options (Note 24(b))	3,505,679	27,619	(5,248)	—	—	(5,248)	—	22,371
Acquisition of mining interests	41,466	500	—	—	—	—	—	500
Settlement of liabilities	75,284	253	—	—	—	—	—	253
Balance at December 31, 2016	**164,461,567**	**$628,565**	**$58,879**	**($2,217)**	**($308)**	**$56,354**	**($63,218)**	**$621,701**

(a) Share-based payments reserve records the cumulative amount recognized under IFRS 2 in respect of options granted and shares purchase warrants issued but not exercised to acquire shares of the Company, plus related tax benefits of $0.4 million (2015 - $nil).

(b) The available for sale revaluation reserve principally records the unrealized fair value gains or losses related to available-for-sale financial instruments, net of amount reclassed as impairment.

(c) Foreign currency translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations within the Company into the US dollar presentation currency. All of the Company's entities have the US dollar as their functional currency and, thus, there were no changes in the foreign currency translation reserve.

The accompanying notes are an integral part of the 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. The Company presently owns and operates six producing silver mines: 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.

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", on the Mexican Stock Exchange under the symbol "AG" 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 1805, Vancouver, British Columbia, Canada, V6C 3L2.

2. BASIS OF PRESENTATION

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

These audited consolidated financial statements have been prepared on an historical cost basis except for certain items that are measured at fair value including derivative financial instruments (Note 25(a)) and marketable securities (Note 14). All dollar amounts presented are in thousands of United States dollars unless otherwise specified.

These audited consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiaries (see Note 28). Intercompany balances, transactions, income and expenses are eliminated on consolidation.

These audited consolidated financial statements of First Majestic Silver Corp. for the years ended December 31, 2016 and 2015 were approved and authorized for issue by the Board of Directors on February 21, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of audited consolidated financial statements in conformity with IFRS 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 amounts, events or actions, actual results may differ from these estimates.

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

In preparing the Company's consolidated financial statements for the years ended December 31, 2016 and 2015, the Company applied the following significant accounting policies and associated significant estimates and critical judgements:

Business Combinations (Note 4)

Accounting Policy:

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

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

Accounting Estimates and Judgments:

Determination of a Business

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

In 2015, the Company concluded that SilverCrest Mines Inc. ("SilverCrest") met the definition of a business and, accordingly, the acquisition was accounted for as a business combination (Note 4).

Fair Value Estimates

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

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

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

During the 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. During the measurement period, the Company will 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. During 2016, the Company finalized the acquisition date fair value of the assets and liabilities acquired from SilverCrest with no changes to the original purchase price allocation disclosed in 2015.

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

Goodwill

Accounting Policy:

Goodwill arising on the acquisition of a business is carried at cost as established at the date of the acquisition less accumulated impairment losses, if any. As at December 31, 2016, the Company had $nil goodwill (2015 - $nil).

Goodwill is allocated to each of the Company's cash-generating units that is expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit and loss in the consolidated statements of earnings or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Investment in Associates

Accounting Policy:

An associate is an entity over which the Company has significant influence with the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies. The Company accounts for its investments in associates using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized in net earnings during the period. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associates are not eliminated. As at December 31, 2016 and 2015, the Company had no investment in associates.

Foreign Currency

Accounting Policy:

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

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

Accounting Estimates and Judgments:

Determination of Functional Currency

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

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

Revenue Recognition (Note 6)

Accounting Policy:

Revenue is recognized upon delivery when the following conditions are met:

- control, risk and rewards of ownership of products passes to the buyer;
- the amount of revenue and costs related to the transaction can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the Company.

This occurs when significant risks and rewards of ownership have passed to the buyer, which is when insurance risk has passed to the customer and when the goods have been delivered to a contractually agreed location.

Revenue from the sale of precious metals, including by-products, is recorded net of charges for smelting and refining. Metals in doré sold to third parties are priced on delivery. Final weights and assays are adjusted on final settlement which is approximately one month after delivery. Metals in concentrate sold to third-party smelters are provisionally priced and settled on a predetermined future date, typically one month after delivery to the customer, based on the market price at that time. The contracts provide for provisional payment on delivery based upon provisional assays and quoted metal prices. Revenues are recorded under these contracts at the time risks and rewards of ownership pass from the Company to the buyer based on spot price on date of delivery, and subsequently adjusted to market price based on the expected date of the final settlement. As a result, the values of the Company's concentrate receivables change as the underlying commodity market prices vary. This component of the contract is an embedded derivative, which is recorded at fair value with changes in fair value recorded in revenues and trade receivables. Adjustments to revenue for metal prices are recorded monthly and other adjustments related to the final settlement of impurity penalties, weights and assays are recorded on final settlement.

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

Inventories (Note 13)

Accounting Policy:

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

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

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

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

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

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

Exploration and Evaluation Expenditures (Note 15)

Accounting Policy:

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

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

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

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

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

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

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

Accounting Estimates and Judgments:

Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which were capitalized have potential future economic benefits and are potentially economically recoverable, subject to impairment analysis. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

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

Mining Interests (Note 15)

Accounting Policy:

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

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

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

Accounting Estimates and Judgments:

Depletion Rate for Mining Interests

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

Mineral Reserve and Resource Estimates

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

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

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

Property, Plant and Equipment (Note 16)

Accounting Policy:

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

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

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

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

Accounting Estimates and Judgments:

Depreciation and Amortization Rates for Property, Plant and Equipment

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

Commencement of Commercial Production

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

Accounting Estimates and Judgments:

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

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

Borrowing Costs

Accounting Policy:

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred. As at December 31, 2016 and 2015, the Company does not have any qualifying assets under construction.

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

Impairment of Non-Current Assets (Note 17)

Accounting Policy:

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

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

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

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

Accounting Estimates and Judgments:

Indications of Impairment and Reversal of Impairment

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

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

Fair Value Estimates

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

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

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

Accounting Policy:

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

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

Accounting Estimates and Judgments:

Valuation of Share-based Payments

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

Taxation (Note 23)

Accounting Policy:

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

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

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

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

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

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

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

Taxation (Note 23) (continued)

Accounting Estimates and Judgments: Recognition of Deferred Income Tax Assets

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

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

Accounting Estimates and Judgments: Tax Contingencies

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

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

Financial Assets

Accounting Policy:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale ("AFS"), loans and receivables, or fair value through profit or loss ("FVTPL").

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as AFS are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary due to a significant or prolonged decline in the fair value of that investment below its cost which are recognized through profit and loss in the statements of earnings or loss.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss in the statements of earnings or loss.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial Liabilities

Accounting Policy:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial instruments and non-financial contracts may contain embedded derivatives, which are required to be accounted for separately at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract and the host contract is not carried at fair value. The Company regularly assesses its financial instruments and non-financial contracts to ensure that any embedded derivatives are accounted for in accordance with its policy. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

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

Provisions (Note 22)

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

Accounting Estimates and Judgments: Estimated Reclamation and Closure Costs

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

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

Cash and Cash Equivalents

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

Finance Leases (Note 21)

Accounting Policy: Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Finance costs are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Earnings or Loss per Share (Note 11)

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

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

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

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2016

Revenue Recognition

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 11 - *Construction Contracts*, IAS 18 - *Revenue*, IFRIC 13 - *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate* , IFRIC 18 - *Transfers of Assets from Customers* , and SIC 31 - *Revenue - Barter Transactions Involving Advertising Services*. 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 currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of applying this standard, primarily reviewing its doré and concentrate sales agreements. The Company does not anticipate any changes in the gross amounts of revenue but the timing of revenue recognized may differ under the new standard if the timing of transfer of control to customers is deferred and/or if there are additional performance obligations which are currently not recognized separately, such as shipping and insurance services arranged by the Company on behalf of its customers.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments* ("IFRS 9") to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of applying this standard. The expected impact of applying this standard include the potential designation of equity securities as financial assets at fair value through other comprehensive income, resulting in changes in fair value recognized in other comprehensive income. The new expected credit loss impairment model and reformed approach to hedge accounting is not expected to have a significant impact on the Company's consolidated financial statements.

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.

4. ACQUISITION OF SILVERCREST MINES INC.

Description of the Transaction

On October 1, 2015, the Company completed the arrangement agreement to acquire all of the issued and outstanding common shares of SilverCrest Mines Inc. for a consideration of 0.2769 common shares of First Majestic (the "Exchange Ratio") and CAD$0.0001 in cash per common share of SilverCrest. Pursuant to closing of the transaction, First Majestic issued 33,141,663 common shares, 2,647,147 replacement stock options based on the Exchange Ratio, and a nominal amount of cash for the acquisition.

The transaction added the Santa Elena Silver/Gold Mine as the Company’s sixth producing asset in Mexico. Santa Elena is located approximately 150 km northeast of Hermosillo, Sonora, Mexico, with a 3,000 tpd milling operation.

The transaction also strengthened the Company’s consolidated statements of financial position by contributing $29.4 million in working capital at the acquisition date.

4. ACQUISITION OF SILVERCREST MINES INC. (continued)

Purchase Price Allocation

As management concluded that SilverCrest constitutes a business, the acquisition is accounted for in accordance with IFRS 3 - Business Combinations. Total consideration for the acquisition was valued at $104.1 million at the acquisition date and the purchase price allocation was estimated as follows:

Total Consideration	
33,141,663 First Majestic shares at $3.12 (CAD$4.13) per share	$ 103,248
2,647,147 First Majestic replacement options (Note 24(b))	795
Cash paid	9
	$ 104,052

Net Assets Acquired	
Cash and cash equivalents	$ 28,211
Trade and other receivables (1)	9,088
Inventories	10,971
Property, plant and equipment	64,819
Mining interests	15,951
Other working capital items	(3,905)
Debt facility	(15,000)
Decommissioning liabilities	(2,634)
Deferred tax liabilities	(3,449)
	$ 104,052

(1) The fair value of acquired trade and other receivables is assumed to equal to its contractual value.

In 2009, Nusantara de Mexico, S.A. de C.V. (“Nusantara”), a subsidiary of SilverCrest entered into a definitive purchase agreement with Sandstorm Gold Ltd. (“Sandstorm”) to sell 20% of its future gold production from the Santa Elena Silver Mine, up to a total of 50,000 ounces, for consideration of an upfront deposit of $12.0 million and 3.5 million common shares of Sandstorm, valued at $1.4 million at that time, plus a payment per ounce of gold equal to the lesser of $350 or the prevailing market price, subject to an increase of 1% per annum. The agreement was subsequently amended in 2014 to include 20% of Santa Elena’s life of mine gold production from a designated area of its underground operation, for an additional consideration of $10.0 million in cash plus, upon fulfillment of the original 50,000 ounces, a payment per ounce of gold equal to the lesser of $450 or the prevailing market price, subject to an inflating increase of 1% per annum. The expected cash flows associated with the sale of gold to Sandstorm at a price lower than market price have been reflected in the determination of the fair value of the mining interest recorded upon acquisition of SilverCrest. The Company has presented the value of any expected future cash flows from the sale of future gold production to Sandstorm as part of mining interests, as the Company did not receive any of the original upfront payment provided by Sandstorm to SilverCrest. Further, the Company does not believe that the agreement to sell to Sandstorm meets the definition of a liability as the delivery obligation only arises upon production of the gold.

Total transaction costs of $2.1 million related to the acquisition were expensed in 2015.

Financial and operating results of SilverCrest are included in the Company’s consolidated financial statements effective October 1, 2015. During the year ended December 31, 2015, the acquisition of SilverCrest contributed revenues of $26.7 million and $3.3 million to the Company’s net earnings.

Had the business combination been effected at January 1, 2015, pro forma revenues and net loss of the Company for the year ended December 31, 2015 would have been $279.6 million and $101.8 million, respectively.

5. SEGMENTED INFORMATION

For the year ended December 31, 2016, the Company had eight reporting segments (December 31, 2015 – eight), including six operating segments located in Mexico, one retail market segment in Canada and one metal marketing segment in Europe. "Others" consists primarily of the Company's other development and exploration properties (Note 15), debt facilities (Note 19), prepayment facilities (Note 20), intercompany eliminations, and corporate expenses which are not allocated to operating segments.

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.

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.

Management evaluates segment performance based on mine operating earnings. Therefore, other income and expense items are not allocated to the segments.

	Year Ended December 31, 2016					At December 31, 2016	
	Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures	Total assets	Total liabilities
Mexico							
Santa Elena[1]	$94,995	$42,721	$16,425	$35,849	$15,245	$111,291	$17,868
La Encantada	44,338	29,708	17,487	(2,857)	9,989	94,497	13,323
La Parrilla	44,891	25,742	18,786	363	11,077	172,663	43,160
Del Toro	34,976	19,522	14,202	1,252	11,548	157,684	26,774
San Martin	37,201	18,784	6,854	11,563	6,357	86,519	25,085
La Guitarra	21,620	12,822	5,517	3,281	9,042	68,065	13,819
Canada							
Coins and Bullion Sales	922	873	—	49	—	960	4
Europe							
Silver Sales	17,737	14,254	—	3,483	—	7,460	774
Others	(18,603)	(15,145)	322	(3,780)	2,616	158,036	94,667
Consolidated	**$278,077**	**$149,281**	**$79,593**	**$49,203**	**$65,874**	**$857,175**	**$235,474**

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

5. SEGMENTED INFORMATION (continued)

	Year Ended December 31, 2015					At December 31, 2015	
	Revenue	Cost of sales	Depletion, depreciation, and amortization	Mine operating earnings (loss)	Capital expenditures	Total assets	Total liabilities
Mexico							
Santa Elena(1)	$26,655	$15,131	$4,155	$7,369	$3,003	$136,713	$20,773
La Encantada	39,712	32,111	26,633	(19,032)	13,784	101,092	38,857
La Parrilla	43,292	30,362	17,360	(4,430)	14,041	179,108	29,506
Del Toro	47,584	27,406	12,125	8,053	12,670	165,587	27,164
San Martin	43,067	20,789	8,706	13,572	9,058	86,291	28,226
La Guitarra	17,335	9,688	6,715	932	7,775	56,351	11,920
Canada							
Coins and Bullion Sales	546	666	22	(142)	—	282	1
Europe							
Silver Sales	90,894	90,863	—	31	—	7,413	2,394
Others	(89,641)	(91,342)	(677)	2,378	1,911	56,863	86,140
Consolidated	**$219,444**	**$135,674**	**$75,039**	**$8,731**	**$62,242**	**$789,700**	**$244,981**

(1) Santa Elena was acquired on October 1, 2015.

During the year ended December 31, 2016, the Company had six (December 31, 2015 - five) customers that account for 100% of its doré and concentrate sales revenue. The Company had three major customers that accounted for 32%, 29%, and 24% of total revenue in 2016 (2015 - 50%, 30% and 16%, respectively).

6. REVENUES

Revenues from sale of metal, including by-products, are recorded net of smelting and refining costs. Precious metals contained in doré form are sold and priced on delivery to the customer. Metals in concentrate form are sold and provisionally priced on delivery. Final settlements are based on market price at a predetermined future date, typically one month after delivery.

Revenues for the period are summarized as follows:

	Year Ended December 31,	
	2016	2015
Gross revenue from payable metals:		
Silver	$199,942	$172,268
Gold	64,039	28,754
Lead	27,208	33,031
Zinc	8,902	13,666
Gross revenue	300,091	247,719
Less: smelting and refining costs	(22,014)	(28,275)
Revenues	**$278,077**	**$219,444**
Silver as % of gross revenue	**67%**	**70%**

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

6. REVENUES (continued)

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 a designated area of its underground operations. The selling price is based on the lower of the prevailing market price or $350 per ounce until fulfillment of 50,000 ounces, after which the price will increase to the lower of the prevailing market price or $450 per ounce, subject to a 1% annual inflation commencing in April 2014.

During the year ended December 31, 2016, the Company delivered 9,992 (2015 - 2,062) ounces of gold to Sandstorm under the purchase agreement at an average price of $360 (2015 - $357) per ounce , compared to the average market price of $1,251 (2015 - $1,104) per ounce. As at December 31, 2016, the Santa Elena mine has delivered 42,722 (2015 - 32,730) cumulative ounces of gold to Sandstorm.

7. COST OF SALES

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

	Year Ended December 31,	
	2016	**2015**
Consumables and materials	$35,762	$41,846
Labour costs	63,444	52,779
Energy	28,246	22,335
Other costs	13,881	8,503
Production costs	**141,333**	**125,463**
Transportation and other selling costs	3,756	5,237
Workers participation costs	1,907	468
Environmental duties and royalties	1,389	1,150
Inventory changes	560	2,326
Other costs	336	1,030
	$149,281	**$135,674**

8. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Year Ended December 31,	
	2016	**2015**
Corporate administration	$3,819	$4,185
Salaries and benefits	9,387	8,149
Audit, legal and professional fees	2,656	2,835
Filing and listing fees	441	320
Directors fees and expenses	685	731
Depreciation	759	784
	$17,747	**$17,004**

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

9. INVESTMENT AND OTHER INCOME (LOSS)

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

	Year Ended December 31,	
	2016	**2015**
Gain (loss) from investment in marketable securities (Note 14)	$6,281	($1,030)
Loss from fair value adjustment of prepayment facilities (Note 20)	(1,255)	(1,202)
Interest income and other	183	1,123
Equity loss on investment in associates	—	679
Gain from investment in derivatives	—	396
	$5,209	**($34)**

10. FINANCE COSTS

Finance costs are primarily related to interest and accretion expense on the Company's prepayment facilities, debt facilities and finance leases. The Company's finance costs in the period are summarized as follows:

	Year Ended December 31,	
	2016	**2015**
Debt facilities (Note 19)	$2,218	$141
Finance leases (Note 21)	845	1,480
Prepayment facilities (Note 20)	261	3,060
Loss on early settlement of prepayment facilities (Note 20)	3,506	—
Accretion of decommissioning liabilities	830	835
Silver sales and other	303	294
	$7,963	**$5,810**

11. EARNINGS (LOSS) PER SHARE

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

The calculations of basic and diluted earnings (loss) per share for the periods ended December 31, 2016 and 2015 are based on the following:

	Year Ended December 31,	
	2016	**2015**
Net earnings (loss) for the year	$8,601	($108,424)
Weighted average number of shares on issue - basic	160,874,038	129,117,653
Adjustment for stock options	3,383,525	—
Weighted average number of shares on issue - diluted (1)	164,257,563	129,117,653
Earnings (loss) per share - basic	$0.05	($0.84)
Earnings (loss) per share - diluted	$0.05	($0.84)

(1) Diluted weighted average number of shares excludes 2,880,893 (2015 – 10,360,874) options that were anti-dilutive for the year ended December 31, 2016.

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Company are comprised of:

	December 31, 2016	December 31, 2015
Trade receivables	$6,353	$3,249
Value added taxes and other taxes receivable	9,534	19,674
Other	586	1,568
	$16,473	**$24,491**

At December 31, 2015, value added taxes ("VAT") receivable included $11.1 million of VAT filings of Nusantara, a subsidiary of the recently acquired SilverCrest, that were delayed due to a prior audit from the Mexican tax authorities. During the year ended December 31, 2016, the Company was able to fully collect these outstanding VAT balances.

As at December 31, 2016, the Company has a $0.3 million (December 31, 2015 - $1.1 million) promissory notes receivable from First Mining Finance Corp., a related party, which will be fully settled by June 2017.

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:

	December 31, 2016	December 31, 2015
Finished goods - doré and concentrates	$3,014	$3,194
Work-in-process	1,327	1,282
Stockpile	122	93
Silver coins and bullion	405	212
Materials and supplies	15,386	17,423
	$20,254	**$22,204**

The amount of inventories recognized as an expense during the year was $220.9 million (2015 - $200.5 million), equivalent to total production costs plus depletion, depreciation and amortization for the period. As at December 31, 2016, mineral inventories, which consist of stockpile, work-in-process and finished goods, include $0.5 million (December 31, 2015 - $0.8 million) write-down which was recognized in cost of sales during the year.

14. OTHER FINANCIAL ASSETS

As at December 31, 2016, other financial assets consist primarily of the Company's investment in marketable securities and foreign exchange derivatives. Marketable securities are classified as financial assets. 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 available for sale ("AFS") are recorded through other comprehensive income.

	December 31, 2016	December 31, 2015
Fair Value through Profit and Loss		
First Mining Finance Corp. (TSX.V: FF)	$9,819	$3,564
Sprott Physical Silver Trust (NYSE: PSLV)	2,432	2,108
Others	—	29
	$12,251	**$5,701**
Available for sale marketable securities	1,437	—
Total marketable securities	**$13,688**	**$5,701**

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

14. OTHER FINANCIAL ASSETS (continued)

During the year ended December 31, 2016, the Company recognized a gain of $6.3 million (2015 - loss of $1.0 million), related to fair value adjustments to its FVTPL marketable securities. During the year ended December 31, 2016, the Company recognized an unrealized loss of $2.2 million (2015 - $nil) , or $1.9 million net of tax, on marketable securities through other comprehensive income.

