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, 2010

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)

Suite 1805 – 925 West Georgia Street
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 as of the close of the period covered by the annual report. **102,513,210 common shares**

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 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, 2010. 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 information form 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 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 Canadian generally accepted accounting principles ("GAAP"). The Company's consolidated financial statements may not be comparable to financial statements of United States companies. Significant differences between Canadian GAAP and United States GAAP are described in Note 23 of the audited consolidated financial statements of the Company.

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 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 Canadian dollars. The functional currency of the Company, the parent entity, is the Canadian dollar. The accounts of our self-sustaining foreign operations are translated at year end exchange rates, and revenues and expenses 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. The exchange rate of Canadian dollars into United States dollars, on March 31, 2011, based upon the noon buying rate posted by the Bank of Canada was CDN$1.00 = U.S.$1.0290.

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, 2010, including the reports of the Independent Registered Chartered Accountants with respect thereto, are 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, 2010 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 and 99.6, 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, 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 design and operations 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 on that evaluation, the CEO and the CFO have concluded that as of the end of the period covered by this annual report, the Company's disclosure controls and procedures were adequately designed and effective in ensuring 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 time periods specified in applicable rules and forms and (ii) material 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 Annual Report on Internal Control Over Financial Reporting.

The Company's management 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 generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

Although not required, management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2010, based on the criteria set forth in Internal Control – Integrated Framework 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, limited testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, and mitigating management's overriding review controls, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2010, to adequately support the results reported for the year ended December 31, 2010. The management's report is included with the Audited Financial Statements, which are part of the Annual Report for the year ended December 31, 2010, 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.

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 62 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

Douglas Penrose is the 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 in connection with the accounting for estimates, accruals and reserves; 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); 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 1805 – 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 & Touche LLP acted as the Company's Independent Registered Chartered Accountants for the financial year ended December 31, 2010. See page 63 of the AIF, which is attached hereto as Exhibit 99.1 for the total amount billed to the Company by Deloitte & Touche 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 financing 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 —Contractual Obligations and Contingencies” 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, 2010
99.2.	The following audited consolidated financial statements of the Company, are exhibits to and form a part of this Report: • Report of Independent Registered Chartered Accountants; • Consolidated Balance Sheets as at December 31, 2010 and 2009 • Consolidated Statements of Income for the years ended December 31, 2010 and 2009; • Consolidated Statements of Shareholders' Equity and Comprehensive Income (loss) for the years ended December 31, 2010 and 2009; • Consolidated Statements of Cash Flows for the years ended December 31, 2010 and 2009; • Notes to the Consolidated Financial Statements for the years ended December 31, 2010 and 2009
99.3.	Management's Discussion and Analysis for the year and fourth quarter ended December 31, 2010
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 and CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7.	Consent of Leonel Lopez, Principal Geologist of Pincock, Allen & Holt.
99.8.	Consent of Richard Addison, Principal Process Engineer of Pincock, Allen & Holt.
99.9.	Consent of Ramon Davila, Ing., Chief Operating Officer of First Majestic Silver Corp.
99.10.	Consent of Deloitte & Touche LLP Independent Registered Chartered Accountants

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 Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized.

Date: March 31, 2011

FIRST MAJESTIC SILVER CORP.

By: /s/ Raymond Polman
Name: Raymond Polman
Title: Chief Financial Officer



ANNUAL INFORMATION FORM

For the year ended December 31, 2010

Date: March 31, 2011

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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 March 31, 2011.

Financial Information

All financial information in this AIF is prepared in accordance with Canadian generally accepted accounting principles (" **Canadian GAAP**").

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, commercial mining operations, anticipated mineral recoveries, projected quantities of future mineral production, interpretation of drill results, anticipated production rates and mine life, the estimated cost and timing of development of the Company's development projects, the timing of completion of exploration programs and preparation of technical reports, operating efficiencies, capital budgets, costs and expenditures and conversion of mineral resources to proven and probable mineral reserves, analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. 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 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, 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 incorporated by reference 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 short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, 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

The definitions of Proven and Probable Reserves used in National Instrument 43-101 (" **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 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 rare 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 our 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

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated.

CORPORATE STRUCTURE

Name, Address and Incorporation

First Majestic was incorporated under the *Company Act* (British Columbia) (the "**Company Act**") on September 26, 1979 by registration of its Memorandum and Articles, under the name Brandy Resources Inc.

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 27, 1987, the Company was extra provincially registered under the Company 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 under the *Companies Act* (Bahamas) and was continued to the Yukon Territory pursuant to the *Business Corporations Act* (Yukon). On January 3, 2002, the Company completed a consolidation of its share capital on a 1 new for 10 old basis and changed its name to First Majestic Resource Corp.

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).

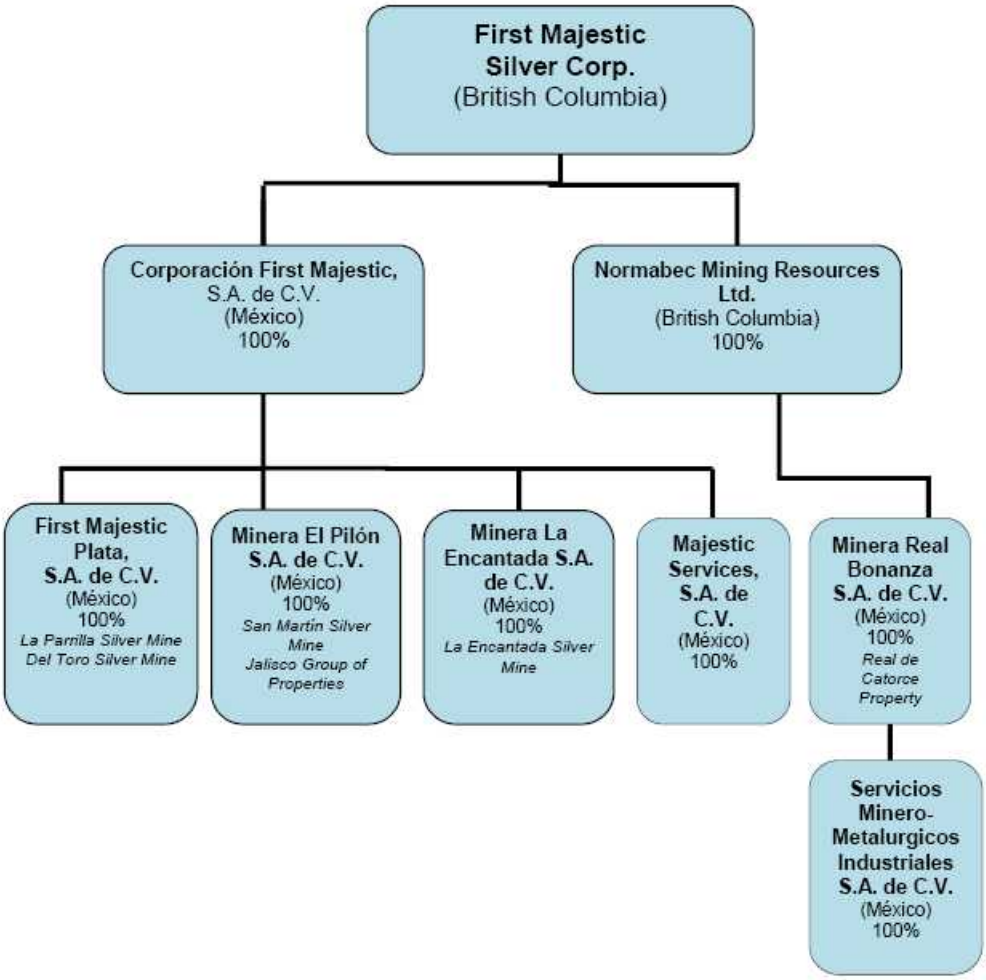
On November 22, 2006, the Company changed its name to First Majestic Silver Corp.

The Company's head office is located at Suite 1805 – 925 W. Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2 and its registered office is located at #2610 – 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador.

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.



GENERAL DEVELOPMENT OF THE BUSINESS

History

Since inception, First Majestic has been in the business of acquisition, development and exploration of mineral properties. During the fiscal year ended June 30, 2004, the Company became focused on the acquisition, development and exploration of mineral properties in México with an emphasis on silver projects.

On January 12, 2004, the Company entered into an agreement to purchase the La Parrilla Silver Mine located approximately 65 kilometres south-east of the city of Durango, México. The purchase price of US$3 million (paid) included all properties, assets and equipment and all mining concessions consisting of 280 hectares. See “Mineral Projects – La Parrilla Silver Mine, México”. The La Parrilla Silver Mine was operated from 1956 to 1999 by the previous owners when it was put on a care and maintenance program in 1999 due to low silver prices. Total tonnage mined during that period is estimated at approximately 700,000 tonnes with an average grade of 300 grams per tonne (“g/t”) silver, 1.5% lead and 1.5% zinc.

Between March 2004 and August 2005, the Company entered into a number of agreements to acquire mining concessions located in Chalchihuites, Zacatecas, México which are located approximately 45 kilometres southeast of the La Parrilla Silver Mine. During the period ended December 31, 2006 and the year ended June 30, 2006, the Company relinquished its options relating to certain of the Chalchihuites Group of Properties and wrote off acquisition and exploration costs relating to those options totalling $688,766 and $384,930, respectively. The remaining properties are now referred to as the Del Toro Silver Mine. The Company paid an aggregate of US$5,825,000 over a four-year period to complete the remaining options.

First Majestic entered into an irrevocable share purchase agreement dated for reference April 3, 2006 to purchase approximately 63% of the issued and outstanding shares of First Silver Reserve Inc. (“**First Silver**”) from the major shareholder of First Silver (the “**Shareholder**”). First Silver’s primary business was silver mining and the acquisition, exploration and development of mineral claims with a primary focus on silver properties in México. First Silver’s wholly owned subsidiary, El Pilon, is the sole owner of the San Martín Silver Mine in Jalisco State, México.

First Majestic purchased 24,649,200 common shares of First Silver (the “ **Acquisition**”) at a price of $2.165 per share for an aggregate purchase price of $53,365,519 payable to the Shareholder in three instalments.

The first instalment of $26,682,759 represented 50% of the purchase price and was paid on closing of the Acquisition on May 30, 2006. A second instalment of $13,341,380, representing 25% of the purchase price, was paid on May 30, 2007. A final instalment of $13,341,380 was payable on May 30, 2008. An interest amount of 6% per annum was payable quarterly on the outstanding payment. Pending the outcome of the litigation referred to in the section entitled “Legal Proceedings” of this Annual Information Form, the Company withheld payment of quarterly instalments of interest due on November 30, 2007, February 29, 2008 and May 30, 2008. The Company also withheld payment of the final instalment of $13,341,380 due May 30, 2008 and the above interest payments, an amount totalling $13,940,237.

On July 16, 2009, an Order was granted by the Court, with the consent of all parties, under which the Defendant obtained a judgment in the amount of $14,881,912. The Company agreed to pay out $14,258,332 to the Defendant’s lawyers trust account (the “**Trust Funds**”) in partial payment of the judgment. The consent order requires that the Trust Funds be held in trust pending the outcome of the litigation. If the trial has not commenced by May 30, 2012, the Trust Funds can be released on that date to the Defendant, unless otherwise ordered by the Court. At present time, the trial is scheduled to commence in the Supreme Court of British Columbia, Vancouver, British Columbia in April, 2012. The Consent Order does not affect the standing of the Company’s claims for relief against the Defendant in the Action.

On June 5, 2006, First Majestic and First Silver entered into a letter agreement whereby the parties agreed to enter into a business combination such that First Majestic would acquire all of the outstanding securities of First Silver and First Silver would become a wholly owned subsidiary of First Majestic. The business combination was structured as a plan of arrangement (the "**Arrangement**") which was formalized in a combination agreement with the parties dated August 9, 2006. On September 14, 2006, First Majestic acquired all of the issued and outstanding First Silver shares which it did not already own for an aggregate of 6,712,159 common shares of First Majestic and an aggregate cash payment of $777,672 paid at closing and $388,836 due on each of September 14, 2007 (which was paid) and September 14, 2008 (which was paid), with interest payable quarterly and compounded annually at 6.0% per annum on the unpaid balances from the closing of the Arrangement.

In addition, upon closing of the Arrangement, 12,500 stock options exercisable at a price of $3.28 per share expiring on June 13, 2009 and 550,000 stock options exercisable at a price of $4.30 per share expiring on June 19, 2011 were granted by the Company in exchange for 25,000 stock options of First Silver exercisable at a price of $1.64 per share expiring on June 13, 2009 and 1,100,000 stock options of First Silver exercisable at a price of $2.15 per share expiring on June 19, 2011. The common shares of First Silver were delisted from the Toronto Stock Exchange at the close of business on September 18, 2006.

Any certificate formerly representing First Silver shares not duly surrendered on or prior to September 14, 2012 shall cease to represent a claim or interest of any kind or nature, including a claim for dividends or other distributions against First Majestic or First Silver by a former First Silver shareholder. After such date, all First Majestic shares to which the former First Silver shareholder was entitled shall be deemed to have been cancelled.

In August 2006, the Company entered into three agreements to acquire the Quebradillas and Viboras mines and a contiguous land package of 3,126 hectares of mining concessions located in the La Parrilla Mining District in Durango State, México, which now forms part of the Company's La Parrilla Silver Mine. The Company acquired the right to purchase all the mining concessions, the mines, the data of past diamond drill programs and the assets located within the mine areas for a total purchase price of US$3,000,000 which was paid in full by December 31, 2009. There is a net smelter royalty of 1.5% ("NSR") of sales revenue to a maximum of US$2,500,000 and the Company has the option to purchase the NSR at any time for US$2,000,000. For the year ended December 31, 2010, the Company paid US$119,707 (December 31, 2009 – US$135,363) relating to annual royalties.

In August 2006, the Company entered into a letter agreement pursuant to which the Company acquired 100% of the issued and outstanding shares of Desmin S.A. de C. V. ("**Desmin**"), a privately held Mexican mining company for the purchase price of US$1.5 million (the final payment having been made on April 30, 2007), resulting in Desmin becoming a wholly owned subsidiary of the Company. Desmin's primary asset was an exploitation contract which entitled Desmin to operate the La Encantada Silver Mine located in Coahuila State in Northern México. The exploitation contract provided Desmin an option to acquire all properties within the 697 hectare land package, including the operations of the mine and mill and all the auxiliary installations and associated equipment at the La Encantada Silver Mine. The Company purchased the operations of Desmin effective November 1, 2006 and took over the operations of the La Encantada Silver Mine.

In January 2007, the Company completed the acquisition of the San Juan silver mine which forms part of the Del Toro Silver Mine (formerly referred to as the Chalchihuites Group of Properties) by making the final payments of US$500,000 and US$150,000 due January 7, 2007 and July 7, 2007, respectively, pursuant to the agreement. In connection therewith, a finder's fee in the amount of $77,808 (US$68,422) was paid to a director of the Company.

In March 2007, the Company acquired all of the issued and outstanding shares of Minera La Encantada S.A. de C.V. (" **Minera La Encantada**"), a Mexican mining company owned by Industrias Peñoles, S.A. de C.V. ("**Peñoles**") for a total purchase price of US$3,250,000 and an NSR of 4%. The Company also acquired the underlying 4% NSR through the issuance of 382,582 shares and 191,291 warrants, each warrant entitling Peñoles to purchase one additional share at a price of $6.81 which expired on March 20, 2009. As a result of the Company's purchase of Minera La Encantada, all royalties were cancelled at closing on March 20, 2007. On January 1, 2008, Desmin amalgamated with Minera La Encantada S.A. de C.V.

On July 31, 2007, the Company incorporated a new wholly owned Mexican subsidiary, Corporación First Majestic, S.A. de C.V., (" **CFM**") and effected a corporate restructuring of Desmin, La Encantada and First Majestic Plata, on August 14, 2007, such that Desmin and La Encantada were amalgamated and the Company now holds the shares of FM Plata, Minera El Pilon and La Encantada, through CFM, which became a Mexican holding company for Mexican tax consolidation purposes.

Past Three Years

The Company's common shares and warrants were listed and commenced trading on the Toronto Stock Exchange effective January 15, 2008.

On March 25, 2008, the Company completed a public offering with a syndicate of underwriters led by CIBC World Markets Inc. and including Blackmont Capital Inc., Cormark Securities Inc. and GMP Securities L.P., who purchased 8,500,000 units of the Company at a price of $5.35 per unit. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitled the holder to acquire one additional common share at a price of $7.00 for a period of 24 months from the closing of the offering. The underwriters also received an over-allotment option, exercisable up until 30 days following the closing of the offering to purchase up to an additional 1,275,000 common shares at a price of $5.07 per share and up to an additional 637,500 share purchase warrants at a price of $0.56 per warrant. On April 4, 2008, the Company completed the issuance of an aggregate of 637,500 warrants pursuant to the exercise of the over-allotment option.

On July 6, 2008, the Company entered into an agreement to acquire the Fatima mining concession consisting of 46 hectares of mining concessions located in the Zacatecas State, México which forms part of the Del Toro Silver Mine. The Company has the right to purchase all the mining concessions, for a total purchase price of US$387,500, which was fully paid as of December 31, 2010.

On March 5, 2009, the Company completed a public offering with a syndicate of underwriters led by CIBC World Markets Inc. and including Blackmont Capital Inc., GMP Securities L.P. and Thomas Weisel Partners, who purchased 8,487,576 units of the Company at a price of $2.50 per unit for gross proceeds to the Company of $21,218,940. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one additional common share at a price of $3.50 for a period of 24 months from the closing of the offering.

On August 20, 2009, the Company completed the first tranche of a non-brokered private placement consisting of 3,499,000 units at a price of $2.30 per unit for gross proceeds of $8,047,700. Each unit consisted of one common share and one-half of one common share purchase warrant, with each full warrant entitling the holder to purchase one additional common share of the Company at an exercise price of $3.30 per warrant share for a period of two years after the closing of the offering. A finder's fee in the amount of $101,016 cash and 50,000 finder's warrants were paid in respect to a portion of this private placement. The finder's warrants were subject to the same terms and conditions as those issued to the subscribers.

On August 20, 2009, the Company also settled certain current liabilities amounting to $822,053 by the issuance of 357,414 common shares of the Company at a deemed price of $2.30 per common share.

On September 16, 2009, the Company completed the second and final tranche of the non-brokered private placement consisting of 668,478 units at a price of $2.30 per unit for gross proceeds of $1,537,500. Each unit consisted of one common share and one-half of one common share purchase warrant, with each full warrant entitling the holder to purchase one additional common share of the Company at an exercise price of $3.30 per warrant share for a period of two years after the closing of the offering.

On September 18, 2009, the Company settled certain current liabilities amounting to $1,919,209 by the issuance of 834,438 common shares of the Company at a deemed price of $2.30 per common share.

On November 13, 2009, the Company completed a plan of arrangement (the " **Normabec Arrangement**") to acquire all of the issued and outstanding shares of Normabec Mining Resources Ltd. ("**Normabec**") a publicly traded mining company listed on the TSX Venture Exchange in exchange for the issuance of 4,652,778 common shares of the Company. In addition, the Company issued warrants to purchase an aggregate of 260,965 common shares of the Company in exchange for all outstanding share purchase warrants of Normabec, all of which expired by January 2, 2010. Normabec's primary asset is the Real de Catorce Silver Project located 25 km west of the town of Matehuala in San Luis Potosi State, Mexico. The Real de Catorce property consists of 22 mining concessions covering 6,327 hectares. Real de Catorce is an historic mining region, with estimated historical production of 230 million ounces between the years 1773 and 1990.

Concurrent with the completion of the Normabec Arrangement, the non-Mexican assets of Normabec were divested to a newly formed entity named Brionor Resources Inc. ("**Brionor**"). Holders of Normabec shares also received 0.25 Brionor shares for each Normabec common share. The Company also purchased, via private placement, 2,115,195 common shares of Brionor for an aggregate purchase price of $300,000, representing a price per share of approximately $0.1418. These shares represented 9.9% of the total issued and outstanding shares of Brionor upon completion of the transaction at November 13, 2009. Brionor is a public company listed on the TSX Venture Exchange.

Through the acquisition of Normabec and its wholly owned subsidiary, Minera Real de Bonanza SA de CV, the Company acquired 100% of the Real de Catorce Silver Project. Upon commencement of commercial production on the property, the Company has agreed to pay an amount of US$200,000. The property is subject to a 3% net smelter return royalty, of which 1.75% may be acquired in increments of 0.25% for a price of US$250,000 per increment for the first five years from the date of the first payment and at a price of US$300,000 per increment for the following five years.

In November 2010, the Company acquired all the real estate interests including the original mill and infrastructure and underlying royalties and bonuses (including the NSR referred to above) which were associated with the Real de Catorce Silver Project in San Luis Potosi State, Mexico. The total purchase price of US$3,000,000 consisted of US$1,500,000 cash and the issuance of US$1,500,000 in common shares of First Majestic equaling 152,798 shares at a deemed price of $9.91 per share. The package included title to all of the land underlying the Santa Ana Hacienda located within the Real de Catorce property, together with all associated buildings and certain historic geological and proprietary mining information relating to the project.

Pursuant to an option dated November 25, 2004 with Consorcio Minero Latinamericano, SA de CV, a private Mexican company owned by a former director of First Silver, the Company had the right to purchase a 100% interest in seven mining claims referred to as the Cuitaboca Silver Project covering 3,718 hectares located in the State of Sinaloa, México. To purchase the claims, the Company was required to pay a total of US$2,500,000 in staged cash payments through November 25, 2010. Subsequent to acquiring Normabec and during the year ended December 31, 2009, the Company elected not to proceed with the acquisition of the Cuitaboca Silver Project. Accordingly, the historical investment including exploration totalling $2,589,824 was written off during the year ended December 31, 2009.

The Company's common shares were listed and commenced trading on the New York Stock Exchange effective December 15, 2010 under the trading symbol "AG".

DESCRIPTION OF BUSINESS

General

The Company is in the business of the production, development, exploration and acquisition of mineral properties focusing on silver in México. The common shares of the Company trade on the Toronto Stock Exchange under the symbol "FR" and the common shares of the Company trade on the New York Stock Exchange under the symbol "AG". The common shares are also quoted on the Frankfurt, Berlin, Munich and Stuttgart Stock Exchanges under the symbol "FMV".

The Company has ownership of three producing properties in México: the La Encantada Silver Mine in Coahuila State, the La Parrilla Silver Mine in Durango State, and the San Martin Silver Mine in Jalisco State. The Company also owns two advanced stage development silver projects, the Del Toro Silver Mine and the Real de Catorce Silver Project in San Luis Potosi State, and has an interest in certain exploration properties in Jalisco State, México. As such, all of the Company's business is dependent on foreign operations.

The Company's business is not materially affected by intangibles such as licences, patents and trademarks, nor is it affected by seasonal changes. 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, 2010, the Company had 12 employees based in its Vancouver corporate office, one employee in the United Kingdom and approximately 1,628 employees, contractors and other personnel 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 a precious metal, as jewellery, as well as an industrial commodity. Silver has a unique combination of durability, malleability, ductility, reflectivity and antibacterial properties, which makes it valuable in numerous industrial applications including: circuit boards, electrical wiring, superconductors, brazing and soldering, mirror and window coatings, electroplating, chemical catalysts, pharmaceuticals, filtration systems, solar panels, batteries, televisions, household appliances, automobiles, etc.

Silver as a global commodity is predominantly traded on the London Bullion Market (LBM) and Comex in New York. The LBM is the global hub of Over-The-Counter trading in silver and it is the metal's main physical market. Here, a bidding process generates a daily reference price known as the fix. Comex, in contrast, is a futures and options exchange. It is here that most fund activity is focused. Silver is quoted in US dollars per troy ounce.

Mine production remains by far the largest component of silver supply, normally accounting for around two-thirds of the total annual supply of silver (last year was higher at 80%). The supply of silver from the Company's mine sites is supplied in two forms, either in solid form as doré bars containing 90% to 95% silver content, or in the form of a concentrate which consists of silver bound together with other base metals of lead or zinc. In 2009 the Company supplied, on a revenue basis, 46% of its revenue in silver concentrate form and 41% of its revenue in doré form, whereas in 2010, due to a shift in production facilities and capacities, silver revenue produced in doré form increased to 73% while 20% of revenue was in concentrate form. The balance of revenues are produced in the form of gold, lead and zinc as byproducts which combine to account for 100% of revenues from the total equivalent ounces of silver in both years.

Silver can be supplied as a primary product from mining silver, or as a by-product from the mining of gold or other base metals. The Company is a primary silver producer with 93% of its revenue in 2010 coming from the production of silver. The major producers of gold, for example Barrick or Goldcorp, also produce a large amount of silver. The market for primary silver producers is a relatively small market with a significant number of small suppliers producing less than three million ounces each year, some moderate size producers producing between five and ten million ounces each year and only a few producers producing more than ten million ounces each year. First Majestic is an intermediate producer that is rapidly trending toward becoming a senior producer. In the intermediate category alongside the Company are Silvercorp and Silver Standard. In the senior category are Pan American Silver, Coeur d'Alene and Hecla Mining.

The Company also maintains an e-commerce website from which it sells approximately 5% of its production direct to retail buyers (B to C) over the internet.

Risk Factors

The Company, and thus the securities of the Company, should be considered a speculative investment and investors should carefully consider all of the information disclosed in this AIF prior to making an investment in the Company. In addition to the other information presented in this AIF, the following risk factors should be given special consideration when evaluating an investment in the Company's securities:

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;
- environmental hazards;
- industrial accidents and explosions;

- encountering unusual or unexpected geological formations;
- changes in power costs and potential power shortages;
- labour shortages or strikes;
- civil disobedience and protests;
- ground fall and cave-ins; and
- natural phenomena such as inclement 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.

Liabilities that First Majestic incurs may exceed the policy limits of its insurance coverage, may not be insurable, or may be liabilities against which First Majestic has elected not to insure due to high premium costs or other reasons. In any such event, First Majestic could incur significant costs that could adversely impact its business, operations or profitability.

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. Until mineral Reserves or mineral Resources are actually mined and processed, the quantity of minerals and grades must be considered estimates only. In addition, the quantity of mineral Reserves and mineral Resources may vary depending on, among other things, metal prices. Any material change in the quantity of mineral Reserves, mineral Resources, grade or minimum mining widths may affect the economic viability of First Majestic's properties. 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.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's business.

La Parrilla and Del Toro Silver Mine Expansions

The Company has prepared estimates of the capital costs for the La Parrilla and Del Toro Silver Mine expansions. There can be no assurance that such cost estimates will prove to be accurate. Actual costs may vary from the estimates depending on a variety of factors, many of which are not within the Company's control. These factors include the risks outlined above under "Operating Hazards and Risks", as well as the following:

- shortages of principal supplies needed for construction;
- restrictions or regulations imposed by governmental or regulatory authorities with respect to planning and construction, including permits, licences and environmental assessments required for construction; and
- changes in the regulatory environment with respect to planning and construction.

Failure to achieve 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.

Future Exploration and Development Activities

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 which are explored are ultimately developed into producing mines. Major expenses may be required to establish 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 Reserves which can be mined economically.

The economic feasibility of development projects is based upon many factors, including the accuracy of Reserve estimates, metal recoveries, capital and operating costs, government regulations relating to prices, taxes, royalties, land tenure, land use, importing, exporting and environmental protection, and precious 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. Further, material changes in ore Reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of Proven and Probable Reserves and Measured, Indicated 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.

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 life-of-mine estimates for the Company's mines may not be correct. 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, to expand Mineral Reserves at existing mines and on the costs and results of continued exploration and potential development programs.

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, labour standards, expropriation of property, maintenance of 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 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 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 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 they would not proceed with mining, exploration and development.

Metal 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 fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. Movements in the price of metal, 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. The Company does not use derivative instruments to hedge its silver commodity price risk, but the Company forward sells its lead production between one and six months ahead. The effect of these price variation factors cannot accurately be predicted.

Further, the relative strength of metal prices in recent years has encouraged increases in mining exploration, development and construction activities around the world, which has resulted in increased demand for, and cost of, exploration, development and construction services and equipment. Increased demand for services and equipment could result in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability and may cause scheduling difficulties due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development and/or construction costs.

Counterparty and Market Risks

The Company enters into sales contracts to sell its products, including lead and zinc concentrates, silver doré and silver precipitates, to metal traders, smelting companies and refining companies. In addition to these commercial sales, the Company also markets a small portion of its silver production 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 metal traders, smelting companies, refining 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 all of its products, or greater volumes of its products than it may desire, in the spot market, or the Company may not have a market for its products.

In addition, should any counterparty to any sales contract entered into not honour such contract, or should any of such counterparties become insolvent, the Company may incur losses for products already shipped, may be forced to sell greater volumes of products than intended 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.

Substantial Decommissioning and Reclamation Costs

During the year ended December 31, 2010, the Company reassessed its reclamation obligations at each of its mines based on updated mine life estimates, rehabilitation and closure plans. The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $7.8 million, which has been discounted using a credit adjusted risk free rate of 8.5%, of which $2.1 million of the reclamation obligation relates to the La Parrilla Silver Mine, $2.2 million of the obligation relates to the San Martin Silver Mine, $2.7 million relates to the La Encantada Silver Mine and $0.8 million relates to the Real de Catorce Project. The present value of the reclamation liabilities may be subject to change based on management's current 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.

Obtaining Future Financing

The further 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 debt financing, equity financing, 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 markets may make it difficult or impossible for the Company to obtain financing on favourable terms or at all.

The Company currently has $80.0 million of cash in treasury. As a result of the Company's ability to earn cash flow from its ongoing operations, the Company considers that it has sufficient capital to support its current operating requirements 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 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.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in mining, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting and training 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.

Factors Beyond the Company's Control

There are also a number of factors beyond the Company's control. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and smelting facilities and the imposition of new or amendments to existing taxes and royalties. The effects of these factors cannot be accurately predicted.

Current Global Financial Conditions

Recent events in global financial markets, and the resulting increased volatility of financial conditions, have had a profound impact on the global economy. Many industries, including the mining sector, have been impacted by these market conditions. Some of the key impacts of the recent financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. Numerous financial institutions have either gone into bankruptcy or have had to be rescued by government authorities. Access to financing has been negatively impacted by 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.

If these increased levels of volatility and market turmoil continue, the Company's operations and planned growth could be adversely impacted and the trading price of the securities of the Company may be adversely affected.

Foreign Currency

The Company carries on its primary business activity 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, the currency in which much of the Company's costs are paid, and the United States dollar, the currency for calculating the Company's sales of silver based on the world's commodity markets. Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: Mexican peso denominated cash and cash equivalents, accounts receivable, accounts payable, and investments in mining interests. Such currency fluctuations may materially affect the Company's financial position and results of operations.

Title to Properties

Although the Company has obtained title opinions with respect to certain of its properties and has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Such properties may be subject to prior unregistered liens, agreements, transfers or claims and title may be affected by, among other things, undetected defects. Third parties may have valid claims underlying portions of the Company's interest.

Price Volatility of Other Commodities

The Company's profitability is also affected by the market prices of commodities which are consumed or otherwise used in connection with the Company's operations, such as diesel fuel, natural gas, electricity , chemicals, steel and cement. Prices of such commodities are also subject to volatile price movements over short periods of time and are affected by factors that are beyond the Company's control.

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. 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.

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration, mining and development opportunities in the resource industry. 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 acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. 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.

Environmental Legislation

The Company's operations are subject to environmental legislation promulgated by government agencies from time to time. Environmental legislation provides for restrictions on, and the prohibition of, spills, release and emission of various substances related to mining industry operations which could result in environmental pollution. Further, a number of governments have introduced or are moving to introduce climate change legislation.

A breach of any such legislation may result in the imposition of fines and penalties. Environmental legislation 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 legislation and changes in environmental legislation have the potential to result in increased cost of operations, reducing the profitability of the Company's operations.

The Company intends to fully comply with all environmental regulations. On February 25, 2009, the Mexican Environmental Authority PROFEPA (Procuradoria Federal Proteccion al Ambiente) awarded a CLEAN INDUSTRY CERTIFICATE to one of the Company's wholly owned subsidiaries, First Majestic Plata, SA de CV., regarding its activities at the La Parrilla Silver Mine.

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 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.

History of Losses

The Company has a history of losses including a net loss of $5,144,784 for the year ended December 31, 2008. However, for the year ended December 31, 2009, the Company had a net income of $6,310,225 and for the year ended December 31, 2010, the Company had a net income of $36,104,945. At December 31, 2010, the Company had retained earnings of $2,938,287.

Shares Reserved for Future Issuance

There are stock options and share purchase warrants of the Company outstanding pursuant to which common shares may be issued in the future. Pursuant to the Arrangement between First Majestic and First Silver, shares of First Silver may be tendered for shares of First Majestic until September 14, 2012. 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 options or warrants. The exercise of such options or warrants and the subsequent resale of such common shares in the public market could adversely affect the prevailing market price 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 share purchase warrants and stock options. Any share issuances from the Company's treasury will result in immediate dilution to existing shareholders.

Volatility of Share Price

The price of the shares of resource companies tends to be volatile. Fluctuations in the world price of precious metals and many other elements beyond the control of the Company could materially affect the market price of the Company's common shares.

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 cash and cash equivalents, trade receivables in the ordinary course of business and value added tax refunds and other receivables. The Company sells and receives payment upon delivery of its silver doré and its by-products primarily through two international organizations. Additionally, lead concentrates and related base metal by-products are sold primarily through one international organization with a good credit rating. Payments of receivables are scheduled, routine and received within sixty days of submission; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is not significant. The Company has a Mexican value added tax receivable of $4.6 million as at December 31, 2010, a portion of which is past due. The Company is proceeding through a review process with Mexican tax authorities. However, the Company expects to fully recover this amount and no allowance has been recorded. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to 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 on an ongoing basis and its expansion plans. As at December 31, 2010, the Company has outstanding accounts payable and accrued liabilities of approximately $12.1 million which are generally payable in 90 days or less. As at December 31, 2010, the Company has no outstanding debt except for capital leases secured by purchased equipment in the amount of approximately $3.5 million.

Although the Company does not have a long-term history of operating profits, the Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next twelve months.

Interest Rate Risk

The Company is exposed to interest rate risk on its short-term investments. 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, 2010, with the exception of capital leases, which have fixed interest rates, the Company has no interest bearing financial liabilities.

Enforcement of Judgments/Bringing Actions

The Company is organized under the laws of, and headquartered in, British Columbia, Canada and a majority of its directors and officers are not citizens or residents of the United States. In addition, a substantial part 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: (i) enforce in courts outside of the United States judgments against the Company and its directors and officers obtained in United States courts based upon the civil liability provisions of United States federal securities laws; or (ii) bring in courts outside of the United States an original action against the Company and its directors and officers to enforce liabilities based upon such United States securities laws.

Mineral Projects

Pursuant to National Instrument 51-102 - *Continuous Disclosure Obligations* ("**NI 51-102**"), the following properties and projects have been identified by First Majestic as being material: the La Encantada Silver Mine, the La Parrilla Silver Mine, the San Martin Silver Mine and the Del Toro Silver Mine.

The following table shows the total tonnage mined from each of the Company's three producing properties during 2010, including total ounces of silver and silver equivalent ounces produced from each property and the tonnage mined from delineated Reserves and Resources at each such property.

		La Encantada	La Parrilla	San Martin	Total
TONNES OF ORE PROCESSED	TONNES	1,074,538	303,869	264,450	1,642,857
OUNCES OF SILVER PRODUCED	OZ	3,854,979	1,548,832	1,125,514	6,529,325
OUNCES OF SILVER EQ PRODUCED	OZ EQ	125,250	264,956	104,523	494,729
TOTAL OZ OF SILVER EQ PRODUCED	OZ EQ	3,980,229	1,813,788	1,230,037	7,024,054
TONNES MINED FROM 43-101	TONNES	876,152	217,465	145,703	1,239,320
TONNES MINED OUTSIDE OF 43-101	TONNES	198,386	86,404	118,747	403,537

La Encantada Silver Mine, Mexico

Unless otherwise stated, the information on the La Encantada Silver Mine is based on the technical report entitled "Technical Report for the Encantada Silver Mine, Coahuila State, México" prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of PAH and dated January 12, 2009, as amended and restated on February 26, 2009 (in this section, the "**Current Technical Report**"). Mr. Addison and Mr. Lopez are independent Qualified Persons for the purposes of NI 43-101. The Current Technical Report has been filed with securities regulatory authorities in each province of Canada. Portions of the following information are based in assumptions, qualifications and procedures which are not fully described herein.

Reference should be made to the full text of the Current Technical Report which is available for review on SEDAR located at www.sedar.com.

Additional information since the date of the Current Technical Report has been prepared by the Company under the supervision of Ramon Davila, who is a Qualified Person for the purposes of NI 43-101.

Project Description and Location

La Encantada Silver Mine is an underground producing silver mine and processing facility located in the state of Coahuila, Mexico. 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 through its Mexican holding company, Corporación First Majestic, S.A. de C.V. La Encantada mine consists of two main silver / lead underground mines, the La Encantada and the El Plomo mines which have been consolidated into one operation and an industrial complex that includes a new 3,750 tpd cyanidation mill and an old 1,000 tpd flotation plant (currently in care-and-maintenance except for the crushing area, which remains in operation), all necessary buildings and mine infrastructure, two schools, recreational facilities, mess hall, church, hospital, housing facilities, water wells and pipeline and air strip located in the municipality of Ocampo, Coahuila State, México.

La Encantada consists of 22 mining concessions, which provide mineral rights over an area of 4,076 hectares (10,072 acres). Mineral rights expire for the earliest titled concessions in the year 2015 (Encantada claim), and most other claims have expiration dates to the year 2050; these however, may be renewed for another 50 years. First Majestic has purchased the land surface rights under expropriation procedures from Ejido Tenochtitlán, where the camp, water wells, mine and plant installations are located to better manage the property.

Accessibility, Climate, Local Resources and Physiography

La Encantada is located within an isolated mining district in the north western portion of the State of Coahuila. It is located in the municipality of Ocampo, approximately 120 kilometres from the city of Múzquiz and approximately 120 kilometres from the city of Ocampo, Coahuila.

Access to the mine is primarily by charter airplane from the city of Durango (about 2:15 hours flying time), or from city of Torreón (about 1:15 hours flying time). The Company operates a private airstrip at the La Encantada mine. 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. A new highway is projected to be constructed during 2011, which is expected to provide easier access to La Encantada from major population centers.

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, Peñoles and Minera Los Angeles. La Encantada housing consists of 180 houses for employees, and an office, warehouses, club, restaurants, guest house, church, hospital, an airstrip and other community facilities.

Power supply to the camp is diesel generated and provided by First Majestic. Drinkable water supply is also provided by First Majestic. First Majestic has installed a satellite system with internet communications that include two telephone lines. Hand held radios are carried by all supervisors, managers and all vehicle operators for ground level communications. Most of the supplies and labour required for the operation are brought in from the city of Múzquiz, Coahuila.

La Encantada is located in the northern part of the Sierra Madre Oriental, within the Bravo-Conchos region. This physiographic province presents elevations that vary, in the lower parts from 1,000 metres to 1,800 metres above sea level, while mountain ranges in the area present elevations that may reach over 3,500 metres above sea level. These are generally oriented in a north-west direction. Surface rains are estimated to be only 10 millimetres to 20 millimetres per year.

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 from the period of 1956 to 1963. In 1963 the La Prieta deposit was discovered within the area. In 1967 Peñoles and Tormex established a joint venture partnership (Minera La Encantada) to acquire and develop La Encantada project. In July 2004 Peñoles awarded a contract to operate La Encantada mine, processing plant, and all included installed facilities to a junior company, Desmín, S.A. de C.V ("Desmin"). Desmín 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 Desmín. 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 had included royalty payments to Peñoles of up to 11 percent on the net smelter return, except for production from the concessions of San Javier and Las Rositas. In 2007, First Majestic purchased these royalty rights from Peñoles. 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.

Geological Setting

La Encantada mining district consists of skarn deposits with concentrations of silver, lead, iron and zinc in oxidized mineralization enclosed by calcareous sedimentary formations of Cretaceous age. These mineral concentrations present variable morphology from vein and bedded deposits, that generally occur in the upper part of the sedimentary sequence, to breccia pipe deposits (mineralized chimneys), bedded and stockwork areas in the intermediate zone, and metasomatic deposits with hornfels and skarn in bedded and stockwork zones in the lower portion of the sequence near granodiorite to diorite composition intrusive stocks.

(a) Regional Geology

La Encantada mining district is located within the Sierra Madre Oriental. It is located in the eastern flank on a regional anticline. This consists of a complex, folded and predominantly NW-SE faulted sequence of Mezozoic calcareous rocks. The sedimentary rocks comprise limestone, dolomites and argillaceous rocks that range in age from the upper part of Lower Cretaceous to the upper part of Upper Cretaceous age. These rocks are enclosed by the sedimentary formations of Cupido (oldest), La Peña, Aurora, Cuesta del Cura, Georgetown, Del Río and Buda.

