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, 2012**

Commission File Number **001-34984**

FIRST MAJESTIC SILVER CORP.

(Exact name of registrant as specified in its charter)

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

925 West Georgia Street, Suite 1805
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. 116,756,840

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, 2012. 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 International Financial Reporting Standards as issued by the International Accounting Standards Board.

The AIF filed as Exhibit 99.1 to this annual report on Form 40-F has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") –CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the United States Securities and Exchange Commission ("SEC") Industry Guide 7 ("SEC Industry Guide 7") under the United States Securities Act of 1933, as amended. Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

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

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

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The functional currency of the Company, the parent entity, is the Canadian dollar and for the Mexican operations, the functional currency is the United States dollar. The financial statement presentation currency is the United States dollar. The accounts of our operations where the functional currency differs from the presentation currency 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.

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, 2012, including the reports of the independent registered chartered accountants with respect thereto, is filed as Exhibit 99.2 to, and incorporated by reference in, this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2012 is filed as Exhibit 99.3 to, and incorporated by reference in, this annual report on Form 40-F.

CERTIFICATIONS

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

DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Management's 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 International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, 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, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2012.

The Company's independent registered chartered accountants, Deloitte LLP, have audited the consolidated financial statements included in this annual report and have issued an attestation report dated February 25, 2013 on the Company's internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

The Company's independent registered chartered accountants have issued an attestation report on the Company's internal control over financial reporting as of December 31, 2012, included with the Audited Financial Statements for the year ended December 31, 2012, 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 74 of the AIF, filed as Exhibit 99.1 and incorporated by reference herein. In the opinion of the Company's board of directors, all members of the audit committee are independent (as determined under Rule 10A-3 of the Exchange Act and the rules of the New York Stock Exchange) and are financially literate.

Audit Committee Financial Expert

The Company's board of directors has determined that Douglas Penrose is the audit committee financial expert, in that he has an understanding of generally accepted accounting principles and financial statements; is able to assess the general application of accounting principles 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 LLP acted as the Company's independent registered chartered accountants for the financial year ended December 31, 2012. See page 75 of the AIF, which is attached hereto as Exhibit 99.1 for the total amount billed to the Company by Deloitte LLP for services performed in the last two financial years by category of service (for audit fees, audit-related fees, tax fees and all other fees) in Canadian dollars.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

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

UNDERTAKINGS

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

CONSENT TO SERVICE OF PROCESS

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

EXHIBIT INDEX

Exhibit	Description
99.1.	Annual Information Form of the Company for the year ended December 31, 2012
99.2.	The following reports and audited consolidated financial statements of the Company, are exhibits to and form a part of this annual report: • Management's Responsibility for Financial Reporting; • Reports of Independent Registered Chartered Accountants; • Consolidated Statements of Income for the years ended December 31, 2012 and 2011; • Consolidated Statements of Comprehensive Income for the years ended December 31, 2012 and 2011; • Consolidated Statements of Cash Flow for the years ended December 31, 2012 and 2011; • Consolidated Statements of Financial Position as at December 31, 2012 and 2011; • Consolidated Statements of Changes in Equity for the years ended December 31, 2012 and 2011; • Notes to the consolidated financial statements for the years ended December 31, 2012 and 2011.
99.3.	Management's Discussion and Analysis for the year and fourth quarter ended December 31, 2012
99.4.	CEO Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5.	CFO Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6.	CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7.	CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8.	Consent of Leonel Lopez, Principal Geologist of Pincock, Allen & Holt.
99.9.	Consent of Richard Addison, Principal Process Engineer of Pincock, Allen & Holt.
99.10.	Consent of Ramon Davila, Ing., Chief Operating Officer of First Majestic Silver Corp.
99.11.	Consent of Carlos Wong, Ing., Chief Operating Officer of First Majestic Silver Corp.
99.12.	Consent of Deloitte 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 annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: March 28, 2013

FIRST MAJESTIC SILVER CORP.

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



ANNUAL INFORMATION FORM

For the year ended December 31, 2012

Date: March 28, 2013

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PRELIMINARY NOTES

Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form (" **AIF**") of First Majestic Silver Corp. (" **First Majestic**" or the "**Company**") is as of December 31, 2012.

Financial Information

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

Forward-looking Information

Certain statements contained in this AIF constitute forward-looking information or forward-looking statements under applicable securities laws (collectively, " **forward-looking statements**"). These statements relate to future events or the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to the Company's business strategy, 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, the recovery of value added tax receivables, 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, relations with local communities and aboriginal groups, results of exploration and development activities, accuracy of resource estimates, uninsured risks, defects in title, availability and costs of materials and equipment, inability to meet future financing needs on acceptable terms, changes in national or local governments, changes in applicable legislation or application thereof, timeliness of government approvals, actual performance of facilities, equipment, and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Additional factors that could cause actual results to differ materially include, but are not limited to, the risk factors 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 AIF should not be unduly relied upon. These statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF, as the case may be. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. Actual results may differ materially from those expressed or implied by such forward-looking statements.

Cautionary Notes to U.S. Investors Concerning Reserve and Resource Estimates

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 the mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in certain specific cases. Additionally, disclosure of "contained ounces" in a resource is permitted disclosure under Canadian securities laws, however the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measurements.

Accordingly, information contained in this AIF containing descriptions of 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 and Exchange Rate Information

As of January 1, 2012, the Company uses the US dollar as its presentation currency. This AIF contains references to both US dollars and Canadian dollars. **All dollar amounts, unless otherwise indicated, are expressed in U.S. dollars and Canadian dollars are referred to as "C$"**.

On March 28, 2013, the exchange rate of Canadian dollars into US dollars, being the noon exchange rate published by the Bank of Canada was US$1.00 equals C$1.0156.

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).

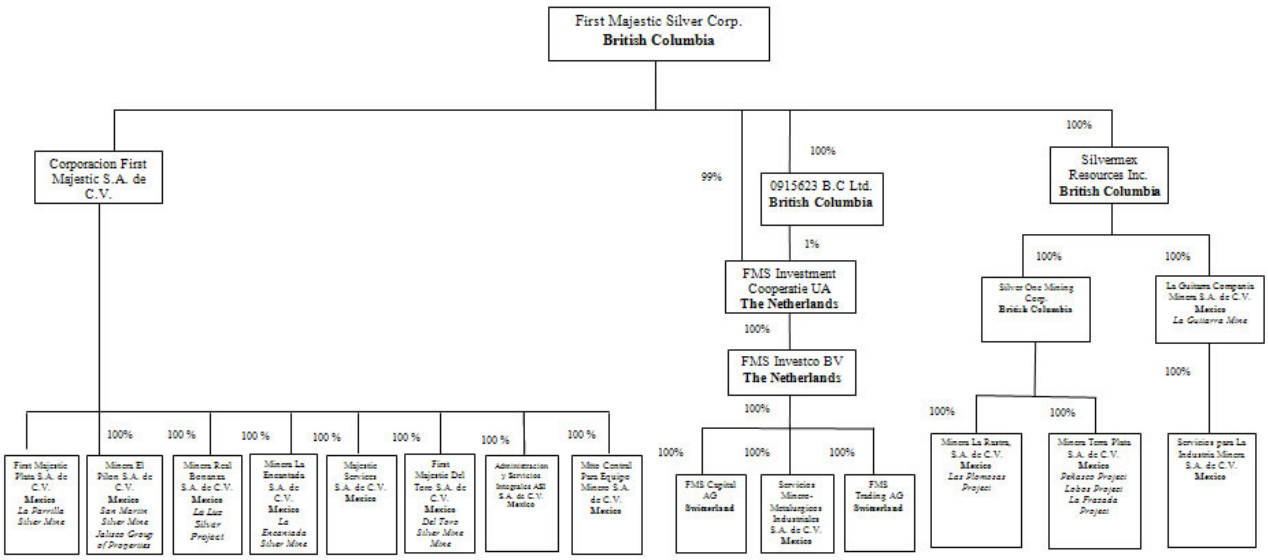
On November 22, 2006, the Company changed its name to First Majestic Silver Corp.

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 each of the provinces of Canada.

Intercorporate Relationships

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


First Majestic Silver Corp.
British Columbia
Corporacion First Majestic S.A. de C.V.
99%
100%
0915623 B.C Ltd.
British Columbia
1%
FMS Investment Cooperatie UA
The Netherlands
100%
FMS Investco BV
The Netherlands
100%
Silvermex Resources Inc.
British Columbia
100%
100%
Silver One Mining Corp.
British Columbia
La Guitarra Compania Minera S.A. de C.V.
Mexico
La Guitarra Mine
100%
100%
100%
100%
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100%
First Majestic Plata S.A. de C.V.
Mexico
La Parrilla Silver Mine
Minera El Pilon S.A. de C.V.
Mexico
San Martin Silver Mine
Jalisco Group of Properties
Minera Real Bonanza S.A. de C.V.
Mexico
La Luz Silver Project
Minera La Encantada S.A. de C.V.
Mexico
La Encantada Silver Mine
Majestic Servicios S.A. de C.V.
Mexico
First Majestic Del Toro S.A. de C.V.
Mexico
Del Toro Silver Mine Mine
Administracion y Servicios Integrales ASI S.A. de C.V.
Mexico
Mina Central Para Equipo Minero S.A. de C.V.
Mexico
FMS Capital AG
Switzerland
Servicios Minero-Metalurgicos Industriales S.A. de C.V.
Mexico
FMS Trading AG
Switzerland
Minera La Reata, S.A. de C.V.
Mexico
Las Flamosas Project
Minera Terra Plata S.A. de C.V.
Mexico
Palacios Project
Lobos Project
La Frazada Project
Servicios para La Industria Minera S.A. de C.V.
Mexico

GENERAL DEVELOPMENT OF THE BUSINESS

History

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

In the past 10 years the Company has been aggregating a portfolio of silver mines, properties and projects which consists of five producing mines which it owns and operates in México, two advanced-stage development silver projects as well as three early-stage development projects. The mines and properties are as follows:

Producing Silver Mines	Location	Acquired
La Parrilla Silver Mine	Durango State México	January 2004
San Martin Silver Mine	Jalisco State, México	May 2006 to September 2006
La Encantada Silver Mine	Coahuila State, México	November 2006 to March 2007
Del Toro Silver Mine	Zacatecas State, México	March 2004 to August 2005
La Guitarra Silver Mine	Mexico State, México	July 2012

Exploration Projects	Location	Acquired
Jalisco Project	Jalisco State, México	May 2006
La Luz Silver Project	San Luis Potosi State, México	November 2009
Plomosas Silver Project	Sinaloa State, México	July 2012
Peñasco Quemado Project	Sonora State, México	July 2012
Los Lobos Project	Nayarit State, México	July 2012
La Frazada Project	Sonora State, México	July 2012

Since inception in 2003 until December 31, 2012, the Company has completed seven financings consisting of four private placements and three public offerings. The Company has also completed three public market acquisitions, has issued and outstanding a total of 116,756,840 million shares, and has raised and/or issued total capital of C$423.9 million.

Past Three Years

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".

On April 15, 2011, the Company entered into an agreement with Sonora Resources Corp. (the " **Optionee**") whereby the Optionee has an option to acquire up to a 90% interest in the Jalisco Group of Properties located in Jalisco State, México. The Optionee issued 10,000,000 common shares with a fair value of $3,400,000 to the Company and is committed to spending $3,000,000 over the first three years to earn a 50% interest and $5,000,000 over five years to earn a 70% interest. In order to obtain a 90% interest, the Optionee is required to complete a bankable feasibility study within seven years. If the Optionee obtains a 90% interest, First Majestic will retain a 10% free-carried interest and a 2.375% NSR.

In the third quarter of 2011, the Company acquired property neighbouring the Company's Del Toro Silver Mine called Dolores for $1,500,000. The property includes 12 hectares of land and a small producing mine.

On September 2, 2011, the new 1,000 tonnes per day flotation circuit at the La Parrilla Silver Mine commenced operations and was commissioned as commercially producing on October 1, 2011. Construction of the new 1,000 tonnes per day cyanidation circuit was completed in January 2012 and commissioning and commercial production of this circuit was effective March 1, 2012.

On July 3, 2012, the Company completed a plan of arrangement (the " **Silvermex Arrangement**"), under which, First Majestic acquired all of the issued and outstanding shares of Silvermex Resources Inc. ("**Silvermex**"), a publicly traded company listed on the Toronto Stock Exchange (the " **TSX**") whose primary asset was the La Guitarra Silver Mine located in Mexico State, México. Shareholders of Silvermex received 0.0355 First Majestic shares and C$0.0001 for each share of Silvermex, with First Majestic issuing a total of 9,451,654 First Majestic shares and paying C$26,623 in cash. The transaction was implemented by way of a plan of arrangement under the

Business Corporations Act (British Columbia).

On December 16, 2012, the Company announced that it entered into a definitive agreement (the " **Orko Arrangement Agreement**") with Orko Silver Corp. ("**Orko**") pursuant to which First Majestic agreed to acquire all of the issued and outstanding common shares of Orko for consideration of 0.1202 of a common share of First Majestic plus C$0.0001 in cash per Orko common share. The transaction was to be implemented by way of a plan of arrangement under the *Business Corporations Act* (British Columbia). On February 14, 2013, the Company was notified by Orko of a competing offer by Coeur d'Alene Mines Corporation ("**Coeur**") to acquire all of the issued and outstanding shares of Orko. On February 13, 2013, Orko's board of directors announced their determination that Coeur's offer was a superior proposal under the terms of the Orko Arrangement Agreement. Under the Orko Arrangement Agreement, First Majestic had the right to match Coeur's offer, however the Company determined not to match the offer made by Coeur. On February 20, 2013, Orko terminated the Orko Arrangement Agreement and paid a C$11.6 million termination fee to First Majestic.

On January 23, 2013, Phase 1 of the Del Toro Silver Mine, located in the state of Zacatecas, Mexico achieved initial silver production. Commercialization or commissioning, being the stage at which a development capital project achieves a normal level of production, for the 1,000 tonnes per day (tpd) flotation circuit is anticipated by April 1, 2013. Further development in the first half of 2013 is expected to focus on preparing the mines for phase 2 of production, which the Company plans will include the addition of a 1,000 tpd cyanidation circuit. Phase 2 startup is expected by July 1, 2013, at which time, the mill is expected to be running at a combined throughput rate of 2,000 tpd (1,000 tpd flotation and 1,000 tpd cyanidation). Phase 3 start-up is expected in mid-2014, at which time, the mill is expected to be running at a combined throughput rate of 4,000 tpd (2,000 tpd flotation and 2,000 tpd cyanidation).

In March 2013, board of directors approved a share repurchase program (the " **Share Repurchase**") pursuant to a normal course issuer bid in the open market through the facilities of the TSX or alternative Canadian market places over the ensuing 12 months. Pursuant to the Share Repurchase, the Company may repurchase up to 5,848,847 common shares of the Company which is the maximum number of shares permitted to be purchased under the TSX rules and represents 5% of the 116,976,940 issued and outstanding shares of the Company as of March 1, 2013.

DESCRIPTION OF BUSINESS

General

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

The Company owns and operates five producing mines in México: the La Encantada Silver Mine in Coahuila State, the La Parrilla Silver Mine in Durango State, the San Martin Silver Mine in Jalisco State, the La Guitarra Silver Mine in Mexico State and the Del Toro Silver Mine in Zacatecas State. The Company also owns two advanced-stage development silver projects: the La Luz Silver Project in San Luis Potosi State, and the Plomosas Silver Project in Sinaloa State; as well as three early-stage development projects: the Peñasco Quemado Silver Project in Sonora State, the La Frazada Silver Project in Nayarit State and the Los Lobos Silver Project in Sonora State. The Company also has an interest in certain exploration properties in Jalisco State, México. As such, all of the Company's business is dependent on foreign operations in Mexico.

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

At December 31, 2012, the Company had 18 employees based in its Vancouver corporate office, 139 employees in its Durango offices, four employees in Switzerland, two employees in The Netherlands and approximately 3,425 employees, contractors and other personnel in the various mining locations in México. Additional consultants are also retained from time to time for specific corporate activities, development and exploration programs.

Principal Markets for Silver

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

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 is the metal's main physical market. Here, a bidding process results in a daily reference price fixed by three global banks 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.

Silver can be supplied as a primary product from mining silver, or as a by-product from the mining of gold or base metals. The Company is a primary silver producer with 91% of its revenue in 2012 coming from the sale 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 aiming to become a senior producer. In the intermediate category alongside the Company are Hochschilds and Silver Standard. In the senior category are Pan American Silver, Coeur d'Alene and Fresnillo.

The Company also maintains an e-commerce website from which it sells approximately 2% of its silver production direct to retail buyers (business to consumer) over the internet.

RISK FACTORS

The Company, and thus the securities of the Company, should be considered a speculative investment due to the high-risk nature of its business which is the acquisition, financing, exploration, development and operation of mining properties, and investors should carefully consider all of the information disclosed in this AIF prior to making an investment in the Company. 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.

Metal Prices May Fluctuate

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 market activities and worldwide production and inventory 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. Mineral Reserves on the Company's properties have been calculated on the basis of economic factors at the time of calculation; variations in such factors may have an impact on the amount of the Company's mineral Reserves. The Company does not use derivative instruments to hedge its silver commodity price risk, but the Company has entered into an agreement to forward sell at a fixed price approximately 30% of its lead and zinc production over a three year period beginning in July 2013. The effect of price variation factors for silver, gold, lead, zinc or iron cannot accurately be predicted. Due to the forward sale of lead and zinc, a significant increase in the price of lead or zinc would result in an exposure to reduce net income and earnings per share but not to cash flow per share.

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 decrease project exploration and development and/or increase construction costs.

Operating Hazards and Risks

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

- major or catastrophic equipment failures;
- mine failures and slope failures;
- deleterious elements materializing in the mined resources;
- environmental hazards and catastrophes;
- industrial accidents and explosions;
- encountering unusual or unexpected geological formations;
- changes in consumables' costs, power costs and potential power shortages;
- labour shortages or strikes;
- theft, organized crime, civil disobedience and protests;
- ground fall and underground 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 the Company incurs may exceed the policy limits of its insurance coverage, may not be insurable, or may be liabilities against which the Company has elected not to insure due to high premium costs or other reasons. In any such event, the Company could incur significant costs that could adversely impact its business, operations or profitability.

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 mineral properties. Mineral Reserves on the Company's properties have been calculated on the basis of economic factors at the time of calculation; variations in such factors may have an impact on the amount of the Company's mineral Reserves. In addition, there can be no assurance that silver recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue.

La Guitarra Technical Reports

First Majestic acquired indirect ownership of the La Guitarra Silver Mine on July 3, 2012 when it acquired all of the issued and outstanding common shares of Silvermex pursuant to the Silvermex Arrangement. Silvermex and its predecessors published NI 43-101 technical reports relating to the La Guitarra Silver Mine on September 22, 2006, May 15, 2007, June 25, 2008 and a feasibility study on January 28, 2010. These technical reports and the feasibility study have not been approved by First Majestic and First Majestic did not rely on these reports or the study in making its decision to acquire Silvermex and, indirectly, the La Guitarra Silver Mine. The reports and the study are currently under review by management of First Majestic and its Qualified Persons, particularly with respect to the assumptions and the risks regarding those assumptions used in the previous mining studies. In particular, management of First Majestic is not confident that an open pit mine is feasible. Accordingly, the reserve and resource figures contained in such technical reports and feasibility study and study will need to be recalculated on the basis of an underground only mine. The results of this review may result in a revised mine plan which may necessitate the filing of a new technical report. Accordingly, there can be no assurance that resource and reserve calculations contained in the technical reports relating to the La Guitarra Silver Mine and prepared for Silvermex are accurate or that a new mine plan will be feasible.

Although there are no reliable resource and reserve figures with respect to the La Guitarra Silver Mine, First Majestic is continuing to operate the La Guitarra Silver Mine. First Majestic does not currently have an accurate life of mine estimate and there can be no assurance that there is sufficient economically viable ore within the mine to continue future operations at the La Guitarra Silver Mine. There can be no assurances that First Majestic will be able to maintain production levels at the La Guitarra Silver Mine consistent with past levels of production. First Majestic's continued operation of the La Guitarra Silver Mine is dependent in part upon the identification of reliable resources and reserves calculated on the basis of an economically feasible mine plan.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supplies are important determinants for capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's advanced projects will not be higher than anticipated. In addition, unusual weather phenomena, sabotage, NGO and governmental or other community or indigenous interference in the maintenance or provision of such infrastructure could adversely affect the Company's business, operations and profitability.

Del Toro Silver Mine Expansions

The Company has prepared estimates of the capital costs for the Del Toro Silver Mine construction. The total capital budget for the construction of Del Toro to 1,000 tonnes per day was $58.5 million. The total capital budget for phase 2 for the construction of Del Toro to 2,000 tonnes per day is $61.7 million and the total capital budget for phase 3 for the construction of Del Toro to 4,000 tonnes per day is $4.0 million. 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. Failure to stay within cost estimates or material increases in costs could have a material adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

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 power commissions, 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.
- The introduction of new property or capital taxes.
- Significant changes in foreign currencies.

Inaccuracies in Production and Cost Estimates

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

Actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the Mineral Reserves**,** such as the need for sequential development of ore bodies and the processing of new or different ore grades; risks and hazards associated with mining described above under "Operating Hazards and Risks". In addition, there can be no assurance that silver recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue. Costs of production may also be affected by a variety of factors, including: changing stripping ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Future Exploration and Development Activities

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

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 the policies of México and Canada affecting foreign trade, investment, mining and repatriation of financial assets, by shifts in political attitudes in México and by exchange controls and currency fluctuations. The effect, if any, of these factors cannot be accurately predicted. Further, there can be no assurance that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Company's mining, exploration and development activities and operations in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations 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.

Counterparty and Market Risks

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

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, or to sell at lower prices 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, 2012, the Company reassessed its reclamation obligations at each of its mines based on updated mine life estimates, rehabilitation and closure plans. The total discounted amount of estimated cash flows required to settle the Company's estimated obligations is $9,691,000, which has been discounted using credit adjusted risk free rates ranging from 5.8% to 6.8%, of which $3,225,000 of the reclamation obligation relates to the La Encantada Silver Mine, $1,701,000 of the obligation relates to the La Parrilla Silver Mine, $1,698,000 relates to the San Martin Silver Mine, $1,366,000 relates to the La Guitarra Silver Mine, $938,000 relates to the Del Toro Silver Mine and $763,000 relates to the La Luz Silver Project. The present value of the reclamation liabilities may be subject to change based on management's current and future estimates, changes in the remediation technology or changes to applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

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

Obtaining Future Financing

The further exploitation, development and exploration of mineral properties in which the Company holds interests or which the Company acquires may depend upon its ability to obtain financing through equity financing or debt financing, 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 further financing on favourable terms or at all.

As at December 31, 2012, the Company had approximately $111,591,000 of cash in its 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 can be intense. As the Company's business activity grows, the Company will require additional key operational, financial, administrative and mining personnel. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such 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.

Employee Relations

Certain of the Company's employees and the employees of Mexican mining contractors indirectly employed by the Company are represented by unions. The Company has not experienced labour strikes or prolonged work stoppages in the past; however, there can be no assurance that the Company will not experience future labour strikes or work stoppages.

Factors Beyond the Company's Control

There are a number of factors beyond the Company's control which could have an impact on the Company's business. These factors include changes in government regulation, high levels of volatility in market prices, availability of markets for produced metals, availability of adequate transportation infrastructure, and smelting equipment and facilities, aggressive income tax administration and the imposition of new taxes or royalties or amendments to existing taxes.. The effects of these factors cannot be reasonably or accurately predicted.

Current Global Financial Conditions

Recent events in global financial markets, and the resulting increased volatility of global 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. A number of financial institutions and large corporations 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 mining operations activities outside of Canada. Accordingly, it is subject to the risks associated with fluctuation of the rate of exchange of other foreign currencies, in particular the Mexican peso, the currency in which much of the Company's material and labour costs are paid, and the United States dollar, the currency used for calculating the Company's sales of silver based on the world's commodity markets, and the Canadian dollar in which some of the Company's treasury is held. 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, short term investments, 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

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

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

In Mexico legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands; accordingly, title holders of mining concessions must agree with surface land owners on compensation in respect of mining activities conducted on such land.

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, cyanide and other reagents and 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 and more able to attract human resources, equipment and materials. These companies may possess greater financial resources, more significant investments in capital equipment and mining infrastructure for the ongoing development, exploration and acquisition of mineral interests, as well as for the recruitment and retention of qualified employees and mining contractors.

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration, mining and development opportunities in the resource industry with a focus on silver in Mexico. 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 Regulation

The Company's operations are subject to environmental regulation promulgated by governments and government agencies from time to time. Environmental regulation 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 regulation.

A breach of any such regulation may result in the imposition of fines and penalties. Environmental regulation is evolving in a manner resulting in stricter standards and the enforcement of, and fines and penalties for, non-compliance are becoming more stringent. In addition, certain types of operations require submissions of, and approval of, environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

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

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 the Company's wholly-owned subsidiary, First Majestic Plata, S.A. de C.V., regarding its activities at the La Parrilla Silver Mine. On July 3, 2012, PROFEPA awarded the Clean Industry Certificate to the Company's wholly-owned subsidiary, Minera El Pilon S.A. de C.V., regarding its environmental activities at the San Martin Silver Mine.

Community Relations and License to Operate

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

Conflicts of Interest

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

Shares Reserved for Future Issuance

There are stock options and, from time to time, share purchase warrants of the Company outstanding pursuant to which common shares may be issued in the future. Options and share purchase warrants are likely to be exercised when the market price of the Company's common shares exceeds the exercise price of such instruments. The exercise of such options and share purchase warrants and the subsequent resale of such common shares in the public 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 convertible securities. Any share issuances from the Company's treasury will result in immediate dilution to existing shareholders.

Volatility of Share Price

The market price of the shares of precious metals and resource companies, including the Company, tends to be volatile. 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 trade receivables in the ordinary course of business and value added tax ("**VAT**") and other receivables. The Company sells and receives payment upon delivery of its silver and gold primarily through three international brokerage organizations. Additionally, lead and zinc concentrates are sold primarily through one international organization with a good credit rating. Provisional payments of approximately 90% of metal values are received within two to five days of delivery to brokers, smelters or refiners, and final payments of receivables are scheduled and received normally within sixty days of submission for concentrate production or 30 days for doré production; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is limited. The Company has a Mexican VAT receivable of $12.2 million as at December 31, 2012, of which $0.6 million has been outstanding for more than one year. The Company is proceeding through a review process with Mexican tax authorities, but the Company expects to fully recover these amounts. In addition, as part of the acquisition of Silvermex, the Company acquired $5.3 million in VAT receivables that were fully offset by a provision for loss. The recoverability of these VAT receivables is pending outcome of various court trials with Mexican tax authorities and the outcome is not determinable at present.

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, 2012, the Company has outstanding trade payables of $20.8 million which are generally payable in 90 days or less and accrued liabilities of $16.5 million which are generally payable within 12 months. As at December 31, 2012, the Company also has income taxes receivable of $8.7 million which it hopes to recover within the 2013 calendar year. The Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next 12 months, however, the Company has planned capital expenditures of $192.2 million which are comprised of expansion projects and exploration and development. Although much of the capital expenditures planned for 2013 are discretionary, commitments are made during the year on the expansion projects which will require free cash flow to settle. If silver prices were to abruptly decline during the year, the company could seriously reduce its available cash resources creating financial difficulty.

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 consist 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, 2012, with the exception of finance leases, which have fixed interest rates, the Company's exposure to interest-bearing liabilities is limited to its debt facilities.

Based on the Company's interest rate exposure at December 31, 2012, the Company believes that a 25 basis points increase or decrease of market interest rate would not have a significant impact on net earnings.

Political and Country Risk

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

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

Local Groups and Civil Disobedience

An Ejido is a communal ownership of land recognized by the federal laws in Mexico. While mineral rights are administered by the federal government through federally issued mining concessions, an Ejido controls surface rights over communal property through a board of directors which is headed by a president. An Ejido may sell or lease lands directly to a private entity, it also may allow individual members of the Ejido to obtain title to specific parcels of land and thus the right to rent or sell the land. While the Company has agreements with the Ejidos that impact all of its properties, some of these agreements may be subject to renegotiation. Changes to the existing agreements may have a significant impact on operations at the Company's mines.

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

In October 2008, production at La Guitarra Silver Mine was suspended due to an illegal roadblock, which was removed in November 2009. Operations at La Guitarra Silver Mine resumed in May 2010, after all required permits for operations were obtained. First Majestic believes that the roadblock was an isolated incident, but there are no assurances that there will be no further disruptions to site access in the future, which could negatively impact the long-term perception and viability of the project.

Environmental and Health and Safety Risks

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety. Environmental laws and regulations are complex and have tended to become more stringent over time. For its operations and projects the Company is required to obtain certain governmental permits such as the approval of the Environmental Impact Statement, risk studies, and the change of use of land. Although the Company makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its future obligations for these costs. Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. While the health and safety of the Company's personnel and responsible environmental stewardship are top priorities, there can be no assurance that First Majestic has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially and adversely affect the Company's business, results of operations or financial condition.

Claims and Legal Proceedings Risks

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to the Company. First Majestic carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, the Company may be involved in disputes with other parties in the future which may result in a significant impact on its financial condition, cash flow and results of operations.

Enforcement of Judgments/Bringing Actions

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

Internal Control over Financial Reporting

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

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

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, the Del Toro Silver Mine and the La Guitarra Silver Mine.

Summary of Reserves and Resources

The following table illustrates the Company's Mineral Reserves and Resources estimate as at December 31, 2012:

TABLE 1
Mineral Reserves and Resources as of December 31, 2012 (based on internal Qualified Person results) Proven & Probable Reserves

MINE/ PROJECT	Category	Mineral Type	Tonnes	Ag (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz) in Situ
La Encantada	Proven (UG)	Oxides	919,805	339	-	-	10,022,782	10,022,782
	Proven (OP-Tailings)	Oxides	6,154,069	111	-	-	21,864,762	21,864,762
	Probable (UG)	Oxides	711,006	312	-	-	7,123,533	7,123,533
	Proven + Probable	**Oxides**	**7,784,880**	**156**	**-**	**-**	**39,011,077**	**39,011,077**
La Parrilla	Proven (UG)	Oxides	300,632	194	0.61	0.09	1,875,583	1,875,583
	Proven (OP)	Oxides	491,091	84	-	-	1,318,652	1,318,652
	Probable (UG)	Oxides	1,110,396	205	0.18	0.04	7,308,567	7,308,567
	Probable (OP)	Oxides	453,416	107	-	-	1,561,256	1,561,256
	Proven + Probable	**Oxides**	**2,355,535**	**159**	**0.16**	**0.03**	**12,064,058**	**12,064,058**
	Proven (UG)	Sulphides	778,950	202	2.49	1.25	5,047,022	7,081,761
	Probable (UG)	Sulphides	2,269,928	180	1.77	2.75	13,124,942	20,035,422
	Proven + Probable	**Sulphides**	**3,048,878**	**185**	**1.96**	**2.36**	**18,171,964**	**27,117,183**
	Proven + Probable	**Oxides + Sulphides**	**5,404,413**	**174**	**1.18**	**1.35**	**30,236,022**	**39,181,241**
San Martin	**Proven (UG)**	Oxides	1,162,031	188	-	-	7,010,938	7,010,938
	Probable (UG)	Oxides	596,987	182	-	-	3,497,436	3,497,436
	Proven + Probable	**Oxides**	**1,759,018**	**186**	**-**	**-**	**10,508,374**	**10,508,374**
Total Proven + Probable Reserves		**Oxides + Sulphides**	**14,948,311**	**166**	**0.43**	**0.49**	**79,755,473**	**88,700,692**

Measured & Indicated Resources

MINE/ PROJECT	Category	Mineral Type	Tonnes	Ag (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz) in Situ
La Encantada	Measured	Oxides	2,745,299	186	-	-	16,416,991	16,416,991
	Indicated	Oxides	3,170,372	177	-	-	18,041,576	18,041,576
	Measured + Indicated (UG)	**Oxides**	**5,915,671**	**181**	**-**	**-**	**34,458,567**	**34,458,567**
La Parrilla	**Measured + Indicated (UG)**	Oxides	1,242,132	159	1.03	0.97	6,363,427	6,363,427
		Sulphides	1,881,226	187	1.46	3.07	11,327,086	17,014,808
	Measured + Indicated (UG)	**Oxides + Sulphides**	**3,123,358**	**176**	**1.29**	**2.23**	**17,690,513**	**23,378,235**
San Martin	**Measured + Indicated (UG)**	Oxides	1,934,369	159	-	-	9,915,519	9,915,519
	Measured + Indicated (UG)	**Oxides + Sulphides**	**1,934,369**	**159**	**-**	**-**	**9,915,519**	**9,915,519**

MINE/ PROJECT	Category	Mineral Type	Tonnes	Ag (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz) in Situ
Del Toro	**Measured + Indicated (UG)**	Oxides	3,211,877	151	1.88	2.18	15,526,770	15,551,652
		Sulphides	5,398,628	189	3.15	3.14	32,865,899	60,978,583
	Measured + Indicated (UG)	**Oxides + Sulphides**	**8,610,505**	**175**	**2.75**	**2.84**	**48,392,669**	**76,530,235**
La Luz		Oxides	2,656,428	222	-	-	18,960,160	18,960,160
	Measured + Indicated (UG + OP)	Oxides (tailings)	1,403,233	90	-	-	4,060,348	4,060,348
		Sulphides	1,052,170	316	-	-	10,689,662	10,689,662
	Measured + Indicated (UG + OP)	**Oxides + Sulphides**	**5,111,831**	**205**	**-**	**-**	**33,710,170**	**33,710,170**
Total Measured + Indicated (UG)		**Oxides + Sulphides**	**24,695,734**	**182**	**1.10**	**1.27**	**144,167,438**	**177,992,726**
Total Proven + Probable and Measured + Indicated		**Oxides + Sulphides**	**39,644,045**	**176**	**0.84**	**0.98**	**223,922,911**	**266,693,418**
La Encantada	**Inferred**	**Oxides**	**2,886,687**	**233**	**-**	**-**	**21,586,910**	**21,586,910**
La Parrilla	**Inferred**	**Oxides + Sulphides**	**13,244,531**	**173**	**0.88**	**1.08**	**73,747,258**	**88,438,098**
San Martin	**Inferred**	**Oxides + Sulphides**	**10,425,364**	**174**	**-**	**-**	**58,422,426**	**58,422,426**
Del Toro	**Inferred**	**Oxides + Sulphides**	**7,497,762**	**174**	**2.12**	**3.83**	**41,922,754**	**81,809,834**
La Luz	**Inferred**	**Oxides + Sulphides**	**1,854,964**	**220**	**-**	**-**	**13,120,462**	**13,120,462**
Total Inferred		**Oxides + Sulphides**	**35,909,308**	**181**	**0.77**	**1.20**	**208,799,810**	**263,377,730**

(1) For all properties, metal prices are at $1.688.63/oz-Au, $31.96/oz-Ag, $1.05/lb-Pb, $0.93/lb-Zn.

(2) For the La Luz Silver Project, there have been no changes since the Technical Report dated July 25, 2008, except an update of AgEq according to recent metal prices.

(3) Management of First Majestic is not confident that the open pit mining plan contained in the technical reports commissioned by Silvermex for the La Guitarra Silver Mine is feasible. Accordingly, the reserve and resource calculations contained in the La Guitarra Silver Mine technical reports will need to be recalculated on the basis of an underground only mine. The results of this review may result in a revised mine plan which may necessitate the filing of a new technical report. Accordingly, the resource and reserve calculations contained in the technical reports commissioned by Silvermex for the La Guitarra Silver Mine have not been included in this Table. Readers are cautioned against relying on the previously filed technical reports relating to the La Guitarra Silver Mine and upon the resource and reserve calculations therein.

(4) The Reserve and Resources information provided above is based on internal qualified persons' (QP's) reporting as at December 31, 2012. The information provided was reviewed and validated by the company's internal QP´s Mr. Ramon Davila, and Mr. Carlos Wong, each of which has the appropriate relevant qualifications, and experience in mining and resource geology.

The technical reports issued with respect to the Company's material properties, other than the La Guitarra Silver Mine, were reviewed by Leonel Lopez, C.P.G., P.G. of Pincock Allen & Holt as the independent Qualified Person for the Company.

The cut-off dates for latest NI 43-101 Technical Reports were:

- La Encantada on September 30, 2008;
- La Parrilla on June 30, 2011;
- San Martin on September 30, 2008;
- Del Toro on August 20, 2012; and
- La Luz on July 25, 2008.

The following table shows the total tonnage mined from each of the Company's four producing properties during 2012, 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. There was no significant production from the Del Toro Silver Mine during 2012.

The previous technical reports commissioned for the La Guitarra Silver Mine property by Silvermex provided detailed calculations of mineral reserves and resources on the property. These reports are currently under review by management of First Majestic and its Qualified Persons. Accordingly, First Majestic does not believe that the reserve and resource calculations in such reports are reliable and is not relying on such calculations. Readers are cautioned against relying on such reports and upon the resource and reserve calculations therein.

TABLE 2
2012 Production

	La Encantada	La Parrilla	San Martin	La Guitarra[(1)]	Total
TONNES OF ORE PROCESSED	1,515,795	679,788	286,206	60,499	2,542,288
OZ OF SILVER PRODUCED	4,036,502	2,876,810	957,195	389,927	8,260,434
OZ OF SILVER EQ PRODUCED	74,516	610,582	70,725	94,195	850,018
TOTAL OZ OF SILVER EQ PRODUCED	4,111,018	3,487,392	1,027,920	484,122	9,110,452
TONNES MINED FROM NI 43-101	1,349,997	582,184	149,976	42,200	2,124,357
TONNES MINED FROM OUTSIDE OF NI 43-101	165,798	97,604	136,230	18,299	417,931

(1) Since acquisition of Silvermex on July 3, 2012.

La Encantada Silver Mine, México

Certain of the information on the La Encantada Silver Mine is based on the technical report entitled "Technical Report for the La Encantada Silver Mine, Coahuila State, México" prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock Allen & Holt (" **PAH**") and dated January 12, 2009, as amended and restated on February 26, 2009 (section, the "**La Encantada Technical Report**"). Mr. Addison and Mr. Lopez are independent Qualified Persons for the purposes of NI 43-101. The La Encantada 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 La Encantada Technical Report which is available for review on SEDAR located at www.sedar.com.

Additional information since the date of the La Encantada Technical Report has been prepared by the Company under the supervision of Mr. Ramon Davila, Ing. and Mr. Carlos Wong, Ing. who are Qualified Persons 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, México. The mine is wholly-owned and operated by Minera La Encantada, S.A. de C.V. ("**Minera La Encantada**"), a wholly-owned indirect subsidiary of the Company held through its Mexican holding company, Corporación First Majestic, S.A. de C.V. 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 4,000 tonnes per day cyanidation mill and a 1,000 tonnes per day flotation plant (currently in care-and-maintenance except for the crushing and grinding areas which remain 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). Certain mineral rights expire for the earliest titled concessions in 2015 (Encantada claim), and most other claims have expiration dates to 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, in northern Mexico. 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. 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.