15. MINING INTERESTS

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

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

	December 31, 2016	December 31, 2015
Producing properties	$319,213	$309,295
Exploration properties (non-depletable)	71,196	78,042
	$390,409	**$387,337**

Producing properties are allocated as follows:

Producing properties	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Total
Cost							
At December 31, 2014	**$—**	**$72,491**	**$125,559**	**$61,913**	**$67,327**	**$66,259**	**$393,549**
Acquired from Silver Crest	15,519	—	—	—	—	—	15,519
Additions	2,240	5,002	9,115	8,427	5,115	6,340	36,239
Change in decommissioning liabilities	(105)	(195)	(406)	(3)	(34)	(119)	(862)
Transfer from exploration properties	—	4,177	7,656	17,606	7,588	17,397	54,424
At December 31, 2015	**$17,654**	**$81,475**	**$141,924**	**$87,943**	**$79,996**	**$89,877**	**$498,869**
Additions	9,067	1,502	4,211	2,256	2,753	4,639	24,428
Change in decommissioning liabilities	(202)	(446)	54	(567)	(860)	(342)	(2,363)
Transfer from exploration properties	1,110	3,298	—	10,046	4,425	6,826	25,705
At December 31, 2016	**$27,629**	**$85,829**	**$146,189**	**$99,678**	**$86,314**	**$101,000**	**$546,639**
Accumulated depletion and impairment							
At December 31, 2014	**$—**	**($14,549)**	**($24,816)**	**($12,402)**	**($30,687)**	**($34,696)**	**($117,150)**
Depletion and amortization	(544)	(15,019)	(7,287)	(5,898)	(2,953)	(5,509)	(37,210)
Impairment	—	(12,543)	(5,803)	(2,212)	—	(14,656)	(35,214)
At December 31, 2015	**($544)**	**($42,111)**	**($37,906)**	**($20,512)**	**($33,640)**	**($54,861)**	**($189,574)**
Depletion and amortization	(2,860)	(9,288)	(11,069)	(6,762)	(3,714)	(4,159)	(37,852)
At December 31, 2016	**($3,404)**	**($51,399)**	**($48,975)**	**($27,274)**	**($37,354)**	**($59,020)**	**($227,426)**
Carrying values							
At December 31, 2015	**$17,110**	**$39,364**	**$104,018**	**$67,431**	**$46,356**	**$35,016**	**$309,295**
At December 31, 2016	**$24,225**	**$34,430**	**$97,214**	**$72,404**	**$48,960**	**$41,980**	**$319,213**

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

15. MINING INTERESTS (continued)

Exploration properties are allocated as follows:

Exploration properties	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other	Total
Cost								
At December 31, 2014	**$—**	**$8,345**	**$15,261**	**$35,310**	**$15,175**	**$34,794**	**$37,379**	**$146,264**
Acquired from Silver Crest	—	—	—	—	—	—	432	432
Exploration and evaluation expenditures	—	1,879	1,188	2,046	461	380	1,308	7,262
Change in decommissioning liabilities	—	—	—	—	—	—	(266)	(266)
Impairment	—	(1,456)	(463)	(635)	—	(5,233)	(13,439)	(21,226)
Transfer to producing properties	—	(4,177)	(7,656)	(17,606)	(7,588)	(17,397)	—	(54,424)
At December 31, 2015	**$—**	**$4,591**	**$8,330**	**$19,115**	**$8,048**	**$12,544**	**$25,414**	**$78,042**
Exploration and evaluation expenditures	2,138	1,264	2,298	7,743	2,478	2,092	952	18,965
Change in decommissioning liabilities	—	—	—	—	—	—	($106)	($106)
Transfer to producing properties	(1,110)	(3,298)	—	(10,046)	(4,425)	(6,826)	—	(25,705)
At December 31, 2016	**$1,028**	**$2,557**	**$10,628**	**$16,812**	**$6,101**	**$7,810**	**$26,260**	**$71,196**

(a) 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 a designated area of its underground operations to Sandstorm. The selling price is based on the lower of the prevailing market price or $350 per ounce until fulfillment of 50,000 ounces, after which the price will increase to the lower of the prevailing market price or $450 per ounce, adjusted for a 1% annual inflation commencing in April 2014. As at December 31, 2016, the Santa Elena mine has delivered 42,722 (2015 - 32,730) cumulative ounces of gold to Sandstorm.

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 5,802 hectares of mining concessions adjacent to 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 royalty on the related concessions, and to pay $1.4 million in cash, of which $0.1 million was due on or before the date of agreement (paid), $0.2 million in December 2017, $0.2 million in December 2018, $0.3 million in December 2019 and $0.7 million in December 2020, respectively.

(b) 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 $1.2 million has been paid, $1.0 million is due in 2017, $1.0 million in 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 December 31, 2016, $0.3 million has been paid.

(c) La Guitarra Silver Mine, State of Mexico

In 2014, the Company entered into two agreements to acquire 757 hectares of adjacent mineral rights at the La Guitarra Mine. The total purchase price amounted to $5.4 million, of which $5.2 million is settled in common shares of First Majestic and $0.2 million in cash. As at December 31, 2016, the Company has paid $4.4 million, consisting of $0.2 million in cash and $4.2 million in common shares. The remaining balance of $1.0 million will be settled in two equal annual payments in September 2017 and 2018 based on the Company's volume weighted average market price at the time of the payments.

16. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment are comprised of the following:

	Land and Buildings(1)	Machinery and Equipment(2)	Assets under Construction	Other	Total
Cost					
At December 31, 2014	**$120,635**	**$238,317**	**$21,206**	**$11,636**	**$391,794**
Acquired from SilverCrest	703	64,116	—	—	64,819
Additions	415	4,412	13,499	415	18,741
Transfers and disposals	6,531	9,203	(16,820)	331	(755)
At December 31, 2015	**$128,284**	**$316,048**	**$17,885**	**$12,382**	**$474,599**
Additions	73	5,399	16,475	534	22,481
Transfers and disposals	4,765	3,783	(12,545)	234	(3,763)
At December 31, 2016	**$133,122**	**$325,230**	**$21,815**	**$13,150**	**$493,317**
Accumulated depreciation, amortization and impairment					
At December 31, 2014	**($29,574)**	**($88,632)**	**—**	**($6,550)**	**($124,756)**
Depreciation and amortization	(4,976)	(29,791)	—	(1,533)	(36,300)
Transfers and disposals	(423)	(1,356)	—	(42)	(1,821)
Impairment	(25,536)	(26,395)	—	(50)	(51,981)
At December 31, 2015	**($60,509)**	**($146,174)**	**—**	**($8,175)**	**($214,858)**
Depreciation and amortization	(5,230)	(35,641)	—	(1,174)	(42,045)
Transfers and disposals	(243)	1,453	—	14	1,224
At December 31, 2016	**($65,982)**	**($180,362)**	**—**	**($9,335)**	**($255,679)**
Carrying values					
At December 31, 2015	**$67,775**	**$169,874**	**$17,885**	**$4,207**	**$259,741**
At December 31, 2016	**$67,140**	**$144,868**	**$21,815**	**$3,815**	**$237,638**

(a) Included in land and buildings is $5.9 million (December 31, 2015 - $8.2 million) of land which is not subject to depreciation.
(b) Included in property, plant and equipment is $17.5 million (December 31, 2015 $25.5 million) of equipment under finance lease (Note 21).

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:

	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Other	Total
Cost								
At December 31, 2014	**$—**	**$100,359**	**$92,872**	**$113,329**	**$44,485**	**$20,732**	**$20,017**	**$391,794**
Acquired from Silver Crest	64,819	—	—	—	—	—	—	64,819
Additions	763	6,903	3,738	2,197	3,482	1,055	603	18,741
Transfers and disposals	—	1,815	(325)	(433)	(2,362)	542	8	(755)
At December 31 ,2015	**$65,582**	**$109,077**	**$96,285**	**$115,093**	**$45,605**	**$22,329**	**$20,628**	**$474,599**
Additions	4,040	7,223	4,568	1,549	1,126	2,311	1,664	22,481
Transfers and disposals	(252)	623	(6,160)	486	(852)	1,111	1,281	(3,763)
At December 31, 2016	**$69,370**	**$116,923**	**$94,693**	**$117,128**	**$45,879**	**$25,751**	**$23,573**	**$493,317**
Accumulated depreciation and amortization and impairment								
At December 31 ,2014	**$—**	**($36,939)**	**($28,542)**	**($24,684)**	**($18,390)**	**($12,056)**	**($4,145)**	**($124,756)**
Depreciation and amortization	(2,935)	(11,546)	(8,809)	(5,456)	(5,003)	(1,205)	(1,346)	(36,300)
Transfers and disposals	—	(283)	(619)	(776)	280	(412)	(11)	(1,821)
Impairment	—	(14,545)	(3,687)	(24,580)	—	(2,549)	(6,620)	(51,981)
At December 31, 2015	**($2,935)**	**($63,313)**	**($41,657)**	**($55,496)**	**($23,113)**	**($16,222)**	**($12,122)**	**($214,858)**
Depreciation and amortization	(12,959)	(8,178)	(7,766)	(7,402)	(3,137)	(1,344)	(1,259)	(42,045)
Transfers and disposals	24	(522)	2,857	(336)	468	(781)	(486)	1,224
At December 31, 2016	**($15,870)**	**($72,013)**	**($46,566)**	**($63,234)**	**($25,782)**	**($18,347)**	**($13,867)**	**($255,679)**
Carrying values								
At December 31, 2015	**$62,647**	**$45,764**	**$54,628**	**$59,597**	**$22,492**	**$6,107**	**$8,506**	**$259,741**
At December 31, 2016	**$53,500**	**$44,910**	**$48,127**	**$53,894**	**$20,097**	**$7,404**	**$9,706**	**$237,638**

17. IMPAIRMENT OF NON-CURRENT ASSETS

Non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

At December 31, 2016, the Company assessed the recoverable value of the La Parrilla mine due to a decrease in Reserves and Resources and concluded that the carrying value of the mine remains recoverable and no impairment charge was recorded. The Company also determined there were no significant events or changes in circumstances to indicate that the carrying amount of its non-current assets may not be recoverable, nor indicators that the recoverable amount of its previously impaired assets will exceed its carrying carrying value. As such, no impairment or impairment reversal were recognized during the year ended December 31, 2016.

At December 31, 2015, the Company determined there were several indicators of potential impairment on its non-current assets, including the decline in the Company's market capitalization, reduction in market consensus on long-term silver price forecasts during the year and the consequential impact on the Company's reserves and resources. Based on the Company's assessment at December 31, 2016 and 2015, the Company concluded that the following mines and properties had estimated recoverable value, based on their FVLCD, below their carrying value and impairment charges were required:

17. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

	Year Ended December 31,	
	2016	2015
La Encantada Silver Mine	$—	$28,544
Del Toro Silver Mine	—	27,427
La Guitarra Silver Mine	—	22,438
La Luz Silver Project	—	13,973
La Parrilla Silver Mine	—	9,953
Plomosas Project	—	6,086
Impairment of non-current assets	**$—**	**$108,421**
Deferred income tax recovery	—	(38,218)
Impairment of non-current assets, net of tax	**$—**	**$70,203**

The impairment charge recognized for the year ended December 31, 2015 in respect of each operating segment or project was as follows:

	Mining Interests		Property, Plant	
	Producing	Exploration	and Equipment	Total
La Encantada Silver Mine	$12,543	$1,456	$14,545	$28,544
Del Toro Silver Mine	2,212	635	24,580	27,427
La Guitarra Silver Mine	14,656	5,233	2,549	22,438
La Luz Silver Project	—	7,353	6,620	13,973
La Parrilla Silver Mine	5,803	463	3,687	9,953
Plomosas Project	—	6,086	—	6,086
Impairment of non-current assets	**$35,214**	**$21,226**	**$51,981**	**$108,421**

Recoverable values are determined with internal discounted cash flow economic models are projected using management's best estimate of recoverable mineral reserves and resources, future operating costs and capital expenditures, and long-term foreign exchange rates. 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 December 31, 2015 are summarized in the following table:

	December 31, 2015	
Commodity Prices	**2016-2019 Average**	**Long-term**
Silver (per ounce)	$17.19	$18.50
Gold (per ounce)	$1,213	$1,250
Lead (per pound)	$0.89	$0.90
Zinc (per pound)	$0.98	$1.00

A discount rate of 8.5%, equivalent to the Company's weighted average cost of capital at December 31, 2015, was used to determine FVLCD based on internal discounted cash flow economic models of each CGU.

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 in the year ended December 31, 2015.

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 office expenses. The normal credit period for these purchases is usually between 30 to 90 days.

Trade and other payables are comprised of the following items:

	December 31, 2016	December 31, 2015
Trade payables	$10,752	$28,291
Trade related accruals	12,015	8,616
Payroll and related benefits	3,209	2,705
Environmental duty	1,149	789
Other accrued liabilities	1,069	1,498
	$28,194	**$41,899**

19. 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 (the "Debt Facilities") consisting of a $35.0 million term loan and a $25.0 million revolving credit facility. The 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 Debt Facilities include 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 less 50% of sustaining capital expenditures 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 $436.0 million plus 80% of its positive earnings subsequent to December 31, 2015. The Debt Facilities also provide for negative covenants customary for these types of facilities and allows the Company to enter into capital leases up to $30.0 million.

Details of the Debt Facilities are as follow:

(a) Term loan

The $35.0 million term loan is repayable in 11 equal quarterly instalments of $3.2 million in principal plus related interest, with the first instalment paid in August 2016. It bears an interest rate of LIBOR plus an applicable range from 3.25% to 4.00%, depending on certain financial parameters of the Company. During the year ended December 31, 2016, the Company incurred $1.6 million in interest (2015 - $nil) related to the term loan at an effective interest rate of 6.3%. Proceeds from the term loan were primarily used to settle the prepayment facilities (Note 20).

(b) Revolving credit facility

The $25.0 million revolving credit facility matures 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. Proceeds from the revolving credit facility were used to replace the prior SilverCrest's $15.0 million credit facility that was due to expire in June 2016. As at December 31, 2016, $16.1 million has been drawn from the facility, leaving $8.9 million available for withdrawal. During the year ended December 31, 2016, the Company incurred $0.6 million in interest (2015 - $0.1 million) related to the revolving credit facility.

19. DEBT FACILITIES (continued)

The movement in debt facilities during the year ended December 31, 2016 and 2015 are comprised of the following:

	Term Loan	Revolving Credit Facility	Total
Balance at December 31, 2014	**$—**	**$—**	**$—**
Acquired from SilverCrest (Note 4)	—	15,000	15,000
Interest and accretion expense	—	141	141
Repayments	—	(141)	(141)
Balance at December 31, 2015	**$—**	**$15,000**	**$15,000**
Net proceeds from debt financing	33,709	16,161	49,870
Interest and accretion expense	1,586	632	2,218
Repayments	(7,574)	(15,576)	(23,150)
Balance at December 31, 2016	**$27,721**	**$16,217**	**$43,938**
Statements of Financial Position Presentation			
Current portion of debt facilities	$12,322	$56	$12,378
Non-current portion of debt facilities	15,399	16,161	31,560
Balance at December 31, 2016	**$27,721**	**$16,217**	**$43,938**

20. PREPAYMENT FACILITIES

In February 2016, the Company settled its prepayment facilities with Bank of America Merrill Lynch ("BAML") for $31.6 million. As a result of the early settlement, the Company incurred $3.5 million in accelerated interest and option payments.

During the year ended December 31, 2016, prior to the early settlement, the Company recorded an unrealized loss of $ 1.3 million (2015 - loss of $1.2 million) on the prepayment facilities and $ 0.3 million (2015 – $3.1 million) in interest expense.

21. LEASE OBLIGATIONS

The Company has finance leases for various mine and plant equipment. These leases have terms of 36 to 60 months with interest rates ranging from 5.6% to 7.5% . Assets under finance leases are pledged as security against lease obligations. The following is a schedule of future minimum lease payments due under the Company's finance lease contracts:

	December 31, 2016	December 31, 2015
Less than one year	$6,432	$10,441
More than one year but not more than five years	2,195	7,700
Gross payments	8,627	18,141
Less: future finance charges	(441)	(1,190)
Present value of minimum lease payments	**$8,186**	**$16,951**
Statements of Financial Position Presentation		
Current portion of lease obligations	$6,078	$9,594
Non-current portion of lease obligations	2,108	7,357
Present value of minimum lease payments	**$8,186**	**$16,951**

During the year ended December 31, 2016, the Company recognized $0.8 million (2015 - $1.5 million) in finance costs related to its lease obligations.

22. DECOMMISSIONING LIABILITIES

The Company has an obligation to undertake decommissioning, restoration, rehabilitation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining operation. Movements in decommissioning liabilities during the year ended December 31, 2016 and 2015 are allocated as follow:

	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	La Luz	Total
Balance at December 31, 2014	**$—**	**$4,236**	**$2,782**	**$3,064**	**$2,725**	**$1,927**	**$750**	**$15,484**
Movements during the year:								
Acquired from SilverCrest (Note 4)	2,634	—	—	—	—	—	—	2,634
Change in rehabilitation provision	(105)	(195)	(406)	(3)	(34)	(119)	(266)	(1,128)
Interest or accretion expense	93	213	152	150	148	79	—	835
Foreign exchange gain	—	(629)	(414)	(454)	(405)	(262)	(69)	(2,233)
Balance at December 31, 2015	**$2,622**	**$3,625**	**$2,114**	**$2,757**	**$2,434**	**$1,625**	**$415**	**$15,592**
Movements during the year:								
Change in rehabilitation provision	(202)	(446)	54	(567)	(860)	(342)	(106)	(2,469)
Interest or accretion expense	139	200	128	146	135	82	—	830
Foreign exchange gain	(452)	(626)	(366)	(475)	(420)	(255)	(44)	(2,638)
Balance at December 31, 2016	**$2,107**	**$2,753**	**$1,930**	**$1,861**	**$1,289**	**$1,110**	**$265**	**$11,315**

A provision for decommissioning liabilities is estimated based on management's interpretation of current regulatory requirements and is recognized at the present value of such costs. The expected timing of cash flows in respect of the provision is based on the estimated life of the mining operations. The discount rate is a risk-free rate determined based on Mexican pesos default swap rates ranging between 7.61% to 8.32% (2015 - 5.8% to 7.0%) for the respective estimated life of the operations. The inflation rate used is based on historical Mexican inflation rate of 3.5% (2015 - 3.5%). The present value of reclamation liabilities may be subject to change based on changes to cost estimates, remediation technologies or applicable laws and regulations. Changes in decommissioning liabilities are recorded against mining interests.

23. INCOME TAXES

The following is a reconciliation of income taxes calculated at the combined Canadian federal and provincial statutory tax rate to the income tax expense for the year ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	**2015**
Net earnings (loss) before tax	**$25,491**	**($126,252)**
Combined statutory tax rate	26.00%	26.00%
Income tax expense (recovery) computed at statutory tax rate	**6,628**	**(32,826)**
Reconciling items:		
Effect of different foreign statutory tax rates on earnings of subsidiaries	(257)	(7,805)
Impact of foreign exchange on deferred income tax assets and liabilities	(7,786)	2,142
Forfeited loss carryforwards due to deconsolidation tax liability credit (1)	16,949	—
Change in unrecognized deferred income tax asset (1)	(4,279)	20,171
7.5% mining royalty in Mexico	3,174	(6,220)
Other non-deductible expenses	2,607	3,629
Impact of inflationary adjustments	1,338	2,957
Other	(1,484)	124
Income tax expense (recovery)	**$16,890**	**($17,828)**
Statements of Earnings Presentation		
Current income tax expense	$8,346	$2,200
Deferred income tax expense (recovery)	8,544	(20,028)
Income tax expense (recovery)	**$16,890**	**($17,828)**
Effective tax rate	**66%**	**14%**

(1) In November 2015, the Mexican Tax Authorities enacted a new 2016 Mexican Tax Reform which introduced a provision that enables companies to settle a portion of its tax deconsolidation liability against past loss carryforwards that were reinstated by virtue of the Mexican Tax Reform of 2013. To claim this credit, the Company had to apply its past loss carryforwards at a discounted rate of 15% as compared to the Mexican corporate tax rate of 30%.

In March 2016, the Company elected to apply this new provision to reduce its deconsolidation tax liability by $14.7 million. The Company recognized a one-time deferred tax expense of $6.7 million, consisting of forfeiture of $16.9 million in gross value of loss carryforwards, net of $10.2 million that was not previously valued.

23. INCOME TAXES (continued)

During the years ended December 31, 2016 and 2015, the movement in deferred tax assets and deferred tax liabilities is shown as follows:

Deferred tax assets	Losses	Provisions	Deferred tax asset not recognized	Other	Total
At December 31, 2014	**$85,597**	**$9,093**	**($4,462)**	**$415**	**$90,643**
Acquired from SilverCrest	5,228	—	(2,926)	—	2,302
Benefit (expense) to income statement	23,057	(1,005)	(20,172)	(12)	1,868
At December 31, 2015	**$113,882**	**$8,088**	**($27,560)**	**$403**	**$94,813**
(Expense) benefit to income statement	(23,292)	2,104	7,181	414	(13,593)
At December 31, 2016	**$90,590**	**$10,192**	**($20,379)**	**$817**	**$81,220**

Deferred tax liabilities	Property, plant and equipment and mining interests	Effect of Mexican tax deconsolidation	Other	Total
At December 31, 2014	**$145,611**	**$35,288**	**$20,005**	**$200,904**
Acquired from SilverCrest	2,832	—	2,919	5,751
(Benefit) expense to income statement	(26,828)	(2,433)	5,842	(23,419)
Reclassed to current income taxes payable	—	(2,662)	—	(2,662)
At December 31, 2015	**$121,615**	**$30,193**	**$28,766**	**$180,574**
Expense (benefit) to income statement	10,057	(16,407)	(1,353)	(7,703)
Reclassed to current income taxes payable	—	(1,619)	—	(1,619)
At December 31, 2016	**$131,672**	**$12,167**	**$27,413**	**$171,252**

Statements of Financial Position Presentation	
Deferred income tax assets	$34,353
Deferred income tax liabilities	120,114
At December 31, 2015	**$85,761**
Deferred income tax assets	$48,146
Deferred income tax liabilities	138,178
At December 31, 2016	**$90,032**

At December 31, 2016, the Company recognized $48.1 million (2015 - $34.4 million) of net deferred tax assets in entities that have had a loss for tax purposes in either 2016 or 2015, or both. In evaluating whether it is probable that sufficient taxable income will be generated to realize the benefit of these deferred tax assets, the Company considered all available evidence, including approved budgets, forecasts and business plans and, in certain cases, tax planning opportunities.

