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, 2013 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. **117,024,840**

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, 2013. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to: the continued operation of the mining operations from which the Company purchases silver, no material adverse change in the market price of commodities, that the mining operations will operate and the mining projects will be completed in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements and forward-looking information contained or incorporated by reference in this annual report 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 United States dollar and for the Mexican operations, the functional currency is the United States dollar. The financial statement presentation currency is the United States dollar. The revenues and expenses of our operations where incurred in currencies other than United States dollars are translated at the exchange rates in effect at the date of the underlying transactions. Differences arising from these foreign currency translations are recorded in other comprehensive income.

ANNUAL INFORMATION FORM

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

AUDITED ANNUAL FINANCIAL STATEMENTS

The Audited Financial Statements for the year ended December 31, 2013, including the report of the independent registered public accounting firm with respect thereto, is filed as Exhibit 99.2 to, and incorporated by reference in, this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis of results of operations and financial condition for the year ended December 31, 2013 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 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, 2013, based on the criteria set forth in Internal Control – Integrated Framework (1992) 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, 2013.

The Company's independent registered public accounting firm, Deloitte LLP, have audited the consolidated financial statements included in this annual report and have issued an attestation report dated February 25, 2014 on the Company's internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

The Company's independent registered public accounting firm have issued an attestation report on the Company's internal control over financial reporting as of December 31, 2013, included with the Audited Financial Statements for the year ended December 31, 2013, filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

Changes in Internal Control Over Financial Reporting

During the period covered by this annual report on Form 40-F, no change occurred in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the CEO and CFO, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

AUDIT COMMITTEE

Audit Committee

The Company's board of directors has a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Company's audit committee are identified on page 78 of the AIF, filed as Exhibit 99.1 and incorporated by reference herein. In the opinion of the Company's board of directors, all members of the audit committee are independent (as determined under Rule 10A-3 of the Exchange Act and the rules of the New York Stock Exchange) and are financially literate.

Audit Committee Financial Expert

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

CODE OF ETHICS

The Company has adopted a written Code of Ethical Conduct. A copy of this code is available on the Company's website at http://www.firstmajestic.com or to any person without charge, by written request addressed to: First Majestic Silver Corp., Attention: Corporate Secretary, Suite 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 public accounting firm for the financial year ended December 31, 2013. See page 79 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, 2013
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 Public Accounting Firm; • Consolidated Statements of (Loss) Earnings for the years ended December 31, 2013 and 2012; • Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2013 and 2012; • Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012; • Consolidated Statements of Financial Position as at December 31, 2013, and December 31, 2012; • Consolidated Statements of Changes in Equity for the years ended December 31, 2013 and 2012; • Notes to the consolidated financial statements for the years ended December 31, 2013 and 2012.
99.3.	Management's Discussion and Analysis for the year and fourth quarter ended December 31, 2013
99.4.	CEO Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5.	CFO Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6.	CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7.	CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8.	Consent of Leonel Lopez, Principal Geologist of Runge Pincock Minarco
99.9.	Consent of Richard Addison, Principal Process Engineer of Runge Pincock Minarco.
99.10.	Consent of Ramon Davila, Ing., Chief Operating Officer of First Majestic Silver Corp.
99.11.	Consent of Deloitte LLP, Independent Registered Public Accounting Firm

SIGNATURES

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

Date: March 27, 2014

FIRST MAJESTIC SILVER CORP.

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

Exhibit 99.1



ANNUAL INFORMATION FORM

For the year ended December 31, 2013

Date: March 27, 2014

TABLE OF CONTENTS

PRELIMINARY NOTES 1
- Date of Information 1
- Financial Information 1
- Forward-looking Information 1
- Cautionary Notes to U.S. Investors Concerning Reserve and Resource Estimates 2
- Currency and Exchange Rate Information 2

CORPORATE STRUCTURE 3
- Name, Address and Incorporation 3
- Intercorporate Relationships 3

GENERAL DEVELOPMENT OF THE BUSINESS 5
- History 5
- Past Three Years 5

DESCRIPTION OF BUSINESS 7
- General 7
- Principal Markets for Silver 7
- Risk Factors 8
- Mineral Projects 21
- Product Marketing and Sales 70
- Social and Environmental Policies 71
- Taxation 72

DIVIDENDS 73

CAPITAL STRUCTURE 74

MARKET FOR SECURITIES 74
- Trading Price and Volume 74

DIRECTORS AND OFFICERS 74
- Name, Occupation and Security Holding 74
- Cease Trade Orders, Bankruptcies, Penalties or Sanctions 77
- Conflicts of Interest 77

AUDIT COMMITTEE INFORMATION 78
- Audit Committee Mandate 78
- Composition of the Audit Committee 78
- Relevant Education and Experience 78
- Reliance on Certain Exemptions 78
- Audit Committee Oversight 78
- Pre-Approval Policy and Procedures 79
- External Auditor Service Fees 79

LEGAL PROCEEDINGS AND REGULATORY ACTIONS 79
- Legal Proceedings 79

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 80

TRANSFER AGENT AND REGISTRAR 80

MATERIAL CONTRACTS 80

INTERESTS OF EXPERTS 81

ADDITIONAL INFORMATION 81

APPENDIX “A” A-1

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, 2013.

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 plant improvements at the Company's operating mines and development of the Company's development projects, the timing of completion of exploration programs and preparation of technical reports, 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

This AIF has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. 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 the Company's mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of United States federal securities laws and the rules and regulations thereunder.

Currency and Exchange Rate Information

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

On March 26, 2014, the exchange rate of Canadian dollars into US dollars, being the noon exchange rate published by the Bank of Canada was $1.00 equals C$1.1143.

CORPORATE STRUCTURE

Name, Address and Incorporation

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

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

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

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

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

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

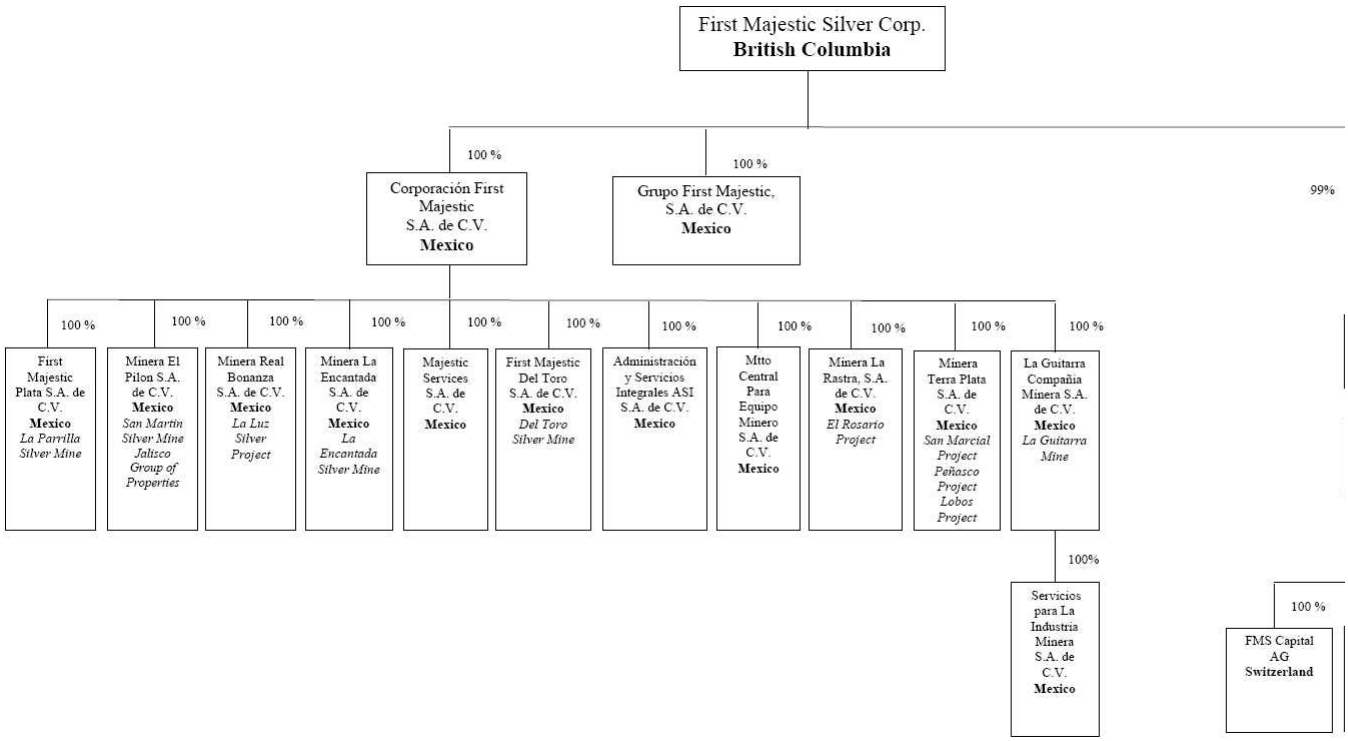
Since incorporation, First Majestic has undergone three name changes. The last name change occurred on November 22, 2006, when the Company adopted its current name.

The Company's head office is located at Suite 1805 – 925 W. Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2 and its registered office is located at #2600 – 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

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

Intercorporate Relationships

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


First Majestic Silver Corp.
British Columbia
100 %
Corporación First Majestic S.A. de C.V.
Mexico
100 %
Grupo First Majestic, S.A. de C.V.
Mexico
99%
100 %
First Majestic Plata S.A. de C.V.
Mexico
La Parrilla Silver Mine
100 %
Minera El Pilon S.A. de C.V.
Mexico
San Martin Silver Mine
Jalisco Group of Properties
100 %
Minera Real Bonanza S.A. de C.V.
Mexico
La Luz Silver Project
100 %
Minera La Encantada S.A. de C.V.
Mexico
La Encantada Silver Mine
100 %
Majestic Services S.A. de C.V.
Mexico
100 %
First Majestic Del Toro S.A. de C.V.
Mexico
Del Toro Silver Mine
100 %
Administración y Servicios Integrales ASI S.A. de C.V.
Mexico
100 %
Mtto Central Para Equipo Minero S.A. de C.V.
Mexico
100 %
Minera La Rastra, S.A. de C.V.
Mexico
El Rosario Project
100 %
Minera Terra Plata S.A. de C.V.
Mexico
San Marcial Project
Peñasco Project
Lobos Project
100 %
La Guitarra Compañia Minera S.A. de C.V.
Mexico
La Guitarra Mine
100%
Servicios para La Industria Minera S.A. de C.V.
Mexico
100 %
FMS Capital AG
Switzerland

GENERAL DEVELOPMENT OF THE BUSINESS

History

Since inception in 2003, First Majestic has been in the business of acquiring, exploring and developing silver properties and producing silver from its mines and mineral properties located in 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 four exploration 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 March 27, 2014, 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 117,368,624 common shares, and has raised and/or issued total capital of $429.4 million.

Past Three Years

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 Company's Jalisco Project located in Jalisco State, México. The Optionee issued 10,000,000 common shares 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 1,000 tonnes per day ("tpd") flotation circuit at the La Parrilla Silver Mine commenced operations and was commissioned as commercially producing on October 1, 2011. Construction of the 1,000 tpd cyanidation circuit was completed and began commissioning in January 2012 and achieved commercial production 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 in cash 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 had 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, being the stage at which a development capital project achieves a normal level of production, for the 1,000 tpd flotation circuit was achieved on April 1, 2013. Phase 2 expansion included the addition of a 1,000 tpd cyanidation circuit at Del Toro allowing for the production of silver doré bars. Commissioning of the cyanidation circuit commenced on October 20, 2013 and initial production of silver doré bars began on November 20, 2013. Effective January 1, 2014, the cyanidation circuit was deemed commercial having reached commercial operating levels. To conserve capital in a reduced silver price environment, management changed its capital investment and production plan for the Del Toro mine. With some minor plant and process modifications, the Company is planning to accelerate the ramp up of the cyanidation circuit to 2,000 tpd in early 2014 and further ramping up to 2,200 tpd by the end of 2014; however, the Company plans to reduce the flotation circuit production level from 1,000 tpd to approximately 550 tpd during 2014.

In March 2013, the 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. The Share Repurchase was renewed in March 2014. Pursuant to the renewed Share Repurchase, the Company may repurchase up to 5,865,931 common shares of the Company which represents 5% of the 117,318,612 issued and outstanding shares of the Company as of March 4, 2014. As of December 31, 2013, the Company had repurchased and cancelled 215,000 shares under the Share Repurchase for a total consideration of $2.4 million.

The expansion that commenced at the La Guitarra Silver Mine in November 2012 was completed in May 2013. The processing plant's capacity increased by 40% to 500 tpd from 350 tpd and commercial production reached 500 tpd in May 2013. The construction of the new circuit was completed on budget and has been operating since April 24, 2013, without disrupting operations in the old 350 tpd circuit. This new circuit, resulting from the installation of a new ball mill and new flotation cells, is anticipated to produce approximately 1.2 million ounces of silver equivalent annually, representing over one million ounces of pure silver plus a modest amount of gold.

The next proposed planned plant improvements include an enclosed reactor for leaching of the silver-gold concentrates. This proposed new leaching circuit would allow for the concentrates to be transformed into precipitates and then into silver doré bars on site at the La Guitarra Silver Mine, and is expected to significantly reduce smelting/refining charges as well as transportation costs. Planning is underway for this additional mill upgrade to 1,000 tpd and the permitting is expected to conclude in late 2014. The installation of this reactor is planned to be completed in 2015 which management anticipates will further improve the economics of the La Guitarra mine.

The San Martin mill expansion from 900 tpd to 1,200 tpd was completed during the fourth quarter of 2013. The expansion of the processing plant was completed in late December with the final installation of a new and larger 9.5' x 12' ball mill to replace the older 8.5' x 12' ball mill. The larger ball mill is expected to be more reliable thus making the plant more capable of reaching planned capacity of 1,300 tpd during the first quarter of 2014.

DESCRIPTION OF BUSINESS

General

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

The Company owns and operates 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 México 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 Potosí State, and the Plomosas Silver Project in Sinaloa State; as well as four exploration 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, 2013, the Company had 18 employees based in its Vancouver corporate office, 162 employees in its Durango offices, four employees in Switzerland, two employees in The Netherlands and approximately 3,951 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 83% of its revenue in 2013 and 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. In 2013, First Majestic achieved senior producer status by exceeding the production threshold of 10 million ounces of pure silver. Other producers in the senior category include Pan American Silver Corporation, Coeur Mining Inc. and Fresnillo plc.

The Company also maintains an e-commerce website from which it sells approximately 1% 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 the Company's business which is the acquisition, financing, exploration, development and operation of mining properties, and investors should carefully consider all of the information disclosed in this AIF prior to making an investment in the Company. 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

The Company's revenue is primarily dependent on the sale of silver and movements in the spot price of silver have a direct and immediate impact on the Company's income 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 accounted for approximately 17% of the Company's gross revenue in 2013. The Company's sales are directly dependent on commodity prices that have shown volatility and are beyond the Company's control. 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 supply and demand, consumption patterns, speculative market activities, worldwide production and inventory levels and sales programs by central banks. 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 and future price declines could cause any future development of and commercial production from the Company's properties to be impracticable. Depending on the price of silver, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue any development and may lose its investment in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on silver prices that are adequate to make these properties economic.

Furthermore, reserve calculations and life-of-mine (LOM) plans using significantly lower silver prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges.

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

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 36 month period beginning in July 2013. In July 2013, the Company purchased call options on lead and zinc futures equivalent to remaining production to be delivered under the terms of the forward sales agreement. The call options were purchased to mitigate potential exposure to future price increases in lead and zinc. 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.

Although metal prices declined significantly in 2013, the relative strength of metal prices for several years preceding 2013 led to increased mining exploration, development and construction activities around the world, which in turn resulted in increased demand for, and cost of, exploration, development and construction services and equipment. Future increases in metal prices may lead to renewed increases in demand for services and equipment which could result in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability and may cause 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;
- performance issues with respect to mechanical equipment
- 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.

Although the Company has multimodal insurance policies, which cover (i) material damage to buildings, including by earthquakes; (ii) material damage to content, including by earthquakes; (iii) loss and consequential damages (including removal, utilities, fixed costs, wages and extraordinary expenses); and (iv) responsibility, such insurance might not cover all the potential risks associated with its operations, 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, as the Company's mineral Reserves and mineral Resources are calculated on the basis of economic factors (including metal prices) then in effect the quantity of mineral Reserves and mineral Resources may vary as a result of changes in such economic factors including 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. 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 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 and feasibility study 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 mineral 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, non-governmental organization ("**NGO**") and governmental or other community or indigenous interference in the maintenance or provision of such infrastructure could adversely affect the Company's business, operations and profitability.

Allocation of Capital - Sustaining and Expansionary Capital

The Company has budgeted approximately $106 million for 2014 towards sustaining and expansionary capital towards property, plant and equipment, mine development and exploration. Sustaining capital consists of capital expenditures required to maintain current operations. Expansionary capital is earmarked for growth projects to expand current operations. A total of $61 million has been earmarked for sustaining capital and $45 million has been planned for expansionary capital. Pending various risk factors such as revised management strategic planning or metal price declines and other external economic conditions, the Company may alter its allocation of capital. 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 cost 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", above, 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;
- changes in the regulatory environment with respect to planning and construction.
- the introduction of new property or capital taxes; and
- significant fluctuations in the exchange rates for certain 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; and 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 mineral 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 mineral Reserves which can be mined economically.

The economic feasibility of development projects is based upon many factors, including the accuracy of mineral 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 mineral 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 Company does not have an accurate LOM estimate for the La Guitarra Silver Mine and the LOM estimates for the Company's other 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 income and its mining, exploration and development projects could be adversely affected by amendments to such laws and regulations, by future laws and regulations, by more stringent enforcement of current laws and regulations, by changes in the policies of México and Canada affecting foreign trade, investment, mining and repatriation of financial assets, by shifts in political attitudes in México and by exchange controls and currency fluctuations. The effect, if any, of these factors cannot be accurately predicted. Further, there can be no assurance that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

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

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, 2013, 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 $12,096,000, which has been discounted using credit adjusted risk free rates ranging from 6.8% to 7.9%, of which $3,093,000 of the reclamation obligations relates to the La Encantada Silver Mine, $1,858,000 of the obligation relates to the La Parrilla Silver Mine, $1,713,000 relates to the San Martin Silver Mine, $1,892,000 relates to the La Guitarra Silver Mine, $2,809,000 relates to the Del Toro Silver Mine and $731,000 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 and equity markets may make it difficult or impossible for the Company to obtain further financing on favourable terms or at all.

As at December 31, 2013, the Company had approximately $54,765,000 of cash in its treasury. As a result of the Company's ability to earn cash flow from its ongoing operations, the Company expects to have sufficient capital to support its current operating requirements 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 due to currency fluctuations include: Mexican peso denominated cash and cash equivalents, short term investments, accounts receivable and value added taxes (VAT) receivable, and 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. Mining laws in Mexico are developing and changes in such laws could materially impact the Company's rights to its various properties or interests therein.

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

In México legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands; 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 influenced by supply and demand trends and affected by other factors that are beyond the Company's control. Increases in the price for such commodities could materially adversely affect the Company's results of operations and financial condition.

Competition

The mining industry is highly competitive in all its phases. The Company competes with a number of companies which are more mature or in later stages of production and 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 México. As a result, the Company may from time to time acquire additional mineral properties or securities of issuers which hold mineral properties. In pursuit of such opportunities, the Company may fail to select appropriate 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 and Health and Safety Regulation

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

Environmental laws and regulations are complex and have tended to become more stringent over time. The Company is required to obtain governmental permits and in some instances air, water quality, and mine reclamation rules and permits. The Company has complied with environmental taxes applied to the use of certain fossil fuels according to the Kyoto Protocol. Although the Company makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its future obligations for these costs. Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. 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.

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.

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

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

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

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 brokerage organizations. Additionally, silver-lead and related base metal byproducts are sold primarily through one international organization with a good credit rating. Payments of receivables are scheduled, routine and received normally within sixty days of submission; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is not significant. 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 its expansion plans. As at December 31, 2013, the Company has outstanding trade payables of $20.9 million which are generally payable in 90 days or less and accrued liabilities of $13.6 million which are generally payable within 12 months. The Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months.