This sedimentary sequence was affected by intrusive stocks of dioritic to granodioritic composition, which branched out into the calcareous formations as dikes, sills and stocks. Metamorphic rocks were then created by the associated alteration, such as marble, skarn and hornfels.

Cupido Formation (Hauterivian to Barremian, Lower Cretaceous age) has been identified in the lower parts of La Encantada mine, at the underground level 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 sulfide 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.

La Peña Formation (Aptian – Lower Albian, Lower to Middle Cretaceous age) consists of a 60 metres thick sequence of calcareous shales intercalated with thin bedded limestones and dolomites. At La Encantada it occurs as a thin bedded sequence of black and carbonaceous shales which appear to have been deposited in a reducing environment. La Peña formation appears to have acted as a seal for mineralizing fluids.

Aurora Formation (Lower to Middle Albian, Lower Cretaceous age) hosts most of the mineral concentrations at La Encantada. It consists of a sequence of thick to massive beds of intercalated limestones and dolomites. Thickness of this formation at the mine is estimated to be about 500 metres.

(b) Deposit Geology

The Aurora Formation appears to represent favourable physical - chemical characteristics for deposition of mineral concentrations. These are indicated by intercalated limestones and dolomites with intense fracturing in areas of fault intersections or in brecciated zones that appear to be related to deep-seated intrusive stocks, sills or dikes.

At La Encantada mine workings, rocks of the Cupido, La Peña and Aurora formations have been identified, as well as some aphanitic dikes of apparent basic composition, and coarse-grained dikes and stocks of dioritic to granodioritic composition. No outcroppings of the intrusive stocks have been identified in La Encantada area.

The most important mineral concentrations developed at La Encantada consist of mineralized breccia zones that appear to be related to and originated by deep-seated intrusive stocks. A halo of metasomatic rocks occur associated with the intrusive stocks, from marble in the outer parts to skarn with garnets (grossularite and andradite) as well as hornfels facies in proximity to the intrusive.

The La Encantada mine is located on a mountain range that corresponds to a symmetrical anticline. The La Encantada mountain range presents an extension in a NW-SE direction of about 45 kilometres, with elevations that vary from about 1,500 metres to over 2,400 metres. This mountain range is affected by a regional fault zone (La Encantada – Norias fault) that puts in contact the Aurora (Albian) and the Georgetown (Upper Albian) Formations. The anticline is affected by a series of normal secondary faults, as well as by a system of faults and fractures of regional behaviour that generally occur in a NE-SW direction.

Exploration

The La Encantada property has been subjected to exploration programs from its discovery in the 1950s, by prospectors in the early stages and by Peñoles from the late 1960s to 2003.

First Majestic's exploration programs carried out during the second half of 2007 through 2008 were primarily focused on proving and developing additional Reserves and Resources for La Encantada mine. These resulted in a significant increment of both resources and reserves. Major efforts were developed in the areas of Breccia Milagros, Bonanza, San Francisco, Intrusivo Milagros, Azul y Oro, and Cuerpo de Zinc at mine level N-1535 and in the sampling of the old dumps. A long term exploration program was initiated to investigate the promising target at the La Escalera breccia zone. A new exploration target was identified during the course of explorations to define the Azul y Oro mineralized zone. The newly discovered zone, denominated Buenos Aires, is located between the Azul y Oro and the La Escalera breccia zones.

Sampling of old dumps was also advanced and about 150,000 tonnes of screened material was measured, sampled and indicated during the period, in addition to screening and processing about 42,000 tonnes. Screening recovery of the dumps is about 40 percent in tonnage and grade enrichment from about 120 grams per tonne Ag to about 160 grams per tonne Ag.

First Majestic's program of underground exploration was designed to investigate the Milagros and San Javier breccia zones, as well as the San Francisco bedded deposits and the Bonanza area where numerous veins occur associated with the Bonanza dike. The La Escalera breccia zone appears to be a significant target for exploration.

As outlined in the Current Technical Report (which has a cut-off date of September 30, 2008), during the period of September 2007, to September 30, 2008, a total of 6,660 metres of core drilling was completed. During the period of January to June, 2008 underground workings for exploration purposes were developed at the La Encantada mine, including 1,490 metres of access ramps, drifts, and crosscuts, and about 850 metres of exploration tunnelling for drill sites access. This development resulted in a significant increment of resources and reserves at the various mine levels of the La Encantada Silver Mine, within the Stope 141, Stope 325, Breccia Milagros, Bonanza, Dique San Francisco, San Francisco, Jorobada, San Javier Extensión and Alto del Dique La Escondida areas. Since this cut-off date to December 31, 2010 an additional 11,761 metres have been drilled from underground sites, which has assisted the geological team on-site to focus on additional areas for future resource definitions in possible future technical reports and for mining activities. Also, this drilling detected potential economic mineralization in Buenos Aires, Azul y Oro, and Ojuelas ore bodies. Underground development during the same period of time totalled 22,302 metres.

First Majestic designed an extensive 2008 geophysical program of to investigate the various identified anomaly areas, and to confirm other indicated potential zones. This program was completed during the period of January to October, 2008, and included about 50 kilometres of lines measured by Natural Source Audio-Frequency Magneto Telluric methods (NSAMT). Readings were carried out along lines at 100 metres and 50 metres spacing according to geologic conditions, at 25 metres and 50 metres stations along the lines. This geophysical method takes reading of resistivity and conductivity parametres. The survey was conducted by Zonge Engineering and Research Organization from Tucson, Arizona. The Report identified and confirmed several exploration targets for future drilling. First Majestic has defined, based on potential and size, that the priority targets to explore are the Plomo area, Anomaly A and Anomaly B

Mineralization

Mineralization at La Encantada is a typical assemblage of metasomatic deposits with a high content of silver and lead. This mineral assemblage has been affected by a long process of oxidation and secondary enrichment. Most mining activity at La Encantada has been developed within these oxidized mineral deposits and only some drilling and limited underground access has occurred in the primary sulphides mineral concentrations (La Morena deposit).

The mineralization consists of unconsolidated massive concentrations of oxides including hematite, limonite and other iron oxides as well as carbonates and sulfates, including the minor presence of zinc oxides. Silver and lead represent the main economic minerals within the oxidized deposits at La Encantada. Silver mineralization occurs as argentite and native silver. Lead mineralization is present as carbonates (cerrussite) and sulfates (anglesite) and other oxides. The La Encantada mineral assemblage occurs within a range of about 435 metres in vertical extension (2035 metres to 1600 metres above sea level). Below the 1600 meter elevation, at the La Morena deposit in the south west portion of La Encantada area, primary sulphide mineralization has been identified. This mineralization includes primarily sphalerite, galena and pyrite.

According to historical records from Peñoles, the typical mineralization in the oxidized deposits contains about 400 grams per tonne Ag, 5% Pb, and 20% Fe. In some parts of La Encantada area, within oxide concentrations and in some bedded replacement zones, the economic minerals may reach grades of about 1,150 grams per tonne Ag, 20% Pb and 30% Fe (Mantos at underground levels 710 and 720).

Primary sulphides at the Milagros stockwork zone show typical grades of 4.5% Zn, 1.0% Pb and 50 grams per tonne Ag.

Drilling

Drilling programs at La Encantada have been limited since the best exploration results may have been obtained through underground development. Additionally, topographic conditions at the mine and irregular morphology of mineral concentrations make it difficult to plan for drilling. Therefore, drilling from underground sites and mine workings has proven to be the most effective combination for exploration at La Encantada.

During the period from September, 2007 to September 30, 2008 (the period covered by the Current Technical Report, the drilling completed from underground sites totalled 6,660 metres to investigate continuity and depth of the Azul y Oro, Breccia San Javier, and La Escalera mineralized structures. These drill holes resulted in discovery of the Buenos Aires mineralized zone, extension and confirmation of some of San Francisco and Azul y Oro mineralized zones. Since this time an extensive development program was launched in order to gain access to Buenos Aires area which is now in production.

Additional drilling was developed at the old Peñoles tailings dams to determine volume and grade of the two tailings dams. Metallurgical test work was carried out in some of the drilled tailings. Grade, tonnage and metallurgical recovery estimates have resulted in additional resources for the La Encantada Silver Mine, since some of the silver contained by the tailings may be suitable for economic recovery by cyanide leaching processing methods. The tailings drilling program included 15 drill holes totalling 168 metres at the Tailings Dam No. 1, and 34 drill holes for a total drilled depth of 576 metres in Tailings Dam No. 2. Trenches and surveying delimited additional tailings volume at the Tailings Dam No. 3.

The drill program from the cut-off date of September 30, 2008 to December 31, 2010 amounted to 11,761 metres over 65 holes which was all drilled from underground drill sites.

Underground development from the purchase date of November 1, 2006 to the cut-off date of September 30, 2008 amounted to 11,685 metres and development from cut-off to December 31, 2010 amounted to 22,302 metres. This development program is part of the ongoing mining activities and is required to maintain current production levels.

Sampling Analysis and Security

La Encantada's current sampling team consists of two sampling crews with three employees each. Channel samples are taken with chisel and hammer, collected in a canvas tarp and deposited in numbered bags for transportation to the laboratory. No core samples are taken at this time at La Encantada.

Exploration sampling for reserve delineation at La Encantada mine is conducted by drifting along the mineralized zones so that channel samples can be taken. Channel samples are the primary means of sampling in the mine 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 take line channel samples at regular intervals of 3 metres, typically with one or several samples along every sampling channel on new openings (drifts, crosscuts, ramps, stopes, etc.) and every day from stope development muck piles. Channel samples are taken in consecutive lengths of 1 meter or less, along the channel, depending on geologic features.

A channel "line" typically consists of two or more individual samples taken to reflect changes in geology and/or mineralogy across the structural zone. Each sample weighs approximately 4 kilograms. Locally, the drift is completely enclosed by the structural zone, and the full thickness of the vein is not sampled. All channels for sampling are painted by the geologist and numbered on the drift's walls for proper orientation and identification.

Historical drill hole data provided by Peñoles is locally included in the resource/reserve calculations, and is conservatively applied by First Majestic. Drilling results are applied in the grade calculations giving more weight to the larger-size channel sample data.

The samples are brought into the La Encantada laboratory for preparation and assaying. To evaluate sample quality control La Encantada personnel perform periodic check analyses on samples. The pulp samples mineral content range includes assays that vary from 432 to 1,492 grams per tonne Ag. Average correlation coefficient of the silver grades is excellent for the set of samples, at 97%. The channel samples reproducibility for silver assays is at a correlation coefficient of 87%, with high variable differences of the silver grade. Most sample checks resulted in conservative assays for La Encantada lab.

First Majestic has established a systematic procedure to verify data and quality control. Assay data and information generated by the operation is transmitted manually; however, the entire paper trail is accessible and available for inspection.

Mineral Resources and Reserves

First Majestic uses conventional, manual methods, assisted by computer databases, to calculate the tonnage and average grades of the mineral resources and reserves at La Encantada. First Majestic has compiled all data to incorporate it into a database and created a geologic model in SURPAC and GIS software. First Majestic has reviewed and calculated resources and reserves for La Encantada to assess the current status of the property and to use it as a basis for future updated estimates.

The reserve blocks estimated by La Encantada are exclusive of the resource blocks. Estimated Proven and Probable Reserves and Measured and Indicated Resources for La Encantada, as of September 30, 2008, are presented in Table 5. No further external resource or reserve calculations have been conducted since such date. It should be noted that since the cut-off date, to December 31, 2010, 1,472,399 tonnes have been mined from the La Encantada of which 1,192,643 tonnes where mined from the delineated Reserves and 279,756 tonnes where mined from areas that were not included in any previous estimates.

TABLE 5
Mineral Reserves and Resources as of September 30, 2008 (1)

CATEGORY	METRIC TONNES	WIDTH	GRADE			METAL CONTAINED (2)	
	Tonnes	Metres	Silver g/tonne	Lead, %	Zinc, %	Silver (Only) oz.	Silver (Eq) oz.
Total Reserves Proven plus Probable (3)							
Proven	**683,992**	**Over 2.00**	**354**	**2.23**	**0.92**	**7,777,602**	**8,261,401**
Probable	**4,511,686**	**Over 2.00**	**186**	**2.45**	**2.54**	**26,936,651**	**27,287,462**
Total Reserves Proven + Probable (3)	5,195,677	Over 2.00	208	2.42	2.33	34,714,253	35,548,863
Total Resources Measured plus Indicated (3)							
Measured	**445,650**	**Over 2.00**	**399**	**4.15**	**0.65**	**5,710,055**	**6,025,271**
Indicated (5)(6)(7)	**4,931,103**	**Over 2.00**	**156**	**1.15**	**0.87**	**24,774,263**	**27,082,017**
Total Resources Measured + Indicated (3)	5,376,753	Over 2.00	176	1.40	0.85	30,484,318	33,107,288
TOTAL PROVEN AND PROBABLE RESERVES PLUS MEASURED AND INDICATED RESOURCES (8)							
	10,572,000	Over 2.00	192	1.90	1.58	65,199,000	68,700,000
Total Inferred Resources (1)(2)(3)							
Inferred (8)	2,557,000	Over 2.00	220	1.00	1.00	18,226,765	20,034,145

(1) Cut-Off Grade estimated as 250 g/tonne Ag eq net of Pb credit. Estimated Reserves are exclusive of Resources.
(2) Silver equivalent includes Pb credit, at prices US$12.00/oz-AG, $0.75/lb Pb. Pb credit + 22 g/tonne AG.
(3) Mining dilution is not included at over 2.00 m width. Estimates do not include mining recovery.
(4) Zinc is not recovered.
(5) Dump stockpile is considered as a measured resources because the average grade is below COG- 203 g/tonne Ag only and 186 g/tonne Ag eq., however with pre-screening may be processed. It requires additional testing.
(6) La Morena sulphide deposit requires additional metallurgical testwork to prove its economic recovery. La Encantada mill does not have an operating zinc circuit at this time.
(7) Tailings are included within Indicated Resources due to required additional testwork and grade below Cutoff Grade – 111 g/tonne Ag.
(8) Rounded figures.

Since the date of the mineral reserve and resource estimate contained in Table 5 to December 31, 2010, approximately 5,910,942 ounces of silver equivalent have been extracted from the La Encantada Silver Mine.

Mining Operations

From the period of the cut off of September 30, 2008 to December 31, 2010, First Majestic mined and processed 1,472,399 tonnes of ore from La Encantada at an average grade of 246 grams per tonne (7.91 ounces per tonne) Ag, for a total of 11,645,318 contained ounces. Production during this period amounted to 1,472,399 tonnes of ore processed at an average grade of 246 grams per tonne Ag and 2.3% Pb which resulted in 5,656,112 silver ounces being produced and 5,864,956 pounds of lead. Throughput in 2010 amounted to 1,074,538 tonnes of ore.

In July 2008, construction commenced on a new 3,750 tonnes per day cyanidation mill. This mill was inaugurated on November 18, 2009. Commissioning of this new facility commenced at that time resulting in commercial production being achieved on April 1, 2010. Full production capacity was reached in the fourth quarter of 2010. Total ore throughput in 2010 for the two plants was of 1,074,538 tonnes grading 234 gr/t Ag and 1.2 % Pb.

From November 2006 to June 2010 La Encantada operated a 1,000 tpd flotation plant which was upgraded after purchase to achieve those levels. All production from the flotation plant was in the form of a lead-silver concentrate. Commencing in November 2009, the new cyanidation mill began producing precipitates and silver doré bars. The flotation mill (except for the crushing area, which remains in operation) was placed in care-and-maintenance in June 2010 and since that time the La Encantada operation has been producing only doré bars.

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 500 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 is still used on a few levels 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.

The principal mining method employed at La Encantada is overhand mechanized cut-and-fill utilizing development waste for fill. Ramps are driven in the ore bodies and stopes are developed from sill drifts driven in the ore zones and slashed out the full width of the ore. Stopes are drilled with jacklegs, and the main blasting agent is a commercial ammonium nitrate product, which is initiated with sausages of water-gel explosive primed with cap and fuse. Rounds are fired with Ignitacord (B-cord) as the fuse initiator. Stopes are mucked with rubber-tired 1.0 to 3.5 yd Load-Haul-Dump (“LHD”) machines, which also tram the broken ore to ore passes or remuck stations. Completed stope cuts are backfilled with development waste, which is passed through raises into the stope or trammed into the stope with the LHD units.

A modification of overhand cut and fill stoping that has been adopted for extraction of some breccia pipes and chimney ore bodies is post pillar stoping, which is essentially a room and pillar method, but on multiple horizons. Post-pillar stopes in La Encantada mine are backfilled with waste, and are mined overhand progressing from the sill level to the next level above. Most development ramps for post pillar stoping are developed in waste outside the ore body. All other parametres for stoping the post pillar areas are the same as for a standard mechanized overhand cut and fill stope.

The old flotation plant was constructed in 1973 and at that time incorporated magnetic separation. In 1977 the plant was modified to convert it to flotation separation. Current ore being processed is from two sources: from the underground mine and from old mine dumps and tailings. The tailing and dump rock is screened ahead of the plant which results in cleaning debris from the tailings and upgrading the dump rock to about twice the grade of unscreened material. The mine ore and tailings are blended at a ratio of 1,000 tpd from the mine and 2,750 tpd from the tailings and then processed through the mill. The dump material is not mixed with the mine ore and instead, is campaign processed through the plant.

As a result of the addition of the new 3,750 tonnes per day cyanidation plant, the only area operating at the old flotation plant is the crushing area for mine ore. Crushing takes place in using two stages of crushing closed on the second stage, and the ore is milled in a single ball mill closed with a cyclone. The mill is rubber lined and is charged with 2-1/2-inch diameter grinding balls.

Once crushed, the silver-rich fresh ore is ground, cyanide is then added and then sent to the old 125' thickener. The resulting pulp and solution are then sent by pipe to the new 3750 tonnes per day cyanidation plant for processing in order to obtain silver precipitates allowing for the production of silver doré bars.

Since the date of the mineral Reserve and Resource estimated in the last NI 43-101 (September 2008) to December 31, 2010, approximately 5,910,942 ounces of silver equivalent (including lead) have been extracted from the La Encantada Silver Mine of which 4,787,863 was depleted from the Reserves/Resources.

The average head grade at the mill for 2010 was 234 grams per tonne Ag. This grade was a result of blending the old tailings with fresh mine ore. Combined recoveries from the old tailings feed and the fresh ore in the cyanidation plant was 48% resulting in a total of 3,854,979 ounces of silver in 2010 including pre-commercial and commercial production. During the first half of 2010 a total of 2,124,060 pound of lead were produced.

La Parrilla Silver Mine, México

Certain of the information on the La Parrilla Silver Mine is based on the technical report prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock Allen & Holt ("**PAH**") entitled, "Technical Report for the La Parrilla Silver Mine, Durango State, Mexico" dated February 16, 2009, as amended and restated on February 26, 2009 (in this section, the "**Current Technical Report**"). Mr. Addison and Mr. Lopez are independent Qualified Persons for the purposes of NI 43-101. The Current Technical Report has been filed with securities regulatory authorities in each province of Canada. Portions of the following information are based in assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Current Technical Report which is available for review on SEDAR located at www.sedar.com.

Additional information since the date of the Current Technical Report has been prepared by the Company under the supervision of Ramon Davila, who is a Qualified Person for the purposes of NI 43-101.

Property Description and Location

La Parrilla Silver Mine is a producing underground silver mine and processing facility in Durango State, Mexico. 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 its Mexican holding company, Corporación First Majestic, S.A. de C.V.

La Parrilla consists of 40 contiguous mining concessions in the La Parrilla mining district of Durango State which provides mineral rights which cover an area of 69,451 hectares (171,617 acres). All of these mining concessions convey exploitation rights for 50 years from the date of registration.

Certain of the La Parrilla claims were purchased from Grupo México and include a net smelter return of 1.5% payable to Grupo México. This net smelter return may be acquired by FM Plata for a total payment of US$2,000,000. In the event that FM Plata does not acquire the net smelter royalty, the royalties payable thereunder will be capped at US$2,500,000. To date a total of US$229,233 had been paid by the Company under the net smelter royalty. 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. The Comisión de Fomento Minero (the "**CFM**") executed a lease agreement on the surface rights from Ejido San José de la Parrilla to permit the use of surface rights for development of projects that are of general economic interest, including mining operations. In 1990 the Gamiz Family acquired the surface rights and mill from CFM and reconfirmed the lease agreement with the Ejido. Subsequently, First Majestic acquired the surface rights and the mill from the Gamiz Family. First Majestic updated the lease agreement with the Ejido and negotiated a lease to extend the surface rights to a total of 100 hectares where the second tailings dam has been built and is now operating; this includes a yearly payment to the Ejido San José de La Parrilla. First Majestic also has a lease agreement for 100 hectares with a private land owner where the Quebradillas, and San Marcos mines are located. First Majestic also owns surface land of 38 hectares which was acquired from Grupo México where the Vacas mine is located. During 2010 First Majestic acquired an additional 15 hectares of surface rights in the Quebradilla area.

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 60 kilometres from the capital city of Durango. The La Parrilla mine is connected to various communities within distances of 10 kilometres to 20 kilometres, such as Nombre de Dios and Vicente Guerrero. Most of La Parrilla's workers are transported from these towns to work at the mine. To access more specialized resources such as universities and private and public hospitals the cities of Durango and Zacatecas are within easy driving distances from La Parrilla. International flights by commercial airlines to cities in the United States and to most major cities in Mexico are available from Durango and/or Zacatecas.

Access to the La Parrilla mine is by Federal Highway No. 45 from Durango to Zacatecas. A four kilometre detour at the 75 kilometre marker leads to La Parrilla and the mine and plant through the village of San José de la Parrilla. La Parrilla is connected to the San José de la Parrilla village by a one kilometre dirt road.

Power supply to the camp is provided by the national power grid. Potable water supply is provided from a water well, and from the Quebradillas shaft. Telephone communications at the mine are integrated into the national telecommunications grid. Satellite and ISDN copper connections provide internet communications capabilities to the La Parrilla. Hand held radios are carried by all supervisors, managers and all vehicle operators for local ground communications. Most of the suppliers and labourers required for the operation are brought in from the cities of La Parrilla, Vicente Guerrero, Durango and Zacatecas.

The climate at La Parrilla is semi-dry with annual average temperatures that vary from 12º Celsius to 26º Celsius, with an annual average of about 18º Celsius. 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 months. Occasional 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 neighbouring 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.

The La Parrilla area is located within the physiographic sub-province of Sierras y Llanuras de Durango, which borders between the Sierra Madre Occidental and the Mesa Central in north-western 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 north-west 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 CFM, a Mexican federal entity responsible for promoting and supporting mining, constructed a 180 tonnes per day 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 CFM.

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

La Parrilla mining district is located in the border zone between the physiographic provinces of the Sierra Madre Occidental and the Mesa Central, within the sub-province of Sierras y Llanuras de Durango. La Parrilla is located in the northern side of a contact zone between a dioritic intrusive stock and a sequence of Cretaceous sedimentary rocks.

La Parrilla's mineral deposits are associated to geologic structures, which appear related to the intrusive stock, dikes and sills. Structural intersections have also originated breccia zones that caused favourable conditions for mineralization emplacement as stockwork zones. The contact zone between the intrusive stock and sedimentary rocks has also originated 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 systems within the mining district. The first structural system may be related in orientation to the regional intrusive stock. Its general strike is north east 60º south west, dipping nearly vertical. It cuts through all regional rock units and it does not appear to represent economic significance.

The second structural system occurs with a general orientation of north 45º - 75º west dipping approximately 50º to 85º to the north east. It cuts through limestone, diorite and skarn zones. It encloses several mineral deposits in the area including Los Rosarios, El Cármen, San Cayetano and San José.

The third regional structural system is oriented north-south and dips to the east from 45º top vertical. It is generally concordant with the stratification and it encloses mineral concentrations, such as San Marcos, Quebradillas, Vacas and San Nicolas.

Exploration

La Parrilla was discovered in colonial times and developed from outcroppings by following mineralization along the structures until high grade ore shoots were discovered and depleted. Common practice in these districts' development was to mine out high grade ores, for the most part, without exploration efforts.

The Company carried out geophysical investigations during the period of April to June, 2007 to confirm previous studies within the areas of Quebradillas, Sacramento, Las Vacas, and Santa Paula (formerly Los Perros). These investigations have confirmed the presence of Induced Polarization ("**IP**") and Resistivity anomalies which may be further investigated by direct methods, such as drilling and underground access where possible.

This survey consisting of measuring electric resistivity and induced polarization was completed in the following areas:

- Sacramento A, including nine lines at 2,000 metres each.
- Sacramento B, including five lines at 1,000 metres each.
- San Nicolás, including seven lines at 1,000 metres each.
- Las Vacas, including ten lines at 1,200 metres each.
- Santa Paula (Los Perros), including four lines at 1,000 metres each.

The geophysical survey resulted in prospective anomalous zones showing high resistivity and high chargeability. Drill sites were recommended to further investigate the most outstanding anomalies. Some of these sites are being scheduled into the 2011 exploration program.

The Company's planned exploration program for La Parrilla during 2011 consists of 8,200 metres of surface diamond drill holes with the main objective to explore the extensions of the already known ore-bodies in the three producing mines on the property. In addition the Company plans 3,900 metres of underground diamond drill focused to explore the deeper part of the 3 ore-shoots of the La Rosa vein. The Company also obtained from the Mexican government a new interpretation of the aero-magnetometry data relating to the area covered by the Company's mineral claims and has used this information to define new targets to drill in the future.

Drilling

Drilling programs at La Parrilla have been limited by past operations, since the best exploration results have been obtained through underground development. However, FM Plata has obtained positive results by increasing drilling to define and evaluate new mineralized zones as well as to investigate continuity of ore shoots for development. The Company initiated a drilling program to explore the various areas of interest within La Parrilla in 2005. The drill program covered by the Current Technical Report, covering the entire period up to September 30, 2008, consisted of 310 diamond drill holes completed by the Company for a total drilled depth of 72,084 metres at an average depth of 233 meter per drill hole. The FM Plata drilling program was developed to investigate 13 areas within the mining district. In addition to this drill program an extensive underground development program commenced in 2004 and to September 30, 2008 consisted of 9,157 metres of which approximately 50% was mining exploration and 50% mine development to access and connect the different mines of La Rosa, Rosarios, San Marcos and Quebradillas.

Since the Current Technical Report, mining activities have continued and have required the continuation of ongoing drilling and development programs. Since September 30, 2008, an additional 4,931 metres have been drilled from underground. Furthermore, an additional 16,876 metres of underground development was completed to the end of December 31, 2010. This continuous program has not materially affected the total defined NI 43-101 Resources as its purpose was to access previously defined Resources for mining.

FM Plata's drill hole database is compiled in electronic format, which contains collar, assay intervals, lithology, and assay information with gold/silver/lead/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, no apparent deviation has been detected in drill holes. FM Plata has established a surveying procedure which is performed during the drilling due to the fact that most of the holes are now longer than 150 metres. Deviation is defined with one survey reading at the bottom for holes of 150 metres in depth and two survey readings for holes longer than 150 metres; one reading at the middle and one reading at the bottom of the hole.

Logging is performed by the project geologist in each of the areas being investigated. The project geologist also determines the sample intervals. Trained assistants are in charge of core splitting and sampling as per the project geologist's indications.

Mineralization

Mineralization at La Parrilla is a typical assemblage of metasomatic deposit and hydrothermal vein deposits with a high content of silver. These mineral assemblages have been affected by processes of oxidation and secondary enrichment. The primarily minerals consist of pyrite, sphalerite, galena, some chalcopyrite, argentite and other silver sulfosalts (pyrargyrite, stephanite) associated with calcite and quartz as gangue minerals. Oxidation and secondary enrichment of these sulfides makes up the mineral concentrations in the upper parts of the deposits, which consist of halides (ceragyrite), carbonates (cerussite, hydrozincite), sulfates (anglesite), silicates (willemite, hemimorfite) and iron oxides (hematite, limonite).

The La Parrilla mineralization occurs along a vertical range of about 600 metres in vertical extension (2,300 metres to 1,700 metres above sea level). This extension is known through underground development and drill holes and it is still open to depth. Known longitudinal extensions vary from about 3,000 metres at the Los Rosarios system, 500 metres at the San Marcos vein system, and about 400 metres at the Quebradillas area; however, some of these systems may be continuous, such as Los Rosarios System, San Marcos, and Vacas.

The La Rosarios/La Rosa, and La Blanca areas are currently joined underground. San Marcos, Quebradillas and Las Vacas areas are accessible via dirt roads and are between 1 to 2 kilometres apart.

First Majestic has delineated an area of approximately 200 metres by 200 metres for possible open pit mining. Preliminary estimates based on 33 drill holes with a total depth of 2,905 metres has indicated 3.3 million metric tonnes at an average grade of 100 gram per tonne Ag in oxides mineralization.

Sampling and Analysis

(a) Sample Preparation

Exploration, mine development, production, and plant samples are sent to First Majestic's on-site laboratory for chemical analysis of silver/gold/lead/zinc and copper. Silver and gold assays are carried out by fire assaying methods, while the rest of the elements are assayed by atomic absorption.

A typical channel sample received by the laboratory, weighing approximately four kilograms, is passed through a jaw crusher to reduce it to a 1.3 -centimeter (1/2") size. A 500 gram split is taken and passed through gyratory or disk crushers to reduce it to a 10-mesh (1/8") size. A 200 to 300 gram split is taken and placed in a drying oven at 120 degrees Celsius. After drying, the material is put into two pulverizers, one disk pulverizer and one ring 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.

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

To evaluate sample quality control, First Majestic performs periodic check analyses on samples. For the period to September 30, 2008, First Majestic sent 119 samples to BSI Inspectorate Laboratories, an independent commercial laboratory in Reno, Nevada for duplicate analysis. All core samples are sent to the BSI Inspectorate lab for assaying; therefore, the assay check was also performed by the same lab. This procedure is continuing as a FMSC policy of QC-QA.

No gold assays are performed at First Majestic's lab. The correlation for silver assays of core samples is excellent at 99 percent while the pulp duplicates correlation is acceptable at 91 percent. The correlation for assays of lead is 97 percent and 81 percent respectively. The correlation for zinc assays is 97 percent for duplicate samples and 40 percent for pulp sample duplicates. The poor correlation for zinc pulp samples is probably due to presence of oxidizes within the mineralization. The range of silver values is from 0 to 1,137 grams per tonne, with an average grade of 119 gram per tonne, while the range for lead is 0 to 22 percent with an average of 2.44 percent and for zinc is 0 to 19 percent with an average grade of 4.12 percent.

Channel sample checks are performed by analyzing random sample pulps at the La Parrilla lab with assay checking by the SGS de México lab at Durango. The assays include silver, lead and zinc.

(c) Security of Samples and Data Verification

The Company's quality control procedure consists of sending mine samples and/or pulps to an outside laboratory, usually BSI-Inspectorate Labs in Reno, Nevada. Samples of concentrates are regularly sent to Peñoles for check assays. The laboratory duplicates pulp assays at one sample for every 20. Drill samples are duplicated as one sample for every twenty regular samples. The standard samples are analyzed at the SGS Laboratory located in Durango, Mexico.

Mineral Resource and Mineral Reserve Estimate

The La Parrilla mine has estimated mineable reserves for the following deposits:

- La Rosa
- La Rosarios
- La Blanca
- San Marcos
- Quebradillas

As of the effective date of the Current Technical Report (September 2008), the total “in situ” diluted Proven and Probable Reserves at a minimum mining width of two metres, is 0.50 million tonnes of oxides and sulfides averaging 295 grams per tonne silver, 1.40 percent lead and 1.01 percent zinc, for a total of 4.8 million contained ounces of silver only; or 5.2 million ounces of silver equivalent with gold and lead credits.

The proven ore category has been projected up to 20 metres from the drift sample data, while the probable ore category is projected another 20 metres beyond the proven ore. Measured and Indicated Resources are projected beyond the Probable Reserves, considering geologic features and evidences of mineralization continuity. Resource estimates are projected at 25m from the drill intercepts. Inferred Resources are estimated by projecting up to 50 metres beyond the indicated resource block boundaries along mineralized structures, La Parrilla mineral resource estimates were applied mostly to diamond drilling intercepts, as well as to some adjacent blocks from the estimated reserves. The grade for these blocks is determined from the grade estimated for the drill hole intercepted grade and from the adjacent reserve blocks, and sampling in mine workings and drill holes located within the block area.

Table 1 presents a summary of La Parrilla Proven and Probable Reserves and Measured and Indicated Resources, as at September 30, 2008 in addition to Inferred Resources at the bottom of the table, all as reported in the Current Technical Report. No further external Resource or Reserve estimates have been conducted since such date. It should be noted that since the cutoff date of September 30, 2008, 648,181 tonnes grading 211 grams per tonne Ag have been mined from La Parrilla’s various deposits of which 466,690 tonnes where mined from the Reserves and 181,491 tonnes where mined from areas that were not included in any previous NI 43-101 estimates.

TABLE 1
La Parrilla Silver Mine
Mineral Reserves and Resources as of September 30, 2008

CATEGORY	Mineralization Type	Metric Tonnes	Width Metres	Au g/tonne	Ag g/tonne	Pb %	Zn %	Contained Metal Ag (only) oz	Contained Metal Ag eq oz
MINERAL RESERVES									
Total Proven	Oxides	127,778	3.09		301			1,235,695	1,260,344
Total Proven	Sulfides	160,690	2.72		302	1.36	0.93	1,561,792	1,804,608
PROVEN	Oxides plus Sulfides	288,468	2.88		302	1.36	0.93	2,797,487	3,064,952
Total Probable	Oxides	112,391	3.11		283			1,023,170	1,044,851
Total Probable	Sulfides	104,669	2.78		291	1.45	1.12	978,988	1,137,152
PROBABLE	Oxides plus Sulfides	217,060	2.95		287	1.45	1.12	2,002,158	2,182,002
PROVEN PLUS PROBABLE	Oxides plus Sulfides	505,528	2.91		295	1.40	1.01	4,799,645	5,246,954
MINERAL RESOURCES									
Total Measured	Oxides	554,630	4.42	0.15	320			5,702,839	5,809,830
Total Measured	Sulfides	1,640,818	6.58	0.08	245	2.59	4.54	12,934,778	16,996,798
MEASURED	**Oxides plus Sulfides**	**2,195,448**	**6.04**	**0.10**	**264**	**2.59**	**4.54**	**18,637,618**	**22,806,628**
Total Indicated	Oxides	428,445	3.06	0.22	298			4,107,289	4,189,938
Total Indicated	Sulfides	433,043	4.59	0.05	192	3.46	6.07	2,678,396	3,750,441
INDICATED	**Oxides plus Sulfides**	**861,488**	**3.83**	**0.13**	**245**	**3.46**	**6.07**	**6,785,685**	**7,940,379**
MEASURED PLUS INDICATED (8)	**Oxides plus Sulfides**	**3,100,000**	**5.41**	**0.11**	**255**	**2.84**	**4.97**	**25,400,000**	**30,700,000**
INFERRED RESOURCES									
Total Inferred (6)	Oxides	4,600,000	3.37	0.03	162	0.01	0.00	23,900,000	24,800,000
Total Inferred	Sulfides	3,400,000	4.86	0.12	179	2.05	3.51	20,000,000	28,000,000
INFERRED RESOURCES (8)	**Oxides plus Sulfides**	**8,000,000**	**4.00**	**0.07**	**169**	**0.87**	**1.49**	**43,900,000**	**52,800,000**

(1) Estimates based on Minimum Mining Width >2.00m. No mine recovery included.
(2) Silver equivalent based on sales. Prices used for evaluation: Ag - $12/oz; Au - $708/oz; Pb - $0.75/lb; Zn - $0.75/lb.
(3) Oxides Ag equivalent includes gold credit based on FMPlata sales. Au Credit = 6 g/tonne Ag.
(4) Sulfides Ag equivalent includes Pb credit = 47 g/tonne Ag. Zinc is considered at 70% met. recovery = 30 g/tonne Ag.
(5) Cut-Off Grade estimated as 184 g/tonne Ag net of Au credit in oxide ores; and 246 g/tonne Ag net of Pb credit in sulfide ores. Zinc not considered in COG estimates.
(6) Preliminary Quebradillas Block Model estimate at COG>50 g/tonne Ag.
(7) Reserves and Resources in this report are exclusive of each other.
(8) Rounded figures.

Since the date of the mineral Reserve and Resource estimate contained in Table 1, approximately 3,816,846 ounces of silver equivalent have been extracted from the La Parrilla Silver Mine.

Mining Operations

The Company operates three mines in La Parrilla area: the La Rosa/Rosario/La Blanca, the San Marcos, and Quebradillas operations. All are separate mines within an area of about 10 square kilometres. The production from the mines during 2010 was approximately 303,869 tonnes at an average grade of 209 grams per tonne silver. This production includes about 57,580 tonnes of ore extracted from development workings. Oxide ore mined was about 148,943 tonnes, while sulphide ore mined was about 154,926 tonnes. Silver production for 2010 was 1,813,788 equivalent ounces of silver. The Company's five year plan requires improvements in production rates, ore head grades and mill recoveries to achieve up to 3.0 million ounces of silver equivalent annually.

At the underground mines some drilling is done with two, one boom electro-hydraulic drill jumbos, most development and production drilling is accomplished with hand-held jackleg drills. The principal stoping method for the near-vertical veins of La Parrilla is overhand cut and fill, with backfill mainly obtained from development waste. However, the operators are currently experimenting with long-hole open stoping. Drifting and ramping is all trackless, and at times old drifts and other workings that are used in the modern La Parrilla operations are slashed out to accommodate the trackless equipment. Raising is mainly done conventionally as "bald-headed raises," but some major raises, ventilation, ore-passes, etc, are done with contracted raise boring equipment.

The mines are dry and very little water handling is required. Ventilation is primarily by natural flow, and the operators are in the process of boring exhaust ventilation raises for the mines. Compressed air is provided from surface compressor stations in all three operations.

The ore processing plant at La Parrilla was extensively expanded and modified in 2006 and now processes both oxide and sulphide ores in two separate parallel circuits. In addition to the plant, power and water supply systems that were upgraded, a new tailing containment area with 10 years of life was built in 2006. Since September 30, 2008 additional improvements were made at the La Parrilla mill which consisted of the addition of new filter presses at the Merrill Crow circuit, also an additional leaching tank was added in the cyanidation circuit resulting in a 2- 3 % increase in silver recoveries. In the Flotation circuit a change in the flow sheet was executed which resulted in increasing the recoveries in the lead concentrate for both silver and lead to the 80% range. As a result of these improvements the total capacity of the mill is now 850 tonnes per day. The oxide circuit has a process capacity of 425 tonnes per day of which during 2010 an average of 425 tonnes per day were processed containing 197 grams per tonne of silver. The oxide circuit recoveries for 2010 were 68% of the contained silver. The sulphide circuit has a 425 tonnes per day capacity of which during 2010 operated at a higher capacity due to some changes made on the grinding pumping system an average of 442 tonnes per day were processed containing 221 grams per tonne silver and 1.6 percent lead. The recoveries were 82.3% for the silver and 79% for the lead which resulted in a concentrate containing an average of 4 kilograms per tonne silver and 35% lead.

Since the date of the mineral Reserve and Resource estimated in the last NI 43-101 (September 2008) to December 31, 2010, approximately 3,816,846 ounces of silver equivalent (including gold & lead) have been extracted from the La Parrilla Silver Mine of which 2,748,129 was depleted from the Reserves/Resources.

The mine operations are partially contracted to outside contractors, and surface ore and waste haulage is also contracted. The administration, beneficiation plant and ancillary functions are all conducted by Company personnel. The total personnel on site at the end of December, 2010 totalled 554 people of which 278 were contractors, including the personnel working in the expansion of the mill. The overall efficiencies achieved to date in 2010 were about 1.8 tonnes per man-shift.

Capital Expenditures

During the past three years the La Parrilla mine has undergone extensive development to prepare the mine for higher production levels. During the past six months this expansion plan has been assessed and defined to optimize the La Parrilla operation into the future. The Company launched a major expansion of La Parrilla's mill capacity in December 2010. Once the proposed US$35 million expansion project is completed, the La Parrilla mine will have mill capacity of 1,600 tpd (up from the current 850 tpd) and will effectively double the current potential output of the La Parrilla operation from approximately 1.5 million ounces to 3.0 million ounces of silver equivalent annually.

The following activities have been completed to date:

- Engineering and design work has been completed for the expansion of the processing plant including a new and larger crushing area, the addition of a third ball mill and the increase of capacity of both the flotation and cyanidation circuits. Each circuit's capacity is currently 425 tpd and once the expansion is completed, each circuit will continue to run in parallel but at the higher capacity of 800 tpd for a total capacity of 1,600 tpd.
- Engineering plans for the Rosarios/La Rosa, San Marcos, Quebradillas and Vacas mines have been defined and scheduled, including the planning of development and preparation of required production areas, planning and scheduling for 2012 the construction of a new production shaft for the Rosarios area, and all other required mine infrastructure to achieve the expanded production levels.
- All final documentation required for the Environmental Impact Statement and the 'Change of use of Land' study were submitted to the SEMARNAT (the government environmental authorities) office in Durango, with final approvals obtained in January 2011.