The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred taxes have not been recognized, as at December 31, 2016 is $489.1 million (2015 - $192.7 million).

23. INCOME TAXES (continued)

As at December 31, 2016 and 2015, the Company has available Canadian, Swiss and Mexican non-capital tax losses, which if not utilized will expire as follows:

Year of expiry	Canadian non-capital losses	Swiss non-capital losses	Mexican non-capital losses	December 31, 2016	December 31, 2015
2016	$—	$—	$—	$—	$4,213
2017	—	—	6,055	6,055	14,659
2018	—	—	10,198	10,198	24,510
2019	—	—	1,569	1,569	11,609
2020	—	—	246	246	1,306
2021	—	13,421	3,938	17,359	29,251
2022	—	—	5,526	5,526	47,415
2023	—	—	8,572	8,572	32,227
2024	—	—	58,575	58,575	83,565
2025	—	—	93,938	93,938	112,909
2026	—	—	82,794	82,794	—
2028	—	—	—	—	2,094
2032	—	—	—	—	1,437
2035	4,519	—	—	4,519	5,913
Total	**$4,519**	**$13,421**	**$271,411**	**$289,351**	**$371,108**
Unrecognized losses	**$—**	**$—**	**$51,570**	**$51,570**	**$77,735**

24. SHARE CAPITAL

(a) Authorized and issued capital

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

In May 2016, the Company closed a private placement with a syndicate of underwriters by issuing an aggregate of 5,250,900 common shares at a price of CAD$10.95 per common share for gross proceeds of $44.7 million (CAD$57.5 million), or net proceeds of $42.7 million after share issuance costs.

In April 2015, the Company closed a private placement by issuing an aggregate of 4,620,000 common shares at a price of CAD$6.50 per common share for gross proceeds of $24.5 million (CAD$30.0 million), or net proceeds of $23.0 million (CAD$28.1 million) after share issuance costs.

(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 five 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.

24. SHARE CAPITAL (continued)

(b) Stock options (continued)

The following table summarizes information about stock options outstanding as at December 31, 2016:

	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	2,799,914	4.78	4.00	31,250	4.56	3.93
5.01 - 10.00	2,599,773	6.38	2.80	1,430,127	6.42	2.52
10.01 - 15.00	2,320,867	11.03	3.26	1,284,617	10.66	2.07
15.01 - 20.00	567,500	17.28	2.21	297,500	17.97	0.04
20.01 - 25.40	1,311,216	21.57	0.98	1,303,716	21.57	0.96
	9,599,270	9.76	2.98	4,347,210	12.99	1.76

The movements in stock options issued during the year ended December 31, 2016 and the year ended December 31, 2015 are summarized as follows:

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Number of Options	Weighted Average Exercise Price (CAD $/Share)	Number of Options	Weighted Average Exercise Price (CAD $/Share)
Balance, beginning of the year	10,416,254	11.05	6,084,458	15.24
Granted	4,283,502	7.22	5,346,702	6.35
Exercised	(3,505,679)	8.30	—	—
Cancelled or expired	(1,594,807)	14.60	(1,014,906)	11.43
Balance, end of the year	9,599,270	9.76	10,416,254	11.05

During the year ended December 31, 2016, the aggregate fair value of stock options granted was CAD $11.0 million (2015 - CAD$6.5 million), or a weighted average fair value of CAD$2.57 per stock option granted (2015 - CAD$1.21).

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

Assumption	Based on	Year Ended December 31, 2016	Year Ended December 31, 2015
Risk-free interest rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	0.62	0.80
Expected life (years)	Average of the expected vesting term and expiry term of the option	3.38	2.40
Expected volatility (%)	Historical and implied volatility of the precious metals mining sector	47.83	45.07
Expected dividend yield (%)	Annualized dividend rate as of the date of grant	—	—

The weighted average closing share price at date of exercise for the year ended December 31, 2016 was CAD$16.55. No options were exercised during the year ended December 31, 2015.

25. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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

(a) Fair value and categories of financial instruments

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

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 Trade and other payables	Approximated carrying value due to their short-term nature
Finance leases Debt facilities	Assumed to approximate carrying value as discount rate on these instruments approximate the Company's credit risk.

25. 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:

	December 31, 2016			December 31, 2015		
		Fair value measurement			Fair value measurement	
	Carrying value	Level 1	Level 2	Carrying value	Level 1	Level 2
Financial assets						
Trade receivables	$4,827	$—	$4,827	$2,233	$—	$2,233
Marketable securities	13,688	13,688	—	5,701	5,701	—
Financial liabilities						
Prepayment facilities	—	—	—	31,242	(1,750)	32,992

There were no transfers between levels 1, 2 and 3 during the year ended December 31, 2016 and year ended December 31, 2015.

(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, prepayment facilities, lease obligations, net of cash and cash equivalents as follows:

	December 31, 2016	December 31, 2015
Equity	$621,701	$544,719
Debt facilities	43,938	15,000
Lease obligations	8,186	16,951
Less: cash and cash equivalents	(129,049)	(51,018)
Prepayment facilities	—	31,242
	$544,776	$556,894

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). As at December 31, 2016 and December 31, 2015, the Company was in compliance with these covenants.

25. 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 and VAT and other receivables (Note 12).

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through four international customers. Additionally, silver-lead concentrates and related base metal by-products are sold primarily through two international organizations with good credit ratings. 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 and commitments as at December 31, 2016 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	$28,194	$28,194	$28,194	$—	$—	$—
Debt facilities	43,938	51,587	14,545	37,042	—	—
Finance lease obligations	8,186	8,627	6,432	2,127	68	—
Other liabilities	2,741	2,741	—	2,741	—	—
	$83,059	**$91,149**	**$49,171**	**$41,910**	**$68**	**$—**

At December 31, 2016, the Company had working capital of $ 130.6 million (December 31, 2015 – $15.6 million). The Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months.

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.

25. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Currency Risk (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:

	December 31, 2016						
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	$44,239	$391	$11,255	($1,558)	$—	$54,327	$5,433
Mexican peso	7,877	9,729	—	(10,916)	14,000	20,690	2,069
	$52,116	**$10,120**	**$11,255**	**($12,474)**	**$14,000**	**$75,017**	**$7,502**

	December 31, 2015						
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	$1,980	$1,297	$—	($1,027)	$—	$2,250	$225
Mexican peso	1,894	20,643	—	(18,258)	3,675	7,954	795
	$3,874	**$21,940**	**$—**	**($19,285)**	**$3,675**	**$10,204**	**$1,020**

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:

	December 31, 2016				
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	Total
Metals subject to provisional price adjustments	$468	$94	$223	$37	$822
Metals in doré and concentrates inventory	196	160	7	4	367
	$664	**$254**	**$230**	**$41**	**$1,189**

	December 31, 2015				
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	Total
Metals subject to provisional price adjustments	$428	$44	$201	$77	$750
Metals in doré and concentrates inventory	174	198	36	18	426
Prepayment facilities	—	—	(2,833)	(480)	(3,313)
	$602	**$242**	**($2,596)**	**($385)**	**($2,137)**

25. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

Interest Rate Risk

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

As at December 31, 2016, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its debt facilities. The Company's finance leases bear interest at fixed rates.

Based on the Company's interest rate exposure at December 31, 2016, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings or loss.

26. SUPPLEMENTAL CASH FLOW INFORMATION

		Year Ended December 31,	
	Note	2016	2015
Adjustments to reconcile net earnings to operating cash flows before movements in working capital:			
(Gain) loss from silver derivatives and marketable securities	14	($6,281)	$634
Loss (gain) on fair value adjustment on prepayment facilities	20	586	(2,713)
Equity gain on investment in associates		—	(679)
Unrealized foreign exchange gain and other		(5,239)	(6,230)
		($10,934)	**($8,988)**
Net change in non-cash working capital items:			
Decrease (increase) in trade and other receivables		$7,362	($1,922)
Decrease in inventories		2,828	6,415
Decrease in prepaid expenses and other		638	428
(Decrease) increase in income taxes payable		(4,903)	2,109
Decrease in trade and other payables		(8,469)	(6,295)
		($2,544)	**$735**

	Year Ended December 31,	
	2016	2015
Non-cash investing and financing activities:		
Assets acquired by finance lease	($1,475)	($1,823)
Acquisition of mining interests	(500)	(500)
Settlement of liabilities	(253)	—
Transfer of share-based payments reserve upon exercise of options	5,248	—
	$3,020	**($2,323)**

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

27. CONTINGENCIES AND OTHER MATTER

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.

Mexican Federal Labour Law

In 2012, the Mexican government introduced changes to the federal labour law which made certain amendments to the law relating to the use of service companies and subcontractors and the obligations with respect to workers' participation benefits. These amendments may have an effect on the distribution of profits to workers and result in additional financial obligations to the Company. The Company continues to be in compliance with the federal labour law and believes that these amendments will not result in any new material obligations. Based on this assessment, the Company has not accrued any provisions as at December 31, 2016. The Company will continue to monitor developments in Mexico and to assess the potential impact of these amendments.

First Silver Litigation

In April 2013, the Company received a positive judgment on the First Silver litigation from the Supreme Court of British Columbia (the "Court"), which awarded the sum of $93.8 million in favour of First Majestic against Hector Davila Santos (the "Defendant"). The Company received a sum of $14.1 million in June 2013 as partial payment of the judgment, leaving an uncollected amount of approximately $60.7 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 recovered and it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to recover the balance. Therefore, as at December 31, 2016, the Company has not accrued any of the remaining $60.7 million (CAD$81.5 million) unpaid judgment in favour of the Company.

28. SUBSIDIARIES

The consolidated financial statements of the Company include the following significant subsidiaries as at December 31, 2016 and 2015 as follows:

Name of subsidiary	Operations and Projects	Location	2016 % Ownership	2015 % Ownership
First Majestic Silver Corp.	Parent company and bullion sales	Canada	100%	100%
Corporación First Majestic, S.A. de C.V.	Holding company	Mexico	100%	100%
First Majestic Plata, S.A. de C.V.	La Parrilla Silver Mine	Mexico	100%	100%
Minera El Pilón, S.A. de C.V.	San Martin Silver Mine	Mexico	100%	100%
Minera La Encantada, S.A. de C.V.	La Encantada Silver Mine	Mexico	100%	100%
La Encantada Procesadora de Minerales, S.A. de C.V.	La Encantada Silver Mine	Mexico	100%	100%
Nusantara de Mexico, S.A. de C.V.	Santa Elena Silver/Gold Mine	Mexico	100%	100%
First Majestic Del Toro, S.A. de C.V.	Del Toro Silver Mine	Mexico	100%	100%
La Guitarra Compañia Minera, S.A. de C.V.	La Guitarra Silver Mine	Mexico	100%	100%
Majestic Services, S.A. de C.V.	Service company	Mexico	100%	100%
Santa Elena Oro y Plata, S.A. de C.V.	Service company	Mexico	100%	100%
FMS Trading AG	Metals trading company	Mexico	100%	100%

29. KEY MANAGEMENT COMPENSATION

	Year Ended December 31,	
	2016	2015
Salaries, bonuses, fees and benefits		
Independent members of the Board of Directors	$665	$705
Other members of key management	2,791	2,096
Share-based payments		
Independent members of the Board of Directors	615	480
Other members of key management	1,761	1,604
	$5,832	**$4,885**

30. SUBSEQUENT EVENTS

The following significant events occurred subsequent to December 31, 2016:

(a) 2,563,140 stock options with a five year expiry and an average exercise price of CAD$10.87 were granted;

(b) 505,897 stock options were exercised for proceeds of CAD$2.9 million; and

(c) 356,250 stock options were cancelled.

Pursuant to the above subsequent events, the Company has 164,967,464 common shares outstanding as at the date on which these consolidated financial statements were approved and authorized for issue by the Board of Directors.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR AND QUARTER ENDED DECEMBER 31, 2016

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

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") should be read in conjunction with the audited consolidated financial statements of First Majestic Silver Corp. ("First Majestic" or "the Company") for the year ended December 31, 2016, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All dollar amounts are expressed in United States ("US") dollars and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. Certain amounts shown in this MD&A may not add exactly to total amounts due to rounding differences. This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of February 21, 2017 unless otherwise stated.

COMPANY OVERVIEW

First Majestic is a mining company focused on silver production in México and is aggressively pursuing the development of its existing mineral property assets and acquiring new assets which contribute to the Company achieving its corporate growth objectives. During the year ended December 31, 2016, the Company owned and operated six producing silver mines: 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.

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

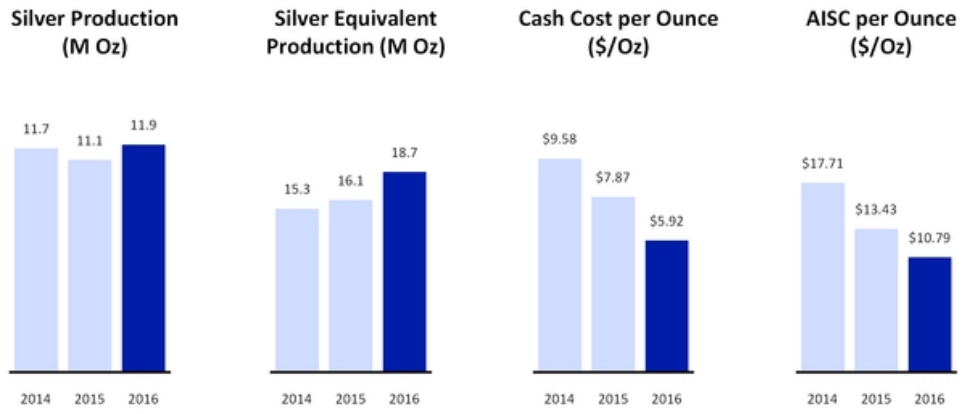


2016 ANNUAL HIGHLIGHTS

Key Performance Metrics	2016	2015	2014	Change '16 vs '15
Operational				
Ore Processed / Tonnes Milled	3,270,162	2,852,655	2,613,411	15%
Silver Ounces Produced	11,853,438	11,142,109	11,748,721	6%
Silver Equivalent Ounces Produced	18,669,800	16,086,271	15,257,958	16%
Cash Costs per Ounce (1)	$5.92	$7.87	$9.58	(25%)
All-in Sustaining Cost per Ounce (1)	$10.79	$13.43	$17.71	(20%)
Total Production Cost per Tonne (1)	$43.22	$43.98	$51.53	(2%)
Average Realized Silver Price per Ounce (1)	$17.16	$16.06	$18.69	7%
Financial (in $millions)				
Revenues	$278.1	$219.4	$245.5	27%
Mine Operating Earnings (2)	$49.2	$8.7	$30.2	464%
Earnings (Loss) before Income Taxes	$25.5	($126.3)	($80.9)	120%
Net Earnings (Loss)	$8.6	($108.4)	($61.4)	108%
Operating Cash Flows before Working Capital and Taxes (2)	$107.3	$59.7	$74.4	80%
Cash and Cash Equivalents	$129.0	$51.0	$40.3	153%
Working Capital (Deficit) (1)	$130.6	$15.6	($2.9)	737%
Shareholders				
Earnings (Loss) per Share ("EPS") - Basic	$0.05	($0.84)	($0.52)	106%
Adjusted EPS (1)	$0.12	($0.11)	$0.07	212%
Cash Flow per Share (1)	$0.67	$0.46	$0.63	44%

(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 36 to 40 for a reconciliation of non-GAAP to GAAP measures.

(2) The Company reports additional GAAP measures which include mine operating earnings and operating cash flows before working capital and taxes. These additional financial measures are intended to provide additional information and do not have a standardized meaning prescribed by IFRS. See "Additional GAAP Measures" on page 40.



Annual Production Summary	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Ore Processed / Tonnes Milled	988,060	881,075	610,509	337,020	297,802	155,696	**3,270,162**
Silver Ounces Produced	2,598,537	2,706,516	2,220,874	1,500,951	1,902,963	923,597	**11,853,438**
Silver Equivalent Ounces Produced	6,185,945	2,713,372	3,388,434	2,649,326	2,209,035	1,523,688	**18,669,800**
Cash Costs per Ounce	($2.09)	$11.21	$7.58	$5.73	$7.07	$7.23	**$5.92**
All-in Sustaining Cost per Ounce	$1.75	$12.76	$10.46	$8.62	$9.40	$13.33	**$10.79**
Total Production Cost per Tonne	$42.00	$33.11	$38.85	$51.67	$58.64	$77.43	**$43.22**

Operational

- **Record annual silver production:** The Company produced a record 11,853,438 ounces of silver in 2016, near the high end of our 2016 guidance and represents an increase of 6% compared to 11,142,109 ounces produced in the previous year. The increase was primarily attributed to the addition of the Santa Elena mine for the full year, partially offset by lower production from Del Toro and San Martin, both of which lowered throughput to focus on mining profitable ounces.

- **Record annual silver equivalent production:** Total production in 2016 reached a record of 18,669,800 silver equivalent ounces, also near the high end of our 2016 guidance, representing an increase of 16% compared to the previous year. The increase in production was primarily attributed to incremental production from Santa Elena, partially offset by lower by-product production from Del Toro and La Parrilla.

- **Significant reduction in cash cost per ounce:** Cash cost per ounce in the year was $5.92, a decrease of 25% or $1.95 per ounce compared to the previous year and within the Company's 2016 guidance. The decrease in cash cost per ounce was attributed to ongoing company-wide cost reduction efforts and a focus on producing profitable ounces, a decrease in smelting and refining costs as a result of renegotiated sales agreements that were effective on July 1, 2016, and weakening of the Mexican pesos against U.S. dollars.

- **Annual all-in sustaining cost ("AISC") well below guidance:** AISC per ounce in 2016 was $10.79, a decrease of 20% or $2.64 per ounce compared to the previous year and is below the revised annual guidance of $11.50 to $12.35 per ounce. The decrease in AISC per ounce was reflective of the Company's ongoing effort to reduce production costs, weakening of the Mexican pesos against the U.S. dollars, as well as the addition of the Santa Elena mine to the Company's portfolio of assets, which became the Company's lowest cost mine.

Financial

- **Strengthened cash position and liquidity:** Cash and cash equivalents increased from $51.0 million to $129.0 million during the year, while working capital improved from $15.6 million to $130.6 million, an improvement of $115.0 million.

- **Generated record annual revenue:** In 2016, the Company generated record annual revenues of $278.1 million, an increase of 27% compared to 2015. The record revenue was achieved through a 16% increase in silver equivalent ounces sold and a 7% increase in average realized silver price.

- **Improved mine operating earnings:** The Company recognized mine operating earnings of $49.2 million compared to $8.7 million in 2015. The increase in mine operating earnings was primarily driven by record-breaking production, lower production costs and higher silver prices.

- **Strong cash flow from operations:** Cash flow from operations before movements in working capital and income taxes during the year was $107.3 million ($0.67 per share) compared to $59.7 million ($0.46 per share) in 2015.

- **Annual net earnings:** The Company generated net earnings of $8.6 million (earnings per share of $0.05) in 2016 compared to a net loss of $108.4 million (loss per share of 0.84) in 2015. Adjusted EPS (see “non-GAAP measures”), normalized for non-cash or unusual items such as share-based payments, deferred income tax expense or recovery and impairment of non-current assets, for the year ended December 31, 2016 was $0.12, compared to a loss of $0.11 in 2015.

Corporate Developments

- **Successful Debt Restructuring:** In February 2016, the Company closed a $60.0 million debt financing agreement, consisting of a $35.0 million term loan and a $25.0 million revolving credit facility. Proceeds from the term loan were used primarily to settle the remaining balance of the Company's prepayment facilities and associated call options. The debt financing added approximately $32.0 million to the Company's working capital by deferring $28.5 million in 2016 debt repayments and adding $3.5 million to treasury after early settlement of the prepayment facilities.

- **Completion of Private Placement:** On May 12, 2016, the Company closed a CAD$57.5 million bought-deal private placement with a syndicate of underwriters for the issuance of 5,250,900 common shares at a price of CAD$10.95 per common share.