Access to the mine is primarily by charter airplane from the city of Durango (about 2:00 hours flying time), or from the 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 road is projected to be constructed, 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 Compañía Minera Los Angeles, S.A. de C.V. La Encantada accommodation consists of 180 houses for employees, and an office, warehouses, club, restaurants, guest house, church, hospital 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 and wi-fi communications and outside 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.

History

Exploration activities in La Encantada area were initiated in 1956 by the Mexican company Compañía Minera Los Angeles, S.A. de C.V. The San José, Guadalupe, La Escondida and San Francisco deposits located to the north of the La Escondida breccia pipe deposit were discovered and developed during the period from 1956 to 1963. In 1963 the La Prieta deposit was discovered within the area. In 1967, Peñoles and Tormex established a joint venture partnership (Minera La Encantada) to acquire and develop the La Encantada project. In July 2004 Peñoles was awarded a contract to operate the La Encantada mine, including the processing plant, and all 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

The 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

The 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 sulphide mineralization in other regions in Coahuila State, such as Lampazos and Ocampo, as appears to be the case in the lower parts of La Encantada mine.

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. The 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. The 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 the 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 the 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 the subject of 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 to 2008 were primarily focused on proving and developing additional Reserves and Resources for the 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 La Encantada 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 tunneling 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, 2012 an additional 42,988 metres have been drilled from underground and surface sites, with 218 holes, of those 15,055 metres with 36 holes were drilled from surface drill 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 economic mineralization in Buenos Aires, Azul y Oro, and Ojuelas and San Francisco ore bodies. Underground development during the same period of time totaled 48,766 metres. This development program is part of the ongoing mining activities and is required to maintain current and future production levels.

First Majestic designed an extensive 2008 geophysical program 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 parameters. 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. In 2012 a surface diamond drill program was continued at La Encantada covering some of those anomalies, with a total of 9,001 metres and 20 holes.

Since the last Technical Report cut-off date in September 30, 2008 to December 31, 2012, diamond drill programs were conducted with a total of 45,157 metres and 225 holes, from which 189 were underground with 28,753 metres and 36 from surface with 16,404 metres.

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 (2,035 metres to 1,600 metres above sea level). Below the 1,600 metres 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

Exploration programs at La Encantada are based on diamond drilling and direct underground development which has proven to be the most effective combination for exploration at La Encantada.

From the date of the last cut-off of the La Encantada Technical Report (September 30, 2008) through December 31, 2012, the drilling completed from underground sites totalled 28,753 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 has been launched in order to gain access to Buenos Aires area which is now in production. Additionally in the same period 36 holes have been drilled on surface targets with a total of 16,404 metres.

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 the 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 metre 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 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 3. No further external resource or reserve calculations have been conducted.

TABLE 3 – La Encantada Silver Mine
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, % (4)	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 $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 Cutoff grade - 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 3 to December 31, 2012, approximately 29,555,906 ounces (oz) of contained silver equivalent have been extracted from the La Encantada Silver Mine. Production at La Encantada Silver Mine for the year ended December 31, 2012 amounted to 1,515,794 tonnes of ore of which 1,349,996 tonnes of ore were processed from reserves and 165,798 tonnes of ore were processed from outside of reserves.

The following table sets out the most recent Resource and Reserve estimates for the La Encantada Silver Mine prepared and reviewed by First Majestic's internal Qualified Persons, Mr. Ramon Davila, Ing. and Mr. Carlos Wong, Ing., as of December 31, 2012.

TABLE 4
Mineral Reserves and Resources as of December 31, 2012 (based on internal Qualified Person results)

			Internal QP Estimates end Dec. 2012					
				Grade			In-situ mineral	
	Category	Type	Tonnes	Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
La Encantada	Proven and Probable	Oxides	7,784,880	156	-	-	39,011,077	39,011,077
La Encantada	Measured & Indicated	Tailings	5,915,671	181	-	-	34,458,567	34,458,567
La Encantada	Inferred	Oxides	2,886,687	233	-	-	21,586,910	21,586,910

(1) Metal prices at $1.688.63/oz-Au, $31.96/oz-Ag, $1.05/lb-Pb, $0.93/lb-Zn. Cut-Off Grade for UG is 124 g/t Ag, and for the tailings 65 g/t Ag.

Mining Operations

In July 2008, construction commenced on a new 3,750 tonne 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. During the year 2011 several modifications were made at the cyanidation mill increasing its capacity to 4,000 tonnes per day. Total ore throughput in 2012 was 1,515,795 tonnes grading an average of 176 grams per tonne Ag.

From the period of the cut-off date of September 30, 2008 to December 31, 2012, First Majestic mined and processed 4,328,213 tonnes of ore from La Encantada Silver Mine at an average grade of 209 grams per tonne (7.35 oz per tonne) silver, for a total of 29,086,705 contained oz. Production during this period amounted to 4,328,213 tonnes of ore processed at an average grade of 209 grams per tonne silver and 2.99% Pb which resulted in 14,011,937 silver oz being produced and 5,864,928 pounds of lead (after the start-up of the cyanidation plant, lead production was suspended due to the change of process.), During 2011 and 2012 a total of 28,236 tons of iron ore have been produced at the underground mine and shipped to Met Mex Peñoles in Torreon city, without additional treatment at the mill.

From November 2006 to June 2010 La Encantada operated a 1,000 tonnes per day flotation plant which was upgraded after the purchase of Desmin and La Encantada to achieve designed throughput. All production from the flotation plant was in the form of a silver-lead concentrate. Commencing in November 2009, the new cyanidation plant began producing precipitates and silver doré bars. The flotation circuit (except for the crushing and grinding areas, which remain 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.

The La Encantada mine has largely been developed below ore zones indicated from surface exploration work within a block about four kilometres long, 700 metres wide and 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 and shaft hoisting are still used on some areas of the mine. The mine has been developed to the northeast of the shafts over a vertical range of about 400 metres from the surface (2,035 metres above sea level) to about the 1525 level (1,525 metres above sea level), where the water table has been encountered. The mine has not been developed into the large prospective area to the southwest of the developed mine area. In order to improve the safety of our personnel the Company built two underground miner refuges with a capacity for 20 people each. The Company also constructed a new underground mechanic facility in 2011 to improve the availability and productivity of the underground fleet.

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 parameters for stoping the post pillar areas are the same as for a standard mechanized overhand cut and fill stope.

The old 1,000 tpd processing 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 at the new cyanidation plant 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 generally blended at an average ratio during 2012 of 1,625 tonnes per day from the mine and 2,781 tonnes per day 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 cyanidation plant, the only area operating at the old flotation plant is the crushing and grinding areas for the mined fresh ore. Crushing takes place in two stages and the ore is grinded 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. A second ball mill has been installed and was commissioned in April 2012, to enable an increase in the processing of fresh ore from the mine to a maximum of 1,800 tonnes per day.

Once crushed, the silver-rich fresh ore is grounded, cyanide is then added. The resulting pulp and solution are then sent by pipe to cyanidation plant for processing, in order to obtain silver precipitates which are then melted in an induction furnace and poured into 25 – 30 kg silver doré bars containing more than 90% silver.

The average head grade at the mill for 2012 was 176 grams per tonne of silver. 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 47% resulting in the production of a total of 4,111,018 ounces of silver in 2012.

The total development metres driven during 2012 was 14,338 metres. In comparison, the total development metres driven during 2011 was 12,126 metres. During 2012, 19,390 metres of exploration drilling were completed in the mines. In comparison, 11,837 metres of exploration was completed in 2011.

Operating and Capital Costs

The site operating costs for La Encantada averaged $21.46 per tonne mined and milled during the year 2012.

The La Encantada operating costs are based on the mining, milling and processing of 1,515,795 tonnes of oxide ore during 2012. The 2012 annual production costs averaged $8.11 per ounce of silver.

Capital funds expended in the past three years and planned for the next two years are primarily related to underground development, infrastructure upgrades, equipment purchases, and exploration.

La Parrilla Silver Mine, México

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

Additional information since the date of the La Parrilla Technical Report has been prepared by the First Majestic under the supervision of Ramon Davila and Carlos Wong who are Qualified Person's 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, México. 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 69,460 hectares (171,589 acres). All of these mining concessions convey exploitation rights for 50 years from the date of registration. Additionally, First Majestic owns land surface rights through purchase and lease agreements covering a total of 144 hectares.

Certain of the La Parrilla claims were purchased from Grupo México and include a net smelter return of 1.5% payable to Grupo México. The royalties payable thereunder are capped at $2,500,000. A total of $1,600,000 had been paid by the Company under the net smelter royalty as of December 31, 2012. There are no other encumbrances on La Parrilla mining concessions.

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

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

Power supply to the camp is provided by the national power grid. Potable water supply is provided from water wells. Telephone communications are integrated into the national telecommunications grid, including internet communications provided via copper wire from Tex-Mex. Hand held radios are carried by all supervisors, managers and all vehicle operators for internal communications.

The climate at La Parrilla is semi-dry with annual average temperatures that vary from 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. Occasional heavy rain storms may partially interrupt the La Parrilla operations.

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

The La Parrilla 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

The project is located in the border zone between the physiographic provinces of the Sierra Madre Occidental and the Mesa Central, in the northwestern part of México, within the sub province of Sierras y Llanuras de Durango. La Parrilla consists of a mining complex made up of the separate mines which includes mineral deposits situated in the surrounding border of the geological 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 to 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 only partially developed from outcroppings by following mineralization along the structures.

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) also in 2012 an additional geophysical work was carried in the regional prospective areas by Quantec. These investigations have confirmed the presence of Induced Polarization ("**IP**") and Resistivity anomalies which will be investigated by direct methods, such as diamond drilling and underground access where possible.

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.

The Company's exploration program for La Parrilla during 2012 was designed to investigate principally two types of targets: increase the La Parrilla Resource/Reserve base with currently producing areas, and investigate geophysical, geochemical and structural targets.

Drilling

First Majestic took control of La Parrilla operations in January 2004, and initiated an aggressive drilling program to explore the various areas of interest within La Parrilla holdings in 2005. From the period of 2007 to June 30, 2011, a total of 60,774 metres have been drilled. Since the La Parrilla Technical Report cut-off of June 30, 2011 to December 31, 2012, 35,496 metres have been drilled.

FM Plata's La Parrilla 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. Most of First Majestic's drill holes are 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 geologists in each of the areas being investigated. The project geologists also determine the sample intervals. Trained assistants are in charge of core splitting and sampling as per the project geologists' indications.

Mineralization

Mineralization at La Parrilla is typical of hydrothermal vein deposits and also includes deposits within the skain zone with a high content of silver. Weathering of the La Parrilla mineralization has caused oxidation and secondary enrichment zones containing sulfosalts (cerargyrite, pyrargyrite, stephanite) and carbonates (cerussite, hydrozincite, hemimorphite), sulfates (anglesite, willemite), and iron oxides (hematite, limonite) that may rack depths of up to 150 metres from outcroppings. 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 sulphides makes up the mineral concentrations in the upper parts of the deposits, which consist of halides (ceragyrite), carbonates (cerussite, hydrozincite), sulfates (anglesite), silicates (willemite, hemimorphite) and iron oxides (hematite, limonite).

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 -centimetre (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 October 1, 2008 to June 30, 2011 (the cut-off for the La Parrilla Technical Report), First Majestic sent 103 samples to Inspectorate Laboratories and to Eco Tech Laboratory Ltd., two independent commercial laboratories in Reno, Nevada, Durango, México, Vancouver, BC and Zacateceas, México, respectively for duplicate analysis. All core samples are sent to BSI-Inspectorate lab for assaying. The samples also assayed by La Parrilla lab and statistics correlation were applied to the assay results, therefore, the assay check was also performed by the same lab.

The correlation for silver assays of duplicate samples is only 66 per cent due to discrepancies on high-grade samples, for instance Ag 5,752 vs. Ag 2,970 at the maximum assays, while assays, while the pulp duplicates correlation is acceptable at 93 per cent.

The correlation for assays of lead is 88 per cent and 97 per cent for duplicate and pulp samples respectively. The correlation for zinc assays is 81 per cent for duplicate samples and 97 per cent for pulp sample duplicates. The range of silver values is from zero to 5,752 grams per tonne, with an average grade of 178 grams per tonne, while the range for lead is zero to 30 per cent with an average of 1.19 per cent and for zinc is zero to 24 per cent with an average grade of 0.87 per cent.

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

(c) Security of Samples and Data Verification

The La Parrilla sample quality control procedure consists of checking the assays of one duplicate sample for every 20 regular samples. La Parrilla mines duplicate samples for the period of 2010 included 1,150 samples from channel samples of exploration areas. Additionally, the program included insertion of 103 standard samples, 108 blank samples and 289 pulp samples.

Mineral Resource and Mineral Reserve Estimate

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

- La Rosa - Rosarios vein system
- San Marcos
- San Maros
- Quebradillas VG and OP

As of the date of the La Parrilla Technical Report (September, 2011), the total recoverable diluted Proven and Probable Reserves at a minimum mining width of 2 m, as reviewed by PAH, was 4.1 million tonnes averaging 162 grams per tonne silver, 0.9 percent lead and 1.3 percent zinc, for a total of 15.3 million recoverable ounces of silver only or 17.9 million ounces of silver equivalent contained 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.

The estimated Proven and Probable Reserves for La Parrilla as of the cut-off date of the La Parrilla Technical Report (June 30, 2011) amounted to 5.3 million tonnes for the underground mines with an average grade of 202 grams per tonne Ag. Additionally, La Parrilla developed 1.774 million tonnes in open pit Proven and Probable Reserves with an average grade of 102 grams per tonne Ag. These figures result in a net increment of Proven and Probable Reserves during the same period of 6.5 million tonnes containing a total of 37.1 million ounces of silver equivalent with an average grade of 164 grams per tonne Ag including Pb and Zn values.

The newly developed reserves may result from various factors, including continuous mine development along the mineralized structures, exploration efforts, the presence of unforeseen adjacent vein branches and breccia zones and by mine dilution.

Table 5 presents a summary of the La Parrilla Proven and Probable Reserves and Measured and Indicated Resources, as at September 8, 2011 in addition to Inferred Resources at the bottom of the table, all as reported in the La Parrilla Technical Report. No further external Resources or Reserve estimates have been conducted since such date.

TABLE 5 - La Parrilla Silver Mine
Proven and Probable Mineral Reserves as of June 30, 2011 (*)

UNDERGROUND RESERVES										
MINERAL RESERVES	MINERALIZATION	Category	Metric Tonnes	Width	Grade				Recoverable Silver [1]	
				Meters	Gold g/tonne	Silver g/tonne	Lead, %	Zinc, %	Silver Only [1]	Silver Equiv [2]
Mine	Type									
La Rosa-Rosarios-La Blanca	Oxides	Proven	174,241	2.50	0.00	205	0.85	0.12	747,000	765,200
San Marcos	Oxides	Proven	40,673	2.70	0.02	224	0.50	0.07	190,500	194,700
Quebradillas	Oxides	Proven	26,918	4.41	0.00	227	0.90	0.11	127,500	130,300
Sub-Total	**Oxides**	**Proven**	**241,800**	**2.75**	**0.00**	**211**	**0.80**	**0.11**	**1,065,000**	**1,090,200**
La Rosa-Rosarios-La Blanca	Oxides	Probable	156,528	2.67	0.00	204	0.80	0.13	667,800	684,100
San Marcos	Oxides	Probable	714,749	3.15	0.08	211	0.03	0.02	3,154,700	3,229,400
Quebradillas	Oxides	Probable	23,840	4.58	0.00	218	0.61	0.14	108,800	111,300
Sub-Total	**Oxides**	**Probable**	**895,100**	**3.11**	**0.06**	**210**	**0.18**	**0.04**	**3,931,300**	**4,024,800**
Total	**Oxides**	**Proven + Probable**	**1,136,900**	**3.03**	**0.05**	**210**	**0.31**	**0.06**	**4,996,300**	**5,115,000**
La Rosa-Rosarios-La Blanca	Sulphides	Proven	338,977	3.12	0.00	232	1.31	0.51	2,073,700	2,440,100
Quebradillas	Sulphides	Proven	58,822	2.92	0.00	336	4.04	3.53	521,300	584,900
Sub-Total	**Sulphides**	**Proven**	**397,800**	**3.09**	**0.00**	**247**	**1.71**	**0.96**	**2,595,000**	**3,025,000**
La Rosa-Rosarios-La Blanca	Sulphides	Probable	2,685,456	8.25	0.01	204	1.01	0.67	14,451,600	17,354,300
San Marcos	Sulphides	Probable	190,243	5.76	0.00	232	0.00	0.00	1,161,400	1,367,100
Quebradillas	Sulphides	Probable	184,545	4.91	0.00	199	3.04	3.05	966,000	1,165,400
Vacas (last 43-101)	Sulphides	Probable	667,002	8.18	0.02	148	2.47	6.92	2,596,700	5,002,300
Sub-Total	**Sulphides**	**Probable**	**3,727,200**	**7.94**	**0.01**	**195**	**1.32**	**1.87**	**19,175,700**	**24,889,100**
Total	**Sulphides**	**Proven + Probable**	**4,125,000**	**7.48**	**0.01**	**200**	**1.36**	**1.79**	**21,770,700**	**27,914,100**
TOTAL RESERVES	**Oxides + Sulphides**	**Proven + Probable**	**5,261,900**	**6.52**	**0.02**	**202**	**1.13**	**1.41**	**26,767,000**	**33,029,100**

Notes: Rounded totals
(1) Recoverable Silver = Ag - Recovery (65% - oxides; 82% - sulphides) - S&R charges (Oxides = 0.005%; Sulphides = 0.05%); Payable Pb=39 g/t - Ag; Zn = g/t - Ag.
(2) Oxides = Silver (Met recov = 65%) - Smelter & Ref (0.995) + Payable Gold = 5 g/t - Ag.
(2) Sulphides = Recoveries Ag (82%; payable 95%); Payable Pb=39 g/t - Ag; Zn = 2 g/t - Ag (Vacas 97.8 g/t - Ag).
(*) Reserves are exclusive of Resources

QUEBRADILLAS OPEN PIT										
Quebradillas TAJO	Oxides	Proven	505,600	3.50	0.00	114	0.00	0.00	1,196,200	1,277,400
Quebradillas TAJO	Oxides	Probable	1,268,600	3.50	0.00	98	0.00	0.00	2,583,600	2,787,500
TOTAL OPEN PIT RESERVES	**Oxides**	**Proven + Probable**	**1,774,200**	**3.50**	**0.00**	**102**	**0.00**	**0.00**	**3,779,800**	**4,064,900**

Notes: Rounded totals
(1) Oxides = Silver (Met recov = 65%) - Smelter & Ref (0.995) + Payable Gold = 5 g/t - Ag; Cutoff = 33 g/t - Ag only.
(*) Reserves are exclusive of Resources

Measured and Indicated Mineral Resources as of June 30, 2011 (*)

UNDERGROUND RESOURCES	Metric Tonnes	Width (m)	Grade				Contained Silver "In Situ" [1]	
			Gold g/t	Silver g/t	Lead, %	Zinc, %	Silver Only [1]	Silver Equiv [2]
MEASURED AND INDICATED								
Sub - Total Oxides	250,000	9.28	0.01	153	1.91	1.49	1,229,000	1,269,100
Sub - Total Sulphides	837,100	8.43	0.03	143	1.88	5.46	3,860,500	6,807,500
TOTAL Resources	**1,087,100**	**8.63**	**0.03**	**146**	**1.89**	**4.54**	**5,089,500**	**8,076,600**

Notes: Cutoff = Sulphides $74.12/tonne (Ag only - 124 g/t; Pb only - 3.96%; Zn only - 4.16% Zn Vacas - 6.65%); Oxides Ag only = 87 g/t; Ag + Au = 82 g/t
(1) Contained Silver "in Situ" only.
(1) No recoveries are considered in the Resources. Rounded totals.
(2) Contained Silver Equivalent "In Situ" - Oxides Ag + Payable Au =5 g/t - Ag. Sulphides = Payable Pb = 39 g/t - Ag; Zn = 2 g/t - Ag (Vacas 97.8 g/t - Ag).
(*) Reserves are exclusive of Resources

UNDERGROUND INFERRED RESOURCES								
Sub - Total Oxides	1,605,600	3.03	0.04	206	0.31	0.14	10,653,500	10,905,800
Sub - Total Sulphides	6,447,600	6.67	0.00	170	1.26	1.59	35,105,200	46,033,500
TOTAL INFERRED RESOURCES	**8,053,200**	**7.12**	**0.01**	**177**	**1.02**	**1.30**	**45,758,700**	**56,939,300**

Notes: Inferred Resources do not have economic value. Rounded figures.
(1) Contained Silver "in Situ" only. Rounded totals.
(1) No recoveries are considered in the Resources.
(2) Contained Silver Equivalent "In Situ" = Oxides Ag + Payable Au =5 g/t - Ag. Sulphides = Payable Pb = 39 g/t - Ag; Zn = 2 g/t - Ag (Vacas 97.8 g/t - Ag).
(*) Inferred Resources are exclusive of Proven and Probable Reserves and Measured and Indicated Resources.

QUEBRADILLAS OPEN PIT INFERRED RESOURCES								
QUEBRADILLAS OPEN PIT	1,293,600	0.00	0.00	99	0.00	0.00	4,100,400	4,308,300
TOTAL OPEN PIT INFERRED RESOURCES	**1,293,600**	**0.00**	**0.00**	**99**	**0.00**	**0.00**	**4,100,400**	**4,308,300**

Notes: Inferred Resources do not have economic value. Rounded figures
(1) Contained Silver "in Situ" only. Rounded totals.
(1) No recoveries are considered in the Resources.
(2) Contained Silver Equivalent "In Situ" = Oxides Ag + Credits Au =5 g/t - Ag. Cutoff grade Ag-33g/t only.
(*) Inferred Resources are exclusive of Proven and Probable Reserves and Measured and Indicated Resources.

The following table sets out the most recent resource and reserve estimates for the La Parrilla Silver Mine prepared and reviewed by First Majestic's internal Qualified Persons, Mr. Ramon Davila, Ing. and Mr. Carlos Wong, Ing., as of December 31, 2012.

TABLE 6
Mineral Reserves and Resources as of December 31, 2012 (based on internal Qualified Person results)

			Internal QP Estimates end Dec. 2012					
				Grade			In-situ mineral	
	Category	Type	Tonnes	Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
La Parrilla	Proven and Probable	Oxides and Sulphides	5,404,414	174	1.18	1.35	30,236,022	39,181,241
La Parrilla	Measured & Indicated	Oxides and Sulphides	3,123,358	176	1.29	2.23	17,690,513	23,378,235
La Parrilla	Inferred	Oxides and Sulphides	13,244,531	173	0.88	1.08	73,747,258	88,438,098

Notes:
(1) Metal prices at $1.688.63/oz -Au, $31.96/oz -Ag, $1.05/lb -Pb, $0.93/lb -Zn. Cut -off Grade is 55.8 g/t Ag.

Since the date of the mineral reserve and resource estimate contained in Table 5, approximately 3,955,417 oz of silver have been produced from the La Parrilla Silver Mine. Production at La Parrilla Silver Mine for the year ended December 31, 2012 amounted to 679,788 tonnes of ore of which 582,184 tonnes of ore were processed from reserves and 97,604 tonnes of ore were processed from outside of reserves.

Mining Operations

La Parrilla operations include production from four different underground mines, and a small open pit. The underground operations are Rosario-La Blanca, San Marcos, Quebradillas and Vacas. The open pit has been developed on oxide ore situated atop the active Quebradillas underground mine. The Quebradillas and Vacas projects, along with an extensive adjoining land package, were acquired from Grupo México in 2006.

The underground stoping method used for mining the near-vertical veins and ore bodies of the operations of La Parrilla is overhand cut and fill. Some longhole stoping was done in the recent past, but no longhole stopes are currently being mined. Stope cuts are currently drilled with hand-held pneumatic jackleg drills. Stoping is largely done using breast-mining techniques, although some back stopping is also done. Ore is mucked in the stopes utilizing diesel-powered load-haul-dump units (LHDs), which have access to the stopes through crosscuts driven from ramps driven in the footwall of the stope. Once a stope back has been completely mined out the full length of the stope, backfilling is done using waste from development. The minimum mining width for all the mine operations is approximately 2.0 metres.

In 2012, mine and mill production from La Parrilla was about 3,487,392 equivalent ounces of silver from mining 679,788 tonnes of ore, of which 317,454 tonnes were oxide and 362,335 tonnes were sulphide ore. First Majestic metal production from La Parrilla was 5,544,564 equivalent ounces of silver since the June 30, 2011 cut-off date of the La Parrilla Technical Report.

Mine development for La Parrilla Silver Mine is done with conventional methods, although blasthole drilling with hand-held jackleg drills is being replaced with electro-hydraulic diesel-powered drill rigs. The development sequence is still drill-blast-muck, with mucking done with rubber-tired, diesel-powered load-haul-dump units (LHDs). Haulage of ore and waste is accomplished using both low-profile and highway type diesel dump trucks.

Drifts and ramps require little ground support, and the operators are installing rock bolts with or without wire mesh, and also shotcrete in dubious ground conditions of the backs and ribs of drifts and ramps, and also in stope backs. Bored and conventional raises are largely unsupported with occasional rock bolting done where dubious ground conditions have been identified.

A considerable amount of mine development and exploration projects are required to sustain the ore resources and stope development at the levels required to maintain the target production rates for La Parrilla Silver Mine. The total development metres driven during 2012 was 20,606 metres. In comparison, the total development metres driven during 2011 was 13,242 metres. During 2012, 26,204 metres of exploration drilling were completed in the mines. In comparison, 14,447 metres of exploration was completed in 2011.

Capital and Operating Costs

The site operating costs for La Parrilla averaged $35.03 per tonne mined and milled during the year 2012.

The La Parrilla operating costs are based on the mining, milling and processing of 317,454 tonnes of oxide ore and 362,334 tonnes of sulphide ore during 2012. The 2012 annual production costs averaged $8.54 per ounce of silver.

The La Parrilla expansion from about 850 tonnes per day (425 tonnes per day for oxides and 425 tonnes per day for sulphides) to 2,000 tonnes per day (1,000 tonnes per day for oxides and 1,000 tonnes per day for sulphides) was completed and achieved commercial production effective March 1, 2012. The total cumulative capital expenditures for the for the flotation and cyanidation circuits were approximately $42.8 million of which $8.4 million was spent in 2012. Capital funds expended in the past three years and planned for the next two years are primarily related to underground development, open pit development, infrastructure upgrades, equipment purchases, extraction system and exploration.

The Company's capital expenditure schedule includes estimated capital expenditures for the mine life, which will be spent in closure and rehabilitation cost, especially if the La Parrilla ore deposits are depleted by 2024. The anticipated payback period for the investment based on $45,700,000 is 3.2 years, assuming silver price of $23.85 per ounce, gold price of $1,300 per ounce, lead and zinc prices of $1.00 per pound.

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 (the " **San Martin Technical Report**"). The San Martin Technical Report has been filed with securities regulatory authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the San Martin Technical Report which is available for review on SEDAR located at www.sedar.com.

Additional information since the date of the San Martin Technical Report has been prepared by the Company under the supervision of Mr. Ramon Davila, Ing. and Mr. Carlos Wong, Ing. who are Qualified Persons 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, México. 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 held by its Mexican holding company, Corporación First Majestic, S.A. de C.V.

El Pilón holds 33 contiguous mining concessions in the San Martín de Bolaños mining district that cover mineral rights for 37,517 hectares. These include 33 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 hills and 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 from Guadalajara, of 1.5 hours from Durango, Mexico. 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 is occupied by approximately 3,000 people. The town is connected to the national power grid and it has standard telephone lines, internet availability, and satellite communications. Water for the town 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, the owner and operator of the San Martín Silver Mine. In April 2006 First Majestic 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.

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

Historically, 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, more extensive programs have been carried out consisting of exploration based on diamond drilling, both from underground accesses and surface sites.

Up to the date of the cut-off of the San Martin Technical Report, being September 30, 2008, drilling had totaled 570 diamond drill holes for a total footage of 61,132 metres, at an average depth per hole of about 107.3 metres. All of the drill core has been retained after logging and sampling. Since the cut-off date and up to December 31, 2012 additional drilling has continued to assist in ongoing mining activities totalling 67,215 metres over 472 holes, 140 drilled from surface and 332 from underground during this period. 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.

A total of 47,368 metres of underground development has occurred at San Martin between the acquisition completion date of September 14, 2006 and December 31, 2012. 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 four active and experienced geologists and other Company geologists active throughout First Majestic's other operations within México 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 San Martin 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. Since this cut-off date 472 holes covering a total of 67,215 metres were drilled with the intent of defining new economic mining areas and new adjacent mineralized zones in the Zuloaga vein.

The current underground drilling at San Martín is carried out with Company owned equipment and contractor equipment. This includes electric powered drilling machines for underground operations, such as a Diamec. 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, SGS Laboratory, Met Mex Peñoles laboratory, and 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 San Martin 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 7 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, 1,198,522 tonnes have been mined from San Martin of which 566,198 tonnes were mined from the Reserves and 631,604 tonnes where mined from areas that were not included in any previous NI 43-101 estimates.

TABLE 7- San Martin 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.	Silver 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									
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	Sulphides	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	Sulphides	670,684	4.95	116	0.94	1.64		2,498,639	2,498,639
Measured and Indicated Resources									
TOTAL	Oxides plus Sulphides	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 Sulphides	2,273,684	3.80	195	0.91	1.80		14,226,609	14,608,312
Inferred Resources									
Inferred Resources									
TOTAL (6)	Oxides plus Sulphides	8,200,000	5.33	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 following table sets out the most recent resource and reserve estimates for the San Martin Silver Mine prepared and reviewed by First Majestic's internal Qualified Persons, Mr. Ramon Davila, Ing. and Mr. Carlos Wong, Ing., as of December 31, 2012.

TABLE 8
Mineral Reserves and Resources as of December 31, 2012 (based on internal Qualified Person results)

			Internal QP Estimates end Dec. 2012					
				Grade			In-situ mineral	
	Category	Type	Tonnes	Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
San Martin	Proven and Probable	Oxides	1,759,018	186	-	-	10,508,374	10,508,374
San Martin	Measured & Indicated	Oxides	1,934,369	159	-	-	9,915,519	9,915,519
San Martin	Inferred	Oxides	10,425,364	174	-	-	58,422,426	58,422,426

Notes:

(1) Metal prices at $1.688.63/oz -Au, $31.96/oz -Ag, $1.05/lb -Pb, $0.93/lb -Zn. Cut-Off Grade is 66.7 g/t Ag.

The resource calculations contained in Table 7 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 7 to December 31, 2012 approximately 6,122,777 ounces of silver equivalent (including gold & lead) have been produced from the San Martin Silver Mine of which 3,956,564 ounces were depleted from the Reserves/Resources set in Table 1. Production at San Martin for the year ended December 31, 2012 amounted to 286,205 tonnes of ore of which 138,156 tonnes of ore were processed from Reserves and 148,049 tonnes of ore were processed from outside of Reserves.

Mining Operations

The San Martín Silver Mine includes underground workings that have opened six main drifts with levels at an approximate 35 metre 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, 2012 an additional 1,198,5229 tonnes of ore have been mined with an average grade of 150 grams per tonne Ag, 0.16 grams per tonne Au and 0.08% Pb, resulting in 5,784,182 ounces of silver being produced 6,316 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 to 950 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 and replacing one of the ball mills in the third quarter of 2011. These changes have resulted in increasing the current mill throughput to 950 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-Crowe process. The Company also runs additional processes including an acid wash and lead elimination processes prior to producing a final precipitate. The precipitate is then smelted to produce silver doré for shipment to commercial refineries. In addition to the cyanidation system, the plant can produce a gravity concentrate and there is also a flotation circuit which is presently in care and maintenance pending further capital investment and improved and sustained prices of lead and zinc. The average daily throughput in 2012 was 870 tonnes per day all of which was through the cyanidation circuit for the production of silver doré.

Production for 2012 amounted to 286,206 tonnes grading 136 grams per tonne Ag and 0.15 grams per tonne Au resulting in total silver production of 957,195 ounces plus 1,323 ounces of gold production for a total equivalent Ag ounces of 1,027,920. A total of 149,976 tonnes of ore came out of the current delineated Reserve/Resource while 136,229 tonnes were mined from areas that were not included in any previous delineated estimates.

Since September 30, 2008, the average grades have remained very stable from 151 grams per tonne Ag to the current 158 grams per tonne Ag. The average head grade at the mill for 2012 was 136 grams per tonne while the average grade for the entire period of October 1, 2008 to December 31, 2012 was 150 grams per tonne Ag. Gold values had been in the range of 0.15 grams per tonne.

Capital and Operating Costs

The site operating costs for San Martin averaged $43.46 per tonne mined and milled during the year 2012.

The San Martin operating costs are based on the mining, milling and processing of 286,206 tonnes of oxide ore during 2012. The 2012 annual production costs averaged $13.05 per ounce of silver.

Capital funds expended in the past three years and planned for the next two years are primarily related to underground development, infrastructure upgrades, equipment purchases, and exploration.

The Company expects that a new technical report under National Instrument 43-101 guidelines will soon be made available to address current Reserves and Resources, a revised mine life and a current economic analysis.

The Company's capital expenditure schedule includes estimated capital expenditures for the mine life, which will be spent in closure and rehabilitation cost, especially if the San Martin ore deposits are depleted by 2022. The payback period for the investment based on $39.3 million is 2.5 years, assuming silver price of $28.80 per ounce.

Del Toro Silver Mine, México

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

Property Description and Location

The Del Toro Silver Mine, which has recently completed Phase 1, currently in pre-production, is located near the municipality of Chalchihuites, in the northwestern part of the State of Zacatecas, Mexico. The property is wholly-owned and operated by First Majestic Del Toro, S.A. de C.V. (" **FM Del Toro**"), a wholly-owned, indirect subsidiary of First Majestic.

The Del Toro Silver Mine consists of 24 mining concessions including 21 contiguous concessions, three concessions in a neighboring area, including 5 other concessions that have been acquired by First Majestic and is under registration, covering mineral rights for 438 hectares (1082 acres). These mining concessions include exploitation rights. Mexican mining concessions include mineral rights for a renewable period of 50 years from the date of the title. The earliest dates of renewal of First Majestic's concessions at the Del Toro Silver Mine are for the Perseverancia concession which has a renewal date of April 23, 2021. FM Del Toro owns all mineral rights in the concessions. There are no other encumbrances on the Del Toro Silver Mine mining concessions.

At the Del Toro Silver Mine, the access to San Juan, Perseverancia and most other mining prospects is open due to historical works and developments. First Majestic has acquired five parcels of surface rights covering 216.31 hectares (534.5 acres) from private owners for plant installations, tailings storage, and other project's requirements. The Del Toro Silver Mine's Environmental Impact Study (EIS) has been approved and permits for change of the use of land have been granted.

The Del Toro Silver Mine includes two main mineral deposits under exploitation, exploration and further development; San Juan and the Perseverancia mineral deposits plus two newer areas of focus, the Dolores and San Nicolas mineral deposits which are currently being defined by drilling and underground development. Ground breaking for the construction of a dual process 4,000 tpd plant commenced in April 2011. All necessary infrastructure for commencing Phase 1 operations at a rate of 1,000 tpd was completed in January 2013 and preproduction commenced on January 23, 2013. A three phase ramp up is planned whereby production is expected to reach 2000 tpd during the third quarter of 2013 and full production of 4,000 tpd is planned to be reached during the third quarter of 2014.

The Del Toro Technical Report describes First Majestic's exploration results on the San Juan, Perseverancia, Dolores and San Nicolas mineral deposits to June 30, 2012.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

Access to the Del Toro Silver Mine is by highway I-45 from Durango City 120 km to the southeast past the La Parrilla Silver Mine. Driving time from Durango to Chalchihuites is about 2.5 hours. The property boundary is located approximately 1 km to the east of the village of Chalchihuites while the mill is located approximately 3 km away and can be accessed by all-weather dirt roads.

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

The Chalchihuites region's main economic activities are agriculture, cattle and mining. Electric power is provided by the national grid. Potable water is available to all the towns from water wells. The Gualterio railroad station is located 5 km from Chalchihuites with connections to the rest of the country.

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

Approximately 4,000 inhabitants live in the village of Chalchihuites. Numerous other villages and towns are located within the mining district, such as José María Morelos (about 1,000 inhabitants), San José de Buena Vista (700 inhabitants), El Mineral de La Colorada (500 inhabitants), La Candelaria (500 inhabitants), Piedras Azules (400 inhabitants) and El Hormiguero (300 inhabitants). First Majestic believes that a labor force including miners is readily available from these communities.

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

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

History

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

First Majestic initiated investigations in the Chalchihuites area in late 2004 under option agreements. First Majestic has consolidated ownership of a group of properties in the Del Toro Silver Mine area including 21 concessions and land holdings under FM Del Toro. This group of properties includes the San Juan and Perseverancia silver deposits under exploration and development in preparation for mining. The newly discovered San Nicolás mineralization is located within the Perseverancia group of properties. In addition, the Dolores property which consists of 11.9 hectares was purchased in 2011.

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

Geological Setting

The Del Toro Silver Mine is located within the Chalchihuites District in the State of Zacatecas, Mexico. The Chalchihuites District consists of multiple mineral occurrences enclosed by skarns which surround a regional intrusive and various satellite stocks of granodioritic composition intruding Cretaceous limestone rocks of the Cuesta del Cura and Indidura Formations.

The Chalchihuites District mineral occurrences generally consist of silver/lead/zinc/copper in oxidized and sulphide mineral concentrations. At present, First Majestic's exploration in the Del Toro Silver Mine area is focused in the San Juan, Perseverancia, Dolores, and San Nicolás mineral deposits. The San Juan deposit comprises three silver/lead/zinc mineral concentrations identified by underground workings and drilling. These mineral concentrations consist of mineralization in sulphides with oxides in the upper parts. The Perseverancia deposit comprises two high grade breccia pipes with silver/lead/zinc in sulphides. The Dolores and San Nicolás consist of vein deposits and are under preliminary exploration investigations.

Regional geology of the Chalchihuites District is dominated by a 15 km-long N60°W anticline. This structure is composed of an uplifted sedimentary calcareous sequence of Cretaceous rocks intruded by a granodiorite intrusive about 7 km by 1 km.

The Del Toro Silver Mine mineral deposit's geology consists of mineralized structures within skarn and granodiorite along the contact zone between the intrusive stock and sedimentary rocks of the Indidura and Cuesta del Cura Formations.

Exploration

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

First Majestic developed a significant budget for exploration drilling and geophysical studies for the Del Toro Silver Mine. The budget for 2012 was $4,000,000 and included programs of exploration that have shown positive results by indicating estimated resources and reserves for the San Juan and Perseverancia mines.

First Majestic's exploration, preparation and development program for the Del Toro Silver Mine is focused on the investigation of four main mineral deposits within the Chalchihuites District; San Juan which includes four mineralized areas (Deposits 1, 2, 3 and Zinc), Perseverancia including two mineralized breccia zones, the Dolores vein deposit and San Nicolás, which appears to show evidences of one breccia zone and disseminated mineralization associated with the main vein deposit. Other areas of interest within the project's concessions will be explored in future programs.