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, 2013, the Company's exposure to interest-bearing liabilities is limited to its prepayment facility and finance leases.

Based on the Company's interest rate exposure at December 31, 2013, 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 México. 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.

Violence and other Criminal Activities in Mexico

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

In 2012, a number of small final assay differences were detected in ore from one of the Company's mines beginning in April and continuing through November. 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, 2012 and to make changes to attempt to limit further losses. Upon conclusion of the investigation, a police report was filed regarding thefts from the deliveries in September to November, 2012, and it was concluded that concentrates were being stolen from shipments in transit and replaced with inert material. The Company believes that those responsible have been arrested and face criminal charges. In total, losses on final assaying and concentrate in transit thefts amounted to approximately 129,000 ounces during 2012. The thefts that were proven from September to November, 2012 amounted to 47,346 silver ounces. The net impact of all assay shortfalls during the year reduced total revenues by an estimated $3.9 million, of which $1.4 million was mitigated with an insurance claim refund in 2013. As a result of these thefts, the Company has revised its assaying protocols and enhanced its security procedures in an effort to reduce the chance of such events in the future, however, there can be no guarantee that such revised protocols and procedures will be effective at preventing future occurrences. If similar events occur in the future, there could be a significant impact on the Company's production of silver and on its gross and net revenues. Any such losses may not be covered completely or at all by the Company's insurance policies.

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

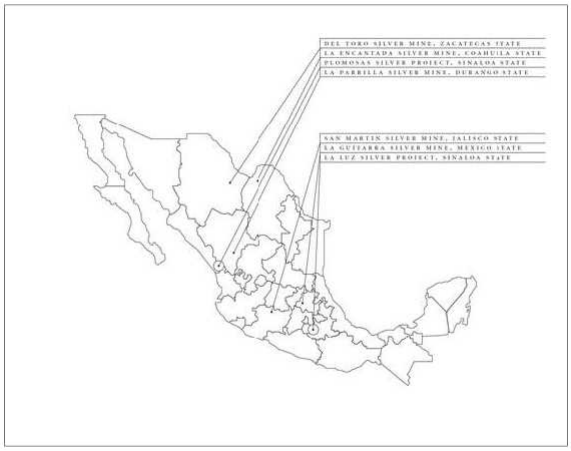
The Company documented and tested during its most recent fiscal year its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes Oxley Act (" **SOX**"). SOX requires an annual assessment by management and an independent assessment by the Company's independent auditors 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. Production estimates and throughputs for operating mines are quoted as tonnes per day related to the "tpd capacity" of the mine. "Production estimates" and "throughput averages" must consider that each mine has an average of two days of maintenance per month. "Annual estimates" of production should consider on average 330 operating days per calendar year for each of the operating mines. In 2014, the Company will be reporting average throughput based on 365 calendar days. In 2013, the Company reported total mill capacity at each of the mines. To convert from capacity to estimated average throughput, multiply capacity by 330 divided by 365.

The following map of Mexico indicates the locations of each of the Company's properties:



Summary of Reserves and Resources

The Reserves and Resources reported herein represent the most updated revision completed by First Majestic. Readers are cautioned against relying on such reports and upon the Resource and Reserve calculations therein. The following three tables illustrate the Company's Reserves and Resources as of December 31, 2013. In general, the tonnage for Mineral Reserves for the individual mines have decreased due to depletion and reclassification of Reserves into Measured and Indicated Resources in response to lower metal prices that were assumed in the present estimate with respect to the 2012 estimate; i.e. lower metal prices than the 3 years average impacted the cut-off grade which caused a reduction in size of some ore blocks or caused some reclassification of ore blocks into lower categories. Lower than three year average metal prices were assumed in order to be consistent with the current metal prices scenario. Therefore the consolidated Mineral Reserves for First Majestic have increased 4% due to the incorporation in the reserve base of Del Toro. Tonnage for the consolidated Measured and Indicated Resources have decreased 19% due to reclassification of Measured and Indicated resources into Reserves for Del Toro and the lower metal prices which impacted the calculated cut-off grade causing some mineral blocks to decrease in size or being reclassified as Inferred Resources. Tonnage for the consolidated Inferred Mineral Resources increased 8% due to reclassification of some of the Indicated Resources into Inferred Resources due to the lower metal price assumptions

TABLE 1
Proven and Probable Reserves for the operating mines as of December 31, 2013 (based on internal Qualified Person results based on revised best estimates of metal price assumptions at the time of the AIF, not based on 36 month average metal prices at December 31, 2013.

PROVEN AND PROBABLE RESERVES 2013

Mine/Project	Category	Mineral type	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz)
LA ENCANTADA	Proven (UG)	Oxides	1,023,409	316	-	2.9	1.6	10,410,996	10,410,996
	Proven (tailings)	Oxides	5,304,946	105	-	0.6	0.2	17,903,993	17,903,993
	Probable (UG)	Oxides	1,030,341	269	-	2.6	1.2	8,916,063	8,916,063
	Total Proven & Probable (UG)	Oxides	7,358,696	157	-	1.2	0.5	37,231,053	37,231,053
LA PARRILLA	Proven (UG)	Oxides	417,722	192	0.06	0.4	0.2	2,574,698	2,620,763
	Proven (OP)	Oxides	533,799	63	0.06	-	-	1,081,207	1,140,073
	Probable (UG)	Oxides	1,105,650	190	0.06	0.5	0.5	6,751,587	6,873,515
	Total Proven & Probable (UG)	Oxides	2,057,170	157	0.06	0.3	0.3	10,407,492	10,634,351
	Proven (UG)	Sulphides	660,333	207	-	2.7	2.5	4,403,326	7,320,761
	Probable (UG)	Sulphides	1,474,118	176	-	1.6	2.8	8,326,819	13,771,114
	Total Proven & Probable (UG)	Sulphides	2,134,451	186	-	1.9	2.7	12,730,145	21,091,875
	Total Proven & Probable (UG)	Oxides + Sulphides	4,191,621	172	0.03	1.2	1.5	23,137,637	31,726,226
SAN MARTIN	Proven (UG)	Oxides	1,328,098	195	0.19	-	-	8,330,574	8,795,400
	Probable (UG)	Oxides	2,506,767	175	0.19	-	-	14,102,450	14,979,801
	Total Proven & Probable (UG)	Oxides	3,834,866	182	0.19	-	-	22,433,025	23,775,201
DEL TORO	Proven (UG)	Oxides	788,673	153	0.01	2.3	2.2	3,873,145	3,894,579
	Probable (UG)	Oxides	363,158	134	0.00	1.9	2.0	1,559,124	1,562,493
	Total Proven & Probable (UG)	Oxides	1,151,831	147	0.01	2.2	2.2	5,432,269	5,457,072
	Proven (UG)	Sulphides	1,132,390	180	0.00	3.2	3.0	6,537,571	12,547,372
	Probable (UG)	Sulphides	1,757,932	245	0.23	4.4	4.6	13,855,578	27,997,288
	Total Proven & Probable (UG)	Sulphides	2,890,322	219	0.14	3.9	4.0	20,393,149	40,544,659
	Total Proven & Probable (UG)	Oxides + Sulphides	4,042,153	199	0.10	3.4	3.5	25,825,417	46,001,731
	Total Proven and Probable reserves	Oxides + Sulphides	19,427,336	174	0.06	1.4	1.2	108,627,132	138,734,210

(1) In all cases, the metal prices considered were $24.00 USD/Oz – Ag, $1,400.00 USD/Oz – Au, $0.95 USD/lb – Pb, and $0.90 USD/lb – Zn.
(2) 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.
(3) The Reserve and Resources information provided above is based on internal qualified persons' (QPs) reporting as at December 31, 2013. The information provided was reviewed and validated by the Company's internal QP Mr. Ramon Davila, who has the appropriate relevant qualifications, and experience in mining and resource geology.
(4) The modification factors for Reserves and Resources are different, and are different for all mines.

TABLE 2
Measured and Indicated Resources for the operating mines and projects as of December 31, 2013 (based on internal Qualified Person results)

MEASURED AND INDICATED RESOURCES 2013									
Mine/project	Category	Mineral type	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz) in situ
LA ENCANTADA	Measured (UG)	Oxides	1,380,065	199	-	1.6	3.3	8,830,896	8,830,896
	Indicated (UG)	Oxides	1,805,358	225	-	1.6	5.3	13,032,801	13,032,801
	Total Measured & Indicated (UG)	Oxides	3,185,423	213	-	1.6	4.4	21,863,698	21,863,698
LA PARRILLA	Measured (UG)	Oxides	78,039	164	0.06	0.5	0.0	411,576	420,182
	indicated (UG)	Oxides	448,084	163	0.06	0.5	0.3	2,354,795	2,404,209
	indicated (OP)	Oxides	608,203	88	0.06	-	-	1,712,576	1,779,647
	Total Measured & Indicated (UG & OP)	Oxides	1,134,326	123	0.06	0.2	0.1	4,478,948	4,604,038
	Measured (UG)	Sulphides	262,831	191	-	1.2	0.7	1,614,844	2,046,756
	Indicated (UG)	Sulphides	313,417	181	-	1.7	1.9	1,821,572	2,775,774
	Total Measured & Indicated (UG)	Sulphides	576,248	185	-	1.5	1.4	3,436,416	4,822,530
	Total Measured & Indicated (UG & OP)	Oxides + Sulphides	1,710,574	144	0.04	0.6	0.5	7,915,364	9,426,568
SAN MARTIN	Indicated (UG)	Oxides	475,399	158	0.19	-	-	2,411,853	2,578,240
	Measured & Indicated (UG)	Sulphides	741,387	60	-	0.7	1.5	1,426,856	2,753,917
	Total Measured & Indicated (UG)	Oxides + Sulphides	1,216,786	98	0.07	0.4	0.9	3,838,709	5,332,156
DEL TORO	Measured (UG)	Oxides	631,191	142	0.00	1.3	1.5	2,883,228	2,887,098
	Indicated (UG)	Oxides	808,295	157	0.04	1.9	1.4	4,076,180	4,134,962
	Total Measured & Indicated (UG)	Oxides	1,439,486	150	0.02	1.6	1.4	6,959,408	7,022,059
	Measured (UG)	Sulphides	169,994	207	0.01	3.3	2.1	1,131,518	1,920,105
	Indicated (UG)	Sulphides	672,288	165	0.04	3.7	2.0	3,557,624	6,886,611
	Total Measured & Indicated (UG)	Sulphides	842,282	173	0.03	3.6	2.0	4,689,142	8,806,715
	Total Measured & Indicated (UG)	Oxides + Sulphides	2,281,768	159	0.03	2.4	1.6	11,648,550	15,828,775
LA LUZ	Measured & Indicated (UG)	Oxides	2,656,428	222	-	-	-	18,960,160	18,960,160
	Measured & Indicated (UG)	Oxides (tailings)	1,403,233	90	-	-	-	4,060,348	4,060,348
	Measured & Indicated (UG)	Sulphides	1,052,170	316	-	-	-	10,689,662	10,689,662
	Total Measured & Indicated (UG)	Oxides + Sulphides	5,111,831	205	-	-	-	33,710,170	33,710,170
PEÑASCO QUEMADO	Total Measured & Indicated (UG)	Oxides	2,565,000	117	-	-	-	9,648,598	9,648,598
LA FRAZADA	Total Measured & Indicated (UG)	Sulphides	583,000	251	0.17	0.9	2.4	4,695,342	6,499,887
	Total Measured and Indicated Resources	Oxides + Sulphides	16,654,381	174	0.02	0.8	1.3	93,320,430	102,309,851

(1) In all cases, the metal prices considered were $24.00 USD/Oz – Ag, $1,400.00 USD/Oz – Au, $0.95 USD/lb – Pb, and $0.90 USD/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 Ag eq. 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' (QPs) reporting as at December 31, 2013. The information provided was reviewed and validated by the Company's internal QP Mr. Ramon Davila, who has the appropriate relevant qualifications, and experience in mining and resource geology.
(5) The modification factors for Reserves and Resources are different, and are different for all mines.

TABLE 3
Inferred Resources for the operating mines and projects as of December 31, 2013 (based on internal Qualified Person results)

INFERRED RESOURCES 2013

Mine/Project	Category	Mineral type	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz) in situ
LA ENCANTADA	Total Inferred (UG)	Oxides + Sulphides	4,348,724	156	-	1.1	1.5	21,822,446	21,822,446
	Inferred (UG)	Oxides	4,928,449	178	0.06	0.4	0.3	28,251,697	28,795,192
LA PARRILLA	Inferred (UG)	Sulphides	8,325,556	168	-	1.9	2.3	45,094,192	74,162,354
	Total Inferred (UG)	Oxides + Sulphides	13,254,005	172	0.02	1.3	1.5	73,345,889	102,957,546
	Inferred (UG)	Oxides	10,010,526	172	0.19	-	-	55,316,021	58,819,635
SAN MARTIN	Inferred (UG)	Sulphides	993,661	54	-	0.7	1.6	1,722,204	3,622,607
	Total Inferred (UG)	Oxides + Sulphides	11,004,187	161	0.17	0.1	0.1	57,038,225	62,442,241
	Inferred (UG)	Oxides	1,602,922	167	0.04	2.4	2.1	8,589,178	8,701,325
DEL TORO	Inferred (UG)	Sulphides	5,283,964	174	0.12	3.5	5.4	29,500,830	70,594,560
	Total Inferred (UG & Zn body)	Oxides + Sulphides	6,886,886	172	0.10	3.3	4.6	38,090,008	79,295,885
LA LUZ	Total Inferred (UG)	Oxides + Sulphides	1,854,964	220	-	-	-	13,120,462	13,120,462
PEÑASCO QUEMADO	Total Inferred (UG)	Oxides	100,000	41	-	-	-	131,818	131,818
LA FRAZADA	Total Inferred (UG)	Sulphides	534,000	225	0.17	0.9	2.6	3,862,911	5,618,554
	Total Inferred Resources	Oxides + Sulphides	37,982,766	170	0.08	1.2	1.6	207,411,760	285,388,953
DEL TORO	Other (Inferred Zn body)	Sulphides	4,181,904	7	0.01	0.2	3.1	991,969	12,522,062
PLOMOSAS	Historic reserves (UG)	Sulphides	895,512	191	0.80	2.1	3.4	5,499,152	11,001,048

(1) In all cases, the metal prices considered were $24.00 USD/Oz – Ag, $1,400.00 USD/Oz – Au, $0.95 USD/lb – Pb, and $0.90 USD/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 Ag eq. 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' (QPs) reporting as at December 31, 2013. The information provided was reviewed and validated by the Company's internal QP Mr. Ramon Davila, who has the appropriate relevant qualifications, and experience in mining and resource geology.
(5) The modification factors for Reserves and Resources are different, and are different for all mines.

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. of Runge Pincock Minarco, formerly called Pincock Allen & Holt (" **RPM**"), as the independent Qualified Person for the Company. The Company is currently working on reserve and resource estimates for the preparation of updated Technical Reports for La Encantada, La Parrilla, and La Guitarra mines.

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 December 31, 2012; and
- Del Toro on August 20, 2012.

The following table shows the total tonnage mined from each of the Company's five producing properties during 2013, including total ounces of silver and silver equivalent ounces produced from each property and the tonnage mined from delineated Reserves and Resources at each property. The Del Toro mine reached commercial silver production in flotation in April 1, 2013 and cyanidation reached commercial production in January 1, 2014.

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 4
2013 Production

	LA ENCANTADA	LA PARRILLA	DEL TORO	SAN MARTIN	LA GUITARRA	TOTAL
TONNES OF ORE PROCESSED	1,139,241	788,335	319,861	322,618	171,662	2,741,717
OZ OF SILVER PRODUCED	4,081,094	3,115,997	1,484,598	1,250,774	709,002	10,641,465
OZ OF SILVER EQ. PRODUCED	81,440	1,103,377	452,538	120,116	392,591	2,150,062
TOTAL OZ OF SILVER EQ. PRODUCED	4,162,534	4,219,374	1,937,136	1,370,890	1,101,593	12,791,527
TONNES MINED FROM RESERVES	954,864	740,726	319,861	255,171	152,487	2,423,109
TONNES MINED FROM OUTSIDE RESERVES	184,378	47,609	0	67,447	19,175	318,609

La Encantada Silver Mine, Coahuila State, 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 RPM and dated January 12, 2009, as amended and restated on February 26, 2009 (the "**La Encantada Technical Report**"). Messrs. Addison and 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 who is a Qualified Person for the purposes of NI 43-101. The Company is currently carrying on infill drilling for the preparation of an updated resource estimate and NI 43-101 compliant Technical Report. Infill drilling and resource estimate works are being carried on by a team of nine exploration geologists, two of them senior, one drafter and two sampling crews.

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 tpd cyanidation plant and a 1,000 tpd flotation plant (currently in care-and-maintenance except for the crushing and grinding areas which remain in operation).

La Encantada consists of 22 mining concessions, which provide mineral rights over an area of 4,076 hectares (10,072 acres). One of the concessions, La Encantada claim, which provide mineral rights over an area of 70 hectares, expires in 2015 but the Company has submitted the application for extension of the rights for an additional 50 year period. The rights of the rest of the concessions expire after 2030 but they can also be extended for an additional 50 year period beyond 2030.

Accessibility, Infrastructure, Climate, Local Resources and Physiography

La Encantada is located in the north western portion of the State of Coahuila, in northern Mexico in the municipality of Ocampo, approximately 120 kilometres from the city of Múzquiz and approximately 120 kilometres from the city of Ocampo. The mine is located in the northern part of the Sierra Madre Oriental physiographic province where the elevations vary from 1,000 metres above sea-level on the lower valleys to over 3,500 metres above sea-level in the highest ranges. Mountain ranges in the area are generally oriented north-west. La Encantada lies within a region of desert climate with meteoric water precipitation ranging between 10 millimetres and 20 millimetres per year.

Access to the mine is primarily by charter airplane from Durango city (about 2:00 hours flying time), or from Torreón city (about 1:15 hours flying time). The Company operates its own private airstrip at 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.

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 consists of 180 houses for accommodation of employees, offices, warehouses, recreational club, restaurants, three guest houses, school, church, hospital, water wells and air strip.

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

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 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**"). Desmin operated the mine and processing plant at a 25 percent capacity until November 1, 2006 when First Majestic purchased all of the outstanding shares of Desmin. Subsequently First Majestic reached an agreement to acquire all of the outstanding shares of Minera La Encantada from Peñoles. The terms of the agreement between First Majestic and Peñoles included royalty payments to Peñoles of up to 11 percent on the net smelter return, except for production from the concessions of San Javier and Las Rositas. First Majestic purchased the royalty from Peñoles in 2007. First Majestic is now the sole owner of La Encantada Silver Mine and all its assets, including mineral rights, surface rights position, water rights, processing plant and ancillary facilities.

Geological Setting

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

(a) Regional Geology

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

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

The Cupido Formation (Hauterivian to Barremian, Lower Cretaceous age) has been identified in the lower parts of La Encantada 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.

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

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

(b) Deposit Geology

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

The main sedimentary formations and intrusive rocks recognized at La Encantada are the Cupido, La Peña and Aurora formations, strongly altered dikes of apparent basaltic composition, and coarse-grained dikes and stocks of dioritic, granodioritic and rhyolitic composition.

The physical (brittle) and chemical (reactive) characteristics of the Aurora Formation favoured the deposition of mineralization in the form of veins, stockworks and breccias. The localization of veins, stockworks and breccias appears to be controlled by the intersection of NE trending and NW trending subsidiary faults. In terms of volume, the most important mineral deposits that occur at La Encantada are mineralized tectonic breccias and breccia pipes.

Skarn, hornfels and marble are developed at depth at the contact with the main stocks (Skarn dome and Milagros areas) and often contain sulphides mineralization.