2016 FOURTH QUARTER HIGHLIGHTS

Key Performance Metrics	2016-Q4	2016-Q3	Change Q4 vs Q3	2015-Q4	Change Q4 vs Q4
Operational					
Ore Processed / Tonnes Milled	844,155	838,233	1%	883,377	(4%)
Silver Ounces Produced	2,819,708	3,114,627	(9%)	3,055,442	(8%)
Silver Equivalent Ounces Produced	4,380,477	4,524,619	(3%)	4,820,408	(9%)
Cash Costs per Ounce (1)	$6.49	$5.84	11%	$6.04	7%
All-in Sustaining Cost per Ounce (1)	$12.90	$10.52	23%	$11.28	14%
Total Production Cost per Tonne (1)	$42.13	$43.11	(2%)	$41.44	2%
Average Realized Silver Price per Ounce (1)	$17.10	$19.72	(13%)	$15.21	12%
Financial (in $millions)					
Revenues	$66.2	$79.3	(17%)	$66.0	—%
Mine Operating Earnings (2)	$9.9	$20.0	(50%)	$3.9	156%
Net Earnings (Loss)	$1.8	$8.1	(78%)	($103.0)	102%
Operating Cash Flows before Working Capital and Taxes (2)	$23.4	$35.4	(34%)	$17.5	34%
Cash and Cash Equivalents	$129.0	$122.5	5%	$51.0	153%
Working Capital (1)	$130.6	$143.8	(9%)	$15.6	737%
Shareholders					
Earnings (Loss) per Share ("EPS") - Basic	$0.01	$0.05	(78%)	($0.66)	102%
Adjusted EPS (1)	($0.01)	$0.07	(112%)	($0.02)	57%
Cash Flow per Share (1)	$0.14	$0.22	(34%)	$0.11	26%

(1) The Company reports non-GAAP measures which include cash costs per ounce produced, all-in sustaining cost per ounce, total production cost per tonne, average realized silver price per ounce sold, working capital, adjusted EPS and cash flow per share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 36 to 40 for a reconciliation of non-GAAP to GAAP measures.
(2) The Company reports additional GAAP measures which include mine operating earnings and operating cash flows before working capital and taxes. These additional financial measures are intended to provide additional information and do not have a standardized meaning prescribed by IFRS. See "Additional GAAP Measures" on page 40.

Fourth Quarter Production Summary	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Ore Processed / Tonnes Milled	257,771	235,039	153,309	82,767	76,848	38,422	**844,155**
Silver Ounces Produced	660,207	567,930	497,466	343,894	510,423	239,788	**2,819,708**
Silver Equivalent Ounces Produced	1,470,612	569,504	699,497	680,802	573,349	386,713	**4,380,477**
Cash Costs per Ounce	($1.43)	$13.87	$10.22	$2.80	$6.94	$7.74	**$6.49**
All-in Sustaining Cost per Ounce	$1.64	$16.53	$15.34	$8.43	$10.01	$15.99	**$12.90**
Total Production Cost per Tonne	$37.57	$32.96	$41.92	$52.45	$56.70	$78.31	**$42.13**

Operational

- In the fourth quarter, the Company produced 2,819,708 ounces of silver, a decrease of 9% compared to the previous quarter, primarily attributed to a 9% decrease in average silver grade. The decrease in silver grades is primarily due to lower grades at Del Toro in the month of October due to limited production at the high grade Dolores mine. As a result, the Company increased production rates at the San Juan mine to offset the decrease. Beginning in November, production at the Dolores mine returned to normal operating levels. Average silver grade at La Encantada also decreased 9% compared to the prior quarter primarily due to the continued blending of ore from old stopes, stockpiles and the recovery of pillars. Grades are expected to improve towards the end of 2017 following the start of block caving production within the San Javier Breccia.

- Total silver equivalent production in the fourth quarter was 4,380,477 ounces, a minor decrease of 3% compared to the third quarter of 2016, primarily attributed to lower silver production.

- Cash cost per ounce in the quarter was $6.49, an increase of 11% or $0.65 per ounce compared to the previous quarter. The increase in cash cost per ounce was primarily the result of lower silver grades leading to lower silver production and higher mining contractor costs attributed to ore development activities at the Santa Elena mine. Total tonnes milled and production cost per tonne remained relatively unchanged when compared to the previous quarter.

- All-in sustaining cost per ounce (“AISC”) in the fourth quarter was $12.90, an increase of 23% or $2.38 per ounce compared to the previous quarter. The increase in AISC was primarily attributed to an increase in sustaining capital expenditures to catch up with program targets in addition to higher cash cost per ounce.

- The Company's underground development in the fourth quarter consisted of 14,918 metres, reflecting a 17% increase compared to 12,764 metres completed in the previous quarter. The Company also completed 35,247 metres of diamond drilling in the quarter, representing a marginal increase compared to 36,290 metres in the prior quarter. A substantial portion of the current drilling and development is to support the annual updating of Mineral Reserves and Resources which the Company expects to release in late March 2017. In addition, updated National Instrument 43-101 ("NI 43-101") Technical Reports for San Martin, Del Toro and La Parrilla are expected to be released in the first half of 2017.

Financial

- Generated revenues of $66.2 million in the quarter, almost unchanged compared to the fourth quarter of 2015.

- The Company recognized mine operating earnings of $ 9.9 million compared to mine operating loss of $3.9 million in the fourth quarter of 2015. The increase in mine operating earnings was driven by a 12% increase in silver prices, partially offset by a 9% decrease in production.

- The Company generated net earnings of $1.8 million (EPS of $0.01) compared to a net loss of $103.0 million (loss per share of $0.66) in the fourth quarter of 2015. In 2015, the Company recorded an impairment charge of $108.4 million, or $70.2 million net of tax, on certain operations and development projects due to the decline in market consensus on long-term silver price forecasts during 2015 and the consequential impact on the Company's Reserves and Resources.

- Cash flow from operations before movements in working capital and income taxes in the quarter was $23.4 million ($0.14 per share) compared to $17.5 million ($0.11 per share) in the fourth quarter of 2015.

2017 PRODUCTION OUTLOOK AND COST GUIDANCE UPDATE

This section provides management's production outlook and cost guidance for 2017. These are forward-looking estimates and are subject to the cautionary note regarding the risks associated with relying on forward-looking statements at the end of this MD&A. Actual results may vary based on production throughputs, grades, recoveries and changes in economic circumstances.

The Company anticipates 2017 silver production will range between 11.1 to 12.4 million ounces (or 16.6 to 18.5 million silver equivalent ounces), representing consistent silver production compared to 2016 and a slightly lower production of silver equivalent ounces primarily due to decreased by-product credits expected at Santa Elena and La Parrilla.

A mine-by-mine breakdown of the 2017 production guidance is included in the table below. Cash cost and AISC guidance is shown per payable silver ounce. Metal price and foreign currency assumptions for calculating silver equivalent ounces are: silver: $16.50/oz, gold: $1,200/oz, lead: $1.00/lb, zinc: $1.20/lb, MXN:USD 20:1.

Mine	Silver Oz (M)	Silver Eqv Oz (M)	Cash Costs ($)	AISC ($)
Santa Elena	2.6 - 2.9	5.4 - 6.0	0.90 - 1.46	6.22 - 7.24
La Encantada	2.6 - 2.9	2.6 - 2.9	9.83 - 10.17	12.35 - 12.90
La Parrilla	1.9 - 2.1	2.9 - 3.2	6.45 - 6.84	10.79 - 11.55
Del Toro	1.3 - 1.4	2.3 - 2.6	4.90 - 5.35	10.38 - 11.30
San Martin	1.8 - 2.0	2.0 - 2.2	8.31 - 8.66	11.77 - 12.41
La Guitarra	0.9 - 1.1	1.4 - 1.6	6.35 - 6.75	14.37 - 15.45
Consolidated	**11.1 - 12.4**	**16.6 - 18.5**	**$6.06 - $6.48**	**$11.96 - $12.88**

*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 $1.99 to $2.20 per payable silver ounce.

The Company is projecting its 2017 AISC, as defined by the World Gold Council ("WGC"), to be within a range of $11.96 to $12.88 consolidated on a per payable silver ounce basis. Excluding non-cash items, the Company anticipates its 2017 AISC to be within a range of $11.36 to $12.21 per payable silver ounce. An itemized AISC cost table is provided below:

All-In Sustaining Cost Calculation	FY 2017 ($/oz)
Total Cash Costs per Payable Silver Ounce (1)	6.06 - 6.48
General and Administrative Costs	1.38 - 1.53
Sustaining Development Costs	1.94 - 2.10
Sustaining Property, Plant and Equipment Costs	1.53 - 1.66
Sustaining Exploration Costs	0.45 - 0.48
Share-based Payments (non-cash)	0.53 - 0.59
Accretion of Reclamation Costs (non-cash)	0.07 - 0.08
All-In Sustaining Costs: (WGC definition)	**$11.96 - $12.88**
All-In Sustaining Costs: (WGC excluding non-cash items)	**$11.36 - $12.21**

1. The cash cost per payable silver ounce includes estimated royalties and 0.5% mining environmental fee of $0.12 per ounce.

In 2017, the Company plans to invest a total of $124.0 million on capital expenditures consisting of $46.2 million for sustaining requirements and $77.8 million for expansionary projects. This represents a 40% increase compared to the 2016 capital budget and is aligned with the Company's future growth strategy of developing additional mine production levels at each of the Company's operations, preparing for the upcoming expansion at La Guitarra, completing the roasting circuit and preparing for block caving at La Encantada, in addition to the exploration work at Plomosas which is expected to result in a new Preliminary Economic Assessment ("PEA") in 2018.

The Company is planning to complete a total of 74,850 metres of underground development in 2017, representing a 51% increase compared to 49,428 metres completed in 2016. In addition, the Company is planning to complete a total of 183,000 metres of exploration drilling in 2017, representing an 85% increase compared to 98,678 metres completed in 2016.

The 2017 drilling program will consist of approximately 43,000 metres of diamond drilling intended to upgrade Resources to Reserves at La Parrilla, Del Toro, La Guitarra and Santa Elena; approximately 100,000 metres of diamond drilling intended to increase or add new Measured & Indicated or Inferred Resources at the six operating mines, with a focus at Nazareno in La Guitarra and the Ermitaño West project in Santa Elena; and drill approximately 40,000 metres at the Plomosas Silver Project.

The 2017 annual budget includes capital investments totaling $53.3 million to be spent on underground development, $33.2 million towards property, plant and equipment, $27.0 million in exploration and $10.5 million towards corporate automation and efficiency projects. Management has the option to make adjustments to the budget should metal prices have any dramatic price changes throughout 2017.

OVERVIEW OF OPERATING RESULTS

Selected Production Results for the Past Eight Quarters

	2016				2015			
Production Highlights	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Ore processed/tonnes milled								
La Encantada	235,039	247,858	209,039	189,140	242,109	252,377	189,811	167,270
La Parrilla	153,309	147,414	157,871	151,916	149,504	166,815	178,736	172,647
Del Toro	82,767	86,646	80,739	86,869	111,448	124,093	162,089	157,934
San Martin	76,848	75,228	69,863	75,863	83,442	87,883	89,506	88,362
La Guitarra	38,422	39,092	34,917	43,265	42,249	43,864	42,494	45,396
Santa Elena	257,771	241,996	245,753	242,539	254,625	—	—	—
Consolidated	**844,155**	**838,233**	**798,182**	**789,591**	**883,377**	**675,032**	**662,637**	**631,609**
Silver equivalent ounces produced								
La Encantada	569,504	687,841	623,070	832,957	716,023	669,994	605,299	548,124
La Parrilla	699,497	739,026	948,552	1,001,359	1,051,679	919,167	985,107	1,080,445
Del Toro	680,802	707,524	682,443	578,556	586,672	750,458	1,159,484	1,327,628
San Martin	573,349	562,096	492,669	580,922	576,675	766,733	696,580	682,071
La Guitarra	386,713	397,627	375,464	363,884	382,953	451,684	356,089	267,002
Santa Elena	1,470,612	1,430,506	1,559,410	1,725,417	1,506,405	—	—	—
Consolidated	**4,380,477**	**4,524,619**	**4,681,608**	**5,083,095**	**4,820,408**	**3,558,035**	**3,802,558**	**3,905,270**
Silver ounces produced								
La Encantada	567,930	685,478	622,321	830,787	714,057	668,124	602,869	544,735
La Parrilla	497,466	547,913	599,526	575,969	605,605	585,414	620,839	622,237
Del Toro	343,894	446,137	399,520	311,400	331,225	424,413	664,969	841,026
San Martin	510,423	500,441	411,686	480,413	485,227	642,473	597,328	571,937
La Guitarra	239,788	263,235	206,262	214,312	245,358	272,885	230,499	196,920
Santa Elena	660,207	671,423	605,615	661,292	673,969	—	—	—
Consolidated	**2,819,708**	**3,114,627**	**2,844,930**	**3,074,173**	**3,055,442**	**2,593,309**	**2,716,503**	**2,776,855**
Cash cost per ounce								
La Encantada	$13.87	$11.20	$12.41	$8.49	$11.00	$12.64	$14.65	$14.27
La Parrilla	$10.22	$7.70	$7.33	$5.39	$7.18	$10.11	$10.72	$7.75
Del Toro	$2.80	$3.41	$7.90	$9.52	$9.25	$8.91	$4.34	$5.09
San Martin	$6.94	$7.05	$8.67	$5.83	$7.20	$5.62	$6.25	$6.29
La Guitarra	$7.74	$6.93	$5.93	$8.27	$7.02	$3.62	$6.74	$11.28
Santa Elena	($1.43)	($0.81)	($2.86)	($3.34)	($2.84)	$—	$—	$—
Consolidated	**$6.49**	**$5.84**	**$6.41**	**$5.00**	**$6.04**	**$8.77**	**$8.74**	**$8.22**
All-in sustaining cost per ounce								
La Encantada	$16.53	$12.81	$13.85	$9.33	$14.29	$16.01	$18.32	$17.85
La Parrilla	$15.34	$10.65	$9.43	$7.06	$9.98	$14.43	$14.48	$12.58
Del Toro	$8.43	$6.01	$10.05	$10.76	$11.30	$11.89	$6.97	$7.25
San Martin	$10.01	$9.92	$10.20	$7.52	$9.83	$8.87	$9.62	$8.69
La Guitarra	$15.99	$13.60	$10.34	$12.91	$14.24	$9.68	$13.32	$17.71
Santa Elena	$1.64	$1.82	$1.81	$1.68	$1.44	$—	$—	$—
Consolidated	**$12.90**	**$10.52**	**$10.97**	**$8.97**	**$11.28**	**$14.41**	**$14.49**	**$13.88**
Production cost per tonne								
La Encantada	$32.96	$30.18	$35.13	$34.91	$30.92	$31.93	$44.21	$43.96
La Parrilla	$41.92	$41.20	$37.12	$35.29	$38.99	$40.61	$46.49	$42.64
Del Toro	$52.45	$48.15	$52.95	$53.30	$45.22	$47.58	$42.99	$47.87
San Martin	$56.70	$59.39	$65.75	$53.32	$54.22	$58.71	$56.09	$58.06
La Guitarra	$78.31	$79.68	$87.01	$66.88	$57.02	$52.92	$54.58	$48.88
Santa Elena	$37.57	$44.75	$43.89	$42.05	$44.45	$—	$—	$—
Consolidated	**$42.13**	**$43.11**	**$44.97**	**$42.72**	**$41.44**	**$41.81**	**$46.80**	**$46.90**

Operating Results – Consolidated Operations

Key Performance Metrics	2016-Q4	2016-Q3	2016-Q2	2016-Q1	2016	2015	Change Q4 vs Q3	Change '16 vs '15
Production								
Ore processed/tonnes milled	844,155	838,233	798,182	789,591	3,270,162	2,852,655	1%	15%
Average silver grade (g/t)	137	150	148	161	149	168	(9%)	(11%)
Recovery (%)	76%	77%	75%	75%	76%	72%	(1%)	6%
Total silver ounces produced	2,819,708	3,114,627	2,844,930	3,074,173	11,853,438	11,142,109	(9%)	6%
Total payable silver ounces produced	2,755,180	3,041,841	2,762,703	2,993,547	11,553,271	10,755,381	(9%)	7%
Gold ounces produced	14,743	14,452	16,371	16,870	62,436	25,467	2%	145%
Pounds of lead produced	7,684,876	8,038,206	8,825,234	8,637,429	33,185,745	40,149,170	(4%)	(17%)
Pounds of zinc produced	1,190,713	1,519,143	3,837,301	4,030,810	10,577,967	17,524,223	(22%)	(40%)
Total production - ounces silver equivalent	4,380,477	4,524,619	4,681,608	5,083,095	18,669,800	16,086,271	(3%)	16%
Underground development (m)	14,918	12,764	11,738	10,007	49,428	37,578	17%	32%
Diamond drilling (m)	35,247	36,290	19,342	6,697	97,576	36,098	(3%)	170%
Costs								
Mining cost per ounce	$4.79	$4.14	$4.71	$4.10	$4.42	$4.17	16%	6%
Milling cost per ounce	5.27	5.29	5.63	5.07	5.31	5.20	0%	2%
Indirect cost per ounce	2.85	2.44	2.65	2.10	2.50	2.30	17%	9%
Total production cost per ounce	$12.91	$11.87	$12.99	$11.27	$12.23	$11.67	9%	5%
Transport and other selling costs per ounce	0.23	0.26	0.40	0.40	0.33	0.49	(12%)	(33%)
Smelting and refining costs per ounce	1.63	1.53	2.31	2.16	1.91	2.63	7%	(27%)
Environmental duty and royalties per ounce	0.12	0.13	0.12	0.11	0.12	0.11	(8%)	9%
Cash cost per ounce before by-product credits	$14.89	$13.79	$15.83	$13.94	$14.59	$14.89	8%	(2%)
Deduct: By-product credits	(8.41)	(7.96)	(9.41)	(8.95)	(8.67)	(7.02)	6%	24%
Cash cost per ounce	**$6.49**	**$5.84**	**$6.41**	**$5.00**	**$5.92**	**$7.87**	**11%**	**(25%)**
Workers' Participation	0.29	0.18	0.14	0.04	0.17	0.05	61%	240%
General and administrative expenses	1.68	1.43	1.56	1.22	1.47	1.51	17%	(3%)
Share-based payments	0.40	0.35	0.39	0.38	0.38	0.46	14%	(17%)
Accretion of decommissioning liabilities	0.07	0.07	0.08	0.07	0.07	0.08	0%	(13%)
Sustaining capital expenditures	3.97	2.64	2.38	2.25	2.79	3.47	50%	(20%)
All-In Sustaining Costs per ounce	**$12.90**	**$10.52**	**$10.97**	**$8.97**	**$10.79**	**$13.43**	**23%**	**(20%)**
Mining cost per tonne	$15.62	$15.01	$16.31	$15.54	$15.62	$15.73	4%	(1%)
Milling cost per tonne	17.21	19.49	19.50	19.21	18.77	19.59	(12%)	(4%)
Indirect cost per tonne	9.30	8.60	9.16	7.97	8.83	8.67	8%	2%
Total production cost per tonne	**$42.13**	**$43.11**	**$44.97**	**$42.72**	**$43.22**	**$43.98**	**(2%)**	**(2%)**

Production

In 2016, the Company achieved record production of 18,669,800 silver equivalent ounces, comprising of 11,853,438 ounces of silver, 62,436 ounces of gold, 33,185,745 pounds of lead and 10,577,967 pounds of zinc. Total production increased 16% compared to the previous year primarily due to the addition of the Santa Elena mine in the fourth quarter of 2015, partially offset by lower by-product production from Del Toro and La Parrilla.

Total production for the quarter was 4,380,477 silver equivalent ounces, consisted of 2,819,708 ounces of silver, 14,743 ounces of gold, 7,684,876 pounds of lead and 1,190,713 pounds of zinc. Compared to the third quarter, silver production decreased 9% primarily attributed to a 9% decrease in average silver grade.

Cash Cost per Ounce

Cash cost per ounce for the year was $5.92, a 25% decrease from $7.87 per ounce in the prior year. The decrease in cash cost per ounce was attributed to ongoing company-wide cost reduction efforts and a focus on producing profitable ounces, a decrease in smelting and refining costs as a result of renegotiated sales agreements that were effective on July 1, 2016,

weakening of the Mexican pesos against the U.S. dollars, as well as the addition of the Santa Elena Silver/Gold Mine which became the lowest cost mine in the Company's portfolio.

Cash cost per ounce (after by-product credits) for the quarter was $6.49 per payable ounce of silver, an increase of 11% from $5.84 per ounce in the third quarter of 2016. The increase in cash cost per ounce was primarily the result of lower silver grades leading to lower silver production and higher mining contractor costs attributed to ore development activities at the Santa Elena mine. Total tonnes milled and production cost per tonne remained relatively unchanged when compared to the previous quarter.

All-In Sustaining Cost per Ounce

AISC per ounce in 2016 was $10.79, a decrease of 20% or $2.64 per ounce compared to the previous year. The decrease in AISC per ounce was reflective of the Company's ongoing effort to reduce production costs and capital expenditures, the weakening of the Mexican pesos against the U.S. dollars, as well as the addition of the Santa Elena mine.

AISC in the fourth quarter was $12.90, an increase of 23% or $2.38 per ounce compared to the previous quarter. The increase in AISC was primarily attributed to increase in sustaining capital expenditures to catch up with program targets and higher cash cost per ounce.

Head Grades and Recoveries

The overall silver head grade in 2016 was 149 grams per tonne ("g/t"), an 11% decrease compared to 168 g/t in the previous year, primarily due to Santa Elena's reprocessing lower grade heap leach material blended with freshly mined underground ore. The lower silver head grades were offset by higher by-product credits from gold grades at Santa Elena.