Timelines for the Construction Project:

- Land clearing and preparation activities commenced on December 1, 2010
- Construction of the new crushing area began in January 2011. A third ball mill has already been purchased and is on site and is expected to be ready for installation by June 2011.
- The expansion of the flotation circuit is planned for completion by the end of July 2011. This new circuit will produce both a lead and zinc concentrate. A full year of production at 800 tpd is expected to produce approximately 5,673,096 pounds of lead and 5,236,704 pounds of zinc. In flotation, the silver will report to the lead concentrate which is expected to contain approximately 1,429,991 ounces of silver annually.
- The expansion of the cyanidation circuit is expected to follow in the second half of 2011 with the replacement and expansion of eight leach tanks and the construction of four additional leach tanks. Several new technologies will also be utilized; similar to those adopted in the Company's recently completed La Encantada operation. These items will include new clarification filters, new induction furnaces and new filter presses for the tailings in order to recover and re-use solution and to save on water consumption. In addition, the plan includes new systems for automation of feeding processes for chemicals and reagents.
- Inauguration of this newly expanded cyanidation circuit is expected to take place early in the first quarter of 2012. Once completed, this larger 800 tpd cyanidation circuit will be capable of producing an additional 899,792 ounces of silver in the form of silver Doré bars annually.

The total capital budget for this expansion is US$34.9 million, consisting of:

Plant equipment and construction costs	US$24.8 million
Additions to the underground fleet	US$2.3 million
Underground mine development and associated infrastructure	US$4.2 million
Contingencies, administration and working capital	US$3.6 million
Total	**$34.9 million**

All required capital for this expansion project will be funded internally from cash flows.

Once in full operation at the newly expanded rate of 1,600 tpd, the La Parrilla Silver Mine will be capable of producing 3.0 million silver equivalent ounces annually consisting of 2.3 million ounces silver and 0.7 million ounces of silver equivalents in the form of lead and zinc.

Mining will continue with mechanized trackless loading and hauling and a new area will be mined with open cast methods. Longer term plans call for joining the underground areas of Quebradillas, San Marcos & Las Vacas with the La Rosarios/La Rosa system, building a shaft and underground rail system.

The Company has not yet completed a formal economic analysis of the proposed expansion. The Company is in the process of commissioning a new technical report on La Parrilla which is expected to include a feasibility study and an economic analysis of the proposed expansion. The technical report is expected to be completed by summer 2011.

San Martín Silver Mine, México

Certain of the information in this section is based on the technical report entitled "Technical Report for the San Martín Silver Mine, State of Jalisco, México" prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of PAH dated January 15, 2009, as amended and restated on February 26, 2009 (in this section, the "**Current Technical Report**"). The Current 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 Current Technical Report which is available for review on SEDAR located at www.sedar.com.

Additional information since the date of the Current Technical Report has been prepared by the Company under the supervision of Ramon Davila, who is a Qualified Person for the purposes of NI 43-101.

Project Description and Location

The San Martín Silver Mine consists of a predominantly silver mine and processing plant located near the town of San Martin de Bolaños in Jalisco State, Mexico. The mine is wholly owned and operated by First Majestic through Minera El Pilón, S.A. de C.V. ("**El Pilón**"), a wholly-owned indirect subsidiary of the Company through its Mexican holding company, Corporación First Majestic, S.A. de C.V.

El Pilón holds 30 contiguous mining concessions in the San Martín de Bolaños mining district that cover mineral rights for 7,841 hectares. These include 30 mining concessions with exploitation rights. Mineral rights for the earliest titled concessions are due in the year 2035, and most other claims have expiration dates in the 2050s; these however, may be renewed for another 50 years. No royalties or any other encumbrances are due on any of the San Martin mining concessions.

The surface rights to the San Martín mine are mostly owned by El Pilón. A portion of the access roads to the mine are located on land owned by private owners. El Pilón has negotiated surface rights agreements with some individual owners for parts of the access road.

Accessibility, Climate, Local Resources and Physiography

The San Martín mine is located at the coordinates 21° 45' north latitude, and 103° 45' west longitude, in the Bolaños river valley. Climate in this area is generally warm and semi-wet with rain in the summer season. Annual freezing temperatures in the region are recorded mostly during the month of February, from 0 to 20 days, while hail occurs during the rainy season for less than five days per year.

Climate and topographical conditions in the San Martín de Bolaños area support farming and cattle 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.

The San Martín operation is 150 kilometres by air or 250 kilometres by paved road north from Guadalajara. Driving time is four to five hours and flying time is about 45 minutes by charter plane. The town of San Martín de Bolaños constitutes the commercial center for the immediately surrounding region. Major facilities, including international airports, are located in the cities of Guadalajara, Zacatecas and Aguascalientes.

The municipality of San Martín de Bolaños has approximately 3,000 people. The town is connected to the national power grid and it has standard telephone lines and satellite communications. Water for the town inhabitants' consumption is pumped from wells. Most of the people living in the area depend on small scale farming, raising livestock, and growing fruit.

The San Martín mine is 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 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. 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 land owned by El Pilón.

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, cafeteria and other employee housing.

History

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, 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 of FSR from Mr. Dávila Santos. The Company took control of FSR and the San Martin mine in June 2006 and subsequently acquired the remaining shares of FSR pursuant to a business combination which closed on September 14, 2006. Please see the section entitled "General Development of the Business" for further information.

Geology and Mineralization

The project area lies in the southern part of the Sierra Madre Occidental, an extensive volcanic terrain starting near the United States-Mexican border and trending southeast into the states of Zacatecas and Jalisco. The terrain is characterized by 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). In the project region, the stratigraphy is represented by a thick sequence of upper volcanics consisting of approximately 1,000 metres of alternating ash-flow tuffs and lava flows. The composition of these rocks is predominantly rhyolitic with lesser amounts of andesite and rare occurrences of basalts. Volcanism, structural development and mineralization in the San Martín area occurred during late Miocene, resulting in a complex geologic framework. Two distinct features have been recognized by different authors, the pre and post mineralization rock formations, and the indicator Guásima Formation.

Exploration

At San Martin, exploration programs have been primarily based on direct development workings and complemented with limited drilling. This allows for mine preparation at the same time as the exploration advances along the mineralized structures. Topographic characteristics in the mine area do not permit easy drilling from surface access due to the vein's strike and dip into the mountain range. However, in recent years, and particularly since 2002, a more extensive program has been carried out consisting of exploration based on diamond drilling, both from underground accesses and surface sites.

As at the cut-off date of the Current Technical Report, being September 30, 2008, drilling totalled 570 diamond drill holes for a total depth of 61,132 metres, at an average depth per hole of about 107.3 metres. All of the drill core has been kept after logging and sampling. Since the cut-off date and up to December 31, 2010 drilling has continued to assist in ongoing mining activities and has included a total of 12,282 metres over 158 holes, 11 drilled from surface and 147 from underground The results of those programs upgraded resources to reserves and opened other areas for further exploration and development, such as the Cymoid zone of the Zuloaga vein at the La Escondida mine Level 5900, at the Ballenas mine Level 5550, at the La Blanca vein Stope 5735 and at the San Pablo Stope 5920, where sampling and development works have shown high grade silver mineralization.

A total of 31,064 metres of underground development has occurred at San Martin between the acquisition completion date of September 14, 2006 and December 31, 2010. This ongoing development program has been focused on the Cangrejos, San Pedro, Ballenas and Escondida levels on the Zuloaga and Rosarios/Condesa veins**.**

First Majestic's geological staff at San Martin includes 4 active and experienced geologists and other Company geologists active throughout First Majestic's other operations within Mexico with full support from management, to carry out and supervise the exploration efforts in addition to 19 samplers and contractors for field work.

Drilling

The San Martin drill program from January 1, 2007 to September 30, 2008 (the period covered by the Current Technical Report) included 127 drill holes with a total depth of 19,619 metres of core, in addition, about 3,906 metres of underground development for drill sites and access preparations. Estimated cost for this program was $4.9 million. Since this cut-off date 158 holes covering a total of 12,268 metres were drilled with the intent of defining new economic mining areas and new adjacent mineralized zones in the Zuloaga vein.

Even though exploration activities at San Martin were reduced due to the market environment in 2008 and 2009, an underground drilling program continued in 2009 and 2010. This program consisted of 135 drill holes with 8,029 metres being drilled, which were focused on investigating deep targets and parallel veins to the Zuloaga vein. The total estimated cost for the exploration program was about $2.50 million. This program has detected parallel veins to the Zuloaga vein (San Pedro Type) which may warrant further investigation.

The current underground drilling at San Martín is carried out with Company owned equipment. This includes electric powered drilling machines for underground operations, such as a Diamec 232 and a CP-55. Deep underground drilling is normally assigned to independent contractors as well as the surface programs.

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 diameter for long underground and surface drilling. The core is then logged by the geology staff and sampled.

Sampling and Analysis

San Martin's current sampling team consists of four sampling crews with three employees each. Channel samples are taken with chisel and hammer, collected in a canvas tarp and deposited in numbered bags for transportation to the laboratory. Core samples are taken at the camp facilities 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. Sampling crews take line channel samples at regular intervals, typically with one line every 3.0 metres along new openings (drifts, crosscuts, ramps, stopes, etc.) and every day from stope development muck piles.

Channel samples consist of shallow chips broken off the back of the drift. A channel "line" typically consists of two or more individual samples taken to reflect changes in geology and/or mineralogy across the structural zone. Each sample weighs approximately 4 kilograms. Locally, the drift is completely enclosed by the structural zone and the full thickness of the vein is not sampled.

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 and NQ sizes in diameter, and holes are of generally good recovery (90 percent). . Drill-hole data are locally included in the reserve calculations, but given the relatively small size of the core sample, it is conservatively applied. Drilling results are applied in the grade calculations giving more weight to the larger-size channel sample data.

Channel, exploration, mine development and production, and plant samples are sent to San Martin'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. A typical channel sample received by the laboratory, weighing approximately 4 kilograms, is passed through a jaw crusher to reduce it to a 1.3 - centimetre (1/2") size. A 500-gram split is taken and passed through a gyratory crusher to reduce it to a 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 pulverizer, to control the metallic minerals, and to ground 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 a diesel-fired furnace for fusion into a lead button. The diesel furnace does not have any temperature control and as a result temperatures fluctuate to a certain extent. 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. The microbalance used has a sensitivity of +1 milligram (equivalent to an actual grade of +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.

To evaluate sample quality control, First Majestic performs periodic check analyses on samples. Since 2004, 10 to 30 samples have been sent each month to Chemex Laboratories, to SGS Laboratory, to Met Mex Peñoles laboratory, and to Laboratorio Industrial Metalúrgica Herrera, for duplicate samples and duplicate pulp samples analysis.

PAH reviewed assays of duplicated samples from 2007 and 2008 sent to SGS Laboratory and Chemex Laboratories in connection with the preparation of the Current Technical Report. The samples mineral content range includes assays that vary from 3 to 3,870 grams per tonne Ag. Average correlation of the results is 92 percent for the duplicate samples silver assays within a broad range, while the pulp duplicates show results close to 100 percent. High discrepancies occur in the gold assays. PAH reported that the reproducibility of silver grades is acceptable and somewhat conservative, considering that the reported values from the San Martin laboratory tend to be lower, but within acceptable industry practices. Gold assays present high variations. Because the gold beads are so small, the assayer is forced to estimate the bead weight in the measurement gold grades in the tenths of a gram per tonne range. PAH reported that the reproducibility of gold grades is reasonable, with some of the variability between samples pairs due to the relatively small quantity of pulp (10 grams) used for the assays. Since the gold values are not used in the determination of the reserve block delineation and stope layouts, PAH concluded this was not a significant issue.

Mineral Resource and Mineral Reserve Estimates

First Majestic uses conventional, manual methods, assisted by computer databases, to calculate the tonnage and average grades of the mineable reserves.

Table 2 shows a summary of mineral Reserves and Resources for the San Martín Silver Mine to September 30, 2008. No further external resource estimates have been conducted since this cut-off date. It should be noted that since the cutoff date, 625,559 tonnes have been mined from San Martin of which 344,057 tonnes were mined from the Reserves and 281,502 tonnes where mined from areas that were not included in any previous NI 43-101 estimates.

TABLE 2 - San Martín Silver Mine
Mineral Reserves and Resources as of September 30, 2008

CATEGORY	Mineralization	Metric	Width	Ag	Pb	Zn	METAL CONTAINED	
Proven Reserves	Type	Tonnes	m	g/tonne	%	%	Silver (Only) oz.	Siver eq. oz.
SUBTOTAL - 1	Oxides	527,373	2.72	273			4,636,211	4,805,765
Probable Reserves								
SUBTOTAL - 2	Oxides	243,091	2.56	276			2,154,571	2,232,727
Proven and Probable Reserves							6,790,782	
TOTAL	Oxides	770,464	2.67	274			6,790,782	7,038,492
Mineral Resources								
Measured Resources								
SUBTOTAL - 3	Oxides	122,404	4.95	233			915,774	955,128
SUBTOTAL - 4	Sulfides	415,771	3.23	97	0.87	2.07	1,292,213	1,292,213
Indicated Resources								
SUBTOTAL - 5	Oxides	294,361	4.49	288			2,729,201	2,823,840
SUBTOTAL - 6	Sulfides	670,684	4.95	116	0.94	1.64	2,498,639	2,498,639
Measured and Indicated Resources								
TOTAL	Oxides plus Sulfides	1,503,220	4.38	154	0.91	1.80	7,435,827	7,569,820
Proven and Probable Reserves plus Measured and Indicated Resources.								
TOTAL RESERVES AND RESOURCES	Oxides plus Sulfides	2,273,684	3.80	195	0.91	1.80	14,226,609	14,608,312

(1) Estimated Reserves are exclusive of Resources.
(2) Cut-Off estimates as 146 g/tonne Ag for mined oxides, and 87 g/tonne Ag for dump recovered oxides; Ageq=Au/Pb credits = 10g/tonne Ag.
(3) Metal prices at $708/oz-Au, $12.00/oz-Ag, $0.75/lb-Pb, $0.50/lb-Zn.
(4) Mine dilution is included at a minimum mining width of 2.00m. **Estimates do not include mining recovery**.
(5) Base metals, Lead and Zinc are not recovered due to low market prices.

Inferred Resources								
Inferred Resources								
TOTAL (6)	Oxides plus Sulfides	8,200,000	5.34	185	1.40	1.60	48,900,000	50,000,000

(1) Estimated Reserves are exclusive of Resources.
(2) Inferred Resources are speculative in nature and may not become Reserves.
(3) Metal prices at $708/oz-Au, $12.00/oz-Ag, $0.75/lb-Pb, $0.50/lb-Zn.
(4) Mine dilution is included at a minimum mining width of 2.00m. **Estimates do not include mining recovery**.
(5) Base metals, Lead and Zinc are not recovered due to low market prices.
(6) Rounded figures.

The resource calculations contained in Table 2 are based on projections of the mineralized zones of 50 metres beyond the areas of the reserves for the measured resources, and another 50 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 Company's estimated resource blocks do not include the estimated reserve blocks since these have been projected at distances that are adjacent and beyond the reserve blocks boundaries. Mineral resources do not include development details for underground mine accessibility and mine planning.

Since the date of the mineral Reserve and Resource estimate contained in Table 2 to December 31, 2010 approximately 2,689,588 ounces of silver equivalent (including gold & lead) have been extracted from the San Martin Silver Mine of which 1,479,273 ounces were depleted from the Reserves/Resources set in Table 2.

Mining Operations

The San Martín Silver Mine includes underground workings that have opened six main drifts with levels at an approximate 35 meter vertical separation. Each one of the drifts 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, when El Pilón initiated operations in the area, to the September 2008 cut-off date, over 4.3 million tonnes of silver ore have been extracted and processed, for sales of approximately 33.6 million ounces of silver, including some gold and lead. Since this cut-off date, to December 31, 2010 an additional 625,559 tonnes of ore have been mined with an average grade of 158 grams per tonne Ag, 0.13 grams per tonne Au and 0.08 % Pb, resulting in 2,434,893 ounces of silver being produced, 3,781 ounces of gold and 4,463 pounds of lead.

The mine has been developed on the Zuloaga vein, which has by far been the most extensively developed vein in the district, having accounted for about one-half of the silver production in the district. The mining operation on the Zuloaga vein consists of six main levels and partial development in another three levels (Pinolea, San Carlos, La Escondida) spanning a vertical interval of approximately 350 metres. Main access levels are San José, Santa María, Ballenas, Cangrejos, San Pablo, San Juan and San Carlos, all with access from surface adits and various interconnecting ramps, from elevations of 1080 to 1600 metres above sea level. Production also occurs from the La Blanca vein, a vertical split off the Zuloaga vein. The Zuloaga vein occurs along an east-west trending normal fault zone that dips an average 75 degrees to the north, with the hanging wall of the fault down-dropped 100 to 200 metres relative to the footwall.

Mine production has come from stopes located on La Escondida, San José, Ballenas, Congrejos, San Pablo, San Juan, Santa Elena, and San Carlos levels. Underground drilling is performed using jackleg drills, and blasting is accomplished with ANFO explosives. Opening sizes are driven at 4.0 metres by 3.5 metres. Ramp inclinations are generally limited to about 12 percent. Typically, the total advance for drifting, ramping and raising is about 650 metres per month. The average productivity in headings is 0.7 metres per man shift, which is in the normal range for this type of development

Mechanized cut and fill stopes account for 100 percent of production, and these are developed either directly on the vein or by first driving a drift on the vein and then driving a parallel drift about 8 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 two years a long hole drill has been operating to recover some ore that was left in the pillars.

Underground loading and haulage is performed with 2 cubic yard, 3 cubic yard and 5 cubic yard Load-Haul-Dump machines (Scooptrams) and 10 to 13 tonne-capacity trucks. Ore is trammed to the surface and stockpiled at surface dump sites. On the surface, the ore is loaded from stockpiles into 22-tonne trucks and transported to the mill some 13 kilometres away over a gravel road. The ore haulage from the mine to the mill is performed by a contractor.

The San Martín processing plant has been in operation since 1983 at an increasing capacity that reached 750 tonnes per day in 2008. Since September 30, 2008, several improvements have been made at the mill in order to improve efficiencies, costs and throughput. These changes included; rebuilding of leaching tanks, replacing electric motors, rehabilitating crushers, and the installation of a new thickener. These changes have resulted in increasing the current mill throughput to 900 tonnes per day. Silver ore is processed by conventional cyanidation, using agitation in tanks, counter-current decantation (CCD) thickening, and precipitation of the dissolved silver and gold by cementation with zinc dust in the Merrill-Crow process. 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. The average daily throughput in 2010 was 920 tonnes per day all of which was through the cyanidation circuit for the production of silver doré.

Production for 2010 amounted to 264,449 tonnes grading 168 grams per tonne Ag and 0.21 grams per tonne Au resulting in total silver production of 1,125,514 ounces plus 1,665 ounces of gold production for a total eqivalent Ag ounces of 1,230,037. 145,703 tonnes of ore came out of the current delineated Reserve/Resource while 118,747 tonnes where mined from areas that were not included in any previous delineated estimates.

Since September 30, 2008, the average grades have improved from 151 grams per tonne Ag to the current 158 grams per tonne Ag. The average head grade at the mill for 2010 was 168 grams per tonne while the average grade for the entire period of October 1, 2008 to December 31, 2010 was 158 grams per tonne Ag. Gold values had been in the range of 0.2 grams per tonne.

Del Toro Silver Mine, México

Certain of the information on the Del Toro Silver Mine is based on the technical report titled “Technical Report for the Del Toro Silver Mine, Zacatecas State, México” (in this section, the “**Current Technical Report**”) prepared by Leonel Lopez, C.P.G. of PAH and dated October 9, 2008. Mr. Lopez is an independent Qualified Person for the purposes of NI 43-101. The Current Technical Report has been filed with securities regulatory authorities in each province of Canada. Portions of the following information are based in assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Current Technical Report which is available for review on SEDAR located at www.sedar.com.

Additional information since the date of the Current Technical Report has been prepared by the Company under the supervision of Ramon Davila, who is a Qualified Person for the purposes of NI 43-101.

Property Description and Location

The Del Toro Silver Mine is a development project located near the municipality of Chalchihuites, in the northwestern part of the State of Zacatecas, México. The property is wholly owned and operated by FMPlata, a wholly-owned indirect subsidiary of the Company through its Mexican holding company, Corporación First Majestic, S.A. de C.V.

The project's area is located at elevations from 2,300 to 2,900 metres above sea level. The Del Toro Silver Mine consists of 21 contiguous mining concessions in the Chalchihuites mining district that cover mineral rights for 368 hectares (909 acres). All 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 date of renewal of the Del Toro concessions is for the La Encarnación concession which has a January 16, 2019 renewal date. FMPlata owns all mineral rights within those concessions. There are no other encumbrances on the Del Toro mining concessions.

Surface rights in México are either owned by communities (" **Ejidos**") or by private owners. Chalchihuites mining district land is mainly owned by private owners and by "ejidatarios". In either case the mining concessions include "right of way" rights, although in many cases it is necessary to negotiate access to the land. At Del Toro the access to San Juan, Perseverancia and most other mining prospects is opened due to historical works and developments. The Mexican mining laws include provisions to facilitate purchasing the land required for mining activities, installations and development. FMPlata has recently acquired 100 hectares (247 acres) around the San Juan area and has made a lease agreement for 25 hectares (61.75 acres) at the Perseverancia area from private owners for future installations and project requirements.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Del Toro is located in the northwestern part of the state of Zacatecas, about 40 kilometres to the southeast of First Majestic's La Parrilla Silver Mine and approximately 120 kilometres to the southeast of the capital city of Durango. It is situated within the municipality of Chalchihuites, about 1 kilometer to the east of the village of Chalchihuites.

The Chalchihuites mining district is situated in the bordering zone between the Sierra Madre Occidental and Mesa Central provinces. Del Toro is located at elevations of 2,300 metres to 2,900 metres above sea level, while the Sierra Negra and Sierra Chalchihuites reach elevations of 3,000 metres above sea level.

The Chalchihuites climate is moderate with an average annual temperature of 16Ú Celsius to 18Ú Celsius and total rainfall of 600 millimetres to 700 millimetres. Most of the annual precipitation in the Chalchihuites area occurs during the rainy season months of July to October.

Vegetation in the area consists of xerophile plants in the lower elevations, including cactuses 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) in the area takes place in the valleys and lower elevation zones.

The Del Toro area is accessible by paved highways from the cities of Zacatecas and Durango. Driving time to Chalchihuites from Zacatecas is about three hours and from Durango is about 2.5 hours. Local roads connect the mining district to various population centers within the region. The project is located about one kilometer to the east of the village of Chalchihuites by all-weather dirt roads. The labour force, including miners, is available from these population centers.

Electric power is provided by the national grid. Potable water is available to all the towns from water wells. The Walterio railroad station is located 5 kilometres from Chalchihuites with connections throughout the country. All basic facilities are available in most major population centers within the region. Airports with service for international flights are available in the cities of Durango and Zacatecas.

History

The Del Toro Silver Mine is located within the Chalchihuites mining district and contains mineral deposits which have been exploited by underground silver/gold/lead/copper mines. The Company commenced exploration in the area in late 2004 under option agreements. The Company subsequently exercised options to acquire Perseverancia and the San Juan groups of claims in 2006 and 2007 respectively**.** Del Toro comprises numerous small mine developments located around a regional granodioritic intrusive within metasomatic rocks at the contact with Cretaceous limestones. These are enclosed by mineralized structures, vein-type, manto replacement and breccia pipe deposits. Most mine workings are superficial developments with the exception of the San Juan area where a 90 meter deep shaft was developed to extract some of the high grade silver minerals, and at the Perseverancia area 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 these Del Toro mines, however, estimates by volume suggest that approximately 100,000 tonnes of ores were extracted from each of the San Juan and Perseverancia mines. The Perseverancia mine was operated by Mr. Raúl Mazatán for a period of 23 years until 1997. He shipped approximately 150 to 300 hand-sorted ore tonnes per month to the Peñoles smelter in the city of Torreón. The ore was reported to contain 1,500 to 3,000 grams per tonne silver and 20 to 40 percent lead in massive sulfides.

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. It is located on the western side of a regional contact zone between a granodioritic intrusive stock and a sequence of Cretaceous sedimentary rocks.

The exploration area is located on the northwestern flank of the Chalchihuites anticline, while Panamerican Silver Corp.'s La Colorada mine is located on the southeastern flank of the same regional structure. The Del Toro mineral deposits geology consists of mineralized structures enclosed by skarn and granodiorite within the contact zone between the intrusive stock and sedimentary rocks of the Indidura and Cuesta del Cura formations.

Exploration

The Chalchihuites mining district was discovered in colonial times and only developed from outcroppings by following mineralization along the structures, until high grade ore shoots were discovered and depleted. Common practice was to mine out high grade ores, in particular mineralization in oxides that required simple processing.

First Majestic developed an exploration program at Del Toro that included geologic mapping, geochemical and geophysical investigations, channel sampling and mapping of underground workings, diamond drilling and underground development such as access ramps, drifting and cross-cutting into the working areas of the old San Juan and Perseverancia mines.

First Majestic focused its exploration efforts on large volume targets such as the San Juan area, while test mining small to medium size volume of high grade mineral concentrations that were left within blocks and accessible areas along the workings such as within the Perseverancia area.

First Majestic also carried out geophysical investigations to confirm previous studies within the Del Toro area. These investigations confirmed the presence of IP, Resistivity and Magnetic anomalies and were then followed up with geochemical investigations. This program consisted of a total of 254 rock chip samples to confirm or evaluate some of the areas of interest. The anomalous areas were further investigated by geophysical methods. This preliminary exploration program was completed in 2005 and was later followed up with a drilling program beginning in November 2005.

The geochemical program included 7 lines at 250 meter intervals with samples at 50 metres along these lines. The lengths of the lines were from 2,500 metres to 1,200 metres for a total sampled length of 13,000 metres. Each sampling site was located by GPS and UTM coordinates. Each sample was collected from an area of 2 metres by 2 metres, and consisted of 3 kilograms to 5 kilograms of rock chips. The samples were shipped to GM LACME Labs in Guadalajara for pulp preparation and sent to ACME Analytical Laboratories Ltd. in Vancouver, BC. All geochemical samples were analyzed by ICP, including determination of 22 elements in addition to gold/silver by fire assay. The Company did not include duplicate samples.

The most significant geochemical anomalies resulting from this survey were defined for lead, zinc, copper and silver.

The lead anomalies cover the San Juan, Huitrón, Mina de la Paz, Perseverancia, San Nicolás and part of Las Cotorras areas. Anomalous values were determined by statistical analysis and resulted in up to 220 parts per million for threshold range and low anomalies above 220 parts per million. The highest lead value reported was 29,300 parts per million, equivalent to 2.93 percent.

The zinc anomalies are more localized around the known area of interest. The zinc anomalies appear to outline closer areas near the known mineral deposits of Perseverancia, San Nicolás and Las Cotorras, and in the southern part of the lines in the Perseverancia area. Zinc values included assays from 50 parts per million to 11,300 parts per million with threshold defined at 999 parts per million. Low anomalies were determined from above 999 parts per million.

Localized copper anomalies were defined in the San Juan and Perseverancia areas. A widespread copper anomaly was determined along the northern part of the survey area. The geochemical copper threshold was defined at 160 parts per million. The geochemical copper assays range in values from 5 parts per million to 3,160 parts per million.

The geochemical and geophysical anomalies are coincident and show particular strength within the Perseverancia area. These anomalies also appear to show a NE-SW trend at the middle section of the district, in the areas of San Nicolás to Las Cotorras. The geochemical anomalies are strong at the San Juan area, while the geophysical anomaly appears to be deep-seated in this area. The anomalies appear to be related to previously known mineral outcroppings, to old workings or to known mineral deposits. The Company is proposing to follow up its investigations with direct methods to determine the significance of these anomalies.

Up to July 31, 2008, the cut-off date of the current NI 43-101 technical report, 1,212 metres of development was completed to access underground areas of old workings and to develop and test mine areas for preparation for future mining activities by the Company. Since July 31, 2008 to December 31, 2010, an additional 1,142 metres of underground development has been completed in order to gain access to lower levels, as this development is going to be required for any potential future operations and for further exploration.

A very aggressive exploration program has been launched at Del Toro with the following objectives:

1. Underground drilling is currently underway in the San Juan area to upgrade the current NI 43-101 Resources and potentially add additional resources. Approximately 10 holes will be fan drilled from this underground station.

2. To complete the construction of an underground crosscut in the Perseverancia area in order to drill from underground to depth to test for the continuation of the Perseverancia chimney.

3. Later in the year, a Surface Diamond Drilling program is planned to commence at the Cotorras and San Nicolas areas to define whether previously tested surface mineralization extends to depth.

Mineralization

Mineralization at Del Toro is a typical assemblage of metasomatic deposits and hydrothermal vein deposits with a high content of silver. These mineral assemblages have been affected by processes of oxidation and secondary enrichment. 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 sulfides make up the mineral concentrations in the upper parts of the deposits, such as the Cuerpo Uno at San Juan, which consists of sulfosalts (ceragyrite, pyrargyrite, stephanite) carbonates (cerussite, hydrozincite, hemimorphite, malachite, azurite), sulfates (anglesite, willemite), and iron oxides, hematite, limonite, etc. See “Geological Setting” for further information.

Drilling

First Majestic began drilling at Del Toro in November 2005. The Company’s exploration drilling program to July 31, 2008 included a total of 56 holes completed for a total depth of 11,716 metres distributed for exploration within the following areas: San Juan surface, San Juan underground, Perseverancia surface and Perseverancia underground. Since July 31, 2008 to December 31, 2010, the Company has drilled 5,951 metres in 11 holes, to further reconfirm the extent of the mineralization and in order to compile data for a newly updated NI 43-101 Report.

The Company’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, no apparent deviation has been detected in drill holes. Because most of the holes are now longer than 150 metres, deviation is defined with one survey reading at the bottom for holes of up to 150 metres in depth and two survey readings for holes longer than 150 metres; one reading at the middle and one reading at the bottom of the hole.

Logging is performed by the project geologist in each of the areas being investigated. The project geologist also determines the sample intervals. Trained assistants are in charge of core splitting and sampling as per the project geologist’s indications.

In November 2010 the Company decided to reinitiate development of the main ramp which at that time had a total of 690 metres, since then an additional 410 metres had been developed in the ramp. Also, a cross cut of 110 metres was made with the purpose of installing a diamond drill rig with a program of infill drilling of 3,000 metres of which to date 650 metres have been completed. Assay results are expected in the near future.

Sampling and Analysis and Security of Samples

Del Toro's current sampling team consists of three 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 the two project geologists.

Exploration sampling for resource delineation at Del Toro is conducted by drifting, cross-cutting and access ramp construction to the mineralized zones so that channel samples can be taken. Channel samples are the primary means of sampling in the old mine workings and are taken perpendicular to the vein structures, across the backs of drifts, generally from the footwall towards the hanging wall of the mineralized structure. Sampling crews take channel samples at regular intervals of 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 1.5 metres along the channel, depending on geologic features. Channel samples are taken with chisel and hammer, 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 a structural zone. Each sample weighs approximately 4 kilograms. All channels for sampling are painted by the geologist and numbered on the drift walls for proper orientation and identification.

The Del Toro sampling quality control program consists of checking the assays of one duplicate sample for about every 20 regular samples, including pulp samples.

All samples are assayed at the Company's La Parrilla lab, while duplicate samples are sent to BSI-Inspectorate laboratory, a US lab located in Reno, Nevada with representation and sampling preparation facilities in Durango, México.

Drill Core Samples

Exploration drilling was performed in the first stage by contractors based in the city of Gómez Palacio, Durango State, and in the current stage by contractors based in the city of Fresnillo, Zacatecas State.

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 Inspectorate lab in Durango. Generally the samples represent core lengths of less than 1.5 metres. All the core samples are sent for assaying by Inspectorate. The core samples are crushed and pulverized at BSI-Inspectorate in Durango and 250 gram pulp samples are sent to Reno, Nevada for assaying.

Sample Preparation

Exploration and underground channel samples are sent to the Company's on-site laboratory at La Parrilla Silver Mine for chemical analysis of silver, gold, lead, zinc and copper. Silver and gold assays are carried out by fire assaying methods, while the rest of the elements are assayed by atomic absorption (AA). First Majestic's sample preparation techniques and procedures are similar in all its mining and exploration properties.

The QA/QC procedure consists of sending exploration and mine samples and/or pulps to an outside laboratory, usually BSI-Inspectorate Labs in Reno, Nevada or other certificated labs. The laboratory duplicates pulp assays at one sample for every twenty. First Majestic has established a QA/QC procedure by checking assays. Drill samples are duplicated as one sample for every twenty regular samples. Standard samples and blank samples also be included in the duplicate sampling. The standard sample was analyzed in the SGS Laboratory in Durango, Mexico.

Channel sample checks are performed by analyzing random sample pulps at La Parrilla lab with assay checking by the BSI Inspectorate Lab in Reno, Nevada or other certificated labs. The assays include silver, lead and zinc.

The Company has established a systematic procedure of data verification and quality control, which has proven effective and accurate in other Company operations and exploration properties. Assay data and information generated by the operation is transmitted manually; however, the entire paper trail is accessible and available for inspection.

Mineral Resources and Reserves

Only mineral resources have been determined for Del Toro as of July 31, 2008. The results from the Del Toro exploration and development project are not yet extensive enough to estimate reserves. The Measured and Indicated silver resources, including oxides and sulfides mineralization, consist of 1.4 million tonnes averaging 269 grams per tonne silver, 4.7 percent lead and 4.8 percent zinc for a total content of 21 million ounces of silver equivalent including silver only for oxides and credit for lead and zinc for sulfides. The resource grade has been estimated in silver equivalent content based on the following prices: silver - $12.70 per ounce, lead - $0.90 per pound and zing - $0.85 per pound. To report equivalent ounces of silver an estimated metallurgical recovery for lead and zinc in sulfides was estimated as follows: lead – 85% and zinc – 80%, while silver recovery in oxides is estimated at 65%.

The Company has estimated additional silver Inferred Resources at a distance beyond the Measured and Indicated Resources. These Inferred Resources are estimated at 1.8 million tonnes at an average grade of 306 grams per tonne Ag, representing a content of about 36 million ounces of silver contained as silver equivalent including lead and zinc recoveries from sulfides mineralization. These additional resources are based on projections of presumed vein continuity ahead, above, and below current mining, or are based on widely-spaced drill holes, surface sampling or old surface workings.

TABLE 6
Del Toro Silver Mine
Summary of Resources, San Juan and Perseverancia Mines

Mineral Resource Estimates Prepared by FMS , Reviewed by PAH . As of July 31, 2008 (1)(2)(3)(4)										
Mine	**Mineralization**	**Resource**	**Metric**	**Width**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Silver Only**	**Silver Equivalent (oz)**	**Silver (oz)**
		Category	**Tonnes**	**(m)**				**(oz) (5)**	**(Pb-Zn) (5)**	**(oz) (5)**
San Juan	Oxides	Measured	269,739	20.92	166	1.50	1.53	937,000		937,000
San Juan	Oxides	Indicated	458,705		210	3.01	3.40	2,010,000		2,010,000
SUB-TOTAL	Oxides	Measured+Indicated	728,444		194	2.45	2.71	2,947,000	0	2,947,000
Perseverancia	Sulfides	Measured	18,928	>2.5	381	10.01	4.74	197,000	359,000	556,000
Perseverancia	Sulfides	Indicated	45,982	2.00	350	9.00	3.58	439,000	746,000	1,185,000
San Juan	Sulfides	Indicated	584,618	69.66	353	6.97	7.50	5,633,000	10,622,000	16,255,000
SUB-TOTAL	Sulfides	Measured+Indicated	649,528		353	7.20	7.14	6,269,000	11,727,000	17,996,000
TOTAL SJ + P	**Sulf. + Oxid.**	**Measured+Indicated**	**1,377,972**		**269**	**4.69**	**4.80**	**9,216,000**	**11,727,000**	**20,943,000**
San Juan	Oxides	Inferred	656,778	11.56	214	3.35	3.20	2,935,000		2,935,000
San Juan	Sulfides	Inferred	1,141,210	71.33	359	7.07	7.59	11,193,000	21,011,000	32,204,000
Perseverancia	Sulfides	Inferred	33,750		332	8.66	3.40	306,000	525,000	831,000
TOTAL SJ + P	**Sulfides**	**Inferred**	**1,831,738**		**306**	**5.77**	**5.94**	**14,434,000**	**21,536,000**	**35,970,000**

(1) Resource estimated "in situ".
(2) Price considerations $12.70/tr.oz-Ag, $0.90/lb-Pb, $0.85/lb-Zn.
(3) Mill recovey estimates: Oxides - Ag-65%; Sulfides - Ag-85%, Pb-85% and Zn-80%.
(4) Minimum mining width - 2.00m.
(5) Rounded figures.

Mining Operations

The Company has conducted a test-stoping program at the old San Juan mine, which was done concurrently with the surface and underground exploration and development programs. The Company also conducted an underground mine development and exploration program at the Perseverancia mine, but no test-stoping had been undertaken at this mine to date. Some recovery of direct-shipping ore from the old Perseverancia mine and old dumps has been done by the Company.

Both areas have been explored and developed through trackless declines to explore the mantos and chimneys of the San Juan ore deposit and the chimneys of the Perseverancia deposit. Any ore extracted in the development programs and San Juan test stoping was trucked to the Company's La Parrilla plant for milling, metallurgical studies and processing testworks.

In preparation for a definitive investment decision, the Company commenced a permitting process for the construction of a 1,000 tonnes per day flotation plant. At the time of this report, all permits including: environmental, change of land use and explosives use have been received.

Commencing in late 2010, an extensive development program was launched at the property, consisting of 1650 metres of ramp and crosscuts. This development program is designed for three purposes; 1) to gain access to each of the three defined ore bodies to upgrade the current NI 43-101 Resources to Reserves, 2) to prepare the ore bodies for mining, and 3) to build multiple underground drilling stations to drill the ore bodies at depth to define additional resources.

Currently, the ramp is 1,100 metres in length and 186 metres in vertical distance from surface. A cross-cut was made at the 7th level (176 metres from surface) where a drill rig was installed in February 2011. Two holes have been completed to date, both of which have intersected the ore bodies as expected.

Capital Expenditures

Considering the work completed to date and the impressive results received, the Company has decided to continue with the following actions to advance this project:

- Continue the underground infill drilling program in order to further define and upgrade resources at depth in the three ore bodies defined in previous exploration programs.
- Continue the development of the main ramp, which has advanced 410 metres since November 2010, for total development (including 700 metres previously completed) of 1100 metres. The objective is to develop this main ramp an additional 600 metres in the first half of 2011. This ramp will give access to the ore body No. 3 at depth which is expected to become the starting level for production.
- Once the current underground drill program has been completed, a newly updated NI 43-101 Technical Report will be commissioned and is anticipated to be released in July or August 2011.
- Continue with the preparation of the underground infrastructure for preparation of underground mining, which is anticipated to commence in the second quarter of 2012. The initial level of production is planned to be 500 tpd to be ramped up to 1,000 tpd by approximately mid-2013.
- Continue negotiations with the Municipality of Chalchihuites to reach an agreement to install a Water Treatment Plant near the town which will allow the Company to limit the use of clean water and will assist the local community by helping to alleviate its waste water management issues.
- Commence construction of the power line and substation, road construction, processing plant, and all related surface installations such as laboratory, offices and warehouses as required for the future operations.

Management of the Company has prepared the following initial capital expenditure budget relating to the development of the Del Toro Silver Mine. This budget is preliminary only and is expected to change upon completion of the economic assessment/pre-feasibility study including final metallurgical testing and final plant

designs, all of which are expected to be included in the technical report the Company is expecting to commission following completion of the current underground drilling and development program:

Summary of Initial Capital Costs	**Amount (US$ Millions)**
Mill Processing Plant &Tailings Area	11.0
Power Line & Substation	7.5
Buildings & Heavy Equipment	4.3
Mine Equipment	6.1
Additional Diamond Drilling and Mine Development	4.1
Water Plant &Piping	1.5
Road Work and Other	2.0
SUB TOTAL	**36.5**
Contingency (20%)	7.3
TOTAL INITIAL CAPITAL COSTS	**43.8**

The Company does not require external funding for these initial capital expenditures as the current cash flows are sufficient to fund this project. The Company also now has more than $80 million cash and cash equivalents in its treasury.

Ground breaking in the area of the planned mill site will commence in April 2011. Foundations are expected to be laid during May and June and construction of the plant facilities is anticipated shortly thereafter.