Mineralization

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

Oxidized mineral deposits consist of unconsolidated massive concentrations of oxides that include hematite, goethite, manganese oxides, zinc oxides, sulfates (jarosite and cerussite) and carbonates. Silver and lead represent the main economic minerals within the oxidized deposits at La Encantada. Silver mineralization occurs in the form of acanthite and native silver. Lead mineralization is present in the form of carbonates (cerussite) and sulfates (anglesite). Mineral deposition at La Encantada is recognized in a vertical extent of about 435 metres; 1,600 metres to 2,035 metres above sea-level. Primary sulphides generally occur below the 1,600 metres elevation, at the skarn dome area (La Prieta) and Milagros area. Sulphide mineralization consists primarily of sphalerite, galena and pyrite. According to historical records from Peñoles, typical grades in the oxidized deposits are of 400 grams per tonne (“g/t”) Ag, 5% Pb, and 20% Fe. In some high grade parts of La Encantada deposits, the mineralization may reach grades of over 1,000 g/t Ag, 20% Pb and 30% Fe. Primary sulphides at the Milagros stockwork zone show typical grades of 4.5% Zn, 1.0% Pb and 50 g/t Ag.

Exploration and Drilling

The La Encantada property has been the subject of exploration programs since its discovery in the 1950s, by prospectors in the early stages and by Peñoles from the late 1960s to 2003. Current exploration programs at La Encantada consist of diamond drilling and direct underground development which has proven to be the most effective combination for exploration at La Encantada. First Majestic’s exploration programs carried out since the acquisition of the property in late 2006 through 2013 have been primarily focused on categorizing and increasing the resource base for the La Encantada mine. Major efforts have been focused on the areas of Breccia Milagros, Bonanza, San Francisco, Intrusivo Milagros, Azul y Oro, Buenos Aires, and Cuerpo de Zinc which has resulted in a significant increment of resources. A long-term exploration program was initiated to investigate the promising target at the La Escalera breccia zone. Currently, the Company’s exploration strategy consists of exploring for high grade vein, high volume breccia pipes and skarn deposits. Geologic modelling and exploration in 2013 has allowed us to find lateral extents of vein mineralization in the Azul y Oro – Buenos Aires area and wide zones of oxide and sulphide mineralization associated with skarn, intrusive and breccias in the Skarn dome (La Prieta area) and Milagros areas. Sampling of old dumps has been done and about 150,000 tonnes of screened material has been assessed. Screening recovery of the dumps is of about 40 percent in tonnage at silver grades typically ranging from about 120 to about 160 g/t. A program to drill the dumps has been defined and in the future will be executed with reverse circulation to improve the quality of this resource.

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. As of December 31, 2013, 65,483 metres have been drilled by First Majestic from underground and surface in order to categorize and generate mineral resources; 15,835 metres were drilled in 167 holes during 2013. Exploration drilling has detected or extended the boundaries of the economic mineralization of several ore deposits or areas such as Buenos Aires - Azul y Oro system of veins and breccias, Ojuelas mantos and replacements, San Francisco dike, Milagros intrusive and breccias San Javier and Milagros. A substantial amount of the metres drilled during 2013 were for resource delineation and upgrading for preparation of a Technical Report in 2014. As of December 31, 2013 underground developments at La Encantada operations totaled 53,254 metres; 14,132 metres were developed during 2013. This development program is part of the ongoing mining activities and is a key element in the Company’s efforts to maintain current and future production levels.

Since the acquisition of La Encantada, First Majestic has commissioned a Natural Source Audio-Frequency Magneto Telluric (NSAMT) geophysical survey in order to investigate various potential exploration targets. The survey consisted of 50 kilometres NSAMT and resolved several exploration targets. A few of the targets were drill tested in 2012 and the Company plans to test others in 2015.

Sampling Analysis and Security

La Encantada's current sampling team consists of three sampling crews with three employees each. Representative chip samples are collected with chisel and hammer and channel samples are cut and broken with electric saw and hammer. The broken sample is collected on a tarp, put in numbered sample bags and channel samples are weighted prior to be sent to the laboratory. The channel samples are weighted to compare the real weight of the sample versus the expected weight calculated using channel length, width, depth and average specific gravity. Real versus calculated sample weights are plotted into bivariate plots to monitor possible sample swaps.

Exploration sampling for reserve delineation at the La Encantada mine is conducted by drifting along the mineralized zones so that chip and channel samples using diamond saw can be taken. Chip and channel samples are the primary means of sampling in the mine (stopes, drifts, crosscuts, ramps, etc) and are taken perpendicular to the vein structures, across the back of the drift and across the drifts and workings in breccia zones. Sampling crews collect chip samples at regular intervals of 3 metres for ore control and channel samples at 12 metre intervals mostly for resource estimation purposes. Muck piles are sampled for ore control purposes. Chip and channel samples have lengths that vary from tens of centimetres to usually one metre depending on the width of the mineralized structure. Chip samples and samples collected from muck piles are used for ore control and they are assayed at La Encantada local laboratory. Channel samples are assayed at a certified laboratory.

A sampling line or channel typically consists of two or more individual samples which are taken to reflect changes in geochemistry and/or mineralogy across the structural zone. Each sample weighs approximately 4 kilograms. Locally, a drift can be completely enclosed by the mineralized structure, and the full thickness of the vein may not be sampled. All samples are marked with paint by the geologist and numbered on the walls of the drifts for proper orientation and identification. First Majestic has a written procedure for chip and channel sampling that describes all the details about sample collection and security.

Historical drill-hole data provided by Peñoles is conservatively considered in the geologic modelling and resource/reserve estimations done by First Majestic. Core samples from current drilling are cut with a saw and half core is sent to a certified laboratory for assaying. First Majestic has a written quality assurance and quality control ("QA/QC") procedure that describes all the quality controls that should be inserted in a sample batch. Quality controls are inserted in chip, channel and core sample batches prior to sending to the corresponding laboratory. The Company's QA/QC procedure establishes that a minimum of 20% of quality controls are inserted in a typical sample batch. Quality controls include; three standard reference materials, coarse and pulp blanks, field, coarse and pulp duplicates and pulp checks with a secondary or arbitral laboratory. Quality assurance is done by statistical analysis of data and visual inspection of plots constructed with assay results of the quality controls.

All channel and core samples for resource estimation purposes are sent to a commercial certified laboratory. Chip, muck and core samples for production or ore control purposes are assayed at La Encantada´s laboratory. La Encantada's lab performs periodic assay checks with Parrilla's Central Laboratory. Parrilla's Central lab is in the process of certification, follows strict QA/QC protocols and is used as a secondary or check lab by La Encantada's lab, and the other mine's labs, for production and ore control samples. At La Encantada's lab, average correlation coefficient of the silver grades is excellent for the set of samples at 97%. The chip samples reproducibility for silver assays at La Encantada's lab has a correlation coefficient of 87%. Most sample checks done at Parrilla's lab result in conservative assays for La Encantada's lab. First Majestic is implementing LabWare in order to automatize the reporting assay reporting processes at Parrilla's Central Lab.

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 is creating a geologic 3D model in SURPAC. 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 (date of last technical report), are presented in Table 5. No further external resource or reserve calculations have been conducted.

TABLE 5 – 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 metres 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, 2013, approximately 39,243,096 ounces 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, 2013 amounted to 1,139,241 tonnes of ore of which 954,864 tonnes of ore were processed from reserves and 184,378 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 Person, Mr. Ramon Davila as of December 31, 2013.

TABLE 6
Mineral Reserves and Resources as of December 31, 2013 (based on internal Qualified Person results)

LA ENCANTADA RESERVES AND RESOURCES AS OF DECEMBER 2013									
Mine/Project	Category	Mineral type	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz)
LA ENCANTADA	Proven (UG)	Oxides	1,023,409	316	-	2.9	1.6	10,410,996	10,410,996
	Proven (Tailings)	Oxides	5,304,946	105	-	0.6	0.2	17,903,993	17,903,993
	Probable (UG)	Oxides	1,030,341	269	-	2.6	1.2	8,916,063	8,916,063
	Total Proven & Probable (UG)	Oxides	7,358,696	157	-	1.2	0.5	37,231,053	37,231,053
LA ENCANTADA	Measured (UG)	Oxides	1,380,065	199	-	1.6	3.3	8,830,896	8,830,896
	Indicated (UG)	Oxides	1,805,358	225	-	1.6	5.3	13,032,801	13,032,801
	Total Measured & Indicated (tailings & UG)	Oxides	3,185,423	213	-	1.6	4.4	21,863,698	21,863,698
LA ENCANTADA	Total Inferred (UG)	Oxides + Sulphides	4,348,724	156	-	1.1	1.5	21,822,446	21,822,446

(1) In all cases, the metal prices considered were $24.00 USD/Oz – Ag, $1,400.00 USD/Oz – Au, $0.95 USD/lb – Pb, and $0.90 USD/lb – Zn.

Mining Operations

Construction of a 3,750 tpd cyanidation mill commenced in July 2008 and was inaugurated on November 18, 2009. Commissioning of this 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 to the cyanidation mill increasing its capacity to 4,000 tpd. Total ore throughput in 2013 was 1,139,241 tonnes grading an average of 227 g/t Ag.

From the period of the cut-off date of September 30, 2008 to December 31, 2013, First Majestic mined and processed 5,511,476 tonnes of ore from La Encantada Silver Mine at an average grade of 237 g/t silver, for a total of 39,243,096 contained oz. Production during this period amounted to 5,511,476 tonnes of ore processed at an average grade of 237 g/t silver which resulted in 17,822,851 silver oz being produced. During the period of 2011 to 2013 a total of 42,869 tonnes of iron ore have been produced at the underground mine and shipped to MetMex Peñoles in Torreon city, without additional treatment at the mill.

From November 2006 to June 2010 La Encantada operated a 1,000 tpd flotation plant which was upgraded after the purchase of Desmín and La Encantada to achieve designed throughput. All production from the flotation plant was in the form of a lead-silver concentrate. Commencing in November 2009, the 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 mine safety the Company built two underground mine refuges with a capacity of 20 people each. The Company also constructed a new underground maintenance shop in 2011 to improve the availability and productivity of the underground fleet.

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 jumbo, 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 takes 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 stopping that has been adopted for extraction of some breccia pipes and chimney ore bodies is post pillar stopping, 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 stopping are developed in waste outside the ore body. All other parameters for stopping the post pillar areas are the same as for a standard mechanized overhand cut and fill stope.

Some areas have been mined with long-hole drilling using "stopemate" equipment allowing up to 15 metres drilling. This mining method is subject in its application to the ground conditions.

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 2013 of 1,659 tpd from the mine and 1,462 tpd from the tailings and then processed through the mill. The dump material is not mixed with the mine ore and instead, is campaign processed through the plant.

As a result of the addition of the cyanidation plant, the only area operating at the old flotation plant is the crushing and grinding areas for the mined fresh ore. 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 fresh ore is comminuted and then cyanide is added to leach silver. The resulting pulp and cyanide solution are then sent by pipe line to a dynamic 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 2013 was 227 g/t 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 49% resulting in the production of a total of 4,162,534 ounces of silver equivalent in 2013.

The total metres of development during 2013 were 14,132 metres. In comparison, the total development metres during 2012 were 14,338 metres. A total of 15,835 metres of exploration drilling were completed in 2013 at La Encantada which represents 18% reduction in drilling compared to the 19,390 metres drilled 2012.

Operating and Capital Costs

The site production costs for La Encantada averaged $33.01 per tonne mined and milled during the year 2013. The La Encantada production costs are based on the mining, milling and processing of 1,139,241 tonnes of oxide ore during 2013. The annual production costs averaged $9.25 per ounce of payable silver in 2013. 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, Durango State, 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 RPM 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 First Majestic under the supervision of Mr. Ramon Davila who is a Qualified Person for the purposes of NI 43-101.

Project 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 (NSR) of 1.5% payable to Grupo México. The royalties payable thereunder are capped at $2,500,000. During the year ended December 31, 2013, the Company paid royalties of $0.5 million and as of December 31, 2013, total royalties paid add up to $1.9 million. 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 10 kilometres to 20 kilometres, including Nombre de Dios and Vincente Guerrero, which is a town of 12,000 inhabitants where banks, hotels, restaurants, churches and schools are available. Durango and Zacatecas cities are located at easy driving distance from La Parrilla for more specialized services such as universities and hospitals. Most of the supplies and labour required for the operation come 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 that drives from Durango to Zacatecas city. A four kilometre detour at the 75 kilometre milestone leads to the village of San José de la Parrilla and to the mine and processing plant. La Parrilla is connected to the San José de la Parrilla village by a one kilometre dirt road. Driving time from the city of Durango to the La Parrilla mine takes 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 Telmex. Hand held radios are carried by all supervisors, managers and all vehicle operators for internal communications.

The climate at La Parrilla is semi-dry with annual average temperatures that vary from 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 Comision de Fomento Minero (CFM), a Mexican federal entity responsible for promoting and supporting mining, constructed a 180 tpd flotation plant at La Parrilla, which operated as a custom mill, processing ores from nearby areas, such as Chalchihuites, Sombrerete and Zacatecas. This plant was purchased in 1990 by Minera Los Rosarios from 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 diorite stock-intrusion and a sequence of Cretaceous sedimentary rocks.

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

The most important known deposits at La Parrilla occur as vein deposits that pinch and swell along strike as well as downdip. These are enclosed by three main systems within the mining district. The first structural system may be related to the orientation of 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 in replacement form, 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 has carried out geophysical investigations within the areas of Quebradillas, Sacramento, Las Vacas, Santa Paula (formerly Los Perros) and other prospective areas. The investigations have confirmed the presence of Induced Polarization ("**IP**") and Resistivity anomalies. Some of the anomalies over the main mineralized structures have been already tested by drilling and some other anomalies in prospective areas still remain to be tested.

The Company's exploration budget for La Parrilla was significantly reduced during 2013 in response to lower silver prices. The 2013 exploration program was mainly designed to replace the depleted Reserves and Resources and to upgrade some of the Inferred Resources.

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 date of June 30, 2011 to December 31, 2013, 46,470 metres have been drilled. A total of 10,974 metres were drilled in 2013, a reduction of 58% compared to 26,204 metres in 2012.

La Parrilla's drill-hole database is compiled in electronic format. The data base contains collar, surveys, 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. Drill-hole deviation is assessed with a reflex surveying tool every 50 metres in exploration drill holes.

Core logging is performed by project geologists in each of the areas being investigated. The project geologists also determine the sample intervals. Trained assistants are in charge of core cutting and sampling as per the project geologists' indications.

Mineralization

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

Sampling and Analysis

(a) Sample Preparation

Exploration, production, ore control and plant samples are sent to First Majestic's on-site laboratory (Parrilla´s Central lab) for chemical analysis of silver, gold, lead and zinc. Silver and gold assays are carried out by fire assaying methods, while the rest of the elements are assayed by atomic absorption.

All samples received at the laboratory are 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

For the period of 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. Currently, core samples are assayed at La Parrilla Central lab (in process of certification) with sample checks in a secondary certified secondary laboratory. All of the sample batches sent to La Parrilla Central lab include quality controls such as standard reference materials, coarse and pulp blanks, field, coarse and pulp duplicates and pulp checks with a secondary laboratory. Channel sample checks are performed by analyzing random sample pulps at the La Parrilla lab with assay checks done in commercial certified laboratory. The assays include silver, lead and zinc.

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 g/t vs. Ag 2,970 g/t at the maximum 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 g/t, with an average grade of 178 g/t, 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.

(c) Security of Samples and Data Verification

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

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
- Vacas
- Quebradillas UG 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 metres, as reviewed by RPM, was 4.1 million tonnes averaging 162 g/t 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 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 g/t Ag. Additionally, La Parrilla developed 1.774 million tonnes in open pit proven and probable reserves with an average grade of 102 g/t 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 g/t 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 7 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 7 - 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)**	
Mine	**Type**			**Metres**	**Gold g/tonne**	**Silver g/tonne**	**Lead, %**	**Zinc, %**	**Silver Only (1)**	**Silver Equiv (2)**
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	Mineralization Type	Category	Metric Tonnes	Width (m)	Grade				Contained Silver "In Situ" (1)	
					Gold g/t	Silver g/t	Lead, %	Zinc, %	Silver Only (1)	Silver Equiv (2)
Quebradillas TAJO	Oxides	Proven	505,600	3.5	0	114	0	0	1,196,200	1,277,400
Quebradillas TAJO	Oxides	Probable	1,268,600	3.5	0	98	0	0	2,583,600	2,787,500
TOTAL OPEN PIT RESERVES	**Oxides**	**Proven + Probable**	**1,774,200**	**3.5**	**0**	**102**	**0**	**0**	**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)	
MEASURED AND INDICATED			Gold g/t	Silver g/t	Lead, %	Zinc, %	Silver Only (1)	Silver Equiv (2)
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	Metric Tonnes	Width (m)	Grade				Contained Silver "In Situ" (1)	
			Gold g/t	Silver g/t	Lead, %	Zinc, %	Silver Only (1)	Silver Equiv (2)
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	170	1.26	1.59	35,105,200	46,033,500
TOTAL INFERRED RESOURCES	**8,053,200**	**7.12**	**0.01**	**177**	**1.02**	**1.3**	**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	Metric Tonnes	Width (m)	Grade				Contained Silver "In Situ" (1)	
			Gold g/t	Silver g/t	Lead, %	Zinc, %	Silver Only (1)	Silver Equiv (2)
QUEBRADILLAS OPEN PIT	1,293,600	0	0	99	0	0	4,100,400	4,308,300
TOTAL OPEN PIT INFERRED RESOURCES	**1,293,600**	**0**	**0**	**99**	**0**	**0**	**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.

First Majestic is working on an updated 43-101-compliant reserve and resource estimate and technical report for La Parrilla. 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 Person, Mr. Ramon Davila as of December 31, 2013.

TABLE 8
Mineral Reserves and Resources as of December 31, 2013 (based on internal Qualified Person results)

PARRILA RESERVES AND RESOURCES AS OF DECEMBER 2013

Mine/Project	Category	Mineral type	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz)
	Proven (UG)	Oxides	417,722	192	0.06	0.4	0.2	2,574,698	2,620,763
	Proven (OP)	Oxides	533,799	63	0.06	-	-	1,081,207	1,140,073
LA PARRILLA	Probable (UG)	Oxides	1,105,650	190	0.06	0.5	0.5	6,751,587	6,873,515
	Total Proven & Probable (UG)	Oxides	2,057,170	157	0.06	0.3	0.3	10,407,492	10,634,351
	Proven (UG)	Sulphides	660,333	207	-	2.7	2.5	4,403,326	7,320,761
	Probable (UG)	Sulphides	1,474,118	176	-	1.6	2.8	8,326,819	13,771,114
	Total Proven & Probable (UG)	Sulphides	2,134,451	186	-	1.9	2.7	12,730,145	21,091,875
	Total Proven and Probable (UG)	Oxides + Sulphides	4,191,621	172	0.03	1.2	1.5	23,137,637	31,726,226
	Measured (UG)	Oxides	78,039	164	0.06	0.5	0.0	411,576	420,182
	Indicated (UG)	Oxides	448,084	163	0.06	0.5	0.3	2,354,795	2,404,209
LA PARRILLA	Indicated (OP)	Oxides	608,203	88	0.06	-	-	1,712,576	1,779,647
	Total Measured & Indicated (UG & OP)	Oxides	1,134,326	123	0.06	0.2	0.1	4,478,948	4,604,038
	Measured (UG)	Sulphides	262,831	191	-	1.2	0.7	1,614,844	2,046,756
	Indicated (UG)	Sulphides	313,417	181	-	1.7	1.9	1,821,572	2,775,774
	Total Measured & Indicated (UG)	Sulphides	576,248	185	-	1.5	1.4	3,436,416	4,822,530
	Total Measured & Indicated (UG & OP)	Oxides + Sulphides	1,710,574	144	0.04	0.6	0.5	7,915,364	9,426,568
	Inferred (UG)	Oxides	4,928,449	178	0.1	0.4	0.3	28,251,697	28,795,192
LA PARRILLA	Inferred (UG)	Sulphides	8,325,556	168	-	1.9	2.3	45,094,192	74,162,354
	Total Inferred (UG)	Oxides + Sulphides	13,254,005	172	0.0	1.3	1.5	73,345,889	102,957,546

(1) In all cases, the metal prices considered were $24.00 USD/Oz – Ag, $1,400.00 USD/Oz – Au, $0.95 USD/lb – Pb, and $0.90 USD/lb – Zn.