The overall average silver head grade for the quarter was 137 g/t, a decrease of 9% from 150 g/t in the third quarter of 2016. The slight decrease in silver grades is primarily due to lower grades at Del Toro in the month of October due to limited production at the high grade Dolores mine. As a result, the Company increased production rates at the San Juan mine to offset the decrease in ore production from Dolores. Beginning in November, production at the Dolores mine returned to normal operating levels. Average silver grade at La Encantada also experienced a 9% decrease compared to the prior quarter primarily due to the continued blending of ore from old stopes, stockpiles and the recovery of pillars. Grades are expected to improve towards the end of 2017 following the start of block caving production within the San Javier Breccia.

Silver recoveries for the year also improved to 76%, compared to 72% in the previous year. Improvements in recoveries were primarily attributed to full year of operations from Santa Elena with higher recoveries as well as higher recoveries at San Martin due to improvements in mining dilution control and continuous optimization of metallurgical processes. Combined recoveries of silver for all mines in the quarter was 76% which were consistent with the previous quarter.

Development and Exploration

During 2016, the Company expanded its development program to support underground mining activities. As a result, a total of 49,428 metres of underground development was completed, a 32% increase from 37,578 metres developed in 2015. A total of 14,918 metres of underground development was completed during the quarter, compared to 12,764 metres developed in the previous quarter. The increase in mine development compared to the previous quarter was due to acceleration of development activities to catch up with program targets.

At the end of the year, a total of 19 drill rigs were active at the Company’s six operating mines compared to seven in 2015. During 2016, a total of 97,576 metres were drilled compared to 36,098 metres in 2015. In the fourth quarter, a total of 35,247 metres were drilled compared to 36,290 metres drilled in the third quarter of 2016. A substantial portion of the current drilling and development is for the purpose of updating Mineral Reserves and Resources which the Company expects to release in late March 2017. In addition, updated NI 43-101 Technical Reports for San Martin, Del Toro and La Parrilla are expected to be released in the first half of 2017.

Santa Elena Silver/Gold Mine, Sonora, México

The Santa Elena Silver/Gold Mine is located approximately 150 km northeast of the city of Hermosillo, Sonora, Mexico and is comprised of mining concessions over a total of 51,172 hectares. First Majestic acquired the Santa Elena mine with the acquisition of SilverCrest Mines Inc. ("SilverCrest") on October 1, 2015. The operating plan for Santa Elena involves the processing of ore in the 3,000 tpd cyanidation circuit from a combination of underground reserves, remaining reserves in the open pit, and spent ore from the previous heap leach pad. The Company owns 100% of the Santa Elena mine.

SANTA ELENA	2016-Q4	2016-Q3	2016-Q2	2016-Q1	2016	2015	Change Q4 vs Q3	Change '16 vs '15
PRODUCTION								
Ore processed/tonnes milled	257,771	241,996	245,753	242,539	988,060	254,625	7%	288%
Average silver grade (g/t)	89	95	86	98	92	96	(6%)	(4%)
Recovery (%)	89%	91%	89%	87%	89%	86%	(2%)	3%
Total silver ounces produced	660,207	671,423	605,615	661,292	2,598,537	673,969	(2%)	286%
Total payable silver ounces produced	659,216	670,416	604,707	660,300	2,594,639	672,959	(2%)	286%
Gold ounces produced	11,430	11,156	12,704	13,383	48,674	11,110	2%	338%
Total production - ounces silver equivalent	1,470,612	1,430,506	1,559,410	1,725,417	6,185,945	1,506,405	3%	311%
Underground development (m)	3,029	2,444	2,931	2,480	10,885	1,738	24%	526%
Diamond drilling (m)	5,391	3,520	3,509	146	12,566	198	53%	6,246%
COST								
Mining cost per ounce	$6.28	$5.69	$6.27	$4.75	$5.74	$6.02	10%	(5%)
Milling cost per ounce	6.17	8.48	9.58	9.02	8.29	8.60	(27%)	(4%)
Indirect cost per ounce	2.24	1.98	1.99	1.68	1.97	2.20	13%	(10%)
Total production cost per ounce	$14.69	$16.15	$17.84	$15.44	$15.99	$16.82	(9%)	(5%)
Transport and other selling costs per ounce	0.12	0.16	0.17	0.15	0.15	0.14	(25%)	7%
Smelting and refining costs per ounce	0.26	0.25	0.24	0.33	0.27	0.46	4%	(41%)
Environmental duty and royalties per ounce	0.18	0.19	0.20	0.19	0.19	0.21	(5%)	(10%)
Cash cost per ounce before by-product credits	$15.26	$16.75	$18.45	$16.12	$16.61	$17.63	(9%)	(6%)
Deduct: By-product credits	(16.69)	(17.56)	(21.31)	(19.46)	(18.70)	(20.47)	(5%)	(9%)
Cash cost per ounce	**($1.43)**	**($0.81)**	**($2.86)**	**($3.34)**	**($2.09)**	**($2.84)**	77%	(26%)
Accretion of decommissioning liabilities	0.05	0.05	0.06	0.06	0.05	0.14	—%	(64%)
Sustaining capital expenditures	3.18	2.58	4.62	4.96	3.81	4.14	23%	(8%)
All-In Sustaining Costs per ounce	**$1.64**	**$1.82**	**$1.81**	**$1.68**	**$1.75**	**$1.44**	(10%)	22%
Mining cost per tonne	$16.05	$15.77	$15.43	$12.92	$15.06	$15.90	2%	(5%)
Milling cost per tonne	15.78	23.48	23.57	24.56	21.76	22.73	(33%)	(4%)
Indirect cost per tonne	5.74	5.50	4.89	4.56	5.18	5.82	4%	(11%)
Total production cost per tonne	**$37.57**	**$44.75**	**$43.89**	**$42.05**	**$42.00**	**$44.45**	(16%)	(6%)

During Santa Elena's first full year under First Majestic's management, the mine produced a record 2,598,537 silver ounces and 48,674 ounces of gold for an annual production of 6,185,945 silver equivalent ounces and has become the Company's largest operation. The mill processed a total of 988,060 tonnes during the year, consisting of 570,722 tonnes of underground ore (58%) and 417,338 tonnes from the above ground heap leach pad (42%).

Full year cash cost for Santa Elena was negative $2.09 per ounce, an increase of $0.75 compared to the prior year. The increase was primarily due to lower by-product credits, partially offset by lower production costs.

During the fourth quarter, Santa Elena produced 660,207 silver ounces and 11,430 ounces of gold for a total quarterly production of 1,470,612 silver equivalent ounces, an increase of 3% compared to 1,430,506 silver equivalent ounces in the previous quarter.

Silver grade and recoveries were 89 g/t and 89%, respectively, down from 95 g/t and 91%, respectively, compared to the previous quarter. Gold grades and recoveries averaged 1.45 g/t and 95%, respectively, compared to 1.51 g/t and 95% in the

previous quarter. Compared to the previous quarter, silver grades decreased slightly due to mining of lower grade pockets within the ore body as part of the planned mining sequence. The decrease in recoveries were attributed to lower head grades.

The mill processed a total of 257,771 tonnes during the quarter, consisting of 172,061 tonnes (1,870 tpd) of underground ore and 85,710 tonnes (932 tpd) from the above ground heap leach pad, representing an increase of 7% compared to the prior quarter. During the third quarter, the Company modified the production ratio of underground ore to the reprocessing of ore from the heap leach pad with the intent of achieving higher production rates from the Alejandra vein. As a result, production of underground ore increased to a rate of 1,750 tpd while reducing heap leach production to 1,000 tpd.

Cash cost in the fourth quarter was negative $1.43 per payable silver ounce compared to negative $0.81 per payable silver ounce in the previous quarter, primarily due to an increase of $1.5 million in diesel credits issued by the Mexican tax authorities. The diesel credits are only available to the extent of income taxes payable to the Mexican tax authorities. Prior to the fourth quarter, the majority of income taxes payable by Santa Elena was offset by prior years' tax losses carry-forward. Also, cash cost benefited from the weakening of the Mexican pesos against U.S. dollars.

A total of 3,029 metres of underground development was completed in the fourth quarter compared to 2,444 metres of development in the previous quarter. At the end of the quarter, total development of the new San Salvador ramp reached 1,486 metres, or 65% of the 2,300 metre development plan. The new ramp is scheduled to connect to the Main Vein area along level 575 by April 2017. Once the ramp is completed, it is expected to improve underground production capacity by reducing haulage bottlenecks.

One surface and one underground drill rig were active on the Santa Elena property during the quarter with 5,391 metres drilled compared to 3,520 metres drilled in the previous quarter. The Company received assay results from the first four holes of a ten hole diamond drill program at the Ermitaño West property during the quarter. The results confirm the target structure was intersected in all four holes. Highlights include: Hole 16-04 intersected 17.9 metres averaging 11.4 g/t gold and 86 g/t silver, including 3.3 metres of 34.6 g/t gold and 242 g/t silver, at a depth of 194 metres below surface. True thickness is estimated to be 70% - 90% of reported intervals. This new discovery is located only 3.5 kilometres southeast of the Santa Elena mine. The Company anticipates the results from the remaining six drill holes by the end of March 2017.

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 a designated area of its underground operations over the life of mine to Sandstorm. The selling price is based on the lower of the prevailing market price or $350 per ounce until fulfillment of 50,000 ounces, after which the price will increase to the lower of the prevailing market price or $450 per ounce, adjusted for a 1% annual inflation commencing in April 2014. As at December 31, 2016, the Santa Elena mine has delivered 42,722 cumulative ounces of gold to Sandstorm.

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 5,802 hectares of mining concessions adjacent to 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 royalty on the related concessions, and to pay $1.4 million in cash, of which $0.1 million was due on or before the date of agreement (paid), $0.2 million in December 2017, $0.2 million 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 Rosa and La Blanca mines which are inter-connected through underground workings, and the San Marcos, Vacas and Quebradillas mines which are connected via above-ground gravel roads. The total mining concessions consist of 69,478 hectares. The Company owns 45 hectares and leases an additional 69 hectares of surface rights, for a total of 114 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	2016-Q4	2016-Q3	2016-Q2	2016-Q1	2016	2015	Change Q4 vs Q3	Change '16 vs '15
PRODUCTION								
Ore processed/tonnes milled	153,309	147,414	157,871	151,916	610,509	667,702	4%	(9%)
Average silver grade (g/t)	130	146	143	144	140	145	(11%)	(3%)
Recovery (%)	78%	79%	83%	82%	81%	78%	(1%)	4%
Total silver ounces produced	497,466	547,913	599,526	575,969	2,220,874	2,434,095	(9%)	(9%)
Total payable silver ounces produced	466,385	515,961	553,123	527,922	2,063,392	2,231,443	(10%)	(8%)
Gold ounces produced	260	296	230	223	1,009	1,161	(12%)	(13%)
Pounds of lead produced	1,856,882	2,129,908	2,894,123	3,767,247	10,648,161	10,441,510	(13%)	2%
Pounds of zinc produced	1,190,713	1,519,143	3,837,301	4,030,810	10,577,967	17,524,223	(22%)	(40%)
Total production - ounces silver equivalent	699,497	739,026	948,552	1,001,359	3,388,434	4,036,398	(5%)	(16%)
Underground development (m)	3,181	2,612	1,834	1,790	9,416	7,371	22%	28%
Diamond drilling (m)	5,665	5,115	3,030	1,517	15,326	9,750	11%	57%
COST								
Mining cost per ounce	$6.04	$4.95	$4.45	$4.38	$4.92	$4.93	22%	—%
Milling cost per ounce	4.46	4.15	3.83	3.88	4.07	5.30	7%	(23%)
Indirect cost per ounce	3.28	2.67	2.31	1.90	2.51	2.44	23%	3%
Total production cost per ounce	$13.78	$11.77	$10.60	$10.15	$11.50	$12.67	17%	(9%)
Transport and other selling costs per ounce	0.29	0.35	0.58	0.85	0.53	0.90	(17%)	(41%)
Smelting and refining costs per ounce	2.85	2.86	4.77	6.24	4.23	5.33	—%	(21%)
Environmental duty and royalties per ounce	0.16	0.20	0.15	0.12	0.16	0.16	(20%)	—%
Cash cost per ounce before by-product credits	$17.08	$15.19	$16.09	$17.36	$16.42	$19.06	12%	(14%)
Deduct: By-product credits	(6.86)	(7.49)	(8.76)	(11.97)	(8.84)	(10.11)	(8%)	(13%)
Cash cost per ounce	**$10.22**	**$7.70**	**$7.33**	**$5.39**	**$7.58**	**$8.95**	**33%**	**(15%)**
Workers' Participation	0.14	0.13	0.36	—	0.16	—	8%	100%
Accretion of decommissioning liabilities	0.06	0.06	0.06	0.06	0.06	0.07	—%	(14%)
Sustaining capital expenditures	4.91	2.76	1.67	1.61	2.66	3.85	78%	(31%)
All-In Sustaining Costs per ounce	**$15.34**	**$10.65**	**$9.43**	**$7.06**	**$10.47**	**$12.88**	**44%**	**(19%)**
Mining cost per tonne	$18.38	$17.32	$15.61	$15.22	$16.62	$16.48	6%	1%
Milling cost per tonne	13.57	14.53	13.42	13.48	13.74	17.72	(7%)	(22%)
Indirect cost per tonne	9.97	9.34	8.09	6.59	8.49	8.15	7%	4%
Total production cost per tonne	**$41.92**	**$41.20**	**$37.12**	**$35.29**	**$38.85**	**$42.35**	**2%**	**(8%)**

Total production for the year was 3,388,434 silver equivalent ounces, a decrease of 16% compared to 4,036,398 equivalent ounces of silver in the previous year, primarily due to lower zinc production. During the year, the flotation circuit processed 416,572 tonnes with an average silver grade of 152 g/t and an 86% recovery and the cyanidation circuit processed 193,937 tonnes with an average silver grade of 115 g/t and a 66% recovery. The decrease in production was primarily attributed to lower zinc production from the flotation circuit due to the depletion of sulphide reserves in the Rosario mine and delay in the preparation of new sulphide stopes in the Quebradillas mine.

Cash cost for the year was $7.58 per ounce, a 15% decrease compared to $8.95 in the prior year. The improvement in cash costs was attributed to a decrease in smelting and refining costs as a result of renegotiated sales agreements that were effective on July 1, 2016 and management's decision to focus on mining profitable ounces, leaving higher cost ounces in the ground. The decision has resulted in the planned reduction of throughput in the cyanidation circuit and significant savings in contractor, electricity, reagents and maintenance costs.

In the fourth quarter, total production from the La Parrilla mine was 699,497 silver equivalent ounces, a decrease of 5% compared to 739,026 equivalent ounces of silver in the previous quarter. During the quarter, the flotation circuit processed 98,546 tonnes (1,071 tpd) with an average silver grade of 138 g/t and an 83% recovery while the cyanidation circuit processed 54,762 tonnes (595 tpd) with an average silver grade of 114 g/t and a 68% recovery.

During the quarter, the lead circuit processed an average lead grade of 1.2% with recoveries of 74% for a total lead production of 1,856,882 pounds, representing a 13% decrease compared to the previous quarter. The zinc circuit processed an average zinc grade of 1.0% with recoveries of 54% for a total zinc production of 1,190,713 pounds, representing a 22% decrease compared to the previous quarter. The decrease in lead and zinc production are primarily attributed to lower head grades.

Cash cost in the quarter was $10.22 per ounce, an increase of 33% compared to the previous quarter. The increase in cash costs was primarily attributed to increase in shotcreting to improve safety conditions in the Quebradillas and San Marcos areas, as well as lower by-product credits from reduced lead and zinc production.

A total of 3,181 metres of underground development was completed in the quarter, compared to 2,612 metres in the third quarter of 2016. A total of 5,665 metres of diamond drilling was completed in the quarter compared to 5,115 metres of diamond drilling in the third quarter of 2016. Three underground drill rigs were active during the quarter as the focus of the 2016 exploration program is on the Quebradillas mine, Intermedia veins and the San Nicolas system, where drilling results have indicated potential for the lateral and in-depth extension of known structures.

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. The mine is comprised of 4,076 hectares of mining rights and surface land ownership of 1,343 hectares. La Encantada consists of a 4,000 tpd cyanidation plant, a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, 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	2016-Q4	2016-Q3	2016-Q2	2016-Q1	2016	2015	Change Q4 vs Q3	Change '16 vs '15
PRODUCTION								
Ore processed/tonnes milled	235,039	247,858	209,039	189,140	881,075	851,567	(5%)	3%
Average silver grade (g/t)	132	145	169	224	164	161	(9%)	2%
Recovery (%)	57%	59%	55%	61%	58%	57%	(3%)	2%
Total silver ounces produced	567,930	685,478	622,321	830,787	2,706,516	2,529,785	(17%)	7%
Total payable silver ounces produced	565,659	682,736	619,832	827,464	2,695,690	2,519,666	(17%)	7%
Gold ounces produced	22	35	10	27	94	131	(37%)	(28%)
Total production - ounces silver equivalent	569,504	687,841	623,070	832,957	2,713,372	2,539,440	(17%)	7%
Underground development (m)	1,015	519	1,043	1,189	3,767	7,258	96%	(48%)
Diamond drilling (m)	4,197	3,681	3,062	—	10,939	11,266	14%	(3%)
COST								
Mining cost per ounce	$2.80	$2.17	$2.95	$2.13	$2.47	$3.53	29%	(30%)
Milling cost per ounce	8.01	6.60	6.40	4.15	6.10	6.44	21%	(5%)
Indirect cost per ounce	2.89	2.18	2.49	1.70	2.25	2.45	33%	(8%)
Total production cost per ounce	$13.69	$10.95	$11.85	$7.98	$10.82	$12.42	25%	(13%)
Transport and other selling costs per ounce	(0.01)	0.04	0.27	0.20	0.13	0.22	(125%)	(41%)
Smelting and refining costs per ounce	0.20	0.21	0.29	0.31	0.26	0.36	(5%)	(28%)
Environmental duty and royalties per ounce	0.04	0.04	0.04	0.03	0.04	0.05	0%	(20%)
Cash cost per ounce before by-product credits	$13.92	$11.25	$12.45	$8.53	$11.25	$13.05	24%	(14%)
Deduct: By-product credits	(0.05)	(0.05)	(0.04)	(0.04)	(0.04)	(0.04)	0%	0%
Cash cost per ounce	**$13.87**	**$11.20**	**$12.41**	**$8.49**	**$11.21**	**$13.01**	**24%**	**(14%)**
Workers' Participation	0.01	0.12	0.17	0.05	0.09	0.08	(92%)	13%
Accretion of decommissioning liabilities	0.08	0.07	0.08	0.06	0.07	0.08	14%	(13%)
Sustaining capital expenditures	2.57	1.41	1.19	0.73	1.39	3.30	82%	(58%)
All-In Sustaining Costs per ounce	**$16.53**	**$12.81**	**$13.85**	**$9.33**	**$12.76**	**$16.47**	**29%**	**(23%)**
Mining cost per tonne	$6.74	$5.99	$8.75	$9.32	$7.56	$10.44	13%	(28%)
Milling cost per tonne	19.27	18.17	18.99	18.17	18.66	19.05	6%	(2%)
Indirect cost per tonne	6.95	6.02	7.40	7.42	6.89	7.26	15%	(5%)
Total production cost per tonne	**$32.96**	**$30.18**	**$35.13**	**$34.91**	**$33.11**	**$36.75**	**9%**	**(10%)**

For the year, a total of 2,713,372 equivalent ounces of silver were produced by La Encantada, an increase of 7% compared to 2,539,440 equivalent ounces of silver in 2015. The increase in production was primarily due to a 3% increase in tonnes milled and modest improvements in average silver grade and recoveries.

Cash cost per ounce for the year was $11.21, a 14% reduction compared to $13.01 in the previous year. The decrease in cash cost per ounce was primarily attributed to savings in mining contractor costs, as the Company focused on mining profitable ounces by blending ore from old stopes, stockpiles, recovery of pillars and a portion of high grade narrow veins. Total production cost per tonne for the year was $33.11, which was 10% lower than the prior year.

During the fourth quarter, a total of 569,504 equivalent ounces of silver were produced by the La Encantada processing plant. Production in the quarter decreased by 17% compared to the third quarter of 2016, primarily due to a 5% decrease in tonnes milled and a 9% decrease in silver grades.

Silver grades averaged 132 g/t during the quarter, a 9% decrease compared to the previous quarter primarily due to the continued blending of ore from old stopes, stockpiles and the recovery of pillars. Grades are expected to improve towards the end of 2017 following the start of block caving production within the San Javier Breccia.

Cash cost per ounce for the quarter was $13.87 compared to $11.20 in the previous quarter. The increase in cash cost per ounce compared to the previous quarter was primarily due to lower silver production. Total production cost per tonne for the quarter was $32.96, which was 9% higher than the third quarter of 2016.

The roasting project advanced in the fourth quarter with the completion of site preparations and civil works. The excavation work for the installation of the foundations is expected to begin in February 2017. Manufacturing of the new roasting kiln is now 32% complete and initial equipment shipments to site for assembly are expected to begin before the end of March 2017. The Company continues to anticipate the completion of this circuit by the fourth quarter of 2017. Once in full production, the Company expects to recover an additional 1.5 million ounces of silver per year from the reprocessing of above ground tailings. The Company estimates that there is a total of 4.1 million tonnes of tailings with an average silver grade of 110 g/t.