No detailed operating cost estimates are yet available. No manpower or equipment requirements for possible future operations have been developed, and likewise, no long-range production planning is available for public dissemination. These items will be addressed when all economic factors are better defined and will be released in the form of a NI 43-101 Technical Report in the coming months.

During the construction phase, the final economic parameters will be determined and released in the form of a NI 43-101 Technical Report. It is anticipated this work will be completed early in the third quarter of 2011 and will be released at that time.

Current plans call for production to commence in the second quarter of 2012 with commercial production being reached in the third quarter of 2012. These estimates are preliminary and until the Pre-Feasibility Study is completed may not be relied upon.

Real de Catorce Silver Project

The Real de Catorce property is located approximately 25 km west of the town of Matehuala in the San Luis Potosí state of México which lies about 259 km to the south of the industrial city of Saltillo and about 170 km north of the city of San Luis Potosí. Access to Matehuala from the major cities is via the north-south Highway 57 which connects Mexico 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 1776 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.

No current plans exist for exploration or development of this property, however, due to the historic nature of this region, the Company's plans will be designed to maintain and improve the area.

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 with the London Bullion Market and the Comex. The physical silver is delivered to two refineries/smelters where the doré silver is refined to better than 99.9% pure bars, and the concentrates are smelted to separate the base metal by-products and the silver, again to a pure form for delivery to the global buyers of silver. The metal refineries and smelters charge the Company for their refining and smelting services. Refining of doré bars is a fraction of the cost of smelting concentrates of silver. As the Company has made a conscious shift towards doré production, the combined average of smelting and refining costs have decreased from $2.88 per ounce in 2009 to $1.77 in fiscal 2010.

The Company delivers its production via a combination of private aircrafts and armoured cars to a number of refineries and smelters who then, once refined or smelted to better than 99.9% purity, transfer the silver and byproducts to the physical market for the consumption of the silver. The Company transfers ownership at the time it delivers its doré and concentrates to the refineries and smelters, and receives payment from its brokers usually within two days of delivering the doré or concentrates. 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 turn-out of the smelted metals, usually 60 days after physical transfer of the concentrates. Likewise, but to a lesser extent, doré is turned out usually within 25 days and any final variances in assays is settled at that time through the refiner assigning any differences to the metal brokers. The Company receives 95% of the value of its sales of doré on delivery to the refinery, and 90% of the value of concentrates on delivery to the smelter, with final settlements of the remaining 5% or 10% upon turn-out of the smelted or refined metals.

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 Mexico negotiate sales contracts for First Majestic operations. Contracts with smelting and refining companies as well as metals traders are entered into and renegotiated as required. The Company sells its silver doré and its by-products through two international brokerage organizations. Additionally, silver concentrates and related base metal by-products are sold primarily through one international organization with a good credit rating, with an alternate available to prevent any dependency on the existing smelter of our silver, lead and zinc concentrates.

First Majestic is continually reviewing 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 to retail purchasers directly over its corporate e-commerce web site. Approximately 5% of the Company's production was sold in retail transactions during 2010. Products sold included one ounce rounds, five ounce ingots, 10 ounce ingots, one kilogram bars and 50 ounce poured bars. In 2010, an 18 ounce custom coin set was released and is presently being sold on the Company's e-commerce site.

Social and Environmental Policies

The Company has not implemented a formal social responsibility policy, however, the Company believes that it holds itself to the highest possible standard in corporate citizenship. From the beginning, social responsibility has been at the foundation of the Company's core values and the Company is committed to growing in a sustainable manner that supports the well-being of local communities.

The Company's ongoing goal is to make meaningful contributions to every community in which it is active and to build long term relationships within these communities. The Company engages the local workforce, strives to provide new opportunities and continually looks for ways to better the lives of its employees and their families.

Beyond the economic benefits of the Company's mining operations, the Company assists local populations in many other key areas. The Company strives to maintain the health of local communities by providing healthcare services and supporting local doctors, paramedics and ambulance services.

The Company has been recognized for three consecutive years with the prestigious Socially Responsible Business Distinction Award by Centro Mexicana para la Filantropia (Mexican Center of Philanthropy). This honour from within the Mexican community recognizes excellence in corporate ethics, quality of work, community citizenship and environmental responsibility.

The Company's operations are subject to environmental legislation promulgated by government agencies from time to time. Environmental legislation provides for restrictions on, and the prohibition of, spills, release and emission of various substances related to mining industry operations which could result in environmental pollution.

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 dependencies.
- 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 levels of negative environmental impact and if possible to have a positive impact in the environment of the 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.
- To monitor and restrict the areas and equipment of high risk.

Responsibility for each activity of the environmental programs is assigned to a person responsible for the monitoring, although the head of the environmental department will be directly responsible to ensure compliance with plans and programs for the proper functioning of the system of environmental management.

The Company fully complies with all applicable environmental regulations. On February 25, 2009, the Mexican Environmental Authority PROFEPA (Procuradoria Federal Proteccion al Ambiente) awarded a CLEAN INDUSTRY CERTIFICATE to one of the Company's wholly owned subsidiaries, First Majestic Plata, SA de CV., regarding its activities at the La Parrilla Silver Mine.

Taxation

The taxation of corporations in Mexico is often complex and is assessed via overlapping layers of taxation on a number of various tax bases, with credits or offsets permitted in certain cases between various tax liabilities. 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 Mexico.

Taxes in Mexico are levied in the normal course of business and are levied in the form of: (i) Corporate Income Taxes (referred to as ISR), (ii) Alternative Minimum Taxes based on Cashflow (referred to as IETU), (iii) Value Added Taxes (referred to as IVA), (iv) Profit sharing taxes (referred to as PTU), and (v) Mining Rights Taxes. There are presently no mining royalty taxes or capital taxes applicable to mining businesses in Mexico. All of these taxes are administered at the federal level by *Servicio de Administration Tributaria (SAT)* often referred to as "Hacienda", and the proceeds are shared with the various states of Mexico.

Corporations which are resident in Mexico are taxed on their worldwide income. The applicable tax rates and related tax bases are as follows:

(i) *Corporate Income taxes* (ISR) – 30% on a corporation's taxable income in 2010, 2011 and 2012, reducing to 29% in 2013, and 28% in 2014 and later years. Normal business expenses may be deducted in computing a corporation's taxable income, including inflationary accounting for certain concepts of revenue and expenses;

(ii) *Alternative Minimum Tax*, or the Flat Tax on Cashflow (IETU), effective January 1, 2008, a 17.5% tax was introduced on a modified Cashflow method, creditable against income taxes on an annual basis;

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

(iv) Profit sharing taxes (PTU) – 10% on a corporation's taxable income, creditable against corporate taxes payable and payable to the workers in the corporation, and

(v) *Mining Rights Taxes* – a nominal rate charged on a per hectare basis on a corporation's mining rights.

Dividends received by a Mexican resident from another Mexican resident are exempt from corporate taxes. 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. OECD 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.

In the past, Mexico 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 2010, Mexico introduced tax reforms, which allow consolidation to continue, but which require consolidated corporations to recapture the historical tax benefits of consolidation after a period of five years subsequent to receiving the benefit. Effectively, corporations will receive a six year deferral and then will be required to recapture into taxable income 25% of the benefit in the sixth year, followed by 25%, 20%, 15% and 15% in each subsequent year. For example, First Majestic's first benefit from tax consolidation was realized in 2008, and as such the benefit of tax consolidation will be recaptured into taxable income and be subject to taxation from 2014 through 2018. Numerous companies in Mexico are challenging the legality of these regressive tax reforms. It is unlikely that the outcome of these challenges will be determinable for several years.

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 102,513, 210 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 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 $	Low $	Volume
December 2010	14.56	11.48	25,270,426
November 2010	12.20	7.83	22,885,998
October 2010	7.85	6.53	11,934,815
September 2010	7.12	4.83	14,910,253
August 2010	4.99	3.84	5,267,859
July 2010	4.15	3.69	2,948,288
June 2010	4.58	3.66	8,130,714
May 2010	4.17	3.47	7,197,942
April 2010	3.81	3.20	6,428,555
March 2010	3.63	3.04	7,435,005
February 2010	3.73	3.09	4,243,497
January 2010	4.52	3.27	6,237,937

The common shares of the Company are also listed and posted for trading on the New York Stock Exchange under the trading symbol "AG" and quoted on the Frankfurt, Berlin, Munich and Stuttgart Stock Exchanges under the symbol "FMV".

The warrants of the Company which were issued pursuant to the offering which closed on March 5, 2009 were listed and posted for trading on the Toronto Stock Exchange under the trading symbol "FR.WT.B". These warrants were exercisable at $3.50 per share and expired on March 5, 2011. The following table sets forth the

high and low trading prices and trading volume of these warrants as reported by the Toronto Stock Exchange for the periods indicated:

Period	High $	Low $	Volume
December 2010	10.90	8.50	5,307,900
November 2010	8.99	4.47	4,206,934
October 2010	4.38	3.00	2,115,626
September 2010	3.63	1.51	2,109,037
August 2010	1.70	0.97	584,905
July 2010	1.17	0.90	104,144
June 2010	1.39	0.96	701,868
May 2010	1.50	1.01	180,663
April 2010	1.54	1.05	258,282
March 2010	1.29	0.96	471,124
February 2010	1.30	0.99	175,585
January 2010	1.74	1.02	426,222

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets out the names of the current directors and officers of the Company, 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 next Annual General Meeting unless his office is earlier vacated in accordance with the Articles of the Company or he becomes disqualified to act as a Director. The Company is not required to have an executive committee but it has an Audit Committee, a Human Resources, 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	Percentage of Class [2]
ROBERT A. McCALLUM, B.Sc., P.Eng [3] [5] Chairman and 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 present.	December 15, 2005 to present.	Common 141,500 Stock Options 200,000	Less than 1.0%
KEITH NEUMEYER CEO, President and Director London, England	President of the Company from November 3, 2001 to present; Director of the Company since December 5, 1998.	December 5, 1998 to present.	Common 2,936,000 Stock Options 700,000	2.94%

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	Percentage of Class [2]
RAMON DAVILA, Ing. Chief Operating Officer and Director Durango, México	Chief Operating Officer of the Company from December 14, 2004 to present; Chairman of Minas La Colorado SA de CV from January 1994 to present; Chairman of Minera Lince SA de CV from September 2003 to present; Chairman of Minera Real Victoria SA de CV from October 2003 to present; Member of the Board for Immobiliaria Aurum SA de CV from June 2005 to present.	April 15, 2004 to present.	Common 309,540 Stock Options 700,000	Less than 1.0%
RAYMOND L. POLMAN, CA Chief Financial Officer Vancouver, British Columbia, Canada	Chief Financial Officer of the Company from February 1, 2007 to present; Chief Financial Officer of Ikona Gear International, Inc. from December 2003 to November 2006.	N/A	Common Nil Stock options 500,000	0.0%
TONY PEZZOTTI [3] [4] Director Burnaby, British Columbia, Canada	Retired. Director of Pan Terra Industries Inc. from July 2007 to present.	November 30, 2001 to present.	Common 619,156 Stock options 250,000	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 present; Director of Reef Resources Ltd. from September 2007 to April 2008; Director of Pan Pacific Aggregates plc from October 2008 to present; CEO of Columbia Gold plc from May 2007 to March 2009. Director of Salares Lithium Inc. from December 2009 to September 2010. Director of Talison Lithium Inc. from September 2010 to present and Director of Great Quest Metals Ltd. from December 2010 to present.	January 12, 2005 to present.	Common 152,500 Stock options 330,000	Less than 1.0%
DOUGLAS PENROSE, CA [3] [5] Director Kamloops, British Columbia, Canada	Vice President, Finance and Corporate Services of British Columbia Lottery Corporation from 2000 to April 2008.	September 7, 2006 to present.	Common 10,000 Stock options 265,000	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	Percentage of Class [2]
ROBERT YOUNG [4] Director Richmond, British Columbia, Canada	Independent geological consultant from 1999 to present; Director of Goldrush Resources Ltd. from December 2004 to present; Advisor to Copper Mountain Mining Corporation from April 2007 to present.	September 7, 2006 to present.	Common 20,000 Stock options 290,000	Less than 1.0%
CONNIE LILLICO Corporate Secretary Coquitlam, British Columbia, Canada	Corporate Secretary of the Company from August 2007 to present; Corporate Secretary of several TSX Venture Exchange issuers from July 2004 to July 2007.	N/A	Common Nil Stock options 400,000	0.0%

(1) The information as to principal occupation and shares beneficially owned has been furnished by the respective individuals.
(2) Based upon the 102,513,210 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 Human Resources, Compensation and Nominating Committee.
(5) Member of the Corporate Governance Committee.

The aggregate number of common shares of the Company which the directors and senior officers of the Company beneficially own, directly or indirectly, or over which control or direction is exercised, is 4,188,696 common shares of the Company or approximately 4.08% of the common shares of the Company issued and outstanding as of the date of this AIF.

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 Mandate 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 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 since 1974 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. Mr. Pezzotti also currently serves on the board of Pan Terra Industries Inc.

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 C.E.O. of Kensington Resources Ltd. prior to its merger with Shore Gold Inc. in 2005 and now sits on the board of Shore Gold.

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 is section 3.2 (*Initial Public Offerings*) of NI 52-110

c) the exemption is 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 the Instrument in whole or in part, granted under Part 8 of NI 52-110.

Audit Committee Oversight

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

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 auditors 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 & Touche LLP, Chartered Accountants, and its affiliates for professional services in each of the years ended December 31, 2010 and December 31, 2009, respectively.

Category	**Year ended December 31, 2010**	**Year ended December 31, 2009**
Audit Fees	$419,500	$417,895
Audit-Related Fees	-	-
Tax Fees	$31,250	$145,910
All Other Fees	-	-

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 the AIF, a director or executive officer of the 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;

  (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 the 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. See "Interest of Management and Others in Material Transactions".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

In November 2007, an action was commenced by the Company and First Silver against Hector Davila Santos and Minera Arroyo Del Agua, S.A. de C.V. in the British Columbia Supreme Court (the "Court") whereby the Company and First Silver allege that while holding the positions of director, President and Chief Executive Officer and Chairman of the Board of First Silver, Mr. Davila Santos engaged in a course of deceitful and dishonest conduct in breach of his fiduciary and statutory duties owed to First Silver, which resulted in First Silver not acquiring the Bolaños Mine from Grupo México. Management believes that there are substantial grounds to this claim; however, the outcome of this litigation is not presently determinable.

As disclosed above under "General Development of the Business – History", pursuant to a share purchase agreement dated April 3, 2006, the Company purchased 24,649,200 common shares of First Silver from Hector Davila Santos at a price of $2.165 per share for an aggregate purchase price of $53,365,519 payable in cash to Mr. Davila Santos in three installments. The first installment of $26,682,757 represented 50% of the purchase price and was paid on May 30, 2006. An additional installment of $13,341,380, representing 25% of the purchase price was paid on May 30, 2007. A final installment of $13,341,380 was payable on May 30, 2008. Simple interest at 6% per annum was payable quarterly on the outstanding installment.

On March 14, 2008, the Defendant filed a Counterclaim in the action against the Company in which he claimed for unpaid amounts and interest arising out of the agreement between the Company and the Defendant under which the Company acquired the Defendant's shares (approximately 24,649,200 shares) in First Silver. As of July 16, 2009, the claimed unpaid amount together with the contractual interest rate of 6% amounted to $14,881,912. This amount was partly secured by a Letter of Credit posted in Court by First Majestic in the sum of $14,485,760.

On July 16, 2009, an Order was granted by the Court, with the consent of all parties, under which the Defendant obtained a judgment in the amount of $14,881,912. The Company agreed to pay out $14,258,332 from the Letter of Credit to the Defendant's lawyer's trust account (the "Trust Funds") in partial payment of the Judgment. The remaining $227,420 from the Letter of Credit was paid out to the Company. The Consent Order requires that the Trust Funds be held pending the outcome of the action. If the trial has not commenced by May 30, 2012, the Trust Funds can be released on that date to the Defendant, unless otherwise ordered by the court. At the present time, the trial is scheduled to commence in the Supreme Court of British Columbia, Vancouver, British Columbia on April 17, 2012. The Consent Order does not affect the standing of the Company's claims for relief against the Defendant in the action.

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, 2010.

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 with a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2010.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, senior officer, principal holder of securities or any associate or affiliate thereof of the Company has any interest, directly or indirectly, in material transactions with the Company within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect 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.

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 & Touche LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock Allen & Holt prepared technical reports on the Company's mining properties. To management's knowledge, Mr. Addison and Mr. Lopez 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).

Mr. Ramon Davila supervised the preparation of certain technical information set forth herein relating to the Company's mineral properties. Mr. Davila is a director and Chief Operating Officer of the Company and holds securities of the Company as set forth under the heading "Directors and Officers" above.

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 equity compensation plans, 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 MD&A for the year ended December 31, 2010 which may be obtained upon request from First Majestic's head office, or may be viewed on the Company's website (www.firstmajestic.com) or on the SEDAR website (www.sedar.com).

APPENDIX "A" TO THE ANNUAL INFORMATION FORM OF

FIRST MAJESTIC SILVER CORP.

(the "Company")

AUDIT COMMITTEE MANDATE

1. MANDATE

The primary mandate of the audit committee (the "**Audit Committee**") of the Board of Directors (the "**Board**") of the Company is to assist the Board in overseeing the Company's financial reporting and disclosure. This oversight includes:

a. reviewing the financial statements and financial disclosure that is provided to shareholders and disseminated to the public;

b. ascertaining that management has implemented the systems of internal controls to ensure integrity in the financial reporting of the Company; and

c. monitoring the independence and performance of the Company's external auditors and reporting directly to the Board on the work of the external auditors.

2. COMPOSITION AND ORGANIZATION OF THE COMMITTEE

a. The Audit Committee must have at least three directors.

b. The majority of the Audit Committee members must be independent. A member of the Audit Committee is independent if the member has no direct or indirect material relationship with an issuer. A material relationship means a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgment.

c. Every Audit Committee member must be financially literate. Financial literacy is the ability to read and understand a set of financial statements that present a breath and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

d. The Board will appoint from themselves the members of the Audit Committee on an annual basis for one year terms. Members may serve for consecutive terms.

e. The Board will also appoint a chair of the Audit Committee (the "**Chair of the Audit Committee**") for a one year term. The Chair of the Audit Committee may serve as the chair of the committee for any number of consecutive terms.

f. A member of the Audit Committee may be removed or replaced at any time by the Board. The Board will fill any vacancies in the Audit Committee by appointment from among members of the Board.

3. MEETINGS

a. The Audit Committee will meet at least four (4) times per year. Special meetings may be called by the Chair of the Audit Committee as required.

b. Quorum for a meeting of the Audit Committee will be two (2) members in attendance.

c. Members may attend meetings of the Audit Committee by teleconference, videoconference, or by similar communication equipment by means of which all persons participating in the meeting can communicate with each other.

d. The Audit Committee Chair will set the agenda for each meeting, after consulting with management and the external auditor. Agenda materials such as draft financial statements must be circulated to Audit Committee members for members to have a reasonable time to review the materials prior to the meeting.

e. Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the committee. Minutes of each meeting must be distributed to members of the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.

4. RESPONSIBILITIES OF THE COMMITTEE

The Audit Committee will perform the following duties:

External Auditor

a. select, evaluate and recommend to the Board, for shareholder approval, the external auditor to examine the Company's accounts, controls and financial statements;

b. evaluate, prior to the annual audit by external auditors, the scope and general extent of their review, including their engagement letter, and the compensation to be paid to the external auditors and recommend such payment to the Board;

c. obtain written confirmation from the external auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs;

d. recommend to the Board, if necessary, the replacement of the external auditor;

e. meet at least annually with the external auditors, independent of management, and report to the Board on such meetings;

f. pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services;

Financial Statements and Financial Information

a. review and discuss with management and the external auditor the annual audited financial statements of the Company and recommend their approval by the Board;

b. review and discuss with management, the quarterly financial statements and recommend their approval by the Board;

c. review and recommend to the Board for approval the financial content of the annual report;

d. review the process for the certification of financial statements by the Chief Executive Officer and Chief Financial Officer; review the Company's management discussion and analysis, annual and interim earnings or financial disclosure press releases, and audit committee reports before the Company publicly discloses this information;

e. review annually with external auditors, the Company's accounting principles and the reasonableness of managements judgments and estimates as applied in its financial reporting;

f. review and consider any significant reports and recommendations issued by the external auditor, together with management's response, and the extent to which recommendations made by the external auditors have been implemented;

Risk Management, Internal Controls and Information Systems

g. review with the external auditors and with management, the general policies and procedures used by the Company with respect to internal accounting and financial controls;

h. review adequacy of security of information, information systems and recovery plans (this should include reference to the backups in place for the computers, locks on cabinets, etc.);

i. review management plans regarding any changes in accounting practices or policies and the financial impact thereof;

j. review with the 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;

k. discuss with management and the external auditor correspondence with regulators, employee complaints, or published reports that raise material issues regarding the Company's financial statements or disclosure;

l. assisting management to identify the Company's principal business risks;

m. review the Company's insurance, including directors' and officers' coverage, and provide recommendations to the Board;

Other

n. conduct special reviews and/or other assignments from time to time as requested by the Board or the Chief Executive Officer.

5. PROCESS FOR HANDLING COMPLAINTS REGARDING FINANCIAL MATTERS

The Audit Committee shall establish a procedure for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, financial reporting, or auditing matters.

The Audit Committee shall ensure that any procedure for receiving complaints regarding accounting, internal controls, financial reporting, or auditing matters will allow the confidential and anonymous submission of concerns by employees, consultants and/or contractors.

6. REPORTING

The Audit Committee will report to the Board on:

a. the external auditor's independence;

b. the performance of the external auditor and the Audit Committee's recommendations;

c. regarding the reappointment or termination of the external auditor;

d. the adequacy of the Company's internal controls and disclosure controls;

e. the Audit Committee's review of the annual and interim financial statements;

f. the Audit Committee's review of the annual and interim management discussion and analysis;

g. the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company; and

h. all other material matters dealt with by the Audit Committee.

7. AUTHORITY OF THE COMMITTEE

a. The Audit Committee will have the resources and authority appropriate to discharge its duties and responsibilities. The Audit Committee may at any time retain outside financial, legal or other advisors at the expense of the Company without approval of management.

b. The external auditor will report directly to the Audit Committee.

8. EFFECTIVE DATE

This Mandate was implemented by the Board on December 21, 2006.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2010

Suite 1805, 925 West Georgia Street, 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 RESPONSIBILITY FOR 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 accounting principles generally accepted in Canada 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 & Touche LLP and their report outlines the scope of their examination and gives their opinion on the financial statements.

"Keith Neumeyer"

Keith Neumeyer
President & CEO
February 25, 2011

"Raymond Polman"

Raymond Polman, CA
Chief Financial Officer
February 25, 2011

Report of Independent Registered Chartered Accountants

To the 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 balance sheets as at December 31, 2010 and December 31, 2009, and the consolidated statements of income, shareholders' equity and comprehensive income (loss) and 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 Canadian generally accepted accounting principles, 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 but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. 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, 2010 and December 31, 2009 and the results of their operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants
February 25, 2011
Vancouver, Canada

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2010 AND 2009
(Expressed in Canadian dollars)

	December 31, 2010 $	December 31, 2009 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	40,940,704	5,889,793
Accounts receivable	2,733,582	2,174,848
Other receivables (Note 5)	5,580,961	6,624,200
Inventories (Note 6)	8,604,399	3,812,460
Prepaid expenses and other (Note 7)	1,918,736	1,467,759
Future income tax (Note 15)	2,310,559	-
TOTAL CURRENT ASSETS	**62,088,941**	**19,969,060**
MINING INTERESTS AND PLANT AND EQUIPMENT (Note 8)		
Producing properties	65,902,274	57,144,477
Exploration properties	113,931,240	109,255,696
Plant and equipment	75,902,712	60,388,530
	255,736,226	226,788,703
CORPORATE OFFICE EQUIPMENT (Note 8)	491,918	409,281
DEPOSITS ON LONG-TERM ASSETS	2,412,556	4,306,419
FUTURE INCOME TAX (Note 15)	738,379	-
TOTAL ASSETS	**321,468,020**	**251,473,463**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	12,190,647	11,202,381
Unearned revenue on silver bullion sales	97,804	158,147
Current portion of capital lease obligations (Note 10)	1,239,939	2,139,352
Income and other taxes payable	437,674	117,844
Current portion of debt facilities (Note 9)	-	1,546,612
TOTAL CURRENT LIABILITIES	**13,966,064**	**15,164,336**
CAPITAL LEASE OBLIGATIONS (Note 10)	2,317,575	668,284
FUTURE INCOME TAXES (Note 15)	42,373,025	28,417,011
OTHER LONG TERM LIABILITIES (Note 8(b) and 11)	888,259	753,657
ASSET RETIREMENT OBLIGATIONS (Note 12)	6,104,302	4,336,088
LONG-TERM PORTION OF DEBT FACILITIES (Note 9)	-	3,213,487
TOTAL LIABILITIES	**65,649,225**	**52,552,863**
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 13(a))	265,504,530	244,241,006
SHARE CAPITAL TO BE ISSUED (Note 13(d))	274,075	276,495
CONTRIBUTED SURPLUS	27,952,397	27,808,671
ACCUMULATED OTHER COMPREHENSIVE LOSS	(40,850,494)	(40,238,914)
RETAINED EARNINGS (DEFICIT)	2,938,287	(33,166,658)
TOTAL SHAREHOLDERS' EQUITY	**255,818,795**	**198,920,600**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**321,468,020**	**251,473,463**

CONTINGENT LIABILITIES (Note 19)
COMMITMENTS (Note 20)

(signed) Keith Neumeyer Director ***(signed) Douglas Penrose*** Director

The accompanying notes are an integral part of these consolidated financial statements

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Expressed in Canadian dollars, except share amounts)

	Year Ended December 31,	
	2010	**2009**
	$	**$**
Revenues (Note 14)	120,765,361	59,510,669
Cost of sales	49,834,491	34,351,853
Depletion, depreciation and amortization	9,383,782	6,252,774
Accretion of reclamation obligation (Note 12)	375,672	445,090
Mine operating earnings	**61,171,416**	**18,460,952**
General and administrative	10,787,267	8,089,087
Stock-based compensation (Note 13(b))	4,548,633	3,302,780
Write-down of mineral properties (Note 8(f))	-	2,589,824
	15,335,900	13,981,691
Operating income	**45,835,516**	**4,479,261**
Interest and other expenses	(1,863,640)	(2,101,862)
Investment and other income	3,022,113	1,129,527
Impairment of marketable securities	-	(390,467)
Foreign exchange gain (loss)	18,030	(36,426)
Income before taxes	47,012,019	3,080,033
Income tax expense - current (Note 15)	448,027	85,786
Income tax expense (recovery) - future (Note 15)	10,459,047	(3,315,978)
	10,907,074	(3,230,192)
NET INCOME FOR THE YEAR	**36,104,945**	**6,310,225**
EARNINGS PER COMMON SHARE		
BASIC	**$ 0.39**	**$ 0.08**
DILUTED	**$ 0.37**	**$ 0.07**
WEIGHTED AVERAGE SHARES OUTSTANDING		
BASIC	**93,587,581**	**83,389,253**
DILUTED	**98,857,498**	**85,913,487**

The accompanying notes are an integral part of these consolidated financial statements

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Expressed in Canadian dollars, except share amounts)

	Share Capital			Contributed Surplus	Accumulated Other Comprehensive Loss ("AOCL")	Retained Earnings (Deficit)	Total AOCL and Deficit	Total
	Shares	Amount $	To be issued $	$	$	$	$	$
Balance at December 31, 2008	73,847,810	196,648,345	276,495	23,297,258	(23,216,390)	(39,476,883)	(62,693,273)	157,528,825
Net income	-	-	-	-	-	6,310,225	6,310,225	6,310,225
Other comprehensive loss:								
Translation adjustment	-	-	-	-	(17,411,904)	-	(17,411,904)	(17,411,904)
Impairment of marketable securities	-	-	-	-	390,467	-	390,467	390,467
Unrealized loss on marketable securities	-	-	-	-	(1,087)	-	(1,087)	(1,087)
Total comprehensive loss							(10,712,299)	(10,712,299)
Shares issued for:								
Exercise of options	36,250	68,838	-	-	-	-	-	68,838
Exercise of warrants	50,000	165,000	-	-	-	-	-	165,000
Public offering, net of issue costs (Note 13(a)(i))	8,487,576	18,840,890	-	848,758	-	-	-	19,689,648
Private placements, net of issue costs (Note 13(a)(ii))	4,167,478	9,051,069	-	389,000	-	-	-	9,440,069
Debt settlements (Note 13(a)(iii))	1,191,852	2,741,260	-	-	-	-	-	2,741,260
Acquisition of Normabec (Note 18)	4,867,778	16,696,479	-	-	-	-	-	16,696,479
Stock option expense during the year	-	-	-	3,302,780	-	-	-	3,302,780
Transfer of contributed surplus upon exercise of stock options	-	29,125	-	(29,125)	-	-	-	-
Balance at December 31, 2009	**92,648,744**	**244,241,006**	**276,495**	**27,808,671**	**(40,238,914)**	**(33,166,658)**	**(73,405,572)**	**198,920,600**
Net income	-	-	-	-	-	36,104,945	36,104,945	36,104,945
Other comprehensive income:								
Translation adjustment	-	-	-	-	(686,277)	-	(686,277)	(686,277)
Unrealized gain on marketable securities	-	-	-	-	74,697	-	74,697	74,697
Total comprehensive income							35,493,365	35,493,365
Shares issued for:								
Exercise of options	3,573,125	11,295,994	-	-	-	-	-	11,295,994
Exercise of warrants	1,185,250	4,045,975	-	-	-	-	-	4,045,975
Acquisition of assets at Real de Catorce (Note 8(e))	152,798	1,514,228	-	-	-	-	-	1,514,228
Conversion of shares to be issued (Note 13(d))	500	2,420	(2,420)	-	-	-	-	-
Stock option expense during the year	-	-	-	4,548,633	-	-	-	4,548,633
Transfer of contributed surplus upon exercise of stock options and warrants	-	4,404,907	-	(4,404,907)	-	-	-	-
Balance at December 31, 2010	**97,560,417**	**265,504,530**	**274,075**	**27,952,397**	**(40,850,494)**	**2,938,287**	**(37,912,207)**	**255,818,795**

The accompanying notes are an integral part of these consolidated financial statements

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Expressed in Canadian dollars)

	Year Ended December 31,	
	2010	**2009**
	$	**$**
OPERATING ACTIVITIES		
Net income for the year	36,104,945	6,310,225
Adjustment for items not affecting cash		
Depletion, depreciation and amortization	9,383,782	6,252,774
Stock-based compensation	4,548,633	3,302,780
Accretion of reclamation obligation	375,672	445,090
Other income from derivative financial instruments	(3,007,199)	(1,002,780)
Future income tax provision (recovery)	10,459,047	(3,315,978)
Unrealized foreign exchange loss and other	489,228	566,553
Write-down of mineral properties	-	2,589,824
Write-down of marketable securities	-	390,467
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable and other receivables	484,505	(960,183)
Decrease (increase) in inventories	(4,791,939)	365,964
Decrease (increase) in prepaid expenses and other	(446,354)	(1,144,849)
Increase (decrease) in accounts payable and accrued liabilities	4,508,651	(5,813,014)
Increase (decrease) in unearned revenue	(60,343)	47,889
Increase (decrease) in income and other taxes payable	319,830	(89,190)
Decrease in vendor liability on mineral property	-	(1,242,543)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**58,368,458**	**6,703,029**
INVESTING ACTIVITIES		
Additions to plant and equipment (net of accruals)	(18,573,718)	(19,861,580)
Expenditures on mineral property interests (net of accruals)	(15,766,402)	(14,025,158)
Realized gain on derivative financial instruments	3,007,199	1,002,780
Proceeds from sale of marketable securities	108,062	-
Increase of deposits on long-term assets	(2,412,556)	(2,508,617)
Investment in marketable securities	(25,000)	(300,000)
Net proceeds from pre-commercial operation	2,101,124	496,371
Acquisition of Normabec, less cash acquired	-	(531,419)
Decrease in silver futures contract deposits	-	352,383
Payment of restricted cash into trust account	-	(14,258,332)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(31,561,291)**	**(49,633,572)**
FINANCING ACTIVITIES		
Issuance of common shares and warrants, net of issue costs	-	29,129,717
Issuance of common shares on exercise of stock options and warrants	15,341,969	233,838
Payment of capital lease obligations	(2,172,366)	(2,708,513)
Proceeds from (repayment of) prepayment facility	(450,940)	415,632
Proceeds from (repayment of) debt facilities	(4,309,159)	4,309,159
Repayment of other long-term liabilities	(40,272)	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	**8,369,232**	**31,379,833**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**35,176,399**	**(11,550,710)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCY	**(125,488)**	**16,380**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	**5,889,793**	**17,424,123**
CASH AND CASH EQUIVALENTS - END OF YEAR	**40,940,704**	**5,889,793**
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash	34,762,355	5,296,059
Short term deposits	6,178,349	593,734
	40,940,704	5,889,793
Interest paid	713,391	636,950
Income taxes paid	327,871	-

NON-CASH FINANCING AND INVESTING ACTIVITIES (NOTE 21)

The accompanying notes are an integral part of these consolidated financial statements

1. DESCRIPTION OF BUSINESS

First Majestic Silver Corp. (the "Company" or "First Majestic") is in the business of silver production and the development, exploration, and acquisition of mineral properties with a focus on silver production in Mexico. The Company's shares trade on the New York Stock Exchange under the symbol "AG" and the shares and warrants trade on the Toronto Stock Exchange under the symbols "FR" and "FR.WT.B", respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant differences from accounting principles generally accepted in the United States ("US GAAP") are discussed in Note 23.

The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries: Corporación First Majestic, S.A. de C.V. ("CFM"), First Silver Reserve Inc. ("First Silver") and Normabec Mining Resources Ltd. ("Normabec") as well as its indirect wholly-owned subsidiaries: First Majestic Plata, S.A. de C.V. ("First Majestic Plata"), Minera El Pilon, S.A. de C.V. ("El Pilon"), Minera La Encantada, S.A. de C.V. ("La Encantada"), Majestic Services S.A. de C.V. ("Majestic Services"), Minera Real Bonanza, S.A. de C.V. ("MRB") and Servicios Minero-Metalurgicos de Industriales, S.A. de C.V. ("Servicios"). First Silver underwent a wind up and distribution of its assets and liabilities to the Company in December 2007 but First Silver has not been dissolved for legal purposes pending the outcome of litigation described in Note 17. Intercompany balances and transactions are eliminated on consolidation. The Company has determined that it has no variable interest entities.

Measurement Uncertainties

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Significant areas where management judgment is applied include the expected economic lives and the future operating results and net cash flows expected to result from exploitation of resource properties and related assets, the amount of proven and probable mineral reserves, accounting for income tax provisions, stock-based compensation, the determination of the fair value of assets acquired in business combinations and the amount of future site reclamation costs and asset retirement obligations. Actual results could differ from those reported.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market instruments with terms to maturity not exceeding 90 days at date of issue. The Company does not believe it is exposed to significant credit or interest rate risk although cash and cash equivalents are held in excess of federally insured limits with major financial institutions.

Inventories

Finished product inventories of silver doré and silver, lead and zinc concentrates, and silver coins and bullion, as well as ore in process and stockpile (unprocessed ore) are valued at the lower of cost and net realizable value. Cost is determined as the average production cost of saleable silver and metal by-products. Materials and supplies are valued at the lower of cost and net replacement cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Property Interests

Mineral property costs and exploration, development and field support costs directly related to mineral properties 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 estimated 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. Borrowing costs incurred that are attributable to acquiring or developing plant and equipment and constructing new facilities are capitalized and included in the carrying amounts of related assets until mining properties and facilities are ready for their intended use.

The acquisition, development and deferred exploration costs are depleted on a units-of-production basis over the estimated economic life of the ore body following commencement of production.

The Company reviews and evaluates its mining properties for impairment at least annually or when events and changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. Estimated undiscounted future net cash flows for properties in which a mineral resource has been identified are calculated using estimated future production, commodity prices, operating and capital costs and reclamation and closure costs. Undiscounted future cash flows for exploration stage mineral properties are estimated by reference to the timing of exploration and development work, work programs proposed, the exploration results achieved to date and the likely proceeds receivable if the Company sold specific properties to third parties. If it is determined that the future net cash flows from a property are less than the carrying value, then an impairment loss is recorded to write down the property to fair value.

The carrying value of exploration stage mineral property interests represent costs incurred to date. The Company is in the process of exploring its other mineral property interests and has not yet determined whether they contain ore reserves that are economically recoverable. Accordingly, the recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain or generate the necessary funds to complete their exploration and development, and upon future profitable production.

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. Management is not aware of any such agreements, transfers or defects.

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 and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment at least annually, and when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use or disposal. In the event that a long-lived asset is determined to be impaired, the amount by which the carrying value exceeds its fair value is charged to earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Retirement Obligations and Reclamation Costs

Future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are recognized and recorded as a liability at fair value at the date the liability is incurred. The liability is accreted over time to the amount ultimately payable through periodic charges to earnings. Future site restoration costs are capitalized as part of the carrying value of the related mineral property at their initial value and amortized over the mineral property's useful life based on a units-of-production method.

Translation of Foreign Currencies

The functional currency of the Company, the parent entity, is the Canadian dollar. The accounts of our self-sustaining foreign operations are translated at year end exchange rates, and revenues and expenses 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.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases (temporary differences), using substantively enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

Plant and Equipment

Plant and equipment are recorded at cost less accumulated depreciation. Amortization of plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset, not exceeding the estimated life of mine. Amortization of construction in progress costs commence when the related asset is complete, ready for use, and utilized in commercial production.

Revenue Recognition

Revenue from the sale of silver, lead and zinc is recognized when title transfers to the customer (which generally occurs when the goods have been delivered to a contractually agreed location) when collection is reasonably assured, and when the price is reasonably determinable. Revenue is recorded in the statement of operations net of relevant smelting and refining treatment costs. Revenue from the sale of silver is subject to adjustment upon final settlement of estimated weights and assays. Silver metal prices are established upon delivery and do not require settlement changes. By-product revenues are included as a component of net sales revenues.

When cash has been received from customers prior to shipping their ordered silver coins, ingots and bullion products, the amounts are recorded as unearned revenue until the products are shipped.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings Per Share

Basic earnings per share is computed by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method in which the assumed proceeds of dilutive convertible securities are used to purchase the Company's common shares at their average market price for the period.

Stock-based Compensation

The Company uses the fair value method for recording compensation for all stock option awards made to directors, employees and non-employees. The stock-based compensation expense is determined as the fair value of the stock option at the date of grant and is calculated using the Black-Scholes Option Pricing Model. The contributed surplus balance is reduced as the options are exercised and the amount initially recorded is transferred to share capital. The effect of forfeitures of stock-based compensation is recorded as an adjustment to stock-based compensation expense in the period the option is forfeited.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions other than changes related to transactions with owners. OCI includes unrealized gains and losses on financial assets classified as available-for-sale, changes in the fair value of the effective portion of derivative instruments included in cash flow hedges and currency translation adjustments on the Company's net investment in self-sustaining foreign operations.

Cumulative changes in OCI are included in accumulated other comprehensive loss ("AOCL").

Financial Instruments – Recognition and Measurement and Hedges

Financial assets and liabilities, including derivatives, are recognized on the Company's consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For financial instruments classified as other than held-for-trading, transaction costs are added to the carrying amount of the financial asset or liability on initial recognition and, for loans and receivables, are amortized using the effective interest method.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in the consolidated statements of income.

Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial assets are presented in prepaid expenses and other assets in the Company's consolidated balance sheet and measured at fair value with unrealized gains and losses recognized in OCI.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments – Recognition and Measurement and Hedges(continued)

Other than temporary losses on available-for-sale, financial assets are recognized in the consolidated statements of income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

The Company may periodically use commodity contracts to manage exposure to fluctuations in commodity prices. Derivative financial instruments are recorded on the Company's balance sheet at their fair values with changes in fair values recorded in the results of operations during the period in which the change occurred.

The Company has designated its financial assets and liabilities as follows:

Cash and cash equivalents	*Held-for-trading*
Marketable securities	*Available-for-sale*
Accounts receivable and other receivables	*Loans and receivables*
Derivative financial instruments	*Held-for-trading*
Accounts payable and accrued liabilities	*Other financial liabilities*
Debt facilities	*Other financial liabilities*

Changes in Accounting Policies

Business Combinations, Consolidations and Non-controlling Interests
The CICA has approved new Handbook Section 1582, "Business Combinations", Section 1601 "Consolidations" and Section 1602 "Non-controlling Interests" to harmonize with International Financial Reporting Standards ("IFRS"). These new sections will be effective for years beginning on or after January 1, 2011, with early adoption permitted. Section 1582 specifies a number of changes including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The Company has adopted these new standards effective January 1, 2010 and they have not had a material impact on the Company.