First Majestic has carried out two geophysical investigations to confirm previous studies within the Del Toro Silver Mine property. These investigations have confirmed the presence of a significant skarn zone with IP, resistivity and magnetic anomalies which will be further investigated by direct methods, such as drilling and underground access where possible.

First Majestic's geochemical exploration program for the Del Toro Silver Mine included investigations to complement exploration by geophysical methods within the Chalchihuites District. This program included a total of 254 rock chip samples to confirm or evaluate some of the areas of interest. The anomalous areas would be further investigated by geophysical methods. The silver geochemical survey shows limited and localized anomalies within the areas of the San Nicolás to Las Cotorras and San Juan area with small showings around the Huitrón and Mina de la Paz areas. Silver values are low from 0 to 28 ppm. Threshold value was defined at about 10 ppm.

The geochemical program included 7 lines at 250m with samples at 50 m intervals along the lines. The lines length was from 2,500mto 1,200m for a total sampled length of 13,000 m. Each sampling site was located by GPS and UTM coordinates. Each sample was collected from an area of 2 m by 2 m and consisted of 3 kg to 5 kg 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 most significant geochemical anomalies resulting from this survey were defined for lead, zinc, copper and silver.

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 reported included assays from 50 ppm to 11,300 ppm with threshold defined at 999 ppm. Low anomalies were determined from above 999 ppm.

The silver geochemical survey shows limited and localized anomalies within the areas of the San Nicolás to Las Cotorras and San Juan area with small showings around the Huitrón and Mina de la Paz areas. Silver values are low from 0 to 28 ppm. Threshold value was defined at about 10 ppm.

The author of the Del Toro Technical Report notes that the geochemical and geophysical anomalies are coincident and show particular strength within the Perseverancia zone. These anomalies also appear to show NE-SW trend at the middle section of the Chalchihuites District, in the areas of San Nicolás to Las Cotorras.

The geochemical anomalies are strong at San Juan, while the geophysical anomaly appears to be deep-seated in this area.

Mineralization

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

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

First Majestic initiated a drilling program to explore the various areas of interest within the Del Toro holdings in 2004. The entire program through to June 30, 2012, has consisted of 141 diamond drill holes, for a total drilled depth of 45,143 m distributed for exploration within the following areas: San Juan (61 + 27), Perserverancia (4 +12), Dolores (0+ 8) and San Nicolas (12 + 14) from underground and surfaces respectively. From the last Technical Report cut-off data June 30, 2012 to December 31, 2012 the exploration program has continued with a total of 60 holes over 16,835 metres.

In the opinion of the author of the Del Toro Technical Report, First Majestic's exploration programs have established a significant resource/reserve base for the Del Toro Silver Mine. First Majestic has increased the resource/reserve base for projected operations at a ramp up plant capacity from 1000 to 4,000 tpd for an estimated period of a minimum six and one half years of mine life. These drilling exploration programs with a general average of core recovery estimated in about 93% and underground development programs with 9,850 m to June 30, 2012, including 4,308 m of access ramps, 5,336 m of cross cuts and drifts, and 206 m of raises have been developed according to industry standards.

First Majestic has developed resources and reserves for a life of mine estimated for the period of 2012 to 2019.

Drilling

First Majestic has been drilling at the Del Toro Silver Mine since November 2005, shortly after executing an option agreement to acquire the Perseverancia group of properties. First Majestic has had up to seven drill rigs operating from surface and underground drill sites.

First Majestic's exploration drilling program at the Del Toro Silver Mine up to December 31, 2012 included a total of 198 holes for a total drilled depth of 61,978 m distributed for exploration within the following areas: San Juan (76 + 33), Perseverancia (12 + 25), Dolores (10 + 8), and San Nicolás (14 + 16), and El Carmen (0 + 4) from underground and surface sites respectively. In 2012, First Majestic's drilled 37,065 m of additional drilling, making a total of 124 drill holes for 2012, of which 69 were underground and 55 where from surface.

First Majestic's drill hole database is compiled in electronic format, which contains collar, assay intervals, lithology, and assay information with gold, silver, lead and zinc values. Most of the holes are drilled at an angle to intersect vein or mineralized structures that generally dip at near vertical angles. Based on geologic interpretations, First Majestic has detected no apparent deviations in drill holes. First Majestic 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 m. Deviation is defined with one survey reading at the bottom for holes of 150 m in depth and 2 survey readings for holes longer than 150 m; one reading at the middle and one reading at the bottom of the hole.

An estimated 92.6% core recovery including surface and underground drilling has been obtained from the exploration program. A total of 15,503 sample intervals have been taken from the core for assaying with a median of 0.85 m per interval. The database includes 15,070 sample assays. The sample database does not include the mine channel samples. From June 30, 2012 to December 31, 2012, a total of 16,835 m were drilled and are in the process of being incorporated into the drill database.

Logging is performed by the Del Toro Silver Mine's geologist in each of the areas being investigated. The geologist also determines the sample intervals. Samples are generally taken according to geologic features generally at less than 1.50 m sample intervals. Trained assistants are in charge of core measuring to determine recoveries, splitting and sampling as per the geologist's indications. All exploration samples are sent for assaying to Inspectorate Laboratories, a U.S. lab located in Reno, Nevada with representation and sampling preparation facilities in Durango City, Mexico ("**Inspectorate Labs**"). The sample preparation usually occurs at the Durango City-based Inspectorate Labs and the pulps are sent to Inspectorate Labs in Reno, Nevada for assaying. Duplicate samples are taken from the remaining half part of the core as one quarter of the core.

Geologic interpretation is carried out by First Majestic geologists on site, based on cross sections at 30 m spacing along the mineralized structures strike for vertical interpretations including drill intercepts and underground mine workings projections. Plan view interpretations are prepared at about 10 m elevation spacing. These sections and plan view maps are the basis for mineral resource estimates.

Resource/reserve grades are based on projected averages from channel samples along drifts and crosscuts in underground workings at projected distances of 15 m from the sampled areas. Drill hole intercepts are applied for geologic continuity interpretations and resource grade estimates.

Sampling and Analysis and Security of Samples

The current sampling team at the Del Toro Silver Mine 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 two project geologists.

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

All the sealed big bags including individual drill hole or mine stope samples are collected by a representative person of the lab. All exploration samples are sent to Inspectorate Labs in Durango City for preparation and the pulps are sent to Reno, Nevada for assaying. Custody of the samples remains with the First Majestic project geologist until delivered to the representative of the external lab.

Exploration sampling for resources delineation at the Del Toro Silver Mine is conducted by drifting, crosscutting and ramps construction for access to the mineralized zones so that channel samples can be taken. Channel samples are the primary means of sampling in the mine workings and are taken perpendicular to the vein structures, across the back of the drift and across the drifts and workings, generally from the footwall towards the hanging wall of the mineralized structure. Sampling crews take channel samples at regular intervals of 2 m to 3 m, typically with several samples along every sampling channel on new openings (drifts, crosscuts, ramps, stopes, etc.). Channel samples are taken in consecutive lengths of less than 1.50 m 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 the mineralized structural zone. Each sample weighs approximately 4 kg. All channels for sampling are painted by the geologist and numbered on the drift's walls for proper orientation and identification. First Majestic has implemented this channel sampling procedure in all its operations and exploration projects. All Del Toro Silver Mine channel samples are sent for assaying to Inspectorate Labs for assaying.

The Del Toro Silver Mine sampling quality control program consists of checking the assays of one duplicate sample for about every 20 regular samples, including pulp samples. The author of the Del Toro Technical Report has recommended that the sampling procedures include field duplicate samples (for instance, one duplicate for every 20 samples) at the mine workings, and duplicate pulp samples to confirm the sample preparation and assaying methods. The author has recommended that samples be duplicated at about 5% for each case, field duplicates and pulp duplicates.

The Del Toro Silver Mine's channel sampling program for this period included 138 duplicate samples from exploration underground workings and exploration areas within the Del Toro Silver Mine. A total of 110 samples corresponded to the San Juan mine area, 27 samples from the Dolores deposit area, and 1 sample was taken from the Perseverancia mine area.

All samples including duplicate samples are sent to Inspectorate Labs in Reno, Nevada.

First Majestic exploration drilling has been performed by the contractor firms of CAUSA, TECMIN, and Servicios de Perforaciones Mexico, S.A. de C.V. (" **SPM**"). These companies are based in the cities of Gómez Palacio, Durango State, and Durango, Durango, Mexico respectively and currently TECMIN and SPM are operating four drilling rigs at the Del Toro Silver Mine.

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 Labs in Durango City. Generally the samples represent core lengths of less than 1.50 m. All the core samples are sent for assaying by Inspectorate Labs in Durango City. The core samples are crushed and pulverized and 250 gram pulp samples are sent to Inspectorate Labs in Reno, Nevada for assaying.

Duplicate core samples are taken by the Del Toro Silver Mine crew from the remaining half of the core, by again splitting the core to a one quarter size. Therefore, one quarter of the core still remains in the box for future reference. Duplicate samples are taken at a rate of approximately one duplicate sample from every 20 regular samples. From the cut-off date of the Technical Report through December 31, 2012 75 duplicate samples were taken from the San Juan drilling core.

Drill hole data is included in the resources calculations, and is generally applied at the Del Toro Silver Mine in the resource projections. Drilling results are applied in the grade calculations giving more weight to the larger-size channel sample data.

No geochemical or channel sampling was done during the authors' site visits in July 15-18, 2008, and November 17-18, 2011.

Mineral Resources and Reserves

Exploration studies at the Del Toro Silver Mine from 2004 to December 31, 2012, add up to 198 drill holes completed from underground and surface sites with a total of 61,978 m drilled; 15 km of geophysical surveying (IP/RA), program covering 2,325,000 square metres of aeromagnetic investigations; and 254 rock chip samples for geochemical research taken at a 50 m spacing along 7 lines at 250 m apart, in addition to 15,570 m underground development in ramps of access, drifts and crosscuts, and drilling sites preparation, including 7,305 m at San Juan, 4,141 m at Perseverancia,1,093 m at San Nicolás, and 3,031 m at Dolores including 299 m in raises at San Juan (226 m), at Perseverancia (73 m), and at Dolores (78 m) for preparations and ventilation workings.

The following table a summary of mineral Resources at the Del Toro Silver Mine, all as reported in the Del Toro Silver Mine Technical Report as at June 30, 2012.

Table 9 - Del Toro Silver Mine
Summary of Mineral Resources "In Situ" as of June 30, 2012

Deposit	Tonnes M	Width m	Au g/t	Ag g/t	Pb %	Zn %	Ag (only) oz	Ag oz eq	Total Ag oz eq
Mineral Measured Resources Sulfides									
Total Measured Resources	574,917	5.67	0.00	250	5.00	3.95	4,613,963	4,081,853	8,695,816
Mineral Indicated Resources Sulfides									
Total Indicated Resources	4,823,710	9.07	0.12	182	2.93	3.04	28,251,935	24,030,831	52,282,767
Total Measured + Indicated Sulfides	**5,398,628**	**8.71**	**0.11**	**189**	**3.15**	**3.14**	**32,865,899**	**28,112,684**	**60,978,583**
Total Measured Resources Oxides	1,388,751	14.10	-	146	1.57	2.00	6,508,290	461	6,508,751
Mineral Indicated Resources Oxides									
Total Indicated Oxides	1,823,126	14.40	0.01	154	2.07	2.28	9,018,480	24,420.9	9,042,901
Total Measured + Indicated Oxides	**3,211,877**	**14.29**	**0.00**	**151**	**1.88**	**2.18**	**15,526,770**	**24,881.6**	**15,551,652**
Measured + Indicated Sulfides + Oxides	**8,610,505**	**10.45**	**0.07**	**175**	**2.75**	**2.84**	**48,392,669**	**28,137,566**	**76,530,235**

PAH review = Mineral Resources "In Situ", including mine dilution, but no mine and metallurgical recoveries.
Resource estimate based on Cutoff grade of Ag eq = Sulfides 118 g/tonne; Oxides 63 g/tonne. Metal prices at = Ag-25/oz, Au- $1600/oz,Pb-$0.90/lb, Zn-$0.90/lb.

Mineral Inferred Resources									
Mineral Inferred Resources Sulfides									
Total Inferred Resources Sulfides	6,720,568	8.44	0.11	173	2.92	4.26	37,472,703	39,887,080	77,359,783
Mineral Inferred Resources Oxides									
Total Inferred Oxides	777,194	6.69	0.00	178	2.35	2.48	4,450,051	0.00	4,450,051
Total Inferred Sulfides + Oxides	**7,497,762**	**8.32**	**0.11**	**174**	**2.12**	**3.83**	**41,922,754**	**39,887,080**	**81,809,834**
Inferred Resources Sulfides Zinc Ore Body	**3,084,929**	**7.95**	**0.00**	**6**	**0.18**	**3.56**	**36,871**	**779,227**	**9,750,898**
Metal Prices									
Au = $1,600/oz Pb = $0.90/lb									
Ag = $25/oz Zn = $0.90/lb									

PAH review = Mineral Resources "In Situ", including mine dilution, but no mine and metallurgical recoveries.
Resource estimate based on Cutoff grade of Ag eq = Sulfides 118 g/tonne; Oxides 63 g/tonne. Metal prices at = Ag-25/oz, Au-$1600/oz,Pb-$0.90/lb, Zn-$0.90/lb.
Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration.
Inferred Mineral Resources do not have economic value and these have not been included in this TR as part of the economic analysis.

First Majestic continues with an exploration program in the area with the goal of increasing volume and certainty to the estimated resources. At June 30, 2012, First Majestic had developed at San Juan, Perseverancia, Dolores, and San Nicolás a total of 5,400,000 tonnes in mineral sulphides measured and indicated resources in addition to 3,200,000 tonnes in mineral oxides measured and indicated resources. At the Del Toro Silver Mine, mineral inferred resources including sulphides and oxides have been delineated for about 7,500,000 tonnes for the San Juan Deposits, 2, 3, Perseverencia Dolores, and San Nicolas. These mineral resources have included mining recovery estimated at about 88%. Additionally, First Majestic has estimated 3,100,000 tonnes of inferred resources for the San Juan zinc deposit which has not been included in mine planning nor has been fully tested for metallurgical resources.

Geologic projections of the San Juan deposit have indicated three different mineral concentrations, while drilling at Perseverancia shows continuity to depth of the known two "high-grade" breccia pipes, indicating with these results significant silver/lead/zinc deposits within the Del Toro Silver Mine area may remain open for further development.

During the Perseverancia ramp development a new mineral deposit was discovered in November 2011, the San Nicolás vein deposit whose continuity has been mapped on outcroppings and small old workings for an extension of over 1.0 km. Drifting is now in progress for channel sampling and direct investigation of the mineralized structure.

The Del Toro Silver Mine mineral resource estimates include mineralization within the mine and projected blocks based on mine workings and drill holes information. The mineral blocks' grades are determined by systematic channel sampling in underground workings and on outcroppings of mineralized structures, as well as in assays of drill core intercepts. The mineral resources include only those blocks of mineralized material which average grade is equal or higher than the estimated cut-off grades. For the Del Toro Silver Mine, the estimated cutoff grade is an economic value of $70.09 per tonne of mineral resource, which is estimated based on conservative metal prices slightly below the current three-year rolling average at: Ag - $25/oz; Pb - $0.90/lb; and Zn - $0.90/lb, while Au was not considered for cut-off estimates.

For resource estimation, the cross sectional area of mineralization is drawn on each of the blocks using AutoCAD software and the assayed sample lengths. The resource tonnage and grade are based largely on channel samples and by diamond drilling. Resource blocks range in length according to variable extensions of the ore shoots along the veins and breccia or mineralized zones. The vertical extension of the resource blocks is projected at half distance between contiguous drift levels. Vertical extension is generally projected to 25 m for measured and indicated, and up to 50 m beyond for inferred resources in accordance to geologic projections. Estimates for indicated resources based on drilling are projected at half distance between drill holes up to 25 m from the intercept and up to 50 m beyond this distance for inferred in accordance to geologic and structural projections.

Grade dilution is added by sampling beyond the mineralized structures at distances that may vary from about 0.50 m to 1.00 m or longer depending in access to account for mine dilution. The mine recovery is estimated to average 88% of the mineral resource estimates.

Resource calculations at the Del Toro Silver Mine are based on projections of the mineralized zones in the underground mine workings, 25 m beyond the areas for accessible measured resources, and another 25 m beyond the boundaries of the measured resources for the blocks of indicated resources. Inferred resources are estimated by projecting up to 50 m beyond the indicated resource block boundaries along mineralized structures, and another 25 m beyond the blocks' width according to geologic constrains. The estimated resource blocks may be limited by underground levels and previous mining extraction. Longitudinal projections depend on the drift development along the mineralized zones and ore shoots projections.

The Del Toro Silver Mine mineral resource estimates were applied mostly to accessible underground workings and diamond drilling intercepts, as well as to some adjacent blocks from the estimated resource blocks. Additional sampling is taken beyond the mineralized zones at both walls of the mineralized structures to account for dilution with real low grade. This low grade dilution adds up to about 15 percent to the grade with mine recovery estimated at about 88%.

The grade for these blocks is determined from the grade estimated for the drill hole intercepted grade, from the adjacent resource blocks, sampling results in mine workings, and drill holes located within the block area.

As at June 30, 2012, the measured and indicated resources, including oxides and sulphides mineralization, consist of 8,600,000 tonnes averaging 175 g/t Ag (5.63 oz), for a total content of 48,400,000 oz of silver only and 76,500,000 oz of silver equivalent including gold, lead, and zinc contained. The resource grade has been estimated "in situ," including internal mining dilution but no mine or metallurgical recovery was considered. The silver equivalent content includes considerations of lead and zinc recovery from sulphides mineralization only, while the oxides include small amounts of gold. This estimate is based on the following prices: Au - $1,600/oz, Ag - $25.00/oz, Pb - $0.90/lb and Zn - $0.90/lb.

Mining Operations

In early 2011, based on positive exploration results and robust economic evaluations, First Majestic's management decided to construct a mill and process plant for the Del Toro Silver Mine, consisting of flotation circuits as well as a counter-current decant cyanide circuit, and initiate stope and ancillary underground development at the San Juan, San Nicolás, Perseverancia and Dolores mineralized areas. Excavations for preparation for construction of the mill and plant have commenced. Upon completion of the sulphide recovery circuit for the mill and process plant, First Majestic commenced pre-production in January 2013 and expects to mill approximately 350,000 tonnes of ore in 2013, gradually increasing to an annual rate of 1,320,000 tonnes (4,000 tpd) by the third quarter of 2014. The start-up of the counter-current decant cyanide recovery circuit for oxidized silver and gold ore is scheduled to start in the third quarter 2013 at a rate of 2,000 tpd; 1,000 tpd through flotation and 1,000 tpd through cyanidation. At full capacity, which is expected to be reached in the third quarter of 2014, 4,000 tpd is expected to be milled consisting of 2,000 tpd through flotation and 2000 tpd through cyanidation. The current LOM is estimated at about 6.5 years.

The Del Toro Silver Mine operations are expected to include production from three different underground areas, each of which is planned to be developed as an independent operation. These operations will be San Juan, Perseverancia/San Nicolás and Dolores. All mines will produce primary sulphide ore, but a significant amount of oxide ore has been identified and developed in the San Juan area, which prompted the decision to add a cyanide leaching circuit to the mill and process plant.

Major mine development activities are currently underway at all four areas within the Del Toro Silver Mine. The activities are focused on commencing formal production of sulphide ores in early 2013, when startup of the mill and flotation process plant is scheduled. Oxide production is expected to commence during the third quarter of 2013, which is the date on which the circuit for the counter-current decant cyanide process is planned to start up.

The major part of the Del Toro Silver Mine reserves and resources are located within the San Juan area, which contains all the oxide ore and the bulk of the sulphide ore. The principal access to the San Juan area is a decline, driven from the surface during the exploration phase of the project, and which is being continued as the principal access for orebody development as well as for use as an ancillary haulageway and service facility. This decline has been driven at a cross-section of 4.5 X 4.5 m at a maximum gradient of 12%. It has been extended to the 9 Level (2,220 m above sea level), and the total length driven to date is about 5,160 m. This decline, which will mainly be used for personnel, equipment and supplies transport once the ore hoisting shaft is completed, is expected to be extended to the bottom of the No. 3 orebody as the mine is deepened.

A major access decline has also been driven into the Perseverancia and San Nicolas ore zones and another in the Dolores area. Each of these has also been driven at a 12% gradient, and the lengths (through June 30, 2012) are about 2,125 m and 550 m, and 2,015 m respectively. These three workings were also commenced during the exploration phase of the project and are being continued for stope development accesses and ore haulage.

One of the major mine development projects for the San Juan mine during the pre-production phase (which is currently in progress) is a vertical production shaft, the San Francisco, for ore only. Development of the shaft, which will be located in the footwall of the main San Juan orebodies, will be done by a Mexican shaft construction contractor, Necaxa. The concept for the vertical shaft construction relies on bored 3 m diameter pilot raises, which will be stripped to final rectangular dimensions of 2.80 m X 6.80 m. During the stripping operation, the shaft walls will be secured with rock bolts and wire mesh where needed, and with shotcrete in areas of poor ground. The shaft furnishings will consist of steel buntons and ladder way and shaft guides will be locked-coil cables. The ore hoist is a conventional 2 drum hoist, which has already been purchased. The payload of the bottom-dump skips for the facility will be approximately 10 tonnes. The development of the shaft and ancillary construction are scheduled for completion early in 2014, at which time the shaft will be inaugurated.

The stoping method selected for mining the near-vertical veins and orebodies of the De Toro Silver Mine is open cut and fill stoping, with or without in-situ support (post) pillars, with delayed backfill. Pillar support will be required in both the San Juan and Perseverancia ore zones because of the fair to poor ground conditions within the ore zones in these areas. The minimum mining width for all the cut and fill operations will be 2.0 m.

First Majestic has produced LOM production and development plans for the Del Toro Silver Mine. The basis for these plans are the estimated mineral reserves which were developed from the measured and indicated resources for both ore types resulting in 5,400,000 tonnes of sulphide ore at average grades of 189 g/t Ag, 3.15% Pb, 3.14 % Zn and 0.11 g/t of Au; and 3,200,000 tonnes of oxide ore at an average grade of 151 g/t Ag. The technical report author has not reported the lead or zinc grades contained in the oxide ore inasmuch as these metals will not be recovered in the cyanide process, nor has gold in the oxide mineable reserves been considered as it has negligible value.

Production from San Juan mine oxide ore bodies during 2012 has been stockpiled, but the ore cannot be processed until the cyanide counter-current decant and Merrill Crowe circuits have been constructed and are ready for operation, which is scheduled for late 2013. To date, no significant oxide resources have been defined in the Perseverancia, San Nicolás or Dolores Mines.

First Majestic's LOM production plan is based on ramping up sulphide ore production to 660,000 tonnes by the third quarter of 2014. Likewise, oxide production is anticipated to increase from approximately 240,000 tonnes in 2013 to 660,000 tonnes in 2014.

TABLE 10
Life of Mine Production Plan

	YEARS								
CATEGORY	2012	2013	2014	2015	2016	2017	2018	2019	TOTALS
SULPHIDE ORE									
Tonnes Mined by Mine and/or Orebody									
Total Sulphide Tonnes Mined/Milled	82,000	350,000	660,000	660,000	660,000	851,381	971,258	707,417	4,942,056
Average Head Grades									
Silver - gpt	176	184	176	176	185	186	187	175	182
Lead - %	2.87	3.12	2.88	2.88	3.15	3.17	3.19	2.82	3.03
Zinc - %	2.94	3.04	2.94	2.94	3.05	3.06	3.07	2.91	3.00
Gold - gpt	0.11	0.09	0.11	0.11	0.09	0.09	0.09	0.11	0.10
OXIDE ORE									
Tonnes Mined by Mine and/or Orebody									
Total Oxide Tonnes Mined/Milled	0	240,000	660,000	660,000	660,000	468,619	348,742	0	3,037,361
Head Grades									
* Silver - gpt	0	146	141	141	141	144	159	0	144

SULPHIDES + OXIDES									
Total Tonnes Mined & Milled, All Mines	82,000	590,000	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000	707,417	7,979,417
Average Head Grades									
Silver - gpt	176.28	168.47	158.55	158.55	163.11	170.95	179.23	174.57	167.11
** Lead - %	2.87	3.12	2.88	2.88	3.15	3.17	3.19	2.82	3.03
** Zinc - %	2.94	3.04	2.94	2.94	3.05	3.06	3.07	2.91	3.00
** Gold - gpt	0.11	0.09	0.11	0.11	0.09	0.09	0.09	0.11	0.10
*** **Annual Production**									
Silver ounces	367,584	2,594,381	5,413,197	5,413,197	5,673,006	5,931,452	6,152,833	3,120,243	34,665,892
Pounds of lead	2,857,751	13,571,586	23,012,790	23,012,790	26,011,749	33,776,378	38,849,059	24,068,097	185,160,201
Pounds of zinc	3,128,759	14,208,647	25,189,802	25,189,802	27,053,023	35,034,804	40,163,506	26,625,666	196,594,009
Gold ounces	-	19.6	68.0	68.0	68.0	42.1	7.9	-	274
TOTAL Equivalent Ounces of Silver Produced	583,098	3,595,725	7,152,842	7,152,842	7,587,690	8,411,352	8,997,793	4,945,218	48,426,561

* The technical report author has not reported Pb, Zn grades of oxide ores because no mill recovery of them will be done.
** Average grades for sulphide ore only.
Metal average price assumptions for calculating equivalent ounces: Silver $25.00/oz, Lead $0.90/lb, Zinc $0.90/lb, Gold $1,600/oz
*** Assumes metallurgical silver recoveries of 79% in sulphides and 81% in oxides and lead and zinc recoveries from sulphides of 53% and 57%, respectively.

Capital Expenditures

Most of the estimated capital expenditures to bring mines into production are based on firm quotes and operating costs are based on actual experience during the exploration phase of the Del Toro Silver Mine and also First Majestic's experience at other First Majestic operations, especially the La Parrilla Silver Mine unit. The total capital expenditure estimated for Phase 1 flotation plant construction is $32.2 million. Mine sustaining capital is estimated at $20.1 million of the LOM for all phases and areas.

The estimated operating costs for the mines are an average of about $19.88 per tonne. The largest component of the costs is mining, which is an average of $9.29 per tonne. Mining is largely stoping as most mine development work are planned to be capitalized. Mining costs for the San Juan and Perseverancia mines will likely be higher than those for San Nicolás or Dolores due the application of the support pillar design for the San Juan mine stopes. However, the average cost for all mines is expected to be about $19.88 per tonne. A summary of the estimated Del Toro Silver Mine unit mine operating costs is shown in the following table.

Table 11
Summary of Unit Mine Operating Costs

COST AREA	**Cost per Tonne (US)**
Mining	$9.29
Waste Filling	$1.99
Mucking	$0.64
Air Compressor	$0.79
Ventilation	$0.41
Pumping	$1.03

COST AREA	Cost per Tonne (US)
Ground Control	$1.48
Maintenance	$1.61
Haulage Mine to Plant	$2.10
Mine General	$0.54
Total per tonne	$19.88

La Guitarra Silver Mine, México

First Majestic acquired indirect ownership of the La Guitarra Silver Mine on July 3, 2012 when it acquired all of the issued and outstanding common shares of Silvermex pursuant to the Silvermex Arrangement. Silvermex and its predecessors published NI 43-101 technical reports relating to the La Guitarra Silver Mine on September 22, 2006, May 15, 2007, June 25, 2008 and a feasibility study dated January 28, 2010. These technical reports have not been approved by First Majestic and First Majestic did not rely on these reports in making its decision to acquire Silvermex and, indirectly, the La Guitarra Silver Mine. The reports are currently under review by management of First Majestic and its Qualified Persons, particularly with respect to the assumptions and the risks regarding those assumptions used in the previous mining studies. In particular, management of First Majestic is not confident that an open pit mine is feasible. Accordingly, the reserve and resource calculations contained in such technical reports will need to be recalculated on the basis of an underground only mine. The results of this review may result in a revised mine plan which may necessitate the filing of a new technical report. Accordingly, readers are cautioned against relying on the previously filed technical reports relating to the La Guitarra Silver Mine and upon the resource and reserve calculations therein.

The technical and scientific information in this Circular relating to the La Guitarra Silver Mine has been approved by Mr. Ramon Davila, Ing. and Mr. Carlos Wong, Ing., who are Qualified Persons as defined in NI 43-101.

Property Description and Location

The La Guitarra Silver Mine is a production-stage property situated within the Temascaltepec mining district (the " **Temascaltepec District**") in the Municipality of Temascaltepec, State of Mexico, Mexico, approximately 130 km southwest of Mexico City. It is comprised of 44 exploitation concessions covering 44,476.5 hectares (109,899.9 acres), which are operated and either owned or leased by La Guitarra Compañia Minera S.A. de C.V. ("**La Guitarra**"), an indirect wholly-owned subsidiary of First Majestic. Some concessions are in the municipalities of Valle de Bravo and San Simón de Guerrero. La Guitarra directly holds title to 39 of the mineral concessions and 5 concessions are leased from a third party, Mario Héctor Gottfried Joy.

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

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

La Guitarra currently leases surface rights covering 62 hectares from the community of La Albarrada under a Temporary Occupation Agreement in effect for 15 years commencing January 1, 2012. The current areas of operations, the existing mill and the majority of the existing infrastructure are located within these 62 hectares. La Guitarra owns 420 hectares of surface rights covering the northwest portion of the outcropping Creston bulk tonnage target and the Nazareno area of the property. La Guitarra also owns 34 hectares of surface rights in the Municipality of San Simon de Guerrero, which cover part of the Santa Ana Vein.

In order to expand operations, First Majestic may need to purchase additional surface rights or negotiate additional temporary occupation agreements.

There are currently two external royalties in effect over the concessions at La Guitarra:

Mario Héctor Gottfried Joy Royalty. This royalty covers 5 concessions totalling 767.3 hectares. The agreement calls for a payment of $2,000 per month subject to an inflation adjustment after September 2003. The monthly payment is considered as an advance on the royalties. Once the concessions are in production the monthly royalty payment will be reduced by $500 if the calculated monthly royalty is $3,500 or less; and by $1,000 if the royalty is $3,501 or more. Royalty payments of 1.5% of the amount received in final payment for the silver and gold produced is payable when the properties are in production. If the price of silver is more than $15 per ounce, the royalty increases to 2%. An additional, one-time payment to Mr. Gottfried Joy of US $200,000 is payable when the production has totalled 30,000 equivalent oz of gold.

Luismin Royalty. La Guitarra must pay to Luismin, S.A. de C.V. (" **Luismin SA**") a NSR royalty of 1-3% based on the price of gold for production from 7,257 ha of concessions forming a part of the La Guitarra Silver Mine and which includes the concessions that are subject to the Mario Héctor Gottfried Joy Royalty described above. If the price of gold is at least $400, but less than $450, per ounce, the royalty is 1%. If the price of gold is $450, but less than $500, the royalty is 2%. If the price of gold is $500 or higher, the royalty is 3%. The royalty is payable once production from the concessions starting August 1, 2004 totals 175,000 equivalent oz of gold. All of mine production will be converted to equivalent oz of gold. The amount of the Las Torres Royalty (as described below) and the Mario Héctor Gottfried Joy Royalty payable on minerals mined, produced or otherwise recovered from such properties are to be deducted from the royalty payable by Silvermex to Luismin SA. The Las Torres Royalty is a royalty acquired by Silvermex from a third party in February 2008 which is now payable by La Guitarra to Silvermex, and applies to production from 23 concessions totalling 354.1 ha containing the current areas of production at La Guitarra. The royalty is based on the price of gold. If gold is $300 or less, the royalty is 2%. If the price of gold is between $300 and $350, the royalty is 3%, and if the price of gold is $350 or more, the royalty is 3.5% . The current NSR royalty rate is 3.5% of La Guitarra production.

No royalties are payable on production from concessions outside the 7,257 hectare block referred to above.

La Guitarra has all necessary permits for current mining operations. First Majestic is currently in the process of updating and expanding permits for the La Guitarra operations in order to expand operations at La Guitarra Silver Mine with additional tailings capacity. Activities at Nazareno and Coloso are being conducted under an exploration permit. The permitting process has begun to initiate exploration work at Mina de Agua in 2012.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Temascaltepec District and La Guitarra Silver Mine are located approximately 150 km southwest of Mexico City, in Mexico State, and approximately 65 km from Toluca. La Guitarra Silver Mine is at an elevation of approximately 2,100 m. The nearest local town is Temascaltepec, which is approximately 6 km from La Guitarra Silver Mine.

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

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

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

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

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

History

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

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

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

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

In 1990, modern mining resumed when the Compañia Mineria Arauco returned to where the Spaniards had began in 1555, conducting exploration and development work on the Guitarra vein with an initial production rate of 30 tpd.

In 1993, Luismin SA acquired the property and began consolidating the Temascaltepec District. Luismin SA expanded the reserve base in La Guitarra Silver Mine and increased the milling capacity to 320 tpd.

In August of 2003, Silvermex purchased the La Guitarra Silver Mine from Luismin SA and gained control over all mineral concessions within the Temascaltepec District.

In July, 2012, First Majestic acquired Silvermex and, indirectly, the La Guitarra mine.

Geological Setting

The La Guitarra Silver Mine is in the southeast end of the Mexican Silver Belt. The Sierra Madre Occidental, or the mid-Eocene Ignimbrite Belt, includes large extrusions of rhyolite and andesitic volcanic material. Numerous low sulphidation epithermal Ag-Au deposits are associated with hydrothermal activity during the mid-Eocene period. In the southern part of the belt in the Temascaltepec area, where La Guitarra Silver Mine and a number of other deposits are located, mafic volcanics of the Trans-Mexican volcanic belt overlie the intermediate to felsic Eocene volcanics.

The Jurassic basement rocks of the Temascaltepec were deformed by folding with uplifting prior to the deposition of the early Eocene. After the folding, there were several periods of extensional faulting. The intrusion of the late Eocene to Oligocene granites and out-pouring of volcanics are apparently associated with the faulting. The vein mineralization has a pronounced northwest trend indicating the faulting played a large part in controlling their emplacement. Fault movements have been difficult to determine.

There was a period of volcanism in mid-to-late Eocene time. It is believed that the vein mineralization was emplaced either late in the period of volcanism or immediately after the volcanism. These veins have a pronounced northwest trend indicating the structural control and show evidence of extension during deposition. The structures in the veins and the structures associated with the veins suggest that the movement during vein formation was not intense. These vein structures indicate normal fault movement. Many veins in the Mina de Agua region and further east also have indications of a left lateral movement.

The Temascaltepec fault started in Miocene time and continued in post-Miocene time. This northwest dipping normal fault has down-dropped La Guitarra Silver Mine area relative to the area to the southeast part of the area, including Mina de Agua, which allowed the preservation of a large area of Miocene basalts in a structural basin west of the fault. The high-level epithermal veins of La Guitarra Silver Mine were preserved by this faulting with only deeper level vein systems preserved to the southeast. The fault strikes northeast and is considered to be at the contact of the metamorphic rocks and the basalt just south of the Town of Temascaltepec.

The mineralized vein systems that are found on the property are classed as polymetallic, low-sulphidation of epithermal origin. There are in excess of 100 epithermal veins traversing the property in four main vein trends called El Coloso/Nazareno, La Guitarra, Mina de Agua and El Rincon. These mineralized veins traverse the property along a strike length of greater than 15 km and a width of greater than 4 km.

The emplacement of the veins is structurally controlled by extensional strike slip faulting. This structural control is typical for the Mexican intermediate to low sulphidation epithermal vein systems. The veins cut across different rock types but are considered to be from the same major hydrothermal system.

The veins vary in width from less than 1 m to over 20 m. The quartz veining consists of well banded, chalcedonic and fine grained crystalline quartz with minor amounts of calcite. The chalcedonic quartz is thought to indicate an upper part of the mineral system suggesting that the depth potential of the mineralization is good. The wall rocks around the veins are altered with advanced argillic mineralization and an outer propylitic halo. This alteration extends from one m to 50 m from the veins.

The sections of the veins that were open or dilatants at the time of the silver and gold mineralization form the ore bodies. These open areas were controlled by the inclination of the veins and the intersections of the different vein sets. The northwest and west-northwest vein sets are the primary intersecting vein sets that control the mineralization. Due to the recurring nature of the vein sets and their intersections, ore zones also occur in a repetitive nature 150 m to 250 m apart.

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

At La Guitarra, the 1 m to 4 m wide mineralized zones are situated within a large quartz vein that is up to 20 m wide. These brecciated and re-brecciated mineralized zones are very complex, pinching, swelling and bifurcating over short distances.

The silver and gold is contained in silver sulphides, sulphosalts and electrum. The remaining mineralization consists of minor amounts of pyrite and other sulphides such as galena and sphalerite.

The mineralization appears to have occurred over three stages:

- the 1st stage contains most of the base metal mineralization;
- the 2nd stage has repetitive silica banding and precious metal deposition, with the largest volume of silver and gold mineralization; and
- the 3rd stage has the highest silver-gold grades, but does not have significant volume.

Alteration of the wall rocks is only strong in contact with the veins.

Exploration & Drilling

Between July 2006 and August 2008, Silvermex conducted a large scale exploration program within the Temascaltepec District. Initial surface mapping and sampling was followed by diamond drilling from surface using both core and reverse circulation ("**RC**") drilling. A total of 85,645 m of drilling in 452 drill holes consisting of 289 core drill holes, and 163 reverse circulation drill holes was completed. The RC drilling was focused on, but not limited to, testing the Creston target. The core drilling primarily took place at Coloso, Nazareno, Santa Ana, La Guitarra/San Rafael and on the Creston target. Drilling was conducted by BDW Drilling and Silvermex's own personnel. In August 2011, Silvermex resumed exploration activities in the Temascaltepec District drilling 7,623 m of core drilling in the Coloso area.

Mineral Resources and Reserves

The previous technical reports commissioned for the La Guitarra Silver Mine property by Silvermex provided detailed calculations of mineral reserves and resources on the property. As discussed above, these reports are currently under review by management of First Majestic and its Qualified Persons. Accordingly, First Majestic does not believe that the reserve and resource calculations in such reports are reliable and is not relying on such calculations. Readers are cautioned against relying on such reports and upon the resource and reserve calculations therein.

Mining and Milling

Mining at La Guitarra Silver Mine is from underground stopes. The main mine access is via 4 m x 4 m haulage ramps and related production, and development ramps are driven at +/- 12%. Stope access is via access ramps driven off of ramps and drifts adjacent to the vein, generally on the footwall side. Sill development occurs within the vein. Mining is primarily accomplished using cut and fill, but some long-hole stoping is employed. Rubber tired mobile equipment is used to transport ore and waste underground and to surface. Mined stopes are backfilled with development rock, rock from surface excavations, sand fill or by blasting the walls of the stope to create broken rock for fill. These mining methods recover about 100% of the reserve blocks.