A total of 1,015 metres were developed underground in the quarter compared to 1,015 metres in the third quarter of 2016. Mine development efforts are currently focused on the preparation of block caving at the San Javier breccia and access to old back-fill areas in order to increase production of low-cost profitable ounces.

A total of 4,197 metres were drilled in the fourth quarter compared to 3,681 metres in the previous quarter. Three drill rigs are currently operating at La Encantada with focus on areas in close proximity to current operating areas. During the quarter, the Company completed a high resolution airborne magnetic survey covering over 8,000 metres at La Encantada. The geophysical work is currently being analyzed in preparation of additional brownfields and near mine exploration targets around the mine.

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 14,251 hectares of mining claims and 209 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	2016-Q4	2016-Q3	2016-Q2	2016-Q1	2016	2015	Change Q4 vs Q3	Change '16 vs '15
PRODUCTION								
Ore processed/tonnes milled	82,767	86,646	80,739	86,869	337,020	555,564	(4%)	(39%)
Average silver grade (g/t)	157	195	192	143	171	172	(19%)	(1%)
Recovery (%)	82%	82%	80%	78%	81%	74%	0%	9%
Total silver ounces produced	343,894	446,137	399,520	311,400	1,500,951	2,261,633	(23%)	(34%)
Total payable silver ounces produced	326,209	422,965	378,405	294,943	1,422,523	2,142,105	(23%)	(34%)
Gold ounces produced	70	81	96	97	344	413	(14%)	(17%)
Pounds of lead produced	5,827,994	5,908,297	5,931,111	4,870,181	22,537,583	29,707,660	(1%)	(24%)
Total production - ounces silver equivalent	680,802	707,524	682,443	578,556	2,649,326	3,824,241	(4%)	(31%)
Underground development (m)	2,377	2,328	1,754	1,201	7,659	6,050	2%	27%
Diamond drilling (m)	3,614	6,643	3,306	1,278	14,839	9,470	(46%)	57%
COST								
Mining cost per ounce	$5.45	$4.23	$4.98	$7.76	$5.44	$4.87	29%	12%
Milling cost per ounce	4.38	3.14	3.47	4.54	3.80	4.81	39%	(21%)
Indirect cost per ounce	3.48	2.50	2.85	3.40	3.00	2.21	39%	36%
Total production cost per ounce	$13.31	$9.87	$11.30	$15.70	$12.24	$11.89	35%	3%
Transport and other selling costs per ounce	0.70	0.60	0.77	0.92	0.73	0.78	17%	(6%)
Smelting and refining costs per ounce	5.86	4.41	6.80	6.35	5.78	5.14	33%	12%
Environmental duty and royalties per ounce	0.09	0.11	0.09	0.09	0.10	0.09	(18%)	11%
Cash cost per ounce before by-product credits	$19.96	$14.99	$18.96	$23.05	$18.85	$17.90	33%	5%
Deduct: By-product credits	(17.16)	(11.58)	(11.06)	(13.53)	(13.13)	(11.71)	48%	12%
Cash cost per ounce	**$2.80**	**$3.41**	**$7.90**	**$9.52**	**$5.73**	**$6.19**	**(18%)**	**(7%)**
Workers' Participation	1.27	0.08	—	—	0.35	—	1,488%	100%
Accretion of decommissioning liabilities	0.11	0.09	0.10	0.13	0.10	0.07	22%	43%
Sustaining capital expenditures	4.25	2.44	1.92	1.11	2.44	2.37	74%	3%
All-In Sustaining Costs per ounce	**$8.43**	**$6.01**	**$10.05**	**$10.76**	**$8.62**	**$8.63**	**40%**	**0%**
Mining cost per tonne	$21.47	$20.65	$23.32	$26.33	$22.95	$18.77	4%	22%
Milling cost per tonne	17.27	15.32	16.25	15.41	16.04	18.55	13%	(14%)
Indirect cost per tonne	13.71	12.18	13.38	11.56	12.68	8.53	13%	49%
Total production cost per tonne	**$52.45**	**$48.15**	**$52.95**	**$53.30**	**$51.67**	**$45.85**	**9%**	**13%**

In 2016, Del Toro produced a total of 2,649,326 silver equivalent ounces, a 31% decrease compared to 3,824,241 ounces produced in the previous year. The mine processed 337,020 tonnes of ore with an average silver grade of 171 g/t during the year. Tonnes milled decreased by 39% year over year, as mining occurred in narrow veins of the Perseverancia mine and Lupita vein, as well as the lack of production from San Juan orebody #3 due to soft ground conditions and the presence of excess water. The decrease in throughput was partially offset by continuous improvements in dilution control and in mining and milling activities which contributed to a 9% increase in recoveries during the year.

For the year, cash cost per ounce was $5.73, a 7% decrease compared to $6.19 per ounce in the previous year. The improvement in cash cost per ounce was primarily attributed to headcount reduction and weakening of the Mexican pesos against U.S. dollars.

During the fourth quarter, the Del Toro mine produced a total of 680,802 silver equivalent ounces, a 4% decrease compared to 707,524 ounces produced in the previous quarter, primarily due to lower average silver grades. The mine processed 82,767 tonnes of ore with an average silver grade of 157 g/t during the quarter. In the month of October, due to limited production at the high grade Dolores mine, the Company increased production rates at the San Juan mine to offset the decrease in ore production from Dolores. Beginning in November, production at the Dolores mine returned to normal operating levels.

Lead grades and recoveries averaged 4.6% and 70%, respectively, producing a total of 5,827,994 pounds of lead, consistent with the previous quarter.

Cash cost per ounce for the quarter was $2.80, an 18% reduction compared to $3.41 per ounce in the previous quarter. The improvement in cash cost per ounce was primarily attributed to an increase in by-product credits due to a 15% increase in lead prices compared to the previous quarter, as well as weakening of the Mexican pesos against U.S. dollars.

Total underground development at Del Toro in the current quarter was 2,377 metres, consistent with 2,328 metres in the third quarter of 2016.

At quarter end, three drill rigs were active at Del Toro and a total of 3,614 metres were completed compared to 6,643 metres in the previous quarter, a 46% decrease due to early completion of the 2016 drill program.

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 $1.2 million has been paid, $1.0 million is due in 2017, $1.0 million in 2018 and $0.4 million in 2019, respectively.

In October 2016, the Company entered into an agreement to acquire an additional 7,205 hectares of mining concessions near the Del Toro Silver Mine. The total purchase price amounted to $1.5 million, payable over six equal payments every six months. As at December 31, 2016, $0.3 million has been paid.

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. The mine comprises of 33 contiguous mining concessions in the San Martin de Bolaños mining district that cover mineral rights for 37,518 hectares, including the application to acquire two new mining concessions 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 1,296 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 City. The San Martin mine is 100% owned by the Company.

SAN MARTIN	2016-Q4	2016-Q3	2016-Q2	2016-Q1	2016	2015	Change Q4 vs Q3	Change '16 vs '15
PRODUCTION								
Ore processed/tonnes milled	76,848	75,228	69,863	75,863	297,802	349,193	2%	(15%)
Average silver grade (g/t)	254	246	219	243	241	260	3%	(7%)
Recovery (%)	81%	84%	84%	81%	83%	79%	(4%)	5%
Total silver ounces produced	510,423	500,441	411,686	480,413	1,902,963	2,296,965	2%	(17%)
Total payable silver ounces produced	509,913	499,941	411,274	479,933	1,901,060	2,293,525	2%	(17%)
Gold ounces produced	888	907	1,078	1,261	4,134	5,745	(2%)	(28%)
Total production - ounces silver equivalent	573,349	562,096	492,669	580,922	2,209,035	2,722,059	2%	(19%)
Underground development (m)	2,696	2,807	2,524	2,093	10,120	7,680	(4%)	32%
Diamond drilling (m)	7,069	7,817	4,137	3,113	22,135	3,640	(10%)	508%
COST								
Mining cost per ounce	$3.01	$3.11	$4.17	$2.97	$3.28	$3.06	(3%)	7%
Milling cost per ounce	3.35	3.55	4.13	3.71	3.66	3.93	(6%)	(7%)
Indirect cost per ounce	2.18	2.28	2.88	1.75	2.25	1.65	(4%)	36%
Total production cost per ounce	$8.54	$8.94	$11.17	$8.43	$9.19	$8.65	(4%)	6%
Transport and other selling costs per ounce	0.15	0.20	0.29	0.26	0.22	0.19	(25%)	16%
Smelting and refining costs per ounce	0.19	0.20	0.23	0.24	0.22	0.24	(5%)	(8%)
Environmental duty and royalties per ounce	0.10	0.10	0.10	0.10	0.10	0.10	0%	0%
Cash cost per ounce before by-product credits	$8.99	$9.44	$11.79	$9.02	$9.72	$9.18	(5%)	6%
Deduct: By-product credits	(2.05)	(2.39)	(3.12)	(3.19)	(2.66)	(2.90)	(14%)	(8%)
Cash cost per ounce	**$6.94**	**$7.05**	**$8.67**	**$5.83**	**$7.07**	**$6.29**	**(2%)**	**12%**
Workers' Participation	0.68	0.49	0.03	0.19	0.36	0.15	39%	140%
Accretion of decommissioning liabilities	0.06	0.07	0.08	0.07	0.07	0.06	(14%)	17%
Sustaining capital expenditures	2.33	2.32	1.42	1.42	1.90	2.73	0%	(30%)
All-In Sustaining Costs per ounce	**$10.01**	**$9.92**	**$10.20**	**$7.52**	**$9.40**	**$9.22**	**1%**	**2%**
Mining cost per tonne	$19.98	$20.68	$24.52	$18.77	$20.91	$20.09	(3%)	4%
Milling cost per tonne	22.24	23.58	24.30	23.48	23.38	25.84	(6%)	(10%)
Indirect cost per tonne	14.48	15.13	16.93	11.07	14.35	10.87	(4%)	32%
Total production cost per tonne	**$56.70**	**$59.39**	**$65.75**	**$53.32**	**$58.64**	**$56.80**	**(5%)**	**3%**

In 2016, San Martin produced 1,902,963 silver ounces and 4,134 ounces of gold for a total production of 2,209,035 silver equivalent ounces. Total production decreased 19% compared to the prior year primarily due to a 15% decrease in tonnes milled and a 7% decrease in silver grade, partially offset by a 5% increase in silver recoveries.

Cash cost per ounce for the year was $7.07, a 12% increase from the prior year primarily due to lower production.

For the quarter, the San Martin mine processed a total of 76,848 tonnes compared to 75,228 tonnes in the previous quarter. The average silver head grade was 254 g/t, an increase of 3% compared to the previous quarter. The increase in silver grades compared to the previous quarter were primarily the result of higher grade ore from the development of the La Hedionda vein.

During the quarter, San Martin produced 510,423 silver ounces and 888 ounces of gold for a total production of 573,349 silver equivalent ounces. Total production increased 2% compared to the prior quarter primarily due to a 3% increase in silver grade and a 2% increase in tonnes milled.

Silver recovery in the quarter was 81%, a decrease of 4% compared to the previous quarter due to the increase in ore feed from the Veladora vein which has lower metallurgical recoveries. Following successful lab tests, the Company has begun the installation of oxygen injectors and lead nitrate into the processing leach tanks which is expected to increase metallurgical recoveries in 2017.

Cash cost per ounce of $6.94 in the fourth quarter was almost unchanged compared to $7.05 per ounce in the previous quarter.

The construction project for the dry stack filter press installation continued during the quarter. Detailed engineering work for the installation of the tailings filter presses were completed in the third quarter and the foundations were completed in the fourth quarter. At of the end of 2016, the project was 33% complete. The filter presses, which are designed to recover and re-use tailings solution and to save on water consumption, are expected to be installed and undergo testing in late March 2017.

A total of 2,696 metres of underground development was completed in the quarter compared to 2,807 metres of development in the previous quarter.

During the quarter, a total of 7,069 metres of diamond drilling were completed compared with 7,817 metres drilled in the previous quarter. At year end, two drill rigs were active at the San Martin property, focusing on upgrading and expanding resources in the Rosario, Guitarrona, Hedionda, Huichola and La Veladora veins. The 2017 exploration program will be focused on Rosario Norte, Intermedia, Huichola Norte and Pitayo veins.

La Guitarra Silver Mine, México State, México

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

LA GUITARRA	2016-Q4	2016-Q3	2016-Q2	2016-Q1	2016	2015	Change Q4 vs Q3	Change '16 vs '15
PRODUCTION								
Ore processed/tonnes milled	38,422	39,092	34,917	43,265	155,696	174,003	(2%)	(11%)
Average silver grade (g/t)	246	252	228	189	228	201	(2%)	13%
Recovery (%)	79%	83%	81%	82%	81%	84%	(5%)	(4%)
Total silver ounces produced	239,788	263,235	206,262	214,312	923,597	945,662	(9%)	(2%)
Total payable silver ounces produced	227,798	249,822	195,361	202,985	875,967	895,684	(9%)	(2%)
Gold ounces produced	2,073	1,977	2,253	1,878	8,181	6,907	5%	18%
Total production - ounces silver equivalent	386,713	397,627	375,464	363,884	1,523,688	1,457,728	(3%)	5%
Underground development (m)	2,620	2,055	1,652	1,254	7,581	7,481	27%	1%
Diamond drilling (m)	9,315	9,515	2,298	643	21,771	2,767	(2%)	687%
COST								
Mining cost per ounce	$5.84	$5.63	$6.84	$6.66	$6.19	$3.88	4%	60%
Milling cost per ounce	3.12	2.70	3.45	3.00	3.05	3.03	16%	1%
Indirect cost per ounce	4.24	4.14	5.27	4.59	4.52	3.44	2%	31%
Total production cost per ounce	$13.20	$12.47	$15.55	$14.25	$13.76	$10.35	6%	33%
Transport and other selling costs per ounce	0.56	0.49	0.57	0.49	0.53	0.53	14%	0%
Smelting and refining costs per ounce	3.86	3.58	3.84	3.54	3.70	4.01	8%	(8%)
Environmental duty and royalties per ounce	0.15	0.16	0.17	0.14	0.15	0.13	(6%)	15%
Cash cost per ounce before by-product credits	$17.77	$16.70	$20.14	$18.42	$18.15	$15.02	6%	21%
Deduct: By-product credits	(10.04)	(9.77)	(14.21)	(10.15)	(10.92)	(8.16)	3%	34%
Cash cost per ounce	**$7.73**	**$6.93**	**$5.93**	**$8.27**	**$7.23**	**$6.86**	**12%**	**5%**
Workers' Participation	(0.16)	0.65	0.12	—	0.17	—	(125%)	100%
Accretion of decommissioning liabilities	0.08	0.08	0.11	0.10	0.09	0.09	0%	0%
Sustaining capital expenditures	8.33	5.94	4.19	4.53	5.85	6.48	40%	(10%)
All-In Sustaining Costs per ounce	**$15.98**	**$13.60**	**$10.34**	**$12.91**	**$13.33**	**$13.42**	**18%**	**(1%)**
Mining cost per tonne	$34.65	$35.97	$38.25	$31.25	$34.84	$19.96	(4%)	75%
Milling cost per tonne	18.53	17.23	19.29	14.08	17.14	15.58	8%	10%
Indirect cost per tonne	25.14	26.47	29.47	21.55	25.45	17.73	(5%)	44%
Total production cost per tonne	**$78.31**	**$79.68**	**$87.01**	**$66.88**	**$77.43**	**$53.27**	**(2%)**	**45%**

During the year, La Guitarra produced 923,597 silver ounces and 8,181 gold ounces for a total annual production of 1,523,688 silver equivalent ounces, consistent with the prior year as a 13% increase in average silver grades was offset by an 11% decrease in tonnes milled.

For the year, cash cost was $7.23 per ounce, a 5% increase compared to the previous year. The increase in cash cost from the previous year was primarily attributed to an increase in mining costs related to development of narrow veins structures, partially offset by higher by-product credits from gold.

During the fourth quarter, La Guitarra produced a total of 386,713 silver equivalent ounces, consisting of 239,788 silver ounces and 2,073 gold ounces. Compared to the previous quarter, total production decreased by 3% due to a 2% decrease in average silver grades and a 2% decrease in tonnes milled.

Cash cost in this quarter was $7.74 per ounce, a 12% increase compared to the previous quarter. The increase in cash cost from the previous quarter was primarily attributed to lower by-product credits from decreased gold production.

A total of 2,620 metres of underground development was completed during the quarter compared to 2,055 metres in the previous quarter. The 800 metre drift connecting the Soledad 1 and 2 veins, Nazareno vein and Coloso was completed. This newly completed drift will allow for further exploration drilling and development along these structures.

During the quarter, six drill rigs were active at the La Guitarra property and 9,315 metres of diamond drilling were completed compared to 9,515 metres during the previous quarter. The drilling program is currently focused on in-fill drilling at the Jessica and Joya Larga veins in order to confirm high grade resources both laterally and at depth to assist underground mining activities and further delineate Reserves and Resources, while the expansionary drilling program is focused on the Nazareno and Soledad veins.

In 2014, the Company entered into two agreements to acquire 757 hectares of adjacent mineral rights at the La Guitarra Silver Mine. The total purchase price amounted to $5.4 million, of which $5.2 million was to be settled in common shares of First Majestic and $0.2 million in cash. As at December 31, 2016, the Company has paid the $0.2 million and has issued $4.2 million in common shares. The remaining balance of $1.0 million in common shares will be issued in two equal annual payments in September 2017 and 2018, respectively, based on the Company's five days volume weighted average market price at the time of the payments.

DEVELOPMENT AND EXPLORATION PROJECTS

Plomosas Silver Project, Sinaloa, Mexico

The Plomosas Silver Project consists of 13 mining concessions covering 6,896 hectares, which includes the adjacent Rosario and San Juan historic mines located in the 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 underground development pre-existing at the Rosario and San Juan mines will allow for easy access to mineralized zones. This existing development is expected to allow First Majestic 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. The Company completed 1,055 metres of diamond drilling at the Plomosas Silver Project during the fourth quarter, and will begin development of 520 metres of new crosscuts to prepare underground drilling stations to be used in 2017. Additionally, a high resolution airborne magnetic survey on the property was completed in order to define new exploration targets. A Light Detection and Ranging survey on 2,300 hectares will be carried out in order to define a high-resolution terrain elevation model. The Company is working toward obtaining permits for additional drilling on surface beginning in 2017.

Future plans include drilling and development in order to prepare a NI 43-101 Technical Report with resource estimates and a Preliminary Economic Assessment.

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 4,977 hectares, with estimated historical production of 230 million ounces between 1773 and 1990. In July 2013, the Company completed the acquisition of an additional 21 hectares of surface rights covering 29 adjacent properties for $1.0 million. 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"). An injunction was placed by the Company to defend against the indigenous people's attempts to obtain a constitutional decree to declare certain areas in San Luis Potosi as natural protected areas, including areas within which the La Luz mine has been duly granted mining concessions. The Company is currently addressing these constitutional legal matters in the Mexican courts. Three different legal orders to obtain approvals to present its final permit applications were submitted and one positive resolution was obtained, while the other orders remain in front of the court. There is currently no estimate of when a final resolution can be expected. 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.

OVERVIEW OF FINANCIAL PERFORMANCE

For the quarters ended December 31, 2016 and 2015 (in thousands of dollars, except for per share amounts):

	Fourth Quarter 2016	Fourth Quarter 2015	Variance %	
Revenues	**$66,170**	**$66,012**	**— %**	(1)
Mine operating costs				
Cost of sales	37,346	39,479	(5)%	(2)
Depletion, depreciation and amortization	18,881	22,651	(17)%	(3)
	56,227	62,130	(10)%	
Mine operating earnings	**9,943**	**3,882**	**156 %**	(4)
General and administrative expenses	4,842	4,558	6 %	
Share-based payments	1,097	766	43 %	
Impairment of non-current assets	—	108,421	(100)%	(5)
Acquisition costs	—	2,054	(100)%	(6)
Foreign exchange loss	794	475	67 %	
Operating earnings (loss)	**3,210**	**(112,392)**	**103 %**	
Investment and other loss	(633)	(2,051)	(69)%	(7)
Finance costs	(1,045)	(1,445)	(28)%	(8)
Earnings (loss) before income taxes	**1,532**	**(115,888)**	**101 %**	
Current income tax expense	4,934	659	649 %	
Deferred income tax recovery	(5,216)	(13,586)	(62)%	
Income tax recovery	(282)	(12,927)	(98)%	(9)
Net earnings (loss) for the period	**$1,814**	**($102,961)**	**102 %**	(10)
Earnings (loss) per share (basic and diluted)	**$0.01**	**($0.66)**	**102 %**	(10)

1. **Revenues** in the quarter had a marginal increase compared to the same quarter of the previous year primarily attributed to:

   - ***average realized silver price*** of $17.10 per ounce in the quarter, an increase of 12% compared to $15.21 per ounce in the same quarter of the prior year; and
   - ***smelting and refining*** costs decreased from $6.8 million ($2.28 per ounce) to $4.5 million ($1.63 per ounce). The savings were attributed to the new smelting and refining agreements effective July 1, 2016;

   offset by:

   - a 13% decrease in ***silver equivalent ounces sold*** compared to the fourth quarter of 2015, primarily attributed to lower production from the La Encantada mine and the La Parrilla mine.