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")
In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for public companies to commence using IFRS, replacing Canada's own GAAP. The transition date is January 1, 2011, and relates to interim and annual financial statements on or after January 1, 2011. The transition will require the restatement for comparative purposes of amounts reported by the Company for all reporting periods beginning after January 1, 2010.

3. MANAGEMENT OF CAPITAL RISK

The Company's objective when managing capital is to maintain its ability to continue as a going concern while at the same time maximizing growth of its business and providing returns on its shareholders' investments. The Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2009.

3. MANAGEMENT OF CAPITAL RISK (continued)

The capital of the Company consists of debt facilities and shareholders' equity, comprising issued capital, share capital to be issued, contributed surplus, retained earnings and accumulated other comprehensive loss, net of cash and cash equivalents as follows:

	December 31, 2010 $	December 31, 2009 $
Shareholders' Equity	255,818,795	198,920,600
Debt facilities	-	4,760,099
	255,818,795	203,680,699
Less: cash and cash equivalents	(40,940,704)	(5,889,793)
	214,878,091	**197,790,906**

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Company's Board of Directors.

The Company's investment policy is to invest its cash in highly liquid short term interest bearing investments with maturities of 90 days or less, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that the capital resources available to it will be sufficient to carry out its development plans and operations for at least the next twelve months, provided there are no materially adverse developments with commodity prices during this period.

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.

As at December 31, 2010 and 2009, the carrying and fair values of our financial instruments by category are as follows:

	December 31, 2010		December 31, 2009	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Held for trading				
Cash and cash equivalents	40,940,704	40,940,704	5,889,793	5,889,793
Loans and receivables				
Accounts and other receivables	8,314,543	8,314,543	8,799,048	8,799,048
Available for sale				
Marketable securities	355,027	355,027	387,425	387,425
Total financial assets	**49,610,274**	**49,610,274**	**15,076,266**	**15,076,266**
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	12,190,647	12,190,647	11,202,381	11,202,381
Debt facilities	-	-	4,760,099	4,760,099
Total financial liabilities	**12,190,647**	**12,190,647**	**15,962,480**	**15,962,480**

4. FINANCIAL INSTRUMENTS AND RISKS

Fair Value Hierarchy

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.

	December 31, 2010			
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Financial assets				
Held for trading				
Cash and cash equivalents	40,940,704	-	-	40,940,704
Available for sale				
Marketable securities (1)	355,027	-	-	355,027

(1) Marketable securities are valued based on unadjusted quoted prices for identical assets in an active market obtained from securities exchanges.

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 cash and cash equivalents, trade receivables in the ordinary course of business and value added tax and other receivables. The Company sells and receives payment upon delivery of its silver doré and its by-products primarily through two international organizations. Additionally, silver concentrates and related base metal by-products are sold primarily through one international organization with a good credit rating. Payments of receivables are scheduled, routine and received within sixty days of submission; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is not significant. The Company has a Mexican value added tax receivable of $4.6 million as at December 31, 2010, a portion of which is past due. The Company is proceeding through a review process with Mexican tax authorities. However, the Company expects to fully recover these amounts and no allowance has been recorded.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company believes it is not exposed to significant credit risk and overall, the Company's credit risk has not changed significantly from the prior year.

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 to support its expansion plans. As at December 31, 2010, the Company has no outstanding debt except for capital leases secured by purchased equipment.

The Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next twelve months.

4. FINANCIAL INSTRUMENTS AND RISKS (continued)

Liquidity Risk (continued)

The Company's liabilities have contractual maturities the carrying values of which are summarized below:

	Payments Due By Period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Office Lease	289,500	231,600	57,900	-	-
Capital Lease Obligations	3,557,514	1,239,939	1,637,223	680,352	-
Asset Retirement Obligations	6,104,302	-	-	-	6,104,302
Accounts Payable and Accrued Liabilities	12,190,647	12,190,647	-	-	-
Total Contractual Obligations	22,141,963	13,662,186	1,695,123	680,352	6,104,302

Currency Risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include Mexican peso denominated cash and cash equivalents, accounts receivable, accounts payable and loans payable. The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the US dollar, Mexican peso and the Canadian dollar is included in the table below.

	December 31, 2010				
Balances in CAD$	**Cash and cash equivalents**	**Accounts and other receivable**	**Accounts and other payables**	**Net assets (liabilities) exposure**	**Effect of +/- 10% change in currency**
	$	**$**	**$**	**$**	**$**
U.S. dollar	23,257,889	2,729,853	(2,391,757)	23,595,984	2,359,598
Mexican peso	53,940	5,494,096	(5,058,803)	489,233	54,359
	23,311,828	**8,223,949**	**(7,450,561)**	**24,085,216**	**2,413,957**

Commodity Price Risk

Commodity price risk is the risk that movements in the spot price of silver have a direct and immediate impact on the Company's income or the value of its related financial instruments. The Company also derives by-product revenue from the sale of gold and lead, which accounts for less than 5% of the Company's gross revenue. The Company's sales levels are directly dependent on commodity prices that have shown significant volatility and which are beyond the Company's control. The Company uses derivative instruments to hedge its commodity price risk for a short term period, not exceeding one month of production. There were no derivatives outstanding as at December 31, 2010.

As at December 31, 2010, based on unsettled silver ounces sold by the Company that is subject to market price adjustments, a 10% increase or decrease of silver price at December 31, 2010 would result in an increase or decrease, respectively, of our accounts receivable and net revenue by $0.2 million.

Interest Rate Risk

The Company is exposed to interest rate risk on its short term investments. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk.

4. FINANCIAL INSTRUMENTS AND RISKS (continued)

Interest Rate Risk (continued)

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, 2010, with the exception of capital leases, which have fixed interest rates, the Company has no interest bearing financial liabilities.

Based on the Company's interest rate exposure at December 31, 2010, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact in net earnings.

5. OTHER RECEIVABLES

Details of the components of other receivables are as follows:

	December 31, 2010 $	December 31, 2009 $
Value added taxes recoverable	3,979,085	4,066,074
Other taxes and value added taxes on accounts payable	1,291,626	2,072,442
Loan receivable and other	310,250	485,684
	5,580,961	**6,624,200**

6. INVENTORIES

Inventories consist of the following:

	December 31, 2010 $	December 31, 2009 $
Finished product - doré and concentrates	1,813,478	343,990
Ore in process	1,226,394	463,549
Stockpile	954,198	387,836
Materials and supplies	4,217,330	2,343,823
Silver coins and bullion including in process shipments	392,999	273,262
	8,604,399	**3,812,460**

The amount of inventory recognized as expense during the year is equivalent to the cost of sales for the year.

7. PREPAID EXPENSES AND OTHER

Details of prepaid expenses and other are as follows:

	December 31, 2010 $	December 31, 2009 $
Prepayments to suppliers and contractors	1,328,646	865,298
Deposits	235,063	215,036
Marketable securities	355,027	387,425
	1,918,736	**1,467,759**

8. MINING INTERESTS AND PLANT AND EQUIPMENT

Mining interests and plant and equipment, net of accumulated depreciation and depletion, are as follows:

	December 31, 2010			December 31, 2009		
	Cost $	Accumulated Depreciation, Depletion and Amortization $	Net Book Value $	Cost $	Accumulated Depreciation, Depletion and Amortization $	Net Book Value $
Mining interests	201,555,376	21,721,862	179,833,514	183,585,673	17,185,500	166,400,173
Plant and equipment	89,157,527	13,254,815	75,902,712	69,026,387	8,637,857	60,388,530
	290,712,903	**34,976,677**	**255,736,226**	**252,612,060**	**25,823,357**	**226,788,703**

A summary of the net book value of mining properties is as follows:

	December 31, 2010			December 31, 2009		
MEXICO	Cost $	Accumulated Depletion and Amortization $	Net Book Value $	Cost $	Accumulated Depletion and Amortization $	Net Book Value $
Producing properties						
La Encantada (a)	18,888,198	5,087,307	13,800,891	13,055,900	2,886,830	10,169,070
La Parrilla (b)	27,894,687	3,513,898	24,380,789	22,371,850	3,009,041	19,362,809
San Martin (c)	40,841,251	13,120,657	27,720,594	38,902,227	11,289,629	27,612,598
	87,624,136	**21,721,862**	**65,902,274**	**74,329,977**	**17,185,500**	**57,144,477**
Exploration properties						
La Encantada (a)	3,049,450	-	3,049,450	2,467,451	-	2,467,451
La Parrilla (b)	7,851,668	-	7,851,668	7,625,168	-	7,625,168
San Martin (c)	67,825,354	-	67,825,354	65,931,244	-	65,931,244
Del Toro (d)	12,466,106	-	12,466,106	11,855,627	-	11,855,627
Real de Catorce (e)	22,738,662	-	22,738,662	21,376,206	-	21,376,206
	113,931,240	**-**	**113,931,240**	**109,255,696**	**-**	**109,255,696**
	201,555,376	**21,721,862**	**179,833,514**	**183,585,673**	**17,185,500**	**166,400,173**

8. MINING INTERESTS AND PLANT AND EQUIPMENT(continued)

A summary of plant and equipment is as follows:

	December 31, 2010			December 31, 2009		
	Cost $	Accumulated Depreciation $	Net Book Value $	Cost $	Accumulated Depreciation $	Net Book Value $
La Encantada Silver Mine	54,041,339	4,556,261	49,485,078	42,001,694	1,954,699	40,046,995
La Parrilla Silver Mine	22,275,429	5,298,865	16,976,564	17,228,300	3,792,818	13,435,482
San Martin Silver Mine	11,501,455	3,361,671	8,139,784	9,751,407	2,889,290	6,862,117
Real de Catorce Silver Project	1,339,304	38,018	1,301,286	44,986	1,050	43,936
Used in Mining Operations	**89,157,527**	**13,254,815**	**75,902,712**	**69,026,387**	**8,637,857**	**60,388,530**
Corporate office equipment	1,096,160	604,242	491,918	767,782	358,501	409,281
	90,253,687	**13,859,057**	**76,394,630**	**69,794,169**	**8,996,358**	**60,797,811**

Details of plant and equipment and corporate office equipment by specific assets are as follows:

	December 31, 2010			December 31, 2009		
	Cost $	Accumulated Depreciation $	Net Book Value $	Cost $	Accumulated Depreciation $	Net Book Value $
Land	3,331,012	-	3,331,012	2,279,494	-	2,279,494
Automobile	734,870	238,871	495,999	401,056	204,920	196,136
Buildings	11,717,679	958,289	10,759,390	5,918,355	578,177	5,340,178
Machinery and equipment	67,669,464	11,410,207	56,259,257	26,154,678	7,311,470	18,843,208
Computer equipment	1,131,312	532,472	598,840	560,018	279,783	280,235
Office equipment	656,523	487,535	168,988	577,215	460,070	117,145
Leasehold improvements	332,483	231,683	100,800	320,304	161,938	158,366
Construction in progress (1)(2)	4,680,344	-	4,680,344	33,583,049	-	33,583,049
	90,253,687	**13,859,057**	**76,394,630**	**69,794,169**	**8,996,358**	**60,797,811**

(1) Construction in progress includes $850,361 relating to La Encantada, $1,891,503 relating to La Parrilla and $1,938,480 relating to San Martin (December 31, 2009 - $31,283,949 relating to La Encantada, $535,604 relating to La Parrilla and $1,763,496 relating to San Martin).

(2) On April 1, 2010, the La Encantada mill expansion project was commissioned. Prior to April 1, 2010, the net amount of revenues less production costs of $2,770,596 (December 31, 2009 - $496,371) in connection with the sale of 316,680 silver equivalent ounces (December 31, 2009 – 54,277 silver equivalent ounces) in the form of precipitates during the pre- operating period from November 19, 2009 to March 31, 2010 were offset to construction in progress.

(a) La Encantada Silver Mine, Coahuila State

The La Encantada Silver Mine is a producing underground mine located in Northern Mexico accessible via a 1.5 hour flight from Torreon, Coahuila. The La Encantada Silver Mine consists of a 3,750 tonnes per day cyanidation plant, a 1,000 tonnes per day flotation plant (currently in care-and-maintenance), an airstrip, and a village with 180 houses as well as administrative offices and infrastructure required for such an operation. The mine is comprised of 4,076 hectares of mining rights and surface land ownership of 1,343 hectares. The closest town, Muzquiz, is 225 km away via mostly paved road. The Company owns 100% of the La Encantada Silver Mine. On April 1, 2010, the mill expansion project achieved commercial stage production and all revenues and costs from that date are recorded in the mine operating earnings.

8. MINING INTERESTS AND PLANT AND EQUIPMENT(continued)

(b) La Parrilla Silver Mine, Durango State

The La Parrilla Silver Mine is a system of connected underground producing mines consisting of the La Rosa/Rosarios/La Blanca, the San Marcos mine and the Quebradillas mine. La Parrilla is located approximately 65 km southeast of the city of Durango, in the State of Durango, Mexico. Located at the mine are: a 850 tonnes per day milling facility consisting of a 425 tpd cyanidation circuit and a 425 tpd flotation circuit, mining equipment, buildings and infrastructure related to the operation and mining concessions covering an area of 69,867 hectares. The Company owns 100% of the La Parrilla Silver Mine. In September 2010, the Company entered into an agreement to acquire an additional 15 hectares of surface rights at Quebradillas for total consideration of $348,710 (4.2 million Mexican pesos). At December 31, 2010, the Company had paid $75,194 (926,000 Mexican pesos). The remaining balance of $267,969 (3.3 million Mexican pesos) will be paid in 25 monthly instalments of $12,377 (150,000 Mexican pesos). The Company owns 45 hectares and leases an additional 69 hectares of surface rights. During 2010, the Company staked an additional 16,630 hectares of mining rights at Quebradillas, which created a 69,867 hectare contiguous block of mining rights surrounding the La Parrilla mining operations.

There is a net smelter royalty ("NSR") agreement of 1.5% of sales revenue associated with the Quebradillas Mine, with a maximum payable of US$2.5 million. The Company has an option to purchase the NSR at any time for an amount of US$2.0 million. For the year ended December 31, 2010, the Company paid royalties of $119,707 (US$116,208) (2009 - $154,585 or US$135,363). The sum of total royalties paid to date for the Quebradillas NSR is US$320,572 as at December 31, 2010.

(c) San Martin Silver Mine, Jalisco State

The San Martin Silver Mine is a producing underground mine located adjacent to the town of San Martin de Bolaños in Northern Jalisco State, Mexico. The operation consists of a 900 tonne per day cyanidation mill, flotation circuit, mine buildings, administrative offices and all related infrastructure. The mine is comprised of approximately 7,841 hectares of mineral rights, approximately 1,300 hectares of surface rights surrounding the mine, and another 104 hectares of surface rights where the mill is located. The Company owns 100% of the San Martin Silver Mine. The Company also owns the Jalisco Group of Properties which consist of 5,240 hectares of mining claims in Jalisco State, Mexico. In January 2011, the Company entered into a letter of intent to grant an option to acquire up to 90% interest in the Jalisco Group of Properties. See Note 22(a) for details.

(d) Del Toro Silver Mine, Zacatecas State

The Del Toro Silver Mine is located 60 km to the southeast of the Company's La Parrilla Silver Mine and consists of 393 contiguous hectares of mining claims and 129 hectares of surface rights covering the area surrounding the San Juan mine. The Del Toro Silver Mine consists of two old silver mines, the San Juan and Perseverancia mines, which are approximately one kilometre apart. The Company owns 100% of the Del Toro Silver Mine.

In July 2008, the Company acquired 46 hectares of mining rights ("Fatima") for US$387,500 in option payments due between 2008 and 2010. During 2010, the Company completed the acquisition by paying the remaining US$225,000 in option payments.

(e) Real de Catorce Silver Project, San Luis Potosi State

The Real de Catorce Silver Project is located 25 km west of the town of Matehuala in San Luis Potosi State, Mexico. The Real de Catorce property consists of 22 mining concessions covering 6,327 hectares. The Company owns 100% of the Real de Catorce Silver Project.

8. MINING INTERESTS AND PLANT AND EQUIPMENT(continued)

(e) Real de Catorce Silver Project, San Luis Potosi State(continued)

In November 2010, the Company agreed to acquire the 3% NSR, the surface rights of the property, the buildings located thereon covering the location of the previous mining operations, and all technical and geological information collected pertaining to the area, in consideration for US$3.0 million. Consideration for the purchase consisted of a cash payment of US$1.05 million and US$1.5 million in shares of the Company in November 2010, and US$0.45 million which was paid by January 31, 2011 and was included in accrued liabilities at December 31, 2010.

(f) Cuitaboca Silver Project, Sinaloa State

During the year ended December 31, 2009, management elected not to proceed with the acquisition of the Cuitaboca Silver Project. Accordingly, the historical investment totalling $2,589,824 was written off in 2009.

9. DEBT FACILITIES

(a) Pre-Payment Facility

In August 2009, the Company entered into an agreement for a six-month pre-payment advance on the sale of lead concentrate. US$1.5 million was advanced against the Company's lead concentrate production from the La Parrilla Silver Mine for a period of six months. During 2010, the pre-payment facility was fully repaid. As at December 31, 2010, the balance owing on the pre-payment facility was $nil (2009 - $450,940).

(b) FIFOMI Loan Facilities

In October 2009, the Company entered into an agreement with the Mexican Mining Development Trust -Fideicomiso de Fomento Minero (FIFOMI) for two loan facilities, a capital asset loan and a working capital loan, totalling $4.3 million (53.8 million Mexican pesos). Funds from these loans were used for the completion of the 3,500 tonnes per day cyanidation plant at the La Encantada Silver Mine and for working capital purposes. The capital asset loan, for up to $3.7 million (47.1 million Mexican pesos), had interest at the Mexican interbank rate (4.5%) plus 7.51% per annum and was repayable over a 60-month period. The working capital loan, for up to $0.6 million (6.7 million Mexican pesos), had interest at the Mexican interbank rate plus 7.31% per annum and was a 90-day revolving loan. The loans were secured against real property, land, buildings, facilities, machinery and equipment at the La Encantada Silver Mine.

During the year ended December 31, 2010, the Company repaid the FIFOMI loan facilities. At December 31, 2010, the balance owing was $nil (2009 - $4,309,159). The early repayment has released the Company's security and all guarantees relating to the FIFOMI loans.

10. CAPITAL LEASE OBLIGATIONS

In 2007 and 2008, the Company completed lease financings for $14.1 million (US$11.2 million) of mining equipment. The Company paid 50% prior to the arrival of the equipment, and financed the remaining 50% in quarterly payments over a period of 24 months at 9% interest over the term of the lease. In March 2009, the Company refinanced the balance of $3.6 million (US$2.9 million) to be paid over 24 monthly payments commencing in February 2009 and to be completed by January 2011 with interest payable at 9% on the outstanding principal balance, secured by a guarantee from the Company.

10. CAPITAL LEASE OBLIGATIONS (continued)

In January 2009, the Company completed additional lease financing arrangements for plant equipment, committing the Company to payments of $2.6 million (US$2.0 million) over a period of 36 months with monthly payments of $48,460 (US$38,420) consisting of principal plus 12.5% interest on outstanding balances, plus an additional 12 monthly lease payments of $43,640 (US$34,600) consisting of principal only.

During 2010, the Company entered into various lease financing arrangements for $3.7 million (US$3.7 million) of mining equipment. The Company paid 15% prior to delivery of the equipment, and financed the remaining 85% over a period of 48 months at an interest rate of 7.9% . The leases are secured by guarantees from the Company.

The following is a schedule of future minimum lease payments under the capital leases as at December 31, 2010 and 2009:

	December 31, 2010 $	December 31, 2009 $
2010 Gross lease payments	-	2,235,960
2011 Gross lease payments	1,400,895	684,364
2012 Gross lease payments	1,048,062	139,309
2013 Gross lease payments	915,083	-
2014 Gross lease payments	709,881	-
	4,073,921	3,059,633
Less: interest	(516,407)	(251,997)
Total payments, net of interest	3,557,514	2,807,636
Less: current portion	(1,239,939)	(2,139,352)
Capital lease obligation - long-term portion	**2,317,575**	**668,284**

11. OTHER LONG TERM LIABILITIES

In 1992, El Pilon entered into a contract with a Mexican bank, whereby the bank committed to advance cash to El Pilon in exchange for silver to be delivered in future instalments. The bank failed to advance the fully agreed amount, and El Pilon therefore refused to deliver the silver. El Pilon sued the bank for breach of contract. The Company believes it will retain the advance received from the bank, but the ultimate outcome is uncertain. The aggregate potential liability accrued at December 31, 2010 including interest and penalties amounts to $767,766 (2009-$753,657).

12. ASSET RETIREMENT OBLIGATIONS

	Year Ended December 31, 2010 $	Year Ended December 31, 2009 $
Balance, beginning of the year	4,336,088	5,304,369
Effect of change in estimates	1,387,413	(877,834)
Interest accretion	375,672	445,090
Effect of translation of foreign currencies	5,129	(535,537)
Balance, end of the year	**6,104,302**	**4,336,088**

12. ASSET RETIREMENT OBLIGATIONS (continued)

Asset retirement obligations allocated by mineral properties are as follows:

	Anticipated Date	December 31, 2010 $	December 31, 2009 $
La Encantada Silver Mine	2017	2,233,125	1,815,518
La Parrilla Silver Mine	2018	1,675,646	998,293
San Martin Silver Mine	2019	1,725,450	1,522,277
Real de Catorce Project	2028	470,081	-
		6,104,302	**4,336,088**

During the year ended December 31, 2010, the Company reassessed its reclamation obligations at each of its mines based on updated mine life estimates, rehabilitation and closure plans. The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $7.8 million (2009 - $6.1 million), which has been discounted using a credit adjusted risk free rate of 8.5% (2009 - 8.5%), of which $2.1 million (2009 -$1.7 million) of the reclamation obligation relates to the La Parrilla Silver Mine, $2.2 million (2009 - $2.0 million) of the obligation relates to the San Martin Silver Mine, $2.7 million (2009 - $2.5 million) relates to the La Encantada Silver Mine and $0.8 million (2009 - $nil) relates to the Real de Catorce Project. The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in the remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

13. SHARE CAPITAL

(a) Authorized – unlimited number of common shares without par value

Issued	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Shares	$	Shares	$
Balance - beginning of the year	92,648,744	244,241,006	73,847,810	196,648,345
Issued during the year				
For cash:				
Exercise of options	3,573,125	11,295,994	36,250	68,838
Exercise of warrants	1,185,250	4,045,975	50,000	165,000
Public offering of units (i)	-	-	8,487,576	18,840,890
Private placements (ii)	-	-	4,167,478	9,051,069
For debt settlements (iii)	-	-	1,191,852	2,741,260
For Normabec acquisition (iv)	-	-	4,867,778	16,696,479
For acquisition of assets at Real de Catorce (Note 8(e))	152,798	1,514,228	-	-
For conversion of shares to be issued	500	2,420	-	-
Transfer of contributed surplus for stock options and warrants exercised	-	4,404,907	-	29,125
Balance - end of the year	**97,560,417**	**265,504,530**	**92,648,744**	**244,241,006**

(i) In March 2009, the Company completed a public offering with a syndicate of underwriters who purchased 8,487,576 units at an issue price of $2.50 per unit for net proceeds to the Company of $19,689,648, of which $18,840,890 was allocated to the common shares and $848,758 was allocated to the warrants. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share at a price of $3.50 expiring on March 5, 2011.

13. SHARE CAPITAL (continued)

(a) Authorized – unlimited number of common shares without par value (continued)

(ii) In August and September 2009, the Company completed non-brokered private placements consisting of an aggregate of 4,167,478 units at a price of $2.30 per unit for net proceeds to the Company of $9,440,069, of which $9,051,069 was allocated to the common shares and $389,000 was allocated to the warrants. Each unit consisted of one common share and one-half of one common share purchase warrant, with each full warrant entitling the holder to purchase one additional common share of the Company at an exercise price of $3.30 per share for a period of two years after closing. A total of 1,749,500 warrants expire on August 20, 2011, and 334,239 warrants expire on September 16, 2011. Finders' fees in the amount of $101,016 and 50,000 warrants were paid regarding a portion of these private placements. The finder's warrants are exercisable at a price of $3.30 per share and expire on August 20, 2011.

(iii) In August and September 2009, the Company settled certain current liabilities amounting to $2,741,260 by the issuance of 1,191,852 common shares of the Company at a value of $2.30 per share.

(iv) On November 13, 2009, the Company issued 4,867,778 common shares at a value of $3.43 per share in connection with the acquisition of Normabec (see Note 18).

(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 are subject to vesting with 25% vesting upon issuance and 25% vesting each six months thereafter.

The changes in stock options outstanding for the years ended December 31, 2010 and 2009 are as follows:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Number of Shares	Weighted Average Exercise Price ($)	Number of Shares	Weighted Average Exercise Price ($)
Balance, beginning of the year	8,603,750	3.50	6,862,500	3.84
Granted	2,003,000	10.03	2,842,500	2.88
Exercised	(3,573,125)	3.16	(36,250)	1.90
Expired	(568,750)	4.63	(1,065,000)	4.11
Balance, end of the year	**6,464,875**	**5.61**	**8,603,750**	**3.50**

13. SHARE CAPITAL (continued)

(b) Stock Options (continued)

The following table summarizes both the stock options outstanding and those that are exercisable at December 31, 2010:

Price $	Options Outstanding	Options Exercisable	Expiry Dates
4.02	30,000	30,000	May 15, 2011
4.30	200,000	200,000	June 19, 2011
4.67	50,000	50,000	July 4, 2011
4.15	220,000	220,000	July 28, 2011
3.62	190,000	190,000	August 28, 2011
4.32	140,000	140,000	December 6, 2011
4.41	300,000	300,000	December 22, 2011
5.00	140,000	140,000	February 7, 2012
2.03	542,500	542,500	May 7, 2012
2.62	27,500	12,500	September 16, 2012
2.96	12,500	6,250	October 28, 2012
4.34	925,000	925,000	December 5, 2012
3.52	455,000	320,000	December 7, 2012
3.70	456,250	328,750	December 15, 2012
3.56	200,000	100,000	February 2, 2013
3.15	12,500	-	March 19, 2013
3.98	90,000	45,000	May 13, 2013
3.74	75,000	25,000	May 15, 2013
3.94	10,000	5,000	June 3, 2013
4.47	50,000	25,000	June 28, 2013
4.04	100,000	25,000	August 9, 2013
3.62	100,000	100,000	August 28, 2013
12.44	993,000	248,250	December 15, 2013
2.03	358,125	358,125	May 7, 2014
2.32	12,500	12,500	June 15, 2014
3.70	325,000	237,500	December 15, 2014
12.44	450,000	112,500	December 15, 2015
Total	**6,464,875**	**4,698,875**	
Weighted average exercise price	**$ 5.61**	**$ 4.32**	

During the year ended December 31, 2010, the Company granted stock options to directors, officers and employees to purchase 2,003,000 (2009 - 2,842,500) shares of the Company. Pursuant to the Company's policy of accounting for the fair value of stock-based compensation over the applicable vesting period, the fair value of stock options granted during the year was $8,400,000 (2009 - $3,991,000), of which $2,603,046 (2009 -$1,455,279) was expensed in the current year and the remaining balance will be amortized over the remaining vesting period of the stock options.

13. SHARE CAPITAL (continued)

(b) Stock Options (continued)

The weighted average fair value of each stock options granted during the year was $4.19 (2009 - $1.41) . Fair value of stock options is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Risk-free interest rate	1.6%	1.1%
Estimated volatility	72.4%	83.7%
Expected life	2.1 years	2.2 years
Expected dividend yield	0%	0%

The Black-Scholes option pricing model requires the use of the above noted estimates and assumptions including the expected volatility of share prices. Changes in these underlying assumptions can materially affect the fair value estimates, therefore, the Black-Scholes model does not necessarily provide an accurate measure of the ongoing actual fair value of the Company's stock options.

(c) Share Purchase Warrants

The changes in share purchase warrants for the years ended December 31, 2010 and 2009 are as follows:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Number of Shares	Weighted Average Exercise Price ($)	Number of Shares	Weighted Average Exercise Price ($)
Balance, beginning of the year	11,357,465	5.04	5,078,791	6.99
Issued (i)(ii)(iii)(iv)	-	-	6,638,492	3.66
Exercised	(1,185,250)	3.41	(50,000)	3.30
Cancelled or expired	(5,029,938)	7.06	(309,818)	7.69
Balance, end of the year	**5,142,277**	**3.44**	**11,357,465**	**5.04**

(i) On March 5, 2009, the Company issued 4,243,788 warrants exercisable at a price of $3.50 per share exercisable for a period of two years. The warrants were detachable warrants issued in connection with the 8,487,576 unit offering. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model (assumptions include a risk free rate of 1.5%, market sector volatility of 35.0%, expected life of 2 years and expected dividend yield of 0%) and $848,758 was credited to contributed surplus.

(ii) On August 20, 2009, the Company issued 1,799,500 warrants exercisable at a price of $3.30 per share exercisable for a period of two years. The warrants were issued in connection with a non-brokered private placement of 3,499,000 units. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model (assumptions include a risk free rate of 1.15%, market adjusted volatility of 38.5%, expected life of 2 years and expected dividend yield of 0%) and $328,047 was credited to contributed surplus.

13. SHARE CAPITAL (continued)

(c) Share Purchase Warrants (continued)

(iii) On September 16, 2009, the Company issued 334,239 warrants exercisable at a price of $3.30 per share exercisable for a period of two years. The warrants were issued in connection with a non-brokered private placement of 668,478 units. The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model (assumptions include a risk free rate of 1.15%, market adjusted volatility of 38.5%, expected life of 2 years and expected dividend yield of 0%) and $60,953 was credited to contributed surplus.

(iv) On November 13, 2009, the Company issued 118,527 warrants exercisable at a price of $9.11 per share expiring on December 13, 2009 and 142,438 warrants exercisable at a price of $9.11 per share expiring on January 2, 2010 in connection with the acquisition of Normabec (see Note 18). The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model (assumptions include a risk free rate of 1.26%, volatility of 67%, expected life of 0.1 years and expected dividend yield of 0%). Value of these warrants was nominal and no value was credited to contributed surplus.

The following table summarizes the share purchase warrants outstanding at December 31, 2010:

Exercise Price $	Warrants Outstanding	Expiry Dates
3.50	3,570,538	March 5, 2011
3.30	1,300,000	August 20, 2011
3.30	271,739	September 16, 2011
	5,142,277	

(d) Share Capital to be Issued

On June 5, 2006, pursuant to the acquisition of First Silver Reserve Inc. and the San Martin Mine, First Majestic and First Silver entered into a business combination agreement whereby First Majestic acquired the 36.25% remaining minority interest in securities of First Silver resulting in First Silver becoming a wholly owned subsidiary of First Majestic.

At December 31, 2010, the prior shareholders of First Silver had yet to exchange the remaining 113,254 (2009 -114,254) shares of First Silver, exchangeable for 56,627 (2009 - 57,127) shares of First Majestic resulting in a remaining value of shares to be issued of $274,075 (2009 - $276,495).

Any certificate formerly representing First Silver shares not duly surrendered on or prior to September 14, 2012 will cease to represent a claim or interest of any kind or nature, including a claim for dividends or other distributions against First Majestic or First Silver by any former First Silver shareholder. After such date, all First Majestic shares to which the former First Silver shareholder was entitled shall be deemed to have been cancelled.

14. REVENUE

Details of the components of revenue are as follows:

	Year Ended December 31,	
	2010	**2009**
	$	**$**
Combined revenue - silver doré bars, concentrates, and bullion	138,189,740	76,596,113
Less: intercompany eliminations	(6,016,853)	(5,070,039)
Consolidated gross revenue	132,172,887	71,526,074
Less: refining, smelting, net of intercompany eliminations	(7,620,841)	(9,310,475)
Less: metal deductions, net of intercompany eliminations	(3,786,685)	(2,704,930)
Net revenue	**120,765,361**	**59,510,669**

The La Encantada mill expansion project achieved commercial stage of production on April 1, 2010. Sales incurred during the pre-operating period were recorded as a reduction of capital costs and are excluded from sales revenue. As a result, sales of $4,718,618 (2009 - $944,468) in connection with the sale of 262,403 (2009 - 54,277) silver equivalent ounces of precipitates during the year have been excluded from the above net revenue table.

15. INCOME TAXES

The reconciliation of the income tax provision computed at substantively enacted statutory rates to the reported income tax provision is as follows:

	December 31, 2010	**December 31, 2009**
	$	**$**
Combined federal and provincial income tax rate	28.50%	30.00%
Income tax expense (benefit) computed at Canadian statutory rates	13,398,425	924,010
Non-deductible expenses	2,101,782	424,678
Impact of change in tax rates on future income taxes	809,851	(836,147)
Difference between statutory and actual tax rates	773,876	(241,100)
Foreign exchange	(1,235,887)	(2,409,644)
Change in valuation allowance	(5,869,351)	(1,493,871)
Other	928,378	401,882
Income tax expense (recovery) for the year	**10,907,074**	**(3,230,192)**

15. INCOME TAXES (continued)

Significant components of the Company's future tax assets and liabilities, after applying substantively enacted corporate income tax rates, are as follows:

	December 31, 2010 $	December 31, 2009 $
Future income tax assets		
Net tax losses carried forward	11,451,103	19,453,298
Other assets/liabilities	2,365,209	3,235,061
Share issue costs	963,116	1,707,129
Capital losses	71,011	530,986
Valuation allowance	(501,428)	(6,175,094)
Net future income tax assets	14,349,011	18,751,380
Future income tax liabilities		
Excess of carrying value of mineral property assets over tax value	(53,673,098)	(47,168,391)
Future income tax liabilities, net	**(39,324,087)**	**(28,417,011)**
Future income tax asset - current	**2,310,559**	**-**
Future income tax asset - long term	**738,379**	**-**
Future income tax liability - long term	**(42,373,025)**	**(28,417,011)**
Future income tax liabilities, net	**(39,324,087)**	**(28,417,011)**

At December 31, 2010, the Company has non-capital losses available for tax purposes for which no valuation allowance was recorded, consisting of:

	Amount $	Expiry
Canada	7,392,848	2026 - 2027
Mexico	30,291,726	2016 - 2020

The Company has capital losses available for deduction against future capital gains of $0.5 million (2009 -$4.1 million) that may be available for tax purposes in Canada. These capital losses may be carried forward indefinitely. Management believes that uncertainty exists regarding the realization of certain future tax assets and therefore a valuation allowance has been recorded.

16. SEGMENTED INFORMATION

The Company has three operating segments located in Mexico, one retail market segment in Canada and one corporate segment with locations in Canada and Mexico. The San Martin operations consist of the San Martin Silver Mine, the San Martin property and the Jalisco Group of Properties. The La Parrilla operations consist of the La Parrilla Silver Mine, the Del Toro Silver Mine, the La Parrilla properties and the Del Toro properties. The La Encantada operations consist of the La Encantada Silver Mine and the La Encantada property.

16. SEGMENTED INFORMATION (continued)

These reportable operating segments are summarized in the table below:

	Year Ended December 31, 2010					
	San Martin operations $	**La Parrilla operations** $	**La Encantada operations** $	**Coin Sales** $	**Corporate and Other Eliminations** $	**Total** $
Revenue	24,626,577	31,650,272	63,223,142	6,661,640	(5,396,270)	**120,765,361**
Cost of sales	12,621,429	12,514,539	23,780,542	5,749,646	(4,831,666)	**49,834,491**
Mine operating earnings (loss)	9,202,897	16,504,128	35,117,002	911,994	(564,604)	**61,171,416**
Net income (loss)	5,296,440	3,959,434	20,244,019	911,994	5,693,059	**36,104,945**
Capital expenditures	5,966,865	11,395,805	17,753,392	-	4,101,044	**39,217,106**
Total assets	108,690,238	70,693,429	78,652,217	393,973	63,038,163	**321,468,020**

	Year ended December 31, 2009					
	San Martin operations $	**La Parrilla operations** $	**La Encantada operations** $	**Coin Sales** $	**Corporate and Other Eliminations** $	**Total** $
Revenue	20,122,274	22,377,951	16,789,464	5,132,099	(4,911,119)	**59,510,669**
Cost of sales	11,592,357	11,923,081	10,523,284	4,860,844	(4,547,713)	**34,351,853**
Mine operating earnings (loss)	6,436,510	7,527,047	4,589,546	271,255	(363,406)	**18,460,952**
Net income (loss)	810,562	5,134,646	1,824,558	271,255	(1,730,796)	**6,310,225**
Capital expenditures	3,256,314	6,688,038	28,672,840	-	180,088	**38,797,280**
Total assets	103,851,426	60,345,275	62,556,787	651,642	24,068,333	**251,473,463**

17. VENDOR LIABILITY AND INTEREST

In May 2006, First Majestic acquired control of First Silver Reserve Inc. (“First Silver”) for $53,365,519. The purchase price was payable to the shareholder of First Silver (the “Majority Shareholder”) in three instalments. The first instalment of $26,682,759, for 50% of the purchase price, was paid upon closing on May 30, 2006. An additional 25% instalment of $13,341,380 was paid on May 30, 2007. The final 25% instalment of $13,341,380 was due on May 30, 2008, and interest on the outstanding vendor balance amounting to $14,258,332 was paid into a trust account of the Company and First Silver against the Majority Shareholder pending the outcome of the claims.

In November 2007, an action was commenced by the Company and First Silver against the Majority Shareholder (the “Defendant”) who was previously a director, President & Chief Executive Officer of First Silver. The Company and First Silver alleged that, while holding the positions of director, President and Chief Executive Officer, the Majority Shareholder engaged in a course of deceitful and dishonest conduct in breach of his fiduciary and statutory duties owed to First Silver, which resulted in the Majority Shareholder acquiring a mine which was First Silver’s right to acquire. Management believes that there are substantial grounds to this claim, however, the outcome of this litigation is not presently determinable.

On March 14, 2008, the Defendant filed a Counterclaim in the Action against the Company in which he claimed for unpaid amounts and interest arising out of the agreement between the Company and the Defendant under which the Company acquired the Defendant’s shares (approximately 24,649,200 shares) in First Silver. As of July 16, 2009, the claimed unpaid amount, together with interest calculated at the contractual interest rate of 6% amounted to $14,881,912.

17. VENDOR LIABILITY AND INTEREST (continued)

On July 16, 2009, an Order was granted by the Court, with the consent of all parties, under which the Defendant obtained a judgment in the amount of $14,881,912. The Company agreed to pay $14,258,332 into the Defendant's lawyer's trust account (the "Trust Funds") in partial payment of the Judgment. The Consent Order requires that the Trust Funds be held pending the outcome of the Action. The trial is scheduled to commence in the Supreme Court of British Columbia, Vancouver, British Columbia on April 17, 2012. The Consent Order does not affect the standing of the Company's claims for relief against the Defendant in the Action. These funds would only become accessible to the Company in the event of a favourable outcome to the litigation.

18. ACQUISITION OF NORMABEC MINING RESOURCES LTD.

On November 13, 2009, the Company completed a plan of arrangement (the "Arrangement") to acquire all of the issued and outstanding shares of Normabec Mining Resources Ltd. ("Normabec"). Normabec's primary asset is the Real de Catorce Project located 25 km west of the town of Matehuala in San Luis Potosi State, Mexico.

Concurrent with the completion of the Arrangement, the non-Mexican assets of Normabec were divested to a newly formed entity Brionor Resources Inc. ("Brionor"). Holders of Normabec shares received 0.060425 First Majestic shares and 0.25 Brionor shares for each Normabec common share.

The Company also purchased, via private placement, 2,115,195 common shares of Brionor for an aggregate purchase price of $300,000, representing a price per share of approximately $0.1418. These shares represented 9.9% of the total issued and outstanding shares of Brionor upon completion of the transaction at November 13, 2009. Brionor is a public company listed on the TSX Venture Exchange.

The acquisition of Normabec has been accounted for as an asset acquisition, with First Majestic identified as the acquirer, and with First Majestic recording the acquisition at its estimated fair value at the date of acquisition.

The allocation of the purchase price to the assets acquired and liabilities assumed on November 13, 2009 was as follows:

Consideration:		
Arrangement shares (4,652,778 at $3.43)	$	15,959,029
Settlement of liabilities with cash and shares ($196,762 in cash and 215,000 shares at $3.43)		934,212
Other costs incurred relating to the acquisition of Normabec		504,297
	$	17,397,538
Allocation of purchase price:		
Net working capital	$	154,914
Investments		38,513
Property, plant and equipment		44,986
Mining rights		21,215,673
Future income taxes		(4,056,548)
	$	17,397,538

19. CONTINGENT LIABILITIES

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 both 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.

20. COMMITMENTS

The Company is obligated to make certain mining property option payments as described in Note 8(b), in connection with the acquisition of its mineral property interests.