Since the date of the mineral reserve and resource estimate contained in Table 7, approximately 7,071,414 ounces of silver have been produced from the La Parrilla Silver Mine. Production at La Parrilla Silver Mine for the year ended December 31, 2013 amounted to 788,335 tonnes of ore of which 740,726 tonnes were processed from reserves and 47,609 tonnes 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 long-hole stopping was done in the recent past, long-hole stopes are currently being prepared to be mined at the San Marcos area. Stope cuts are currently drilled with hand-held pneumatic jackleg drills and jumbos. Stoping is largely done using breast-mining techniques, although some back 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 in the footwall of the stope. Once a stope has been completely mined out, backfilling is done using waste from development. The minimum mining width for all the mine operations is approximately 2.0 metres.

In 2013, mine and mill production from La Parrilla was of 4,219,374 equivalent ounces of silver from mining 788,335 tonnes of ore, of which 394,563 tonnes were oxide and 393,772 tonnes were sulphide ore. First Majestic metal production from La Parrilla was 9,763,586 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 (jumbos). 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 metres of development during 2013 were 12,004 metres. In comparison, the total metres of development completed during 2012 were 20,606 metres. A total of 10,974 metres of exploration drilling were completed in the mines during 2013. In comparison, 26,204 metres of exploration drilling were completed in 2012. The substantial reduction in development and exploration drilling during 2013 was in response to cut-backs due to the lower silver price environment.

Capital and Operating Costs

The site operating costs for La Parrilla averaged $36.45 per tonne mined and milled during the year 2013. The La Parrilla operating costs are based on the mining, milling and processing of 394,563 tonnes of oxide ore and 393,772 tonnes of sulphide ore during 2013. The annual production cost averaged $9.51 per ounce of silver in 2013.

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.

San Martín Silver Mine, Jalisco State, México

Certain of the information in this section is based on the technical report entitled "NI 43-101 Technical Report for the San Martín Silver Mine, State of Jalisco, México" prepared by Leonel Lopez, C.P.G. of RPM dated May 23, 2013 (the "**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 who is a Qualified Person for the purposes of NI 43-101.

Project Description and Location

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

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

El Pilón holds 33 contiguous mining concessions in the San Martín de Bolaños mining district that cover mineral rights for 37,518 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.

Mineral rights do not include surface land rights. El Pilón has acquired 1,296 hectares of surface land that cover the areas where the Company has the mines access, mine installations, and part of the access roads. Additionally, El Pilón owns 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located. A portion of the access roads to the mine are located on land owned by private owners. El Pilón has negotiated surface rights agreements with some individual owners for parts of the access roads.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

The San Martín Silver Mine and processing plant are connected to the national power grid through a substation located about 20 kilometres to the north at the neighbouring Bolaños mine. Power is supplied by the grid at 33 kVa and 60 cycle. Two 1,000-volt transformers supply power to the plant. Diesel generators are located at the plant for emergency and stand-by power in case of power interruptions. Air compressors are located at the plant to supply low-pressure air to the leach tanks. The water source for the processing plant is the Bolaños River, which supplies a permanent flow, except in extreme drought conditions, such as the one that occurred during the 2012 summer months. 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, restaurant and other employee housing. The Maintenance department operates from the extensive shops and warehouses located at the plant site and by the mine. Maintenance personnel are supplied for mine and plant requirements from this department.

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

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

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

History

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

At the San Martin area, past mining developments included primarily underground workings in the Zuloaga vein with some drifting at the Ballenas, Mancha, Plomosa, Melón and Hedionda and partial discoveries of the La Blanca, Condesa, Cinco Señores, and Rosario veins among other smaller mine developments. According to historical records by El Pilón over 38 million silver equivalent ounces have been extracted from about 5.4 million tonnes of mineral reserves from the Zuloaga and adjacent veins during the period from 1983 to December 31, 2012.

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 Martin Silver Mine. In April, 2006 the Company entered into an irrevocable share purchase agreement to acquire a majority share interest of FSR from Mr. Dávila Santos. The Company took control of FSR and the San Martin Silver Mine in June, 2006 and subsequently acquired the remaining shares of FSR pursuant to a business combination which closed on September 14, 2006.

Geological Setting

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). 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. The Company is developing access from the La Escondida level at the Pinolea level.

A total of 57,486 metres of underground development has occurred at San Martin between the acquisition date of September 14, 2006 and December 31, 2013. A total of 10,118 metres have been developed during 2013. This ongoing development program has been focused on the Cangrejos, San Pedro, Ballenas and Escondida levels on the Zuloaga and Rosarios/Condesa veins**.**

To December 31, 2013, drilling has totalled 573 diamond drill holes with a total depth of 92,217 metres, at an average depth per hole of about 160 metres. A total of 8,667 metres of drilling in 37 holes have been completed at San Martin in year 2013.

The Company's geological staff at San Martin includes four active geologists and other Company geologists active throughout the Company'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.

Mineralization

The San Martin Silver Mine has been developed on the Zuloaga vein, which occurs along an east-west trending normal fault zone that dips an average of 75 degrees to the north, with the hanging wall of the fault down-dropped 100 to 200 metres relative to the footwall. The vein has been identified over a strike length of 3 kilometres, with a developed vertical extent of about 350 metres. Production also occurs from the La Blanca Vein, a vertical split off of the Zuloaga vein. El Pilón is developing exploration and rehabilitation of workings along crosscutting veins to the Zuloaga structure and in other veins such as the Rosario, La Condesa, La Hedionda, La Huichola, La Esperanza and other promising veins. Continued exploration by the Company has identified other mineralized structures within the area.

The Rosario vein has been identified along 3.8 kilometres of strike with a currently known vertical extension of about 60 metres. Mine workings developed along the vein include the Rosario mine, Old Rasario Mine, Huichola South, Mina del Agua, Condesa, and Cinco Señores. Its general orientation is to the N30°W dipping 72° to the NE. It occurs as a structurally-controlled mineralized breccia with oxidized mineralization and cemented with calcite and quartz. Channel sampling along the exploration drifts have indicated high-grade mineral concentrations in ore pockets the extension of which varies from a few metres up to about 150 metres in length and 1 metre to 15 metres in width. This long vein is intersected by other secondary veins such as La Hedionda, La Guitarrona, El Pitayo, La Reyna, and La Plomosa.

Drilling

Direct exploration development is integrated into the mine preparation programs, and for vein deposits this has proven to be the most cost effective method of exploration. For the period of December 31 2012 to December 31, 2013, the El Pilón carried out drilling that consisted of 37 drill holes from underground sites for a total drilled depth of 8,667 metres. Additionally, for the same period the Company developed about 10,118 metres of underground access development in drifts and crosscuts for exploration and drilling.

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, Analysis and Security

San Martin's current sampling team consists of four sampling crews with three employees each. Representative chip samples are taken with chisel and hammer, collected on 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. 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 size, 36 millimetres in diameter, and generally good core recovery with an average of 90% reported for the entire hole and 85% for the mineralized zones.

Chip and channel samples are collected from drifts, crosscuts, ramps, and stopes as required. Sampling is based on the vein width and the size of the opening being sampled. Samples commence at the lower left of the exposure being sampled, and continue at approximately 1 metre or less intervals in a semi-circle round to the lower right. Sample lengths honour geological, structural and mineralization contacts. For channel sampling, two parallel saw cuts are etched 10 cm apart to provide a sample guide. Where needed, transverse saw cuts are made to facilitate hammer and chisel chipping. Samples are then taken as continuous chip samples to approximately 2 cm depth within the parallel saw cuts across the entire length of the half-circle. An average 1 metre long sample would weigh 1 to 2 kg. Channel samples are taken at approximately 3 metres intervals along the length of the drift.

Core drilling is conducted locally to test the upward and downward projections of the structural zone at a distance from the drifts. Core samples are BQ and NQ sizes in diameter, and holes are of generally good recovery with an average of 90% reported for the entire hole and 85% for the mineralized zones. Drill-hole 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.

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

To evaluate sample quality control, the Company performs multiple assays, up to three times on some samples, and periodic check analyses on samples. Pulp checks are systematically inserted every 20 samples and since 2004, the checks have been sent each month to Chemex Laboratories, SGS Laboratories, MetMex Peñoles Laboratory and to Laboratorio Industrial Metalurgica Herrera.

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

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

Mineral Resources and Reserves

The Company uses conventional, manual methods, assisted by computer databases, to calculate the tonnage and average grades of the mineable reserves. Table 9 shows a summary of mineral Reserves and Resources for the San Martín Silver Mine to December 31, 2012. No further external resource estimates have been conducted since this cut-off date. It should be noted that since the cut-off date, 322,618 tonnes have been mined from San Martin of which 255,171 tonnes were mined from the reserves and 67,447 tonnes where mined from areas that were not included in any previous NI 43-101 estimates.

TABLE 9
First Majestic Silver Corp.
San Martin Silver Mine
Mineral Reserves and Resources Statement as of
December 31, 2012

Classification	Type of Mineral	Tonnage (000´s)	Vein Width in metres	Mineral Grade g/t Ag	Mineral Grade % Pb	Mineral Grade % Zn	Ag Equivalent Ounces from Pb and Zn (000'S)	Ounces of Ag (000's)	Total Ag Equivalent Ounces (000's)
Reserves									
Proven	Oxides	1,349	2.7	168	-	-	-	7,287	7,287
Probable	Oxides	2,923	4.1	157	-	-	-	14,722	14,722
Total P&P	**Oxides**	**4,271**	**3.7**	**160**	-	-	-	**22,008**	**22,008**
Resources									
Measured	Oxides	-	-	-	-	-	-	0	0
Indicated	Oxides	35	1.8	136	-	-	-	154	154
Total M&I oxides	Oxides	35	1.8	136	-	-	-	154	**154**
Measured	Sulphides	365	4.2	61	0.73	1.53	1,153	2,545	3,697
Indicated	Sulphides	376	4.6	60	0.64	1.39	553	1,281	1,834
Total M&I sulphides	Sulphides	741	4.4	61	0.68	1.46	1,706	3,825	**5,531**
Total M&I	**Oxides and Sulphides**	**777**	**4.3**	**64**	**0.65**	**1.39**	**1,706**	**3,979**	**5,685**
Total Resources and Reserves	**Oxides and Sulphides**	**5,048**	**8.0**	**146**	**0.10**	**0.21**	**1,706**	**25,987**	**27,693**
Inferred	Oxides	10,163	4.2	169	-	-	-	55,218	55,218
Inferred	Sulphides	994	2.8	54	0.68	1.60	1,642	3,364	5,006
Total Inferred Resources	**Oxides and Sulphides**	**11,157**	**4.1**	**159**	**0.06**	**0.14**	**1,642**	**58,582**	**60,224**

(1) A minimum width of vein of 2 metres was considered for the blockage estimation
(2) 15 cm at both sides of the vein are considered as dilution for overbreaking when mining, the walls of the vein has been sampled along open drifts, assaying from 0 to below the cut-off grade.
(3) The density considered based on laboratory measurements is 2.7
(4) The resource estimate was prepared by internal QP Carlos Wong who is a full time employee of FMS and reviewed by Leonel Lopez, who is the QP for RPM.

(5) Mineral resources are reported at a cut-off grade for the oxide mineral of 64 g/t Ag, and for the sulphide mineral of 37 g/t of eqv. Ag based on consideration of operating costs (mining, processing, and G&A) and includes metallurgical recovery at 78% and payable values at 99.5% in accordance to contracted terms. The silver price base is $28.82/troy ounce, the lead is $1.00/lb and the zinc is $0.95/lb.
(6) Totals may not add due to rounding.
(7) Mineral Resources are reported exclusive of Mineral Reserves.
(8) Proven and Probable Reserves and Measured and Indicated Resources are both inclusive of the total Resources. The reclassification of Proven and Probable Reserves is in compliance with current CIM best practices guidance. Measured and Indicated Resources consists of the remaining of the total Resources after the reclassification of the Proven and Probable Reserves.

The following table sets out the most recent resource and reserve estimate for the San Martin Silver Mine prepared and reviewed by the Company's internal Qualified Person, Mr. Ramon Davila as of December 31, 2013.

TABLE 10
Mineral Reserves and Resources as of December 31, 2013 (based on internal Qualified Person results)

SAM MARTIN RESERVES AND RESOURCES AS OF DECEMBER 2013									
Mine/Project	Category	Mineral type	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz)
SAN MARTIN	Proven (UG)	Oxides	1,328,098	195	0.19	-	-	8,330,574	8,795,400
	Probable (UG)	Oxides	2,506,767	175	0.19	-	-	14,102,450	14,979,801
	Total Proven & Probable (UG)	Oxides	3,834,866	182	0.19	-	-	22,433,025	23,775,201
SAN MARTIN	Indicated (UG)	Oxides	475,399	158	0.19	-	-	2,411,853	2,578,240
	Measured & Indicated (UG)	Sulphides	741,387	60	-	0.7	1.5	1,426,856	2,753,917
	Total Measured & Indicated (UG)	Oxides + Sulphides	1,216,786	98	0.07	0.4	0.9	3,838,709	5,332,156
SAN MARTIN	Inferred (UG)	Oxides	10,010,526	172	0.19	-	-	55,316,021	58,819,635
	Inferred (UG)	Sulphides	993,661	54	-	0.7	1.6	1,722,204	3,622,607
	Total Inferred (UG)	Oxides + Sulphides	11,004,187	161	0.17	0.1	0.1	57,038,225	62,442,241

(1) In all cases, the metal prices considered were $24.00 USD/Oz – Ag, $1,400.00 USD/Oz – Au, $0.95 USD/lb – Pb, and $0.90 USD/lb – Zn.

The resource calculations contained in Tables 9 and 10 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 boundaries of reserve blocks. 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 9 to December 31, 2013, approximately 1,370,890 ounces of silver equivalent (including gold and lead) have been produced from the San Martin Silver Mine. Production at San Martin for the year ended December 31, 2013 amounted to 322,618 tonnes of ore of which 255,171 tonnes of ore were processed from reserves and 67,447 tonnes of ore were processed from outside of reserves.

Mining Operations

The San Martín Silver Mine includes an underground mine, which has been largely developed through six main adit levels at an approximate 35-metre vertical separation. Each one of the levels has been developed to a maximum extension of approximately 3,000 metres, with interconnecting ramps between levels, and all have surface access to the Cerro Colorado hillside. Since 1983, when El Pilón initiated operations in the area, to the December 31, 2012 cut-off date, over 5.4 million tonnes of silver ore have been extracted and processed for sales of approximately 38.1 million ounces of silver, including some gold and lead. Most of the San Martin ore production has been mined from the Zuloaga vein, with only minor production extracted from the La Blanca, Rosario, Cinco Señores, Condesa, and La Esperanza veins. Since this cut-off date, to December 31, 2013, an additional 322,618 tonnes of ore have been mined with an average grade of 153 g/t Ag, 0.2 g/t Au, resulting in 1,370,890 ounces of silver equivalents being produced.

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 Maria, 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, Cangrejos, 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.

During 2013, development was focused also at the Rosario mine with the objective of preparing the mine for additional production in 2014. To date five cut and fill stopes are in production in this area.

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

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

Since December 31, 2012, several improvements have been made at the mill in order to improve efficiencies, costs and throughput. These changes have resulted in increasing the current mill throughput to 1,200 tpd. 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 2013 was 884 tpd all of which was through the cyanidation circuit for the production of silver doré.

Production for 2013 amounted to 322,618 tonnes grading 153 g/t Ag and 0.20 g/t Au resulting in total silver production of 1,250,774 ounces plus 120,116 ounces of silver equivalents from gold production for a total equivalent silver ounces of 1,370,890. A total of 255,171 tonnes of ore came out of the current delineated reserve/resource while 67,446 tonnes were mined from areas that were not included in any previous delineated estimates.

Capital and Operating Costs

The site operating costs for San Martin averaged $52.00 per tonne mined and milled during the year 2013. The San Martin operating costs are based on the mining, milling and processing of 322,618 tonnes of oxide ore during 2013. The 2013 annual production costs averaged $13.47 per ounce of silver.

Capital expenditures for the San Martín mine operation during the last few years have mainly been for replacement of mine equipment and mine development and exploration. However, during the past year, management has embarked on an expansion program to upgrade mine and plant facilities and increase the mill throughput from 900 tpd to 1,300 tpd, and capital spending for plant upgrades, including replacing undersize equipment with larger units or installing additional equipment. 1,300 tpd is anticipated to be reached in the first quarter of 2014

RPM prepared a base case cash flow based on proven and probable reserves, which extends the mine life for 9-½ years through 2022. The projected net revenues are $485.9 million, with cumulative operating cash flow of $226.6 million, and net cumulative cash flow of $120.8 million after capital costs, sustaining capital costs, profit sharing, and taxes. The investment in the expansion project will require a payback period of 2.2 years and NPV of the expansion project of $89.9 million at a discounted rate of 5 percent resulting in a 255% internal rate of return.

The historical assumptions for this Life of Mine analysis (prepared by RPM in 2012) cash flow are:

- Proven and Probable Mineral Reserves of oxides mineralization. Increasing mining production from 900 tpd in 2013 to 1,300 tpd in 2014.
- Underground mining methods with average grade of Reserves at 160 g/t Ag.
- Mine plans were designed for the Mineral Reserves.
- Metallurgical recovery is estimated to average Ag 78%.
- Annual metal prices based on $28.82/oz Ag for 2013 to 2022.
- Constant operating costs at $46.19 per milled tonne.
- Estimated capital costs of $26.9 million in 2013 and $66.1 million of D&E for the LOM, and sustaining capital costs of $12.8 million for the LOM.
- Expected annual production to reach 1.8 million silver ounces in 2017 at a cash cost of $11.45 per silver exclusive of by-products.

Del Toro Silver Mine, Zacatecas State, 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 RPM 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 the securities regulatory authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Del Toro Technical Report which is available for review on SEDAR at www.sedar.com.

Project 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 31 mining concessions including 25 contiguous concessions, three concessions in a neighboring area, including 8 other concessions that have been acquired by First Majestic and is under registration, covering mineral rights for 570 hectares (1,408 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. The recently acquired Verdiosa and Nueva India mining claims have a 1% NSR royalty capped at $200,000 and $500,000 U.S. dollars respectively. 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. Del Toro's Environmental Impact Study (EIS) was approved and permits for change of the use of land were 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 phased ramp up is planned whereby production is expected to reach 2,550 tpd during the first half of 2014 and late in 2014 production capacity of 2,750 tpd is planned to be reached. Further expansion to 4,000 tpd has been deferred pending a management decision which will be based on future silver prices. The capital investment in the San Juan shaft and the installation of two SAG mills was deferred which are required to achieve 4,000 tpd.

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 kilometres northwest of the capital city of Zacatecas in the bordering zone between the Sierra Madre Occidental and Mesa Central provinces. It is located at about 40 kilometres southeast of First Majestic's La Parrilla Silver Mine and approximately 120 kilometres southeast of the capital city of Durango. It is located at elevations of 2,300 metres to 2,900 metres 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 kilometres 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 kilometre to the east of the village of Chalchihuites while the mill is located approximately 3 kilometres 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 kilometres; from the city of Sombrerete a 50 kilometre highway leads west to the village of Chalchihuites. Driving time from Zacatecas to Chalchihuites is about 3 hours. The towns of Vicente Guerrero in the state of Durango (21,000 inhabitants at an elevation of 1,960 m) and Sombrerete in the state of Zacatecas (58,000 inhabitants at an elevation of 2,300 m) are located within 50 kilometres from the Del Toro Silver Mine area.

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

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

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 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 metres deep shaft was developed to extract some of the high grade silver minerals, and at the Perseverancia silver mine where two shafts were developed following two adjacent breccia pipe deposits to a depth of about 200 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 kilometre-long N60°W anticline. This structure is composed of an uplifted sedimentary calcareous sequence of Cretaceous rocks intruded by a granodiorite intrusive about 7 kilometres by 1 kilometre. 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's exploration, preparation and development program for Del Toro has been focused on the investigation of four main mineral deposits within the Chalchihuites District; San Juan which includes four mineralized areas (Deposits 1, 2, 3, Zinc, and the new Lupita vein), Perseverancia which includes the San Nicolas vein and two chimneys, and the Dolores vein system. Other target areas within the property will be explored in 2014.