La Guitarra Silver Mine mill is rated at 320 tpd, although it has not always operated at capacity in recent years. In 2011, the production was approximately 327 tonnes per operating day with an annual production of 81,153 tonnes and annual production of 114,454 tonnes in 2012. The mill operated 248 days during 2011 and 346 days in 2012. The ore at La Guitarra Silver Mine is put on a pad beside the jaw crusher. It is then taken to the crusher using a front-end loader. If there are different types of ore on the pad they are blended as they are put to the crusher. The crushing is done with a jaw crusher and a secondary cone crusher. The crushed ore is ground in the three ball mills in parallel. The ground ore passes through three stages of flotation producing a sulphide concentrate. The concentrate is filtered and dried and then trucked to First Majestic's La Parrilla mill in Durango for further processing into silver doré bars.

Since First Majestic became owner of the La Guitarra Silver Mine, it has commenced a plan to expand this operation to 500 tpd. Underground development in late 2012 was expanded and a spare ball mill from La Parrilla Silver Mine and some spare flotation tanks from the La Encantada Silver Mine were shipped to the La Guitarra Silver Mine. Construction of foundations commenced in the third quarter of 2012 and all equipment for this expansion arrived on site in the fourth quarter of 2012. This expansion is expected to be completed during Q2 2013.

The La Parrilla mill recovers and refines the silver and gold from the concentrate on a contract basis and La Guitarra is paid for the silver and gold, less the various treatment charges that are applicable. In November and December 2012 400 tonnes of concentrate were shipped to Met-Mex Peñoles in Torreon. Both Trafigura and Met-Mex Peñoles charged a treatment charge and paid for a percentage of the gold and silver contained in the concentrates. To date, concentrates continue to be shipped to Met-Mex Peñoles (200 tonnes per month) with the rest of the production going to the La Parrilla's mill for re-processing into silver doré.

Historically, life of mine average silver recoveries since 1991 have been approximately 84% and the life of mine average gold recoveries have been 83% at the La Guitarra mill.

The table below summarizes metal production at La Guitarra Silver Mine for the following periods:

TABLE 12
Metal Production for La Guitarra Silver Mine

	From July 3, 2012 to December 31, 2012[1]	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010[2]
Tonnes ore milled	60,499	114,454	81,153	39,896
Silver grade (g/t)	389,927	258	196	131
Gold grade (g/t)	94,195	1.43	1.8	1.13
Silver produced (oz)	42,200	945,537	437,953	149,850
Gold produced (oz)	18,299	5,248	4,293	1,192

(1) The Company acquired the La Guitarra Silver Mine through the acquisition of Silvermex on July 3, 2012.
(2) Operations at La Guitarra Silver Mine resumed in May 2010 following a work stoppage.

Exploration and Development

Silvermex incurred significant capital expenditures in fiscal 2009, 2010 and 2011 to identify new reserves and resources, upgrade the mining operations and develop new areas for mining. In the period from June to December 2012, under the operation of First Majestic, a total of 18,072 metres of diamond drilling in 140 holes were executed both in underground (121) and surface (19).

La Luz Silver Project

The La Luz 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 México City to the United States.

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

As disclosed in the La Luz Technical Report, there is an aggregate of 33,710,173 ounces of Measured & Indicated Resources (silver only), and an aggregate of 13,120,457 ounces of Inferred Resources (silver only). The Company has not confirmed the Resources and Reserves disclosed in the La Luz Technical Report.

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. The physical silver is delivered to two refineries/smelters where the doré silver bars are refined to better than 99.9% pure bars with a small byproduct of gold. The concentrates containing silver, lead and zinc are delivered to a broker in Manzanillo, Mexico where it is mixed with other concentrates and shipped abroad to smelters where it is smelted to separate the base metals by-products of lead and/or zinc from the silver for delivery to the global buyers of silver, lead or zinc. 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.

The Company delivers its production via a combination of private aircrafts and armoured cars to a number of refineries and smelters who then, once they have refined or smelted the silver to better than 99.9% purity, transfer the silver and by-products to the physical market for the consumption of the silver and the by-products. The Company transfers risk of ownership at the time it delivers its doré and concentrates to the refineries and smelters, and in turn receives immediate assignment of provisional contained metals to its brokerage accounts. 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 45 to 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, less processing costs.

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

First Majestic's senior management in Vancouver, Europe and México negotiate sales contracts for First Majestic operations. Contracts with smelting and refining companies as well as metals brokers and traders are entered into and re-negotiated as required. The Company sells its silver doré and its by-products through three 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 silver, lead and zinc concentrates.

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

In addition to these commercial sales, First Majestic also markets a small portion of its silver production in the form of coins and silver bullion products to retail purchasers directly over its corporate e-commerce web site. Approximately 2% of the Company's production was sold in retail transactions during 2012. Products sold included half ounce and one ounce rounds, five ounce ingots, 10 ounce ingots, one kilogram bars, 50 ounce poured bars and an 18 ounce custom coin set.

Social and Environmental Policies

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 in proximity to its mines. 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 four 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 regulation promulgated by government agencies from time to time. Environmental regulation 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; and
- To monitor and restrict workers and equipment from areas for 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 is 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, S.A. de C.V., regarding its activities at the La Parrilla Silver Mine. On July 3, 2012, PROFEPA awarded the Clean Industry Certificate to the Company's wholly-owned subsidiary, Minera El Pilon S.A. de C.V., regarding its environmental activities at the San Martin Silver Mine.

Taxation

The taxation of corporations in México 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 México.

Taxes in México are levied in the normal course of business and are levied in the form of: (i) Corporate Income Taxes (referred to as ISR), (ii) 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), (v) Mining Rights Taxes, and (vi) Municipal or Property Taxes. There are presently no mining royalty taxes or capital taxes applicable to mining businesses in México. All of these taxes (except for Municipal Taxes) are administered at the federal level by *Servicio de Administration Tributaria (SAT)* often referred to as "Hacienda".

Corporations which are resident in México 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 2012 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, with the greater of ISR and IETU being due annually, with installments due monthly for each ISR and IETU based on prescribed formulae;

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

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

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

(vi) *Municipal Taxes* – Zacatecas State (Chalchihuites Municipality) levies a 1.5% tax on the value of constructed facilities.

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

In the past, México allowed corporations at their option to consolidate tax filings, effectively enabling the profits of taxable entities to be offset by tax losses in other companies within the consolidated group. Effective January 2010, México 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 México are challenging the legality of these tax reforms. There are presently some 350 injunctions challenging the constitutionality of the 2008 tax reforms that reverse the benefit of consolidation. 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 116,986,940 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:

	High	Low	Volume
Period	**C$**	**C$**	
December 2012	23.14	19.04	11,319,025
November 2012	24.18	20.45	8,586,167
October 2012	23.25	21.48	8,374,003
September 2012	23.40	19.45	11,373,914
August 2012	19.55	15.62	9,743,826
July 2012	17.12	14.00	8,198,874
June 2012	16.80	14.16	11,881,814
May 2012	15.91	12.26	14,008,618
April 2012	17.16	14.40	10,466,599
March 2012	20.76	15.77	12,769,155
February 2012	21.95	18.77	9,784,217
January 2012	21.16	17.32	9,827,877

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 Stock Exchange under the symbol “FMV”.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets out the names of the current directors and officers of the Company, 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]
KEITH NEUMEYER CEO, President and Director Zug, Switzerland	President of the Company from November 3, 2001 to present; Director of the Company since December 5, 1998.	December 5, 1998 to present.	Common 3,126,000 Stock Options 700,000	2.7%

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 S.A. de C.V. from January 1994 to present; Chairman of Minera Lince S.A. de C.V. from September 2003 to present; Chairman of Minera Real Victoria S.A. de C.V. from October 2003 to present; Member of the Board for Immobiliaria Aurum S.A. de C.V. from June 2005 to present.	April 15, 2004 to present.	Common 365,000 Stock Options 462,500	Less than 1.0%
ROBERT A. McCALLUM, B.Sc., P.Eng [3] [5] Director North Vancouver, British Columbia, Canada	Professional consulting engineer and President of Robert A. McCallum Inc. from 1999 to present; Director of Shore Gold Inc. from October 28, 2005 to February 2012. Chairman of the Company from September 7, 2006 to December 31, 2011.	December 15, 2005 to present.	Common 70,000 Stock Options 73,329	Less than 1.0%
DOUGLAS PENROSE, B.Comm., CA [3] [5] Chairman and Director Summerland, 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 20,000 Stock options 113,329	Less than 1.0%
TONY PEZZOTTI [3] [4] Director Burnaby, British Columbia, Canada	Retired. Director of Pan Terra Industries Inc. from July 2007 to October 2011.	November 30, 2001 to present.	Common 584,956 Stock options 173,329	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 December 2011; 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 March 2013 and Director of Great Quest Metals Ltd. from December 2010 to present.	January 12, 2005 to present.	Common 180,000 Stock options 153,329	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.	September 7, 2006 to present.	Common 20,000 Stock options 73,329	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.	N/A	Common 145,200 Stock options 329,900	Less than 1%
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 90,000 Stock options 400,000	Less than 1%
MARTIN PALACIOS Chief Information Officer West Vancouver, British Columbia, Canada	Chief Information Officer of the Company from January 2012 to present, Director of Global Applications and Director of IT Mexico of Goldcorp from July 2008 to December 2011; Senior Advisor of Gemcom Software Inc. from March 2008 to November 2008; Senior Advisor of The Jimmy Pattison Group from August 2006 to March 2008.	N/A	Common Nil Stock Options 300,000	0.0%

(1) The information as to principal occupation and shares beneficially owned has been furnished by the respective individuals.
(2) Based upon the 116,986,940 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 4,601,165 common shares of the Company or approximately 3.9% of the common shares of the Company issued and outstanding as of the date of this AIF.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

(a) is, at the date of this AIF or has been within the 10 years before the date of 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; or

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

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

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

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

(a) any penalties or sanctions imposed by 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.

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 from 1974 to 2008 and the Institute of Chartered Accountants of British Columbia since 1978. He brings over 20 years of experience in leadership positions in corporate finance, including the position of Chief Financial Officer and was most recently the Vice President of Finance and Corporate Services at the British Columbia Lottery Corporation.

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

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

Reliance on Certain Exemptions

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

a) the exemption in section 2.4 (*De Minimis Non-Audit Services*) of NI 52-110;
b) the exemption 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 LLP, Independent Registered Chartered Accountants, and its affiliates for professional services in each of the years ended December 31, 2012 and December 31, 2011, respectively.

Category	Year ended December 31, 2012	Year ended December 31, 2011
Audit Fees	C$720,000	C$538,000
Audit-Related Fees	C$51,000	C$68,000
Tax Fees	C$37,600	C$8,850
All Other Fees	-	-

The audit fees relate to the audit of the consolidated financial statements of the Company, statutory audits for certain of the Company's subsidiaries, and review of the interim consolidated financial statements for the year. The audit-related fees relate to consultation and audit of the conversion to IFRS and the tax fees relate to tax compliance services.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

In November 2007, an action was commenced by the Company and FSR against Hector Davila Santos (the " **Seller**") and Minera Arroyo Del Agua, S.A. de C.V. in the British Columbia Supreme Court (the "**Court**") whereby the Company and FSR allege that while holding the positions of director, President and Chief Executive Officer and Chairman of the Board of FSR, the Seller acted in breach of his fiduciary and statutory duties owed to FSR, by acquiring the Bolaños Mine from Grupo México which FSR had the right to acquire. These allegations are denied by the Seller. Management believes that there are substantial grounds to this claim; however, the outcome of this litigation is not presently determinable.

Pursuant to a share purchase agreement dated April 3, 2006, the Company acquired a controlling interest in FSR for an aggregate purchase price of $50,776,000. The purchase price was payable to the Seller in three installments. The first installment of $25,388,000 represented 50% of the purchase price and was paid on May 30, 2006. An additional 25% installment of $12,694,000 was paid on May 30, 2007. The final 25% installment of $12,694,000, together with accrued interest of $872,000 was due on May 30, 2008 and was paid into a trust account of the Company and FSR, and a Letter of Credit deposited in court, pending the outcome of the claims.

On March 14, 2008, the Seller filed a counterclaim in the Action against the Company in which he claimed for unpaid amounts and interest arising out of the Agreement. As of July 16, 2009, the claimed unpaid amount together with the contractual interest rate of 6% amounted to $14,160,000.

On July 16, 2009, a consent order (the "**Consent Order**") was granted by the Court, with the consent of all parties, under which the Seller obtained a judgment in the amount of $14,160,000. The Company agreed to pay out $13,566,000 from the Letter of Credit to the Seller'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. In his counterclaim, the Seller is also seeking, among other things, interest at 6% compounded annually and calculated daily on the Trust Funds and reimbursement of all costs and expenses, including his legal fees, incurred by the Seller in pursuing his claims against the Company. The trial commenced in the Supreme Court of British Columbia, Vancouver, British Columbia in April 2012 and concluded in January 2013. Judgement was reserved. The Consent Order does not affect the standing of the Company's claims for relief against the Seller in the action. The Trust Funds could potentially become accessible to the Company in the event of a favourable outcome to the litigation.

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, 2012.

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, 2012.

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 LLP is independent registered chartered accountants 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, Ing. 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.

Mr. Carlos Wong, Ing. supervised the preparation of certain technical information set forth herein relating to the Company's mineral properties. Mr. Wong is an employee of the Company and Mr. Wong does 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).

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, 2012 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, 2012

925 West Georgia Street, Suite 1805, Vancouver, B.C. Canada V6C 3L2
Phone: 604.688.3033 | Fax: 604.639.8873 | Toll Free: 1.866.529.2807 | Email: info@firstmajestic.com
www.firstmajestic.com



MANAGEMENT'S 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 International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimates and judgment based on information currently available.

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

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

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

"Keith Neumeyer"

Keith Neumeyer
President & CEO
February 25, 2013

"Raymond Polman"

Raymond Polman, CA
Chief Financial Officer
February 25, 2013

Report of Independent Registered Chartered Accountants

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

We have audited the accompanying consolidated financial statements of First Majestic Silver Corp. and subsidiaries (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of income, comprehensive income, changes in equity, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Majestic Silver Corp. and subsidiaries as at December 31, 2012 and December 31, 2011 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2013 expressed an unqualified opinion on the Company’s internal control over financial reporting.



Independent Registered Chartered Accountants
February 25, 2013
Vancouver, Canada

Report of Independent Registered Chartered Accountants

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

We have audited the internal control over financial reporting of First Majestic Silver Corp. and subsidiaries (the "Company") as of December 31, 2012, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Silvermex Resources Inc., which was acquired on July 3, 2012, whose financial statements constitute 23% and 21% of net and total assets, respectively, 2% of revenues and 1% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2012. Accordingly, our audit did not include the internal control over financial reporting at Silvermex Resources Inc. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2012 of the Company and our report dated February 25, 2013 expressed an unqualified opinion on those consolidated financial statements.



Independent Registered Chartered Accountants
February 25, 2013
Vancouver, Canada

First Majestic Silver Corp.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(tabular amounts are expressed in thousands of United States dollars, except share and per share amounts)

	Note	Year Ended December 31, 2012	2011
Revenues	6	**$ 247,177**	**$ 245,514**
Cost of sales		79,747	66,787
Gross margin		**167,430**	**178,727**
Depletion, depreciation and amortization		25,405	15,440
Mine operating earnings		**142,025**	**163,287**
General and administrative expense	7	21,774	16,452
Share-based payments		10,646	5,948
Acquisition costs	30	2,740	-
Accretion of decommissioning liabilities	20	472	435
Foreign exchange (gain) loss		(174)	622
Operating earnings		**106,567**	**139,830**
Investment and other income (loss)	8	6,715	(1,030)
Finance costs		(2,293)	(1,263)
Earnings before income taxes		**110,989**	**137,537**
Income taxes			
Current income tax expense	21	4,429	10,920
Deferred income tax expense	21	17,662	23,043
		22,091	33,963
Net earnings for the year		**$ 88,898**	**$ 103,574**
Earnings per common share			
Basic		**$ 0.80**	**$ 1.00**
Diluted		**$ 0.79**	**$ 0.96**
Weighted average shares outstanding			
Basic	9	**110,775,284**	**103,276,935**
Diluted	9	**112,859,088**	**107,368,050**

APPROVED BY THE BOARD OF DIRECTORS

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

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

First Majestic Silver Corp.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(tabular amounts are expressed in thousands of United States dollars)

	Year Ended December 31,	
	2012	**2011**
Net earnings for the year	**$ 88,898**	**$ 103,574**
Other comprehensive income (loss)		
Available for sale investments:		
Unrealized (loss) gain on fair value of investments	(3,212)	1,109
Currency translation gain (loss)	369	(1,298)
Other comprehensive loss	(2,843)	(189)
Total comprehensive income for the year	**$ 86,055**	**$ 103,385**

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

First Majestic Silver Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(tabular amounts are expressed in thousands of United States dollars)

	Note	Year Ended December 31, 2012	2011
OPERATING ACTIVITIES			
Net earnings for the year		$ 88,898	$ 103,574
Adjustments for:			
Share-based payments		10,646	5,948
Depletion, depreciation and amortization		25,980	15,735
Accretion of decommissioning liabilities	20	472	435
(Gain) loss from silver futures and FVTPL marketable securities	8	(6,216)	1,671
Acquisition costs	30	2,740	-
Income tax expense		22,091	33,963
Finance costs		2,293	1,263
Unrealized foreign exchange loss and other		(128)	(2,373)
Operating cash flows before movements in working capital and income taxes		146,776	160,216
Net change in non-cash working capital items	27	1,274	(13,703)
Income taxes paid		(11,891)	(18,984)
Cash generated by operating activities		**136,159**	**127,529**
INVESTING ACTIVITIES			
Expenditures on mining interests		(99,300)	(44,296)
Acquisition of property, plant and equipment		(75,834)	(51,630)
Increase in deposits on long-term assets		(7,525)	(10,504)
Realized gain on silver futures		6,172	2,385
Acquisition of Silvermex, net of cash paid	30	8,614	-
Proceeds from disposal of marketable securities		5,244	-
Investment in marketable securities		(10,349)	-
Cash used in investing activities		**(172,978)**	**(104,045)**
FINANCING ACTIVITIES			
Proceeds from exercise of stock options and share warrants		10,609	28,371
Proceeds from debt facilities, net of repayments		48,716	784
Proceeds from lease financing		5,528	2,474
Payment of lease obligations		(6,716)	(2,865)
Finance costs paid		(1,812)	(1,263)
Payment of other long-term liabilities		-	(583)
Cash generated by financing activities		**56,325**	**26,918**
Effect of exchange rate on cash held in foreign currencies		901	(381)
Increase in cash and cash equivalents		**19,506**	**50,402**
Cash and cash equivalents, beginning of year		91,184	41,163
Cash and cash equivalents, end of year		**$ 111,591**	**$ 91,184**
Cash		$ 108,419	$ 91,184
Restricted cash	29	3,172	-
Cash and cash equivalents, end of year		**$ 111,591**	**$ 91,184**
Supplemental cash flow information	27		

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

First Majestic Silver Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012 AND DECEMBER 31, 2011
(tabular amounts are expressed in thousands of United States dollars)

	Note	December 31, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	29	$ 111,591	$ 91,184
Trade and other receivables	10	19,598	15,593
Income taxes receivable	21	8,664	9,734
Inventories	11	23,641	14,661
Other financial assets	12	7,237	4,865
Prepaid expenses and other	13	2,186	1,535
Total current assets		**172,917**	**137,572**
Non-current assets			
Mining interests	14	372,941	157,865
Property, plant and equipment	15	220,212	129,040
Goodwill	30	24,591	-
Deferred tax assets	21	12,619	8,331
Deposits on long-term assets	16	9,751	10,504
Total assets		**$ 813,031**	**$ 443,312**
Liabilities and Equity			
Current liabilities			
Trade and other payables	17	$ 37,398	$ 22,433
Current portion of lease obligations	18	8,793	4,269
Current portion of debt and prepayment facility	19	6,662	784
Income taxes payable	21	4,377	-
Other financial liabilities		-	383
Total current liabilities		**57,230**	**27,869**
Non-current liabilities			
Lease obligations	18	14,185	9,825
Prepayment facility	19	44,241	-
Decommissioning liabilities	20	9,691	6,123
Deferred tax liabilities	21	94,159	48,897
Total liabilities		**219,506**	**92,714**
Shareholders' equity			
Share capital	22 (a)	423,958	273,304
Equity reserves	23	31,219	27,844
Retained earnings		138,348	49,450
Total equity		**593,525**	**350,598**
Total liabilities and equity		**$ 813,031**	**$ 443,312**

Contingent liabilities (Note 29)
Subsequent events (Note 31)

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

First Majestic Silver Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(tabular amounts are expressed in thousands of United States dollars, except share amounts)

	Share Capital		Equity Reserves					
	Shares	Amount	Share-based payment	Available for sale revaluation	Foreign currency translation	Total equity reserves	Retained earnings (Accumulated deficit)	Total equity
Balance at December 31, 2010	97,560,417	$ 239,770	$ 25,170	$ 18	$ 621	$ 25,809	$ (54,124)	$ 211,455
Net earnings	-	-	-	-	-	-	103,574	103,574
Other comprehensive income (loss)	-	-	-	1,109	(1,298)	(189)	-	(189)
Share-based payment, net of related tax benefits (Note 23)	-	-	7,387	-	-	7,387	-	7,387
Shares issued for:								
Exercise of options	2,449,750	10,428	-	-	-	-	-	10,428
Exercise of warrants	5,118,093	17,943	-	-	-	-	-	17,943
Conversion of shares to be issued (Note 22(d))	7,112	-	-	-	-	-	-	-
Transfer of equity reserve upon exercise of options and warrants	-	5,163	(5,163)	-	-	(5,163)	-	-
Balance at December 31, 2011	**105,135,372**	**$ 273,304**	**$ 27,394**	**$ 1,127**	**$ (677)**	**$ 27,844**	**$ 49,450**	**$ 350,598**
Net earnings	-	-	-	-	-	-	88,898	88,898
Other comprehensive (loss) income	-	-	-	(3,212)	369	(2,843)	-	(2,843)
Share-based payment, net of related tax benefits (Note 23)	-	-	9,525	-	-	9,525	-	9,525
Shares issued for:								
Acquisition of Silvermex Resources Inc. (Note 30)	9,451,641	136,317	-	-	-	-	-	136,317
Exercise of options	2,174,250	10,609	-	-	-	-	-	10,609
Conversion of shares to be issued (Note 22(d))	250	-	-	-	-	-	-	-
Returned to treasury (Note 22(e))	(4,673)	(16)	-	-	-	-	-	(16)
Share warrants issued (Note 22(c))	-	-	646	-	-	646	-	646
Expiry of shares to be issued (Note 22(d))	-	(209)	-	-	-	-	-	(209)
Transfer of equity reserve upon exercise of options	-	3,953	(3,953)	-	-	(3,953)	-	-
Balance at December 31, 2012	**116,756,840**	**$ 423,958**	**$ 33,612**	**$ (2,085)**	**$ (308)**	**$ 31,219**	**$ 138,348**	**$ 593,525**

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

1. NATURE OF OPERATIONS

First Majestic Silver Corp. (the "Company" or "First Majestic") is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company is in the business of silver production, 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", on the Toronto Stock Exchange under the symbol "FR", and on the Frankfurt Stock Exchange under the symbol "FMV".

The Company's head office and principal address is located at 925 West Georgia Street, Suite 1805, Vancouver, British Columbia, Canada, V6C 3L2.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with and in full compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for the years ended December 31, 2012 and 2011.

Statement of Consolidation and Presentation

These consolidated financial statements have been prepared on an historical cost basis except for certain items that are measured at fair value including derivative financial instruments, marketable securities and the prepayment facility. All dollar amounts presented are in United States dollars unless otherwise specified. The accounting policies in Note 3 of the consolidated financial statements have been applied in preparing these consolidated financial statements.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (see Note 25). 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. Intercompany balances, transactions, income and expenses are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

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

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately.

Goodwill may also arise as a result of the requirement under IFRS to record deferred tax liability on the excess of the fair value of the acquired assets over their corresponding tax bases, with the corresponding offset recorded as goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of the acquisition less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit and loss in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Foreign currency translation

The consolidated financial statements are presented in U.S. dollars. The individual financial statements of each entity are presented in their functional currency, which is the currency of the primary economic environment in which the entity operates. The functional currency of the Company's head office is the Canadian dollar and the functional currency for all of the other entities is the U.S. dollar.

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

Revenue recognition

Revenue is recognized upon delivery when the following conditions are met:

- control, title and risk of ownership of products passes to the buyer;
- the amount of revenue and costs related to the transaction can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- when collection is reasonably assured.

This occurs when title and insurance risk have passed to the customer and when the goods have been delivered to a contractually agreed location. Product pricing is determined at the point revenue is recognized by reference to active and freely traded commodity markets.

Revenue from the sale of metal doré or concentrate is recorded net of charges for treatment, refining and smelting. Revenue from the sale of material by-products is included within revenue.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Metals in doré sold to third parties are priced on delivery. Final weights and assays are adjusted on final settlement which is approximately one month after delivery. Metals in concentrate sold to third-party smelters are provisionally priced and the price is not settled until a predetermined future date, typically one to four months after delivery to the customer, based on the market price at that time. The contract provides for a provisional payment on delivery based upon provisional assays and quoted metal prices. Revenues are recorded under these contracts at the time title passes from the Company to the buyer based on spot price on date of delivery, and subsequently adjusted to market price based on the expected date of the final settlement. As a result, the value of the Company's concentrate receivables changes as the underlying commodity market prices vary. This component of the contract is an embedded derivative, which is recorded at fair value with changes in fair value recorded in revenues and trade receivables. Adjustments to revenue for metal prices are recorded monthly and other adjustments related to the final settlement of weights and assays are recorded on final settlement.

Inventories

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

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

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

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

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

Exploration and evaluation expenditures

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

- acquiring the rights to explore;
- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- compiling pre-feasibility and feasibility studies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditures (continued)

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

Exploration and evaluation expenditures are transferred to producing mining interests when the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made.

Mining interests

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

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 commercial production. The commencement of commercial production is deemed to occur on a determination made by management with reference to factors such as the asset's ability to operate at its designed capacity over a pre-determined reasonable period of time, and all necessary permits have been obtained. However, the production phase does not commence with the removal of *de minimis* saleable mineral materials that occur in conjunction with the removal of overburden or waste material for the purpose of obtaining access to an ore body.

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

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

Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the useful life of the asset, ranging from two to fourteen years, and commences when the asset is in the condition and location necessary for it to operate in the manner intended by management. Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Construction in progress is recorded at cost and re-allocated to machinery and equipment when it becomes available for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Depreciation for machinery and equipment is calculated on a straight-line basis over the lesser of the useful life of the equipment or the life of mine, when it becomes available for use. Depreciation charges on assets that are directly related to mineral properties are allocated to those mineral properties.

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

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Finance costs are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Stripping costs

Stripping costs incurred prior to the production stage of a mining property (pre-stripping costs) are capitalized and included in the carrying amount of the related mining property. During the production phase of a mine, stripping costs incurred to provide access to reserves and resources that will be produced in future periods that would not have otherwise been accessible are capitalized and included in the carrying amount of the related mining property. Capitalized stripping costs are depleted on a units-of-production basis over the estimated economic life of the ore body that directly benefit from the stripping activities. Costs for regular waste removal that do not give rise to future economic benefits are included in mine operating costs in the period they are incurred.

Impairment of tangible assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. For exploration and evaluation assets, indications include but are not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in the specific area.

If the recoverable amount of the asset or CGU is determined to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognized as an expense in the consolidated statements of income. Recoverable amount is the higher of fair value less costs to sell and value in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets (continued)

Fair value is determined as the amount that would be obtained from the sale of the asset or CGU in an arm's length transaction between knowledgeable and willing parties. Fair value for mining interests is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion projects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate to arrive at a net present value of the asset. Value in use is determined as the present value of the estimated cash flows expected to arise from the continued use of the asset or CGU in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and does not take into account future development. These assumptions are different to those used in calculating fair value and consequently are likely to provide a different result, usually lower.

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

Share-based payment transactions

Employees (including directors and officers) of the Company may receive a portion of their remuneration in the form of share-based payment transactions ("share-based payments").

Equity instruments issued to employees are measured by reference to their fair value using the Black-Scholes model at the date on which they were granted. Forfeitures are estimated at grant date. The costs of share-based payments are recognized, together with a corresponding increase in the equity reserve, over the period in which the services and/or performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

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

No expense is recognized for awards that do not ultimately vest. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

Taxation

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case they are recognized in other comprehensive income or directly in equity. Current tax or deferred tax from the initial accounting for a business combination is included in the accounting for the business combination.

Current income taxes

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred income taxes

Deferred income tax is recognized, using the liability method, on temporary differences between the carrying value of assets and liabilities in the statement of financial position, unused tax losses, unused tax credits and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are not recognized if the temporary difference arises in a transaction other than a business combination that at the time of the transaction affects neither the taxable nor the accounting earnings or loss. Deferred tax is determined using tax rates and tax laws that are substantively enacted at the date of the statement of financial position and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable earnings will be available to utilize against those deductible temporary differences.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred.

Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and share purchase warrants and assumes the receipt of proceeds upon exercise of the options to determine the number of shares assumed to be purchased at the average market price during the period.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables, or at fair value through profit or loss (“FVTPL”).

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary due to a significant or prolonged decline in the fair value of that investment below its cost.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities and equity instruments

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial instruments and non-financial contracts may contain embedded derivatives, which are required to be accounted for separately at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract and the host contract is not carried at fair value. The Company regularly assesses its financial instruments and non-financial contracts to ensure that any embedded derivatives are accounted for in accordance with its policy. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash on hand and held at banks and short- term investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Provisions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Commencement of commercial production and production levels intended by management

Prior to reaching commercial production levels intended by management, costs incurred are capitalized as part of the costs of related mining properties and proceeds from mineral sales are offset against costs capitalized. Depletion of capitalized costs for mining properties and depreciation and amortization of property, plant and equipment begin when operating levels intended by management have been reached. Management considers several factors, including production capacity, recoveries and number of uninterrupted production days, in determining when a mining property has reached the commercial production levels intended by management. The results of operations of the Company during the periods presented in these consolidated financial statements have been impacted by management's determination that the cyanidation and flotation plant at the La Parrilla mine were commissioned on March 1, 2012 and October 1, 2011, respectively.

Functional currency

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Impairment of property, plant and equipment and mining interests

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Impairment of property, plant and equipment and mining interests (continued)

In determining the recoverable amounts of the Company's property, plant and equipment and mining interests, management makes estimates of the discounted future pre-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non- expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's property, plant and equipment and/or mining interests.

Depreciation and amortization rate for property, plant and equipment and depletion rate for mining interests

Depletion, depreciation and amortization expenses are allocated based on assumed asset lives. Should the asset life, depletion rates or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of income.

Estimated reclamation and closure costs

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

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

Mineral reserve estimates

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

Inventory valuation

Finished goods, work-in-process and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of silver contained in the stockpile ore, assumptions of the amount of silver that is expected to be recovered from the stockpile, the amount of silver in the mill circuits and assumption of the silver price expected to be realized when the silver is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Valuation of share-based payments

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

Income taxes

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

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

4. RECENT ACCOUNTING PRONOUNCEMENTS Financial instruments

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 – *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities. The Company will evaluate the impact the final standard will have on its consolidated financial statements when issued.

Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 - *Consolidated Financial Statements* ("IFRS 10") and IFRS 12 - *Disclosure of Interests in Other Entities* ("IFRS 12"). IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities.

4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Consolidated Financial Statements (continued)

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted if adopted along with IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised). The Company is evaluating the impact of these new standards on its consolidated financial statements.

Joint Arrangements

In May 2011, the IASB issued IFRS 11 - *Joint Arrangements* ("IFRS 11"), which provides guidance on accounting for joint arrangements. If an arrangement has joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved. A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities relating to the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is an arrangement where the jointly controlling parties have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method and proportionate consolidation is no longer permitted.

This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company does not anticipate these new standards to have a significant impact on its consolidated financial statements.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13 - Fair Value Measurement ("IFRS 13"). This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company is currently assessing the impact of this standard on its financial statements.

Items of Other Comprehensive Income

In June 2011, the IASB issued an amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income* ("amendments to IAS1"). The amendments to IAS1 are the result of a joint project with the US Financial Accounting Standards Board and provide guidance on presentation of items contained in other comprehensive income ("OCI") and their classification within OCI. The amendments to IAS1 require items of OCI, along with their tax effects, to be grouped into those that will and will not subsequently be reclassified to profit or loss. The measurement and recognition of items of profit or loss and OCI are not affected by the amendments.

This amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

5. SEGMENTED INFORMATION

The Company has eight reporting segments, including four operating segments located in Mexico, two development projects in Mexico, one retail market segment in Canada and one silver trading segment in Europe. All of the Company's operations are within the mining industry and its major products are silver doré and silver-lead concentrate. Transfer prices between reporting segments are set on an arms-length basis in a manner similar to transactions with third parties. Coins and bullion cost of sales are based on transfer prices and inventory is costed on a first-in first-out basis.

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

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

Management evaluates reporting segment performance based on mine operating earnings as other expenses are not allocated to the segments or used to evaluate performance. Significant information relating to the Company's reporting segments is summarized in the table below:

	Year Ended December 31, 2012					At December 31, 2012	
	Revenue	Cost of sales	Depletion, depreciation and amortization	Mine operating earnings (loss)	Capital expenditures	Total assets	Total liabilities
Mexico							
San Martin	$ 22,289	$ 12,401	$ 3,943	$ 5,945	$ 19,120	$ 83,652	$ 19,214
La Parrilla	82,596	35,836	10,442	36,318	60,800	175,410	42,546
La Encantada	89,974	35,088	9,629	45,257	33,282	136,510	27,736
La Guitarra	5,291	5,375	1,389	(1,473)	7,691	172,472	35,940
Del Toro	-	-	-	-	74,229	122,152	22,764
La Luz	-	-	-	-	3,287	27,031	338
Canada							
Coins and Bullion Sales	3,858	3,677	-	181	108	535	122
Europe							
Silver Sales	190,683	138,178	1	52,504	-	53,225	4,608
Corporate and Eliminations	(147,514)	(150,808)	1	3,293	4,527	42,044	66,238
Consolidated	$ 247,177	$ 79,747	$ 25,405	$ 142,025	$ 203,044	$ 813,031	$ 219,506

	Year Ended December 31, 2011					At December 31, 2011	
	Revenue	Cost of sales	Depletion, depreciation and amortization	Mine operating earnings (loss)	Capital expenditures	Total assets	Total liabilities
Mexico							
San Martin	$ 35,191	$ 12,641	$ 2,631	$ 19,919	$ 14,794	$ 69,288	$ 19,734
La Parrilla	58,344	16,021	4,492	37,831	55,951	116,651	13,358
La Encantada	136,347	36,117	8,317	91,913	24,311	127,491	21,929
La Guitarra	-	-	-	-	-	-	-
Del Toro	-	-	-	-	15,533	31,795	1,685
La Luz	-	-	-	-	2,539	23,313	659
Canada							
Coins and Bullion Sales	28,592	26,520	-	2,072	-	728	139
Europe							
Silver Sales	45,059	31,826	-	13,233	-	30,483	4,484
Corporate and Eliminations	(58,019)	(56,338)	-	(1,681)	785	43,563	30,726
Consolidated	$ 245,514	$ 66,787	$ 15,440	$ 163,287	$ 113,913	$ 443,312	$ 92,714

6. REVENUES

		Year Ended December 31, 2012		Year Ended December 31, 2011
Gross revenue from payable ounces of silver equivalents	$	264,992	$	253,233
Less: refining & smelting costs		(17,815)		(7,719)
Revenues	**$**	**247,177**	**$**	**245,514**

7. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the Company are comprised of the following:

		Year Ended December 31, 2012		Year Ended December 31, 2011
Corporate administration	$	7,114	$	4,728
Salaries and benefits		8,267		7,363
Audit, legal and professional fees		4,637		3,192
Filing and listing fees		523		527
Directors fees and expenses		658		347
Depreciation		575		295
	$	**21,774**	**$**	**16,452**

8. INVESTMENT AND OTHER INCOME (LOSS)

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

		Year Ended December 31, 2012		Year Ended December 31, 2011
Gain (loss) from investment in silver futures and FVTPL marketable securities	$	6,216	$	(1,671)
Interest income and other		499		641
	$	**6,715**	**$**	**(1,030)**

9. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share for the years ended December 31, 2012 and 2011 are based on the following:

		Year Ended December 31, 2012		Year Ended December 31, 2011
Net earnings for the year	$	88,898	$	103,574
Weighted average number of shares on issue - basic		110,775,284		103,276,935
Adjustments for:				
Share options		2,083,804		3,438,127
Warrants		-		652,988
Weighted average number of shares on issue - diluted (1)		112,859,088		107,368,050
Earnings per share - basic	$	0.80	$	1.00
Earnings per share - diluted	$	0.79	$	0.96

(1) Diluted weighted average number of shares does not include 919,645 (2011 - 42,500) anti-dilutive options and 329,377 (2011 - nil) anti-dilutive warrants.

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Company are comprised of:

	December 31, 2012	December 31, 2011
Trade receivables	$ 6,637	$ 6,269
Value added taxes and other taxes recoverable	12,285	8,872
Loan receivable from supplier and other	676	452
	$ 19,598	**$ 15,593**

The Company does not hold any collateral for any receivable amounts outstanding at December 31, 2012 and December 31, 2011. Trade and other receivables include $0.6 million (December 31, 2011 - $0.6 million) in value added taxes ("VAT") recoverable that have been outstanding for more than one year. The Company expects full recovery of these amounts outstanding and therefore no impairment has been recorded against these receivables.

Trade and other receivables includes an allowance of $5.3 million related to VAT receivables acquired as part of the acquisition of Silvermex (see Note 30), which is pending outcome of various court trials with the Mexican tax authorities. No additional allowance was recorded by the Company during the year.

11. INVENTORIES

	December 31, 2012	December 31, 2011
Finished product - doré and concentrates	$ 1,982	$ 799
Work in process	4,135	4,027
Stockpile	2,558	409
Materials and supplies	14,791	8,934
Silver coins and bullion including in-process shipments	175	492
	$ 23,641	**$ 14,661**

The amount of inventories recognized as an expense during the year is equivalent to cost of sales for the year and no inventory write-downs were recorded or reversed during the years presented.

12. OTHER FINANCIAL ASSETS

	December 31, 2012	December 31, 2011
Marketable securities - available for sale	$ 2,421	$ 4,865
Marketable securities - fair value through profit or loss	4,816	-
	$ 7,237	**$ 4,865**

As at December 31, 2012, the Company holds various investments designated as available for sale ("AFS") marketable securities with total fair value of $2,421,000 (December 31, 2011 - $4,865,000) and cost of $4,484,000 (December 31, 2011 - $3,713,000). During 2012, the Company sold certain of its AFS marketable securities and realized a gain of $5,000 (2011 - $nil). Changes in fair value on AFS marketable securities are recognized in other comprehensive income or loss, unless there is objective evidence of impairment. Based on management's assessment, there was no impairment on the Company's AFS marketable securities as at December 31, 2012.

As at December 31, 2012, the Company held 400,000 units of Sprott Physical Silver Trust (PSLV) with fair value of $4,816,000, which were acquired at a cost of $13.20 per unit. These trust units are classified as FVTPL marketable securities, with changes in fair value recorded through profit or loss. During the year ended December 31, 2012, the Company recognized a gain of $39,000 (2011 - $nil) related to its FVTPL marketable securities.