The Company has office lease and annual operating costs commitments as follows:

Year	$
2011	231,600
2012	57,900
Total	**289,500**

The Company is committed to making severance payments in the amount of approximately $2.5 million (2009 -$1.9 million), subject to certain adjustments, to four officers in the event of a change of control of the Company.

21. NON-CASH FINANCING AND INVESTING ACTIVITIES

	Year Ended December 31,	
	2010 $	2009 $
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Issuance of shares for acquisition of assets of the Real de Catorce project	1,514,228	16,696,479
Assets acquired by capital lease	3,146,633	2,259,380
Transfer of contributed surplus upon exercise of stock options and warrants	4,404,907	29,125
Conversion of shares to be issued to common shares outstanding	2,420	-
Fair value of warrants issued	-	1,237,758
Issuance of shares for debt settlement	-	2,741,260

22. SUBSEQUENT EVENTS

Subsequent to December 31, 2010:

(a) In January 2011, the Company entered into a Letter of Intent whereby the Company has agreed to grant an option to acquire up to 90% in the Jalisco Group of Properties (the “Properties”) located in the Jalisco State, Mexico. Upon execution of a definitive agreement, expected to take place within 90 days, the optionee will be required to issue 10 million shares of common stock to the Company and spend $3 million over the first 3 years to earn a 50% interest and $5 million over 5 years to earn a 70% interest. In order to obtain a 90% interest, the optionee is required to complete a bankable feasibility study within 7 years. First Majestic will retain a 10% free carried interest and a 2.375% NSR.

(b) From January 1, 2011 to February 25, 2011, 389,325 options and 1,989,300 warrants were exercised for gross proceeds of $8,191,259.

23. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain material respects from those principles and practices that the Company would have followed had its consolidated financial statements been prepared in accordance with accounting principles and practices generally accepted in the United States ("US GAAP").

Consolidated Statements of Income

The reconciliation between Canadian GAAP and US GAAP of the net income is as follows:

	Year Ended December 31,	
	2010	**2009**
NET INCOME UNDER CANADIAN GAAP	**$ 36,104,945**	**$ 6,310,225**
Adjusted for:		
Write-off of exploration expenditures (a)	(2,295,116)	(3,165,664)
Pre-operating income (b)	1,415,482	297,344
Depletion expense (c)	(4,600,018)	(2,177,516)
Future income tax recovery (d)	1,478,026	1,435,089
NET INCOME UNDER US GAAP	**$ 32,103,319**	**$ 2,699,478**
EARNINGS PER SHARE UNDER US GAAP		
Basic	$ 0.34	$ 0.03
Diluted	$ 0.32	$ 0.03
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		
Basic	93,587,581	83,389,253
Diluted	98,857,498	85,913,487

Comprehensive Income (Loss)

Comprehensive income (loss) under US GAAP is as follows:

	Year Ended December 31,	
	2010	**2009**
NET INCOME UNDER US GAAP	**$ 32,101,319**	**$ 2,699,478**
Other comprehensive loss under Canadian GAAP:	$ (611,580)	$ (17,022,524)
Adjusted for:		
Translation adjustment (e)	(344,567)	4,028,278
	(956,147)	(12,994,246)
COMPREHENSIVE INCOME (LOSS) UNDER US GAAP	**$ 31,145,172**	**$ (10,294,768)**

23. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES(continued)

Consolidated Balance Sheets

The reconciliation between Canadian GAAP and US GAAP of the total assets, total liabilities and total shareholders' equity is as follows:

	December 31, 2010	December 31, 2009
TOTAL ASSETS UNDER CANADIAN GAAP	**$ 321,468,020**	**$ 251,473,463**
Adjustment to:		
Mining interests, plant and equipment related to:		
Exploration expenditures (a)	(41,437,142)	(38,797,459)
Pre-operating income (b)	1,710,826	297,344
Depletion expense (c)	(6,992,329)	(2,392,311)
TOTAL ASSETS UNDER US GAAP	**$ 274,749,375**	**$ 210,581,037**
TOTAL LIABILITIES UNDER CANADIAN GAAP	**$ 65,649,225**	**$ 52,552,863**
Adjustment to future tax liabilities (d)	(14,383,370)	(12,905,344)
TOTAL LIABILITIES UNDER US GAAP	**$ 51,265,855**	**$ 39,647,519**
SHAREHOLDERS' EQUITY UNDER CANADIAN GAAP	**$ 255,818,795**	**$ 198,920,600**
Cumulative mining interests adjustment (a)	(46,211,180)	(43,916,064)
Cumulative adjustment for pre-operating income (b)	1,710,826	297,344
Cumulative adjustment to depletion (c)	(6,992,329)	(2,392,311)
Cumulative adjustment to future income taxes (d)	14,383,370	12,905,344
Cumulative adjustment to accumulated other comprehensive loss (e)	4,774,038	5,118,605
SHAREHOLDERS' EQUITY UNDER US GAAP	223,483,520	170,933,518
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY UNDER US GAAP	**$ 274,749,375**	**$ 210,581,037**

The components of shareholders' equity under US GAAP would be as follows:

	December 31, 2010	December 31, 2009
Share capital	$ 265,504,530	$ 244,241,006
Share capital to be issued	274,075	276,495
Contributed surplus	27,952,397	27,808,671
Accumulated other comprehensive loss	(36,076,456)	(35,120,309)
Deficit	(34,171,026)	(66,272,345)
Total shareholders' equity	**$ 223,483,520**	**$ 170,933,518**

23. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES(continued)

Consolidated Statements of Cash Flows

The reconciliation between Canadian GAAP and US GAAP of the statements of cash flows is as follows:

	Year Ended December 31,	
	2010	**2009**
OPERATING ACTIVITIES UNDER CANADIAN GAAP	**$ 58,368,458**	**$ 6,703,029**
Adjustment for:		
Exploration expenditures (a)	(2,295,116)	(3,165,664)
Pre-operating income (b)	2,477,213	416,887
OPERATING ACTIVITIES UNDER US GAAP	**58,550,555**	**3,954,252**
INVESTING ACTIVITIES UNDER CANADIAN GAAP	**(31,561,291)**	**(49,633,572)**
Adjustment for:		
Exploration expenditures (a)	2,295,116	3,165,664
Pre-operating income (b)	(2,477,213)	(416,887)
Change in restricted cash (g)	-	13,940,237
INVESTING ACTIVITIES UNDER US GAAP	**(31,743,388)**	**(32,944,558)**
FINANCING ACTIVITIES UNDER CANADIAN GAAP AND US GAAP	**8,369,232**	**31,379,833**
INCREASE IN CASH AND CASH EQUIVALENTS	**35,176,399**	**2,389,527**
EFFECT OF EXCHANGE RATE ON CASH HELD IN FOREIGN CURRENCY	**(125,488)**	**16,380**
OPENING CASH AND CASH EQUIVALENTS - US GAAP	**5,889,793**	**3,483,886**
CLOSING CASH AND CASH EQUIVALENTS - US GAAP	**$ 40,940,704**	**$ 5,889,793**

(a) Exploration expenditures

Canadian GAAP allows exploration costs to be capitalized during the search for a commercially mineable body of ore if the Company considers such costs to have the characteristics of fixed assets. Under US GAAP, exploration expenditures on mining interests can only be deferred subsequent to the establishment of mining reserves as defined under SEC regulations. For US GAAP purposes, the Company has expensed exploration expenditures in the period incurred.

(b) Revenues and expenditures during the pre-operating period

For Canadian GAAP purposes, the La Encantada Mill Expansion Project had not achieved a commercial stage of production until April 1, 2010 and therefore the net amount of revenues less production costs in connection with the sale of 261,957 (2009 - 54,277) silver equivalent ounces of precipitates during the pre-operating period were recorded to construction in progress. Under US GAAP, the production stage is deemed to begin when saleable minerals are extracted from an ore body, regardless of the level of production. The earlier commencement of commercial production under US GAAP for the year ended December 31, 2010 results in an increase in income of $1,415,482 (2009 - $297,344) with a corresponding increase to construction in progress.

23. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES(continued)

(c) Depletion expense

The adjustment to depletion expense is comprised of the following:

(i) Depletion expense under Canadian GAAP is higher than under US GAAP, as a result of differences in the carrying amounts of mining interests under Canadian GAAP and US GAAP as described in Note 23(a).

(ii) The earlier commencement of commercial production under US GAAP as described in Note 23(b) results in an increase in depletion expense under US GAAP.

(iii) For Canadian GAAP purposes, acquisition, development and deferred exploration costs related to mining interests are depleted on a units-of-production basis over the estimated economic life of the ore body following commencement of production. The estimated economic life of the ore body for certain mining properties includes a portion of mineralization expected to be classified as reserves, as opposed to only proven and probable reserves. Under US GAAP, in accordance with the United States Securities and Exchange Commission Industry Guide 7, the base used for the depletion calculation is limited to proven and probable reserves resulting in higher depletion expense.

(d) Income taxes

The income tax adjustment reflects the impact on income taxes of the US GAAP adjustments described above. Accounting for income taxes under Canadian and US GAAP is similar, except that income tax rates of enacted or substantively enacted tax law must be used to calculate future income tax assets and liabilities under Canadian GAAP, whereas only income tax rates of enacted tax law can be used under US GAAP.

(e) Cumulative translation adjustment

The cumulative translation adjustment recorded as a component of accumulated other comprehensive income under Canadian GAAP is lower than under US GAAP, as a result of differences in the carrying amounts of mining interests under Canadian and US GAAP.

(f) Income taxes related to uncertain income tax positions

US GAAP prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its consolidated financial statements uncertain income tax positions that it has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Canadian GAAP has no similar requirements related to the measurement of uncertain income tax positions. The Company identified no measurement differences related to uncertain tax positions.

The following additional disclosures relating to income taxes are required under US GAAP:

Tax years subject to examination by jurisdiction are:

Canada	2003 – 2010
Mexico	2004 – 2010

23. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES(continued)

(g) Restricted cash

For US GAAP purposes, restricted cash has been excluded from cash and cash equivalents for the periods presented and the change in restricted cash for the period has been classified as investing activities.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR AND FOURTH QUARTER ENDED DECEMBER 31, 2010

FORWARD-LOOKING STATEMENTS

Certain information contained herein 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 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 cost overruns or unanticipated costs and expenses, uncertainties related to 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. The reader is cautioned not to place undue reliance on forward-looking statements.

PRELIMINARY INFORMATION

First Majestic Silver Corp. ("First Majestic" or "the Company") is in the business of producing silver, developing, exploring and acquiring mineral properties with a focus on silver production in Mexico. The Company's shares trade on the New York Stock Exchange under the symbol "AG" and the Company's shares and warrants trade on the Toronto Stock Exchange under the symbols "FR" and "FR.WT.B", respectively. The common shares are also quoted on the Frankfurt, Berlin, Munich and Stuttgart Stock Exchanges under the symbol "FMV". Silver producing operations of the Company are carried out through three operating mines: the La Encantada, La Parrilla, and San Martin Silver Mines.

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2010. Additional information on the Company, including the Company's Annual Information Form, is also available on SEDAR at www.sedar.com, and on the Company's website at www.firstmajestic.com.

This MD&A relates to the consolidated operations of the Company and its wholly owned direct subsidiaries: Corporación First Majestic, S.A. de C.V. ("CFM"), First Silver Reserve Inc. ("First Silver") and Normabec Mining Resources Ltd. ("Normabec") as well as its indirect wholly-owned subsidiaries: First Majestic Plata, S.A. de C.V. ("First Majestic Plata"), Minera El Pilon, S.A. de C.V. ("El Pilon"), Minera La Encantada, S.A. de C.V. ("La Encantada"), Majestic Services S.A. de C.V. ("Majestic Services"), Minera Real Bonanza, S.A. de C.V. ("MRB") and Servicios Minero-Metalurgicos e Industriales, S.A. de C.V. ("Servicios"). First Silver underwent a wind up and distribution of its assets and liabilities to the Company in December 2007 but First Silver has not been dissolved for legal purposes pending the outcome of litigation in which it is involved as the plaintiff.

QUALIFIED PERSON*S*

Leonel Lopez, C.P.G., P.G. of Pincock Allen & Holt is the independent Qualified Person for the Company, and Ramon Davila, Ing, the Company's Chief Operating Officer is also a certified Qualified Person. Leonel Lopez has reviewed the technical information reported in the National Instrument 43-101 technical reports regarding the La Parrilla Silver Mine, the La Encantada Silver Mine, the San Martin Silver Mine and the Del Toro Silver Mine. Ramon Davila has reviewed this MD&A for QP technical disclosures. All National Instrument 43-101 technical reports can be found on the Company's website at www.firstmajestic.com or on SEDAR at www.sedar.com.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated. Significant differences from accounting principles and practices generally accepted in the United States ("US GAAP") are discussed in Note 23 of the consolidated financial statements. All information contained in this MD&A is current as of February 25, 2011 unless otherwise stated.

2010 ANNUAL AND FOURTH QUARTER HIGHLIGHTS

HIGHLIGHTS	Fourth Quarter 2010	Change from Fourth Quarter 2009	Full Year 2010	Change from Full Year 2009
Gross Revenue	$42.4 million	Up 98%	$132.2 million	Up 85%
Net Revenue	$40.1 million	Up 118%	$120.8 million	Up 103%
Mine Operating Earnings	$23.9 million	Up 195%	$61.2 million	Up 231%
Net Income after Taxes	$13.9 million	Up 459%	$36.1 million	Up 472%
Cash Flow Per Share (a non-GAAP measure)	$0.23 per share	Up 292%	$0.62 per share	Up 676%
Earnings Per Share - basic	$0.15 per share	Up 392%	$0.39 per share	Up 410%
Silver Ounces Produced (excluding equivalent ounces of gold, zinc and lead)	1,757,332 ounces Ag	Up 59%	6,529,325 ounces Ag	Up 72%
Silver Equivalent Production	1,827,987 eq. oz.	Up 46%	7,024,056 eq. oz.	Up 62%
Silver Equivalent Ounces Sold	1,690,741 eq. oz.	Up 48%	6,482,637 eq. oz.	Up 53%
Total Cash Costs per Ounce	US$8.16	Down 5%	US$7.94	Down 6%
Direct Cash Costs per Ounce	US$6.50	Up 14%	US$5.85	Up 4%
Average Revenue per Ounce Sold	US$24.74	Up 40%	US$19.79	Up 34%
Cash and Cash Equivalents (as at December 31)	$40.9 million	Up 595%	$40.9 million	Up 595%

- Generated Gross Revenue of $132.2 million for the year ended 2010 compared to $71.5 million in 2009, an increase of $60.6 million or 85%.
- Generated Gross Revenue of $42.4 million for the fourth quarter of 2010 compared to $21.4 million in the fourth quarter of 2009, an increase of $20.9 million or 98%.
- Generated Net Revenue of $120.8 million for 2010, an increase of 103% compared to $59.5 million for 2009. Smelting and refining charges and metal deductions decreased to 9% of gross revenue in 2010 compared to 17% of gross revenue in 2009. Average smelting charges for doré in 2010 were US$0.43 per equivalent silver ounce whereas for concentrates they were US$3.58 per equivalent silver ounce.
- Generated Net Revenue of $40.1 million for the fourth quarter of 2010 compared to $18.4 million for the fourth quarter of 2009, an increase of $21.7 million or 118%.
- Recognized Mine Operating Earnings of $61.2 million for 2010 compared to $18.5 million for 2009, an increase of 231%. The increase was attributed to an increase in sales volume from 4.2 million ounces of silver equivalent in 2009 to 6.5 million ounces of silver equivalent in 2010, combined with an increase in sales revenue per ounce from $16.89 (US$14.79) in 2009 to $20.39 (US$19.79) in 2010.
- Recognized Mine Operating Earnings of $23.9 million for the fourth quarter of 2010 compared to $8.1 million for the fourth quarter of 2009, an increase of $15.8 million or 195%.
- Earned cash flows from operations of $58.4 million ($0.62 per share) (a non-GAAP measure) for 2010 compared to $6.7 million ($0.08 per share) for 2009, an increase of 771%.
- The Company generated net income of $36.1 million for 2010 compared to net income of $6.3 million, for 2009.

- The Company generated basic earnings per common share ("EPS") after current income tax provision (a non-GAAP measure) of $0.50 for 2010. EPS for 2010 after current and future taxes was $0.39, compared to EPS of $0.08 for 2009.
- As the new La Encantada plant was not in commercial production until April 1, 2010, under Canadian GAAP, revenues and production costs are offset against the carrying value of the assets rather than being recorded as income up to the date the plant achieves commercial production. If the revenues and expenses of the new plant were recorded as income rather than capital, then EPS adjusted upwards in 2010 for the $2.3 million of capitalized net profits at the La Encantada cyanidation plant would have been $0.42 per share basic EPS, or $0.53 excluding the future income tax provision (non-GAAP measures).
- Net income after taxes was $13.9 million for the fourth quarter of 2010 compared to $2.5 million for the fourth quarter of 2009, an increase of $11.4 million or 459%.
- Increased production from 4,337,103 silver equivalent ounces in 2009 to 7,024,056 silver equivalent ounces in 2010, an increase of 62%.
- Increased production from 1,249,568 silver equivalent ounces in the fourth quarter of 2009 to 1,827,987 silver equivalent ounces in the fourth quarter of 2010, an increase of 46%.
- Direct Cash Costs per ounce of silver (a non-GAAP measure) for 2010 increased to US$5.85 per ounce of silver, compared to US$5.61 per ounce of silver for 2009 due to an appreciation of the Mexican Peso relative to the US dollar.
- Direct Cash Costs per ounce of silver for the fourth quarter of 2010 increased to US$6.50 per ounce of silver, compared to US$5.69 per ounce of silver for the fourth quarter of 2009 due to a 6% appreciation in the value of the Mexican Peso relative to the US dollar and increased fuel costs.
- Total Cash Costs per ounce (a non-GAAP measure) was reduced by 6% to US$7.94 in 2010 from US$8.49 in 2009 due to a reduction in smelting and refining costs associated with higher doré production at the La Encantada Mine.
- Total Cash Costs per ounce for the fourth quarter of 2010 was reduced by 5% to US$8.16 compared to US$8.61 in the fourth quarter of 2009.
- Increased cash and cash equivalents compared to 2009 by $35.1 million to $40.9 million and improved working capital by $43.3 million to $48.1 million.
- Repaid all of the Company's debt facilities with cash flows from mining operations to reduce interest expense.
- The new cyanidation process plant at the La Encantada Silver Mine achieved commercial production effective April 1, 2010 and reached full production capacity of 3,750 tonnes per day ("tpd") by the end of the year. With the expansion of the La Encantada Silver Mine, production at the mine increased from 1.4 million ounces of silver equivalent in 2009 to 4.0 million ounces of silver equivalent in 2010.

Results of Operations

Consolidated gross revenue (prior to smelting & refining charges, and metal deductions) for the quarter ended December 31, 2010 increased 98% to $42,361,771 compared to the same quarter of 2009. For the year ended December 31, 2010, consolidated gross revenue increased 85% to $132,172,887 compared to the prior year. The increase in revenues is primarily attributable to a 53% increase in silver equivalent ounces sold and a 21% increase in average revenue per ounce sold compared to the prior year. The increase in ounces sold is due to the increased production from the new cyanidation plant at the La Encantada Silver Mine and from improving operating levels at the La Parrilla Silver Mine which combined to contribute a 62% increase in production when compared to 2009.

In the fourth quarter of 2010, the Company sold 1,690,741 ounces of silver equivalent at an average price of $25.06 per ounce (US$24.74) compared to 1,145,562 ounces of silver equivalent in the fourth quarter of 2009 at an average price of $18.71 per ounce (US$17.72), representing an increase of 48% in shipments. For the year ended 2010, the Company sold 6,482,637 ounces of silver equivalent at an average price of $20.39 per ounce (US$19.79) compared to 4,233,703 ounces of silver equivalents in 2009 at an average price of $16.89 (US$14.79) per ounce, representing an increase of 53%.

Production of silver, excluding any equivalents from gold, lead or zinc, increased 59% compared to the fourth quarter of 2009 and by 72% over the full year of 2009. The Company produced 1,757,332 ounces of silver in the fourth quarter of 2010 and 6,529,325 ounces of silver for the year ending December 31, 2010, compared to 1,103,840 ounces of silver in the fourth quarter of 2009 and 3,797,520 ounces for the year ended December 31, 2009, respectively. In the fourth quarter of 2010, 96% of First Majestic's revenue resulted from the sale of pure silver making it the purest silver producer relative to its peers.

The new plant at La Encantada achieved commercial production on April 1, 2010. The new plant produces silver doré bars which are 93% to 97% silver with small amounts of lead, gold and other metals making up the balance of the contents of these bars. The economic differences between doré and concentrate production are significant. Management completed a review of the economics of lead production and concluded that, based on current lead prices, ore was more valuable if processed directly through cyanidation rather than being floated, and therefore the flotation circuit was placed on care and maintenance in June 2010. As a result of discontinuing flotation, concentrate production at La Encantada decreased to zero in the second half of the year and lead production as a byproduct decreased by 17% to 2,124,060 pounds from 2,545,339 pounds in the prior year. The economics of switching from concentrate production to doré production resulted in a 54% savings of smelting and refining costs per silver ounce for consolidated operations in the fourth quarter of 2010 compared to the fourth quarter of 2009. The new La Encantada cyanidation plant achieved average throughput of approximately 3,750 tonnes per day in the fourth quarter of 2010.

Total silver equivalents production for the fourth quarter of 2010 increased by 46% compared to the fourth quarter of 2009 and total silver equivalents production for 2010 increased by 62% compared to the prior year. Total production for 2010 was 7,024,056 ounces of silver equivalents consisting of 6,529,325 ounces of silver, 2,157 ounces of gold, 6,404,227 pounds of lead and 363,288 pounds of zinc. This compares to the 4,337,103 ounces of silver equivalents produced in 2009, which consisted of 3,797,520 ounces of silver, 2,670 ounces of gold, 6,587,074 pounds of lead and 8,913 pounds of zinc.

Net sales revenue (after smelting and refining charges and metals deductions) for the fourth quarter of 2010 was $40,118,897, an increase of 118% compared to $18,374,117 for the fourth quarter of 2009. Net sales revenue for the year ended 2010 increased by 103% to $120,765,361 compared to $59,510,669 in 2009. Smelting and refining charges and metal deductions decreased to 5% of gross revenue in the fourth quarter of 2010 compared to 14% of gross revenue in the fourth quarter of 2009, due to the rate of increase in silver prices exceeding smelting and refining charges in the production of silver from the new cyanidation plant at La Encantada. Average smelting charges for doré in the fourth quarter of 2010 were US$0.34 per silver ounce compared to US$4.08 per silver ounce for concentrates.

For the year ended December 31, 2010, the Company generated net income of $36,104,945, or EPS of $0.39 compared to a net income of $6,310,225, or EPS of $0.08, in 2009, an increase of $29,794,720 or 472%. Net income in the fourth quarter of 2010 was $13,923,262, or EPS of $0.15, compared to $2,492,488 or EPS of $0.03 in the fourth quarter of 2009. Net income for 2010 was after deducting non-cash stock-based compensation expense of $4,548,633 and a future income tax expense of $10,459,047. Neglecting the effect of these non-cash items, earnings per share in 2010 would have been $0.55 per share (a non-GAAP measure). Net income for 2009 was after having deducted non-cash stock-based compensation expense of $3,302,780, a write-down of mineral properties of $2,589,824, a write-down of marketable securities totalling $390,467 and a future income tax recovery of $3,315,978. Neglecting the effect of the aforementioned non-cash items, earnings per share in 2009 would have been $0.11 per share (a non-GAAP measure).

Direct cash costs per ounce of silver (a non-GAAP measure) for the fourth quarter and year ended 2010 were US$6.50 and US$5.85 per ounce of silver, respectively, compared to US$5.69 and US$5.61 per ounce of silver for the fourth quarter and year ended 2009, respectively. The cost increase from the same quarter of the prior year was due to a stronger Mexican peso relative to the US dollar, higher energy costs and higher consumption of cyanide in the processing of oxide ores at La Encantada.

Total cash costs per ounce (including smelting, refining, metal deductions, transportation and other selling costs, and byproduct credits, which is a non-GAAP measure) for the fourth quarter and year ended 2010 were US$8.16 and US$7.94 per ounce of silver, respectively, compared to US$8.61 and US$8.49 for the fourth quarter and year ended 2009, respectively. The cost decrease was attributed to reduced smelting and refining costs (US$1.33 per ounce this quarter versus US$2.92 per ounce for the same quarter last year) related to converting the production at La Encantada plant to doré production instead of concentrate and precipitate production.

Mine operating earnings for the fourth quarter of 2010 increased by 195% to $23,895,462, compared to mine operating earnings of $8,092,993 for the fourth quarter of 2009. Mine operating earnings for the year increased by 231% to $61,171,416, compared to mine operating earnings of $18,460,952 in 2009. The increases are associated with an increase in net revenue due to a 46% increase in production of silver equivalent ounces as well as higher silver prices.

Operating income increased by 783%, or $15,429,164, to $17,400,614 for the fourth quarter ended December 31, 2010, from $1,971,450 for the quarter ended December 31, 2009, due to the 48% increase in ounces sold and the 40% increase in average US$ revenue per ounce of silver sold. Operating income for the year increased by 923%, or $41,356,255, to $45,835,516 compared to $4,479,261 for 2009.

During the year ended December 31, 2010, the Company spent $15,766,402 on its mineral properties and a further $18,573,718 on plant and equipment, of which $3,520,385 was related to reduction of capital related liabilities. This compares to $14,025,158 invested in mineral properties and a further $19,861,580 in plant and equipment in 2009. In the first half of 2010, the focus of the Company was the completion of the new La Encantada cyanidation plant and building up its treasury by deferring non-essential exploration and development to the second semester of 2010. In the second half of the year, the Company reduced its capital related liabilities and increased its capital investment and mine development programs to prepare for additional expansion projects at the La Parrilla Silver Mine and the Del Toro Silver Mine.

The material subsidiaries, mines, mills and properties in Mexico are as follows:

Subsidiaries	**Mine and Mill**	**Exploration Properties**
First Majestic Plata, S.A. de C.V.	La Parrilla Silver Mine Del Toro Silver Mine	La Parrilla properties Del Toro properties
Minera El Pilón, S.A. de C.V.	San Martin Silver Mine	San Martin property Jalisco Group of Properties
Minera La Encantada, S.A. de C.V.	La Encantada Silver Mine	La Encantada property
Minera Real Bonanza, S.A. de C.V.	Real de Catorce Silver Project	Real de Catorce property
Majestic Services, S.A. de C.V. (a labour services company)	(services for all of the above)	(services for all of the above)
Corporación First Majestic, S.A. de C.V. (holding company for First Majestic Plata, Minera El Pilon, Minera La Encantada and Majestic Services)	(holding company for First Majestic Plata, Minera El Pilon, Minera La Encantada and Majestic Services)	(holding company for First Majestic Plata, Minera El Pilon, Minera La Encantada and Majestic Services)

Certain financial results in this MD&A, regarding operations and cash costs are presented in the Mine Operating Results table below to conform with industry peer company presentation standards, which are generally presented in U.S. dollars for comparative purposes. U.S. dollar results are translated using the U.S. dollar rates on the dates which the transactions occurred.

MINING OPERATING RESULTS

Quarter Ended		CONSOLIDATED FIRST MAJESTIC RESULTS	Year to Date	
2010	2009		2010	2009
467,175	251,258	Ore processed/tonnes milled (4)	1,642,856	887,638
207	235	Average silver grade (g/tonne)	219	215
57%	65%	Recovery (%)	56%	64%
1,757,332	1,036,137	Commercial silver ounces produced	6,268,132	3,729,817
-	67,703	Pre-commercial silver ounces produced (4)	261,193	67,703
1,757,332	1,103,840	Total silver ounces produced (4)	6,529,325	3,797,520
436	701	Gold ounces produced (4)	2,157	2,670
25,197	48,576	Equivalent ounces from gold (4)	146,236	189,419
1,119,523	1,574,819	Pounds of lead produced (4)	6,404,227	6,587,074
40,029	97,152	Equivalent ounces from lead (4)	332,163	349,294
134,771	-	Pounds of zinc produced (4)	363,288	8,913
5,429	-	Equivalent ounces from zinc (4)	16,330	870
1,827,987	1,249,568	Total production - ounces silver equivalent (4)	7,024,056	4,337,103
1,827,987	1,181,542	Total commercial production - ounces of silver equivalent	6,762,099	4,269,077
1,690,741	1,145,562	Ounces of silver equivalent sold (1)	6,482,637	4,233,703
$8.16	$8.61	Total US cash cost per ounce (2)	$7.94	$8.49
$6.50	$5.69	Direct US cash cost per ounce (2)	$5.85	$5.61
6,028	5,266	Underground development (m)	22,398	21,390
6,103	1,031	Diamond drilling (m)	17,321	7,459
$28.70	$36.67	Total US production cost per tonne (3)	$28.05	$31.97

Quarter Ended		LA ENCANTADA RESULTS	Year to Date	
2010	2009		2010	2009
319,908	104,864	Ore processed/tonnes milled (4)	1,074,538	318,382
214	305	Average silver grade (g/tonne)	234	276
48%	51%	Recovery (%)	48%	50%
1,049,811	332,107	Commercial silver ounces produced	3,593,786	1,249,377
-	67,703	Pre-commercial silver ounces produced (4)	261,193	67,703
1,049,811	399,810	Total silver ounces produced (4)	3,854,979	1,317,080
21	5	Gold ounces produced (4)	79	5
1,100	321	Equivalent ounces from gold (4)	3,176	321
-	536,801	Pounds of lead produced (4)	2,124,060	2,545,339
-	35,714	Equivalent ounces from lead (4)	122,074	129,259
1,050,911	435,845	Total production - ounces silver equivalent (4)	3,980,229	1,446,660
1,050,911	367,819	Total commercial production - ounces of silver equivalent	3,718,274	1,378,634
912,303	363,364	Ounces of silver equivalent sold (1)	3,484,745	1,371,337
$7.81	$10.80	Total US cash cost per ounce (2)	$7.40	$10.20
$7.07	$6.83	Direct US cash cost per ounce (2)	$5.92	$6.10
2,729	2,251	Underground development (m)	9,013	10,214
2,680	-	Diamond drilling (m)	7,257	2,397
$23.30	$38.29	Total US production cost per tonne (3)	$21.54	$31.01

Quarter Ended		LA PARRILLA RESULTS	Year to Date	
2010	2009		2010	2009
78,537	75,475	Ore processed/tonnes milled	303,869	277,917
205	222	Average silver grade (g/tonne)	209	214
77%	73%	Recovery (%)	76%	71%
395,161	395,761	Total silver ounces produced	1,548,832	1,367,742
102	151	Gold ounces produced	413	645
7,973	12,119	Equivalent ounces from gold	38,537	54,560
1,119,523	1,038,018	Pounds of lead produced	4,280,167	4,041,735
40,029	61,438	Equivalent ounces from lead	210,089	220,035
134,771	-	Pounds of zinc produced	363,288	8,913
5,429	-	Equivalent ounces from zinc	16,330	870
448,592	469,318	Total production - ounces silver equivalent	1,813,788	1,643,207
438,175	478,121	Ounces of silver equivalent sold	1,802,691	1,648,020
$8.38	$7.61	Total US cash cost per ounce (2)	$8.36	$7.84
$3.76	$3.82	Direct US cash cost per ounce (2)	$4.02	$4.26
1,935	2,047	Underground development (m)	7,545	7,774
1,498	114	Diamond drilling (m)	1,581	2,682
$38.07	$35.98	Total US production cost per tonne (3)	$38.53	$34.31

Quarter Ended		SAN MARTIN RESULTS	Year to Date	
2010	2009		2010	2009
68,730	70,919	Ore processed/tonnes milled	264,449	291,339
175	184	Average silver grade (g/tonne)	168	157
81%	73%	Recovery (%)	79%	76%
312,360	308,269	Total silver ounces produced	1,125,514	1,112,698
313	545	Gold ounces produced	1,665	2,020
16,124	36,136	Equivalent ounces from gold	104,523	134,538
328,484	344,405	Total production - ounces silver equivalent	1,230,037	1,247,236
330,510	312,899	Ounces of silver equivalent sold	1,226,624	1,229,073
$9.07	$7.53	Total US cash cost per ounce (2)	$9.10	$7.35
$8.04	$6.85	Direct US cash cost per ounce (2)	$8.12	$6.71
1,364	968	Underground development (m)	5,840	3,402
1,925	917	Diamond drilling (m)	8,483	2,380
$43.05	$35.87	Total US production cost per tonne (3)	$42.45	$30.66

(1) Includes 9,753 ounces in the quarter ended December 31, 2010 and (31,423) ounces for the year ended December 31, 2010 (after adjustments for intercompany eliminations) sold as coins, ingots and bullion from Canadian operations and minesite transfers.

(2) The Company reports non-GAAP measures which include direct costs per tonne and total cash cost (including smelting and refining charges) and direct cash cost (total cash cost less smelting and refining costs) per ounce of payable silver, in order to manage and evaluate operating performance at each of the Company's mines. These measures, established by the Gold Institute (Production Cost Standards, November 1999), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning, and are not GAAP measures. See Reconciliation to GAAP on page 8 and 9.

(3) Total US production cost per tonne includes mining, processing and direct overhead at the mill site and does not include smelting and refining, transportation and other selling costs.

(4) The La Encantada mill expansion project achieved commercial production effective April 1, 2010. During the pre-commercial stage, the tables above included the production from the mill expansion, however, average silver grade, recovery, total US cash cost per ounce, direct US cash cost per ounce and total US production cost per tonne were based on production excluding pre-commercial stage production of 261,957 (2009 - 68,026) silver equivalent ounces during the year ended December 31, 2010.

RECONCILIATION OF COST OF SALES TO CASH COSTS
FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2010 AND 2009

"Cash cost per ounce" is a measure developed by precious metals companies in an effort to provide a comparable standard; however, there can be no assurance that our reporting of this non-GAAP measure is similar to that reported by other mining companies. Cash costs per ounce is a measure used by the Company to manage and evaluate operating performance at each of the Company's operating mining units, and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning. To facilitate a better understanding of these measures as calculated by the Company, we have provided a detailed reconciliation of these measures to our cost of sales, as reported in our Consolidated Statements of Income. Direct cash costs consist of total cash costs less smelting, refining, transportation and other selling costs.

		Three Months Ended December 31, 2010				Three Months Ended December 31, 2009			
		San Martin	La Parrilla	La Encantada	Total	San Martin	La Parrilla	La Encantada	Total
COST OF SALES	**US$**	**3,549,830**	**2,965,221**	**6,085,184**	**12,600,235**	**2,386,293**	**2,873,412**	**2,774,725**	**8,034,430**
ADD: THIRD PARTY SMELTING AND REFINING	US$	193,583	1,653,266	485,504	2,332,353	209,716	1,499,186	1,319,294	3,028,196
DEDUCT: BY-PRODUCT CREDITS	US$	(446,482)	(1,505,804)	(39,822)	(1,992,108)	(502,223)	(1,313,641)	(371,932)	(2,187,796)
DEDUCT: ROYALTIES	US$	-	(24,115)	-	(24,115)	-	(41,893)	-	(41,893)
ADD (DEDUCT): PROFIT SHARING	US$	(244,459)	-	243,628	(831)	53,874	-	-	53,874
INVENTORY CHANGES	US$	(219,343)	221,676	1,339,140	1,341,473	172,909	(4,217)	(135,669)	33,023
OTHER NON-CASH COSTS	US$	261	(41)	81,987	82,208	896	(288)	-	608
TOTAL CASH COST (A)	**US$**	**2,833,390**	**3,310,203**	**8,195,621**	**14,339,215**	**2,321,465**	**3,012,559**	**3,586,418**	**8,920,442**
DEDUCT: THIRD PARTY SMELTING, REFINING, TRANSPORT & OTHER SELLING COSTS	US$	(321,009)	(1,826,003)	(778,283)	(2,925,295)	(209,716)	(1,499,186)	(1,319,294)	(3,028,196)
DIRECT CASH COST (B)	**US$**	**2,512,381**	**1,484,200**	**7,417,338**	**11,413,920**	**2,111,749**	**1,513,373**	**2,267,124**	**5,892,246**
TONNES PRODUCED	TONNES	68,730	78,537	319,908	467,175	70,919	75,475	66,018	212,412
OUNCES OF SILVER PRODUCED (C)	**OZ**	**312,360**	**395,161**	**1,049,811**	**1,757,332**	**308,269**	**395,761**	**332,107**	**1,036,137**
OUNCES OF SILVER EQ PRODUCED	OZ EQ	16,124	53,431	1,100	70,655	36,136	73,557	35,712	145,405
TOTAL OZ OF SILVER EQ PRODUCED	OZ EQ	328,484	448,592	1,050,911	1,827,987	344,405	469,318	367,819	1,181,542
TOTAL CASH COST PER OUNCE (A/C)	**US$/OZ**	**9.07**	**8.38**	**7.81**	**8.16**	**7.53**	**7.61**	**10.80**	**8.61**
TOTAL CASH COST PER OUNCE	US$/OZ	9.07	8.38	7.81	8.16	7.53	7.61	10.80	8.61
THIRD PARTY SMELTING, REFINING, TRANSPORT & OTHER SELLING COSTS PER OUNCE	US$/OZ	(1.03)	(4.62)	(0.74)	(1.66)	(0.68)	(3.79)	(3.97)	(2.92)
DIRECT CASH COST PER OUNCE (B/C)	**US$/OZ**	**8.04**	**3.76**	**7.07**	**6.50**	**6.85**	**3.82**	**6.83**	**5.69**
MINING	US$/Tonne	15.24	13.30	3.71	7.02	14.32	15.22	18.15	15.83
MILLING	US$/Tonne	18.37	17.87	16.84	17.24	14.38	15.75	10.20	13.57
INDIRECT	US$/Tonne	9.44	6.90	2.75	4.44	7.17	5.01	9.94	7.27
TOTAL PRODUCTION COST	**US$/Tonne**	**43.05**	**38.07**	**23.30**	**28.70**	**35.87**	**35.98**	**38.29**	**36.67**
MINING	US$/Oz.	3.35	2.64	1.13	1.87	3.30	2.90	3.61	3.25
MILLING	US$/Oz.	4.04	3.55	5.13	4.59	3.31	3.00	2.03	2.78
INDIRECT	US$/Oz.	2.08	1.38	0.85	1.17	1.65	0.96	1.98	1.49
TRANSPORT AND OTHER SELLING COSTS	US$/Oz.	0.41	0.44	0.28	0.33	0.23	0.28	0.33	0.28
SMELTING AND REFINING COSTS	US$/Oz.	0.62	4.18	0.46	1.33	0.68	3.79	3.97	2.92
BY-PRODUCT CREDITS	US$/Oz.	(1.43)	(3.81)	(0.04)	(1.13)	(1.63)	(3.32)	(1.12)	(2.11)
TOTAL CASH COST PER OUNCE	US$/Oz.	9.07	8.38	7.81	8.16	7.53	7.61	10.80	8.61
TRANSPORT AND OTHER SELLING COSTS	US$/Oz.	(0.41)	(0.44)	(0.28)	(0.33)	-	-	-	-
SMELTING AND REFINING COSTS	US$/Oz.	(0.62)	(4.18)	(0.46)	(1.33)	(0.68)	(3.79)	(3.97)	(2.92)
DIRECT CASH COST	US$/Oz.	8.04	3.76	7.07	6.50	6.85	3.82	6.83	5.69

		Year ended December 31, 2010				Year ended December 31, 2009			
		San Martin	La Parrilla	La Encantada	Total	San Martin	La Parrilla	La Encantada	Total
COST OF SALES	**US$**	**12,252,471**	**12,148,704**	**23,085,374**	**47,486,549**	**10,115,010**	**10,602,682**	**9,298,262**	**30,015,954**
ADD: THIRD PARTY SMELTING & REFINING	US$	613,573	6,167,022	4,335,309	11,115,904	715,834	4,897,387	5,126,869	10,740,090
DEDUCT: BY-PRODUCT CREDITS	US$	(2,072,897)	(5,479,424)	(1,872,994)	(9,425,315)	(1,852,368)	(4,121,098)	(1,499,708)	(7,473,174)
DEDUCT: ROYALTIES	US$	-	(94,883)	-	(94,883)	-	(127,483)	-	(127,483)
ADD (DEDUCT): PROFIT SHARING	US$	(499,763)	-	(1,301,069)	(1,800,832)	-	-	(59,120)	(59,120)
INVENTORY CHANGES	US$	(48,384)	210,713	2,269,974	2,432,303	(676,545)	(160,757)	(89,537)	(926,839)
OTHER NON-CASH COSTS	US$	299	(41)	74,946	75,204	(125,755)	(361,991)	(31,393)	(519,139)
TOTAL CASH COST (A)	**US$**	**10,245,299**	**12,952,091**	**26,591,540**	**49,788,930**	**8,176,176**	**10,728,740**	**12,745,373**	**31,650,289**
DEDUCT: THIRD PARTY SMELTING, REFINING, TRANSPORT & OTHER SELLING COSTS	US$ US$	(1,092,323)	(6,726,572)	(5,306,061)	(13,124,956)	(715,834)	(4,897,387)	(5,126,869)	(10,740,090)
DIRECT CASH COST (B)	**US$**	**9,152,976**	**6,225,519**	**21,285,479**	**36,663,974**	**7,460,342**	**5,831,353**	**7,618,504**	**20,910,199**
TONNES PRODUCED (Note 1)	TONNES	264,449	303,869	1,074,538	1,642,856	291,339	277,917	279,536	848,792
OUNCES OF SILVER PRODUCED (C) (Note 1)	**OZ**	**1,125,514**	**1,548,832**	**3,593,786**	**6,268,132**	**1,112,698**	**1,367,742**	**1,249,377**	**3,729,817**
OUNCES OF SILVER EQ PRODUCED (Note 1)	OZ EQ	104,523	264,956	124,488	493,967	134,538	275,465	129,257	539,260
TOTAL OZ OF SILVER EQ PRODUCED (Note 1)	OZ EQ	1,230,037	1,813,788	3,718,274	6,762,099	1,247,236	1,643,207	1,378,634	4,269,077
TOTAL CASH COST PER OUNCE (A/C)	**US$/OZ**	**9.10**	**8.36**	**7.40**	**7.94**	**7.35**	**7.84**	**10.20**	**8.49**
TOTAL CASH COST PER OUNCE	US$/OZ	9.10	8.36	7.40	7.94	7.35	7.84	10.20	8.49
THIRD PARTY SMELTING, REFINING, TRANSPORT & OTHER SELLING COSTS PER OUNCE	US$/OZ	(0.98)	(4.34)	(1.48)	(2.09)	(0.64)	(3.58)	(4.10)	(2.88)
DIRECT CASH COST (B/C)	**US$/OZ**	**8.12**	**4.02**	**5.92**	**5.85**	**6.71**	**4.26**	**6.10**	**5.61**
MINING	US$/Tonne	16.69	15.48	4.56	8.53	11.62	13.88	14.08	13.17
MILLING	US$/Tonne	16.87	16.77	14.18	15.09	13.22	15.67	9.98	12.96
INDIRECT	US$/Tonne	8.89	6.28	2.80	4.43	5.82	4.76	6.95	5.84
TOTAL PRODUCTION COST	**US$/Tonne**	**42.45**	**38.53**	**21.54**	**28.05**	**30.66**	**34.31**	**31.01**	**31.97**
MINING	US$/Oz.	3.92	3.04	1.36	2.24	3.04	2.82	3.15	3.00
MILLING	US$/Oz.	3.96	3.29	4.24	3.96	3.46	3.19	2.23	2.95
INDIRECT	US$/Oz.	2.08	1.23	0.84	1.15	1.52	0.97	1.55	1.33
TRANSPORT AND OTHER SELLING COSTS	US$/Oz.	0.43	0.36	0.27	0.32	0.34	0.31	0.36	0.33
SMELTING AND REFINING COSTS	US$/Oz.	0.55	3.98	1.21	1.77	0.64	3.58	4.10	2.88
BY-PRODUCT CREDITS	US$/Oz.	(1.84)	(3.54)	(0.52)	(1.50)	(1.66)	(3.01)	(1.20)	(2.00)
TOTAL CASH COST PER OUNCE	US$/Oz.	9.10	8.36	7.40	7.94	7.35	7.84	10.20	8.49
TRANSPORT AND OTHER SELLING COSTS	US$/Oz.	(0.43)	(0.36)	(0.27)	(0.32)	-	-	-	-
SMELTING AND REFINING COSTS	US$/Oz.	(0.55)	(3.98)	(1.21)	(1.77)	(0.64)	(3.58)	(4.10)	(2.88)
DIRECT CASH COST	US$/Oz.	8.12	4.02	5.92	5.85	6.71	4.26	6.10	5.61

Note 1 – The table above does not include 261,957 silver ounces of pre-commercial production from the La Encantada mill expansion project during the quarter ended March 31, 2010, which were produced at a cost of $2,444,393 (US$2,348,346).