2. **Cost of sales** in the quarter decreased by 5% compared to the same quarter of the previous year as a result of the following factors:

   - ***weakening of the Mexican pesos against the U.S. dollar***, as a significant portion of the Company's operating costs are incurred in Mexican pesos, which weakened by 18% against the U.S. dollar compared to the fourth quarter of 2015; and
   - the Company's ***ongoing effort to reduce costs*** through headcount reductions, renegotiating contractors and suppliers contracts, and realizing efficiencies, which resulted in cost reductions in mining contractors, mineral haulage, diesel and explosives.

3. The decrease in **depletion, depreciation and amortization** was attributed to a combination of the following:

   - ***Impairment charge on non-current assets*** recognized in the fourth quarter of 2015, which resulted in an $87.2 million decrease in depletable mining interests and depreciable property, plant and equipment, which results in lower depletion, depreciation and amortization in subsequent periods;

   partially offset by:

   - ***Revisions to life of mines*** at the end of 2015 accelerated depletion and depreciation rates applied to mining interests and property, plant and equipment depreciated under the units-of-production method. Life of mine estimates were reduced at the end of 2015 to reflect lower Reserves and Resources estimates with higher cut-off grades based on lower metal prices.

4. **Mine operating earnings** during the quarter increased $6.1 million from the fourth quarter of 2015 due to a $2.1 million decrease in cost of sales and $3.8 million lower depletion, depreciation and amortization expense.

5. In the fourth quarter of 2015, as a result of a decline in silver prices and the consequent adverse effect on the Company's Reserves and Resources, an **impairment loss** of $108.4 million was recognized on certain of the Company's operating mines and exploration projects.

6. **Acquisition costs** incurred in the fourth quarter of 2015 related to due diligence costs and closing fees associated with the acquisition of SilverCrest Mines Inc., which closed on October 1, 2015.

7. The changes to **investment and other income or loss** is primarily comprised of the following:

   - $0.4 million ***loss on investment in marketable securities***, compared to a loss of $0.8 million in the fourth quarter of 2015;
   - $0.2 million ***loss on interest income and other*** compared to an income of $0.9 million; and
   - In the prior year there was a loss of $3.3 million on the fair value adjustment of ***prepayment facilities*** and a $1.1 million equity loss on ***investment in associates***.

8. **Finance costs** decreased $0.4 million compared to the fourth quarter of 2015, primarily due to lower debt financing costs subsequent to the ***early settlement of BAML prepayment facilities*** in February 2016.

9. During the quarter, the Company recorded an **income tax recovery** of $0.3 million compared to an income tax recovery of $12.9 million in the fourth quarter of 2015. The $12.6 million reduction in income tax recovery was attributed to an increase in earnings before tax of $117.4 million, primarily related to a $108.4 million impairment loss recognized in the same quarter of the prior year.

10. As a result of the foregoing, **net earnings** for the quarter was $1.8 million (EPS of $0.01) compared to a loss of $103.0 million (Loss per share of $0.66) in the same quarter of the prior year.

For the year ended December 31, 2016 and 2015 (in thousands of dollars, except for per share amounts):

	Annual 2016	Annual 2015	Annual 2014	Variance % 2016 vs 2015	
Revenues	**$278,077**	**$219,444**	**$245,473**	**27 %**	(1)
Mine operating costs					
Cost of sales	149,281	135,674	154,843	10 %	(2)
Depletion, depreciation and amortization	79,593	75,039	60,466	6 %	(3)
	228,874	210,713	215,309		
Mine operating earnings	**49,203**	**8,731**	**30,164**	**464 %**	(4)
General and administrative	17,747	17,004	19,393	4 %	
Share-based payments	4,403	4,926	7,320	(11)%	
Impairment of non-current assets	—	108,421	101,950	(100)%	(5)
Acquisition costs	—	2,054	—	(100)%	(6)
Foreign exchange gain	(1,192)	(3,266)	(6,312)	(64)%	
Operating earnings (loss)	**28,245**	**(120,408)**	**(92,187)**	**123 %**	
Investment and other income (loss)	5,209	(34)	18,627	15,421 %	(7)
Finance costs	(7,963)	(5,810)	(7,377)	37 %	(8)
Earnings (loss) before income taxes	**25,491**	**(126,252)**	**(80,937)**	**120 %**	
Current income tax expense	8,346	2,200	7,682	279 %	
Deferred income tax expense (recovery)	8,544	(20,028)	(27,171)	143 %	
Income tax expense (recovery)	16,890	(17,828)	(19,489)	195 %	(9)
Net earnings (loss) for the year	**$8,601**	**($108,424)**	**($61,448)**	**108 %**	(10)
Earnings (loss) per share (basic and diluted)	**$0.05**	**($0.84)**	**($0.52)**	**106 %**	(10)
Cash and cash equivalents	**$129,049**	**$51,018**	**$40,345**		
Total assets	**$857,175**	**$789,700**	**$771,342**		
Non-current liabilities	**$185,902**	**$155,780**	**$172,587**		

1. **Revenues** in the year ended December 31, 2016 increased 27% compared to the previous year due to the following significant contributors:
   - ***Silver equivalent ounces sold*** increased by 16% compared to 2015, primarily attributed to incremental production from the Santa Elena mine, which was acquired in October 2015;
   - ***Average realized silver price*** increased by 7% from $16.06 per ounce in 2015 to $17.16 per ounce in the current year; and
   - ***Smelting and refining*** costs decreased from $28.3 million ($2.63 per ounce) to $22.0 million ($1.91 per ounce), despite a 16% increase in silver equivalent ounces sold. The savings were attributed to the new smelting and refining agreements effective July 1, 2016.

2. **Cost of sales** in the year increased 10% compared to 2015 as a result of the following factors:

   - ***Santa Elena Mine's first full year of operations under FIrst Majestic***, compared to only one quarter in 2015. In 2016, Santa Elena produced 6.2 million million silver equivalent ounces and added $42.7 million to the Company's cost of sales;

   Partially offset by:

   - ***weakening of the Mexican pesos against the U.S. dollar***, as a significant portion of the Company's operating costs are incurred in Mexican pesos, which weakened by 18% against the U.S. dollar compared to the prior year; and
   - the Company's ***ongoing effort to reduce costs*** through headcount reductions, renegotiating contractors and suppliers contracts, and realizing efficiencies, which resulted in significant cost reductions in mining contractors, mineral haulage, diesel and explosives.

3. The increase in **depletion, depreciation and amortization** was attributed to a combination of the following:

   - ***full year of depletion, depreciation and amortization from the Santa Elena mine***, compared to only one quarter in 2015. Santa Elena contributed $16.4 million to depletion, depreciation and amortization during the year ended December 31, 2016 compared to $4.2 million in the previous year;
   - ***Revisions to life of mines*** at the end of 2015 accelerated depletion and depreciation rates applied to mining interests and property, plant and equipment depreciated under the units-of-production method. Life of mine estimates were reduced at the end of 2015 to reflect lower Reserves and Resources estimates with higher cut-off grades based on lower metal prices;

   partially offset by:

   - ***Impairment charge on non-current assets*** recognized in the fourth quarter of 2015, which resulted in an $87.2 million decrease in depletable mining interests and depreciable property, plant and equipment, which results in lower depletion, depreciation and amortization in subsequent periods.

4. **Mine operating earnings** during the year ended December 31, 2016 increased $40.5 million from 2015 due to a $58.6 million increase in revenue, partially offset by a $13.6 million increase in cost of sales and $4.6 million higher depletion, depreciation and amortization.

5. In 2015, as a result of a decline in silver prices and the consequent adverse effect on the Company's Reserves and Resources, the Company recognized an **impairment loss** of $108.4 million on certain of the Company's operating mines and exploration projects.

6. **Acquisition costs** incurred in 2015 was related to due diligence costs and closing fees associated with the acquisition of SilverCrest Mines Inc., which closed on October 1, 2015.

7. The Company's **investment and other income or loss** is primarily comprised of gain or losses on the following:

   - $6.3 million ***gain on investment in marketable securities*** ;
   - $0.2 million in ***interest income and other***; and

   Offset by:

   - $1.3 million ***loss on fair value adjustment of prepayment facilities***, which contains commodity price swaps and call options on a portion of the Company's lead and zinc production, prior to early settlement in February 2016.

8. **Finance costs** increased $2.2 million during the year ended December 31, 2016 compared to 2015, primarily due to a $3.5 million loss related to prepayment of interest expenses embedded in the ***early settlement of BAML prepayment facilities*** in February 2016, which resulted in accelerated interest and accretion expense plus call option payments. The debt restructuring improved the Company's working capital by approximately $32.0 million at the time of the transaction.

9. During the year ended December 31, 2016, the Company recorded an **income tax expense** of $16.9 million compared to an income tax recovery of $17.8 million in the same period of 2015. The increase in income tax expense was attributed to:
   - a $151.7 million increase in earnings before income taxes, primarily due to a $108.4 million impairment loss recognized in the prior year; and
   - In November 2015, the Mexican Tax Authorities introduced a provision which enable companies to settle a portion of its tax deconsolidation liability against past loss carryforwards at a discounted rate of 15% as compared to the Mexican corporate tax rate of 30%. In March 2016, the Company elected to apply this new provision to reduce its deconsolidation tax liability by $14.7 million. As the Company was previously carrying these tax loss carryforwards as a deferred tax asset valued at $21.4 million, this effectively resulted in a one-time net $6.7 million deferred tax expense related to the value of tax loss carryforwards being written off during the period.

   Without the effect of this one-time adjustment, the Company's income tax expense for the year ended December 31, 2016 was $9.4 million.

10. As a result of the foregoing, **net earnings** for the year ended December 31, 2016 was $8.6 million (EPS of $0.05), compared to a loss of $108.4 million (Loss per share of $0.84) in the prior year.

SUMMARY OF QUARTERLY RESULTS

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

	2016				2015			
Selected Financial Information	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	$66,170	$79,326	$66,072	$66,509	$66,012	$44,673	$54,190	$54,569
Cost of sales	$37,346	$38,421	$36,252	$37,262	$39,479	$30,545	$33,314	$32,336
Depletion, depreciation and amortization	$18,881	$20,955	$19,879	$19,878	$22,651	$17,716	$17,435	$17,237
Mine operating earnings (loss)	$9,943	$19,950	$9,941	$9,369	$3,882	($3,588)	$3,441	$4,996
Net earnings (loss) after tax	$1,814	$8,115	$6,105	($7,433)	($102,961)	($1,780)	($2,578)	($1,105)
Earnings (loss) per share (basic)	$0.01	$0.05	$0.04	($0.05)	($0.66)	($0.01)	($0.02)	($0.01)
Earnings (loss) per share (diluted)	$0.01	$0.05	$0.04	($0.05)	($0.66)	($0.01)	($0.02)	($0.01)

During the fourth quarter of 2016, mine operating earnings decreased to $9.9 million compared to $20.0 million in the previous quarter. The decrease was primarily attributed to a 13% decrease in average realized silver price compared to the previous quarter. Net earnings after tax for the quarter was $1.8 million, a decrease of 78% compared to the previous quarter primarily due to the decrease in mine operating earnings.

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at December 31, 2016, the Company's treasury included cash and cash equivalents of $129.0 million compared to $51.0 million at December 31, 2015. Cash and cash equivalents is 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. As at December 31, 2016, total available liquidity, including $8.8 million of undrawn revolving credit facility, was $139.4 million.

Cash and cash equivalents increased by $78.0 million during the year. The Company's cash flows from operating, investing and financing activities during the year are summarized as follows:

- Cash provided from operating activities of $100.0 million;
- Cash provided by financing activities of $44.8 million, including:
  - $42.7 million net proceeds from the private placement completed in May 2016;
  - $49.9 million net proceeds from the new debt financing closed in February 2016;
  - $22.4 million proceeds from exercise of stock options;

  offset by:
  - $31.6 million on repayment of prepayment facilities;
  - $15.0 million on repayment of SilverCrest's credit facility;
  - $10.2 million on repayment of lease obligations;
  - $6.9 million on financing costs; and
  - $6.3 million on repayment of debt facilities.

- Cash used in investing activities of $66.6 million, primarily related to:
  - $43.8 million spent on mine development and exploration activities;
  - $18.7 million spent on purchase of property, plant and equipment; and
  - $3.7 million spent on purchase of marketable securities.

Working capital as at December 31, 2016 was $130.6 million compared to $15.6 million at December 31, 2015. To improve the Company's working capital position and advance various expansionary projects, the Company completed a CAD$57.5 million private placement in May 2016 and closed a $60.0 million debt financing agreement in February 2016, consisting of a $35.0 million three year term loan and a $25.0 million revolving credit facility with a three year expiry. Additional improvement in working capital can also be attributed to improving metal prices and lower operating costs, which resulted in $107.3 million in operating cash flows generated before movements in working capital and taxes during the year ended December 31, 2016.

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 covenants defined in the debt facilities. As at December 31, 2016 and December 31, 2015, the Company was fully in compliance with these covenants.

Contractual Obligations and Commitments

As at December 31, 2016, 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	$28,194	$28,194	$—	$—	$—
Debt facilities	51,587	14,545	37,042	—	—
Finance lease obligations	8,627	6,432	2,127	68	—
Other liabilities	2,741	—	2,741	—	—
Purchase obligations and commitments	2,777	1,577	500	700	—
	$93,926	**$50,748**	**$42,410**	**$768**	**$—**

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 and VAT and other receivables (Note 12).

The Company sells and receives payment upon delivery of its silver doré and by-products primarily through four international customers. Additionally, silver-lead concentrates and related base metal by-products are sold primarily through two international organizations with good credit ratings. 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:

December 31, 2016

	Cash and cash equivalents	Trade and other receivables	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	$44,239	$391	$11,255	($1,558)	$—	$54,327	$5,433
Mexican peso	7,877	9,729	—	(10,916)	14,000	20,690	2,069
	$52,116	**$10,120**	**$11,255**	**($12,474)**	**$14,000**	**$75,017**	**$7,502**

December 31, 2015

	Cash and cash equivalents	Trade and other receivables	Other financial assets	Trade and other payables	Foreign exchange derivative	Net assets (liabilities) exposure	Effect of +/- 10% change in currency
Canadian dollar	$1,980	$1,297	$—	($1,027)	$—	$2,250	$225
Mexican peso	1,894	20,643	—	(18,258)	3,675	7,954	795
	$3,874	**$21,940**	**$—**	**($19,285)**	**$3,675**	**$10,204**	**$1,020**

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:

	December 31, 2016				
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	Total
Metals subject to provisional price adjustments	$468	$94	$223	$37	$822
Metals in doré and concentrates inventory	196	160	7	4	367
	$664	**$254**	**$230**	**$41**	**$1,189**

	December 31, 2015				
	Effect of +/- 10% change in metal prices				
	Silver	Gold	Lead	Zinc	Total
Metals subject to provisional price adjustments	$428	$44	$201	$77	$750
Metals in doré and concentrates inventory	174	198	36	18	426
Prepayment facilities	—	—	(2,833)	(480)	(3,313)
	$602	**$242**	**($2,596)**	**($385)**	**($2,137)**

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.

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 $62.1 million (CAD$81.5 million). As part of the ruling, the Court granted orders restricting any transfer or encumbrance of the Bolaños Mine by the defendant and limiting mining at the Bolaños Mine. The orders also require that the defendant to preserve net cash flow from the Bolaños Mine in a holding account and periodically provide to the Company certain information regarding the Bolaños Mine. However, there can be no guarantee that the remainder of the judgment amount will be collected and it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to recover the balance. Therefore, as at December 31, 2016, the Company has not accrued any of the remaining $62.1 million (CAD$81.5 million) unrecovered judgment in favour of the Company.

OTHER FINANCIAL INFORMATION

Share Repurchase Program

The Company has an ongoing share repurchase program to repurchase up to 5% of the Company's issued and outstanding shares. The normal course issuer bids will be carried through the facilities of the Toronto Stock Exchange and alternative Canadian marketplaces. No shares were repurchased during the year ended December 31, 2016 and year ended December 31, 2015.

Off-Balance Sheet Arrangements

At December 31, 2016, 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.

As at December 31, 2016, the Company has a $0.3 million (December 31, 2015 - $1.1 million) promissory notes receivable from First Mining Finance Corp., a related party, which was previously repayable on demand with an interest rate of 9% per annum. In July 2016, the Company entered into a settlement agreement with First Mining to settle $0.5 million of the balance in common shares of First Mining with a fair market value of $0.7 million, and the remaining balance in twelve equal monthly cash payments terminating in June 2017.

There were no other significant transactions with related parties outside of the ordinary course of business during the year ended December 31, 2016.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to December 31, 2016:

(a) 2,563,140 stock options with a five year expiry and an average exercise price of CAD$10.87 were granted;

(b) 505,897 stock options were exercised for proceeds of CAD$2.9 million; and

(c) 356,250 stock options were cancelled.

Pursuant to the above subsequent events, the Company has 164,967,464 common shares outstanding as at the date on which this MD&A was approved and authorized for issue by the Board of Directors.

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.

Our significant accounting policies and accounting estimates are contained in the consolidated financial statements. Certain of these policies, such as, capitalization and depreciation of property, plant and equipment and mining interests, derivative instruments, decommissioning liabilities provisions, and business combinations involve critical accounting estimates because they require us to make subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2016

Revenue Recognition

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers*, and SIC 31 – *Revenue – Barter Transactions Involving Advertising Services*. 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 currently mandatory for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of applying this standard, primarily reviewing its doré and concentrate sales agreements. The Company does not anticipate any changes in the gross amounts of revenue but the timing of revenue recognized may differ under the new standard if the timing of transfer of control to customers is deferred and/or if there are additional performance obligations which are currently not recognized separately, such as shipping and insurance services arranged by the Company on behalf of its customers.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9") to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of applying this standard. The expected impact of applying this standard includes the potential designation of equity securities as financial assets at fair value through other comprehensive income, resulting in changes in fair value recognized in other comprehensive income. The new expected credit loss impairment model and reformed approach to hedge accounting is not expected to have a significant impact on the Company's consolidated financial statements.

Finance 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 16 – *Revenue from Contracts with Customers*, has also been applied. Upon the adoption of IFRS 16, the Company anticipates 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 Balance Sheet at January 1, 2019. Due to the recognition of additional lease assets and liabilities, a higher amount of depreciation expense and interest 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 development 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 a detailed reconciliation of these measures to cost of sales, as reported in notes to our consolidated financial statements.