12. OTHER FINANCIAL ASSETS (continued)

During the year ended December 31, 2012, the Company also incurred a gain of $6,172,000 (2011 – loss of $1,671,000) related to investment in silver futures, recognized in investment and other income.

13. PREPAIDS EXPENSES AND OTHER

The Company's prepaid expenses and other are comprised of:

	December 31, 2012	December 31, 2011
Prepayments to suppliers and contractors	$ 1,505	$ 1,138
Deposits	681	397
	$ 2,186	**$ 1,535**

14. MINING INTERESTS

The Company's mining interest is composed of the following:

	December 31, 2012	December 31, 2011
Producing properties	$ 196,057	$ 91,116
Exploration properties (non-depletable)	176,884	66,749
	$ 372,941	**$ 157,865**

Producing properties are allocated as follows:

Producing properties	La Encantada Silver Mine	La Parrilla Silver Mine	San Martin Silver Mine	La Guitarra Silver Mine	Total
Cost					
At December 31, 2010	**$ 17,512**	**$ 27,452**	**$ 38,337**	**$ -**	**$ 83,301**
Additions	8,305	15,869	3,571	-	27,745
Change in decommissioning liabilities	(25)	(525)	164	-	(386)
Transfer from exploration properties	1,472	4,394	5	-	5,871
At December 31, 2011	**$ 27,264**	**$ 47,190**	**$ 42,077**	**$ -**	**$ 116,531**
Acquired from Silvermex (Note 30)	-	-	-	47,188	47,188
Additions	13,523	35,476	5,171	4,191	58,361
Change in decommissioning liabilities	566	253	(583)	(728)	(492)
Transfer from exploration properties	3,884	858	1,913	-	6,655
At December 31, 2012	**$ 45,237**	**$ 83,777**	**$ 48,578**	**$ 50,651**	**$ 228,243**
Accumulated depletion and amortization					
At December 31, 2010	**$ (4,200)**	**$ (3,829)**	**$ (12,531)**	**$ -**	**$ (20,560)**
Depletion and amortization	(1,840)	(1,573)	(1,442)	-	(4,855)
At December 31, 2011	**$ (6,040)**	**$ (5,402)**	**$ (13,973)**	**$ -**	**$ (25,415)**
Depletion and amortization	(1,586)	(2,654)	(2,066)	(465)	(6,771)
At December 31, 2012	**$ (7,626)**	**$ (8,056)**	**$ (16,039)**	**$ (465)**	**$ (32,186)**
Carrying values					
At December 31, 2011	**$ 21,224**	**$ 41,788**	**$ 28,104**	**$ -**	**$ 91,116**
At December 31, 2012	**$ 37,611**	**$ 75,721**	**$ 32,539**	**$ 50,186**	**$ 196,057**

14. MINING INTERESTS (continued)

Exploration properties are allocated as follows:

Exploration properties	La Encantada Silver Mine	La Parrilla Silver Mine	San Martin Silver Mine	La Guitarra Silver Mine	Del Toro Silver Mine	La Luz Silver Project	Other Properties[1]	Total
Cost								
At December 31, 2010	**$ 2,935**	**$ 7,790**	**$ 15,432**	**$ -**	**$ 11,640**	**$ 19,122**	**$ -**	**$ 56,919**
Exploration and evaluation expenditures	2,057	2,274	3,008	-	10,472	1,242	-	19,053
Proceeds from option payment (h)	-	-	(3,400)	-	-	-	-	(3,400)
Change in decommissioning liabilities	-	-	-	-	-	48	-	48
Transfer to producing properties	(1,472)	(4,394)	(5)	-	-	-	-	(5,871)
At December 31, 2011	**$ 3,520**	**$ 5,670**	**$ 15,035**	**$ -**	**$ 22,112**	**$ 20,412**	**$ -**	**$ 66,749**
Acquired from Silvermex (Note 30)	-	-	-	53,000	-	-	18,100	71,100
Exploration and evaluation expenditures	3,429	4,143	6,435	2,054	26,171	2,434	417	45,083
Proceeds from option payment (h)	-	-	(440)	-	-	-	-	(440)
Change in decommissioning liabilities	-	-	-	-	938	109	-	1,047
Transfer to producing properties	(3,884)	(858)	(1,913)	-	-	-	-	(6,655)
At December 31, 2012	**$ 3,065**	**$ 8,955**	**$ 19,117**	**$ 55,054**	**$ 49,221**	**$ 22,955**	**$ 18,517**	**$ 176,884**

(1) Other exploration properties consist of Plomosas Silver Project, Peñasco Quemado Silver Project, La Frazada Silver Project and Los Lobos Silver Project acquired from Silvermex.

(a) La Encantada Silver Mine, Coahuila State

The La Encantada Silver Mine is a producing underground mine located in northern State of Coahuila, Mexico, 708 kilometres north east of Torreon, Coahuila and is accessible via a 1.5 hour flight from Torreon. The La Encantada Silver Mine consists of a 4,000 tonnes per day ("tpd") cyanidation plant which achieved commercial production on April 1, 2010, a 1,000 tpd flotation plant (currently in care-and-maintenance), a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, airstrip and all the 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.

(b) La Parrilla Silver Mine, Durango State

The La Parrilla Silver Mine, located approximately 65 kilometres southeast of the city of Durango, Durango State, Mexico, is a group of producing underground operations consisting of the Rosarios / La Rosa and La Blanca mines which are inter-connected through underground workings, and the San Marcos and the Quebradillas mines which are connected via gravel road ways. La Parrilla includes a 2,000 tpd processing plant consisting of the new 1,000 tpd cyanidation and 1,000 tpd flotation circuits, buildings, offices and associated infrastructure. The Company owns 100% of the La Parrilla Silver Mine.

There is a net smelter royalty ("NSR") agreement of 1.5% of sales revenue associated with the Quebradillas Mine, with a maximum payable of $2.5 million. The Company has an option to purchase the NSR at any time for an amount of $2.0 million. For the year ended December 31, 2012, the Company paid royalties of $0.9 million (2011 - $0.4 million). As at December 31, 2012, total royalties paid to date for the Quebradillas NSR is $1.6 million.

(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 the State of Jalisco, Mexico, 290 km north east of Guadalajara, Mexico, and is owned 100% by the Company. The mine comprises approximately 7,841 hectares of mineral rights, 1,300 hectares of surface rights surrounding the mine, and another 104 hectares of surface rights where the 950 tpd cyanidation plant, mine buildings, offices and related infrastructure.

14. MINING INTERESTS (continued)

(d) La Guitarra Silver Mine, State of Mexico

The La Guitarra Silver Mine was acquired through the acquisition of Silvermex (see Note 30) in July 2012. The La Guitarra mine is the Company's fourth producing asset in Mexico and is 100% owned by the Company.

The La Guitarra Silver Mine is located in the Temascaltepec Mining District in the State of Mexico, near Toluca, Mexico and approximately 130 kilometres south west from Mexico City. The 100% owned mine covers 39,714 hectares of mining claims within the Temascaltepec Mining District. The La Guitarra mine consists of two underground operation centers and a flotation mill with a capacity of 350 tpd.

(e) 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 405 contiguous hectares of mining claims, including the Dolores area, 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. Del Toro was previously an operating division of the Company's First Majestic Plata, S.A. de C.V. subsidiary. During the second quarter of 2012, assets of Del Toro were transferred into a newly formed subsidiary, First Majestic Del Toro, S.A. de C.V., to better isolate its operating results from the La Parrilla Mine as the plant begins production in 2013. First Majestic owns 100% of the Del Toro Silver Mine.

(f) La Luz Silver Project, San Luis Potosi State

The La Luz Silver Project, is located 25 km west of the town of Matehuala in San Luis Potosi State, Mexico, near the village of Real de Catorce and was acquired in November 2009, through the acquisition of Normabec Mining Resources Ltd. ("Normabec"). The Company owns 100% of the La Luz Silver Project and all of the associated mining claims of what was historically known as the Santa Ana mine and consists of 36 mining concessions covering 4,977 hectares.

(g) Plomosas Silver Project, State of Sinaloa

The Plomosas Silver Project (formerly known as Rosario) was acquired through the acquisition of Silvermex (see Note 30) in July 2012. Plomosas has a total of 16,279 hectares of mining concessions in southeast State of Sinaloa, Mexico. The mining concession consolidates two past producing mines: Plomosas and San Juan. Extensive infrastructure is in place at Plomosas, including a fully functional mining camp facility at the Plomosas mine. Facilities and infrastructure at Plomosas include a 20 year surface rights agreement in good standing, a 30 year water use permit, tailings dam, 60 km of 33 kilowatt power line, 120 person camp, infirmary, offices, shops and warehouses, and assay lab.

(h) Jalisco Group of Properties, Jalisco State

The Company also owns the Jalisco Group of Properties which consist of 5,240 hectares of mining claims in Jalisco State, Mexico. On April 15, 2011, a definitive agreement was entered into with Sonora Resources Corp. (the "Optionee") whereby the Optionee has an option to acquire up to 90% in the Jalisco Group of Properties (the "Properties") located in Jalisco State, Mexico. The Optionee issued 10 million shares of common stock with a fair value of $3.4 million to the Company and is committed to spend $3 million over the first three years to earn a 50% interest and $5 million over five years to earn a 70% interest. In order to obtain a 90% interest, the Optionee is required to complete a bankable feasibility study within seven years. First Majestic will retain a 10% free carried interest and a 2.375% NSR. The fair value of common shares received from the Optionee was recorded in other financial assets with a corresponding reduction in the carrying value of the San Martin mining interests.

14. MINING INTERESTS (continued)

(h) Jalisco Group of Properties, Jalisco State (continued)

In May 2012, the Company received an additional two million common shares of the Optionee, valued at $0.4 million as a result of their failure to file a registration statement qualifying the original 10 million shares of common stock issued for free trading. The fair value of the common shares received from the Optionee was recorded as a reduction in the carrying value of mining interest in the second quarter of 2012.

(i) Other Exploration Properties

With the acquisition of Silvermex (see Note 30), the Company also acquired a number of exploration stage properties in Mexico, including the Peñasco Quemado Silver Project in the State of Sonora, the La Frazada Silver Project in the State of Nayarit and the Los Lobos Silver Project in the State of Sonora.

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are composed of the following:

	Land and Buildings	Machinery and Equipment	Assets under Construction	Other	Total
Cost					
At December 31, 2010	**$ 14,953**	**$ 67,032**	**$ 2,731**	**$ 2,078**	**$ 86,794**
Additions	5,722	25,066	34,671	1,675	67,134
At December 31, 2011	**$ 20,675**	**$ 92,098**	**$ 37,402**	**$ 3,753**	**$ 153,928**
Acquired from Silvermex (Note 30)	2,126	6,724	1,710	267	10,827
Additions	17,151	19,243	59,318	3,615	99,327
Transfers	6,876	28,336	(35,212)	-	-
At December 31, 2012	**$ 46,828**	**$ 146,401**	**$ 63,218**	**$ 7,635**	**$ 264,082**
Accumulated depreciation and amortization					
At December 31, 2010	**$ (3,485)**	**$ (9,801)**	**$ -**	**$ (1,125)**	**$ (14,411)**
Depreciation and amortization	(1,846)	(7,501)	-	(1,130)	(10,477)
At December 31, 2011	**$ (5,331)**	**$ (17,302)**	**$ -**	**$ (2,255)**	**$ (24,888)**
Depreciation and amortization	(4,446)	(13,246)	-	(1,290)	(18,982)
At December 31, 2012	**$ (9,777)**	**$ (30,548)**	**$ -**	**$ (3,545)**	**$ (43,870)**
Carrying values					
At December 31, 2011	**$ 15,344**	**$ 74,796**	**$ 37,402**	**$ 1,498**	**$ 129,040**
At December 31, 2012	**$ 37,051**	**$ 115,853**	**$ 63,218**	**$ 4,090**	**$ 220,212**

(1) Included in land and buildings is $5,393,000 (2011 - $4,181,000) of land properties which are not subject to depreciation.
(2) Included in property, plant and equipment is $26,780,000 (2011 - $14,789,000) of equipment under finance lease.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Mining assets, including land and buildings, machinery and equipment, assets under construction and other assets above are allocated as follow:

	La Encantada Silver Mine	La Parrilla Silver Mine	San Martin Silver Mine	La Guitarra Silver Mine	Del Toro Silver Mine	La Luz Silver Project	Corporate	Total
Cost								
At December 31, 2010	**$ 51,788**	**$ 19,546**	**$ 11,068**	**$ -**	**$ 1,944**	**$ 1,357**	**$ 1,091**	**$ 86,794**
Additions	13,949	37,808	8,215	-	5,061	1,316	785	67,134
At December 31, 2011	**$ 65,737**	**$ 57,354**	**$ 19,283**	**$ -**	**$ 7,005**	**$ 2,673**	**$ 1,876**	**$ 153,928**
Acquired from Silvermex (Note 30)	-	-	-	9,352	-	-	1,475	10,827
Additions	16,330	21,018	7,404	1,446	48,058	853	4,218	99,327
At December 31, 2012	**$ 82,067**	**$ 78,372**	**$ 26,687**	**$ 10,798**	**$ 55,063**	**$ 3,526**	**$ 7,569**	**$ 264,082**
Accumulated depreciation and amortization								
At December 31, 2010	**$ (4,224)**	**$ (5,539)**	**$ (4,006)**	**$ -**	**$ -**	**$ (37)**	**$ (605)**	**$ (14,411)**
Depreciation and amortization	(6,385)	(2,846)	(917)	-	-	(36)	(293)	(10,477)
At December 31, 2011	**$ (10,609)**	**$ (8,385)**	**$ (4,923)**	**$ -**	**$ -**	**$ (73)**	**$ (898)**	**$ (24,888)**
Depreciation and amortization	(7,944)	(7,538)	(1,933)	(997)	-	(23)	(547)	(18,982)
At December 31, 2012	**$ (18,553)**	**$ (15,923)**	**$ (6,856)**	**$ (997)**	**$ -**	**$ (96)**	**$ (1,445)**	**$ (43,870)**
Carrying values								
At December 31, 2011	**$ 55,128**	**$ 48,969**	**$ 14,360**	**$ -**	**$ 7,005**	**$ 2,600**	**$ 978**	**$ 129,040**
At December 31, 2012	**$ 63,514**	**$ 62,449**	**$ 19,831**	**$ 9,801**	**$ 55,063**	**$ 3,430**	**$ 6,124**	**$ 220,212**

In 2011, the Company pledged certain properties of the San Martin Mine as guarantees as part of its tax appeal process (see Note 29).

16. DEPOSITS ON LONG-TERM ASSETS

The Company's deposits on long-term assets are comprised of the following:

	December 31, 2012	December 31, 2011
Deposits on equipment	$ 9,191	$ 6,006
Deposits on equipment under finance leases	231	2,812
Deposits on services	329	1,686
	$ 9,751	**$ 10,504**

17. TRADE AND OTHER PAYABLES

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

Trade payables and accrued liabilities are comprised of the following items:

	December 31, 2012	December 31, 2011
Trade payables	$ 20,827	$ 6,512
Accrued liabilities	16,512	15,903
Unearned revenue	59	18
	$ 37,398	**$ 22,433**

18. LEASE OBLIGATIONS

The Company has entered into leases for various mining and plant equipment. These leases have terms of 36 to 48 months with interest rates ranging from 6.9% to 9.1%. Assets under finance leases are pledged as security against the lease obligation.

The following is a schedule of future minimum lease payments under the finance leases:

	December 31, 2012	December 31, 2011
Less than one year	$ 10,233	$ 5,238
More than one year but not more than five years	15,232	10,795
	25,465	16,033
Less: future finance charges	(2,487)	(1,939)
Present value of minimum lease payments	**$ 22,978**	**$ 14,094**
Included in the financial statements as:		
Current portion of lease obligations	8,793	4,269
Lease obligations	14,185	9,825
Present value of minimum lease payments	**$ 22,978**	**$ 14,094**

19. DEBT FACILITIES

(a) Bank of America Merrill Lynch Prepayment Facility

In December 2012, the Company entered into a $50.0 million prepayment facility agreement with Bank of America Merrill Lynch ("BAML"). Under the terms of the agreement, the Company received $50.0 million from BAML as advance against a portion of the Company's lead and zinc concentrate production for a period of 36 months commencing in July 2013. The prepayment facility bears an annual interest rate of LIBOR plus 3.5%. Principal and interest is payable monthly based on pre-determined amounts of lead and zinc production at fixed forward prices. A total of 12,158 metric tonnes of lead and 13,176 metric tonnes of zinc will be delivered over the 36 months period. Under the prepayment facility agreement, the Company is required to limit the aggregate amount of debt below $75.0 million, excluding finance leases, which should also not exceed $75.0 million.

The prepayment facility is classified as FVTPL financial liabilities and is recorded at fair market value, based on the forward market price of lead and zinc and discounted at an effective interest rate of 6.7%. As at December 31, 2012, the fair value of the prepayment facility was $50,403,000, of which $6,162,000 was classified as short-term and $44,241,000 was classified as long-term.

During the year ended December 31, 2012, the Company recorded a fair value adjustment loss of $403,000 as finance costs in relation to the prepayment facility.

(b) Aurcana Debt

Pursuant to the acquisition of Silvermex (see Note 30), the Company assumed a $1.0 million non-interest bearing debt of Silvermex payable to Aurcana Corporation. $0.5 million of this amount was due and paid by the Company in July 2012. The remaining $0.5 million is due on January 9, 2013, and was fully paid by the Company subsequent to year end.

20. DECOMMISSIONING LIABILITIES

The Company has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining property, as well as the decommissioning of the plant or other restoration work. A provision for environmental rehabilitation has been estimated based on the Company's interpretation of current regulatory requirements and is recognized at the present value of such costs.

At December 31, 2012	La Encantada Silver Mine	La Parrilla Silver Mine	San Martin Silver Mine	La Guitarra Silver Mine	Del Toro Silver Mine	La Luz Silver Project	Total
Anticipated settlement date	2021	2033	2033	2025	2023	2029	
Undiscounted value of estimated cash flow	$ 3,382	$ 2,415	$ 2,420	$ 1,363	$ 1,001	$ 964	$ 11,545
Estimated mine life (years)	9	21	21	13	11	17	
Discount rate	5.8%	6.8%	6.8%	6.1%	5.8%	6.6%	
Balance at December 31, 2010	**$ 2,473**	**$ 1,862**	**$ 1,924**	**$ -**	**$ -**	**$ 536**	**$ 6,795**
Movements during the period:							
Change in rehabilitation provision	(25)	(525)	164	-	-	48	(338)
Interest or accretion expense	172	126	137	-	-	-	435
Interest or accretion expense capitalized	-	-	-	-	-	41	41
Foreign exchange gain	(301)	(215)	(228)	-	-	(66)	(810)
Balance at December 31, 2011	**$ 2,319**	**$ 1,248**	**$ 1,997**	**$ -**	**$ -**	**$ 559**	**$ 6,123**
Movements during the period:							
Acquired from Silvermex (Note 30)	-	-	-	1,939	-	-	1,939
Change in rehabilitation provision	566	253	(583)	(728)	938	109	555
Interest or accretion expense	165	106	134	67	-	-	472
Interest or accretion expense capitalized	-	-	-	-	-	46	46
Foreign exchange loss	175	94	150	88	-	49	556
Balance at December 31, 2012	**$ 3,225**	**$ 1,701**	**$ 1,698**	**$ 1,366**	**$ 938**	**$ 763**	**$ 9,691**

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. Changes in estimate of reclamation liabilities are recorded against mining interests.

21. INCOME TAXES

The following is a reconciliation of income taxes calculated at the combined statutory tax rate to the income tax expense for the years ended December 31, 2012 and 2011.

		Year Ended December 31, 2012		Year Ended December 31, 2011
Net earnings before tax	**$**	**110,989**	**$**	**137,537**
Combined statutory tax rate		25.00%		26.50%
Income tax expense computed at statutory tax rate	**$**	**27,747**	**$**	**36,447**
Reconciling items:				
Non-deductible expenses		3,843		2,083
Impact of inflationary adjustments		(1,435)		280
Effect of different foreign statutory tax rates on earnings of subsidiaries		(9,979)		472
Impact of foreign exchange on deferred income tax assets and liabilities		1,563		(786)
Deductible stock option benefits		(897)		(4,730)
Change in unrecognized deferred income tax asset		788		295
Other		461		(98)
Income tax expense	**$**	**22,091**	**$**	**33,963**
Effective tax rate		**20%**		**25%**
Current income tax expense	$	4,429	$	10,920
Deferred income tax expense		17,662		23,043
Income tax expense	**$**	**22,091**	**$**	**33,963**

The Canadian federal corporate tax rate decreased from 16.5% to 15.0% in 2012, resulting in a decrease in the Company's statutory tax rate from 26.5% to 25.0% .

For the year ended December 31, 2012, the effective income tax rate on earnings from operations of 20% (2011 –25%) was lower than the combined corporate statutory tax rate primarily due to the Company's ability to take advantage of lower tax rates and differing tax rules applicable to certain of the Company's metal marketing, operating and financing subsidiaries outside of Canada and Mexico. The tax provision on earnings is computed after taking account of intercompany transactions such as interest on loans, sales, other charges and credits among subsidiaries resulting from their capital structure as well as from the various jurisdictions in which operations and assets are owned. For these reasons, the effective tax rate differs from the combined corporate statutory rate in Canada. The Company's effective tax rate and its cash tax cost depend on the laws of numerous countries and the provisions of multiple income tax conventions between various countries in which the Company operates.

21. INCOME TAXES (continued)

The movement in deferred tax assets and deferred tax liabilities is shown below:

Deferred tax assets	Losses	Share issue costs	Deductible stock option benefits	Provisions	Deferred tax asset not recognized	Total
At December 31, 2010	**$ 11,585**	**$ 968**	**$ -**	**$ 2,112**	**$ (488)**	**$ 14,177**
(Expense) benefit to income statement	(4,998)	(522)	701	5,656	(305)	532
Benefit to equity	-	-	1,439	-	-	1,439
At December 31, 2011	**$ 6,587**	**$ 446**	**$ 2,140**	**$ 7,768**	**$ (793)**	**$ 16,148**
(Expense) benefit to income statement	9,608	(39)	(116)	(2,433)	(1,158)	5,862
Expense to equity	-	-	(1,121)	-	-	(1,121)
Acquisition of Silvermex (Note 30)	14,452	-	-	854	(5,998)	9,308
At December 31, 2012	**$ 30,647**	**$ 407**	**$ 903**	**$ 6,189**	**$ (7,949)**	**$ 30,197**

Deferred tax liabilities	Property, plant and equipment and mining interests	Other	Total
At December 31, 2010	**$ 33,433**	**$ (250)**	**$ 33,183**
Expense (benefit) to income statement	23,927	(396)	23,531
At December 31, 2011	**$ 57,360**	**$ (646)**	**$ 56,714**
Expense to income statement	19,760	3,851	23,611
Acquisition of Silvermex (Note 30)	31,002	410	31,412
At December 31, 2012	**$ 108,122**	**$ 3,615**	**$ 111,737**

Deferred tax liabilities, net	
At December 31, 2011	**$ 40,566**
At December 31, 2012	**$ 81,540**

Deferred tax assets are recognized for tax losses to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon numerous factors, including the future profitability of operations in the jurisdictions in which the tax losses arose. At December 31, 2012, the Company did not recognize the deferred tax assets shown below:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Non-capital losses	6,968	235
Capital losses	415	-
Unrealized foreign exchange	566	558
Total	**$ 7,949**	**$ 793**

21. INCOME TAXES (continued)

As at December 31, 2012, the Company has available net capital losses of $2.0 million for Canadian income tax purposes that may be carried forward indefinitely to reduce taxable capital gains in future years. The Company has available Canadian and Mexican non-capital tax losses, which if not utilized will expire as follows:

Year of expiry	Canadian non-capital losses	Mexican non-capital losses	Total
2014	$ -	$ 2,190	$ 2,190
2016	-	5,042	5,042
2017	-	17,517	17,517
2018	-	16,157	16,157
2019	-	2,055	2,055
2020	-	327	327
2021	-	5,098	5,098
2022	-	21,885	21,885
2024	266	-	266
2025	1,665	-	1,665
2026	1,472	-	1,472
2027	8,052	-	8,052
2028	4,573	-	4,573
2030	3,558	-	3,558
2031	5,476	-	5,476
2032	8,880	-	8,880
Total	**$ 33,942**	**$ 70,271**	**$ 104,213**

22. SHARE CAPITAL

(a) Authorized and issued capital

The Company has unlimited authorized common shares with no par value. The movement in the Company's issued and outstanding capital during the year is as follows:

	Shares	Amount
Balance at December 31, 2010	97,560,417	$ 239,770
Shares issued for:		
Exercise of options	2,449,750	10,428
Exercise of warrants	5,118,093	17,943
Conversion of shares to be issued (Note 22(d))	7,112	-
Transfer of equity reserve upon exercise of options and warrants	-	5,163
Balance at December 31, 2011	**105,135,372**	**$ 273,304**
Shares issued for:		
Acquisition of Silvermex Resources Inc. (Note 30)	9,451,641	136,317
Exercise of options	2,174,250	10,609
Conversion of shares to be issued (Note 22(d))	250	-
Returned to treasury (Note 22(e))	(4,673)	(16)
Expiry of shares to be issued (Note 22(d))	'-'	(209)
Transfer of equity reserve upon exercise of options	-	3,953
Balance at December 31, 2012	**116,756,840**	**$ 423,958**

22. SHARE CAPITAL (continued)

(b) Stock options

Under the terms of the Company's Stock Option Plan, the maximum number of shares reserved for issuance under the Plan is 10% of the issued shares on a rolling basis. Options may be exercisable over periods of up to five years as determined by the Board of Directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval. All stock options granted prior to May 19, 2011 are subject to vesting with 25% vesting upon issuance and 25% vesting each six months thereafter. All stock options granted thereafter are subject to vesting with 25% vesting on first anniversary from the date of grant, and 25% vesting each six months thereafter.

The following table summarizes the information about stock options outstanding and exercisable at December 31, 2012:

	Options Outstanding			Options Exercisable		
Exercise prices (CAD$)	Number of Options	Weighted Average Exercise Price (CAD$/Share)	Weighted Average Remaining Life (Years)	Number of Options	Weighted Average Exercise Price (CAD$/Share)	Weighted Average Remaining Life (Years)
2.01 - 3.00	180,000	2.03	1.35	180,000	2.03	1.35
3.01 - 4.00	512,500	3.64	0.92	512,500	3.64	0.92
4.01 - 5.00	100,000	4.04	0.61	100,000	4.04	0.61
10.01 - 22.45	3,811,020	16.94	3.61	1,406,625	13.55	2.37
	4,603,520	14.59	3.16	2,199,125	9.87	1.87

As of December 31, 2012, incentive stock options represent 4% (December 31, 2011 - 5%) of issued and outstanding common capital. The aggregate intrinsic values of vested share options (the market value less the exercise value) at December 31, 2012 and December 31, 2011 were $22.6 million and $40.1 million, respectively.

The changes in stock options issued during the years ended December 31, 2012 and 2011 are as follows:

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Number of Options	Weighted Average Exercise Price (CAD$/Share)	Number of Options	Weighted Average Exercise Price (CAD$/Share)
Balance, beginning of the year	4,934,375	8.31	6,464,875	5.61
Granted	2,039,645	19.59	939,500	16.13
Exercised	(2,174,250)	4.83	(2,449,750)	4.15
Cancelled or expired	(196,250)	16.88	(20,250)	12.44
Balance, end of the year	4,603,520	14.59	4,934,375	8.31

The weighted average closing share price at date of exercise for the year ended December 31, 2012 was CAD$20.36 (2011 - CAD$19.02).

The aggregate fair value of stock options granted during the year ended December 31, 2012 was $16,682,000 (2011 – $7,980,000).

22. SHARE CAPITAL (continued)

(b) Stock options (continued)

The weighted average fair value of employee stock options granted during the year ended December 31, 2012 was $8.28 (2011 - $8.40) and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Average risk-free interest rate (%)	1.24	1.25
Expected life (years)	3.38	3.36
Expected volatility (%)	62.75	75.63
Expected dividend yield (%)	-	-
Forfeiture rate (%)	5.00	5.00

The expected volatility assumption is based on the historical and implied volatility of the Company's Canadian dollar common share price on the Toronto Stock Exchange. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life.

(c) Share purchase warrants

The following table summarizes the information about share purchase warrants outstanding and exercisable at December 31, 2012:

	Warrants Outstanding and Exercisable		
Exercise prices (CAD$)	Number of Warrants	Weighted Average Exercise Price (CAD$/Share)	Weighted Average Remaining Life (Years)
25.36	329,377	25.36	0.96

The changes in share purchase warrants during the years ended December 31, 2012 and 2011 are as follows:

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Number of Warrants	Weighted Average Exercise Price (CAD$/Share)	Number of Warrants	Weighted Average Exercise Price (CAD$/Share)
Balance, beginning of the year	-	-	5,142,277	3.44
Issued	338,295	25.22	-	-
Exercised	-	-	(5,118,093)	3.44
Cancelled or expired	(8,918)	20.00	(24,184)	3.50
Balance, end of the year	329,377	25.36	-	-

22. SHARE CAPITAL (continued)

(c) Share purchase warrants (continued)

During the year ended December 31, 2012, as part of consideration for the acquisition of Silvermex, the Company issued 338,295 replacement warrants with an aggregate fair value of $646,000. No share purchase warrants were issued in the prior year.

The fair value of share purchase warrants issued is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Year Ended December 31, 2012
Weighted average fair value at grant date ($)	1.93
Expected dividend yield (%)	-
Average risk-free interest rate (%)	1.05
Expected life (years)	1.43
Expected volatility (%)	62.10
Forfeiture rate (%)	-

(d) Share capital to be issued

On June 5, 2006, pursuant to the acquisition of First Silver and the San Martin Silver 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.

Any certificate formerly representing First Silver shares not duly surrendered on or prior to September 14, 2012 ceased 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 are deemed to have been cancelled.

At December 31, 2011, the prior shareholders of First Silver had yet to exchange 99,030 shares of First Silver, exchangeable for 49,515 shares of First Majestic. During the year ended December 31, 2012, 250 (2011 – 7,112) shares of First Majestic were redeemed and the remaining shares of First Silver, exchangeable for 49,265 shares of First Majestic, were deemed cancelled. As a result, the remaining value of shares to be issued of $209,000 was realized as other income during the current year.

(e) Shares returned to treasury

In November 2009, the Company completed a plan of arrangement to acquire all of the issued and outstanding shares of Normabec Mining Resources Ltd. (“Normabec”). Holders of Normabec shares were entitled to receive 0.060425 First Majestic shares for each common share of Normabec within three years from the date of the acquisition. In December 2012, 4,673 First Majestic shares still were not redeemed by Normabec shareholders and were cancelled.

23. EQUITY RESERVES

	Year Ended December 31, 2012	Year Ended December 31, 2011
Available for sale revaluation reserve (a)		
Balance at beginning of year	$ 1,127	$ 18
(Loss) gain on available for sale securities	(3,212)	1,109
Balance at end of year	(2,085)	1,127
Share-based payments reserve (b)		
Balance at beginning of year	27,394	25,170
Share-based payments recognized in profit and loss and related tax benefit	9,525	7,387
Share warrants issued (Note 22(c))	646	-
Reclassed to share capital for exercise of stock options and warrants	(3,953)	(5,163)
Balance at end of year	33,612	27,394
Foreign currency translation reserve (c)		
Balance at beginning of year	(677)	621
Currency translation gain (loss)	369	(1,298)
Balance at end of year	(308)	(677)
Total equity reserves per statements of financial position	**$ 31,219**	**$ 27,844**

(a) The available for sale reserve principally records the fair value gains or losses related to available for sale financial instruments.
(b) The share-based payments reserve records the cumulative amount recognized under IFRS 2 in respect of options granted and shares purchase warrants issued but not exercised to acquire shares of the Company and related tax benefits of $1,121,000 (2011 – $1,438,000).
(c) The foreign currency translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations within the Company into the US dollar presentation currency.

24. FINANCIAL INSTRUMENTS

(a) Capital risk management

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 to its shareholders' investments. The Company's overall strategy with respect to capital risk management remains unchanged from the prior year ended December 31, 2011.

The capital of the Company consists of equity, comprising issued capital, share capital to be issued, equity reserves and retained earnings, debt facilities, net of cash and cash equivalents as follows:

	December 31, 2012	December 31, 2011
Equity	$ 593,525	$ 350,598
Debt and prepayment facilities	50,903	784
Less: cash and cash equivalents	(111,591)	(91,184)
	$ 532,837	**$ 260,198**

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.

24. FINANCIAL INSTRUMENTS (continued)

(a) Capital risk management (continued)

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 its available capital resources will be sufficient to carry out its development plans and operations for at least the next 12 months.

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenant under the BAML prepayment facility agreement (see Note 19(a)).

(b) Categories of financial instruments

	December 31, 2012		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 111,591	$ 111,591	$ 91,184	$ 91,184
Trade and other receivables	22,777	22,777	15,593	15,593
Fair value through profit or loss				
Marketable securities	4,816	4,816	-	-
Available for sale				
Marketable securities	2,421	2,421	4,865	4,865
Total financial assets	**$ 141,605**	**$ 141,605**	**$ 111,642**	**$ 111,642**
Financial liabilities				
FVTPL				
Prepayment facility	$ 50,403	$ 50,403	$ -	$ -
Derivative financial instruments	-	-	383	383
Other financial liabilities				
Trade and other payables	37,398	37,398	22,433	22,433
Debt	500	500	784	784
Total financial liabilities	**$ 88,301**	**$ 88,301**	**$ 23,600**	**$ 23,600**

(c) Fair value of financial instruments

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.

24. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial instruments (continued)

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Marketable securities (1)	7,237	-	-	7,237
Financial liabilities				
Prepayment facility (2)	-	50,403	-	50,403

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Marketable securities (1)	4,865	-	-	4,865
Financial liabilities				
Derivative financial instruments (1)	383	-	-	383

(1) Derivative financial instruments and marketable securities are valued based on unadjusted quoted prices for identical assets in an active market obtained from securities exchanges.

(2) The prepayment facility is valued based on the market value of lead and zinc to be delivered, determined using forward price curve of the respective metals, discounted at market discount rate.

There were no transfers between levels 1, 2 and 3 during the years ended December 31, 2012 and 2011.

(d) Financial risk management

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

i) Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to trade receivables in the ordinary course of business and value added tax and other receivables. The Company sells and receives payment upon delivery of its silver doré and by-products primarily through three international organizations. Additionally, silver-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 60 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 $13.9 million as at December 31, 2012 (2011 - $8.7 million), of which $0.6 million (2011 - $0.6 million) have been outstanding for more than one year. The Company is proceeding through a review process with Mexican tax authorities, but the Company expects to fully recover these amounts. In addition, as part of the acquisition of Silvermex (see Note 30), the Company acquired $5.3 million in VAT receivables that were fully offset by a provision. The recoverability of these VAT receivables is pending outcome of various court trials with Mexican tax authority.

The carrying amount of financial assets recorded in the consolidated 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.

24. FINANCIAL INSTRUMENTS (continued)

(d) Financial risk management

ii) 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 to support its expansion plans. As at December 31, 2012, the Company has outstanding trade payables of $20.8 million (December 31, 2011 - $6.5 million) which are generally payable in 90 days or less and accrued liabilities of $16.5 million (December 31, 2011 - $15.9 million) which are generally payable within 12 months. The Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next 12 months.

The Company's liabilities and commitments have maturities which are summarized below:

		Payments Due By Period			
	Total	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Trade and other payables	$ 37,398	$ 37,398	$ -	$ -	$ -
Debt facilities	50,903	6,662	33,556	10,685	-
Finance lease obligations	25,465	10,233	13,514	1,718	-
Decommissioning liabilities	11,545	-	-	-	11,545
Total Obligations	**$ 125,311**	**$ 54,293**	**$ 47,070**	**$ 12,403**	**$ 11,545**

iii) Currency Risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include Canadian dollar and Mexican peso denominated assets and liabilities. The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the Canadian dollar and the Mexican peso against the U.S. dollar is included in the table below:

				December 31, 2012		December 31, 2011	
	Cash and cash equivalents	**Trade and other receivables**	**Trade and other payables**	**Net assets (liabilities) exposure**	**Effect of +/- 10% change in currency**	**Net assets (liabilities) exposure**	**Effect of +/- 10% change in currency**
Canadian dollar	$ 6,276	$ 752	$ (2,027)	$ 5,001	$ 500	$ 40,787	$ 4,079
Mexican peso	3,522	11,936	(22,695)	(7,237)	(724)	(7,433)	(549)
	$ 9,798	**$ 12,688**	**$ (24,722)**	**$ (2,236)**	**$ (224)**	**$ 33,354**	**$ 3,530**

iv) 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, zinc, lead and iron ore, which accounts for less than 10% of the Company's gross revenue. The Company's sales are directly dependent on commodity prices that have shown volatility and are beyond the Company's control. The Company has a forward sales agreement to sell a portion of the Company's zinc and lead production at a fixed price over a 36 months period commencing July 2013. The Company does not use derivative instruments to hedge its commodity price risk to silver.

24. FINANCIAL INSTRUMENTS (continued)

(d) Financial risk management (continued)

iv) Commodity Price Risk (continued)

As at December 31, 2012, a 10% increase or decrease of metal prices at December 31, 2012 would have the following impact on net earnings:

	December 31, 2012			
	Silver	Lead	Zinc	Effect of +/- 10% change in metal prices
Metals subject to provisional price adjustments	$ 706	$ 95	$ 24	$ 825
Prepayment facility	-	(2,821)	(2,725)	(5,546)
	$ 706	**$ (2,726)**	**$ (2,701)**	**$ (4,721)**

v) 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, 2012, with the exception of finance leases, which have fixed interest rates, the Company's exposure to interest bearing liabilities is limited to its debt facilities.

Based on the Company's interest rate exposure at December 31, 2012, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings.