COST OF SALES RECONCILIATION:		Three Month Ended December 31, 2010					Year Ended December 31, 2010				
		San Martin	La Parrilla	La Encantada	Vancouver	Total	San Martin	La Parrilla	La Encantada	Vancouver	Total
Total Cash Cost	US$	2,833,390	3,310,203	8,195,621	-	14,339,214	10,245,298	12,952,091	26,591,540	-	49,788,929
Inventory changes	US$	219,343	(221,676)	(1,339,140)	-	(1,341,473)	48,384	(210,713)	(2,269,974)	-	(2,432,303)
Byproduct credits	US$	446,482	1,505,804	39,822	-	1,992,108	2,072,897	5,479,424	1,872,994	-	9,425,315
Smelting and refining	US$	(193,583)	(1,653,266)	(485,504)	-	(2,332,353)	(613,573)	(6,167,022)	(4,335,309)	-	(11,115,904)
Royalties	US$	-	24,115	-	-	24,115	-	94,883	-	-	94,883
Profit sharing	US$	244,459	-	(243,628)	-	831	499,763	-	1,301,069	-	1,800,832
Other	US$	(261)	41	(81,987)	-	(82,207)	(298)	41	(74,946)	-	(75,203)
Cost of sales - Calculated	US$	3,549,830	2,965,221	6,085,184	-	12,600,235	12,252,471	12,148,704	23,085,374	-	47,486,549
Average CDN/US Exchange Rate		0.9821	0.9851	0.9837	-	0.9836	0.9708	0.9708	0.9708	-	0.9708
Booked Cost of Sales	CDN$	3,614,537	3,009,993	6,186,014	-	12,810,544	12,621,429	12,514,539	23,780,542	-	48,916,510
Vancouver Cost of Sales (See Note 1)	CDN$	-	-	-	397,569	397,569	-	-	-	917,981	917,981
Total Cost of Sales as Reported	CDN$	3,614,537	3,009,993	6,186,014	397,569	13,208,113	12,621,429	12,514,539	23,780,542	917,981	49,834,491

Note 1 – Net of intercompany eliminations of $1,435,521 for the quarter and $4,831,665 for the year ended December 31, 2010.

REVIEW OF MINING OPERATING RESULTS

The total mine production for the fourth quarter of 2010 consisted of 1,827,987 ounces of silver equivalent representing an increase of 46% compared to 1,249,568 ounces of silver equivalent produced in the fourth quarter of 2009. The production results for year ended December 31, 2010 was 7,024,056 ounces of silver equivalent compared to 4,337,103 ounces of silver equivalent produced in 2009, an increase of 62%.

Production in the fourth quarter of 2010 consisted of 1,757,332 ounces of silver, an increase of 70% compared to the fourth quarter of 2009. A total of 1,119,523 pounds of lead was produced, representing a decrease of 29% compared to the fourth quarter of 2009. Gold production in the fourth quarter of 2010 was 436 ounces, representing a decrease of 38% compared to the fourth quarter of 2009. Zinc production in the fourth quarter of 2010 was 134,771 pounds compared to no zinc production in the fourth quarter of 2009.

The ore processed during the fourth quarter of 2010 at the Company's three operating silver mines, the La Encantada Silver Mine, the La Parrilla Silver Mine and the San Martin Silver Mine, amounted to 467,175 tonnes which is an increase of 86% from the fourth quarter of 2009 and an increase of 8% compared to the third quarter of 2010.

The average silver head grade in the fourth quarter of 2010 for the three mines decreased to 207 grams per tonne (“g/t”) silver compared to 235 g/t silver in the fourth quarter of 2009 and from 226 g/t in the third quarter of 2010.

Inherent in the launch of the new processing plant at La Encantada, which incorporates a mixture of old tailings with fresh ore, is the expectation that the higher tonnage of the old tailings with an average grade of 150 g/t silver, will reduce consolidated recoveries as well as the average head grade of ore processed. The total combined recoveries of silver at the Company’s three plants was 57% in the fourth quarter of 2010 compared to 58% in the third quarter of 2010 and 65% in the fourth quarter of 2009 prior to commencing commercial production at the new cyanidation plant. As the new cyanidation plant processes a high proportion of tailings, recoveries are typically much lower.

A total of 6,028 metres of underground development was completed in the fourth quarter of 2010 compared to 5,266 metres completed in the fourth quarter of 2009. The underground development program is important as it provides access to new areas in the mines and prepares them for future growth of silver production.

A total of 6,103 metres of diamond drilling was completed in the fourth quarter of 2010 compared to 1,031 metres drilled in the fourth quarter of 2009. Total annual drilling was ramped up from 7,459 metres in 2009 to 17,321 metres in 2010, consisting of:

- definition drilling to assist in mining activity;
- resource upgrading;
- exploration at the Company’s three mines; and
- drilling at the La Esperanza area at the San Martin mine totalling 3,157 metres.

MINE UPDATES

La Encantada Silver Mine, Coahuila, Mexico

The La Encantada Silver Mine is a producing underground mine located in Northern Mexico accessible via a 1.5 hour flight from Torreon, Coahuila. The La Encantada Silver Mine consists of a 3,750 tonnes per day cyanidation plant, a 1,000 tonnes per day flotation plant (currently in care-and-maintenance), an airstrip, and a village with 180 houses as well as administrative offices and infrastructure required for such an operation. The mine is comprised of 4,076 hectares of mining rights and surface land ownership of 1,343 hectares. The closest town, Muzquiz, is 225 km away via mostly paved road. The Company owns 100% of the La Encantada Silver Mine. On April 1, 2010, the mill expansion project achieved commercial stage production and all revenues and costs from that date forward are recorded in the mine operating earnings.

With adjustments made to the tailings screening intake systems, and to the new tailings filters, the new plant at La Encantada is now consistently achieving 3,750 tonnes per day throughput, producing silver at a rate of over four million ounces of silver doré annually.

Ore processing in the fourth quarter of 2010 increased to 319,908 tonnes processed compared to 295,328 tonnes in the third quarter of 2010, an increase of 8%. The average head grade was 214 g/t in the fourth quarter of 2010, representing a decrease of 12% when compared to 242 g/t in the third quarter of 2010 and a decrease of 30% compared to the 305 g/t in the fourth quarter of 2009. Silver recovery in the fourth quarter of 2010 was 48%, a decrease from the 51% in the third quarter of 2010 and the fourth quarter of 2009. Recoveries decreased in the quarter due to an increase in the rate of feeding tailings and periodic delays in production associated with fine tuning the flow of the cyanidation plant.

A total of 1,050,911 equivalent ounces of silver were produced by the La Encantada plant during the fourth quarter of 2010, which represents a decrease of 10% compared to 1,163,887 equivalent ounces of silver produced in third quarter of 2010, and an increase of 141% compared to the 435,845 equivalent ounces of silver produced in the fourth quarter of 2009. Silver production in the fourth quarter of 2010 consisted of 1,049,811 ounces of silver, representing a decrease of 10% when compared to the 1,160,468 ounces produced in the third quarter of 2010, and an increase of 216% when compared to the 331,784 ounces produced in the fourth quarter of 2009. No lead was produced during the fourth quarter of 2010, compared to 28,814 pounds in the third quarter of 2010 and 536,801 pounds in the fourth quarter of 2009, as production from the flotation circuit was halted since the second quarter of 2010.

Underground mine development consisted of 2,729 metres completed in the fourth quarter of 2010 compared to 2,251 metres of development completed in the fourth quarter of 2009, representing a increase of 21%. The development program focused on improving haulage and logistics for ore and waste that is transported by trucks from the mine from several production areas within the mines, including the San Javier/Milagros Breccias, Azul y Oro, the new Buenos Aires area and a newly developed area between the 660 level and the Ojuelas ore bodies. The purpose of the ongoing underground development program is to prepare for increased production levels and to confirm additional Reserves and Resources. A total of 2,680 metres of diamond drilling was completed in the fourth quarter of 2010 compared to none in the fourth quarter of 2009.

With the throughput in the processing plant at capacity, and with the installation of the induction furnaces during the fourth quarter of 2010, the focus in the first quarter of 2011 will be operational improvements in the areas of improving recoveries and smelting, and reducing costs through other operational efficiencies.

La Parrilla Silver Mine, Durango, Mexico

The La Parrilla Silver Mine, located approximately 65 kilometres southeast of the city of Durango, Mexico, is a group of producing underground operations consisting of the La Rosa, Rosarios, and La Blanca mines which are inter-connected through underground workings, and the San Marcos and the Quebradillas mines. La Parrilla includes an 850 tpd processing plant consisting of two parallel 425 tpd cyanidation and flotation circuits, buildings, offices and associated infrastructure. In September 2010 , the Company acquired an additional 16,630 hectares of land through staking, and 15 hectares of surface rights. The total mining concessions cover a contiguous area of 69,867 hectares. The Company also leases 100 hectares of surface rights. The Company owns 100% of the La Parrilla Silver Mine.

Tonnes processed at La Parrilla were 78,537 tonnes in the fourth quarter of 2010, representing an increase of 3% when compared with the 76,618 tonnes processed in the third quarter of 2010, and an increase of 4% when compared with the 75,475 tonnes processed in the fourth quarter of 2009. The average head grade for the fourth quarter of 2010 was 205 g/t, 11 g/t lower than the third quarter of 2010 and 17 g/t lower than the fourth quarter of 2009. Recovery levels of silver in the fourth quarter were 77%, similar to the 76% recovery in the third quarter of 2010, and a 5% increase from the 73% recovery level in the fourth quarter of 2009.

Total production at the La Parrilla Silver Mine was 448,592 equivalent ounces of silver in the fourth quarter of 2010. This was a decrease of 7% compared to the third quarter of 2010 and a decrease of 4% compared to the fourth quarter of 2009. The composition of the silver equivalent production in the fourth quarter of 2010 consisted of 395,161 ounces of silver, 102 ounces of gold, 1,119,523 pounds of lead and 134,771 pounds of zinc. This compares with a composition of 402,760 ounces of silver, 92 ounces of gold, 1,219,272 pounds of lead and 228,517 pounds of zinc produced in the third quarter of 2010 and 395,761 ounces of silver, 151 ounces of gold and 1,038,018 pounds of lead in the fourth quarter of 2009.

A total of 1,935 metres of underground development was completed in the fourth quarter of 2010, compared to 2,126 metres in the third quarter of 2010 and 2,047 meters in the fourth quarter of 2009. A total of 1,498 metres of diamond drilling was completed in the fourth quarter of 2010 compared to 46 meters of diamond drilling in the third quarter of 2010 and 114 meters in the fourth quarter of 2009.

Development in the lower levels 8 and 9 of the Rosarios and La Rosa vein continued during the quarter providing access to reserves and resources, a portion of which was produced in the second half of 2010. Also, access to level 10 was reached via a ramp which provides access to further reserves at depth, and thus upgrading the Measured and Indicated and Inferred Resources of the lower part of the Rosarios/La Rosa vein.

At the Quebradillas area, development was focused on the Q25 ore body which was indicated from a previous program of diamond drilling, having developed at strike and the upper part of the ore body for more than 80 metres. The access to this ore body will provide ore for the future production of zinc concentrates at the La Parrilla flotation plant once the zinc circuit is in place. Geophysical, regional exploration and mapping is currently being carried out in order to define a broad diamond drill program scheduled for 2011.

In December 2010, a major expansion program at La Parrilla was launched. The total capital budget for the expansion, including expanded underground development is expected to be US$34.9 million and it is anticipated to result in the mill capacity reaching 1,600 tpd by the end of 2011. The result of this expansion is anticipated to double the current production capacity to approximately 3.0 million silver equivalent ounces annually consisting of 2.3 million ounces silver and 0.7 million ounces of silver equivalents in the form of lead and zinc.

San Martin Silver Mine, Jalisco, Mexico

The San Martin Silver Mine is a producing underground mine located adjacent to the town of San Martin de Bolaños, in Northern Jalisco State, Mexico. The mine comprises approximately 7,841 hectares of mineral rights, 1,300 hectares of surface land rights surrounding the mine, and another 104 hectares of surface land rights where the 900 tpd cyanidation plant and 500 tpd flotation plant, mine buildings, infrastructure and offices are located. The Company owns 100% of the San Martin Silver Mine. The processing plant has historically produced 100% of its production in the form of silver doré with some gold content. In early 2008, a 500 tpd flotation circuit was assembled to take advantage of the large sulphide resources at this mine, however, due to low base metal prices and high costs of smelting concentrates, the circuit was placed into care and maintenance pending further capital investment and improved sulphide mineral economics.

In the fourth quarter of 2010, 68,730 tonnes were processed at the San Martin Mine, representing an increase of 10% when compared to the 62,275 tonnes milled in the third quarter of 2010 and decrease of 3% when compared to the 70,919 tonnes milled in the fourth quarter of 2009. The average head grade was 175 g/t in the fourth quarter of 2010, representing an increase of 7% when compared to the 164 g/t in the third quarter of 2010 and a decrease of 5% when compared to the 184 g/t in the fourth quarter of 2009.

Total production of 328,484 ounces of silver equivalent in the fourth quarter of 2010 was 20% higher than the 273,003 equivalent ounces of silver produced in the third quarter of 2010 and 5% lower than the 344,405 equivalent ounces of silver produced in the fourth quarter of 2009. The equivalent ounces of silver in the fourth quarter of 2010 consisted of 312,360 ounces of silver and 313 ounces of gold. This compares to 260,142 ounces of silver and 198 ounces of gold produced in the third quarter of 2010, and 308,269 ounces of silver and 545 ounces of gold in the fourth quarter of 2009. Silver recovery levels in the fourth quarter of 2010 were 81% compared to 79% in the third quarter of 2010 and 73% achieved in the fourth quarter of 2009.

During the fourth quarter of 2010, a total of 1,364 metres of underground development was completed compared to 1,794 metres in the third quarter of 2010. In addition, 1,925 metres of diamond drilling was completed in the fourth quarter of 2010 compared to 917 metres in the fourth quarter of 2009.

Exploration via short hole drilling into the footwall and hanging wall has shown some success with the discovery of the San Pedro area in 2009. This underground drilling program is continuing and is confirming the presence of structures similar to the San Pedro area which are continually providing additional oxide resources. The surface exploration program which began in 2009 defined the new La Esperanza vein which runs parallel to the Zuloaga vein and has high anomalous samples from 100 to 250 grams per tonne of Ag on surface.

A total of eight holes have been completed of which 6 holes have intersected economic mineralization. This first stage of the diamond drilling was concluded and evaluated during the fourth quarter of 2010. As a result of the diamond drilling program, development of a 500 metres ramp commenced in the fourth quarter, and is expected to be completed during the second quarter of 2011. At that time, diamond drilling will commence to further evaluate the Esperanza vein.

Del Toro Silver Mine, Zacatecas, Mexico

The Del Toro Silver Mine is located 60 km to the southeast of the Company's La Parrilla Silver Mine and consists of 393 contiguous hectares of mining claims plus an additional 129 hectares of surface rights covering the area surrounding the San Juan mine. The Del Toro operation represents the consolidation of two old silver mines, the Perseverancia and San Juan mines, which are approximately one kilometre apart.

The Del Toro Silver Mine is an advanced stage development project that has undergone an aggressive drilling program since 2005 to explore the various areas of interest within the Del Toro property holdings.

In January 2010 the "Change of Use of Land Permit" for a new flotation plant was approved by the SEMARNAT. This permit was the last permit required to commence construction of a new operation. All necessary permits for the construction of a 1,000 tpd flotation mill were granted by the Mexican authorities in the fourth quarter of 2009 and the first quarter of 2010. No immediate plans are in place to commence construction; however, the Company is currently in the final planning stage for a new processing plant at the Del Toro Mine, and anticipates a decision in early 2011.

During the month of September 2010, the Company re-initiated development of an additional 1,000 metre ramp, which is planned to contact the third ore body at a depth of approximately 300 metres. The objective is to collect a bulk sample of approximately 5,000 tonnes and to process this sample through the La Parrilla processing plant for metallurgical test work. This testing will allow the fine tuning and final design of the flow chart for the construction of a new flotation plant. Bulk sampling and development will also help to determine the most optimal mine exploitation method. During the fourth quarter, a total of 197 meters of the ramp was developed and a crosscut of 135 meters was initiated. The crosscut was completed in January 2011 for the purpose of launching a new diamond drill program at depth into the three known ore bodies. This drill program is expected to achieve two main objectives: 1) to speed up the metallurgical testing process as portions of the core will be used for this purpose and 2) to increase the NI 43-101 compliant Resources at depth.

Real de Catorce Silver Project, San Luis Potosi, Mexico

The Real de Catorce Silver Project was acquired in November 2009, through the acquisition of Normabec Mining Resources Ltd. ("Normabec"). As a result of the acquisition of Normabec, the Company owns 100% of the Real de Catorce Silver Project. The Real de Catorce project is located 25 km west of the town of Matehuala in San Luis Potosi State, Mexico. The Real de Catorce property consists of 22 mining concessions covering 6,327 hectares, with historical production of 230 million ounces between 1773 and 1990.

After the acquisition of the historically famous Real de Catorce silver mine, the Company completed all of the necessary transfers of ownership of the mining claims to Normabec's Mexican subsidiary Minera Real de Bonanza, S.A. de C.V. The Company is now preparing a plan to reconfirm the geological information and to map out the future development activities in this very large silver mining district.

In November 2010, the Company agreed to acquire the 3% NSR, the surface rights of the property, the buildings located thereon covering the location of the previous mining operations, and all technical and geological information collected pertaining to the area, in consideration for US$3.0 million. Consideration for the purchase consisted of a cash payment of US$1.05 million and US$1.5 million in shares of the Company (152,798 shares) in November 2010, and US$0.45 million which was paid by January 31, 2011. All payments in cash and shares have now been completed fulfilling the Company's objectives in acquiring all the necessary land and buildings for the Real de Catorce project.

EXPLORATION PROPERTY UPDATES

Jalisco Group of Properties, Jalisco, Mexico

The Company acquired a group of mining claims totalling 5,240 hectares located in various mining districts located in Jalisco State, Mexico. During 2008, surface geology and mapping began with the purpose of defining future drill targets; however, exploration has since been discontinued as the Company focuses its capital investment on other higher priority projects, including the Del Toro Silver Mine and Real de Catorce Silver Project.

In January 2011, the Company entered into a Letter of Intent whereby the Company has agreed to grant an option to acquire up to 90% in the Jalisco Group of Properties (the "Properties") located in the Jalisco State, Mexico. Upon execution of a definitive agreement, expected to take place within 90 days, the optionee will be required to issue 10 million shares of common stock to the Company and spend $3 million over the first 3 years to earn a 50% interest and $5 million over 5 years to earn a 70% interest. In order to obtain a 90% interest, the optionee is required to complete a bankable feasibility study within 7 years. First Majestic will retain a 10% free carried interest and a 2.375% NSR.

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2010 $	Year Ended December 31, 2009 $	Year Ended December 31, 2008 $	
Revenue	120,765,361	59,510,669	44,324,887	(1)
Mine operating earnings	61,171,416	18,460,952	7,501,632	(2)
Net income (loss)	36,104,945	6,310,225	(5,144,784)	(3)
Earnings (loss) per share - basic	0.39	0.08	(0.07)	
Earnings (loss) per share - diluted	0.37	0.07	(0.07)	
Total assets	321,468,020	251,473,463	231,159,649	(4)
Total long-term liabilities	51,683,161	37,388,527	38,725,621	

(1) During the year ended December 31, 2010, revenue increased by $61.3 million or 103% over 2009. The increase was attributed to increase in silver price and increased production at La Encantada Silver Mine and La Parrilla Silver Mine, resulting in a 62% increase in consolidated production and 53% increase in total ounces sold. During the year ended December 31, 2009, revenues increased by $15.2 million or 34% over 2008 due to increased production at all mines, resulting in an 18% increase in the equivalent ounces of silver sold, reductions in smelting and refining charges and metal deductions that reduced these charges from 21% of gross revenue to 17% of gross revenue and a 7% increase in the average USD/CAD exchange rate.

(2) Mine operating earnings for the year ended December 31, 2010 increased by $42.7 million or 231% compared to 2009. The increase was attributed to $61.3 million or 103% increase in revenue and cost savings from conversion to producing silver concentrate instead silver doré at the La Encantada Silver Mine. Mine operating earnings for the year ended December 31, 2009 increased by $11.0 million or 146% due to an increase of 643,501 equivalent silver ounces sold in 2009 compared to 2008. A $15.2 million increase in net revenue was partially offset by a $3.9 million increase in cost of sales.

(3) Net income or losses in these periods included non-cash stock based compensation expense and future income tax expense. Stock based compensation expense was $4,548,633 for the year ended December 31, 2010, compared to $3,302,780 in 2009 and $3,680,111 in 2008. Future income tax expense in 2010 was $10,459,047, compared to recovery of $3,315,978 in 2009 and $2,055,987 in 2008. During the year ended December 31, 2009, management elected not to proceed with the acquisition of the Cuitaboca Silver Project and accordingly, the investment totalling $2,589,824 was written off. Also during 2009, included in net income was a write-down of marketable securities in the amount of $390,467. There were no such write- downs during the years ended December 31, 2010 and 2008.

(4) During the year ended December 31, 2010, total assets increased by $70.0 million or 28% compared to 2009, which consisted primarily of $35.1 million increase in cash and $15.6 million increase in property, plant and equipment, $13.4 million increase in mineral property interests and $3.0 million increase in future income tax asset. During the year ended December 31, 2009, the $20.4 million increase in total assets consisted primarily of approximately $18.3 million increase in plant and equipment and a $13.7 million increase in mining interests, net of depreciation, depletion and translation adjustments, both of which were offset by a $11.5 million reduction of cash.

The Company has not paid any dividends since incorporation and it presently has no plans to pay dividends.

RESULTS OF OPERATIONS

For the quarter ended December 31, 2010 compared to quarter ended December 31, 2009 and the quarter ended December 31, 2009 compared to quarter ended December 31, 2008:

	For Quarter Ended December 31, 2010 $	For Quarter Ended December 31, 2009 $	For Quarter Ended December 31, 2008 $	
Gross revenue	42,361,771	21,436,456	11,712,165	(1)
Net revenue	40,118,897	18,374,117	9,106,605	(2)
Cost of sales	13,208,114	8,538,785	8,294,803	(3)
Depreciation, depletion and amortization	2,921,455	1,635,859	1,874,952	(4)
Accretion of reclamation obligation	93,866	106,480	63,547	
Mine operating earnings (loss)	**23,895,462**	**8,092,993**	**(1,126,697)**	(5)
General and administrative	3,874,417	2,432,333	1,795,305	(6)
Stock-based compensation	2,620,431	1,099,386	865,417	(7)
Write-down of mineral properties	-	2,589,824	-	(8)
	6,494,848	6,121,543	2,660,722	
Operating income (loss)	**17,400,614**	**1,971,450**	**(3,787,419)**	(9)
Interest and other expenses	(227,558)	(999,683)	(583,430)	(10)
Investment and other income	1,274,106	531,763	67,363	(11)
Foreign exchange gain (loss)	300,587	523,141	(3,750,504)	(12)
Write-down of marketable securities	-	(390,467)	-	(13)
Income (loss) before taxes	18,747,749	1,636,204	(8,053,990)	
Income tax expense (recovery) - current	383,011	(360,124)	17,742	
Income tax expense (recovery) - future	4,441,476	(496,160)	(2,532,826)	
Income tax expense (recovery)	4,824,487	(856,284)	(2,515,084)	(14)
Net income (loss) for the period	**13,923,262**	**2,492,488**	**(5,538,906)**	(15)
Earnings (loss) per share - basic	**0.15**	**0.03**	**(0.08)**	
Earnings (loss) per share - diluted	**0.14**	**0.03**	**(0.08)**	

1. Consolidated gross revenue (prior to smelting & refining and metal deductions) for the quarter ended December 31, 2010 was $42,361,771 or $25.06 (US$24.74) per ounce compared to $21,436,456 or $18.71 (US$17.72) per ounce for the quarter ended December 31, 2009, for an increase of $20,925,315 or 98%. The increase in the fourth quarter of 2010 is attributable to a 46% increase in equivalent silver ounces produced as the new La Encantada processing plant began commercial sales on April 1, 2010; as well, a 40% increase in average US$ gross revenue per ounce sold in the current quarter compared to the fourth quarter of 2009. The increase in gross revenue was partially offset by the devaluation of the U.S. dollar against the Canadian dollar.

   Consolidated gross revenue (prior to smelting and refining and metal deductions) for the quarter ended December 31, 2009 was $21,436,456 or $18.71 (US$17.72) per ounce compared to $11,712,165 or $14.15 (US$11.67) per ounce for the quarter ended December 31, 2008 for an increase of $9,724,291, or 83%. The increase in the fourth quarter of 2009 is attributable to a 38% increase in equivalent silver ounces sold and a 32% increase in the average gross revenue per ounce realized.

2. Net revenue for the quarter ended December 31, 2010 increased by $21,744,780 or 118% to $40,118,897 from $18,374,117 in the fourth quarter of 2009, due to the same increases that affected consolidated gross revenue in the fourth quarter of 2010. In addition, lower smelting & refining and metal deduction charges per ounce (5% of gross revenue compared to 14% in the fourth quarter of 2009) contributed to the increase in net revenue in the fourth quarter of 2010.

   Net revenue for the quarter ended December 31, 2009 increased by $9,267,512 or 102% to $18,374,117, from $9,106,605 in the fourth quarter of 2008, due to the same increases that affected consolidated gross revenue in the fourth quarter of 2009. In addition, lower smelting and refining charges per ounce contributed to the increase in net revenue in the fourth quarter of 2009.

3. Cost of sales increased by $4,669,329 or 55%, to $13,208,114 in the fourth quarter of 2010 from $8,538,785 in the same quarter of 2009. This increase in cost of sales was related to increasing the equivalent silver ounces sold by 48% from the quarter ended December 31, 2009.

   Cost of sales increased by $243,982 or 3%, to $8,538,785 in the fourth quarter of 2009 from $8,294,803 in the same quarter of 2008. This modest increase in cost of sales was accomplished while increasing the silver equivalent ounces sold by 38% from the quarter ended December 31, 2008. In the fourth quarter of 2009, the Company processed higher grade ore and achieved operational efficiencies including reductions in production costs per tonne and cash costs per ounce relative to 2008 levels.

4. Depreciation, depletion and amortization increased by $1,285,596 or 79% to $2,921,455 in the fourth quarter of 2010 from $1,635,859 in the same quarter of 2009, due primarily to the additional depreciation and amortization which commenced upon the new La Encantada mill entering into commercial stage production effective April 1, 2010.

   Depletion, depreciation and amortization decreased by $239,093 or 13%, to $1,635,859 in the fourth quarter of 2009 from $1,874,952 in the same quarter of 2008, due to an increase in production from areas outside of reserves at the San Martin Silver Mine.

5. Mine operating earnings increased by $15,802,469 or 195% to $23,895,462 for the quarter ended December 31, 2010, compared to $8,092,993 for the same quarter in the prior year. This is primarily due to the $21,744,780 increase in net revenue, and is offset by the higher cost of sales and depreciation, depletion and amortization expenses during the fourth quarter of 2010.

   Mine operating earnings increased by $9,219,690 or 818% to $8,092,993 for the quarter ended December 31, 2009 from a mine operating loss of $1,126,697 for the same quarter in the prior year. This is primarily due to the $9,267,512 increase in net revenue.

6. General and administrative expenses for the fourth quarter of 2010 increased by $1,442,084 or 59% compared to the prior year due to higher legal and professional fees, an aggressive investor relations campaign, and an increase in salaries and benefits year over year.

   General and administrative expenses for the fourth quarter of 2009 increased by $637,028 or 35% compared to the prior year primarily due to increases in office and other expenses of $205,700, salaries and benefits of $152,636 and legal expenses of $116,199.

7. Stock-based compensation for the fourth quarter of 2010 increased by $1,521,045 or 138% compared the same quarter of the prior year. The increase was due to an increase in the Black Scholes fair value of stock options granted as a result of the significant increase in the Company's share price in the current year.

   Stock-based compensation increased by $233,969 or 27% due to a higher number of new option grants in the fourth quarter of 2009 compared to the fourth quarter of 2008.

8. During the quarter ended December 31, 2009, management elected not to proceed with the acquisition of the Cuitaboca Silver Project and accordingly, the investment totalling $2,589,824 was written off. There was no such write-down in the fourth quarter of 2010 and 2008.

9. Operating income increased by $15,429,164 or 783% to $17,400,614 for the quarter ended December 31, 2010, compared to an operating income of $1,971,450 for the quarter ended December 31, 2009, due to the increase in mine operating earnings associated with higher production levels and higher silver prices.

   Operating income increased by $5,758,869 or 152% to $1,971,450 for the quarter ended December 31, 2009, from an operating loss of $3,787,419 for the quarter ended December 31, 2008, due to the increase in mine operating earnings.

10. During the quarter ended December 31, 2010, interest and other expenses decreased by $772,125 or 77% to $227,558 compared to $999,683 for the quarter ended December 31, 2009. The decrease was attributed to decrease in interest bearing liabilities, as the Company repaid the long-term portion of its Fideicomiso de Fomento Minero ("FIFOMI") debt facilities in advance during the third quarter of 2010, and later repaid all the current FIFOMI and lead prepayment facilities in the fourth quarter.

During the quarter ended December 31, 2009, interest and other expenses included a one-time expense of $484,487 for legal and professional fees associated with a transaction that did not proceed. There was no such expense in the quarter ended December 31, 2008.

11. During the quarter ended December 31, 2010, investment and other income increased by $742,343 or 140% compared to the same quarter in the prior year. The increase is primarily attributed to the realized gain of on silver futures contracts.

    During the quarter ended December 31, 2009, investment and other income included $445,920 for realized gains on silver futures while this gain was $81,307 in the quarter ended December 31, 2008.

12. The Company experienced a foreign exchange gain of $300,587 in the quarter ended December 31, 2010 compared to a foreign exchange gain of $523,141 in the quarter ended December 31, 2009 due to the devaluation of liabilities and debt facilities denominated in U.S. dollars related to a weakening of the U.S. dollar compared to the Canadian dollar**.**

    The Company experienced a foreign exchange gain of $523,141 in the quarter ended December 31, 2009 compared to a foreign exchange loss of $3,750,504 in the quarter ended December 31, 2008 due to the devaluation of net monetary assets denominated in U.S. dollars related to a weakening of the U.S. dollar compared to the Canadian dollar, and a weakening of the Mexican peso relative to the Canadian dollar.

13. During the quarter ended December 31, 2009, management determined that the value of certain investments in marketable securities were permanently impaired and $390,467 of unrealized losses were written down. There was no such write-down in the fourth quarter of 2010 and 2008.

14. During the quarter ended December 31, 2010, the Company recorded an income tax expense of $4,824,487 compared to a recovery of $856,284 in the quarter ended December 31, 2009, and this is reflective of higher earnings and would consist primarily of non-cash future income taxes arising from temporary timing differences and utilization of tax loss carryforwards.

    During the quarter ended December 31, 2009, the Company recorded an income tax recovery of $856,284 compared to a recovery of $2,515,084 in the quarter ended December 31, 2008, and this is attributed to the recovery of future income taxes arising from the reversal of temporary timing differences and additional tax loss carryforwards compared to 2008.

15. As a result of the foregoing, net income for the quarter ended December 31, 2010 increased 459% to $13,923,262 or basic earnings per share of $0.15 compared to a net income of $2,492,488 or $0.03 per common share in the quarter ended December 31, 2009, for an increase of $11,430,774 compared to the same period in the prior year.

    As a result of the foregoing, net income for the quarter ended December 31, 2009 was $2,492,488 or $0.03 per common share compared to a net loss of $5,538,906 or $0.08 per common share in the quarter ended December 31, 2008, for an increase of $8,031,394.

For the year ended December 31, 2010 compared to year ended December 31, 2009 and for the year ended December 31, 2009 compared to the year ended December 31, 2008.

	For Year Ended December 31, 2010 $	For Year Ended December 31, 2009 $	For Year Ended December 31, 2008 $	
Gross revenue	132,172,887	71,526,074	56,102,459	(1)
Net revenue	120,765,361	59,510,669	44,324,887	(2)
Cost of sales	49,834,491	34,351,853	30,419,415	(3)
Depreciation, depletion and amortization	9,383,782	6,252,774	6,203,363	(4)
Accretion of reclamation obligation	375,672	445,090	200,477	
Mine operating earnings	**61,171,416**	**18,460,952**	**7,501,632**	(5)
General and administrative	10,787,267	8,089,087	7,549,079	(6)
Stock-based compensation	4,548,633	3,302,780	3,680,111	(7)
Write-down of mineral properties	-	2,589,824	-	(8)
	15,335,900	13,981,691	11,229,190	
Operating income (loss)	**45,835,516**	**4,479,261**	**(3,727,558)**	(9)
Interest and other expenses	(1,863,640)	(2,101,862)	(1,372,768)	(10)
Investment and other income	3,022,113	1,129,527	1,180,742	(11)
Foreign exchange gain (loss)	18,030	(36,426)	(3,144,654)	(12)
Write-down of marketable securities	-	(390,467)	-	(13)
Income (loss) before taxes	47,012,019	3,080,033	(7,064,238)	
Income tax expense - current	448,027	85,786	136,533	
Income tax expense (recovery) - future	10,459,047	(3,315,978)	(2,055,987)	
Income tax expense (recovery)	10,907,074	(3,230,192)	(1,919,454)	(14)
Net income (loss) for the year	**36,104,945**	**6,310,225**	**(5,144,784)**	(15)
Earnings (loss) per share - basic	**0.39**	**0.08**	**(0.07)**	
Earnings (loss) per share - diluted	**0.37**	**0.07**	**(0.07)**	

1. Gross revenue (prior to smelting & refining charges, and metal deductions) for the year ended December 31, 2010 was $132,172,887 compared to $71,526,074 for the year ended December 31, 2009, for an increase of $60,646,813 or 85%. Contributing to this increase was a 53% increase in silver equivalent ounces sold from 4,233,703 ounces sold in 2009 to 6,482,637 ounces sold in 2010. Silver prices were higher in 2010 than the comparative period in 2009, however, the stronger Canadian dollar compared to the U.S. dollar offset a portion of the favourable increase in gross revenue as silver shipments are valued in U.S dollars and translated into Canadian dollars for financial statement presentation. The average gross revenue per ounce sold on a consolidated basis was Cdn$20.39 (US$19.79) per ounce for the year ended December 31, 2010, compared to Cdn$16.89 (US$14.79) per ounce for the year ended December 31, 2009.

   Gross revenue (prior to smelting & refining charges, and metal deductions) for the year ended December 31, 2009 was $71,526,074 compared to $56,102,459 for the year ended December 31, 2008 for an increase of $15,423,615 or 27%. Contributing to this increase was an 18% increase in silver equivalent ounces sold, and a 8% increase in the average Canadian price per ounce of silver. Total equivalent ounces of silver sold for 2009, was 4,233,703 ounces whereas for 2008, the total equivalent ounces of silver sold was 3,590,202 ounces, for an increase of 643,501 equivalent ounces of silver. The average silver price realized in 2009 was $16.89 (US$14.79) while the average silver price realized in 2008 was $15.63 (US$14.66), due to a 7% increase in the average CAD/USD exchange rate for 2009, compared to 2008.

2. Net revenue for the year ended December 31, 2010 increased by $61,254,692 or 103%, from $59,510,669 in 2009 to $120,765,361 in 2010. Smelting and refining charges and metal deductions decreased from 17% to 9% of consolidated gross revenue during the year ended December 31, 2010, compared to the year ended December 31, 2009, and reflects the reductions in smelting & refining charges related to sales of silver doré and precipitates compared to silver concentrates. Net revenue in 2010 also included the incremental revenue of $644,787 from the sale of coins, ingots and bullion to consumers and individual retail investors over the Company's website.

Net revenue for the year ended December 31, 2009 increased by $15,185,782 or 34%, from $44,324,887 in the year ended December 31, 2008 to $59,510,669 in the year ended December 31, 2009 due to the same increases that affected consolidated gross revenue in 2009. Net revenue in 2009 also included the incremental revenue of $454,719 from the sales of coins, ingots and bullion to consumers and individual retail investors over the Company's website.

3. Cost of sales increased by $15,482,638 or 45% from $34,351,853 to $49,834,491 for the year ended December 31, 2010. Total equivalent ounces of silver sold for the year ended December 31, 2010 increased 53% to 6,482,637 ounces (commercial production) compared to the year ended December 31, 2009.

   Cost of sales increased by $3,932,438 or 13% from $30,419,415 to $34,351,853 for the year ended December 31, 2009 due to the 18% increase in the equivalent ounces of silver sold.