First Majestic has carried out two geophysical investigations to confirm previous studies within the Del Toro property. These investigations have confirmed the presence of significant IP, resistivity and magnetic anomalies in skarn and intrusive rock. First Majestic carried out a systematic geochemical exploration survey over the whole property to complement the geophysical surveys in 2013. The geochemical program included a total of 1700 soil and rock samples to confirm and assess some of the target areas resolved by the geophysical surveys. Lead, zinc and silver geochemical anomalies were resolved and they will be further investigated with drilling exploration in 2014. Geochemical samples were collected on a 50 by 100 metres grid and quality controls (reference standard materials, blanks, duplicates and pulp checks) were inserted in every sample batch prior to submission to the laboratory. All the samples were analyzed at the Parrilla's Central laboratory and pulp checks were analyzed at SGS. The geochemical and geophysical surveys resolved anomalies that in combination with geologic mapping have resulted in the definition of exploration targets for 2014; e.g. Fanny-Lupita, Zaragoza-Huitron, Carmen-Consuelo and Cotorras. Two types of exploration targets have been defined; shallow vein targets (structurally controlled) and deep massive sulphide replacement targets. Additionally, characterization of alteration minerals of the geochemical samples is being carried on with a Terraspec ASD in order to prepare an alteration map of the whole property.

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 June 30, 2012, consisted of 141 diamond drill holes, for a total drilled depth of 45,143 metres distributed in the following areas: San Juan (61 + 27), Perseverancia (4 +12), Dolores (0+ 8) and San Nicolas (12 + 14) from underground and surfaces respectively. From the last Technical Report cut-off date of June 30, 2012 to December 31, 2013 the exploration program has continued with a total of 123 holes over 28,265 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 1,000 to 4,000 tpd for an estimated period of a minimum six and one half years of mine life.

Drilling

First Majestic has been drilling within the Del Toro property limits 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 Del Toro up to December 31, 2013 included a total of 261 holes for a total drilled depth of 73,408 m. First Majestic's drilled 11,430 metres in a total of 63 drill holes of which 49 were underground and 14 were from surface in 2013.

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. The sample database does not include the mine channel samples. 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 metres in depth and 2 survey readings for holes longer than 150 metres; 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. From June 30, 2012 to December 31, 2013, a total of 28,265 metres were drilled and are in the process of being incorporated into the drill database.

Logging is performed by Del Toro's mine geologists in each of the areas being investigated. The geologists also determine the sample intervals. Samples are generally taken according to geologic features generally at less than 1.50 metres sample intervals. Trained assistants are in charge of core measuring to determine recoveries, splitting and sampling as per the geologist's indications. All core samples from exploration drill-holes are sent for assaying to the SGS certified laboratory in Durango. Quality controls such as reference standard materials, coarse and pulp blanks, field, coarse and pulp duplicates and pulp checks are inserted in every sample batch from exploration drilling.

Geologic interpretations are carried out by First Majestic geologists on site, based on cross sections at 30 metres 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 metres 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 metres 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 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 sacs that contain all the samples of one drill hole or one mine stope.

All the sealed sacs including individual drill hole or mine stope samples are collected by a representative person of the lab. Channel samples and production drilling core samples are sent to the mine's laboratory and all the exploration core and chip samples are sent to the SGS laboratory in Durango. Custody of the samples remains with the First Majestic project geologist until delivered to the representative of the external lab.

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

A channel "line" typically consists of two or more individual samples taken to reflect changes in geology and/or mineralogy across 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 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 current assay QA/QC program followed at Del Toro consists insertion of the following quality controls (20%); three reference standard materials, coarse and pulp blanks, field, coarse and pulp duplicates and pulp checks that are sent to a commercial certified laboratory for every sample batch. Quality assurance consists on performing basic statistics for assays of the quality controls and doing visual inspection on correlation plots prepared with the assay data of the quality controls.

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

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

Mineral Resources and Reserves

Exploration studies at the Del Toro Silver Mine from 2004 to December 31, 2013, add up to 261 drill holes completed from underground and surface sites with a total of 73,408 metres drilled; 15 kilometres of geophysical surveying (IP/RA), program covering 2,325,000 square metres of aeromagnetic investigations; and over 1,700 soil and rock samples for geochemical research taken at a 50 by 100 metres spacing and covering the whole property.

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

Deposit	Tonnes	Width m	Au g/t	Ag g/t	Pb %	Zn %	Ag (only) oz	Ag oz eq	Total Ag oz eq
Mineral Measured Resources Sulphides									
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 Sulphides									
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 Sulphides	**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	9,042,901
Total Measured + Indicated Oxides	**3,211,877**	**14.29**	**0.00**	**151**	**1.88**	**2.18**	**15,526,770**	**24,881**	**15,551,652**
Measured + Indicated Sulphides + Oxides	**8,610,505**	**10.45**	**0.07**	**175**	**2.67**	**2.77**	**48,392,669**	**28,137,566**	**76,530,235**

RPM review = Mineral Resources "In Situ", including mine dilution, but no mine and metallurgical recoveries.
Resource estimate based on Cutoff grade of Ag eq = Sulphides 118 g/tonne; Oxides 63 g/tonne. Metal prices at = Ag-$25/oz, Au-$1,600/oz,Pb-$0.90/lb, Zn-$0.90/lb.

Mineral Inferred Resources									
Mineral Inferred Resources Sulphides									
Total Inferred Resources Sulphides	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 Sulphides + Oxides	**7,497,762**	**8.32**	**0.11**	**174**	**2.12**	**4.08**	**41,922,754**	**39,887,080**	**81,809,834**
Inferred Resources Sulphides Zinc Ore Body	**3,084,929**	**7.95**	**0.00**	**6**	**0.18**	**3.56**			
Metal Prices									
Au = $1,600/oz Pb = $0.90/lb									
Ag = $25/oz Zn = $0.90/lb									

RPM review = Mineral Resources "In Situ", including mine dilution, but no mine and metallurgical recoveries.
Resource estimate based on Cutoff grade of Ag eq = Sulphides 118 g/tonne; Oxides 63 g/tonne. Metal prices at = Ag-$25/oz, Au-$1,600/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, upgrading and adding new resources at Del Toro. The following table shows the most recent resource and reserve estimates for the Del Toro Silver Mine prepared and reviewed by the Company's internal Qualified Person, Mr. Ramon Davila as of December 31, 2013.

TABLE 12
Mineral Reserves and Resources as of December 31, 2013 (based on internal Qualified Person results)

DEL TORO RESERVES AND RESOURCES AS OF DECEMBER 2013

Mine/Project	Category	Mineral type	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz)
DEL TORO	Proven (UG)	Oxides	788,673	153	0.01	2.3	2.2	3,873,145	3,894,579
	Probable (UG)	Oxides	363,158	134	0.00	1.9	2.0	1,559,124	1,562,493
	Total Proven & Probable (UG)	Oxides	1,151,831	147	0.01	2.2	2.2	5,432,269	5,457,072
	Proven (UG)	Sulphides	1,132,390	180	0.00	3.2	3.0	6,537,571	12,547,372
	Probable (UG)	Sulphides	1,757,932	245	0.23	4.4	4.6	13,855,578	27,997,288
	Total Proven & Probable (UG)	Sulphides	2,890,322	219	0.14	3.9	4.0	20,393,149	40,544,659
	Total Proven & Probable (UG)	Oxides + Sulphides	4,042,153	199	0.10	3.4	3.5	25,825,417	46,001,731
DEL TORO	Measured (UG)	Oxides	631,191	142	0.00	1.3	1.5	2,883,228	2,887,098
	Indicated (UG)	Oxides	808,295	157	0.04	1.9	1.4	4,076,180	4,134,962
	Measured & Indicated (UG)	Oxides	1,439,486	150	0.02	1.6	1.4	6,959,408	7,022,059
	Measured (UG)	Sulphides	169,994	207	0.01	3.3	2.1	1,131,518	1,920,105
	Indicated (UG)	Sulphides	672,288	165	0.04	3.7	2.0	3,557,624	6,886,611
	Measured & Indicated (UG)	Sulphides	842,282	173	0.03	3.6	2.0	4,689,142	8,806,715
	Measured & Indicated (UG)	Oxides + Sulphides	2,281,768	159	0.03	2.4	1.6	11,648,550	15,828,775
DEL TORO	Inferred (UG)	Oxides	1,602,922	167	0.04	2.4	2.1	8,589,178	8,701,325
	Inferred (UG)	Sulphides	5,283,964	174	0.12	3.5	5.4	29,500,830	70,594,560
	Total Inferred (UG)	Oxides + Sulphides	6,886,886	172	0.10	3.3	4.6	38,090,008	79,295,885
DEL TORO	Other (Inferred Zn body)	Sulphides	4,181,904	7	0.01	0.2	3.1	991,969	12,522,062

(1) In all cases, the metal prices considered were $24.00 USD/Oz – Ag, $1,400.00 USD/Oz – Au, $0.95 USD/lb – Pb, and $0.90 USD/lb – Zn.

Geologic interpretations of the San Juan deposits indicates the presence of several vein-like and replacement deposits, while drilling at Perseverancia shows continuity at depth of two "high-grade" chimneys, which suggests that significant silver, lead and zinc deposits within the Del Toro property may still remain to be explored. During the Perseverancia ramp development a new mineral deposit was discovered in November 2011, the San Nicolas vein deposit whose continuity has been mapped on surface outcrops and small old workings for an extension of over 1.0 kilometre. Development is now in progress at the San Nicolas vein. The Company's planned exploration program for 2014 is focused on drilling shallow vein targets around the San Juan mine and deeper chimney and manto type targets around Perseverancia mine.

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

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 declared commercial production in April 2013 with a total of 285,491 tonnes processed in 2013. The start-up of the counter-current decant cyanide recovery circuit for oxidized silver and gold ore began operations in October 20, 2013 with a total of 34,370 tonnes in 2013 and reaching commercial production in January 1, 2014.

The Del Toro Silver Mine operations include production from three different underground areas, each of which is planned to be developed as an independent operation. These operations are planned at San Juan, Perseverancia/San Nicolás and Dolores.

The major part of Del Toro's 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 ore body development as well as for use as an ancillary haulage way and service facility. This decline has been driven at a cross-section of 4.5 X 4.5 metres at a maximum gradient of 12%. It has been extended to the 11 Level (2,140 metres above sea-level), and the total length driven to date is about 6,160 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 metres and 550 metres, and 2,015 metres 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.

The stoping method selected for mining the near-vertical veins and orebodies of De Toro 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.

First Majestic's production plan has been modified and is based on ramping up oxide ore production to 685,000 tonnes and 181,500 tonnes of sulphide ore in 2014.

Cost and Capital Expenditures

The site operating costs for Del Toro averaged $51.54 per tonne mined and milled during the year 2013. The Del Toro operating costs are based on the mining, milling and processing of 319,861 tonnes of ore during 2013. The annual production cost averaged $10.53 per ounce of silver in 2013. These operating costs were affected by the fact that the power line installation has been delayed and power has been supplied by diesel generators.

Capital expenditures to bring the mines into production were divided in three phases, phase 1 included mine development and construction of the flotation plant with a total of $59.2 million and phase 2 included the construction of the cyanidation plant with a total of $57.8 million. Phase 3 includes the completion of the new power line, the new tailings pond and tailings containment area with a total of $8.1 million, to be spent in 2014.

La Guitarra Silver Mine, México State, 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. First Majestic is currently working on the collection of data for the preparation of an updated Technical Report. The technical and scientific information in this Circular relating to the La Guitarra Silver Mine has been approved by Mr. Ramon Davila who is a Qualified Person 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 kilometres 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 that were leased from a third party, Mario Héctor Gottfried Joy, which were acquired by the company in December 2013.

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 no royalties in effect over the concessions at La Guitarra.

La Guitarra has all necessary permits for current mining operations. The permitting of a 1,000 tpd cyanidation processing facility is currently in the planning and evaluation stage. It is anticipated that permit applications will be submitted to the Mexican authorities during 2014. Activities at Nazareno and Coloso are being conducted with a new permit. The permitting process for the surface exploration works at La Guitarra NW and Mina de Agua are in the process of being obtained, additionally, negotiations with the community of Mina de Agua are being conducted in order to allow the Company to access the old Mina de Agua mine. A favorable resolution is expected in the second quarter of 2014.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

The climate in the area is moderate in temperature and very humid. The average annual temperature is about 18°C. The warm month average may be as high as 26°C and the cold month average may be in the order of 8°C. The majority of the approximately 1,200 millimetres of 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 kilometres outside the area. The national power grid crosses the property within 700 metres of the existing mill and offices. All current and projected production centres are near natural water sources. Medical clinics are located in the communities of Temascaltepec and San Simon de Guerrero, and hospitals are located in Valle de Bravo and Toluca. Proximity to the major industrial centres of Toluca and 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 metres of water per annum from the Temascaltepec River.

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

History

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

In the 18th century, the Mina de Agua mine and surrounding 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 crises in those respective countries, and today the mine remains closed.

Mining in the Temascaltepec District came to a halt in the early 19th century for two primary reasons: technology was unable to handle the underground flooding that occurred in several mining shafts; and the 1810 War of Independence in 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 were purported to have begun as early as 1555, conducting exploration and development work on the La Guitarra vein with an initial production rate of 30 tpd. In 1993, Luismin SA acquired the property and began consolidating the Temascaltepec District. Luismin SA expanded the reserve base in La Guitarra Silver Mine and increased the milling capacity to 320 tpd.

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

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 the La Guitarra 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 area 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 kilometres and a width of greater than 4 kilometres.

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 metre to over 20 metres. The quartz veining consists of well banded, chalcedonic and fine grained crystalline quartz with minor amounts of calcite. The chalcedonic quartz is thought to indicate an upper part of the mineral system suggesting that the 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 metre to 50 metres 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 metres to 250 metres apart.

La Guitarra vein system outcrops along a strike of more than 3.5 kilometres and has been explored in part to a depth of 500 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 metres to 4 metres wide mineralized zones are situated within a large quartz vein that is up to 20 metres 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 and 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 metres 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 metres of core drilling in the Coloso area. The geological data base generated by Silvermex is currently being reviewed by First Majestic's personnel. Additionally, First Majestic found that some legacy core has been lost due to poor storage and since acquisition of La Guitarra mine, First Majestic built a new core shack and has work on core organization. In 2013, First Majestic drilled 11,674 metres in 71 holes, 64 holes were drilled from underground and 7 holes were drilled from surface.

Sampling Analysis and Security

La Guitarra's current sampling team consists of two sampling crews, one for ore control chip sampling and the other for quality control channel sampling. Representative chip samples are collected with chisel and hammer and channel samples are cut and broken with electric saw and hammer. The broken sample is collected on a tarp, put in numbered sample bags and channel samples are weighted prior to be sent to the laboratory. The channel samples are weighted to compare the real weight of the sample versus the expected weight calculated using channel length, width, depth and average specific gravity. Real versus calculated sample weights are plotted into bivariate plots to monitor possible sample swaps.

Chip and channel samples are the primary means of sampling in the mine (stopes, drifts, crosscuts, ramps, etc) and are taken perpendicular to the vein structures. Sampling crews collect chip samples at regular intervals of 3 metres for ore control and channel samples at 12 metre intervals. Muck piles are sampled for ore control purposes. Chip and channel samples have lengths that vary from tens of centimetres to usually one metre depending on the width of the mineralized structure. Chip and muck samples are used for ore control and they are assayed at La Guitarra´s local laboratory. La Guitarra's lab performs periodic assay checks with Parrilla's Central Laboratory. Channel samples are assayed in a certified laboratory.

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

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

Mining and Milling

Mining at La Guitarra is from underground stopes. The main mine access at La Guitarra vein is via 4 metres x 4 metres haulage ramps and related production, and development ramps are driven at +/- 12%. Stope access is via access ramps driven 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 stopping 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.

During the second half of 2013, permitting was obtained to initiate development work at the El Coloso area which is being prepared for production in 2014, development and access is being achieved with a ramp of 4 by 4 metres and up to date 1 production area is being completed.

The La Guitarra mill after expansion is rated at 500 tpd. In 2013, the production was approximately 470 tpd with an annual production of 171,662 tonnes and annual production of 1,101,593 ounces of silver equivalent. The ore at La Guitarra 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 Manzanillo where a third party broker receives the concentrate and makes final payment generally within 60 days. 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.

Cost and Capital Expenditures

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. Since acquisition of Silvermex, First Majestic has drilled a total of 29,745 metres in 211 holes at La Guitarra; 185 holes have been drilled from underground and 26 holes have been drilled from surface. In 2013 First Majestic drilled 11,674 metres in 71 holes, 64 holes were drilled from underground and 7 holes were drilled from surface. During 2013, a total 5,408 metres of development were completed at the different areas of La Guitarra mine.

Plomosas Silver Project

The Plomosas Silver Project is located approximately 94 kilometres southeast of Mazatlan in southeast Sinaloa State, Mexico and is adjacent to the town of Rosario. Access to the Plomosas Silver Project is by driving approximately 220 kilometres of toll road from Durango city to the Rosarios town, then driving south another 15 kilometres of paved road to get to the intersection of the Chilitos village. Another 16 kilometres of paved road are driven east to get to the Matatán village and finally 30 kilometres of dirt road are driven to get to the La Rastra village and then 4 more kilometres to get to the Perleros camp site at the Plomosas Silver Project.

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

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

The Company is utilizing the mining camp infrastructure to maintain the old structures under care and maintenance. Future plans include the preparation of an NI 43-101 resource estimate and the continued exploration at depth and along strike of the existing known structure. The Company will also collect material for advanced metallurgical testing and, if justified, develop a comprehensive mine plan for the potential extraction of the resource.

A 2001 report by Grupo Mexico states that the Rosario Mine has estimated historic proven and probable reserves and inferred resources of 609,891 tonnes grading 134 g/t Ag, 3.24 % Zn, 2.21 % Pb, and 1.05 g/t Au. According to a Grupo Mexico´s internal report dated January 17, 2001, the reported reserves and resources were calculated by Grupo Mexico (IMMSA) by the time they were closing operations at Rosario in 2000. The 2001 report contains longitudinal sections with grades and tonnages but it does not have details about the method or assumptions used for the estimates. The mine has extensive development and has been partially refurbished by the previous operator in preparation for an 800 tpd operation and has also been dewatered and undergone partial rehabilitation. The historic reserves are located in a number of mineral zones, which include the Veta Plomosas, Plomositas, Lead/Zinc Stock Work and Silver Stock Work. Extensive data collection, underground mapping, control surveys, resource modeling and preliminary exploration programs have been completed by the prior operator. An extensive underground channel sampling program has been completed at Rosario, which yielded positive results with numerous high grade intersections of gold, silver, lead and zinc. The stock work zones have potential for tonnage expansion along the strike and dip of the Rosario fault structure.

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

A qualified person has not done sufficient work to classify the historical reserves and resources at Plomosas as current mineral Reserves or Resources. The historic Reserves and Resources at Plomosas do not conform to National Instrument 43-101 for reporting purposes; as such the Company is not treating these historic estimates as current mineral Reserves or Resources. The historical reserves do not have demonstrated current economic viability and are being treated as historical estimates. These estimates should not be relied upon until they have been verified by further due diligence and by the Company's "Qualified Person". In order to verify or upgrade the historical estimates, the Company will need to complete a diamond drilling program consisting of approximately 5,000 metres at the Rosario and San Juan mines. The drilling will confirm the historic reserves and resources reported by Grupo Mexico and will allow the Company to plan a second exploration program focused on locating extensions of the known mineralization.

La Luz Silver Project

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

Real de Catorce is an old mining district with an estimated historic production, between 1773 and 1990, of 230 million ounces of recovered silver. The majority of production (150 million ounces) occurred from 1773 to 1776 with the remainder occurring after 1851. A former operator estimated that the average grade of all production over the life of the mines was about 1,350 g/t silver (Grace, 1997).

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

As disclosed in the technical report dated July 25, 2008 (" **La Luz Technical Report** "), La Luz property contains an aggregate of 33,710,173 ounces of measured and 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 doré bars are delivered to one of three refineries where doré bars are refined to commercial 99.9% pure silver bars. The concentrates containing silver, lead, zinc and gold are delivered two brokers 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 for 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 commercial grade, transfer the silver and by-products to the physical market for the consumption of the silver and the by-products. The Company transfers risk of ownership at the time it delivers its 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 outturn of the smelted metals, usually 45 to 60 days after physical transfer of the concentrates. Likewise, but to a lesser extent, doré is turned out usually within 25 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 outturn of the smelted or refined metals, less processing costs.