25. SUBSIDIARIES AND ASSOCIATES

Details of the Company's significant subsidiaries at December 31, 2012 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	% Ownership
First Majestic Silver Corp.	Holding company and silver sales	Canada	100%
First Silver Reserve Inc.	Holding company	Canada	100%
Silvermex Resources Inc.	Holding company	Canada	100%
Silver One Mining Corp.	Holding company	Canada	100%
Corporación First Majestic, S.A. de C.V.	Holding company	Mexico	100%
First Majestic Plata, S.A. de C.V.	Silver mining company	Mexico	100%
Minera El Pilón, S.A. de C.V.	Silver mining company	Mexico	100%
Minera La Encantada, S.A. de C.V.	Silver mining company	Mexico	100%
First Majestic Del Toro, S.A. de C.V.	Silver mining company	Mexico	100%
La Guitarra Compañia Minera, S.A. de C.V.	Silver mining company	Mexico	100%
Minera Real Bonanza, S.A. de C.V.	Silver mining company	Mexico	100%
Minera La Rastra, S.A. de C.V.	Silver mining company	Mexico	100%
Minera Terra Plata, S.A. de C.V.	Silver mining company	Mexico	100%
Majestic Services, S.A. de C.V.	Service company	Mexico	100%
Servicios para La Industria Minera, S.A. de. C.V.	Service company	Mexico	100%
Servicios Minero-Metalúrgicos Industriales S.A. de C.V.	Service company	Mexico	100%
Administración y Servicios Integrales ASI, S.A. de C.V.	Service company	Mexico	100%
Mantenimiento Central Para Equipo Minero, S.A. de C.V.	Service company	Mexico	100%
0915623 B.C. Ltd.	Holding company	Canada	100%
0957445 B.C. Ltd.	Holding company	Canada	100%
FMS Investment Cooperatië UA	Investment company	Netherlands	100%
FMS Investco B.V.	Investment company	Netherlands	100%
FMS Trading AG	Silver trading company	Switzerland	100%
FMS Capital AG	Treasury company	Switzerland	100%

26. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include the members of the Board of Directors and officers of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration of directors and officers was as follows:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Salaries, bonuses, fees and benefits		
Members of the Board of Directors	$ 598	$ 347
Other members of key management	2,788	2,150
Share-based payments		
Members of the Board of Directors	480	1,031
Other members of key management	4,664	1,978
	$ 8,530	**$ 5,506**

27. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31, 2012	Year Ended December 31, 2011
Net change in non-cash working capital items:		
Increase in trade and other receivables	$ (6,482)	$ (7,794)
Increase in inventories	(5,835)	(6,010)
Increase in prepaid expenses and other	(489)	(3,637)
Decrease (increase) in net taxes receivable	13,103	(1,556)
Increase in trade and other payables	977	5,294
	$ 1,274	**$ (13,703)**
Non-cash investing and financing activities:		
Shares issued for acquisition of Silvermex (Note 30)	$ 136,317	$ -
Warrants issued for acquisition of Silvermex (Note 30)	646	-
Transfer of share-based payments reserve upon exercise of options and warrants	3,953	5,163
Assets acquired by finance lease	(10,071)	(10,909)

28. VENDOR LIABILITY AND INTEREST

In May 2006, First Majestic acquired a controlling interest in First Silver for $50,776,000. The purchase price was payable to the seller (the “Seller”) in three instalments (“the Agreement”). The first instalment of $25,388,000, for 50% of the purchase price, was paid upon closing on May 30, 2006. An additional 25% instalment of $12,694,000 was paid on May 30, 2007. The final 25% instalment of $12,694,000, together with accrued interest of $872,000 was paid into a trust account of the Company and First Silver in May 2008, and a Letter of Credit deposited in court, pending the outcome of the claims.

In November 2007, an action was commenced by the Company and First Silver against the Seller 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 Seller 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 Seller acquiring a mine which was First Silver’s right to acquire. These allegations are denied by the Seller but management believes that there are substantial grounds to this claim.

28. VENDOR LIABILITY AND INTEREST (continued)

On March 14, 2008, the Seller filed a Counterclaim in the Action against the Company in which he claimed for unpaid amounts and interest arising out of the Agreement. As of July 16, 2009, the claimed unpaid amount, together with interest calculated at the contractual interest rate of 6% amounted to $14,160,000.

On July 16, 2009, an Order was granted by the Court, with the consent of all parties, under which the Seller obtained a judgment in the amount of $14,160,000. The Company agreed that $13,566,000 under the Letter of Credit would be paid into the Seller's lawyer's trust account (the "Trust Funds") in partial satisfaction of the Judgment. The Consent Order requires that the Trust Funds be held pending the outcome of the Action. In his counterclaim, the Seller is also seeking, among other things, interest at 6% compounded annually and calculated daily on the Trust Funds and reimbursements of all costs and expenses, including his legal fees, incurred by the Seller in pursuing his claims against the Company. The trial commenced in the Supreme Court of British Columbia, Vancouver, British Columbia in April 2012 and adjourned in January 2013. The trials are now over and a court ruling is expected in the second half of 2013. The Consent Order does not affect the standing of the Company's claims for relief against the Seller in the Action. The Trust Funds could potentially become accessible to the Company in the event of a favourable outcome to the litigation. However, the outcome of this litigation is not presently determinable and no amounts are recognized in the consolidated statement of financial position.

29. 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 would accrue 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.

During 2011, Minera El Pilón, S.A. de C.V., a subsidiary of the Company, received tax assessments from the Mexican tax authority Servicio de Administracion Tributaria ("SAT") for fiscal years 2004 to 2007 relating to various tax treatments with a maximum potential remittance of approximately $5.8 million (75.7 million Mexican pesos). The tax reassessments for 2004 to 2006, totalling $2.5 million (32.3 million Mexican pesos) were pursued through tax court, pledged with certain properties of the San Martin mine as guarantees. In 2012, the Company successfully won 100% of its appeals for the 2004 and 2006 tax reassessments totalling $1.6 million (20.9 million Mexican pesos). Final resolution for the 2005 tax assessment of $0.9 million (11.4 million Mexican pesos) is expected in the first half of 2013. The Company is also currently defending the tax treatments amounting to $3.3 million (43.4 million Mexican pesos) related to the 2007 tax year regarding revenue and intercompany loan treatments via the administrative appeal process. The Company received a favourable resolution for the revenue treatment in February 2013, and SAT has cancelled $1.7 million (22.3 million Mexican pesos) of the 2007 re-assessment claim. The remaining balance of $1.6 million (21.1 million Mexican pesos) regarding the intercompany loan treatment is currently still in appeal and pending resolution through the Mexican tax courts. The Company believes it is probable that it will defend itself successfully in all claims and has not recorded a provision for any potential tax exposure relating to these assessments.

During 2010, La Guitarra Compañía Minera, S.A. de C.V. ("La Guitarra"), a newly acquired subsidiary of the Company, had a tax re-assessment from SAT for the fiscal year 2003 relating to ineligible VAT refunds and tax treatment of intercompany loans with a maximum potential exposure of $3.2 million (40.8 million Mexican pesos). The Company has posted cash as collateral ("Restricted Cash") for a bond held with Servicio de Administracion Tributaria for $3.2 million (40.8 million Mexican pesos). During 2012, the Company received an initial judgment in favour of the Mexican tax authorities. This judgment is not considered a final legal ruling until the conclusion of the appeals mechanism. The Company has recorded a VAT payable of $3.2 million related to the tax assessment. Since the acquisition of La Guitarra in July 2012, First Majestic has filed each monthly VAT claim for the remainder of 2012, and has been pursuing a plan of filing all VAT refunds from 2007 to present day, which it believes will be completed by mid-2013. In January 2013, La Guitarra received its first VAT refund related to 2007 for $26,000 (338,000 Mexican Pesos).

30. ACQUISITION OF SILVERMEX RESOURCES INC.

On July 3, 2012, the Company completed the plan of arrangement (the "Arrangement") previously announced on April 3, 2012 to acquire all of the issued and outstanding common shares of Silvermex Resources Inc. Shareholders of Silvermex received 0.0355 First Majestic shares and CAD$0.0001 for each share of Silvermex. Pursuant to closing of the transaction, First Majestic issued 9,451,641 common shares, 338,295 replacement warrants and $26,000 in cash for the acquisition. The total consideration was valued at $137.0 million (CAD$138.7 million) at the acquisition date. Total transaction costs for the acquisition was $2.7 million which were expensed in the current year.

The acquisition strengthens First Majestic's position, adding the La Guitarra Silver Mine as the Company's fourth producing asset with additional growth potential. La Guitarra will further diversify production and cash flow across the Company's robust portfolio of producing mines and development projects in Mexico.

Total consideration for the acquisition and purchase price allocation, in accordance with IFRS 3 - *Business Combinations*, are estimated as follows:

Consideration:		
9,451,641 First Majestic common shares	$	136,317
338,295 First Majestic replacement warrants (Note 22(c))		646
Cash paid (266.2 million Silvermex shares x CAD$0.0001 per share)		26
Total consideration	**$**	**136,989**
Allocation of purchase price		
Cash and cash equivalents	$	11,380
Inventories		3,145
Mining interests		118,287
Property, plant and equipment		10,827
Goodwill		24,591
Deposit on long-term assets		482
Other net working capital		(7,665)
Decommissioning liabilities		(1,954)
Deferred tax liabilities, net		(22,104)
	$	**136,989**

Goodwill of $24,591,000 was recognized as a result of the requirement under IFRS to record deferred tax liability on the excess of the fair value of the acquired assets over their corresponding tax bases, with the corresponding offset recorded as goodwill.

Financial and operating results of Silvermex are included in the Company's consolidated financial statements effective July 3, 2012. During the year ended December 31, 2012, the acquisition of Silvermex contributed revenues of $5,291,000 and loss of $459,000 to the Company's net earnings.

Had the business combination been effected at January 1, 2012, revenues of the Company would have been $252,034,000 and earnings would have been $82,684,000 for the year ended December 31, 2012. Management considers these pro forma numbers to represent an approximate measure of the performance of the consolidated entity during the year.

30. ACQUISITION OF SILVERMEX RESOURCES INC. (continued)

In determining the pro forma revenue and net earnings had Silvermex been acquired at the beginning of the current year, management has:

- Calculated depletion of mining interests acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amount recognized in the pre-acquisition financial statements;
- Capitalized certain development and exploration drilling costs in conformity with First Majestic's accounting policies;
- Recognized the deferred income tax expense effect related to the above adjustments; and
- Excluded acquisition costs of the acquiree as a one-off transaction.

31. SUBSEQUENT EVENTS

Subsequent to December 31, 2012:

a) In December 2012, First Majestic entered into an arrangement agreement ("Orko Arrangement") with Orko Silver Corp. ("Orko") to acquire all of the issued and outstanding shares of Orko. On February 13, 2013, Orko declared that another company made a superior offer and, under the Orko Arrangement, First Majestic had five business days to match the superior offer. On February 19, 2013, First Majestic announced that it has elected not to match the superior offer. Upon the termination of the Orko Arrangement on February 20, 2013, First Majestic received an CAD$11.6 million termination fee from Orko;

b) 1,415,000 options were granted with a weighted average exercise price of CAD$20.91 and expire in five years from the grant date;

c) 210,400 options were exercised for gross proceeds of CAD$751,000; and

d) 17,500 options were cancelled.

Pursuant to the above subsequent events, the Company has 116,967,240 common shares outstanding as at the date on which these consolidated financial statements were approved and authorized for issue by the Board of Directors.

32. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of First Majestic Silver Corp. for the year ended December 31, 2012 were approved and authorized for issue by the Board of Directors on February 21, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR AND FOURTH QUARTER ENDED DECEMBER 31, 2012

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of First Majestic Silver Corp. ("First Majestic" or "the Company") for the year ended December 31, 2012, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All dollar amounts are expressed in United States ("US") dollars and tabular amounts are expressed in thousands of dollars unless otherwise indicated. All information contained in this MD&A is current as of February 25, 2013 unless otherwise stated.

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 operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future, and other factors described in the Company's Annual Information Form under the heading "Risk Factors". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change other than as required by securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Qualified Persons

Leonel Lopez, C.P.G., P.G. of Pincock Allen & Holt is the independent Qualified Person for the Company. 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.

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.

2012 HIGHLIGHTS

	Fourth Quarter 2012	Fourth Quarter 2011	Change	Annual 2012	Annual 2011	Change
Operating						
Silver Equivalent Ounces Produced	2,562,926	2,101,528	22%	9,110,452	7,562,494	20%
Silver Ounces Produced (excluding equivalent ounces from by-products)	2,311,146	1,957,657	18%	8,260,434	7,216,109	14%
Payable Silver Ounces Produced(1)	2,209,144	1,926,055	15%	7,990,492	7,094,359	13%
Total Cash Costs per Ounce(2)	$ 9.26	$ 8.01	16%	$ 9.08	$ 8.24	10%
Total Production Cost per Tonne(2)	$ 28.24	$ 27.48	3%	$ 28.62	$ 28.50	0%
Average Realized Silver Price Per Ounce ($/eq. oz.)(2)	$ 32.42	$ 31.70	2%	$ 31.10	$ 35.38	-12%
Financial						
Revenues ($ millions)	$ 71.0	$ 60.8	17%	$ 247.2	$ 245.5	1%
Mine Operating Earnings ($ millions)	$ 39.5	$ 38.4	3%	$ 142.0	$ 163.3	-13%
Net Earnings ($ millions)	$ 22.4	$ 21.3	5%	$ 88.9	$ 103.6	-14%
Operating Cash Flows Before Movements in Working Capital and Income Taxes ($ millions)	$43.2	$36.9	17%	$146.8	$160.2	-8%
Cash and Cash Equivalents ($ millions)	$ 111.6	$ 91.2	22%	$ 111.6	$ 91.2	22%
Working Capital ($ millions)	$ 115.7	$ 109.7	5%	$ 115.7	$ 109.7	5%
Shareholders						
Earnings Per Share ("EPS") - Basic	$ 0.19	$ 0.20	-5%	$ 0.80	$ 1.00	-20%
Cash Flow Per Share(2)	$ 0.37	$ 0.35	6%	$ 1.35	$ 1.56	-14%
Weighted Average Shares Outstanding for the Periods	116,442,639	105,203,712	11%	110,775,284	103,276,935	7%

(1) Payable Silver Ounces Produced is equivalent to Silver Ounces Produced less metal deductions from smelters and refineries.
(2) The Company reports non-GAAP measures which include Total Cash Costs per Ounce, Total Production Cost per Tonne, Average Realized Silver Price per Ounce and Cash Flow Per Share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See Reconciliation to IFRS on pages 19 and 20.

Record Production

The Company achieved another quarter of record production, producing 2,311,146 ounces of silver and 2,562,926 of silver equivalent ounces, compared to 1,957,657 ounces of silver and 2,101,528 of silver equivalent ounces in the fourth quarter of 2011, increases of 18% and 22%, respectively.

Annual production in 2012 also reached a record of 8,260,434 ounces of silver and 9,110,452 of silver equivalent ounces, compared to 7,216,109 ounces of silver and 7,562,494 silver equivalent ounces produced in 2011, increases of 14% and 20%, respectively.

The record production was attributed to the successful completion of the La Parrilla mine's 2,000 tonnes per day ("tpd") plant expansion, which was commissioned in March 2012 as well as the acquisition of Silvermex Resources Inc. ("Silvermex") in July 2012, which added the La Guitarra Silver Mine as the Company's fourth operating mine. With 91% of the Company's 2012 revenues resulting from the sale of pure silver, First Majestic remains as one of the purest silver producers relative to any of its peers.

Revenues

With the record production, the Company generated revenues of $71.0 million in the fourth quarter of 2012, an increase of $10.2 million or 17% compared to $60.8 million in the fourth quarter of 2011. The increase in revenue was consistent with the 22% increase in production and a 2% increase in average realized silver price per ounce compared to the fourth quarter of 2011.

Revenues for the year ended December 31, 2012 were $247.2 million, an increase of $1.7 million compared to $245.5 million in 2011, despite a 12% decrease in average realized silver price per ounce compared to 2011. Higher revenues were partially offset by higher metal deductions and increased smelting and refining charges related to an increase in concentrate production from La Parrilla's flotation plant expansion and the acquisition of La Guitarra which currently also produces concentrate.

Mine Operating Earnings

For the quarter ended December 31, 2012, mine operating earnings were $39.5 million, an increase of $1.1 million or 3% compared to $38.4 million in the fourth quarter of 2011. The increase was attributed to a 22% increase in production, as average realized silver price per ounce remained relatively unchanged, partially offset by 16% increase in cash cost per ounce, compared to the fourth quarter of 2011.

For the year ended December 31, 2012, the Company recognized mine operating earnings of $142.0 million, a decrease of 13% compared to $163.3 million in 2011. The decrease in mine operating earnings was primarily attributed to a 12% decline in average realized silver price per ounce during the year, as the increase in cost of sales was consistent with the increase in production. In addition, depletion, depreciation and amortization expense increased by $10.0 million compared to 2011 due to a 25% increase in tonnage milled and additional depreciation and amortization from the La Parrilla plant expansion and the addition of the La Guitarra mine.

Net Earnings

Net earnings after taxes for the fourth quarter and year ended December 31, 2012 were $22.4 million and $88.9 million respectively, compared to $21.3 million and $103.6 million in the comparative periods of 2011, respectively. The change in net earnings was mainly attributed to change in mine operating earnings.

Earnings per share ("EPS") for the three months ended December 31, 2012 was $0.19, a decrease of 5% compared to $0.20 in the fourth quarter of 2011, primarily due to an 11% increase in weighted average shares outstanding during the period. EPS for the year ended December 31, 2012 was $0.80, a decrease of 20% compared to $1.00 in the prior year primarily attributable to the 12% decrease in average realized silver price per ounce in 2012 and 7% increase in weighted average shares outstanding.

Adjusted EPS (see "non-GAAP measures"), normalized for non-cash or non-recurring items, for the quarter and year ended December 31, 2012 were $0.26 and $1.05, respectively.

Cash Flows from Operations

Cash flows from operations in the fourth quarter of 2012 increased 17% to $43.2 million ($0.37 per share), compared to $36.9 million ($0.35 per share) in the fourth quarter of 2011, primarily attributed to increase in mine operating earnings, related to an increase in production.

Cash flows from operations for the year decreased 8% from $160.2 million ($1.56 per share) in 2011 to $146.8 million ($1.35 per share) in 2012. The decrease in cash flow is consistent with decrease in mine operating earnings, which were affected by a decline in silver prices compared to 2011.

During 2012, the Company continued to pursue an aggressive growth plan by re-investing more than $175.1 million in the form of new investments in development and exploration of its mineral properties, the construction of new processing plants, and acquisitions of new mining equipment.

Cash Cost per Ounce

Cash cost per ounce for the fourth quarter of 2012 was $9.26, an increase of 16% compared to $8.01 in the fourth quarter of 2011. Cash cost per ounce for the full year was $9.08, an increase of 10% compared to $8.24 in 2011.

Cash cost per ounce of $9.26 for the fourth quarter consists of production costs of $8.97, transportation and refining costs of $0.44, smelting and refining costs of $2.79, royalty cost (La Parrilla's Quebradillas mine) of $0.06 per ounce, offset by by-product credits of $3.00. Cash cost per ounce for the year consists of production cost of $9.08 per ounce, transportation cost and refining costs of $0.48 per ounce, smelting and refining costs of $2.23, royalty cost of $0.08 per ounce, offset by by-product credits of $2.79 per ounce. Production costs per ounce increased $0.91 per ounce for the fourth quarter of 2012 compared to 2011, and $0.94 per ounce year over year. Production costs increased due to increases in the cost of consumables. Cyanide and diesel costs increased 17% and 9% quarter over quarter, and 15% and 10% year over year. These were mostly offset by increase in by-product credits, which increased by $1.12 for the fourth quarter of 2012 compared to 2011, and $1.35 year over year.

The increase in cash cost per ounce was primarily attributed to increase in concentrate production from the new La Guitarra mine and expansion of the La Parrilla flotation circuit, which have higher smelting and refining charges and added $1.35 per ounce to smelting and refining costs per ounce, representing a 17% increase to consolidated cash cost per ounce for the full year. Cash cost per ounce was also marginally impacted by higher cash cost per ounce at the newly acquired La Guitarra mine, which had a cash cost per ounce of $18.45 during the fourth quarter compared to average cash cost per ounce of $8.69 for the Company's other three operating mines. The Company continues to focus on improving operating efficiencies and cost reduction at La Guitarra.

Cash and Working Capital

At December 31, 2012 the Company had cash and cash equivalents of $111.6 million, an increase of $20.4 million or 22% compared to $91.2 million as at December 31, 2011. Working capital also increased by $6.0 million to $115.7 million at December 31, 2012.

Acquisition of Silvermex Resources Inc.

On July 3, 2012, First Majestic completed the acquisition of Silvermex Resources Inc. (see "Acquisition of Silvermex Resources Inc.") and the La Guitarra Silver Mine, located in the State of Mexico, which has now become First Majestic's fourth operating mine. The mine is 100% owned by the Company.

Since taking over operations of the mine, management has implemented various operational efficiency measures which have resulted in significant cost savings at the mine. La Guitarra's production in the fourth quarter was 246,319 ounces of silver equivalents, an increase of 14% compared to the second quarter of 2012, the final quarter before First Majestic assumed operations. Production costs in the second half of 2012 have also been reduced to $66.84 per tonne, compared to $128.00 per tonne in the second quarter of 2012.

The acquisition of Silvermex resulted in a 9% dilution to the Company's common shares outstanding at the time of the acquisition. Management believes that the dilutive effect is only short-term, as the acquisition will over time become accretive to the Company as additional expansions of the La Guitarra mine occur, beginning in early 2013.

La Parrilla Plant Expansion

In the first quarter of 2012, the Company completed the expansion of the new parallel 1,000 tpd flotation and 1,000 tpd cyanidation circuits (2,000 tpd combined). The new circuits became fully operational on March 1, 2012 and achieved full capacity by the second quarter of 2012. At the newly designed run rate of 2,000 tpd, La Parrilla produced approximately 3.5 million ounces of silver equivalents in 2012, compared to annual production of 1.8 million ounces of silver equivalents prior to the expansion.

Del Toro Mine Construction

The Phase 1 construction of the Del Toro Silver Mine for the 1,000 tpd flotation plant was completed and inaugurated in a special ceremony on January 23, 2013. The first delivery of concentrates shipped to the smelter is expected during February 2013.

Further underground development in the first half of 2013 will be focused on preparing the mines for Phase 2 of production, which will include the addition of a 1,000 tpd cyanidation circuit. Phase 2 start-up is expected by July 1, 2013, at which time, the mill is expected to start ramping up to a combined throughput rate of 2,000 tpd (1,000 tpd flotation and 1,000 tpd cyanidation). The Company also remains on schedule for the third and final phase of production (2,000 tpd flotation and 2,000 tpd cyanidation) by the third quarter of 2014, at which time Del Toro is expected to become the Company's largest producing operation, projected to produce at an annualized rate of approximately six million ounces of silver per year, with significant amounts of lead and zinc.

2013 PRODUCTION OUTLOOK

This section of the MD&A provides management's production forecasts for 2013. These are forward-looking estimates and subject to the cautionary note regarding the risks associated with relying on forward-looking statements as stated at the beginning of this MD&A.

Production in 2013 is expected to increase from 2012 levels with the following upcoming developments:

- At Del Toro, production from the 1,000 tpd flotation circuit commenced in January 2013 and construction of the 1,000 tpd cyanidation circuit expected to commence production in the third quarter of 2013.
- At La Guitarra, a new ball mill and flotation cells will increase capacity from 350 tpd to 500 tpd during March 2013.
- At San Martin, the cyanidation plant is being expanded which will increase capacity from 950 tpd to 1,300 tpd in the second quarter of 2013.

Estimated production range on a mine-by-mine basis for 2013, associated expected operating costs and price assumptions are included in the following table. These figures are based on existing installed capacity at the Company's five operating mines along with the planned expansions: the addition of the 1,000 tpd cyanidation circuit at the Del Toro mine for the second half of 2013 and the expansion of La Guitarra from 350 tpd to 500 tpd by March 2013. Actual results may vary based on production throughputs, grades, recoveries, changes in economic conditions and operating circumstances.

Anticipated Operating Parameters	**La Encantada**	**La Parrilla**	**San Martin**	**La Guitarra**	**Del Toro**	**Total**
Total tonnes processed ('000s)	**1,366 - 1,442**	**624 - 658**	**361 - 381**	**142 - 150**	**447 - 472**	**2,941 - 3,104**
Operating days	330	330	330	330	330	
Silver ounces from production ('000s)	**4,084 - 4,311**	**2,735 - 2,887**	**1,375 - 1,451**	**857 - 904**	**2,052 - 2,166**	**11,102 - 11,719**
Gold ounces from production	-	126 - 133	1,479 - 1,562	4,672 - 4,932	580 - 612	6,857, - 7,239
Pounds of lead from production ('000s)	-	12,136 - 12,810	-	-	5,630 - 5,942	17,766 - 18,752
Pounds of zinc from production ('000s)	-	9,307 - 9,825	-	-	9,280 - 9,795	18,587 - 19,620
Silver equivalent ounces from production ('000s)	**4,084 - 4,311**	**3,267 - 3,452**	**1,453 - 1,534**	**1,053 - 1,111**	**2,443 - 2,578**	**12,300 - 12,986**
Average silver grade (g/t)	177	174	148	220	177	175
Average recoveries (%)	53%	78%	80%	85%	81%	67%
Cash cost per ounce	**$8.94 - $9.41**	**$8.06 - $8.68**	**$9.17 - $9.63**	**$9.87 - $11.35**	**$7.02 - $7.52**	**$8.56 - $9.15**
Production cost per ounce	**$8.28 - $8.73**	**$10.08 - $10.64**	**$12.08 - $12.63**	**$13.09 - $14.58**	**$8.91 - $9.40**	**$9.47 - $10.04**
Production cost per tonne	**$24.62 - $25.98**	**$42.79 - $45.16**	**$45.87 - $48.42**	**$59.02 - $65.76**	**$39.40 - $41.59**	**$34.99 - $37.11**
Anticipated cash flow from operations, before changes in non-cash working capital: ($ millions)						**$214.9 - $233.9**

Metal average price assumptions for calculating equivalents:
Silver $32.00/oz, Gold $1,700/oz, Lead $0.90/lb, Zinc $0.85/lb

REVIEW OF OPERATING RESULTS

Selected Production Results on a Mine-by-Mine Basis for the Past Eight Quarters

	2012				2011			
Production Highlights	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Ore processed/tonnes milled								
La Encantada	407,221	388,462	382,172	337,940	369,310	366,308	333,710	314,712
La Parrilla	186,434	175,630	169,786	147,938	121,109	89,972	77,363	74,503
San Martin	77,803	72,257	63,841	72,305	74,584	73,879	71,004	67,291
La Guitarra(1)	30,160	30,339	-	-	-	-	-	-
Consolidated	**701,618**	**666,688**	**615,799**	**558,183**	**565,003**	**530,159**	**482,077**	**456,506**
Silver ounces produced								
La Encantada	1,099,154	1,068,863	1,022,094	846,391	1,076,096	1,020,467	1,133,654	1,136,419
La Parrilla	758,692	708,021	690,954	719,143	628,836	449,771	395,716	319,405
San Martin	253,212	238,514	204,200	261,269	252,725	238,627	251,009	313,384
La Guitarra(1)	200,088	189,839	-	-	-	-	-	-
Consolidated	**2,311,146**	**2,205,237**	**1,917,248**	**1,826,803**	**1,957,657**	**1,708,865**	**1,780,379**	**1,769,208**
Silver equivalent ounces produced								
La Encantada	1,117,254	1,090,966	1,041,292	861,506	1,092,189	1,029,336	1,139,336	1,138,624
La Parrilla	931,718	851,628	843,307	860,739	738,919	511,301	443,304	363,648
San Martin	267,635	257,688	217,623	284,974	270,420	251,133	261,190	323,094
La Guitarra(1)	246,319	237,803	-	-	-	-	-	-
Consolidated	**2,562,926**	**2,438,085**	**2,102,222**	**2,007,219**	**2,101,528**	**1,791,770**	**1,843,830**	**1,825,366**
Cash cost per ounce								
La Encantada	$ 7.87	$ 8.19	$ 8.35	$ 9.69	$ 7.49	$ 8.04	$ 7.61	$ 7.17
La Parrilla	$ 8.48	$ 8.58	$ 8.35	$ 8.14	$ 8.22	$ 7.90	$ 8.84	$ 10.66
San Martin	$ 12.88	$ 12.96	$ 12.75	$ 8.67	$ 9.70	$ 10.74	$ 10.72	$ 9.85
La Guitarra(1)	$ 18.45	$ 13.62	$ -	$ -	$ -	$ -	$ -	$ -
Consolidated	**$ 9.26**	**$ 9.19**	**$ 8.83**	**$ 8.96**	**$ 8.01**	**$ 8.39**	**$ 8.32**	**$ 8.26**
Production cost per tonne								
La Encantada	$ 20.06	$ 21.52	$ 21.30	$ 23.27	$ 20.78	$ 21.46	$ 24.09	$ 23.80
La Parrilla	$ 32.39	$ 36.32	$ 33.46	$ 38.87	$ 42.46	$ 41.32	$ 45.88	$ 42.60
San Martin	$ 45.46	$ 45.94	$ 43.66	$ 38.64	$ 38.64	$ 37.20	$ 40.67	$ 45.34
La Guitarra(1)	$ 68.59	$ 65.09	$ -	$ -	$ -	$ -	$ -	$ -
Consolidated	**$ 28.24**	**$ 30.05**	**$ 26.97**	**$ 29.24**	**$ 27.47**	**$ 26.86**	**$ 30.03**	**$ 30.04**

(1) The above table only includes La Guitarra's operating results since the mine was acquired by the Company on July 3, 2012.

Consolidated Production Results for the Quarter and Year Ended December 31, 2012 and 2011

Quarter Ended December 31		CONSOLIDATED FIRST MAJESTIC	Year Ended December 31,	
2012	**2011**	**RESULTS**	**2012**	**2011**
701,618	565,003	Ore processed/tonnes milled (3)(4)	2,542,288	2,033,745
176	201	Average silver grade (g/t)	171	199
58%	54%	Recovery (%)	59%	55%
2,311,146	1,957,657	Total silver ounces produced	8,260,434	7,216,109
-	-	Pre-commercial silver ounces produced (3)(4)	28,639	34,316
2,311,146	1,957,657	Commercial silver ounces produced	8,231,795	7,181,793
2,209,144	1,926,055	Payable silver ounces produced (1)	7,990,492	7,094,359
1,540	440	Gold ounces produced	4,221	1,537
3,751,074	3,416,908	Pounds of lead produced	13,240,889	7,888,943
1,363,330	152,664	Pounds of zinc produced	4,952,899	178,767
4,432	4,695	Tonnes of iron ore produced	18,329	9,907
2,562,926	2,101,528	Total production - ounces silver equivalent	9,110,452	7,562,494
$9.26	$8.01	Total cash cost per ounce (1)(3)(4)	$9.08	$8.24
$8.97	$8.06	Total production cost per ounce (1)(2)(3)(4)	$9.08	$8.14
$28.24	$27.48	Total production cost per tonne (1)(2)(3)(4)	$28.62	$28.50
14,802	11,978	Underground development (m)	57,267	37,312
25,940	19,916	Diamond drilling (m)	135,769	56,713

(1) The Company reports non-GAAP measures which include production costs per tonne, production costs per ounce and cash cost (including smelting and refining charges) 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 Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. See Reconciliation to IFRS on page 19.

(2) Total production cost per ounce and total 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.
(3) At September 30, 2011, the La Parrilla mill expansion project had not been commissioned, therefore the net margin of $1.1 million (Net Revenue of $1.4 million less Cost of Sales of $0.3 million) in connection with the sale of concentrates containing 34,316 silver ounces during the pre-operating period was recorded as a reduction of construction in progress during the quarter ended September 30, 2011. The table above includes the production from the mill expansion, however, average silver grade, recovery, total cash costs per ounce, total production cost per ounce and total production cost per tonne are based on production excluding pre-commercial stage production of 5,952 tonnes of ore processed and 34,316 silver ounces during the quarter ended September 30, 2011.
(4) The cyanidation circuit for the La Parrilla mill expansion project was commissioned effective March 1, 2012. During the quarter ended March 31, 2012, the net margin of $0.6 million (Net Revenue of $1.0 million less Costs of Sales of $0.4 million) in connection with the sale of 30,456 ounces of silver equivalent during the pre-operating period was recorded as a reduction of construction in progress. The tables above include the production from the cyanidation circuit expansion, however, average silver grade, recovery, total cash costs per ounce, production cost per ounce and total production cost per tonne are based on production excluding pre-commercial stage production of 9,118 tonnes of ore processed and 30,456 ounces of silver equivalent during the quarter ended March 31, 2012.

Production

Total production for the fourth quarter of 2012 was 2,562,926 ounces of silver equivalents consisting of 2,311,146 ounces of silver, 1,540 ounces of gold, 3,751,074 pounds of lead, 1,363,330 pounds of zinc and 4,432 tonnes of iron ore. Silver equivalent production increased by 22% compared to the 2,101,528 ounces of silver equivalents produced in the fourth quarter of 2011, which consisted of 1,957,657 ounces of silver, 440 ounces of gold, 3,416,908 pounds of lead, 152,664 pounds of zinc and 4,695 tonnes of iron ore. Compared to the third quarter of 2012, production increased by 5% from 2,438,085 ounces of silver equivalents, which consisted of 2,205,237 ounces of silver, 3,307,944 pounds of lead, 1,537 ounces of gold, 844,953 pounds of zinc and 4,673 tonnes of iron ore. The increase in production in the fourth quarter was primarily due to increased production of 80,090 silver equivalent ounces from the La Parrilla mine compared to the third quarter of 2012.

During the year, a number of minor final assay differences were detected related to La Parrilla concentrates deliveries (see La Parrilla below). The net impact of aggregating all the assay shortfalls during the year was to reduce final payment by approximately 129,000 ounces of silver and to reduce total revenues by an estimated $3.9 million.

Cash Cost per Ounce

Total cash costs per ounce (including smelting, refining, transportation and other selling costs, and by-product credits), which is a non-GAAP measure and a standard of the Silver Institute, for the fourth quarter of 2012 was $9.26 per ounce of payable silver compared to $8.01 in the fourth quarter of 2011.

Cash cost per ounce for the fourth quarter consists of production costs of $8.97 per ounce, transportation, smelting and refining costs of $3.23 per ounce, royalty cost (La Parrilla's Quebradillas mine) of $0.06 per ounce, net of by-product credits of $3.00. Production costs per ounce increased $0.91 per ounce compared to the fourth quarter of 2011, primarily due to higher production costs at the La Guitarra mine. Transportation, smelting and refining costs increased by $1.40 per ounce on average in the fourth quarter of 2012 compared to the fourth quarter of 2011, due to an increase in shipments of concentrates from the La Guitarra mine to La Parrilla for doré production and the increased concentrate production from the new La Parrilla flotation circuit. Smelting and refining costs per ounce for the La Guitarra mine was $14.01 per ounce during the quarter, significantly higher than the average of the Company's other three operating mines, as its silver/gold concentrates are being treated at the La Parrilla cyanidation plant requiring additional shipping costs and a higher amount of cyanide consumption during the leaching process. Management is currently looking into alternatives to reduce processing costs of these concentrates. On the contrary, by-product credits have increased by $1.12 per ounce compared to the fourth quarter of 2011 due to higher gold production from the La Guitarra mine and increased lead and zinc production from the new La Parrilla flotation plant.

Cash cost per ounce was also marginally impacted by higher cash cost per ounce at the newly acquired La Guitarra mine, which had a cash cost per ounce of $18.45 during the fourth quarter compared to average cash cost per ounce of $8.69 for the Company's other three operating mines. The Company continues to focus on improving operating efficiencies and cost reduction at La Guitarra.

Head Grades and Recoveries

The overall average head grade for the fourth quarter of 2012 was 176 grams per tonne ("g/t"), a 5% increase compared to 167 g/t in the third quarter. The increase was primarily attributed to an 8% higher average silver grades at La Encantada attributed to more fresh ore mill feed compared to tailings and a 5% higher average silver grades at La Guitarra.

Combined recoveries for all mines in the fourth quarter were 58% compared to 54% in the fourth quarter of 2011 and 62% in the third quarter of 2012. Copper content in one of the areas of the tailings being processed at La Encantada interfered with silver recoveries during the quarter.

Development and Exploration

The underground development in all of the Company's operations and projects continued aggressively with the objective of preparing the different areas within the mines for future expanded production. A total of 14,802 metres of underground development were completed in the fourth quarter of 2012 compared to 14,595 metres completed in the third quarter of 2012 and 11,978 metres in the fourth quarter of 2011. In 2012, a total of 57,267 metres of underground development were completed compared to 37,312 metres in 2011. Total development in the fourth quarter increased 24% compared to the same quarter of the prior year in order to maintain the pace for increased fresh ore production rates at La Encantada, expanded production at La Parrilla and La Guitarra and preparation at the Del Toro mine for future production which commenced January 2013.

Diamond drilling programs are progressing aggressively on a company-wide basis. During the fourth quarter of 2012, 25,940 metres over 168 holes consisting primarily of definition drilling and surface exploration drilling, representing a 42% decrease from the 44,670 metres drilled in the third quarter of 2012 due to the completion of the 2012 drilling program. A total of 135,769 metres of diamond drilling were completed in 2012, an increase of 139% compared to 56,713 metres in 2011. A significant project is underway at Del Toro to define the ore bodies at the San Juan and Perseverancia mines to support production planning. In addition, new exploration areas are being evaluated to continue to extend the life of the Del Toro mine. Currently, the Company has a total of 9 diamond drill rigs operating on its properties down from a peak of 17 rigs in the third quarter of 2012.

During the fourth quarter of 2012, the Company spent $41.5 million on its mineral properties and a further $28.1 million on plant and equipment. This compares to $14.1 million invested in mineral properties and $21.0 million in plant and equipment in the fourth quarter of 2011. The increase in capital expenditures was primarily attributed to the underground development at Del Toro and equipment purchased to prepare for the startup of the new Del Toro mine. The Company is also aggressively increasing its exploration and development programs to prepare for additional mill expansions at the San Martin and La Guitarra mines and to drive further resource upgrades.

La Encantada Silver Mine, Coahuila, Mexico

Production Results for the Quarter and Year Ended December 31, 2012 and 2011

Quarter Ended December 31		LA ENCANTADA RESULTS	Year Ended December 31,	
2012	2011		2012	2011
407,221	369,310	Ore processed/tonnes milled	1,515,795	1,384,040
184	214	Average silver grade (g/t)	176	210
46%	42%	Recovery (%)	47%	47%
1,099,154	1,076,096	Total silver ounces produced	4,036,502	4,366,636
1,093,659	1,070,717	Payable silver ounces produced (1)	4,016,320	4,344,803
70	25	Gold ounces produced	238	96
4,432	4,695	Tonnes of iron ore produced	18,329	9,907
1,117,254	1,092,189	Total production - ounces silver equivalent	4,111,018	4,399,485
$7.87	$7.49	Total cash cost per ounce (1)	$8.46	$7.57
$7.47	$7.16	Total production cost per ounce (1)(2)	$8.11	$7.15
$20.06	$20.79	Total production cost per tonne (1)(2)	$21.46	$22.44
3,554	3,760	Underground development (m)	14,338	12,126
3,186	2,922	Diamond drilling (m)	19,390	11,837

(1) The Company reports non-GAAP measures which include production costs per tonne, production costs per ounce and total cash cost (including smelting and refining charges) 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 Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. See Reconciliation to IFRS on page 19.

(2) Total production cost per ounce and total 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.

The La Encantada Silver Mine is a producing underground mine located in the northern Mexico State of Coahuila, 708 kilometres north east of Torreon, and is accessible via a 1.5 hour flight from Torreon, Coahuila. The La Encantada Silver Mine consists of a 4,000 tpd cyanidation plant, a 1,000 tpd flotation plant (currently in care-and-maintenance except for the crushing, grinding and thickener areas), a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, airstrip and all the 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 kilometres away via mostly-paved road. The Company owns 100% of the La Encantada Silver Mine.