4. Depreciation, depletion and amortization increased by $3,131,008 or 50% to $9,383,782 in the year ended December 31, 2010, compared to $6,252,774 in the year ended December 31, 2009. The increase is primarily attributed to additional reserves processed in the year and to depreciation expenses of the new processing plant at the La Encantada mine which achieved commercial production status effective April 1, 2010, which requires the commencement of depreciation and amortization. Also, during 2009, the San Martin Mine extracted less tonnage from Reserves, and more tonnage was extracted from areas outside of Reserves, which had an impact of reducing depletion expense in the same period in 2009.

   Depreciation, depletion and amortization increased by $49,411 or 1%, to $6,252,774 for the year ended December 31, 2009 from $6,203,363 for the year ended December 31, 2008, due to the higher amount of depreciable assets in the current year including assets acquired by capital lease in the fourth quarter of 2008 and in 2009, partially offset by lower depletion at the San Martin mine as less tonnage was extracted from reserves, and more tonnage was extracted from areas outside of reserves.

5. Mine operating earnings increased by $42,710,464 or 231% to $61,171,416 for the year ended December 31, 2010, compared to $18,460,952 for the same period in prior year. This is primarily due to the $61,254,692 increase in net revenue and offset by the higher cost of sales and depreciation, depletion and amortization expense during the year ended December 31, 2010.

   Mine operating earnings for 2009 increased by 146% to $18,460,952, an increase of $10,959,320, compared to $7,501,632 for 2008, due to an increase in sales volume from 3,590,202 ounces of silver equivalent in 2008 to 4,233,703 ounces in 2009, combined with an increase in sales revenue per ounce from $15.63 (US$14.66) in 2008 to $16.89 (US$14.79) in 2009.

6. General and administrative expenses increased by $2,698,180 or 33% for the year ended December 31, 2010, compared to the same period in the prior year and is primarily attributed to an increase in salaries and benefits due to hiring additional staff, normal rate increases and the introduction of a performance incentive plan. Additional professional and listing fees were incurred during the year associated with the Company listing on the New York Stock Exchange. Legal and professional fees also increased due to trial preparations.

   General and administrative expenses increased by $540,008 or 7% for the year ended December 31, 2009 compared to the same period in the prior year, primarily due to increases of $315,977 in legal expenses and $230,010 in salaries and benefits.

7. Stock-based compensation increased by $1,245,853 or 38% due to higher Black Scholes fair value attributed to stock options granted during the year.

   Stock-based compensation decreased by $377,331 or 10% due to fewer new options granted and fewer options vesting in the year ended December 31, 2009.

8. During the year ended December 31, 2009, management elected not to proceed with the acquisition of the Cuitaboca Silver Project and accordingly, the investment totalling $2,589,824 was written off. There was no such write-downs in 2010 and 2008.

9. Operating income increased by $41,356,255 or 923%, from $4,479,261 for the year ended December 31, 2009, to $45,835,516 for 2010. The increase is primarily attributable to the $42,710,464 increase of mine operating earnings.

   Operating income increased by $8,206,819 or 220%, from an operating loss of $3,727,558 for the year ended December 31, 2008 to operating income of $4,479,261 for the year ended December 31, 2009. This can be directly attributable to the $10,959,320 increase in mine operating earnings.

10. Interest and other expenses decreased by $238,222 or 11% in the year ended December 31, 2010, compared to the prior year and is primarily attributed to reduced interest costs. During 2010, the Company aggressively reduced its interest bearing liabilities and repaid the long-term portion of its FIFOMI debt facilities in advance during the third quarter of 2010, and later repaid all the current FIFOMI and prepayment debt facilities in the fourth quarter.

    Interest and other expenses increased by $729,094 or 53% to $2,101,862 in the year ended December 31, 2009 compared to $1,372,768 in the year ended December 31, 2008 due to a one-time expense of $484,487 for legal and professional fees associated with a transaction that did not proceed as well as additional interest on capital leases, interest on outstanding property payments relating to the Quebradillas Mine at La Parrilla, interest on debt facilities in place in 2009 and financing cost relating to advance payments on silver shipments.

11. During the year ended December 31, 2010, investment and other income increased over the prior year by $1,892,586 or 168% to $3,022,113 primarily attributed to an increase in realized gains on silver futures contracts.

12. There was a foreign exchange gain of $18,030 for the year ended December 31, 2010, compared to a loss of $36,426 for the year ended December 31, 2009.

    There was a foreign exchange loss of $36,426 for the year ended December 31, 2009, compared to a loss of $3,144,654 for the year ended December 31, 2008, due to the devaluation of net monetary assets denominated in U.S. dollars related to a weakening of the U.S. dollar compared to the Canadian dollar, and a weakening of the Mexican peso relative to the Canadian dollar.

13. During the year ended December 31, 2009, management determined that the value of certain investments in marketable securities were permanently impaired and $390,467 of unrealized losses were written down. There was no such write-down in 2010 or 2008.

14. During the year ended December 31, 2010, the Company recorded an income tax expense of $10,907,074 compared to a tax recovery of $3,230,192 in the year ended December 31, 2009 and is reflective of earnings and would consist primarily of non-cash future income taxes arising from temporary timing differences and utilization of tax loss carryforwards. In 2009, the recovery was also attributed to a Canadian dollar equivalent of $542,906 for the adjusted tax deductibility of energy expenses which increased the tax loss carryforwards.

    During the year ended December 31, 2009, the Company recorded an income tax recovery of $3,230,192 compared to $1,919,454 in the year ended December 31, 2008. This is attributed to the recovery of future income taxes arising from the reversal of temporary timing differences and additional tax loss carryforwards compared to 2008. Included in the current recovery is a Canadian dollar equivalent of $542,906 for the adjusted tax deductibility of energy expenses which has increased the tax loss carryforwards.

15. As a result of the foregoing, net income for the year ended December 31, 2010 was $36,104,945 or $0.39 per common share (basic) compared to net income of $6,310,225 or $0.08 per common share in 2009, for an increase of $29,794,720 or 472%, primarily due to the effects of increased production and increased silver prices.

    As a result of the foregoing, net income for the year ended December 31, 2009 was $6,310,225 or $0.08 per common share (basic) compared to net loss of $5,144,784 or ($0.07) per common share for the year ended December 31, 2008, for an increase of $11,455,009.

SUMMARY OF QUARTERLY RESULTS

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

	Quarter	Net sales revenues $	Net income after taxes $	Basic net income per common share $	Diluted net income per common share $	Stock-based compensation (9) $	Note
Year ended December 31, 2010	**Q4**	40,118,897	13,923,262	0.15	0.14	2,620,431	1
	Q3	33,465,565	10,278,772	0.11	0.11	584,059	2
	Q2	28,963,285	8,887,116	0.10	0.09	643,964	3
	Q1	18,217,614	3,015,795	0.03	0.03	700,179	4
Year ended December 31, 2009	**Q4**	18,374,117	2,492,488	0.03	0.03	1,099,386	5
	Q3	13,724,803	1,841,623	0.02	0.02	505,847	6
	Q2	13,024,877	1,036,416	0.01	0.01	800,808	7
	Q1	14,386,872	939,698	0.01	0.01	896,739	8

Notes:

1. In the quarter ended December 31, 2010, net sales increased by $6,653,332 compared to the prior quarter ended September 30, 2010. The increase was primarily due to the increase in silver price, partially offset by a 9.6% decrease in silver equivalent ounces sold related to a slowdown in the holiday season. Net income after taxes increased $3,644,490 or 35% in the quarter ended December 31, 2010, compared to the quarter ended September 30, 2010, due to $7,025,859 increase in mine operating earnings, which was partially offset by increases in non-cash stock-based compensation and future income tax expenses.

2. In the quarter ended September 30, 2010, net sales increased by $4,502,280 compared to the quarter ended June 30, 2010. The increase was primarily due to a 15% increase, or 245,549 equivalent ounces of silver sold after intercompany eliminations, in the third quarter of 2010 as compared to the second quarter of 2010, and an increase in silver price during the quarter. Net income after taxes increased $1,391,656 or 16% in the quarter ended September 30, 2010, compared to the quarter ended June 30, 2010, mainly due to $3,815,298 increase in mine operating earnings that was partially offset by an increase of $2,112,041 in tax expense and an increase of $1,042,732 in foreign exchange loss compared to the second quarter of 2010.

3. In the quarter ended June 30, 2010, net sales increased by $10,745,671 compared to the quarter ended March 31, 2010 and was primarily due to an increase of 325,185 equivalent ounces of silver sold (after intercompany eliminations) in the second quarter of 2010 compared to the first quarter of 2010. In the first quarter of 2010, pre-commercial sales were not included as equivalent ounces sold but instead were credited to the capitalization of the La Encantada mill expansion project. Net sales and net income was positively affected by an increase of the average gross revenue per ounce realized of $19.58 (US$18.68) in the quarter ended June 30, 2010 compared to $16.89 (US$16.23) in the quarter ended March 31, 2010.

4. In the quarter ended March 31, 2010, net sales revenue was comparable to the quarter ended December 31, 2009. The Company sold an additional 153,097 equivalent ounces of silver (after intercompany eliminations) in the first quarter of 2010 compared to the fourth quarter of 2009; however, the average gross revenue per ounce realized was $16.89 (US$16.23) in the quarter ended March 31, 2010 compared to $18.71 (US$17.72) in the quarter ended December 31, 2009; an average effect of $1.82 per ounce or 10% (not including the $2.3 million profit from pre-commercial sales).

5. In the quarter ended December 31, 2009, net sales revenue increased due to increasing silver prices. The average gross revenue per ounce of silver realized increased to US$17.72 in the quarter ended December 31, 2009, compared to US$15.07 in the prior quarter ended September 30, 2009.

6. In the quarter ended September 30, 2009, net sales revenue increased due to rising prices. The average gross revenue per ounce of silver realized was US$15.07 in the quarter ended September 30, 2009, increasing from US$12.60 in the prior quarter ended September 30, 2009.

7. In the quarter ended June 30, 2009, net sales revenue decreased due to losses on final settlements for which provisional payments had already been received in the prior quarter.

8. In the quarter ended March 31, 2009, a stronger U.S. dollar compared to the Canadian dollar accounted for the increase of revenue. Although silver prices were lower in the first quarter of 2009, the average gross revenue per ounce sold was Cdn$17.52 (US$14.07) per ounce on a consolidated basis for the three-month period ended March 31, 2009. Also contributing to an increase in net sales is $1,194,452 from the sale of coins, ingots and bullion in the three months ended March 31, 2009.

9. Stock-based Compensation - the net income are affected significantly by varying stock based compensation amounts in each quarter. Stock based compensation results from the issuance of stock options in any given period, as well as factors such as vesting and the volatility of the Company's stock, and is a calculated amount based on the Black-Scholes Option Pricing Model of estimating the fair value of stock option issuances.

Revenues In Accordance With Canadian GAAP (expressed in CDN$)

As required by Canadian GAAP, revenues are presented as the net sum of invoiced revenues related to delivered shipments of silver doré bars, and silver concentrates, including associated metal by-products of gold, lead and zinc, after having deducted refining and smelting charges and metal deductions, and after elimination of the intercompany shipments of 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 metal deductions, and shows deducted smelting and refining charges to arrive at the net reportable revenue for the period per Canadian GAAP in Canadian and US currencies. Gross revenues are divided by shipped ounces of silver to calculate the average realized price per ounce of silver sold.

Revenue Analysis	Quarter Ended December 31,		Year Ended December 31,	
	2010 $	2009 $	2010 $	2009 $
MEXICO				
Gross revenues - silver dore bars and concentrates	41,703,650	21,939,708	131,528,100	71,464,014
Less: refining & smelting charges, transportation and other selling expenses	(1,393,346)	(2,207,964)	(7,699,228)	(9,389,935)
Less: metal deductions	(870,619)	(942,613)	(4,173,520)	(2,784,390)
Net revenue from silver dore and concentrates shipments	39,439,685	18,789,131	119,655,352	59,289,689
Equivalent ounces of silver sold	1,680,988	1,154,384	6,514,061	4,248,430
Average gross revenue per ounce sold ($CDN)	24.81	19.01	20.19	16.82
Average exchange rate in the period ($US/$CDN)	1.0128	1.0562	1.0301	1.1420
Average gross revenue per ounce sold ($US)	24.50	17.99	19.60	14.73
CANADA				
Gross revenues - silver coins, ingots and bullion	2,462,568	1,473,358	6,661,640	5,132,099
Equivalent ounces of silver sold, from Mexican production	86,542	74,989	294,424	284,564
Average gross revenue per ounce sold ($CDN)	28.46	19.65	22.63	18.03
Average exchange rate in the period ($US/$CDN)	1.0128	1.0562	1.0301	1.1420
Average gross revenue per ounce sold ($US)	28.10	18.60	21.96	15.79
CONSOLIDATED				
Combined gross revenues - silver dore, concentrates, coins, ingots and bullion	44,166,218	23,413,066	138,189,740	76,596,113
Less: intercompany eliminations	(1,804,447)	(1,976,611)	(6,016,853)	(5,070,039)
Consolidated gross revenues - silver dore, concentrates, coins, ingots and bullion	42,361,771	21,436,455	132,172,887	71,526,074
Less: refining and smelting charges, net of intercompany	(1,374,205)	(2,163,843)	(7,620,841)	(9,310,474)
Less: metal deductions, net of intercompany	(868,669)	(898,495)	(3,786,685)	(2,704,931)
Consolidated net revenue from silver dore, concentrates, coins, ingots and bullion	40,118,897	18,374,117	120,765,361	59,510,669
Equivalent ounces of silver sold (after interco. eliminations)	1,690,741	1,145,562	6,482,637	4,233,703
Average gross revenue per ounce sold ($CDN)	25.06	18.71	20.39	16.89
Average exchange rate in the period ($CDN/$US)	1.0128	1.0562	1.0301	1.1420
Average gross revenue per ounce sold ($US)	24.74	17.72	19.79	14.79
Average market price of per ounce of silver per COMEX ($US)	26.46	17.57	20.18	14.67

At March 31, 2010, the La Encantada mill expansion project had not achieved a commercial stage of production, therefore, sales receipts in the quarter ended March 31, 2010 of $4,718,618 in connection with the sale of 262,403 silver equivalent ounces of precipitates during the pre-operating period were not recorded as sales revenues but instead were recorded as a reduction of capital in the construction in progress account. As at March 31, 2010, total cash receipts of $5,663,086 was in the connection with the sale of 316,680 silver equivalent ounces of precipitates during the pre-operating period since inauguration of the plant. Effective April 1, 2010, the cyanidation plant was fully commissioned and all sales were included in the above table.

LIQUIDITY

At December 31, 2010, the Company had cash and cash equivalents of $40.9 million and working capital of $48.1 million, compared to cash and cash equivalents of $5.9 million and working capital of $4.8 million at December 31, 2009. Cash and cash equivalents increased by $35.1 million as a result of $58.4 million generated from operating activities and $15.3 million proceeds from exercise of options and warrants, offset by $6.9 million expended on debt and capital lease repayments and $34.3 million invested in plant and equipment, and mineral property interests.

During the year ended December 31, 2010, the Company spent $15.8 million on mineral properties and a further $18.6 million on plant and equipment on a cash basis, of which $3.5 million was related to reduction of capital related liabilities.

In the second half of 2010, the Company fully repaid the balance of FIFOMI loans outstanding, thereby saving ongoing related finance charges of 12.4% and releasing its security and loan guarantees. In December 2010, the Company also repaid all of its outstanding prepayment debt facilities which were bearing an interest rate of LIBOR + 5%.

The Company is accumulating cash in treasury, restoring funds which were consumed during the completion of the La Encantada expansion project, and preparing for additional investment in expansion projects in 2011.

Funds surplus to the Company's short-term operating needs are invested 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.

The Company is assessing its long term expansion plans and associated funds requirements. Cash flows from operations were strong at $58.4 million in 2010, and with current silver prices the operational cash flows are expected to remain robust through 2011. Also, at December 31, 2010, there remained 5,142,277 warrants outstanding with an average exercise price of $3.44 which expire in March through September 2011, and which could potentially generate an additional $17.7 million of expansionary capital for the Company in 2011.

From January 1, 2011 through February 24, 2011, $8.2 million has been received from the exercises of options and warrants and 3,152,977 warrants remain outstanding and are available to be exercised for the remainder of 2011. All remaining warrants will expire before the end of September 2011. As the expiring warrants are at exercise prices of $3.50 and $3.50, we anticipate that all will be exercised prior to expiring, potentially adding a further $9.9 million to treasury in 2011.

As at the date of this MD&A, with more than $57 million in treasury and robust cash flows from operations expected through 2011, and significant warrant and option exercises expected in 2011, the Company believes it has sufficient funds to meet current operating and capital requirements, as well as the additional capital requirements of the US$34.9 million expansion at La Parrilla (this includes additional underground development requirements). Should the Company adopt additional expansion plans for the Del Toro mine, or otherwise, the Company would need to consider the funds required relative to the funds available in treasury at such time, including expected cash flows from operations, to determine whether additional sources would be required for those pending additional expansion plans.

2011 PRODUCTION OUTLOOK

This section of the MD&A provides management's production forecasts for 2011. These are forward-looking estimates and subject to the cautionary note regarding the risks associated with relying on forward-looking statements at the beginning of this MD&A.

Production in 2011 is expected to increase from 2010 levels as the new 3,750 tpd La Encantada mill experiences a full year of commercial production and increased recoveries to approximately 60% which are expected to result from a higher proportion of mine ore versus tailings takes effect in the second and third quarters of 2011. Furthermore, the expansion at La Parrilla is anticipated to ramp up in the third quarter from 850 tpd reaching 1,600 tpd by year end.

Estimated production on a mine-by-mine basis for 2011, and associated expected operating costs are included in the following table. These figures are based on existing installed capacity at the Company's operations in the La Encantada and San Martin mines, and increasing capacities at the La Parilla mine for the second half of 2011. Pricing assumptions for equivalent silver production from gold, lead and zinc are provided below the table.

ANTICIPATED OPERATING PARAMETERS	La Encantada	La Parrilla	San Martin	2011 Outlook
Total Tonnes Processed	**1,144,125**	**346,032**	**252,450**	**1,742,607**
Ag ounces from production	4,414,133	1,947,047	1,153,887	7,515,067
Ag Equivalent Ounces (Au, Pb, Zn)	-	332,200	81,533	413,733
Total Equivalent Ounces Production*	**4,414,133**	**2,279,247**	**1,235,420**	**7,928,800**
Ag Grade (g/t) Flotation	-	246	-	246
Ag Recovery % Flotation	-	80%	-	80%
Ag Grade (g/t) Cyanidation	200	193	178	196
Ag Recovery % Cyanidation	60%	70%	80%	64%
Lead Concentrate (tonnes)	-	7,815	-	7,815
Zinc Concentrate (tonnes)	-	1,922	-	1,922
Total Cash Costs	**$ 6.64**	**$ 7.44**	**$ 8.47**	**$ 7.09**
Direct Mining Cost per Silver Ounce	**$ 6.09**	**$ 7.05**	**$ 8.63**	**$ 6.73**
Direct Mining Cost per Equivalent Silver Ounce	**$ 6.09**	**$ 6.02**	**$ 8.06**	**$ 6.38**
Direct Mining Cost per tonne	**$ 23.51**	**$ 39.66**	**$ 39.46**	**$ 29.03**

***Assumptions:**

Operating Days	339	331	330

Price of Silver $22.00/oz., Gold $1,300/oz., Lead $1.00/Lb., Zinc $1.00/Lb.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2010, the Company had no material off-balance sheet arrangements such as guarantee contracts, 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 those disclosed in this MD&A and the consolidated financial statements and the related notes.

RELATED PARTY TRANSACTIONS

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. During the year ended December 31, 2010, there were no significant transactions with related parties.

PROPOSED TRANSACTIONS

Other than as disclosed herein, the board of directors of the Company is not aware of any proposed transactions involving any proposed assets, businesses, business acquisitions or dispositions which may have an effect on the financial condition, results of operations and cash flows.

MANAGEMENT OF CAPITAL RISK

The Company's objective when managing capital is to maintain its ability to continue as a going concern while at the same time maximizing growth of its business and providing returns on its shareholders' investments. During the year ended December 31, 2010, the Company has chosen to repay all of its debt facilities in advance with cash generated from mining operations. As at December 31, 2010, the Company's capital structure consists only of shareholders' equity, comprising of issued capital, share capital to be issued, contributed surplus, retained earnings (deficit) and accumulated other comprehensive loss.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Company's Board of Directors.

The Company's investment policy is to invest its cash in highly liquid short term interest bearing investments with maturities of 90 days or less, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that the capital resources available to it will be sufficient to carry out its development plans and operations for at least the next twelve months, provided there are no materially adverse developments with commodity prices during this period.

FINANCIAL INSTRUMENTS AND RISKS

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 cash and cash equivalents, trade receivables in the ordinary course of business and value added tax and other receivables. The Company sells and receives payment upon delivery of its silver doré and its by-products primarily through two international organizations. Additionally, silver concentrates and related base metal by-products are sold primarily through one international organization with a good credit rating. Payments of receivables are scheduled, routine and received within sixty days of submission; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is not significant. The Company has a Mexican value added tax receivable of $4.6 million as at December 31, 2010, a portion of which is past due. The Company is proceeding through a review process with Mexican tax authorities. However, the Company expects to fully recover these amounts and no allowance has been recorded.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company believes it is not exposed to significant credit risk and overall, the Company's credit risk has not changed significantly from the prior year.

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 to support its expansion plans. As at December 31, 2010, the Company has no outstanding debt except for capital leases secured by purchased equipment.

The Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next twelve months.

The Company's liabilities have contractual maturities which are summarized in "Contractual Obligations" below.

Currency Risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include Mexican peso denominated cash and cash equivalents, accounts receivable, accounts payable and loans payable. The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the US dollar, Mexican peso and the Canadian dollar is included in the table below.

	December 31, 2010				
Balances in CAD$	**Cash and cash equivalents $**	**Accounts and other receivable $**	**Accounts and other payables $**	**Net assets (liabilities) exposure $**	**Effect of +/- 10% change in currency $**
U.S. dollar	23,257,889	2,729,853	(2,391,757)	23,595,984	2,359,598
Mexican peso	53,940	5,494,096	(5,058,803)	489,233	54,359
	23,311,828	**8,223,949**	**(7,450,561)**	**24,085,216**	**2,413,957**

Commodity Price Risk

Commodity price risk is the risk that movements in the spot price of silver have a direct and immediate impact on the Company's income or the value of its related financial instruments. The Company also derives by-product revenue from the sale of gold and lead, which accounts for less than 5% of the Company's gross revenue. The Company's sales levels are directly dependent on commodity prices that have shown significant volatility and which are beyond the Company's control. The Company uses derivative instruments to hedge its commodity price risk for a short term period, not exceeding one month of production. There were no derivatives outstanding as at December 31, 2010.

As at December 31, 2010, based on unsettled silver ounces sold by the Company that is subject to market price adjustments, a 10% increase or decrease of silver price at December 31, 2010 would result in an increase or decrease, respectively, of our accounts receivable and net revenue by $0.2 million.

Interest Rate Risk

The Company is exposed to interest rate risk on its short term investments. 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, 2010, with the exception of capital leases, which have fixed interest rates, the Company has no interest bearing financial liabilities.

Based on the Company's interest rate exposure at December 31, 2010, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact in net earnings.

Fair Value Estimation

The Company's financial instruments are comprised of cash and cash equivalents, marketable securities, accounts receivables, other receivables, derivative financial instruments, accounts payable and accrued liabilities and debt facilities.

Marketable securities and derivative instruments are carried at fair value. The fair values of accounts receivable, other receivables, accounts payable and accrued liabilities and debt facilities approximate their carrying value due to the short term nature of these items.

CONTRACTUAL OBLIGATIONS

At December 31, 2010, the Company's liabilities have contractual maturities at carrying values which are summarized below:

	Payments Due By Period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Office Lease	289,500	231,600	57,900	-	-
Capital Lease Obligations	3,557,514	1,239,939	1,637,223	680,352	-
Asset Retirement Obligations	6,104,302	-	-	-	6,104,302
Accounts Payable and Accrued Liabilities	12,190,647	12,190,647	-	-	-
Total Contractual Obligations	22,141,963	13,662,186	1,695,123	680,352	6,104,302

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires companies to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

All of the Company's significant accounting policies and the estimates are included in Note 2 in the annual consolidated financial statements for the year ended December 31, 2010. While all of the significant accounting policies are important to the Company's consolidated financial statements, the following accounting policies and the estimates have been identified as being critical:

- Carrying Values of Property, Plant and Equipment and Other Mineral Property Interests;
- Depletion and Depreciation of Property, Plant and Equipment;
- Asset Retirement Obligations and Reclamation Costs;
- Income Taxes; and
- Stock Based Compensation.

Carrying Values of Property, Plant and Equipment and Other Mineral Property Interests

The Company reviews and evaluates its mineral properties for impairment at least annually or when events and changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. Estimated undiscounted future net cash flows for properties in which a mineral resource has been identified are calculated using estimated future production, commodity prices, operating and capital costs and reclamation and closure costs. Undiscounted future cash flows for exploration stage mineral properties are estimated by reference to the timing of exploration and/or development work, work programs proposed, the exploration results achieved to date and the likely proceeds receivable if the Company sold specific properties to third parties. If it is determined that the future net cash flows from a property are less than the carrying value, then an impairment loss is recorded to write down the property to fair value.

The Company completed an impairment review of its properties at December 31, 2010 and determined there was no impairment to its mineral property interests. The estimates used by management were subject to various risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of the Company's investments in mining projects and other mineral property interests.

Depletion and Depreciation of Property, Plant and Equipment

Property, plant and equipment comprise one of the largest components of the Company's assets and, as such, the amortization of these assets has a significant effect on the Company's financial statements. On the commencement of commercial production, depletion of each mining property is provided on the unit-of-production basis using estimated reserves and resources expected to be converted to reserves as the depletion basis. The mining plant and equipment and other capital assets are depreciated, following the commencement of commercial production, over their expected economic lives using the unit-of-production method. Capital projects in progress are not depreciated until the capital asset has been put into operation.

The mineral reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves the study of geological, geophysical and economic data and the reliance on a number of assumptions. The estimates of the reserves may change, based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production. A change in the original estimate of reserves would result in a change in the rate of depletion and depreciation of the related mining assets or could result in impairment resulting in a write-down of the assets.

Asset Retirement Obligations and Reclamation Costs

The Company has obligations for site restoration and decommissioning related to its mining properties. The Company, using mine closure plans or other similar studies that outline the requirements planned to be carried out, estimates the future obligations from mine closure activities. Since the obligations are dependent on the laws and regulations of the country in which the mines operate, the requirements could change resulting from amendments in those laws and regulations relating to environmental protection and other legislation affecting resource companies.

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As the estimate of obligations is based on future expectations, in the determination of closure provisions, management makes a number of assumptions and judgments. The liability is accreted over time to the amount ultimately payable through periodic charges to earnings. The undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is discounted using a credit adjusted risk free rate of 8.5% . The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out. Actual costs incurred in future periods related to the disruption to date could differ materially from the discounted future value estimated by the Company at December 31, 2010.

Income Taxes

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make assumptions about the future performance of the Company.

Management executed a corporate restructuring for tax purposes that became effective January 1, 2008, enabling it on a limited basis to consolidate its tax losses of certain subsidiaries against the taxable incomes of other subsidiaries. Co-incident with the tax consolidation, Mexico introduced an alternative minimum tax known as the IETU, effective January 1, 2008, to attempt to limit certain companies from avoiding paying taxes on their cash earnings in Mexico. Management has reviewed its IETU obligations and its consolidated tax position at December 31, 2010, and management assessed whether the Company is "more likely than not" to benefit from these tax losses prior to recording a benefit from the tax losses.

In December 2009, Mexico introduced tax consolidation reform tax rules 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 consolidation was realized in 2008, and as such the benefit of tax consolidation would be recaptured from 2013 to 2018. Numerous companies in Mexico are challenging the legality of these regressive tax reforms. It is unlikely that the outcome of these challenges will be determinable for several years.

Other changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Stock-Based Compensation

The Company uses the Black-Scholes Option Pricing Model. Option pricing models require the input of subjective assumptions including the expected price volatility. Changes in the input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide an accurate single measure of the actual fair value of the Company's stock options granted during the year.

FUTURE ACCOUNTING CHANGES

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The Company will issue its first annual and interim consolidated financial statements prepared under IFRS for its fiscal year ended December 31, 2011 and three months ended March 31, 2011, respectively, with restatement of comparative information presented.

The Company has developed an IFRS changeover plan which addresses the key areas such as accounting policies, financial reporting, disclosure controls and procedures, information systems, education and training and other business activities.

The Company commenced its IFRS conversion project during the fourth quarter of 2009 and has established a conversion plan and an IFRS project team. The IFRS conversion project is comprised of three phases: i) project planning, scoping and preliminary impact analysis; ii) detailed diagnostics and evaluation of financial impacts, selection of accounting policies, and design of operational and business processes; and iii) implementation and review.

The Company is in the final phase of its conversion plan and has completed:

- a detailed analysis of the standards, including the evaluation of policy choices for those standards that may have an impact on its financial statements, business processes and systems
- IFRS accounting policies and disclosure controls and procedures have been reviewed and approved
- quantification of financial statement impacts and finalization of our opening balance sheet as at January 1, 2010 is in progress
- the implementation of changes to the reporting and system processes to support preparation of the IFRS is in progress

Management has made significant progress in quantifying the financial statement impact of key differences between the Company's current accounting policies under Canadian GAAP and those it expects to apply in preparing its first set of IFRS financial statements. Although certain material differences have been quantified, some uncertainty exists regarding other unquantified differences. These uncertainties are currently under review and will be addressed prior to the release of the March 31, 2011 quarterly financial statements.

For the purpose of the opening balance sheet as at January 1, 2010, the Company anticipates recording material adjustments to amounts previously reported in its consolidated financial statements prepared in accordance with Canadian GAAP. The most significant adjustments are the following:

(i) a decrease of total assets by approximately $55 million, attributed to:

  (a) a decrease of approximately $51 million related to the Company's measurement of its mining interests at fair value as deemed cost on January 1, 2010 using a discounted cash flow model under IFRS compared to Canadian GAAP which determines fair value based on undiscounted cash flows;

  (b) a decrease in the carrying value of the Company’s mining interests of approximately $4 million relating to an acquisition of assets completed in prior years for which the deferred tax liability and the related increase in the carrying value of the assets would not have been recorded under IFRS.

(ii) a decrease of total liabilities by approximately $20 million relating to the tax impact of the above adjustments. The Company is currently completing its analysis of the impact of the conversion to IFRS on its deferred income taxes which may further impact the total adjustment recorded.

The Company is currently finalizing the quantification of its remaining differences between Canadian GAAP and IFRS for the purposes of its interim consolidated financial statements for the three months ending March 31, 2011. The Company is continuing to monitor developments in standards and interpretations of standards and industry practices. Due to anticipated changes to IFRS and International Accounting Standards prior to the adoption of IFRS, management’s plan is subject to change based on new facts and circumstances that arise. Management expects to complete its first interim consolidated financial statements prepared under IFRS for the quarter ended March 31, 2011 with no significant issues or delay.

The following list, though not exhaustive, identifies some of the changes in key accounting policies due to the adoption of IFRS:

Standards	**Difference from GAAP**	**Potential Impact**
First time Adoption of IFRS (IFRS 1)	IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application of IFRS. With regards to the IFRS transition, the Company continues to analyze the optional exemptions available under IFRS 1.	The adoption of certain exemptions will impact the January 1, 2010 opening balance sheet adjustments. The effect of the adoption of these exemptions are discussed in the relevant sections below.

Standards	Difference from GAAP	Potential Impact
Property, Plant and Equipment (IAS 16)	IFRS provides a policy choice for entities to either apply the historical cost model or revaluation model in valuing property, plant and equipment ("PPE"). IFRS 1 provides an optional exemption on first-time adoption to measure an item of PPE at the date of transition to IFRS at its fair value and use that fair value as deemed cost. IFRS requires all significant components of PPE to be amortized according to their individual useful lives as determined in accordance with IFRS.	The Company has elected to apply the historical cost model to measure its property, plant and equipment at historical cost. The Company has elected to apply this IFRS 1 exemption to an item of property, plant and equipment subject to previous GAAP revaluation at the date of transition to IFRS. The Company does not expect the impact of componentization of PPE to have a material effect on its consolidated financial statements.
Impairment of Long-lived Assets (IAS 36)	IFRS requires the assessment of asset impairment to be based on comparing the carrying amount to the recoverable amount using discounted cashflows while GAAP only requires discounting if the carrying value of assets exceeds the undiscounted cash flows. This may result in impairments under IFRS where they do not exist under GAAP. IFRS also requires the reversal of any previous asset impairments, excluding goodwill, where circumstances have changed. GAAP prohibits the reversal of impairment losses.	The Company does not expect to have an impairment of long-lived asset on its opening balance sheet.
Asset Retirement Obligations (IAS 37)	IFRS differs from GAAP in both the recognition and measurement of asset retirement obligations. Differences include the basis of estimation for undiscounted cashflows, the discount rate used, the frequency of liability remeasurement, and recognition of a liability when a constructive obligation exists. IFRS 1 provides an option exemption for first-time adopters to use a short-cut method to calculate the opening depreciated cost of the asset relating to the asset retirement obligation under IFRS, instead of recalculating the asset since its inception date.	The Company expects to record an increase in its asset retirement obligations under IFRS, primarily as a result of the application of a lower current discount rate to the estimated future cash flows. The Company has elected to apply this IFRS 1 exemption to recalculate the effect of IAS 37.
Income Taxes (IAS 12)	IFRS does not allow recognition of deferred taxes for acquisition of assets that do not qualify as business combination. There is no similar prohibition under GAAP.	Deferred tax liabilities related to the Company's previous asset acquisitions that did not qualify as business combination may be derecognized at transition.
Functional Currency (IAS 21)	IFRS IAS 21 requires the Company to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired.	IFRS 1 provides an exemption that allows a Company to reset its cumulative translation account to zero at the date of transition, with the balance being transferred to opening retained earnings.

Standards	Difference from GAAP	Potential Impact
Business Combinations (IFRS 3)	Under GAAP, the new HB section 1582 is effective January 1, 2011 and early adoption is permitted. This standard converges Canadian Standard with IFRS 3.	Early adoption of HB section 1582 is permitted, and the Company adopted this section effective January 1, 2010. Therefore, the adoption of this standard has no impact on the Company's consolidated financial statements.
	IFRS 1 provides an optional exemption for first-time adopters to select any date on or before the IFRS transition date to adopt IFRS 3.	The Company has elected to adopt the IFRS 1 exemption to apply IFRS 3 only on a prospective basis effective January 1, 2010.
Leases (IAS 17)	IFRS classifies leases as either financing or operating leases and classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is made at the inception of the lease. There are no quantitative thresholds similar to GAAP.	The Company does not expect the adoption of this standard to have an effect on the Company's consolidated financial statements.
Borrowing Costs (IAS 23)	IAS 23 does not allow the expensing of borrowing costs, to the extent they are directly attributable to acquisition, production and construction of a qualifying asset. IFRS1 provides an option exemption for first-time adopters to select any date on or before the IFRS transition date to adopt IAS23.	The Company has elected to adopt the IFRS 1 exemption to apply IAS23 only on a prospective basis effective January 1, 2010. The Company does not expect this standard to have an effect on its opening balance sheet.
Stock-based Compensation (IFRS 2)	IFRS requires the fair value of stock options to be recognized using the graded vesting method, whereas Canadian GAAP allows the straight-line method or the graded vesting method to be used.	The Company does not expect the adoption of this standard to have a material effect on the aggregate fair value of stock options. However, the graded vesting method is expected to result in the majority of stock option value being recognized upfront.
	An optional exemption is available under IFRS 1, where first-time adopter is not required to apply IFRS 2 to share-based payments that vested before the date of transition of January 1, 2010.	The Company has elected to adopt the IFRS 1 exemption to avoid retrospective application of IFRS 2 for stock options that vested prior to January 1, 2010.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. The Company's officers and management are also responsible for establishing and maintaining disclosure controls and procedures for the Company. These disclosure controls and procedures are designed to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

Management has been remediating internal controls during 2010 and is proceeding on a course of strengthening internal controls in accounting systems in Mexico and Canada. The risk of material error is mitigated by extensive management reviews of financial and operating reports, account reconciliations and analyses in both Mexico and Canada. Sufficient progress on management's remediation plan has been achieved during 2010, although management expects to continue to tighten internal controls for the remainder of 2011 to ensure compliance with Sarbanes Oxley requirements and to prepare for internal control audit attestation for 2011.

Based upon the recent assessment of the effectiveness of the internal control over financial reporting and disclosure controls and procedures, including consideration of detailed analyses by supervisory personnel to mitigate any exposure or weaknesses, the Company's Chief Executive Officer and Chief Financial Officer have concluded that there are weaknesses in Mexico, however these are compensated by head office supervisory controls and as a result management has concluded that there are no material unmitigated weaknesses, and the design and implementation of internal control over financial reporting and disclosure controls and procedures were effective as at December 31, 2010.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com,
- the Company's Annual Information Form,
- the Company's audited consolidated financial statements for the year ended December 31, 2010.

Exhibit 99.4

CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith N. 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, 2011

/s/ Keith Neumeyer

Keith N. Neumeyer
President and Chief Executive Officer

Exhibit 99.5

CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Raymond L. 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, 2011

/s/ Raymond L. Polman

Raymond L. Polman
Chief Financial Officer

Exhibit 99.6

CEO AND CFO CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

March 31, 2011

Securities and Exchange Commission
450 Fifth Street, N.W
Washington, D.C. 20549

Ladies and Gentlemen:

The certification set forth below is being submitted to the Securities and Exchange Commission for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Keith N. Neumeyer, President and Chief Executive Officer, and Raymond L. Polman, Chief Financial Officer, of First Majestic Silver Corp., each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of First Majestic Silver Corp.

/s/ Keith N. Neumeyer
Keith N. Neumeyer
President and Chief Executive Officer

/s/ Raymond L. Polman
Raymond L. Polman
Chief Financial Officer

pincock allen & holt

Consultants for Mining and Financial Solutions

165 South Union Boulevard, Suite 950
Lakewood, Colorado 80228-2226

303-986-6950
Fax 303-987-8907

www.pincock.com

Letter of Consent

March 31, 2011

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, 2010 (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, 2010.

I, Leonel López, C.P.G., of Pincock, Allen & Holt, 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**"):

1. Technical Report for the La Parrilla Silver Mine, State of Durango, México, February 26, 2009 (Amended and Restated) ;
2. Technical Report for the San Martín Silver Mine, State of Jalisco, México, February 26, 2009 (Amended and Restated) ;
3. Technical Report for the La Encantada Silver Mine, Coahuila State, México, February 26, 2009 (Amended and Restated);
4. Technical Report for the La Parrilla Silver Mine, State of Durango, México, February 16, 2009 ;
5. Technical Report for the San Martín Silver Mine, State of Jalisco, México, January 15, 2009; an d
6. Technical Report for the La Encantada Silver Mine, Coahuila State, México, January 12, 2009 (Amended and Restated) ,

(the "**Technical Reports**"),

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 very truly,

Per:



Leonel López, C.P.G.
Principal Geologist

Dated: March 31, 2011

pincock allen & holt

Consultants for Mining and Financial Solutions

165 South Union Boulevard, Suite 950
Lakewood, Colorado 80228-2226

303-986-6950
Fax 303-987-8907

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Letter of Consent

March 31, 2011

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, 2010 (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, 2010.

I, Richard Addison, P.E., C.Eng., of Pincock, Allen & Holt, 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**"):

1. Technical Report for the La Parrilla Silver Mine, State of Durango, México, February 26, 2009 (Amended and Restated);

2. Technical Report for the San Martín Silver Mine, State of Jalisco, México, February 26, 2009 (Amended and Restated);

3. Technical Report for the La Encantada Silver Mine, Coahuila State, México, February 26, 2009 (Amended and Restated);

4. Technical Report for the La Parrilla Silver Mine, State of Durango, México, February 16, 2009;

5. Technical Report for the San Martín Silver Mine, State of Jalisco, México, January 15, 2009; and

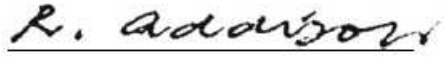
6. Technical Report for the La Encantada Silver Mine, Coahuila State, México, January 12, 2009 (Amended and Restated),

(the "**Technical Reports**"),

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 very truly,

Per:



Richard Addison, P.E., C.Eng.
Principal Process Engineer

Dated: March 31, 2011

March 31, 2011

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, 2010 (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, 2010.

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 Davila

Ramon Davila, Ing., Chief Operating Officer

CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the use of our report dated February 25, 2011 relating to the consolidated financial statements of First Majestic Silver Corp. and subsidiaries ("First Majestic") appearing in this Annual Report on Form 40-F of First Majestic for the year ended December 31, 2010.

/s/ Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 31, 2011