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

First Majestic's senior management in Vancouver, 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 two international organizations 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 1% of the Company's production was sold in retail transactions during 2013. 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 five 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 award affirms First Majestic's position as a leader in corporate social responsibility, and was achieved through demonstrating transparency, environmental stewardship and sustainability within its operations and projects in Mexico.

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 subsidiaries;
- To reduce the level of risk in each of the areas of work;
- To maintain the highest standards of social welfare for its workers;
- To mitigate 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. Furthermore, in late 2013, the Mexican government approved major reforms to the Mexican system of taxation. The explanation below is not intended to be a detailed and conclusive description of all of the many forms of Mexican corporate taxes, but is a current summary of the most relevant and material forms of corporate taxes impacting mining companies operating in México during fiscal 2013 and expected to apply on a prospective basis.

Taxes in México are levied in the normal course of business and are levied in the form of: (i) Corporate Income Taxes (referred to as ISR), (ii) 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 were no mining royalty taxes or capital taxes applicable to mining businesses in México for fiscal 2013. 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 applicable to fiscal 2013 are as follows:

(i) *Corporate Income taxes* (ISR) – 30% on a corporation's taxable income in 2013. Normal business expenses may be deducted in computing a corporation's taxable income, including inflationary accounting for certain concepts of revenue and expenses. The scheduled reduction to 29% in 2014 and to 28% in 2014 has been eliminated, effective January 1, 2014 as part of the Mexican tax reform;

(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. The Flat Tax Law (IETU) has been repealed effective January 1, 2014;

(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 late 2013, the Mexican government approved a tax reform that enacted a New Mexican Income Tax Law (MITL), effective January 1, 2014, and repealed the Flat Tax Law (IETU). The new MITL maintains the current 30% corporate income tax rate, eliminating the scheduled reduction to 29% in 2014 and to 28% in 2015.

The new MITL eliminates the option to depreciate capital assets on an accelerated basis, as well as the 100% tax deduction for a mining company's pre-operating expenses. As of 2014, capital assets will be depreciated on a straight-line basis using the provided allowed percentage for each type of asset, and pre-production expenses will be amortized over a 10-year period.

The new MITL also imposes a 10% withholding tax on dividends distributed to resident individuals or foreign residents (including foreign corporations). This new withholding tax will apply beginning in 2014, but not to distributions of profits subject to corporate-level tax prior to 2014, so 2013-CUFIN balance distributions are exempted. Per the Mexico-Canada tax treaty this dividend withholding tax rate may be reduced to 5%.

The tax reform also included in the Mexican Federal Fees Law a new 7.5% Special Mining Duty on taxpayers with mining concessions. The Special Mining Duty will generally be applicable to earnings before income tax, depreciation, depletion, amortization, and interest. In calculating the Special Mining Duty there will be no deductions related to development type costs but exploration and prospecting costs are deductible when incurred. For IFRS purposes this new Special Mining Duty is interpreted to be an "income tax", since the Mexican Tax legislation defined the Special Mining Duty on a determinable profit basis, therefore deferred tax on the mining royalty must be calculated. The 2014 Mexican tax reform also creates a new Environmental Mining Duty of 0.5% of gross revenues from the sale of gold, silver, and platinum. The Environmental Mining Duty and Special Mining Duty will be tax deductible for corporate income tax purposes.

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.

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. Coincident with the tax consolidation, Mexico introduced an alternative minimum tax or flat tax known as the IETU, effective January 1, 2008 to attempt to limit certain companies from avoiding taxes on their cash earnings in Mexico. In December 2009, Mexico introduced tax consolidation reform 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 was expected to be recaptured from 2014 to 2021. The tax reform abolished the existing consolidation regime effective as of January 1, 2014 and requires consolidated groups to deconsolidate. Existing groups that began consolidating after 2007 are now required to pay income taxes deferred by virtue of tax consolidation in annual installments between the 2014 and 2018 fiscal years based on a mechanism established in specified transition rules.

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

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

DIVIDENDS

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

CAPITAL STRUCTURE

The Company's authorized capital consists of an unlimited number of common shares without par value. A total of 117,368,624 common shares of the Company were issued and outstanding as at the date of this AIF.

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

MARKET FOR SECURITIES

Trading Price and Volume

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

Period	High C$	Low C$	Volume
December 2013	10.98	9.42	8,891,305
November 2013	11.71	9.78	6,803,818
October 2013	13.06	10.86	9,825,377
September 2013	15.69	12.16	11,160,572
August 2013	17.26	11.83	12,292,435
July 2013	14.36	10.72	9,227,201
June 2013	12.05	9.25	7,042,898
May 2013	12.53	9.65	15,487,422
April 2013	16.42	11.06	14,031,977
March 2013	17.62	15.33	6,876,923
February 2013	19.16	16.51	9,304,612
January 2013	20.91	17.07	9,905,221

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

The term of each of the current directors of the Company will expire at the Company's next Annual General Meeting unless his 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 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 3,176,000 Stock Options 790,000	2.7%
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 567,500	Less than 1.0%
ROBERT A. McCALLUM, B.Sc., P.Eng [3] [4] [5] Director North Vancouver, British Columbia, Canada	Professional consulting engineer and President of Robert A. McCallum Inc. from 1999 to present; Director of Shore Gold Inc. from October 28, 2005 to February 2012. Chairman of the Company from September 7, 2006 to December 31, 2011.	December 15, 2005 to present.	Common 60,000 Stock Options 104,927	Less than 1.0%
DOUGLAS PENROSE, B.Comm., CA [3] [5] Chairman and Director Summerland, British Columbia, Canada	Retired. Vice President, Finance and Corporate Services of British Columbia Lottery Corporation from 2000 to April 2008.	September 7, 2006 to present.	Common 30,000 Stock options 134,927	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 634,956 Stock options 154,927	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]
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 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, Director of Great Quest Metals Ltd. from December 2010 to present and Director of Global Strategic Metals NL from November 2013 to present.	January 12, 2005 to present.	Common 30,000 Stock options 184,927	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 370,000	Less than 1%
CONNIE LILLICO Corporate Secretary Coquitlam, British Columbia, Canada	Corporate Secretary of the Company from August 2007 to present.	N/A	Common 135,000 Stock options 370,000	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 México of Goldcorp from July 2008 to December 2011.	N/A	Common Nil Stock Options 370,000	0.0%

(1) The information as to principal occupation and shares beneficially owned has been furnished by the respective individuals.
(2) Based upon the 117,368,624 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 4,576,156 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 this AIF, a director or executive officer of any company (including the Company), that while that person was acting in that capacity,

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

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

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

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

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

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

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

Conflicts of Interest

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

AUDIT COMMITTEE INFORMATION

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

Audit Committee Mandate

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

Composition of the Audit Committee

Members of the Audit Committee are Douglas Penrose, Tony Pezzotti and Robert McCallum. All three members are independent 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 and Procedures

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

External Auditor Service Fees

The following table sets out the fees billed to the Company by Deloitte LLP, Independent Registered Public Accounting Firm, and its affiliates for professional services in each of the years ended December 31, 2013 and December 31, 2012, respectively.

Category	Year ended December 31, 2013	Year ended December 31, 2012
Audit Fees	C$713,000	C$720,000
Audit-Related Fees	C$61,500	C$51,000
Tax Fees	C$34,000	C$37,600
All Other Fees	C$2,000	-

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 relates to the audit of the conversion to a SAP ERP system and other regulatory related filings and the tax fees relate to tax compliance services.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

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

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

The trial of the Action commenced in the Supreme Court of British Columbia in Vancouver, British Columbia in April 2012. In April 2013, the Company received a positive judgment from the Court, which awarded the sum of C$96.3 million in favour of First Majestic against the defendants. The Company received the sum of C$14.85 million (representing monies previously held in trust by Davila Santos' lawyer) on June 27, 2013 in partial payment of the April 24, 2013 judgment, leaving an unpaid amount of approximately C$81.45 million. Subsequently, the Supreme Court of British Columbia granted orders restricting any transfer or encumbrance of the Bolaños Mine by the defendant and limiting mining at the Bolaños Mine. The orders also require that the defendant preserve net cash flow from the Bolaños Mine in a holding account and periodically provide to the Company certain information regarding the Bolaños Mine and the holding account.

The judgment by the Supreme Court of British Columbia in favour of the Company was appealed by the defendants. On June 27, 2013, a justice of the Court of Appeal of British Columbia ordered the defendant to post security or provide a letter of credit in the amount of US$79.0 million by September 25, 2013. The defendant did not post security nor provide a letter of credit and as a result, on October 23, 2013, the defendant's appeal was dismissed by the Court of Appeal.

On October 30, 2013, the defendant initiated an application to vary or discharge the Court of Appeal's Dismissal Order. The application was heard before the Court of Appeal on December 10, 2013. The Court of Appeal has reserved judgment and the outcome of this application is presently not determinable. Judgment against Davila Santos should not be regarded as conclusive until such time as all avenues for appeal have been exhausted and the Company cautions that even if the results of all such appeals are in the Company's favour it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to try to recover the unpaid portion of the judgment. The outcome of any such action is not presently determinable. There can be no guarantee of collection on the remaining C$81.45 million of the judgment amount and accordingly, the Company has not to date accrued in its financial statements any additional amounts related to the remaining unpaid judgment in favour of the Company.

Regulatory Actions

No penalties or sanctions were imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2013.

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, 2013.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

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

Richard Addison, P.E. and Leonel Lopez, C.P.G. of Runge Pincock Minarco 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 which represent less than 1% of the outstanding shares of the Company.

ADDITIONAL INFORMATION

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

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under 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, 2013 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

AUDIT COMMITTEE CHARTER

INTRODUCTION

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

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

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

AUTHORITY

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

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

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

COMPOSITION

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

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

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

RESPONSIBILITIES

To fulfill its responsibilities and duties, the Committee will:

Financial Reporting

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

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

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

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

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

   (v) prospectuses;

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

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

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

External auditor

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

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

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

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

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

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

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

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

    a) All critical accounting policies and practices;

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

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

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

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

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

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

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

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

Financial Reporting Processes, Accounting Policies and Internal Control Structure

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

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

18. Understand the scope of the Company's external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management responses.

19. Receive and review any disclosure from the Company's Chief Executive Officer and Chief Financial Officer made in connection with the certification of the Company's quarterly and annual financial statements, regarding:

    a) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial data; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

20. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; major issues as to the adequacy of the Company's internal controls; and any special audit steps adopted in light of material control deficiencies.

21. Review analyses prepared by management and the Company's external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting methods on the financial statements.

22. Review the effect of regulatory and accounting initiatives, as well as off-balance-sheet structures, on the financial statements of the Company.

23. Review and report to the Board with respect to all related-party transactions, unless a special committee has been established by the Board to consider a particular matter.

24. Establish and oversee procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential, anonymous submissions by Company employees regarding questionable accounting or auditing matters.

Ethical Compliance, Legal Compliance and Risk Management

25. Oversee, review, and periodically update the Company's Code of Ethical Conduct and the Company's system to monitor compliance with and enforce this code.

26. Review, with the Company's counsel, legal compliance and legal matters that could have a significant impact on the Company's financial statements.

27. Discuss policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Company's major financial risk exposures and the steps management has undertaken to control them.

28. Consider the risk of management's ability to override the Company's internal controls.

29. Review with the Company's external auditors, and if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements.

30. Review adequacy of security of information, information systems and recovery plans.

31. Review the Company's insurance, including directors' and officers' coverage, and provide recommendations to the Board.

Other Responsibilities

32. Report regularly to the Board regarding the execution of the Committee's duties and responsibilities, activities, any issues encountered and related recommendations.

33. Discuss, with the Company's external auditor the extent to which changes or improvements in financial or accounting practices have been implemented.

34. Conduct an annual performance assessment relative to the Committee's purpose, duties, and responsibilities outlined herein.

EFFECTIVE DATE

This Charter was approved and adopted by the Board on March 10, 2014 (the " **Effective Date**") and is and shall be effective and in full force and effect in accordance with its terms and conditions from and after such date.

GOVERNING LAW

This Charter shall be interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable in that province.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2013

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 consolidated financial statements.

"Keith Neumeyer"

Keith Neumeyer
President & Chief Executive Officer
February 25, 2014

"Raymond Polman"

Raymond Polman, CA
Chief Financial Officer
February 25, 2014

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated financial statements of First Majestic Silver Corp. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of (loss) earnings, comprehensive (loss) 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, 2013 and 2012 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, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.



Chartered Accountants
Vancouver, Canada
February 25, 2014

Report of Independent Registered Public Accounting Firm

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, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. 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, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* 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, 2013 of the Company and our report dated February 25, 2014 expressed an unqualified opinion on those consolidated financial statements.



Chartered Accountants
Vancouver, Canada
February 25, 2014

First Majestic Silver Corp.
CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(amounts are expressed in thousands of United States dollars, except share and per share amounts)

	Note	Year Ended December 31, 2013	2012
Revenues	6	**$ 251,313**	**$ 247,177**
Cost of sales (excludes depletion, depreciation and amortization)		115,658	79,747
Gross margin		**135,655**	**167,430**
Depletion, depreciation and amortization		43,337	25,405
Mine operating earnings		**92,318**	**142,025**
General and administrative expenses	7	24,855	21,774
Share-based payments		14,518	10,646
Accretion of decommissioning liabilities		539	472
Impairment of goodwill and mining interests	14	28,791	-
Acquisition costs	29	-	2,740
Foreign exchange loss (gain)		926	(174)
Operating earnings		**22,689**	**106,567**
Investment and other income	8	5,974	6,715
Finance costs		(2,470)	(2,293)
Earnings before income taxes		**26,193**	**110,989**
Income taxes			
Current income tax expense	20	1,261	4,429
Deferred income tax expense	20	63,164	17,662
		64,425	22,091
Net (loss) earnings for the year		**$ (38,232)**	**$ 88,898**
(Loss) earnings per common share			
Basic		**$ (0.33)**	**$ 0.80**
Diluted		**$ (0.33)**	**$ 0.79**
Weighted average shares outstanding			
Basic	9	**116,935,325**	**110,775,284**
Diluted	9	**116,935,325**	**112,859,088**

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 (LOSS) INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(amounts are expressed in thousands of United States dollars)

	Year Ended December 31,	
	2013	**2012**
Net (loss) earnings for the year	**$ (38,232)**	**$ 88,898**
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss:		
Unrealized loss on fair value of available for sale investments	(2,047)	(3,212)
Reclassification of impairment on available for sale investments	3,914	-
Currency translation gain	-	369
Other comprehensive income (loss)	1,867	(2,843)
Total comprehensive (loss) income for the year	**$ (36,365)**	**$ 86,055**

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, 2013 AND 2012
(amounts are expressed in thousands of United States dollars)

		Year Ended December 31,	
	Note	**2013**	**2012**
OPERATING ACTIVITIES			
Net (loss) earnings for the year		$ (38,232)	$ 88,898
Adjustments for:			
Share-based payments		14,518	10,646
Depletion, depreciation and amortization		43,919	25,980
Accretion of decommissioning liabilities		539	472
Loss (gain) from silver futures and marketable securities	8	6,601	(6,211)
Gain and fair value adjustment on prepayment facility	18	(4,433)	-
Write-down of marketable securities	8	3,914	-
Impairment of goodwill and mining interests	14	28,791	-
Income tax expense	20	64,425	22,091
Proceeds from First Silver litigation	28	14,127	-
Acquisition costs	29	-	2,740
Finance costs		2,470	2,293
Unrealized foreign exchange loss (gain) and other		630	(133)
Operating cash flows before movements in working capital and income taxes		137,269	146,776
Net change in non-cash working capital items	26	4,353	1,274
Income taxes paid		(7,350)	(11,891)
Cash generated by operating activities		**134,272**	**136,159**
INVESTING ACTIVITIES			
Expenditures on mining interests		(94,445)	(99,300)
Acquisition of property, plant and equipment		(84,297)	(75,834)
Deposits paid for long-term assets		(5,288)	(7,525)
Realized (loss) gain on silver futures		(4,658)	6,172
Proceeds from disposal of marketable securities		23	5,244
Investment in marketable securities		-	(10,349)
Acquisition of Silvermex, net of cash acquired	29	-	8,614
Cash used in investing activities		**(188,665)**	**(172,978)**
FINANCING ACTIVITIES			
Proceeds from sale-and-leasebacks		16,121	5,528
Repayment of lease obligations		(9,331)	(6,716)
Proceeds from prepayment facility	18(a)	-	50,000
Repayment of prepayment and debt facilities	18(a),(b)	(5,447)	(1,284)
Finance costs paid		(2,470)	(1,812)
Proceeds from exercise of stock options	21(a)	1,789	10,609
Shares repurchased and cancelled	21(d)	(2,403)	-
Cash (used in) generated by financing activities		**(1,741)**	**56,325**
Effect of exchange rate on cash and cash equivalents held in foreign currencies		(692)	901
(Decrease) increase in cash and cash equivalents		**(56,134)**	**19,506**
Cash and cash equivalents, beginning of year		111,591	91,184
Cash and cash equivalents, end of year		**$ 54,765**	**$ 111,591**
Cash		$ 45,307	$ 108,419
Cash equivalents		9,458	3,172
Cash and cash equivalents, end of year		**$ 54,765**	**$ 111,591**
Supplemental cash flow information	26		

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, 2013 AND DECEMBER 31, 2012
(amounts are expressed in thousands of United States dollars)

	Note	December 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		$ 54,765	$ 111,591
Trade and other receivables	10	22,045	19,598
Income taxes receivable		-	8,664
Inventories	11	26,785	23,641
Other financial assets	12	4,177	7,237
Prepaid expenses and other		1,761	2,186
Total current assets		**109,533**	**172,917**
Non-current assets			
Mining interests	13	448,440	372,941
Property, plant and equipment	15	291,326	220,212
Deposits on long-term assets		5,653	9,751
Goodwill	14, 29	-	24,591
Deferred tax assets	20	-	12,619
Total assets		**$ 854,952**	**$ 813,031**
Liabilities and Equity			
Current liabilities			
Trade and other payables	16	$ 34,534	$ 37,398
Current portion of lease obligations	17	15,993	8,793
Current portion of prepayment and debt facilities	18	17,874	6,662
Income taxes payable	20	8,322	4,377
Total current liabilities		**76,723**	**57,230**
Non-current liabilities			
Lease obligations	17	20,297	14,185
Prepayment facility	18	26,342	44,241
Decommissioning liabilities	19	12,096	9,691
Deferred gain on litigation	28	14,127	-
Deferred tax liabilities	20	134,622	94,159
Total liabilities		**284,207**	**219,506**
Equity			
Share capital	21(a)	425,707	423,958
Equity reserves	22	46,543	31,219
Retained earnings		98,495	138,348
Total equity		**570,745**	**593,525**
Total liabilities and equity		**$ 854,952**	**$ 813,031**
Commitments (Note 13, Note 23(d)(ii))			
Contingent liabilities (Note 27)			
Subsequent events (Note 30)			

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, 2013 AND 2012
(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	Total equity
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 payments, net of related tax benefits (Note 22)	-	-	9,525	-	-	9,525	-	9,525
Shares issued for:								
Acquisition of Silvermex Resources Inc. (Note 29)	9,451,641	136,317	-	-	-	-	-	136,317
Exercise of options	2,174,250	10,609	-	-	-	-	-	10,609
Conversion of shares to be issued (Note 21(e))	250	-	-	-	-	-	-	-
Returned to treasury (Note 21(f))	(4,673)	(16)	-	-	-	-	-	(16)
Share warrants issued (Note 21(c))	-	-	646	-	-	646	-	646
Expiry of shares to be issued (Note 21(e))	-	(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**
Net loss	-	-	-	-	-	-	(38,232)	(38,232)
Other comprehensive income	-	-	-	1,867	-	1,867	-	1,867
Share-based payments, net of related tax benefits (Note 22)	-	-	14,199	-	-	14,199	-	14,199
Shares issued for exercise of options	483,000	1,789	-	-	-	-	-	1,789
Shares repurchased and cancelled (Note 21(d))	(215,000)	(782)	-	-	-	-	(1,621)	(2,403)
Transfer of equity reserve upon exercise of options	-	742	(742)	-	-	(742)	-	-
Balance at December 31, 2013	**117,024,840**	**$ 425,707**	**$ 47,069**	**$ (218)**	**$ (308)**	**$ 46,543**	**$ 98,495**	**$ 570,745**

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 International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

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 24). First Silver Reserve Inc. ("First Silver"), one of the wholly-owned subsidiaries of the Company, 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 (see Note 28). 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 a deferred tax liability on the excess of the fair value of the acquired assets over their corresponding tax bases, with the corresponding offset recorded as goodwill.