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Three Months Ended December 31, 2016						
	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Production cost (A)	**$9,685**	**$7,746**	**$6,427**	**$4,341**	**$4,357**	**$3,010**	**$35,566**
Add: transportation and other selling cost	81	(4)	134	227	78	128	644
Add: smelting and refining cost	170	111	1,330	1,913	99	880	4,503
Add: environmental duty and royalties cost	120	22	77	31	50	34	334
Total cash cost before by-product credits (B)	**$10,056**	**$7,875**	**$7,968**	**$6,512**	**$4,584**	**$4,052**	**$41,047**
Deduct: By-product credits attributed to							
Gold by-product credits	(11,002)	(27)	(235)	—	(1,044)	(2,288)	(14,596)
Lead by-product credits	—	—	(1,767)	(5,596)	—	—	(7,363)
Zinc by-product credits	—	—	(1,199)	—	—	—	(1,199)
Total by-product credits	**($11,002)**	**($27)**	**($3,201)**	**($5,596)**	**($1,044)**	**($2,288)**	**($23,158)**
Total cash cost (C)	**($946)**	**$7,848**	**$4,767**	**$916**	**$3,540**	**$1,764**	**$17,889**
Workers' participation	—	6	65	414	344	(37)	793
General and administrative expenses	—	—	—	—	—	—	4,639
Share-based payments	—	—	—	—	—	—	1,097
Accretion of decommissioning liabilities	32	46	30	34	32	19	193
Sustaining capital expenditures	2,096	1,452	2,292	1,385	1,186	1,897	10,925
All-In Sustaining Costs (D)	**$1,182**	**$9,352**	**$7,154**	**$2,749**	**$5,102**	**$3,643**	**$35,536**
Payable silver ounces produced (E)	**659,216**	**565,659**	**466,385**	**326,209**	**509,913**	**227,798**	**2,755,180**
Tonnes milled (F)	**257,771**	**235,039**	**153,309**	**82,767**	**76,848**	**38,422**	**844,155**
Total cash cost per ounce, before by-product credits (B/E)	**$2.81**	**$13.88**	**$11.77**	**$6.73**	**$7.49**	**$10.34**	**$15.82**
Total cash cost per ounce (C/E)	**($1.43)**	**$13.87**	**$10.22**	**$2.80**	**$6.94**	**$7.73**	**$6.49**
All-in sustaining cost per ounce (D/E)	**$1.79**	**$16.53**	**$15.34**	**$8.42**	**$10.01**	**$15.98**	**$12.90**
Production cost per tonne (A/F)	**$37.57**	**$32.96**	**$41.92**	**$52.45**	**$56.70**	**$78.31**	**$42.13**
Gold by-product credits per ounce	($4.24)	($0.01)	($0.11)	$—	($0.55)	($2.61)	($1.26)
Lead by-product credits per ounce	—	—	(0.86)	(3.93)	—	—	(0.64)
Zinc by-product credits per ounce	—	—	(0.58)	—	—	—	(0.10)
Total by-product credits per ounce	**($4.24)**	**($0.01)**	**($1.55)**	**($3.93)**	**($0.55)**	**($2.61)**	**($2.00)**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Three Months Ended December 31, 2015						
	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Production cost (A)	**$11,318**	**$7,487**	**$5,829**	**$5,042**	**$4,523**	**$2,408**	**$36,607**
Add: transportation and other selling cost	92	146	574	282	110	111	1,315
Add: smelting and refining cost	307	218	3,422	1,828	107	888	6,771
Add: environmental duty and royalties cost	144	—	59	25	39	28	295
Total cash cost before by-product credits (B)	**$11,861**	**$7,851**	**$9,884**	**$7,177**	**$4,779**	**$3,435**	**$44,988**
Deduct: By-product credits attributed to							
Gold by-product credits	(13,773)	(24)	(160)	—	(1,291)	(1,802)	(17,050)
Lead by-product credits	—	—	(2,803)	(4,270)	—	—	(7,073)
Zinc by-product credits	—	—	(2,932)	—	—	—	(2,932)
Total by-product credits	**($13,773)**	**($24)**	**($5,895)**	**($4,270)**	**($1,291)**	**($1,802)**	**($27,055)**
Total cash cost (C)	**($1,912)**	**$7,827**	**$3,989**	**$2,907**	**$3,488**	**$1,633**	**$17,933**
Workers' participation	—	(2)	—	—	65	—	63
General and administrative expenses	—	—	—	—	—	—	4,334
Share-based payments	—	—	—	—	—	—	766
Accretion of decommissioning liabilities	93	51	36	36	36	18	270
Sustaining capital expenditures	2,786	2,286	1,519	606	1,172	1,657	10,141
All-In Sustaining Costs (D)	**$967**	**$10,162**	**$5,544**	**$3,549**	**$4,761**	**$3,308**	**$33,507**
Payable silver ounces produced (E)	**672,959**	**711,201**	**555,539**	**313,720**	**484,742**	**232,391**	**2,970,551**
Tonnes milled (F)	**254,625**	**242,109**	**149,504**	**111,448**	**83,442**	**42,249**	**883,377**
Total cash cost per ounce, before by-product credits (B/E)	**$17.63**	**$11.03**	**$17.79**	**$22.87**	**$9.86**	**$14.77**	**$15.15**
Total cash cost per ounce (C/E)	**($2.84)**	**$11.00**	**$7.18**	**$9.25**	**$7.20**	**$7.02**	**$6.04**
All-in sustaining cost per ounce (D/E)	**$1.44**	**$14.29**	**$9.98**	**$11.30**	**$9.83**	**$14.24**	**$11.28**
Production cost per tonne (A/F)	**$44.45**	**$30.92**	**$38.99**	**$45.22**	**$54.22**	**$57.02**	**$41.44**
Gold by-product credits per ounce	($20.47)	($0.03)	($0.29)	$—	($2.66)	($7.75)	($5.74)
Lead by-product credits per ounce	—	—	(5.04)	(13.62)	—	—	(2.38)
Zinc by-product credits per ounce	—	—	(5.28)	—	—	—	(0.99)
Total by-product credits per ounce	**($20.47)**	**($0.03)**	**($10.61)**	**($13.62)**	**($2.66)**	**($7.75)**	**($9.11)**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Year Ended December 31, 2016						
	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Production cost (A)	**$41,503**	**$29,172**	**$23,725**	**$17,418**	**$17,460**	**$12,055**	**$141,333**
Add: transportation and other selling cost	386	362	1,083	1,045	419	461	3,756
Add: smelting and refining cost	703	700	8,735	8,221	411	3,244	22,014
Add: environmental duty and royalties cost	497	95	333	140	189	135	1,389
Total cash cost before by-product credits (B)	**$43,089**	**$30,329**	**$33,876**	**$26,824**	**$18,479**	**$15,895**	**$168,492**
Deduct: By-product credits attributed to							
Gold by-product credits	(48,509)	(119)	(795)	—	(5,052)	(9,565)	(64,040)
Lead by-product credits	—	—	(8,536)	(18,672)	—	—	(27,208)
Zinc by-product credits	—	—	(8,902)	—	—	—	(8,902)
Total by-product credits	**($48,509)**	**($119)**	**($18,233)**	**($18,672)**	**($5,052)**	**($9,565)**	**($100,150)**
Total cash cost (C)	**($5,420)**	**$30,210**	**$15,643**	**$8,152**	**$13,427**	**$6,330**	**$68,342**
Workers' participation	$—	$238	$332	$499	$689	$149	$1,907
General and administrative expenses	—	—	—	—	—	—	16,988
Share-based payments	—	—	—	—	—	—	4,403
Accretion of decommissioning liabilities	139	200	128	146	135	81	829
Sustaining capital expenditures	9,891	3,753	5,493	3,472	3,611	5,120	32,264
All-In Sustaining Costs (D)	**$4,610**	**$34,401**	**$21,596**	**$12,269**	**$17,862**	**$11,680**	**$124,733**
Payable silver ounces produced (E)	**2,594,639**	**2,695,690**	**2,063,392**	**1,422,523**	**1,901,060**	**875,967**	**11,553,271**
Tonnes milled (F)	**988,060**	**881,075**	**610,509**	**337,020**	**297,802**	**155,696**	**3,270,162**
Total cash cost per ounce, before by-product credits (B/E)	**$16.61**	**$11.25**	**$16.42**	**$18.85**	**$9.73**	**$18.15**	**$14.59**
Total cash cost per ounce (C/E)	**($2.09)**	**$11.21**	**$7.58**	**$5.72**	**$7.07**	**$7.23**	**$5.92**
All-in sustaining cost per ounce (D/E)	**$1.78**	**$12.76**	**$10.47**	**$8.61**	**$9.40**	**$13.33**	**$10.79**
Production cost per tonne (A/F)	**$42.00**	**$33.11**	**$38.85**	**$51.67**	**$58.64**	**$77.43**	**$43.22**
Gold by-product credits per ounce	($18.70)	($0.04)	($0.39)	$—	($2.66)	($10.92)	($5.54)
Lead by-product credits per ounce	—	—	(4.14)	(13.13)	—	—	(2.36)
Zinc by-product credits per ounce	—	—	(4.31)	—	—	—	(0.77)
Total by-product credits per ounce	**($18.70)**	**($0.04)**	**($8.84)**	**($13.13)**	**($2.66)**	**($10.92)**	**($8.67)**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Year Ended December 31, 2015						
	Santa Elena	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Consolidated
Production cost (A)	**$11,319**	**$31,292**	**$28,276**	**$25,474**	**$19,834**	**$9,268**	**$125,463**
Add: transportation and other selling cost	92	552	2,008	1,668	442	475	5,237
Add: smelting and refining cost	307	909	11,903	11,003	561	3,591	28,274
Add: environmental duty and royalties cost	144	121	350	198	222	115	1,150
Total cash cost before by-product credits (B)	**$11,862**	**$32,874**	**$42,537**	**$38,343**	**$21,059**	**$13,449**	**$160,124**
Deduct: By-product credits attributed to							
Gold by-product credits	(13,773)	(99)	(934)	—	(6,642)	(7,306)	(28,754)
Lead by-product credits	—	—	(7,957)	(25,074)	—	—	(33,031)
Zinc by-product credits	—	—	(13,666)	—	—	—	(13,666)
Total by-product credits	**($13,773)**	**($99)**	**($22,557)**	**($25,074)**	**($6,642)**	**($7,306)**	**($75,451)**
Total cash cost (C)	**($1,911)**	**$32,775**	**$19,980**	**$13,269**	**$14,417**	**$6,143**	**$84,673**
Workers' participation	—	197	—	—	336	—	533
General and administrative expenses	—	—	—	—	—	—	16,221
Share-based payments	—	—	—	—	—	—	4,926
Accretion of decommissioning liabilities	93	213	152	150	149	79	836
Sustaining capital expenditures	2,786	8,315	8,601	5,070	6,250	5,802	37,289
All-In Sustaining Costs (D)	**$968**	**$41,500**	**$28,733**	**$18,489**	**$21,152**	**$12,024**	**$144,478**
Payable silver ounces produced (E)	**672,958**	**2,519,666**	**2,231,444**	**2,142,105**	**2,293,524**	**895,684**	**10,755,381**
Tonnes milled (F)	**254,625**	**851,567**	**667,702**	**555,564**	**349,193**	**174,003**	**2,852,654**
Total cash cost per ounce, before by-product credits (B/E)	**$17.63**	**$13.05**	**$19.06**	**$17.90**	**$9.19**	**$15.02**	**$14.89**
Total cash cost per ounce (C/E)	**($2.84)**	**$13.01**	**$8.95**	**$6.19**	**$6.29**	**$6.86**	**$7.87**
All-in sustaining cost per ounce (D/E)	**$1.44**	**$16.47**	**$12.88**	**$8.63**	**$9.22**	**$13.42**	**$13.43**
Production cost per tonne (A/F)	**$44.45**	**$36.75**	**$42.35**	**$45.85**	**$56.80**	**$53.27**	**$43.98**
Gold by-product credits per ounce	($20.47)	($0.04)	($0.42)	$—	($2.90)	($8.16)	($2.67)
Lead by-product credits per ounce	—	—	(3.57)	(11.71)	—	—	(3.08)
Zinc by-product credits per ounce	—	—	(6.12)	—	—	—	(1.27)
Total by-product credits per ounce	**($20.47)**	**($0.04)**	**($10.11)**	**($11.71)**	**($2.90)**	**($8.16)**	**($7.02)**

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 December 31,		Year Ended December 31,	
	2016	**2015**	**2016**	**2015**
Revenues as reported	**$66,170**	**$66,012**	**$278,077**	**$219,444**
Add back: smelting and refining charges	4,502	6,771	22,014	28,275
Gross revenues	**70,672**	**72,783**	**300,091**	**247,719**
Less: Sandstorm gold revenues	(798)	(736)	(3,592)	(736)
Gross revenues, excluding Sandstorm (A)	**$69,874**	**$72,047**	**$296,499**	**$246,983**
Payable equivalent silver ounces sold	4,245,091	4,890,237	18,015,866	15,534,860
Less: Payable equivalent silver ounces sold to Sandstorm	(158,228)	(154,196)	(739,246)	(154,196)
Payable equivalent silver ounces sold, excluding Sandstorm (B)	**4,086,863**	**4,736,041**	**17,276,620**	**15,380,664**
Average realized price per ounce of silver sold (A/B)[1]	**$17.10**	**$15.21**	**$17.16**	**$16.06**
Average market price per ounce of silver per COMEX	$17.12	$14.75	$17.10	$15.68

(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 fourth-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 December 31,		Year Ended December 31,	
	2016	**2015**	**2016**	**2015**
Net earnings (loss) as reported	**$1,814**	**($102,961)**	**$8,601**	**($108,424)**
Adjustments for non-cash or unusual items:				
Impairment of mining interests and goodwill	—	108,421	—	108,421
Deferred income tax (recovery) expense	(5,216)	(13,586)	8,544	(20,028)
Share-based payments	1,097	766	4,403	4,926
Loss (gain) from investment in derivatives and marketable securities	411	838	(6,281)	634
Loss from fair value adjustment of prepayment facilities	—	3,264	1,255	1,202
Recovery (write-down) of mineral inventory	520	504	(374)	(525)
Gain from value added tax settlement	—	(270)	—	(270)
Loss on early settlement of prepayment facilities	—	—	3,506	—
Adjusted net (loss) earnings	**($1,374)**	**($3,024)**	**$19,654**	**($14,064)**
Weighted average number of shares on issue - basic	164,395,202	155,202,963	160,874,038	129,117,653
Adjusted EPS	**($0.01)**	**($0.02)**	**$0.12**	**($0.11)**

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 December 31,		Year Ended December 31,	
	2016	2015	2016	2015
Operating Cash Flows before Working Capital and Taxes	**$23,430**	**$17,541**	**$107,275**	**$59,739**
Weighted average number of shares on issue - basic	164,395,202	155,202,963	160,874,038	129,117,653
Cash Flow per Share	**$0.14**	**$0.11**	**$0.67**	**$0.46**

Working Capital and Available Liquidity

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

	December 31, 2016	December 31, 2015
Current Assets	$180,199	$104,785
Less: Current Liabilities	(49,572)	(89,201)
Working Capital	**$130,627**	**$15,584**
Available Undrawn Revolving Credit Facility	8,782	—
Available Liquidity	**$139,409**	**$15,584**

ADDITIONAL GAAP MEASURES

The Company uses additional financial measures which should be evaluated in conjunction with IFRS. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The following additional GAAP measures are used:

Mine Operating Earnings

Mine operating earnings represents the difference between revenue less mine operating costs. Management believes that mine operating earnings provides useful information to investors because mine operating earnings excludes expenses not directly associated with commercial production.

Operating Cash Flows before Working Capital and Taxes

Operating cash flows before working capital and taxes represents cash flows generated from operations before changes in working capital and income taxes paid. Management believes that this measure allows investors to evaluate the Company's pre-tax cash flows generated from operations adjusted for fluctuations in non-cash working capital items due to timing issues and the Company's ability to service its debt.

The terms described above do not have a standardized meaning prescribed by IFRS, therefore the Company's definitions may not be comparable to similar measures presented by other companies.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

The Company's management, with the participation of its President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that, as of December 31, 2016, 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:

- maintaining 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;
- provide reasonable assurance that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

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

The Company's management evaluated the effectiveness of our ICFR based upon the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation, our CEO and CFO concluded that our ICFR was effective as of December 31, 2016.

The Company's independent registered public accounting firm, Deloitte LLP, have audited the Consolidated Annual Financial Statements included in this annual report and have issued an attestation report dated February 21, 2017 on the Company's internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

There has been no change in the Company's internal control over financial reporting during the year ended December 31, 2016 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. Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “forecast”, “project”, ”intend”, ”believe”, ”anticipate”, “outlook” and other similar words, or statements that certain events or conditions “may” or “will” occur. 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 undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change other than as required by securities laws. The reader is cautioned not to place undue reliance on 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, 2016 , is available on SEDAR at www.sedar.com and on the Company's website at www.firstmajestic.com.

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith Neumeyer, certify that:

1. I have reviewed this annual report on Form 40-F of First Majestic Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

/s/ Keith Neumeyer

Keith Neumeyer
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Raymond Polman, certify that:

1. I have reviewed this annual report on Form 40-F of First Majestic Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

/s/ Raymond Polman

Raymond Polman
Chief Financial Officer
(Principal Financial Officer and) Principal Accounting Officer

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Keith Neumeyer, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the annual report on Form 40-F of First Majestic Silver Corp. for the year ended December 31, 2016 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Form 40-F fairly presents, in all material respects, the financial condition and results of operations of First Majestic Silver Corp.

Date: March 31, 2017

/s/ Keith Neumeyer

Keith Neumeyer
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Raymond Polman, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the annual report on Form 40-F of First Majestic Silver Corp. for the year ended December 31, 2016 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Form 40-F fairly presents, in all material respects, the financial condition and results of operations of First Majestic Silver Corp.

Date: March 31, 2017

/s/ Raymond Polman

Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Runge, Inc. dba
RungePincockMinarco

6251 Greenwood Plaza Boulevard
Suite 275
Greenwood Village, Colorado 80111

CONSENT OF AUTHOR

March 31, 2017

VIA EDGAR
United States Securities and Exchange Commission

RE: FIRST MAJESTIC SILVER CORP.
Annual Report on Form 40-F
Consent of Expert

Dear Sirs/Madames:

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "Annual Report") to be filed by the Company with the United States Securities and Exchange Commission (the "SEC"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Leonel López, C.P.G., of RungePincockMinarco, of 6251 Greenwood Plaza Blvd., Suite 275, Greenwood Village, Colorado 80111, hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "Technical Reports").

• Technical Report for the La Parrilla Silver Mine, Durango State, México, dated September 8, 2011;

• NI 43-101 Technical Report for the Del Toro Silver Mine, Zacatecas State, México", dated August 20, 2012;

• Technical Report for the San Martin Silver Mine, Jalisco State, México dated May 23, 2013;

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,



Signature of Qualified Person

Leonel López, C.P.G. Print name of Qualified Person

Runge, Inc. dba
RungePincockMinarco

6251 Greenwood Plaza Boulevard
Suite 275
Greenwood Village, Colorado 80111

CONSENT OF AUTHOR

March 31, 2017

VIA EDGAR
United States Securities and Exchange Commission

RE: FIRST MAJESTIC SILVER CORP.
Annual Report on Form 40-F
Consent of Expert

Dear Sirs/Madames:

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Richard Addison, P.E., of RungePincockMinarco, of 6251 Greenwood Plaza Blvd., Suite 275, Greenwood Village, Colorado 80111, hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report (the “Technical Report”).

- Technical Report for the La Parrilla Silver Mine, Durango State , México, dated September 8, 2011;

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,



Signature of Qualified Person

Richard Addison, P.E. Print name of Qualified Person

Telephone +1 303 986 6950 **Email** usa@rpmglobal.com **Website** www.rpmglobal.com

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I hereby consent to the use of my name in connection with reference to my involvement in the preparation of certain technical information relating to the Company's mineral properties in the Annual Report and to the inclusion and incorporation by reference of the information derived from the technical information in the Annual Report.

Yours truly,

/s/ Ramon Mendoza Reyes

Ramon Mendoza Reyes, P. Eng.,
Vice President Technical Services

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I hereby consent to the use of my name in connection with reference to my involvement in the preparation of certain technical information relating to the Company's mineral properties in the Annual Report and to the inclusion and incorporation by reference of the information derived from the technical information in the Annual Report.

Yours truly,

/s/ Maria Elena Vazquez Jaimes

Maria Elena Vazquez Jaimes, P. Geo.
Geological Database Manager

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I hereby consent to the use of my name in connection with reference to my involvement in the preparation of certain technical information relating to the Company's mineral properties in the Annual Report and to the inclusion and incorporation by reference of the information derived from the technical information in the Annual Report.

Yours truly,

/s/ Jesus Velador Beltran

Jesus Velador Beltran, MMSA QP
Director of Exploration

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Greg Kulla

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Greg Kulla, P. Geo. of Amec Foster Wheeler Americas Ltd., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report:

- **"Technical Report for the La Guitarra Silver Mine, Temascaltepec, Mexico" dated 15 March 2015 (the "Technical Report").**

and to the use of those portions of the Technical Report that I am responsible for preparing in the Annual Report.

Yours truly,

/s/ Greg Kulla, P. Geo.

Greg Kulla, P. Geo.

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Peter Oshust

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Peter Oshust, P. Geo. of Amec Foster Wheeler Americas Ltd., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report:

- **"Technical Report for the La Encantada Silver Mine, Ocampo, Coahuila, Mexico" dated March 15, 2016 (the "Technical Report").**

and to the use of those portions of the Technical Report that I am responsible for preparing in the Annual Report.

Yours truly,

/s/ Peter Oshust, P. Geo.

Peter Oshust, P. Geo.

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Sabry Abdel Hafez, P.Eng, formerly with Tetra Tech WEI Inc (now called Tetra Tech Canada), hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ Sabry Abdel Hafez, P. Geo.

Sabry Abdel Hafez, P. Geo.

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Mark Horan, Senior Mining Engineer of Tetra Tech Canada (formerly called Tetra Tech EBA Inc.), hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ Mark Horan, Senior Mining Engineer

Mark Horan, Senior Mining Engineer,
Tetra Tech EBA, Vancouver

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, James Barr, P.Geo (APEGBC) of Tetra Tech Canada (formerly called Tetra Tech EBA Inc.), hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ James Barr, P. Geo

James Barr, P. Geo

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Hassan Ghaffari, Director of Metallury, of Tetra Tech Inc., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ Hassan Ghaffari, P.Eng.

Hassan Ghaffari, P. Eng.

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Ting Lu, Senior Metallurgist formerly with of Tetra Tech EBA Inc. (now called Tetra Tech Canada), hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ Ting Lu, P.Eng.

Ting Lu, P. Eng.

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Carlos Chaparro, of Tetra Tech Canada (formerly called Tetra Tech EBA Inc.), hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ Carlos Chaparro, Senior Geotechnical Engineer

Carlos Chaparro, Senior Geotechnical Engineer

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, Scott Martin, P.Eng. of Tetra Tech Canada Inc. (formerly called Tetra Tech EBA Inc.), hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ Scott Martin, P. Eng.

Scott Martin, P. Eng.

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, **Nick Michael, QP** of Golden, Colorado, formerly with Tetra Tech EBA Inc. (now called Tetra Tech Canada) hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ Nick Michael, QP

Nick Michael, QP

March 31, 2017

VIA EDGAR

United States Securities and Exchange Commission

Re: First Majestic Silver Corp. (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2016 (the "**Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2016.

I, **Graham Wilkins, P.Eng**. of Tetra Tech Canada Inc. (formerly called Tetra Tech EBA Inc.), hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- **Preliminary Economic Assessment (PEA) for SilverCrest Mines Inc. (SilverCrest, SVL) of Vancouver, British Columbia, Canada for the La Joya property, located in Durango, Mexico NI 43-101 Technical Report" with an effective date of October 21, 2013, and amended on March 4, 2014 (the "Technical Report")**

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report.

Yours truly,

/s/ Graham Wilkins, P. Eng.

Graham Wilkins, P. Eng.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our reports dated February 21, 2017 relating to the consolidated financial statements of First Majestic Silver Corp. and its subsidiaries ("First Majestic") and the effectiveness of First Majestic's internal control over financial reporting appearing in this Annual Report on Form 40-F of First Majestic for the year ended December 31, 2016.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 31, 2017