The new cyanidation plant was constructed in 2009 and was commissioned in 2010 at 3,500 tpd. Since then, adjustments made to the tailings screening intake systems and to the tailings filter presses resulted in the plant being upgraded to 4,000 tpd. The plant consistently surpasses this level and, in the fourth quarter of 2012, the processing averaged 4,576 tpd of blended ore throughput. There are currently three operating ball mills at La Encantada, two processing fresh mine ore at an average rate of approximately 1,625 tpd and the third ball mill processing tailings. The average throughput for 2012 was 4,406 tpd.

A total of 1,117,254 equivalent ounces of silver were produced by the La Encantada plant during the fourth quarter of 2012, which was an increase of 2% compared with the 1,090,966 equivalent ounces of silver produced in the third quarter, primarily attributable to more tonnes milled and higher blended grades, and an increase of 2% compared to the 1,092,189 equivalent ounces of silver produced in the fourth quarter of 2011.

Tonnes milled in the fourth quarter increased 5% to 407,221 tonnes processed compared to 388,462 tonnes processed in the third quarter of 2012 and increased 10% compared to the 369,310 tonnes processed in the fourth quarter of 2011. The average head grade increased 8% to 184 g/t compared to 171 g/t in the third quarter of 2012 and decreased 14% compared to 214 g/t in the fourth quarter of 2011, summarized as follows:

	Q4 2012	Q3 2012	Change	Q4 2011	Change
Tonnes Milled					
Fresh ore	144,674	138,261	5%	102,874	41%
Tailings	262,547	250,201	5%	266,435	-1%
Total	**407,221**	**388,462**	**5%**	**369,309**	**10%**
% Tonnes Milled					
Fresh ore	36%	36%	0%	28%	28%
Tailings	64%	64%	0%	72%	-11%
Grades					
Fresh ore	265	263	1%	250	6%
Tailings	139	121	15%	199	-30%
Average	**184**	**172**	**7%**	**213**	**-14%**

Since installing the third ball mill at La Encantada in mid-April, the capacity of fresh ore was increased from approximately 1,250 tpd to 1,800 tpd, with average throughput of approximately 1,625 tpd during the fourth quarter of 2012. The objective was to obtain a better mixture of fresh ore and tailings. Improvements were realized in the second and third quarters where recoveries improved to 50%. In the fourth quarter, the presence of copper increased which negatively impacted silver recoveries. Changes in the blend were made late in the quarter which returned recoveries to normal historic levels.

Continuing with the underground mine development program from 2011 to increase the production of fresh ore, a total of 3,554 metres were developed in the fourth quarter of 2012 compared to 3,328 metres in the third quarter of 2012 and 3,760 metres of development completed in the fourth quarter of 2011. During 2012, a total of 14,338 metres were developed, an increase of 18% compared to 12,126 metres developed in 2011. Underground development is currently focused on areas within the mine which contain lower levels of manganese to assist in higher recovery rates. The primary areas of focus have been the San Francisco vein and the Milagros Breccia pipe and the new 990 chimney.

Due to the extensive underground exploration program underway, a new breccia pipe adjacent to the chimney at level 990 was discovered showing grades in the range of 400 g/t to 500 g/t. This new discovery is currently being developed and was brought into production late in the fourth quarter and exploration is continuing in this area. Two diamond drill rigs are active underground at La Encantada, with the objective of defining additional Reserves and Resources. A new NI 43-101 Technical Report is expected to be released before the end of 2013.

A total of 3,186 metres of diamond drilling were completed in the fourth quarter of 2012 compared to 4,715 metres in the third quarter of 2012. During 2012, a total of 19,390 metres of diamond drilling were completed compared to 11,837 metres of diamond drilling completed in 2011.

La Parrilla Silver Mine, Durango, Mexico

Production Results for the Quarter and Year Ended December 31, 2012 and 2011

Quarter Ended December 31		LA PARRILLA	Year Ended December 31,	
2012	2011	RESULTS	2012	2011
186,434	121,109	Ore processed/tonnes milled [3][4]	679,788	362,947
166	203	Average silver grade (g/t)	170	200
76%	80%	Recovery (%)	78%	77%
758,692	628,836	Total silver ounces produced	2,876,810	1,793,728
-	-	Pre-commercial silver ounces produced [3][4]	28,639	34,316
758,692	628,836	Commercial silver ounces produced	2,848,171	1,759,412
733,595	603,878	Payable silver ounces produced [1]	2,749,795	1,699,090
318	79	Gold ounces produced	923	344
3,751,074	3,416,908	Pounds of lead produced	13,240,889	7,888,943
1,363,330	-	Pounds of zinc produced	4,952,899	178,767
931,718	738,919	Total production - ounces silver equivalent	3,487,392	2,057,172
$8.48	$8.22	Total cash cost per ounce [1][3][4]	$8.38	$8.72
$8.24	$8.24	Total production cost per ounce [1][2][3][4]	$8.54	$8.92
$32.39	$41.03	Total production cost per tonne [1][2][3][4]	$35.03	$42.48
5,198	3,793	Underground development (m)	20,606	13,242
4,618	4,648	Diamond drilling (m)	26,204	14,447

(1) The Company reports non-GAAP measures which include production costs per tonne, production costs per ounce and total cash cost (including smelting and refining charges) 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 Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. See Reconciliation to IFRS on page 19.

(2) Total production cost per ounce and total 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.

(3) At September 30, 2011, the La Parrilla mill expansion project had not been commissioned, therefore the net margin of $1.1 million (Net Revenue of $1.4 million less Cost of Sales of $0.3 million) in connection with the sale of concentrates containing 34,316 silver ounces during the pre-operating period was recorded as a reduction of construction in progress during the quarter ended September 30, 2011. The table above includes the production from the mill expansion, however, average silver grade, recovery, total cash costs per ounce, total production cost per ounce and total production cost per tonne are based on production excluding pre-commercial stage production of 5,952 tonnes of ore processed and 34,316 silver ounces during the quarter ended September 30, 2011.

(4) The cyanidation circuit for the La Parrilla mill expansion project was commissioned effective March 1, 2012. During the quarter ended March 31, 2012, the net margin of $0.6 million (Net Revenue of $1.0 million less Costs of Sales of $0.4 million) in connection with the sale of 30,456 ounces of silver equivalent during the pre-operating period was recorded as a reduction of construction in progress. The tables above include the production from the cyanidation circuit expansion, however, average silver grade, recovery, total cash costs per ounce, production cost per ounce and total production cost per tonne are based on production excluding pre-commercial stage production of 9,118 tonnes of ore processed and 30,456 ounces of silver equivalent during the quarter ended March 31, 2012.

The La Parrilla Silver Mine, located approximately 65 kilometres southeast of the city of Durango, Durango State, Mexico, is a complex of producing underground operations consisting of the Rosarios / La Rosa and La Blanca mines which are inter-connected through underground workings, and the San Marcos, Vacas and Quebradillas mines which are connected via above-ground gravel road-ways. The total mining concessions consist of 69,460 hectares and the Company owns 45 hectares and leases an additional 69 hectares of surface rights, for a total of 114 hectares of surface rights. The Company owns 100% of the La Parrilla Silver Mine.

La Parrilla includes a 2,000 tpd dual-circuit processing plant consisting of a new 1,000 tpd cyanidation circuit and a 1,000 tpd flotation circuit, buildings, offices and associated infrastructure. The cyanidation circuit was commissioned effective March 1, 2012, and the plant, including flotation and cyanidation circuits, was operating at a combined average throughput of 2,119 tpd in the fourth quarter and consistent with 2,116 tpd in the third quarter of 2012.

The new tailings filters were fully operational in the third quarter of 2012 allowing the mill to operate with approximately 80% of its water consumption coming from recycled water. Recycling mill waste water is not only cost efficient and environmentally friendly, it also reduces the operational risk in case local water supplies are threatened by natural disruptions such as severe droughts. La Parrilla is now the second operation under control of First Majestic that utilizes this new environmentally friendly tailings filtration technology.

During a ceremony held on July 28, 2012, the Governor of the State of Durango, Jorge Herrera Caldera, inaugurated the new Central Laboratory at La Parrilla. This laboratory is in the ISO certification process and will provide centralized services, including certified assays and metallurgical studies, to all the mines and projects of the consolidated First Majestic group of companies. At the same time, the Governor acted as witness in a public ceremony culminating with the Company signing an agreement with the La Parrilla community as part of our sustainable development program in which First Majestic has contributed with the paving of streets, supply of potable water, garbage collection and several other public works.

Total production at the La Parrilla Silver Mine was 931,718 equivalent ounces of silver in the fourth quarter of 2012, which was an increase of 9% compared to the third quarter of 2012, and an increase of 26% compared to the fourth quarter of 2011. The composition of the silver equivalent production in the fourth quarter of 2012 consisted of 758,692 ounces of silver, 318 ounces of gold, 3,751,074 pounds of lead and 1,363,330 pounds of zinc. This compares with a composition of 708,021 ounces of silver, 245 ounces of gold, 3,307,944 pounds of lead and 844,953 pounds of zinc produced in the third quarter of 2012, and 628,836 ounces of silver, 79 ounces of gold and 3,416,908 pounds of lead in the fourth quarter of 2011.

During the year, a number of small final assay differences were detected beginning in April and continuing through November 2012. Due to the length of time required to receive final assays and to completely investigate the source of the differences, these minor differences continued between April and August before the Company was able to launch a formal investigation in September and to make changes to limit further losses. Upon conclusion of the investigation, a police report was filed regarding thefts from the deliveries in September, October and November, and it was concluded that concentrates were being stolen from shipments in transit and replaced with inert material. In total, losses on final assaying and concentrate in transit thefts amounted to approximately 129,000 ounces during the year. The thefts that were proven between September to November amounted to 47,346 silver ounces, for which an insurance claim has been submitted but not yet assessed. The net impact of all assay shortfalls during the year reduced total revenues by an estimated $3.9 million, of which $1.4 million may be mitigated with an insurance claim currently in progress. Going forward, the Company has made a number of changes to prevent any further losses, beginning with a change of transportation companies to an armoured car service with GPS tracking of trucks, convoying of trucks, immediate assaying performed through the Company's new central La Parrilla laboratory, and finally with changing of independent representatives at the broker's Manzanillo warehouse. The Company is confident that these changes should lead to a rapid reduction or elimination of further losses on final assays or thefts of La Parrilla concentrates.

In the fourth quarter of 2012, a total of 186,434 tonnes of ore were processed at La Parrilla, representing an increase of 6% when compared with the 175,630 tonnes processed in the third quarter of 2012, and an increase of 54% when compared with the 121,109 tonnes processed in the fourth quarter of 2011. During the quarter, 61,910 tonnes of oxide ore with an average grade of 133 g/t were extracted from the open pit area at the Quebradillas mine compared to 66,344 tonnes of oxide ore with an average grade of 146 g/t in the third quarter of 2012. Recovery levels of silver in the fourth quarter were 76% compared to 77% in the third quarter of 2012 and 80% in the fourth quarter of 2011. Silver recoveries for flotation were 86% compared to 83% in the previous quarter, the increase was due to an adjustment done in the flotation area to improve the quality of the lead concentrates. Silver recoveries for cyanidation were 66% compared to 69% in the previous quarter. Recoveries were negatively affected by ore extracted from an area of the open pit which had a high content of silica.

A total of 5,198 metres of underground development were completed in the fourth quarter of 2012, compared to 5,122 metres in the third quarter of 2012. In 2012, a total of 20,606 metres were developed, an increase of 56% compared to 13,242 metres in 2011. As part of the current expansion plans, the Company has under construction or in progress: an extensive underground development program; a new San José production shaft in the Rosa-Rosarios area; a new ramp system; and an underground electric rail system. For the production shaft, a raise-boring machine has completed a 480 metres pilot hole, and 270 metres of raise-boring to a 2.4 metres diameter. Slashing of the 5.5 x 2.4 metres production shaft will commence in the first quarter of 2013 and the shaft is expected to be completed by the second quarter of 2014 with production expected to commence in the third quarter of 2014. In addition to the new shaft, construction of the electric rail system is progressing. To date, 550 metres of development at Level 11 which will become the new haulage level connecting the different underground areas to the shaft was completed during the year. This investment is expected to improve logistics and transportation of ore to the mill, ultimately reducing overall costs.

A total of 4,618 metres of diamond drilling were completed in the fourth quarter of 2012 compared to 9,201 metres of diamond drilling in the third quarter and 4,648 metres in the fourth quarter of 2011. A total of 26,204 metres of diamond drilling were completed during the year, an increase of 81% compared to 14,447 metres completed in 2011. Currently, there are two diamond drill rigs operating at La Parrilla. The focus of the exploration program in 2013 will be the Rosarios, Quebradillas, Vacas, San Marcos, and La Blanca mines and the Cerro Santiago, Viboras, San Nicolas, Sacramento areas plus the targets defined by the regional exploration program executed in 2012 on this very large 69,460 hectare of mining claims. This program is expected to commence during the second quarter of 2013. These regional anomalies, never explored by modern techniques, are expected to be included in a newly updated NI 43-101 Technical Report expected to be released in the latter half of 2013.

San Martin Silver Mine, Jalisco, Mexico

Production Results for the Quarter and Year Ended December 31, 2012 and 2011

Quarter Ended December 31		SAN MARTIN RESULTS	Year Ended December 31,	
2012	2011		2012	2011
77,803	74,584	Ore processed/tonnes milled	286,206	286,758
136	135	Average silver grade (g/t)	136	147
75%	78%	Recovery (%)	76%	78%
253,212	252,725	Total silver ounces produced	957,195	1,055,745
251,946	251,460	Payable silver ounces produced (1)	953,269	1,050,466
274	336	Gold ounces produced	1,323	1,097
267,635	270,420	Total production - ounces silver equivalent	1,027,920	1,105,837
$12.88	$9.71	Total cash cost per ounce (1)	$11.72	$10.22
$14.04	$11.45	Total production cost per ounce (1)(2)	$13.05	$11.01
$45.46	$38.64	Total production cost per tonne (1)(2)	$43.46	$40.34
1,966	2,426	Underground development (m)	8,473	7,831
4,361	6,885	Diamond drilling (m)	35,037	19,569

(1) The Company reports non-GAAP measures which include production costs per tonne, production cost per ounce and total cash cost (including smelting and refining charges) 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 Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. See Reconciliation to IFRS on page 19.

(2) Total 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.

The San Martin Silver Mine is a producing underground mine located adjacent to the town of San Martin de Bolaños, in the State of Jalisco, Mexico, 290 kilometres north east of Guadalajara, Mexico, and is owned 100% by the Company. The mine comprises approximately 7,841 hectares of mineral rights, 1,300 hectares of surface rights surrounding the mine, and another 104 hectares of surface rights where the 950 tpd cyanidation plant, mine buildings, offices and related infrastructure are located. During the fourth quarter of 2012, the Company staked an additional 29,676 hectares of mineral rights at San Martin and anticipate to obtain title by March 2013.

In the fourth quarter of 2012, a total of 77,803 tonnes were processed at the San Martin mine, representing an increase of 8% when compared to the 72,257 tonnes milled in the third quarter of 2012 and an increase of 4% compared to the 74,584 tonnes milled in the fourth quarter of 2011. The average head grade was 136 g/t in the fourth quarter of 2012, compared to the 134 g/t in the third quarter of 2012 and 135 g/t in the fourth quarter of 2011.

Total production of 267,635 ounces of silver equivalent in the fourth quarter of 2012 was 4% higher than the 257,688 ounces of silver equivalent produced in the third quarter of 2012 and 1% lower than the 270,420 equivalent ounces of silver produced in the fourth quarter of 2011.

The ounces of silver equivalent produced in the fourth quarter of 2012 consisted of 253,212 ounces of silver and 274 ounces of gold. This compares with 238,514 ounces of silver and 347 ounces of gold produced in the third quarter of 2012 and 252,725 ounces of silver and 336 ounces of gold in the fourth quarter of 2011. Silver recovery in the fourth quarter of 2012 was 75%, compared to 77% in the third quarter of 2012 and 78% in the fourth quarter of 2011.

The construction of two new large leaching tanks designed to replace some older and smaller leach tanks was completed in 2012. This program is part of First Majestic's regular campaign of improving operations by replacing older equipment with newer, cleaner and more efficient systems. Further mill improvements are scheduled for 2013 and will include new clarification filters, new tailings filters to recirculate water and to improve environmental conditions.

During the quarter, a total of 4,361 metres of diamond drilling were completed compared with 9,405 metres of drilling in the previous quarter. During 2012, a total of 35,037 metres of diamond drilling were completed, an increase of 79% compared with 19,569 metres in 2011. One drill rig is currently active within the San Martin property on surface, focusing on the La Esperanza, Los Blancos, Pinalillo, La Huichola, Rosarios and Condesa veins. The early results of the exploration drilling program at the Rosarios/Huichola veins continue to return positive results showing further definition of the North/South system of veins that were previously unknown.

For 2012, the focus was the development of additional ounces within the Zuloaga, La Esperanza and Rosarios/Huichola vein systems. A total of 1,966 metres of development were completed in the fourth quarter of 2012 compared to 1,809 metres of development in the third quarter of 2012.

The Company is planning to release a new NI 43-101 Technical Report prior to the end of the first quarter of 2013.

La Guitarra Silver Mine, Mexico State, Mexico

Production Results for the Quarter and Year Ended December 31, 2012 and 2011

Quarter Ended December 31		LA GUITARRA RESULTS	Year Ended December 31,	
2012	2011[3]		2012	2011[3]
30,160	n/a	Ore processed/tonnes milled	60,499	n/a
236	n/a	Average silver grade (g/t)	230	n/a
87%	n/a	Recovery (%)	87%	n/a
200,088	n/a	Total silver ounces produced	389,927	n/a
129,944	n/a	Payable silver ounces produced [1]	271,108	n/a
878	n/a	Gold ounces produced	1,737	n/a
246,319	n/a	Total production - ounces silver equivalent	484,122	n/a
$18.45	n/a	Total cash cost per ounce [1]	$15.94	n/a
$15.92	n/a	Total production cost per ounce [1][2]	$14.92	n/a
$68.59	n/a	Total production cost per tonne [1][2]	$66.84	n/a
1,214	n/a	Underground development (m)	2,400	n/a
8,088	n/a	Diamond drilling (m)	18,072	n/a

(1) The Company reports non-GAAP measures which include production costs per tonne, production cost per ounce and total cash cost (including smelting and refining charges) 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 Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning. See Reconciliation to IFRS on page 19.

(2) Total 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.

(3) The above table only includes La Guitarra's operating results since the mine was acquired by the Company on July 3, 2012.

On July 3, 2012, the Company successfully completed the acquisition of Silvermex (see “Acquisition of Silvermex Resources Inc.”) which resulted in the 100% owned La Guitarra Silver Mine becoming the Company’s fourth producing silver mine. The La Guitarra Silver Mine is located in the Temascaltepec Mining District in the State of Mexico, near Toluca, Mexico and approximately 130 kilometres south west from Mexico City.

First Majestic management has been following developments at the La Guitarra mine for over five years. Following the acquisition, an aggressive exploration program commenced across multiple areas of interest covered by the 39,714 hectares of mining claims within the Temascaltepec Mining District. The results of this exploration program are expected to be included in an updated NI 43-101 Technical Report scheduled for release by the end of 2013.

The La Guitarra mine consists of two underground operation centres and a flotation mill with a capacity of 350 tpd, producing approximately 800,000 ounces of silver equivalent per year. The Company has maintained production at current levels of 350 tpd for 2012. Construction of an extension to the current mill which will house new flotation tanks and a larger ball mill commenced in the third quarter 2012. Completion of this expansion is planned for March 2013 which will result in throughput increasing to 500 tpd in the second quarter and maintained at that level for the balance of 2013.

Since taking over operations of the mine on July 3, 2012, management has been focusing on improving the operational efficiency and cost savings at the mine. During the fourth quarter of 2012, total production at La Guitarra was 246,319 equivalent ounces of silver, an increase of 4% compared to the third quarter production of 237,803 ounces and an increase of 49% compared to the fourth quarter of 2011. In addition, average production cost per tonne for the fourth quarter was $68.59 per tonne, a marginal increase compared to $65.09 in the third quarter of 2012, but a significant improvement from $105.59 per tonne in the fourth quarter of 2011. Production from La Guitarra accounted for approximately 10% of First Majestic’s total production during the fourth quarter of 2012.

During the second half of 2012, silver concentrates being produced at La Guitarra were primarily shipped to La Parrilla for further leaching in the cyanidation process, converting the concentrates into doré bars. The Company continues to focus on improving operating efficiencies and cost reduction at the La Parrilla plant. The composition of the silver equivalent production in the fourth quarter consisted of 200,088 ounces of silver and 878 ounces of gold. A total of 30,160 tonnes of ore were processed during the quarter consisting of an average head grade of 236 g/t with recoveries of 87%.

Permitting for a 1,000 tpd cyanidation processing facility will commence in the next few months with an anticipated commencement of construction in the second half of 2013. At 1,000 tpd throughput from cyanidation, production is anticipated to reach over two million ounces of silver doré production per year when completed.

A total of 1,214 metres of underground development was completed during the fourth quarter compared to 1,186 metres in the third quarter. A total of 8,088 metres of diamond drilling were completed during the fourth quarter compared to 9,984 metres during the third quarter. There are three drill rigs are currently active at the La Guitarra mine, all working underground.

Silvermex and its predecessors published NI 43-101 Technical Reports relating to the La Guitarra mine on September 22, 2006, May 15, 2007, June 25, 2008 and most recently on January 29, 2010. These Technical Reports have not been approved by the Company and the Company did not rely on these reports in making its decision to acquire Silvermex and (indirectly) the La Guitarra Silver Mine. The reports are currently under review by management of the Company and its Qualified Persons, particularly with respect to the assumptions and the risks regarding those assumptions used in the previous mining studies. Specifically, management is of the opinion that there are risks when relying on the ability to permit the La Guitarra mine as an open pit mine in light of its proximity to a popular recreation area in Mexico. Management is having its own Qualified Persons review the preferred mining options and the opportunities for mitigating risks to developing a successful mining operation. The results of this review may result in a revised mine plan which may necessitate the filing of a new Technical Report. Until then, management recommends caution when relying on the previously filed technical reports relating to the La Guitarra Silver Mine.

DEVELOPMENT AND EXPLORATION PROJECTS

Del Toro Silver Mine, Zacatecas, Mexico

The Del Toro Silver Mine is located 60 kilometres to the southeast of the Company's La Parrilla Silver Mine and consists of 405 contiguous hectares of mining claims plus an additional 129 hectares of surface rights covering the area surrounding the San Juan mine where construction of a 4,000 tpd dual-circuit flotation / cyanidation plant is currently underway. The Del Toro operation represents the consolidation of three historical silver mines, the Perseverancia, San Juan and Dolores mines, which are approximately one and three kilometres apart, respectively.

During the second quarter in 2012, the Del Toro Silver Mine, which was a division of the Company's First Majestic Plata, S.A. de C.V. subsidiary, was transferred into a newly formed subsidiary of the Company, First Majestic Del Toro, S.A. de C.V., to better isolate its operating results from the La Parrilla mine as the plant begins production. First Majestic owns 100% of the Del Toro Silver Mine.

In August 2012, the Company received the final Environmental Impact Statement permit from the Mexican government (SEMARNAT) approving the cyanidation circuit and the enlarged processing facilities at the Del Toro Silver Mine. This was the final permit needed to achieve the targeted mill capacity of 4,000 tpd by mid to late-2014. The current plans involve scaling up the plant capacity over a three year period commencing at 1,000 tpd in early 2013, expanding to 2,000 tpd by the third quarter of 2013 and reaching 4,000 tpd by the mid to late-2014. During the second quarter of 2012, the Company issued a Preliminary Economic Assessment and an updated NI 43-101.

The Phase 1 construction of the Del Toro Silver Mine for the 1,000 tpd flotation plant was completed and inaugurated in a special ceremony on January 23, 2013. The first delivery of concentrates shipped to the smelter is expected in February 2013 after the start-up process at the flotation plant.

Further development in the first half of 2013 will be focused on preparing the mines for Phase 2 of production, which will include the addition of a 1,000 tpd cyanidation circuit. Phase 2 start-up is expected by July 1, 2013, at which time, the mill is expected to be running at a combined throughput rate of 2,000 tpd (1,000 tpd flotation and 1,000 tpd cyanidation).

To date, the 1,000 tpd flotation circuit has been operating since January of 2013 with some days reaching as high as 70% of capacity. It is expected that 1,000 tpd will be achieved in early March and commissioned by April 1, 2013. The second phase of construction consisting of the cyanidation circuit is in process. The leaching tanks are 50% complete, the 12 x 14 ball mill is expected to arrive on site at the end of February, and the counter current washing tanks are 75% completed. In addition, one of the four large tailings filter systems to recirculate water back through the process is on-site and is currently being assembled.

Development of the main ramp into the San Juan mine is now below level 10. The first production levels will be levels 8, 9 and 10. This ramp is now 2,800 metres in length and close to 300 metres in vertical distance from surface. This ramp will be used for ore haulage during the first production stage, prior to the shaft being completed in mid-2014, and will act as access to the three main ore bodies at San Juan. Access has been completed to ore bodies 1, 2 and 3 with 225 metres developed during the fourth quarter. In addition, the new pump station, new powder magazines and the initial work of a new underground shop were initiated.

Underground development is continuing into the very prospective Perseverancia mine which also resulted in the discovery of the San Nicolas chimney and later the San Nicolas Vein. This vein has been correlated to old mine workings 1,000 metres to the north-east from the Perseverancia mine. The discovery of the San Nicolas structure has opened a new development area and to date 1,750 metres of development has been completed in an access ramp on two different levels, 50 metres apart. The Company released an updated NI 43-101 Technical Report on August 21, 2012, which included some of these new resources discovered in this area. The results revealed an increase in silver grade of the overall Measured and Indicated Resources by 20% to 175 g/t. At the Perseverancia mine, development of the access ramp was re-initiated in 2011 and to date has reached 1,350 metres in length, to gain access to the chimneys, reaching the lower level 31 during the fourth quarter of 2012.

Two drill rigs are assigned to the Del Toro project and are currently drilling with the intent of defining the possible connection of the San Juan and Perseverancia ore bodies as well as to check some of the geophysical anomalies.

At the Dolores mine, over 2,180 metres have been developed to date in different workings, including a ramp that is providing access to the main Dolores and Chalchihuites veins on two levels.

Development at the San Juan, Perseverancia/San Nicolas and Delores mines continued for preparation of the upcoming production and ore continues to be extracted to surface from the San Juan mine. A total of 97,000 tonnes have been mined and stockpiled on surface which will become the initial feed for the mill for Phase 1. Total underground development at Del Toro in the fourth quarter amounted to 2,870 metres compared to 3,150 metres in the previous quarter. In 2012, a total of 11,450 metres were developed compared to 4,113 metres in 2011.

During the fourth quarter, 22 holes were completed for a total of 5,687 metres compared to 11,365 metres in the third quarter of 2012 and 1,999 metres in the fourth quarter of 2011. In 2012, 124 holes were completed for a total of 37,066 metres of diamond drilling compared to 10,860 metres completed in 2011.

As at December 31, 2012, the Company has invested approximately $60.4 million in construction of the Phase 1 flotation circuit, equipment and underground development. In addition, the Company has been making prepayment deposits for long lead time equipment items related to the Phase 2 cyanidation project and the Phase 3 expansion. As at December 31, 2012, an additional sum of $11.1 million has been spent towards Phase 2 and 3 of the Del Toro expansion plans.

La Luz Silver Project, San Luis Potosi, Mexico

The La Luz Silver Project, is located 25 kilometres west of the town of Matehuala in San Luis Potosi State, Mexico, near the village of Real de Catorce and was acquired in November 2009, through the acquisition of Normabec Mining Resources Ltd. ("Normabec"). As a result of the acquisition of Normabec, and its wholly owned subsidiary Minera Real Bonanza, S.A. de C.V., the Company owns 100% of the La Luz Silver Project and all of the associated mining claims of what was historically known as the Santa Ana mine and consists of 36 mining concessions covering 4,977 hectares, with estimated historical production of 230 million ounces between 1773 and 1990. After the acquisition of Normabec, the Company transferred Minera Real Bonanza into the consolidated group in Mexico under the Company's wholly owned subsidiary, Corporación First Majestic, S.A. de C.V., and proceeded to wind up Normabec in December 2011.

In November 2010, the Company agreed to acquire the 3% net smelter royalty ("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, for consideration of $3.0 million. Consideration for the purchase consisted of a cash payment of $1.1 million and $1.5 million in shares of the Company (152,798 shares) in November 2010, and $0.4 million which was paid in January 2011. All payments in cash and shares have been completed fulfilling the Company's objectives in acquiring all the necessary land and buildings for the La Luz Silver Project. The Company continued with the process of obtaining final approval for the purchase of 100 hectares of surface rights which were purchased during the fourth quarter of 2011 in order to secure an area where the plant and mine access are planned to be located.

To date, the Baseline Study and the Geo-hydrologic Study have been completed. The Environmental Impact Statement, the Risk Study and the Change of Use of Land Studies are expected to be presented to government authorities in late 2013 or early 2014 subject to the legal orders presently in progress. The Company has submitted three different legal orders in order to obtain the authorization to present its final permit applications. To date, the Company has obtained one positive resolution and expects the remaining orders to be authorized by 2014.

A metallurgical test is underway to define the final flow sheet diagram for a flotation plant which is required for final permitting. There has been opposition from certain groups of indigenous people and non-government organizations, which are being addressed by the Company. Contrary to independent reports regarding the La Luz project, the Company has no plans to do any mining above ground, no plans for open pit mining, and has no plans for the use of cyanide in any of its processing activities on or around the La Luz project.

The permit for the restoration of the old historic buildings at the Santa Ana Hacienda has been received and the construction of the previously announced Thematic and Cultural Park which will include a mining museum has begun. To date, $0.9 million has been invested and is expect to be completed in 2014. In addition, cleaning of the impressive underground workings is underway to rehabilitate this historic mine for public access. This new cultural facility and mining museum will form a “Sustainable Development Project” which will provide permanent long term jobs to the local communities. The Sustainable Development Project includes a jewelry school which completed its first course with a total of 13 students graduating. Also, music and crafts (trade) schools began their first courses with more than 60 students, paying special attention to individuals between the ages of 10 and 20 years of age. In addition, public baseball and football fields were built within the El Potrero community.

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 La Luz Silver Project.

In January 2011, the Company granted an option to acquire up to 90% in the Jalisco Group of Properties (the “Properties”) to Sonora Resources Corp. (the “Optionee”) whereby the Optionee issued 10 million shares of common stock with a fair value of $3.4 million. The Optionee has committed to spend $3 million over the first three years to earn a 50% interest and $5 million over five years to earn a 70% interest. In order to obtain a 90% interest, the Optionee is required to complete a bankable feasibility study within seven years. First Majestic will retain a 10% free carried interest and a 2.375% NSR. The fair value of common shares received from the Optionee was recorded in other financial assets with a corresponding reduction in the carrying value of the San Martin mining interests in the second quarter of 2011.

In May 2012, the Company received an additional two million common shares of the Optionee, valued at $440,000 as a result of their failure to file a registration statement qualifying the original 10 million shares of common stock issued for free trading. The fair value of the common shares received from the Optionee was recorded as a reduction in the carrying value of mining interest in the second quarter of 2012.

Plomosas Silver Project and other Silvermex Exploration Properties

The Company acquired numerous exploration stage properties from the Silvermex acquisition and management is reviewing the exploration program for the Plomosas Silver Project which consists of the adjacent Rosario and San Juan properties in the Sinaloa, Mexico area. The Company is also assessing its portfolio of other exploration properties to determine if these additional properties fit within the Company's production portfolio.

NON-GAAP MEASURES

TOTAL CASH COST PER OUNCE AND TOTAL PRODUCTION COST PER TONNE

"Total cash cost per ounce" and "Total production cost per tonne" are measures developed by precious metals companies in an effort to provide a comparable standard; however, there can be no assurance that our reporting of these non-GAAP measures are similar to that reported by other mining companies. Total cash costs per ounce and total production cost per tonne are measures 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 and is disclosed in addition to IFRS measures. The following tables provide a detailed reconciliation of these measures to our cost of sales, as reported in our consolidated financial statements.

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Three Months Ended December 31, 2012					Three Months Ended December 31, 2011				
	San Martin	La Parrilla	La Encantada	La Guitarra	Total	San Martin	La Parrilla	La Encantada		Total
Cost of sales (as reported)					**$ 23,686**					**$ 16,383**
Add (Deduct): Cost of sales for Vancouver, Europe and intercompany elimination					(425)					(2,180)
Cost of sales (mine)	**$ 3,358**	**$ 8,216**	**$ 9,637**	**$ 2,050**	**$ 23,261**	**$ 2,766**	**$ 5,106**	**$ 6,331**		**$ 14,203**
Add: Third party smelting and refining	87	3,693	569	1,821	6,170	142	2,217	410		2,769
Deduct: By-product credits	(425)	(4,091)	(506)	(1,604)	(6,626)	(688)	(2,514)	(414)		(3,616)
Deduct: Employee benefits	-	-	(558)	(58)	(616)	604	-	1,468		2,072
Inventory changes	127	(1,274)	(264)	274	(1,137)	(112)	352	330		570
Other non-cash costs	99	(326)	(269)	(85)	(581)	(269)	(199)	(103)		(571)
Total cash cost (A)	**$ 3,246**	**$ 6,218**	**$ 8,609**	**$ 2,398**	**$ 20,471**	**$ 2,443**	**$ 4,962**	**$ 8,022**		**$ 15,427**
Tonnes processed	**77,803**	**186,434**	**407,221**	**30,160**	**701,618**	**74,584**	**121,109**	**369,310**		**565,003**
Total ounces of silver produced	253,212	758,692	1,099,154	200,088	2,311,146	252,725	628,836	1,076,096		1,957,657
Deduct: Metal deduction ounces	1,266	25,097	5,495	70,144	102,002	1,265	24,958	5,379		31,602
Payable ounces of silver produced (B)	**251,946**	**733,595**	**1,093,659**	**129,944**	**2,209,144**	**251,460**	**603,878**	**1,070,717**		**1,926,055**
Total cash cost per ounce (A/B)	**$ 12.88**	**$ 8.48**	**$ 7.87**	**$ 18.45**	**$ 9.26**	**$ 9.71**	**$ 8.22**	**$ 7.49**		**$ 8.01**
Mining cost per ounce	$ 3.57	$ 2.65	$ 1.77	$ 7.01	$ 2.57	$ 3.84	$ 3.15	$ 1.33		$ 2.23
Milling cost per ounce	7.35	4.34	4.75	3.40	4.83	5.35	3.59	4.99		4.60
Indirect cost per ounce	3.12	1.25	0.95	5.51	1.57	2.26	1.50	0.84		1.23
Total production cost per ounce	**$ 14.04**	**$ 8.24**	**$ 7.47**	**$ 15.92**	**$ 8.97**	**$ 11.45**	**$ 8.24**	**$ 7.16**		**$ 8.06**
Transport and other selling costs per ounce	0.18	0.60	0.35	0.87	0.44	0.43	0.48	0.33		0.39
Smelting and refining costs per ounce	0.34	5.03	0.52	14.01	2.79	0.56	3.67	0.38		1.44
Royalties per ounce	-	0.19	-	-	0.06	-	-	-		-
By-product credits cost per ounce	(1.68)	(5.58)	(0.47)	(12.35)	(3.00)	(2.73)	(4.17)	(0.38)		(1.88)
Total cash cost per ounce (A/B)	**$ 12.88**	**$ 8.48**	**$ 7.87**	**$ 18.45**	**$ 9.26**	**$ 9.71**	**$ 8.22**	**$ 7.49**		**$ 8.01**
Mining cost per tonne	$ 11.55	$ 10.42	$ 4.74	$ 30.20	$ 8.10	$ 12.96	$ 15.69	$ 3.85		$ 7.59
Milling cost per tonne	23.82	17.06	12.76	14.65	15.21	18.04	17.88	14.48		15.68
Indirect cost per tonne	10.09	4.91	2.56	23.74	4.93	7.64	7.46	2.45		4.21
Total production cost per tonne	**$ 45.46**	**$ 32.39**	**$ 20.06**	**$ 68.59**	**$ 28.24**	**$ 38.64**	**$ 41.03**	**$ 20.79**		**$ 27.48**

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Year Ended December 31, 2012					Year Ended December 31, 2011				
	San Martin	La Parrilla	La Encantada	La Guitarra	Total	San Martin	La Parrilla	La Encantada		Total
Cost of sales (as reported)					**$ 79,747**					**$ 66,787**
Add (Deduct): Cost of sales for Vancouver, Europe and intercompany elimination					(497)					(2,008)
Cost of sales (mine)	**$ 12,445**	**$ 26,324**	**$ 35,088**	**$ 5,393**	**$ 79,250**	**$ 12,641**	**$ 16,021**	**$ 36,117**		**$ 64,779**
Add: Third party smelting and refining	310	12,600	1,927	2,978	17,815	427	6,425	1,659		8,511
Deduct: By-product credits	(1,994)	(15,314)	(1,951)	(3,001)	(22,260)	(1,686)	(7,522)	(1,046)		(10,254)
Deduct: Employee benefits	-	-	(2,144)	(58)	(2,202)	(383)	(13)	(4,819)		(5,215)
Inventory changes	386	(16)	1,657	(1,048)	979	107	456	1,245		1,808
Other non-cash costs	29	(534)	(601)	57	(1,049)	(364)	(541)	(282)		(1,187)
Total cash cost (A)	**$ 11,176**	**$ 23,060**	**$ 33,976**	**$ 4,321**	**$ 72,533**	**$ 10,742**	**$ 14,826**	**$ 32,874**		**$ 58,442**
Tonnes produced	**286,206**	**670,670**	**1,515,795**	**60,499**	**2,533,170**	**286,758**	**356,996**	**1,384,040**		**2,027,794**
Total ounces of silver produced	957,195	2,848,171	4,036,502	389,927	8,231,795	1,055,745	1,759,412	4,366,636		7,181,793
Deduct: Metal deduction ounces	3,926	98,376	20,182	118,819	241,303	5,279	60,322	21,833		87,434
Payable ounces of silver produced (B)	**953,269**	**2,749,795**	**4,016,320**	**271,108**	**7,990,492**	**1,050,466**	**1,699,090**	**4,344,803**		**7,094,359**
Total cash cost per ounce (A/B)	**$ 11.72**	**$ 8.38**	**$ 8.46**	**$ 15.94**	**$ 9.08**	**$ 10.22**	**$ 8.72**	**$ 7.57**		**$ 8.24**
Mining cost per ounce	$ 3.79	$ 2.89	$ 1.85	$ 6.14	$ 2.58	$ 4.01	$ 3.28	$ 1.24		$ 2.14
Milling cost per ounce	6.82	4.45	5.34	3.46	5.15	4.79	3.96	5.04		4.74
Indirect cost per ounce	2.44	1.20	0.92	5.32	1.35	2.21	1.68	0.87		1.26
Total production cost per ounce	**$ 13.05**	**$ 8.54**	**$ 8.11**	**$ 14.92**	**$ 9.08**	**$ 11.01**	**$ 8.92**	**$ 7.15**		**$ 8.14**
Transport and other selling costs per ounce	0.44	0.59	0.36	1.11	0.48	0.41	0.45	0.28		0.34
Smelting and refining costs per ounce	0.32	4.58	0.48	10.98	2.23	0.41	3.78	0.38		1.20
Royalties per ounce	-	0.24	-	-	0.08	-	-	-		-
By-product credits cost per ounce	(2.09)	(5.57)	(0.49)	(11.07)	(2.79)	(1.61)	(4.43)	(0.24)		(1.44)
Total cash cost per ounce (A/B)	**$ 11.72**	**$ 8.38**	**$ 8.46**	**$ 15.94**	**$ 9.08**	**$ 10.22**	**$ 8.72**	**$ 7.57**		**$ 8.24**
Mining cost per tonne	$ 12.62	$ 11.84	$ 4.90	$ 27.49	$ 8.15	$ 14.70	$ 15.61	$ 3.90		$ 7.49
Milling cost per tonne	22.71	18.26	14.14	15.51	16.23	17.54	18.83	15.83		16.60
Indirect cost per tonne	8.13	4.93	2.42	23.84	4.24	8.10	8.04	2.71		4.41
Total production cost per tonne	**$ 43.46**	**$ 35.03**	**$ 21.46**	**$ 66.84**	**$ 28.62**	**$ 40.34**	**$ 42.48**	**$ 22.44**		**$ 28.50**

Note - The tables above do not include 28,639 silver ounces of pre-commercial production from the La Parrilla cyanidation circuit expansion project during the nine months ended September 30, 2012, which were produced at a cost of $442,000 and 34,316 silver ounces of pre-commercial production from the La Parrilla flotation circuit expansion during the three and nine months ended September 30, 2011, which were produced at a cost of $263,000.