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 statements of earnings. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Foreign currency

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. Prior to January 1, 2013, the functional currency of the Company's head office was the Canadian dollar and the functional currency for all of the other entities was the U.S. dollar. The functional currency of the Company's Canadian head office changed on a prospective basis from the Canadian dollar to the U.S. dollar effective January 1, 2013 as management determined that the currency of the primary economic environment in which the entity operates changed subsequent to First Majestic entering into the U.S. dollar denominated prepayment facility agreement in December 2012 (see Note 18(a)).

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 statements of earnings 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

The majority of the Company's exploration and evaluation expenditures focus on mineral deposits in proximity to its existing mining operations. Where the Company is acquiring a new property, the Company makes a preliminary evaluation to determine that the property has significant potential to develop an economic ore body. Exploration and evaluation expenditures are transferred to development or producing mining interests when technical feasibility and commercial viability of the mineral resource have been demonstrated. Factors taken into consideration include:

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

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

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.

Upon commencement of commercial production (see "Significant accounting estimates and judgments"), mining interests are depleted on a units-of-production basis over the estimated economic life of the mine. In applying the units of production method, depletion is determined using quantity of material extracted from the mine in the period as a portion of total quantity of material to be extracted in current and future periods based on proven and probable reserves and the portion of measured and indicated mineral resources considered to be highly probable to be economically extracted over the life of mine plan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining interests (continued)

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 twenty 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 of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Assets under construction are recorded at cost and re-allocated to machinery and equipment when it becomes available for use.

Depreciation 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stripping costs (continued)

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 long-term assets

At each statement of financial position date, the Company reviews the carrying amounts of its long-term 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 earnings. Recoverable amount is the higher of fair value less costs to sell and value in use.

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 statements of earnings.

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 and adjusted for prospectively based on actual forfeitures. 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").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

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.

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 interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Borrowing costs

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share (continued)

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 ("AFS"), 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.

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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.

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:

Functional currency

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

Business combinations

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Commencement of commercial production

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

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

- substantially all major capital expenditures have been completed to bring the mine or mill to the condition necessary for it to be capable of operating in the manner intended by management;
- the mine or mill has reached a pre-determined percentage of design capacity;
- the ability to sustain a pre-determined level of design capacity for a significant period of time (i.e., the ability to continue to produce ore at a steady or increasing level);
- the completion of a reasonable period of testing of the mine plant and equipment;
- the ability to produce a saleable product (i.e., the ability to produce concentrate within required sellable specifications);
- the mine or mill has been transferred to operating personnel from internal development groups or external contractors; and
- mineral recoveries are at or near the expected production levels.

The results of operations of the Company during the periods presented in these consolidated financial statements have been impacted by management's determination that commercial production was achieved for the following expansions:

- the 1,000 tonnes per day ("tpd") cyanidation plant at the La Parrilla mine achieved commercial production on March 1, 2012;
- the 1,000 tpd flotation plant at the Del Toro mine achieved commercial production on April 1, 2013; and
- the 1,000 tpd cyanidation plant at the Del Toro mine achieved commercial production on January 1, 2014.

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 considers 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 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

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, the change in estimate would be made prospectively in the consolidated statements of earnings.

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 and resource 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, results of operation and cash flows.

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 and silver equivalents contained in the stockpile ore, 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 carrying value of its 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Income taxes (continued)

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.

Deferral of stripping costs

In determining whether stripping costs incurred during the production phase of a mining interest relate to mineral reserves and resources that will be mined in a future period and therefore should be capitalized, the Company treats the cost of removal of the waste material during a mine's production phase as deferred development costs where it gives rise to future benefits. These capitalized costs are subsequently amortized on a units-of-production basis over the reserves and resources that directly benefit from the specific stripping activity.

4. CHANGES IN ACCOUNTING POLICIES

Accounting Policies Adopted Effective January 1, 2013

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. 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. The adoption of this standard did not have a significant impact on the Company's 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. IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is accounted for using the equity method and proportionate consolidation is no longer permitted. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20"), which clarifies the requirements for accounting for the cost of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. The Company adopted IFRIC 20 in compliance with the transitional requirements and the application of this standard did not result in an adjustment to the Company's consolidated financial statements.

4. CHANGES IN ACCOUNTING POLICIES (continued)

Accounting Policies Adopted Effective January 1, 2013 (continued)

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. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Disclosures on Offsetting of Financial Instruments

In December 2011, the IASB issued an amendment to IFRS 7 – *Financial Instruments: Disclosure* ("amendments to IFRS 7"). The amendments to IFRS 7 require more extensive disclosures about offsetting (also known as netting) of financial instruments. The new offsetting disclosure requirements are effective for annual periods beginning on or after January 1, 2013 and need to be applied retrospectively to all comparative periods. The Company has applied the amendments to IFRS 7 on a prospective basis, commencing January 1, 2013. The adoption of this amendment did not have a significant impact on the Company's comparative periods.

Items of Other Comprehensive Income

In June 2011, the IASB issued an amendment to IAS 1 ("amendments to IAS 1") – *Presentation of Items of Other Comprehensive Income* . The amendments to IAS 1 require items of other comprehensive income ("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. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2013

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. On July 24, 2013, the IASB tentatively decided to defer the mandatory effective date until the finalization of the impairment, classification and measurement requirements, with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its consolidated financial statements when issued.

Levies imposed by governments

In May 2013, the IASB issued IFRIC 21 – *Levies* ("IFRIC 21"), an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of the adoption of this interpretation on its consolidated financial statements.

Recoverable Amount Disclosures

In May 2013, the IASB issued amendments to IAS 36 – *Impairment of* Assets ("amendments to IAS 36"). The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

5. SEGMENTED INFORMATION

The Company has eight reporting segments, including five segments located in Mexico, one development project 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 refined silver, gold, lead and zinc produced from doré and concentrates. Transfer pricing agreements 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 pricing agreements 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, 2013					At December 31, 2013	
	Revenue	Cost of sales [1]	Depletion, depreciation and amortization	Mine operating earnings (loss)	Capital expenditures	Total assets	Total liabilities
Mexico							
La Encantada	$ 91,563	$ 41,366	$ 11,964	$ 38,233	$ 24,036	$ 145,596	$ 37,872
La Parrilla	79,847	36,307	14,827	28,713	37,544	203,384	29,003
Del Toro	25,043	14,003	5,083	5,957	80,213	202,526	44,858
San Martin	30,379	17,552	4,418	8,409	23,785	107,553	35,728
La Guitarra	17,034	10,542	6,804	(312)	15,362	130,910	30,884
La Luz	-	-	-	-	4,095	30,721	364
Canada							
Coins and Bullion Sales	2,802	2,699	-	103	11	725	28
Europe							
Silver Sales	158,193	146,453	-	11,740	-	21,126	4,424
Corporate and Eliminations	(153,548)	(153,264)	241	(525)	5,051	12,411	101,046
Consolidated	$ 251,313	$ 115,658	$ 43,337	$ 92,318	$ 190,097	$ 854,952	$ 284,207

	Year Ended December 31, 2012					At December 31, 2012	
	Revenue	Cost of sales [1]	Depletion, depreciation and amortization	Mine operating earnings (loss)	Capital expenditures	Total assets	Total liabilities
Mexico							
La Encantada	$ 89,974	$ 35,088	$ 9,629	$ 45,257	$ 33,282	$ 136,510	$ 27,736
La Parrilla	82,596	35,836	10,442	36,318	60,800	175,410	42,546
Del Toro	-	-	-	-	74,229	122,152	22,764
San Martin	22,289	12,401	3,943	5,945	19,120	83,652	19,214
La Guitarra	5,291	5,375	1,389	(1,473)	7,691	172,472	35,940
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

[1] Cost of sales excludes depletion, depreciation and amortization.

6. REVENUES

	Year Ended December 31, 2013	Year Ended December 31, 2012
Gross revenue from payable metals:		
Silver	$ 235,422	$ 242,732
Gold	10,928	6,325
Lead	23,301	10,698
Zinc	6,078	3,460
Other	1,634	1,777
Gross revenue	$ 277,363	$ 264,992
Less: refining & smelting costs	(26,050)	(17,815)
Revenues	**$ 251,313**	**$ 247,177**

7. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Year Ended December 31, 2013	Year Ended December 31, 2012
Corporate administration	$ 8,332	$ 7,114
Salaries and benefits	10,121	8,267
Audit, legal and professional fees	4,478	4,637
Filing and listing fees	390	523
Directors fees and expenses	952	658
Depreciation	582	575
	$ 24,855	**$ 21,774**

8. INVESTMENT AND OTHER INCOME

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

	Year Ended December 31, 2013	Year Ended December 31, 2012
Termination fee from Orko acquisition, net of costs (a)	$ 9,129	$ -
Gain from fair value adjustment of prepayment facility (Note 18(a))	3,919	-
(Loss) gain from investment in silver futures (Note 12(c))	(4,818)	6,172
(Loss) gain from investment in marketable securities (Note 12(b))	(1,783)	39
Write-down of marketable securities (Note 12(a))	(3,913)	-
Interest income and other	822	504
Gain from insurance claim	1,350	-
Gain from value added tax settlement (Note 27)	711	-
Gain from First Silver litigation (Note 28)	557	-
	$ 5,974	**$ 6,715**

8. INVESTMENT AND OTHER INCOME (continued)

(a) Termination Fee from Orko Acquisition

In December 2012, First Majestic entered into an arrangement agreement with Orko Silver Corp. ("Orko") to acquire all of the issued and outstanding shares of Orko. In February 2013, Orko declared that another company made a superior offer and First Majestic elected not to match the superior offer. Upon termination of the arrangement agreement, the Company received an $11.4 million termination fee from Orko in February 2013. Net of related professional fees, legal and underwriter costs incurred in 2013, the Company recognized a gain of $9.1 million in other income in 2013.

9. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share for the years ended December 31, 2013 and 2012 are based on the following:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Net (loss) earnings for the year	$ (38,232)	$ 88,898
Weighted average number of shares on issue - basic	116,935,325	110,775,284
Adjustment for stock options	-	2,083,804
Weighted average number of shares on issue - diluted [(1)]	116,935,325	112,859,088
(Loss) earnings per share - basic	$ (0.33)	$ 0.80
(Loss) earnings per share - diluted	$ (0.33)	$ 0.79

[(1)] Diluted weighted average number of shares for the year ended December 31, 2013 excludes 5,208,520 (2012 – 919,645) anti-dilutive options and $nil warrants (2012 – 329,377).

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Company are comprised of:

	December 31, 2013	December 31, 2012
Trade receivables	$ 8,974	$ 6,637
Value added taxes and other taxes recoverable, net of allowance	12,437	12,285
Other	634	676
	$ 22,045	**$ 19,598**

11. INVENTORIES

	December 31, 2013	December 31, 2012
Finished product - doré and concentrates	$ 609	$ 1,982
Work in process	5,548	4,135
Stockpile	4,740	2,558
Materials and supplies	15,361	14,791
Silver coins and bullion including in-process shipments	527	175
	$ 26,785	**$ 23,641**

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, 2013	December 31, 2012
Marketable securities - available for sale (a)	$ 349	$ 2,421
Marketable securities - fair value through profit or loss (b)	3,028	4,816
Derivatives (c)	800	-
	$ 4,177	**$ 7,237**

(a) Marketable Securities – Available For Sale

As at December 31, 2013, the Company holds various investments designated as available for sale ("AFS") marketable securities with total fair value of $0.3 million (2012 - $2.4 million) and original cost of $4.4 million (2012 - $4.5 million). Changes in fair value on AFS marketable securities are recognized in other comprehensive income or loss, unless there is objective evidence of impairment. During the year ended December 31, 2013, management assessed a cumulative impairment loss of $3.9 million (2012 - $nil) on the Company's investment in AFS marketable securities, which was reclassed from other comprehensive income (loss) into investment and other income.

(b) Marketable Securities – Fair Value Through Profit or Loss

As at December 31, 2013, the Company held 400,000 units of Sprott Physical Silver Trust (PSLV) with a fair value of $3.0 million (2012 - $4.8 million), which were acquired at a cost of $13.20 per unit. These trust units are classified as fair value through profit or loss ("FVTPL") marketable securities, with changes in fair value recorded through profit or loss. During the year ended December 31, 2013, the Company recognized a loss of $1.8 million (2012 – $nil) related to its FVTPL marketable securities.

(c) Derivatives

The Company carries a long position on silver futures, expiring in March 2014, equivalent to 480,000 ounces of silver at an average price of $19.70 at December 31, 2013. The derivatives asset of $0.8 million (2012 - $nil) reflects a deposit of $1.0 million for the margin requirement to hold the silver futures, net of an unrealized loss of $0.2 million at December 31, 2013. During the year ended December 31, 2013, the Company recognized a loss of $4.8 million (2012 – gain of $6.2 million) related to investment in silver futures, recognized in investment and other income.

13. MINING INTERESTS

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

	December 31, 2013	December 31, 2012
Producing properties	$ 267,677	$ 196,057
Exploration properties (non-depletable)	180,763	176,884
	$ 448,440	**$ 372,941**

13. MINING INTERESTS (continued)

Producing properties are allocated as follows:

Producing properties	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Total
Cost						
At December 31, 2011	**$ 27,264**	**$ 47,190**	**$ -**	**$ 42,077**	**$ -**	**$ 116,531**
Acquired from Silvermex (Note 29)	-	-	-	-	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**
Additions	13,663	26,598	11,251	8,319	6,906	66,737
Change in decommissioning liabilities	(303)	51	1,821	(88)	459	1,940
Transfer from exploration properties	588	229	18,095	1,419	758	21,089
At December 31, 2013	**$ 59,185**	**$ 110,655**	**$ 31,167**	**$ 58,228**	**$ 58,774**	**$ 318,009**
Accumulated depletion and amortization						
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)**
Depletion and amortization	(2,659)	(7,171)	(1,224)	(1,665)	(5,427)	(18,146)
At December 31, 2013	**$ (10,285)**	**$ (15,227)**	**$ (1,224)**	**$ (17,704)**	**$ (5,892)**	**$ (50,332)**
Carrying values						
At December 31, 2012	**$ 37,611**	**$ 75,721**	**$ -**	**$ 32,539**	**$ 50,186**	**$ 196,057**
At December 31, 2013	**$ 48,900**	**$ 95,428**	**$ 29,943**	**$ 40,524**	**$ 52,882**	**$ 267,677**

Exploration properties are allocated as follows:

Exploration properties	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	La Luz	Other	Total
Cost								
At December 31, 2011	**$ 3,520**	**$ 5,670**	**$ 22,112**	**$ 15,035**	**$ -**	**$ 20,412**	**$ -**	**$ 66,749**
Acquired from Silvermex (Note 29)	-	-	-	-	53,000	-	18,100	71,100
Exploration and evaluation expenditures	3,429	4,143	26,171	6,435	2,054	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**	**$ 49,221**	**$ 19,117**	**$ 55,054**	**$ 22,955**	**$ 18,517**	**$ 176,884**
Exploration and evaluation expenditures	2,316	3,599	15,827	962	1,263	1,320	759	26,046
Capitalization of borrowing costs (Note 18(a))	-	-	3,193	-	-	-	-	3,193
Impairment (Note 14)	-	-	-	-	-	-	(4,200)	(4,200)
Change in decommissioning liabilities	-	-	-	-	-	(71)	-	(71)
Transfer to producing properties	(588)	(229)	(18,095)	(1,419)	(758)	-	-	(21,089)
At December 31, 2013	**$ 4,793**	**$ 12,325**	**$ 50,146**	**$ 18,660**	**$ 55,559**	**$ 24,204**	**$ 15,076**	**$ 180,763**

(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 km north east of Torreon, Coahuila and is accessible via a 1.5 hour flight from Torreon. The 100% owned La Encantada Silver Mine consists of a 4,000 tpd cyanidation plant, a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, airstrip and 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.

13. MINING INTERESTS (continued)

(b) La Parrilla Silver Mine, Durango State

The La Parrilla Silver Mine, located approximately 65 km 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 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 cumulative payable of $2.5 million. During the year ended December 31, 2013, the Company paid royalties of $0.5 million (2012 - $0.9 million), respectively. As at December 31, 2013, total royalties paid to date for the Quebradillas NSR is $1.9 million.

(c) 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 underground silver mines, the Perseverancia and San Juan mines, which are approximately one km apart. The Del Toro mine currently consists of a 1,000 tpd flotation circuit and a 1,000 tpd cyanidation circuit. First Majestic owns 100% of the Del Toro Silver Mine.

During 2013, the Company entered into several option agreements to acquire six adjacent mineral properties, namely the Chalchihuites, Navidad, Milagros, Zaragosa, Santa Clara and Ivone properties. These properties consist of 492 hectares of mineral rights. If fully exercised, the total purchase price will amount to $3.3 million, of which $1.1 million has been paid, $0.6 million is due in 2014, $1.2 million in 2015 and the remaining balance of $0.4 million due over years 2016 and 2017.

(d) 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 upgraded 1,300 tpd cyanidation plant, mine buildings, offices and related infrastructure are located.

(e) La Guitarra Silver Mine, State of Mexico

The La Guitarra Silver Mine was acquired through the acquisition of Silvermex Resources Inc. in July 2012. The La Guitarra Silver Mine is located in the Temascaltepec Mining District in the State of Mexico, near Toluca, Mexico and approximately 130 km south west from Mexico City. The 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 500 tpd. The Company owns 100% of the La Guitarra Silver Mine.

In January 2014, the Company entered into two option agreements to acquire various adjacent mining concessions, namely El Coloso, Amplicación Los Comales, San Jose, Jessica and Nazareno de Anecas properties. These properties consist of 757 hectares of mineral rights. If fully exercised, the total purchase price will amount to $5.4 million, of which $2.8 million will be settled in common shares of First Majestic in 2014 (see Note 30(a)), $0.6 million in cash is due in 2014, and $0.5 million in each of the following four years.

13. MINING INTERESTS (continued)

(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. 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. In July 2013, the Company completed the acquisition of an additional 21 hectares of surface rights on adjacent properties for $1.0 million.

(g) Plomosas Silver Project, State of Sinaloa

The Plomosas Silver Project (formerly known as Rosario) was acquired through the acquisition of Silvermex Resources Inc. 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. 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 Resources Inc. in 2012, 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.

14. IMPAIRMENT OF GOODWILL AND MINING INTERESTS

The Company reviews the carrying amounts of its long-term assets at each statement of financial position date to determine whether there is any indication that those assets are impaired. During 2013, a change in the business climate as evidenced by the decline in silver price and the Mexican Tax Reform (see Note 20 – "Income Taxes"), are indicators of possible impairment.

At December 31, 2013, the Company tested the recoverability of its investment in all of its producing mines and exploration projects based on their fair market value less estimated costs to sell ("FVLCTS"). For producing mines, FVLCTS were estimated based on life-of-mine ("LOM") after-tax cash flow projections which incorporate management's best estimates of future metal prices, production based on current estimates of recoverable reserves and resources, future operating costs and capital expenditures, inflation, and long-term foreign exchange rates. Metal pricing included in the cash flow projections are based on consensus analyst pricing. Projected cash flows are discounted using the Company's weighted average costs of capital which includes estimates for risk-free interest rates, market value of the Company's equity, market return on equity, share volatility and debt-to-equity financing ratio. For non-producing assets, FVLCTS were estimated based on in-situ value of their resources and exploration potential. The metal pricing environment related to valuation of exploration-related in-situ ounces and the market value thereof have also declined with a varying impact on the Company's exploration projects. The in-situ values vary dependent on facts and circumstances at each individual project. The impact of this change was assessed on a project by project basis, applying the market comparables most closely related to the specifics of the exploration property. Management's estimate of the FVLCTS is classified as level 3 in the fair value hierarchy.