AVERAGE REALIZED SILVER PRICE PER OUNCE

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

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

	Three Months Ended December 31,		Years Ended December 31,	
	2012	**2011**	**2012**	**2011**
Net Revenues as reported	**$ 71,007**	**$ 60,801**	**$ 247,177**	**$ 245,514**
Add back: smelting and refining charges	6,373	2,788	17,815	7,719
Gross Revenues	**77,380**	**63,589**	**264,992**	**253,233**
Payable equivalent silver ounces sold	2,386,860	2,005,970	8,519,448	7,158,148
Average realized price per ounce of silver sold	**$ 32.42**	**$ 31.70**	**$ 31.10**	**$ 35.38**
Average market price per ounce of silver per COMEX	$ 32.56	$ 31.84	$ 31.17	$ 35.20

ADJUSTED EARNINGS PER SHARE ("Adjusted EPS")

The Company uses the financial measure "Adjusted EPS" to supplement information in its consolidated financial statements. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use this information to evaluate the Company's performance. The presentation of Adjusted EPS is not meant to be a substitute for EPS presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measure.

The following tables provide a detailed reconciliation of Adjusted EPS to net earnings as reported in the Company's consolidated financial statements.

	Three Months Ended December 31,		Years Ended December 31,	
	2012	**2011**	**2012**	**2011**
Net earnings as reported	**$ 22,350**	**$ 21,339**	**$ 88,898**	**$ 103,574**
Adjustments for non-cash or non-recurring items:				
Share-based payments	2,870	1,350	10,646	5,948
Deferred income tax expense	4,022	11,889	17,662	23,043
Loss (gain) from investment in silver futures and marketable securities	553	3,712	(6,216)	1,671
Acquisition costs for Silvermex Resources Inc.	129	-	2,740	-
Legal fees for the First Silver trial	526	176	2,013	596
Gross margin on La Parrilla pre-commercial shipments	-	-	522	1,137
Restructuring charge for San Martin collective bargaining agreement	-	-	-	795
Adjusted net earnings	**$ 30,450**	**$ 38,466**	**$ 116,265**	**$ 136,764**
Weighted average number of shares on issue - basic	116,442,639	105,203,712	110,775,284	103,276,935
Adjusted EPS	**$ 0.26**	**$ 0.37**	**$ 1.05**	**$ 1.32**

CASH FLOW PER SHARE

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

ADDITIONAL GAAP MEASURES

The Company uses additional financial measures which should be evaluated in conjunction with IFRS. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The following additional GAAP measures are used:

- *Gross margin* represents the difference between revenues and cost of sales, excluding depletion, depreciation and amortization. Management believes that this presentation provides useful information to investors to evaluate the Company's operating performance on a cash basis in order to assess the Company's ability to generate operating cash flow.

- *Mine operating earnings* represents the difference between gross margin and depletion, depreciation and amortization. Management believes that mine operating earnings provides useful information to investors because mine operating earnings excludes expenses not directly associated with commercial production.

- *Operating cash flows before movements in working capital and income taxes* represents cash flows generated from operations before changes in non-cash working capital and income taxes paid. Management believes that this measure allows investors to evaluate the Company's pre-tax cash flows generated from operations adjusted for fluctuations in non-cash working capital items due to timing issues and the Company's ability to service its debt, if any.

The terms described above do not have a standardized meaning prescribed by IFRS, therefore the Company's definitions may not be comparable to similar measures presented by other companies.

REVIEW OF FINANCIAL RESULTS

For the quarter ended December 31, 2012 compared to the quarter ended December 31, 2011 (in $000's, except for share amounts):

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	
Revenues	**$ 71,007**	**$ 60,801**	(1)
Cost of sales	23,686	16,383	(2)
Gross margin	**47,321**	**44,418**	
Depletion, depreciation and amortization	7,861	6,035	(3)
Mine operating earnings	**39,460**	**38,383**	(4)
General and administrative	7,218	5,204	(5)
Share-based payments	2,870	1,350	(6)
Acquisition costs	129	-	
Accretion of decommissioning liabilities	137	97	
Foreign exchange gain	(440)	(486)	
Operating earnings	**29,546**	**32,218**	(7)
Investment and other loss	(628)	(3,491)	(8)
Finance costs	(925)	(367)	(9)
Earnings before income taxes	**27,993**	**28,360**	
Current income tax expense (recovery)	1,621	(4,868)	
Deferred income tax expense	4,022	11,889	
Income tax expense	5,643	7,021	(10)
Net earnings for the period	**$ 22,350**	**$ 21,339**	(11)
Earnings per share (basic)	**$ 0.19**	**$ 0.20**	(11)
Earnings per share (diluted)	**$ 0.19**	**$ 0.20**	

1. Revenues for the quarter ended December 31, 2012 increased by $10,206,000 or 17% to $71,007,000 from $60,801,000 in the fourth quarter of 2011. The increase in revenues was primarily attributed to 22% increase in silver equivalent production compared to the fourth quarter of 2011. The increase was partially offset by higher smelting and refining costs related to increased concentrate output from the addition of the La Guitarra mine and the expanded La Parrilla flotation circuit, which reduced net revenues.

2. Cost of sales in the fourth quarter of 2012 was $23,686,000, an increase of $7,303,000 or 45% compared to $16,383,000 in the fourth quarter of 2011. The increase in cost of sales was primarily attributed to 19% increase in payable equivalent silver ounces sold, the addition of La Guitarra as the Company's fourth operating mine and higher cash cost per ounce related to the production of La Guitarra and San Martin.

3. Depletion, depreciation and amortization increased from $6,035,000 in the fourth quarter of 2011 to $7,861,000 in the fourth quarter of 2012, an increase of $1,826,000 or 30%. The increase was due to incremental depreciation expense from the addition of the La Guitarra mine, the newly expanded La Parrilla processing plant, as well as higher depletion expense from a 24% increase in tonnage of ore milled.

4. Mine operating earnings in the fourth quarter of 2012 were $39,460,000, an increase of $1,077,000 when compared to $38,383,000 for the same quarter in the prior year. Despite a 22% production growth, mine operating earnings only increased by 3% as a result of 16% higher cash cost per ounce and a 30% increase in depletion, depreciation and amortization expenses compared to the fourth quarter of 2011.

5. General and administrative expenses for the quarter increased by $2,014,000 or 39% compared to the same quarter in the prior year due to recruitment of additional senior management and administration costs incurred in Mexico in preparation for expanded operations as well as higher legal litigation fees in Canada related to the ongoing First Silver litigation.

6. Share-based payments expense for the quarter increased by $1,520,000 or 113% compared to the same quarter in the prior year. The increase was primarily due to stock options granted in 2012 for the additional senior management recently recruited in Mexico in preparation for expanded operations. The Company's higher share price at time of the grant compared to the prior year also contributed to the increase in the Company's share-based payments expense.

7. Operating earnings decreased by $2,672,000 or 8% to $29,546,000 for the quarter ended December 31, 2012, compared to operating earnings of $32,218,000 for the quarter ended December 31, 2011, due to decrease in mine operating earnings, higher share-based payments, and general and administrative expenses.

8. During the quarter ended December 31, 2012, the Company recognized investment and other loss of $628,000 compared to $3,491,000 in the same quarter in the prior year. The investment loss in the fourth quarter of 2012 was primarily attributed to unrealized loss of $836,000 on marked to market adjustments of marketable securities (investment in Sprott Physical Silver Trust), offset by $278,000 realized investment gain in silver futures, compared to an investment loss of $3,491,000 in silver futures during the quarter ended December 31, 2011.

9. Finance costs for the fourth quarter were $925,000, an increase of $558,000 or 152% compared to the same quarter of the prior year. The increase was primarily due to a $403,000 marked to market loss on the prepayment facility, which includes a derivative related to its fixed forward pricing on future lead and zinc deliveries. Finance costs were also higher due to additional finance leases the Company entered into during 2012.

10. During the quarter ended December 31, 2012, the Company recorded an income tax expense of $5,643,000 compared to an income tax expense of $7,021,000 in the quarter ended December 31, 2011. The 20% decrease in income tax expense was attributed to a 1% decrease in earnings before tax and a decrease in the effective tax rate from 25% in the fourth quarter of 2011 to 20% in the current quarter.

11. As a result of the foregoing, net earnings for the quarter ended December 31, 2012 increased 5% to $22,350,000 (EPS of $0.19) compared to net earnings of $21,339,000 (EPS of $0.20) in the quarter ended December 31, 2011.

For the year ended December 31, 2012 compared to the year ended December 31, 2011 (in $000's, except for share amounts):

	Year Ended December 31, 2012	Year Ended December 31, 2011	
Revenues	**$ 247,177**	**$ 245,514**	(1)
Cost of sales	79,747	66,787	(2)
Gross margin	**167,430**	**178,727**	
Depletion, depreciation and amortization	25,405	15,440	(3)
Mine operating earnings	**142,025**	**163,287**	(4)
General and administrative	21,774	16,452	(5)
Share-based payments	10,646	5,948	(6)
Acquisition costs	2,740	-	(7)
Accretion of decommissioning liabilities	472	435	
Foreign exchange (gain) loss	(174)	622	
Operating earnings	**106,567**	**139,830**	(8)
Investment and other income (loss)	6,715	(1,030)	(9)
Finance costs	(2,293)	(1,263)	(10)
Earnings before income taxes	**110,989**	**137,537**	
Current income tax expense	4,429	10,920	
Deferred income tax expense	17,662	23,043	
Income tax expense	22,091	33,963	(11)
Net earnings for the period	**$ 88,898**	**$ 103,574**	(12)
Earnings per share (basic)	**$ 0.80**	**$ 1.00**	(12)
Earnings per share (diluted)	**$ 0.79**	**$ 0.96**	

1. Revenues for the year ended December 31, 2012 increased by $1,663,000 or 1% to $247,177,000 from $245,514,000 in the same period of the prior year. Despite an increase of 20% in production, revenues were comparable to 2011 due to a 12% decrease in average realized silver price per ounce year over year. In addition, higher smelting and refining costs, which increased by $10,096,000, related to increased concentrate output from the new La Guitarra Silver Mine and the expanded La Parrilla flotation circuit also reduced net revenues. Smelting and refining costs at La Guitarra were high due to deleterious elements in its concentrate.

2. Cost of sales for the year ended December 31, 2012 was $79,747,000, an increase of 19% compared to $66,787,000 in 2011. Additional cost of sales was primarily associated with a 19% increase in payable equivalent silver ounces sold.

3. Depletion, depreciation and amortization increased by $9,965,000 or 65% to $25,405,000 for the year ended December 31, 2012, primarily due to higher depreciation expense upon commissioning of the La Parrilla flotation circuit in the fourth quarter of 2011 and cyanidation circuit in the first quarter of 2012 as well as additional depreciation and depletion of the new La Guitarra Silver Mine that was acquired during the current year. Furthermore, depletion expense also increased as a result of 25% increase in tonnage of ore milled.

4. Mine operating earnings decreased by $21,262,000 or 13% to $142,025,000 for the year ended December 31, 2012, compared to $163,287,000 for the same period in the prior year. This is primarily due to the increase in cost of sales and higher depletion, depreciation and amortization expenses.

5. General and administrative expenses for the year ended December 31, 2012 increased by $5,322,000 or 32% compared to the same period of the prior year. The increase was due to additional senior management recently recruited and additional administrative costs incurred in Mexico in preparation for expanded operations and $2,013,000 in legal fees in Canada related to the ongoing First Silver litigation.

6. Share-based payments expense for the year ended December 31, 2012 increased by $4,698,000 or 79% compared to the prior year. The increase was primarily due to more stock options granted in 2012 compared to the prior year, primarily related to additional senior management recently recruited in Mexico in preparation for expanded operations. The Company's higher share price at time of grant compared to the prior year also contributed to the increase in the Company's share-based payments expense.

7. During the year ended December 31, 2012, the Company incurred acquisition costs of $2,740,000 related to the acquisition of Silvermex.

8. Operating earnings decreased by $33,263,000 or 24% to $106,567,000 for the year ended December 31, 2012, compared to operating earnings of $139,830,000 for the year ended December 31, 2011, due to decrease in mine operating earnings associated with lower silver prices and higher depletion, depreciation and amortization expense.

9. During the year ended December 31, 2012, investment and other income was $6,715,000 compared to investment loss of $1,030,000 in the prior year. Investment and other income for the year ended December 31, 2012 was primarily attributed to a $6,172,000 investment gain in silver futures, compared to a loss of $1,671,000 in silver futures in the prior year.

10. Finance costs for the year was $2,293,000, an increase of $1,030,000 or 82% compared to the prior year. The increase was primarily due to a $403,000 marked to market loss on the prepayment facility, which includes a derivative related to its fixed forward pricing on future lead and zinc deliveries. Finance costs were also $713,000 higher due to additional finance leases the Company entered into during the past two years.

11. During the year ended December 31, 2012, the Company recorded an income tax expense of $22,091,000 compared to $33,963,000 in 2011. The 35% decrease in income tax expense was attributed to 19% decrease in earnings before tax and a decrease in the effective tax rate to 20% for the year ended December 31, 2012, compared to 25% for 2011.

12. As a result of the foregoing, net earnings for the year ended December 31, 2012 was $88,898,000, or basic earnings per share of $0.80 compared to net earnings of $103,574,000 or $1.00 per common share for 2011.

SUMMARY OF QUARTERLY RESULTS

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

	2012				2011			
Financial Highlights	**Q4[1]**	**Q3[2]**	**Q2[3]**	**Q1[4]**	**Q4[5]**	**Q3[6]**	**Q2[7]**	**Q1[8]**
Revenue	$ 71,007	$ 63,581	$ 54,774	$ 57,815	$ 60,801	$ 61,407	$ 68,040	$ 55,266
Cost of sales	$ 23,686	$ 20,912	$ 18,456	$ 16,693	$ 16,383	$ 15,473	$ 18,112	$ 16,819
Depletion, depreciation and amortization	$ 7,861	$ 6,832	$ 5,259	$ 5,453	$ 6,035	$ 3,467	$ 3,134	$ 2,804
Mine operating earnings	$ 39,460	$ 35,837	$ 31,059	$ 35,669	$ 38,383	$ 42,467	$ 46,794	$ 35,643
Net earnings after tax	$ 22,350	$ 24,869	$ 15,321	$ 26,358	$ 21,339	$ 27,772	$ 30,593	$ 23,870
Basic earnings per share	$ 0.19	$ 0.22	$ 0.14	$ 0.25	$ 0.20	$ 0.27	$ 0.30	$ 0.24
Diluted earnings per share	$ 0.19	$ 0.21	$ 0.14	$ 0.24	$ 0.20	$ 0.26	$ 0.29	$ 0.23

Notes:

1. In the quarter ended December 31, 2012, mine operating earnings increased $3,623,000 or 10% compared to the quarter ended September 30, 2012, primarily attributed to 5% increase in production, partially offset by higher depletion, depreciation and amortization expense. Net earnings after tax decreased by $2,519,000 or 10% compared to the third quarter of 2012 due to a $6,017,000 decrease in investment income compared to the previous quarter.

2. In the quarter ended September 30, 2012, mine operating earnings increased $4,778,000 or 15% compared to the quarter ended June 30, 2012 primarily attributed to 16% increase in production, partially offset by higher depletion, depreciation and amortization expense. Net earnings after tax increased by $9,548,000 or 62% compared to the second quarter of 2012. The increase was due to increase in mine operating earnings and $9,016,000 increase in investment income compared to the second quarter of 2012.

3. In the quarter ended June 30, 2012, mine operating earnings decreased $4,610,000 or 13% compared to the quarter ended March 31, 2012. The decrease was primarily attributed to $3,041,000 or 5% decrease in revenue due to a 13% decrease in average revenue per ounce of silver sold, partially offset by 5% increase in production. Net earnings after tax decreased $11,037,000 compared to the prior quarter, primarily due to an investment loss of $3,627,000 during the quarter compared to an investment gain of $5,581,000 in the previous quarter. The investment loss was related to loss on silver futures and marketable securities during the current quarter.

4. In the quarter ended March 31, 2012, mine operating earnings decreased $2,714,000 or 7% compared to the quarter ended December 31, 2011. The decrease was primarily attributed to $2,986,000 or 5% decrease in revenue due to 2% less ounces of silver equivalents sold compared to the previous quarter. Net earnings after tax increased $5,019,000 compared to the prior quarter, primarily due to an investment income of $5,581,000 from a gain on silver futures and marketable securities during the current quarter and a lower effective tax rate due to the new global tax structure that the Company established in late 2011.

5. In the quarter ended December 31, 2011, mine operating earnings decreased by $4,084,000 or 10% compared to the quarter ended September 30, 2011. The decrease was primarily attributed to 18% decrease in average realized silver price per ounce and increase in depletion, depreciation and amortization expense related to higher mill throughput and commencement of depreciation for La Parrilla's flotation circuit after it was successfully commissioned on October 1, 2011. Net earnings after tax decreased from the prior quarter by $6,433,000 or 23% compared to the prior quarter, primarily due to an unrealized loss of $4,083,000 on silver futures.

6. In the quarter ended September 30, 2011, sales revenues decreased by $6,633,000 compared to the quarter ended June 30, 2011. The decrease was primarily attributed to 1% decrease in average realized silver price per ounce and 9% decrease in ounces of silver equivalents sold. Net earnings after taxes decreased by $2,821,000 or 9% in the quarter ended September 30, 2011 compared to the quarter ended June 30, 2011, primarily due to a loss of $1,504,000 on derivative instrument and a one-time cost of $0.7 million related to restructuring of the union labour agreement at the San Martin Silver Mine.

7. In the quarter ended June 30, 2011, sales revenues increased by $12,774,000 compared to the quarter ended March 31, 2011. The increase was primarily attributed to a 20% increase in average realized silver price per ounce. Net earnings after taxes increased by $6,723,000 or 28% in the quarter ended June 30, 2011 compared to the quarter ended March 31, 2011, primarily due to $11,151,000 increase in mine operating earnings, offset by a $1,775,000 increase in income taxes and lower investment income.

8. In the quarter ended March 31, 2011, sales revenues increased by $15,174,000 compared to the quarter ended December 31, 2010. The increase was primarily due to the 30% increase in silver price. Net earnings after taxes increased $10,216,000 or 75% in the quarter ended March 31, 2011, compared to the quarter ended December 31, 2010, primarily due to $11,659,000 increase in mine operating earnings.

LIQUIDITY

At December 31, 2012, the Company had cash and cash equivalents of $111.6 million and working capital of $115.7 million, compared to cash and cash equivalents of $91.2 million and working capital of $109.7 million at December 31, 2011. Cash and cash equivalents increased by $20.4 million during the year as a result of $136.2 million generated from operating activities, $50.0 million proceeds from prepayment facility, $11.4 million acquired as part of the acquisition of Silvermex and proceeds of $10.6 million from exercise of stock options, offset by $175.1 million invested in property, plant and equipment, and mineral property interests and $7.5 million in deposit on long-term assets.

During 2012, the Company expended $99.3 million on mineral properties and $75.8 million on property, plant and equipment on a cash basis compared to $44.3 million expended on mineral properties and $51.6 million expended on property, plant and equipment in 2011. The significant increase in capital expenditures is primarily related to the additional investments in the mill expansion at La Parrilla and the development of Del Toro.

Funds surplus to the Company's short-term operating needs are held with reputable institutions and 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.

With $111.6 million in cash and cash equivalents at December 31, 2012, the Company believes it has sufficient funds to meet current operating and capital requirements. During 2012, a total of $60.4 million has been spent for Del Toro's Phase 1 construction and an additional $11.2 million has been advanced towards Phase 2 and 3 of the Del Toro expansion plans. Capital expansions budgeted for 2013 include $56.1 million earmarked for Phases 1, 2 and 3 of the Del Toro capital project, inclusive of exploration and development costs, $14.0 million for San Martin, and $3.8 million for La Guitarra. In addition, the Company has budgeted further expenditures of $93.8 million on development and $24.5 million on exploration in aggregate on its various mines and properties. The majority of the spending on exploration and development is of a discretionary nature based on assumed silver prices and will be modified during the year based on actual realized silver prices. Should the Company adopt additional expansion plans or if the price of silver were to drop significantly, the Company may revise its spending on exploration and development depending on available cash flows from operations. As at the date the Board of Directors approved this MD&A, the Company had approximately $103.2 million in cash and cash equivalents in treasury.

MANAGEMENT OF RISKS AND UNCERTAINTIES

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

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to trade receivables in the ordinary course of business and value added tax ("VAT") and other receivables. The Company sells and receives payment upon delivery of its silver doré and byproducts primarily through three international organizations. Additionally, silver-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 60 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 VAT receivable of $13.9 million as at December 31, 2012 (2011 - $8.7 million), of which $0.6 million (2011 - $0.6 million) have been outstanding for more than one year. The Company is proceeding through a review process with Mexican tax authorities, but the Company expects to fully recover these amounts. In addition, as part of the acquisition of Silvermex (see "Acquisition of Silvermex Resources Inc."), the Company acquired $5.3 million in VAT receivables that were fully offset by a provision. The recoverability of these VAT receivables is pending outcome of various court trials with Mexican tax authorities.

The carrying amount of financial assets recorded in the consolidated 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 on an ongoing basis and to support its expansion plans. As at December 31, 2012, the Company has outstanding trade payables of $20.8 million (December 31, 2011 - $6.5 million) which are generally payable in 90 days or less and accrued liabilities of $16.5 million (December 31, 2011 - $15.9 million) which are generally payable within 12 months. The Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next 12 months.

The Company's liabilities and commitments have maturities which are summarized below:

	Payments Due By Period				
	Total	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Trade and other payables	$ 37,398	$ 37,398	$ -	$ -	$ -
Debt facilities	50,903	6,662	33,556	10,685	-
Finance lease obligations	25,465	10,233	13,514	1,718	-
Decommissioning liabilities	11,545	-	-	-	11,545
Purchase obligations and commitments (1)	19,601	19,601	-	-	-
Total Obligations	**$ 144,912**	**$ 73,894**	**$ 47,070**	**$ 12,403**	**$ 11,545**

(1) Purchase obligations and commitments primarily consist of committed purchase orders and contracts related to construction of the Del Toro Silver Mine.

Currency Risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include Canadian dollar and Mexican peso denominated assets and liabilities. The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the Canadian dollar and the Mexican peso against the U.S. dollar is included in the table below:

				December 31, 2012		December 31, 2011	
	Cash and cash equivalents	**Trade and other receivables**	**Trade and other payables**	**Net assets (liabilities) exposure**	**Effect of +/- 10% change in currency**	**Net assets (liabilities) exposure**	**Effect of +/- 10% change in currency**
Canadian dollar	$ 6,276	$ 752	$ (2,027)	$ 5,001	$ 500	$ 40,787	$ 4,079
Mexican peso	3,522	11,936	(22,695)	(7,237)	(724)	(7,433)	(549)
	$ 9,798	**$ 12,688**	**$ (24,722)**	**$ (2,236)**	**$ (224)**	**$ 33,354**	**$ 3,530**

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, zinc, lead and iron ore, which accounts for less than 10% of the Company's gross revenue. The Company's sales are directly dependent on commodity prices that have shown volatility and are beyond the Company's control. The Company has a forward sales agreement to sell a portion of the Company's zinc and lead production at a fixed price over a 36 months period commencing July 2013. The Company does not use derivative instruments to hedge its commodity price risk to silver.

As at December 31, 2012, a 10% increase or decrease of metal prices at December 31, 2012 would have the following impact on net earnings:

	December 31, 2012			
	Silver	**Lead**	**Zinc**	**Effect of +/- 10% change in metal prices**
Metals subject to provisional price adjustments	$ 706	$ 95	$ 24	$ 825
Prepayment facility	-	(2,821)	(2,725)	(5,546)
	$ 706	**$ (2,726)**	**$ (2,701)**	**$ (4,721)**

Political and Country Risk

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

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

Environmental and Health and Safety Risks

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

Claims and Legal Proceedings Risks

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to the Company. First Majestic carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, the Company may be involved in disputes with other parties in the future which may result in a significant impact on our financial condition, cash flow and results of operations.

ACQUISITION OF SILVERMEX RESOURCES INC.

On July 3, 2012, the Company completed the plan of arrangement (the "Arrangement") previously announced on April 3, 2012 to acquire all of the issued and outstanding common shares of Silvermex Resources Inc. ("Silvermex"). Shareholders of Silvermex received 0.0355 First Majestic shares and CAD$0.0001 for each share of Silvermex. Pursuant to closing of the Arrangement, First Majestic issued 9,451,641 common shares, 338,295 replacement warrants and $26,000 in cash for the acquisition. The total consideration was valued at $137.0 million (CAD$138.7 million) at the acquisition date. Total transaction costs for the Silvermex acquisition was $2.7 million which were expensed in the current year.

The acquisition strengthens First Majestic's position as one of the world's leading silver producers and adds the La Guitarra Silver Mine as the Company's fourth producing asset with additional growth potential. La Guitarra will further diversify production and cash flow across the Company's robust portfolio of producing mines and development projects in Mexico.

Total consideration for the acquisition and purchase price allocation, in accordance with IFRS 3, *Business Combinations*, are estimated as follows:

Consideration:		
9,451,641 First Majestic common shares	$	136,317
338,295 First Majestic replacement warrants		646
Cash paid (266.2 million Silvermex shares x CAD$0.0001 per share)		26
Total consideration	**$**	**136,989**
Allocation of purchase price		
Cash and cash equivalents	$	11,380
Inventories		3,145
Mining interests		118,287
Property, plant and equipment		10,827
Goodwill		24,591
Deposit on long-term assets		482
Other net working capital		(7,665)
Decommissioning liabilities		(1,954)
Deferred tax liabilities, net		(22,104)
	$	**136,989**

Goodwill of $24.6 million was recognized as a result of the requirement under IFRS to record deferred tax liability on the excess of the fair value of the acquired assets over their corresponding tax bases, with the corresponding offset recorded as goodwill.

Financial and operating results of Silvermex are included in the Company's consolidated financial statements effective July 3, 2012. During the year ended December 31, 2012, the acquisition of Silvermex contributed revenues of $5,291,000 and loss of $459,000 to the Company's net earnings.

Had the business combination been effected at January 1, 2012, revenues of the Company would have been $252,034,000 and earnings would have been $82,684,000 for the year ended December 31, 2012. Management considers these pro forma numbers to represent an approximate measure of the performance of the consolidated entity during the year.

In determining the pro forma revenue and net earnings had Silvermex been acquired at the beginning of the current year, management has:

- Calculated depletion of mining interests acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amount recognized in the pre- acquisition financial statements;
- Capitalized certain development and exploration drilling costs in conformity with First Majestic's accounting policies;
- Recognized the deferred income tax expense effect related to the above adjustments; and
- Excluded acquisition costs of the acquirer as a one-off transaction.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2012, the Company had no material off-balance sheet arrangements such as contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Company, other than contingent liabilities and vendor liability and interest, as disclosed in this MD&A and the audited consolidated financial statements and the related notes.

During 2011, the Company pledged certain properties of the San Martin Silver Mine as guarantees as part of the requirement for its tax appeal process with the Mexican tax authority (see note 29 of the audited consolidated financial statements and "Income Taxes" below).

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, 2012, there were no significant transactions with related parties outside of the ordinary course of business.

SUBSEQUENT EVENTS

Subsequent to December 31, 2012:

a) In December 2012, First Majestic entered into an arrangement agreement ("Orko Arrangement") with Orko Silver Corp. ("Orko") to acquire all of the issued and outstanding shares of Orko. On February 13, 2013, Orko declared that another company made a superior offer and, under the Orko Arrangement, First Majestic had five business days to match the superior offer. On February 19, 2013, First Majestic announced that it has elected not to match the superior offer. Upon the termination of the Orko Arrangement on February 20, 2013, First Majestic received an CAD$11.6 million termination fee from Orko;

b) 1,415,000 options were granted with a weighted average exercise price of CAD$20.91 and expire in five years from the grant date;

c) 210,400 options were exercised for gross proceeds of CAD$751,000; and

d) 17,500 options were cancelled.

Pursuant to the above subsequent events, the Company has 116,967,240 common shares outstanding as at the date on which these consolidated financial statements were approved and authorized for issue by the Board of Directors.

CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS as issued by IASB requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements are outlined as follows:

Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to Proven and Probable Reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Commencement of commercial production and production levels intended by management

Prior to reaching commercial production levels intended by management, costs incurred are capitalized as part of the costs of related mining properties and proceeds from mineral sales are offset against costs capitalized. Depletion of capitalized costs for mining properties begins when operating levels intended by management have been reached. Management considers several factors in determining when a mining property or mill expansion has reached the commercial production levels intended by management. The results of operations of the Company during the periods presented in these audited consolidated financial statements have been impacted by management's determination that the cyanidation and flotation plant at the La Parrilla mine were commissioned on March 1, 2012 and October 1, 2011, respectively.

Functional currency

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

Impairment of property, plant and equipment assets and mining interests

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

In determining the recoverable amounts of the Company's property, plant and equipment and mining interests, management makes estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's property, plant and equipment and/or mining interests.

Depreciation and amortization rate for property, plant and equipment and depletion rate for mineral interests

Depletion, depreciation and amortization expenses are allocated based on assumed asset lives. Should the asset life, depletion rate or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of income.

Estimated reclamation and closure costs

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

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

Mineral reserve estimates

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

Inventory valuation

Finished goods, work-in-process and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of silver contained in the stockpile ore, assumptions of the amount of silver that is expected to be recovered from the stockpile, the amount of silver in the mill circuits and assumption of the silver price expected to be realized when the silver is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

Valuation of share-based payments

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

Income taxes

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

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

Management executed a corporate restructuring for tax purposes 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 taxes on their cash earnings in Mexico. Management has reviewed its IETU obligations and its consolidated tax position at December 31, 2012, and management assessed whether the benefit from these tax losses is probable. 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 2014 to 2021. 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.

During 2011, Minera El Pilón, S.A. de C.V., a subsidiary of the Company, received tax assessments from the Mexican tax authority Servicio de Administracion Tributaria ("SAT") for fiscal years 2004 to 2007 relating to various tax treatments with a maximum potential remittance of approximately $5.8 million (75.7 million Mexican pesos). The tax reassessments for 2004 to 2006, totalling $2.5 million (32.3 million Mexican pesos) were pursued through tax court, pledged with certain properties of the San Martin mine as guarantees. In 2012, the Company successfully won 100% of its appeals for the 2004 and 2006 tax reassessments totalling $1.6 million (20.9 million Mexican pesos). Final resolution for the 2005 tax assessment of $0.9 million (11.4 million Mexican pesos) is expected in the first half of 2013. The Company is also currently defending the tax treatments amounting to $3.3 million (43.4 million Mexican pesos) related to the 2007 tax year regarding revenue and intercompany loan treatments via the administrative appeal process. The Company received a favourable resolution for the revenue treatment in February 2013, and SAT has cancelled $1.7 million (22.3 million Mexican pesos) of the 2007 reassessment claim. The remaining balance of $1.6 million (21.1 million Mexican pesos) regarding the treatment of intercompany loan is currently still in appeal and pending resolution through the Mexican tax courts. The Company believes it is probable that it will defend itself successfully in all claims and therefore has not recorded a provision for any potential tax exposure relating to these assessments.

During 2010, La Guitarra Compañía Minera, S.A. de C.V. (“La Guitarra”), a newly acquired subsidiary of the Company, had a tax re-assessment from SAT for the fiscal year 2003 relating to ineligible VAT refunds and tax treatment of intercompany loans with a maximum potential exposure of $3.2 million (40.8 million Mexican pesos). The Company has posted cash as collateral (“Restricted Cash”) for a bond held with SAT for $3.2 million (40.8 million Mexican pesos). During 2012, the Company received an initial judgment in favour of the Mexican tax authorities. This judgment is not considered a final legal ruling until the conclusion of the appeals mechanism. The Company has recorded a VAT payable of $3.2 million related to the tax assessment. Since the acquisition of La Guitarra in July 2012, First Majestic has filed each monthly VAT claim for the remainder of 2012, and has been pursuing a plan of filing all VAT refunds from 2007 to present day, which it believes will be completed by mid-2013. In January 2013, La Guitarra received its first VAT refund related to 2007 for $26,000 (338,000 Mexican Pesos).

During the second half of 2011, the Company established a global tax structure to take advantage of favourable tax rates in various jurisdictions. This global tax restructuring is anticipated to reduce the overall effective tax rate to approximately 20% annually and to remain at these rates provided the rates of the underlying jurisdictions do not change.

Due to the size, structure, complexity and nature of the Company’s operations, various 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 audited consolidated financial statements of the Company.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

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

- maintaining records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary for preparation of financial statements in accordance with IFRS;
- provide reasonable assurance that the Company’s receipts and expenditures are made only in accordance with authorizations of management and the Company’s Directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

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

There has been no material change in the Company's internal control over financial reporting during the year ended December 31, 2012 that has materially affected, or is reasonably likely to materially negatively affect, the Company's internal control over financial reporting. The Company completed the acquisition of Silvermex on July 3, 2013, and proceeded to integrate the operations and administration of Silvermex immediately thereafter. Although Silvermex is subject to the same controls as First Majestic regarding the consolidation and financial reporting of year end results, management excluded from its assessment the internal control over financial reporting at Silvermex, whose financial statements constitute 23% and 21% of net and total assets, respectively, 2% of revenues, and 1% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2012.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2012, the Company's internal control over financial reporting was effective and no material weaknesses were identified.

The effectiveness of the Company's internal control over financial reporting, as of December 31, 2012, has been audited by Deloitte LLP, Independent Registered Chartered Accountants, who also audited the Company's consolidated financial statements as of and for the year ended December 31, 2012, as stated in their report which appears on the Company's consolidated financial statements.

Limitations of Controls and Procedures

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

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; and
- the Company's audited consolidated financial statements for the year ended December 31, 2012.

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith Neumeyer, certify that:

1. I have reviewed this annual report on Form 40-F of First Majestic Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date March 28, 2013

/s/ Keith Neumeyer
Keith Neumeyer
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Raymond Polman, certify that:

1. I have reviewed this annual report on Form 40-F of First Majestic Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date March 28, 2013

/s/ Raymond Polman

Raymond Polman
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Keith Neumeyer, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the annual report on Form 40-F of First Majestic Silver Corp. for the year ended December 31, 2012 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Form 40-F fairly presents, in all material respects, the financial condition and results of operations of First Majestic Silver Corp.

Date: March 28, 2013

/s/ Keith Neumeyer
Keith Neumeyer
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Raymond Polman, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the annual report on Form 40-F of First Majestic Silver Corp. for the year ended December 31, 2012 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Form 40-F fairly presents, in all material respects, the financial condition and results of operations of First Majestic Silver Corp.

Date: March 28, 2013

/s/ Raymond Polman
Raymond Polman
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Runge Pincock Minarco

Runge, Inc. dba
RungePincockMinarco

165 S. Union Boulevard
Suite 950
Lakewood, Colorado 80228

CONSENT OF AUTHOR

March 28, 2013

VIA EDGAR
United States Securities and Exchange Commission

RE: FIRST MAJESTIC SILVER CORP.
Annual Report on Form 40-F
Consent of Expert

Dear Sirs/Mesdames:

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2012 (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, 2012.

I, Leonel López, C.P.G., of RungePincockMinarco, of 165 South Union Boulevard, Suite 950, Lakewood, Colorado 80228-2226 hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "Technical Reports").

- Technical Report for the San Martin Silver Mine, Jalisco State, Mexico dated January 15, 2009 as amended and restated on February 26, 2009;
- Technical Report for the Encantada Silver Mine, Coahuila State, México", dated January 12, 2009, as amended and restated on February 26, 2009;
- Technical Report for the La Parrilla Silver Mine, Durango State, México", dated September 8, 2011;
- NI 43-101 Technical Report for the Del Toro Silver Mine, Zacatecas State, México", dated August 20, 2012.

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.

Signature of Qualified Person

Leonel López, C.P.G.
Print name of Qualified Person

Runge Pincock Minarco

Runge, Inc. dba
RungePincockMinarco

165 S. Union Boulevard
Suite 950
Lakewood, Colorado 80228

CONSENT OF AUTHOR

March 28, 2013

VIA EDGAR
United States Securities and Exchange Commission

RE: FIRST MAJESTIC SILVER CORP.
Annual Report on Form 40-F
Consent of Expert

Dear Sirs/Mesdames:

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2012 (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, 2012.

I, Richard Addison, P.E., of RungePincockMinarco, of 165 South Union Boulevard, Suite 950, Lakewood, Colorado 80228-2226 hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "Technical Reports").

- Technical Report for the San Martin Silver Mine, Jalisco State, Mexico dated January 15, 2009 as amended and restated on February 26, 2009;
- Technical Report for the Encantada Silver Mine, Coahuila State, México", dated January 12, 2009, as amended and restated on February 26, 2009;
- Technical Report for the La Parrilla Silver Mine, Durango State, México", dated September 8, 2011.

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

R. Addison
Signature of Qualified Person

Richard Addison, P.E.
Print name of Qualified Person

March 28, 2013

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, 2012 (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, 2012.

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

March 28, 2013

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, 2012 (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, 2012.

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/ Carlos Wong
Carlos Wong, Ing., Ore Reserves Control Manager

CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the use of our reports dated February 25, 2013 relating to the consolidated financial statements of First Majestic Silver Corp. and subsidiaries ("First Majestic") and the effectiveness of First Majestic's internal control over financial reporting appearing in this Annual Report on Form 40-F of First Majestic for the year ended December 31, 2012.

/s/ Deloitte LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 28, 2013