It was determined that the Company's investment in mining interests acquired from Silvermex Resources Inc. in July 2012 (see Note 29), including the La Guitarra Silver Mine, the Peñasco Quemado Silver Project, the La Frazada Silver Project and the Los Lobos Silver Project had recoverable values below their carrying values, and as a result the Company recorded total impairment charges of $28.8 million in 2013 broken down as follow:

		Year Ended December 31, 2013
Impairment of goodwill of the La Guitarra Silver Mine	$	24,591
Peñasco Quemado Silver Project		1,600
La Frazada Silver Project		2,100
Los Lobos Silver Project		500
Impairment of goodwill and mining interests	**$**	**28,791**
Deferred income tax recovery		(1,481)
Impairment of goodwill and mining interests, net of tax	**$**	**27,311**

The projected cash flows used to determine FVLCTS are significantly affected by changes in assumptions for future metal prices, future capital expenditures, production cost estimates and discount rates. For the purpose of 2013 year end impairment testing, the Company used a long-term silver price of $22.30 and discount rates of 9% to 11%, equivalent to the Company's weighted average cost of capital, adjusted for specific project risks.

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, 2011	**$ 20,675**	**$ 92,098**	**$ 37,402**	**$ 3,753**	**$ 153,928**
Acquired from Silvermex (Note 29)	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**
Additions	13,927	40,576	38,662	4,149	97,314
Transfers and disposals	23,012	28,319	(49,668)	(1,819)	(156)
At December 31, 2013	**$ 83,767**	**$ 215,296**	**$ 52,212**	**$ 9,965**	**$ 361,240**
Accumulated depreciation and amortization					
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)**
Depreciation and amortization	(4,142)	(20,417)	-	(1,572)	(26,131)
Transfers and disposals	1	86	-	-	87
At December 31, 2013	**$ (13,918)**	**$ (50,879)**	**$ -**	**$ (5,117)**	**$ (69,914)**
Carrying values					
At December 31, 2012	**$ 37,051**	**$ 115,853**	**$ 63,218**	**$ 4,090**	**$ 220,212**
At December 31, 2013	**$ 69,849**	**$ 164,417**	**$ 52,212**	**$ 4,848**	**$ 291,326**

(1) Included in land and buildings is $6.6 million (2012 - $5.4 million) of land properties which are not subject to depreciation.
(2) Included in property, plant and equipment is $51.5 million (2012 - $26.8 million) of equipment under finance lease.

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

	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	La Luz	Corporate	Total
Cost								
At December 31, 2011	**$ 65,737**	**$ 57,354**	**$ 7,005**	**$ 19,283**	**$ -**	**$ 2,673**	**$ 1,876**	**$ 153,928**
Acquired from Silvermex (Note 29)	-	-	-	-	9,352	-	1,475	10,827
Additions	16,330	21,018	48,058	7,404	1,446	853	4,218	99,327
At December 31, 2012	**$ 82,067**	**$ 78,372**	**$ 55,063**	**$ 26,687**	**$ 10,798**	**$ 3,526**	**$ 7,569**	**$ 264,082**
Additions	8,057	7,347	53,135	14,504	7,193	2,775	4,303	97,314
Transfers and disposals	(37)	6,294	(6,322)	(60)	(18)	-	(13)	(156)
At December 31, 2013	**$ 90,087**	**$ 92,013**	**$ 101,876**	**$ 41,131**	**$ 17,973**	**$ 6,301**	**$ 11,859**	**$ 361,240**
Accumulated depreciation and amortization								
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)**
Depreciation and amortization	(9,305)	(7,656)	(3,859)	(2,753)	(1,377)	(31)	(1,150)	(26,131)
Transfers and disposals	16	8	1	60	2	-	-	87
At December 31, 2013	**$ (27,842)**	**$ (23,571)**	**$ (3,858)**	**$ (9,549)**	**$ (2,372)**	**$ (127)**	**$ (2,595)**	**$ (69,914)**
Carrying values								
At December 31, 2012	**$ 63,514**	**$ 62,449**	**$ 55,063**	**$ 19,831**	**$ 9,801**	**$ 3,430**	**$ 6,124**	**$ 220,212**
At December 31, 2013	**$ 62,245**	**$ 68,442**	**$ 98,018**	**$ 31,582**	**$ 15,601**	**$ 6,174**	**$ 9,264**	**$ 291,326**

16. 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, 2013	December 31, 2012
Trade payables	$ 20,889	$ 20,827
Accrued liabilities	13,645	16,571
	$ 34,534	**$ 37,398**

17. LEASE OBLIGATIONS

The Company has entered into leases for various mining and plant equipment. These leases have terms of 36 to 60 months with interest rates ranging from 4.8% 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, 2013	December 31, 2012
Less than one year	$ 17,680	$ 10,233
More than one year but not more than five years	21,508	15,232
Gross payments	39,188	25,465
Less: future finance charges	(2,898)	(2,487)
Present value of minimum lease payments	**$ 36,290**	**$ 22,978**
Financial statement presentation:		
Current portion of lease obligations	$ 15,993	$ 8,793
Lease obligations	20,297	14,185
Present value of minimum lease payments	**$ 36,290**	**$ 22,978**

18. PREPAYMENT AND DEBT FACILITIES

(a) Prepayment Facility

In December 2012, the Company entered into a $50.0 million prepayment facility agreement ("Prepayment Facility"). Under the terms of the agreement, the Company received $50.0 million from lender as an 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 market 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 $135.0 million, excluding finance leases, which should also not exceed $75.0 million.

In July 2013, to mitigate potential exposure to future price increases in lead and zinc, the Company entered into an agreement with the same lender to purchase call options on lead and zinc futures ("Call Option") equivalent to remaining production to be delivered under the terms of the Prepayment Facility. The total cost of the Call Option was $3.1 million, settled monthly over the remaining term of the Prepayment Facility.

18. PREPAYMENT AND DEBT FACILITIES (continued)

(a) Prepayment Facility (continued)

The Prepayment Facility is classified as a FVTPL financial liability 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% . Fair value adjustment gains or losses are recorded as other income. The Call Option is classified as FVTPL financial asset or liability and is recorded at fair market value, based on its quoted market price. Borrowing costs in relation to the Prepayment Facility were capitalized as construction costs of the Del Toro mine until commercial production was achieved on January 1, 2014.

Movements in the Prepayment Facility and Call Option during the year ended December 31, 2013 are summarized as follows:

Opening balance, December 31, 2012	**$**	**50,403**
Movements during the period:		
Repayments		(4,947)
Gain on fixed price contract		(514)
Fair value adjustment of remaining repayments, including call options		(3,919)
Capitalized interest and accretion		3,193
Ending balance, December 31, 2013	**$**	**44,216**

Remaining repayments		
Less than one year	$	16,091
More than one year but not more than five years		33,839
Gross value of remaining repayments		**49,930**
Cumulative mark-to-market adjustment of remaining repayments, including call options		(1,453)
Adjusted value of remaining repayments		**48,477**
Less: future finance charges		(4,261)
Fair value at December 31, 2013	**$**	**44,216**

The Prepayment Facility and the Call Option are subject to an enforceable master netting arrangement in the form of an International Swaps and Derivatives Association ("ISDA") agreement with the lender. On every predetermined settlement date, the payments and/or receipts are settled between the Company and the lender on a net basis. As such, the fair values of the Prepayment Facility and the Call Option are presented in an offsetting basis as follows:

		At December 31, 2013		At December 31, 2012
Offsetting of financial instruments				
Prepayment facility		45,599		50,403
Call option		(1,383)		-
	$	**44,216**	**$**	**50,403**
Financial statement presentation:				
Short-term portion of prepayment facility		17,874		6,162
Long-term portion of prepayment facility		26,342		44,241
	$	**44,216**	**$**	**50,403**

18. PREPAYMENT AND DEBT FACILITIES (continued)

(b) Aurcana Debt

At December 31, 2012, the Company had a $0.5 million non-interest bearing debt payable to Aurcana Corporation. The balance was fully paid by the Company on January 9, 2013.

19. 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. 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.

Movements in decommissioning liabilities during the year ended December 31, 2013 and 2012 are allocated as follow:

At December 31, 2013	La Encantada Silver Mine	La Parrilla Silver Mine	Del Toro Silver Mine	San Martin Silver Mine	La Guitarra Silver Mine	La Luz Silver Project	Total
Anticipated settlement date	2025	2031	2022	2035	2027	2030	
Undiscounted value of estimated cash flow	$ 3,876	$ 2,925	$ 3,192	$ 3,138	$ 2,280	$ 1,026	$ 16,437
Estimated mine life (years)	12	18	9	22	14	17	
Discount rate	7.2%	7.7%	6.8%	7.9%	7.2%	7.2%	
Balance at December 31, 2011	**$ 2,319**	**$ 1,248**	**$ -**	**$ 1,997**	**$ -**	**$ 559**	**$ 6,123**
Movements during the period:							
Acquired from Silvermex (Note 29)	-	-	-	-	1,954	-	1,954
Change in rehabilitation provision	566	253	938	(583)	(728)	109	555
Interest or accretion expense	165	106	-	134	67	-	472
Interest or accretion expense capitalized	-	-	-	-	-	46	46
Foreign exchange loss	175	94	-	150	73	49	541
Balance at December 31, 2012	**$ 3,225**	**$ 1,701**	**$ 938**	**$ 1,698**	**$ 1,366**	**$ 763**	**$ 9,691**
Movements during the period:							
Change in rehabilitation provision	(303)	51	1,821	(88)	459	(71)	1,869
Interest or accretion expense	192	117	42	113	75	-	539
Interest or accretion expense capitalized	-	-	14	-	-	50	64
Foreign exchange gain	(21)	(11)	(6)	(10)	(8)	(11)	(67)
Balance at December 31, 2013	**$ 3,093**	**$ 1,858**	**$ 2,809**	**$ 1,713**	**$ 1,892**	**$ 731**	**$ 12,096**

20. 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, 2013 and 2012:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Net earnings before tax	**$ 26,193**	**$ 110,989**
Combined statutory tax rate	25.75%	25.00%
Income tax expense computed at statutory tax rate	**$ 6,745**	**$ 27,747**
Reconciling items:		
Impact of initial recognition of 7.5% mining royalty in Mexico	35,111	-
Impact of change in Mexico statutory tax rates	3,682	-
Impairment of goodwill	6,332	-
Other non-deductible expenses	4,043	3,843
Impact of inflationary adjustments	489	(1,435)
Effect of different foreign statutory tax rates on earnings of subsidiaries	(662)	(9,979)
Impact of foreign exchange on deferred income tax assets and liabilities	4,019	1,563
Change in unrecognized deferred income tax asset	178	788
Other	4,488	(436)
Income tax expense	**$ 64,425**	**$ 22,091**
Effective tax rate	**246%**	**20%**
Current income tax expense	$ 1,261	$ 4,429
Deferred income tax expense	63,164	17,662
Income tax expense	**$ 64,425**	**$ 22,091**

The Canadian combined statutory tax rate increased from 25.0% to 25.75% in 2013 due to an increase in the provincial tax rate for British Columbia from 10.0% to 11.0%.

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.

For the year ended December 31, 2013, the effective tax rate of 246% (2012 – 20%) was significantly higher than the combined corporate statutory tax rate primarily due to the initial recognition impact of major tax reforms enacted in Mexico during fiscal 2013 that are effective January 1, 2014. The significant items impacting the effective tax rate include the introduction of a 7.5% mining royalty in Mexico, elimination of a scheduled reduction of Mexico corporate statutory tax rate to 29% in 2014 and 28% in 2015, and non-deductible impairment of goodwill.

On December 11, 2013, the Mexican government enacted a tax reform to introduce a mining royalty effective January 2014. This royalty is deductible for tax purposes and is calculated as 7.5% of a royalty base which is computed as taxable revenues for income tax purposes (except interest and inflationary adjustment), less allowable deductions for income tax purposes (except interest, inflationary adjustment, depreciation and mining fees), less prospecting and exploration expenses of the year.

20. INCOME TAXES (continued)

The Company has taken the position that the 7.5% mining royalty is an income tax in accordance with IFRS for financial reporting purpose, as it is based on a measure of revenue less certain specified costs. On substantial enactment, a taxable temporary difference arises, as property, plant and equipment and mining assets have book basis but no tax basis for purposes of the royalty. The Company has recognized a deferred tax liability of $35.1 million as at December 31, 2013 in respect of this royalty. This deferred tax liability will be drawn down to $nil as a reduction to tax expense over the life of mine as the mine and its related assets are depleted or depreciated.

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, 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 29)	14,452	-	-	854	(5,998)	9,308
At December 31, 2012	**$ 30,647**	**$ 407**	**$ 903**	**$ 6,189**	**$ (7,949)**	**$ 30,197**
(Expense) benefit to income statement	33,907	(407)	(557)	3,972	7,217	44,132
Expense to equity	-	-	(319)	-	-	(319)
At December 31, 2013	**$ 64,554**	**$ -**	**$ 27**	**$ 10,161**	**$ (732)**	**$ 74,010**

Deferred tax liabilities	Property, plant and equipment and mining interests	Effect of Mexican tax deconsolidation	Other	Total
At December 31, 2011	**$ 57,360**	**$ -**	**$ (646)**	**$ 56,714**
Expense to income statement	19,760	-	3,851	23,611
Acquisition of Silvermex (Note 29)	31,002	-	410	31,412
At December 31, 2012	**$ 108,122**	**$ -**	**$ 3,615**	**$ 111,737**
Expense to income statement	60,897	41,609	4,796	107,302
Reclassed to current income taxes payable	-	(10,407)	-	(10,407)
At December 31, 2013	**$ 169,019**	**$ 31,202**	**$ 8,411**	**$ 208,632**

Financial statement presentation	
At December 31, 2012	
Deferred tax assets	$ 12,619
Deferred tax liabilities	94,159
Deferred tax liabilities, net	**$ 81,540**
At December 31, 2013	
Deferred tax assets	$ -
Deferred tax liabilities	134,622
Deferred tax liabilities, net	**$ 134,622**

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.

The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred taxes have not been recognized, as at December 31, 2013 is $107.2 million.

20. INCOME TAXES (continued)

At December 31, 2013, the Company did not recognize the deferred tax assets shown below:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Non-capital losses	732	6,968
Capital losses	-	415
Unrealized foreign exchange	-	566
Total	**$ 732**	**$ 7,949**

The Mexico tax reform enacted in December 2013 also abolished the existing tax consolidation regime effective as of January 1, 2014 and requires consolidated groups to deconsolidate. Existing groups are now required to assess the tax impact of deconsolidation using a mechanism established transition rules specified in legislation for which the final applied rules are expected to be released in the next few months. The Company is reviewing the impact and will communicate the financial impact when it is finally determined in the applied Mexican tax rules.

The tax deconsolidation results in the availability of entity level loss carryforwards that were previously used to shelter taxable income of other group companies. As at December 31, 2013, the Company has total entity level non-capital loss carryforwards of $217.0 million for Mexican income tax purposes that may be carried forward to reduce taxable income.

As at December 31, 2013, 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	$ -	$ 2,265	$ 2,265
2016	-	5,216	5,216
2017	-	18,047	18,047
2018	-	30,340	30,340
2019	-	13,288	13,288
2020	-	337	337
2021	-	35,828	35,828
2022	-	62,423	62,423
2023	-	49,299	49,299
2028	2,709	-	2,709
2032	1,870	-	1,870
Total	**$ 4,579**	**$ 217,043**	**$ 221,622**

21. SHARE CAPITAL

(a) Authorized and issued capital

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

	Shares		Amount
Balance at December 31, 2011	105,135,372	$	273,304
Shares issued for:			
Acquisition of Silvermex Resources Inc. (Note 29)	9,451,641		136,317
Exercise of options	2,174,250		10,609
Conversion of shares to be issued (e)	250		-
Returned to treasury (f)	(4,673)		(16)
Expiry of shares to be issued (e)	-		(209)
Transfer of equity reserve upon exercise of options and warrants	-		3,953
Balance at December 31, 2012	**116,756,840**	**$**	**423,958**
Shares issued for exercise of options	483,000		1,789
Shares repurchased and cancelled (d)	(215,000)		(782)
Transfer of equity reserve upon exercise of options	-		742
Balance at December 31, 2013	**117,024,840**	**$**	**425,707**

(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, 2012 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, 2013:

	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)**
2.03 - 3.70	322,500	3.03	0.71	322,500	3.03	0.71
10.62 - 14.58	1,058,075	11.64	3.58	466,250	12.51	2.00
15.55 - 19.45	1,733,300	17.10	2.93	1,092,800	16.81	2.88
20.03 - 22.45	2,094,645	21.48	3.97	199,915	22.42	3.91
	5,208,520	16.85	3.34	2,081,465	14.25	2.45

21. SHARE CAPITAL (continued)

(b) Stock options (continued)

As of December 31, 2013, incentive stock options represent 4% (December 31, 2012 - 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, 2013 and December 31, 2012 were $2.2 million and $22.6 million, respectively.

The changes in stock options issued during the years ended December 31, 2013 and 2012 are as follows:

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Number of Options	Weighted Average Exercise Price (CAD$/Share)	Number of Options	Weighted Average Exercise Price (CAD$/Share)
Balance, beginning of the year	4,603,520	14.59	4,934,375	8.31
Granted	1,963,075	18.04	2,039,645	19.59
Exercised	(483,000)	3.77	(2,174,250)	4.83
Cancelled or expired	(875,075)	14.82	(196,250)	16.88
Balance, end of the year	5,208,520	16.85	4,603,520	14.59

The weighted average closing share price at date of exercise for the year ended December 31, 2013 was CAD$13.53 (2012 - CAD$20.36) .

The aggregate fair value of stock options granted during the year ended December 31, 2013 was $13.0 million (2012 – $16.7 million).

The weighted average fair value of employee stock options granted during the year ended December 31, 2013 was $6.63 (2012 - $8.28) per share, which was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Average risk-free interest rate (%)	1.31	1.24
Expected life (years)	3.38	3.38
Expected volatility (%)	53.50	62.75
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.

21. SHARE CAPITAL (continued)

(c) Share purchase warrants

The Company has no share purchase warrants outstanding as at December 31, 2013.

The changes in share purchase warrants during the years ended December 31, 2013 and 2012 are as follows:

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Number of Warrants	Weighted Average Exercise Price (CAD$/Share)	Number of Warrants	Weighted Average Exercise Price (CAD$/Share)
Balance, beginning of the year	329,377	25.36	-	-
Issued	-	-	338,295	25.22
Cancelled or expired	(329,377)	25.36	(8,918)	20.00
Balance, end of the year	-	-	329,377	25.36

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. The fair value of share purchase warrants issued in 2012 was 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 repurchase program

In March 2013, the Company received approval from the Toronto Stock Exchange to repurchase up to 5,848,847 common shares of the Company over the next 12 months through a normal course issuer bid in the open market. During the year ended December 31, 2013, the Company repurchased and cancelled 215,000 shares for a total consideration of $2.4 million (CAD$2.5 million).

(e) Share capital to be issued

In 2006, First Majestic and First Silver entered into a business combination agreement to acquire all of the remaining issued and outstanding shares of First Silver. Former shareholders of First Silver had until September 14, 2012 to surrender any certificate formerly representing First Silver shares. After such date, all First Majestic shares to which the former First Silver shareholder was entitled are deemed to have been cancelled.

In 2012, the prior shareholders of First Silver redeemed 250 shares of First Majestic. As at September 14, 2012, 98,530 shares of First Silver, exchangeable for 49,265 shares of First Majestic, were yet to be exchanged and were deemed cancelled. As a result, the remaining value of shares to be issued of $209,000 was realized as other income during 2012.

21. SHARE CAPITAL (continued)

(f) 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.

22. EQUITY RESERVES

	Year Ended December 31, 2013	Year Ended December 31, 2012
Share-based payments reserve (a)		
Balance at beginning of year	$ 33,612	$ 27,394
Share-based payments recognized in profit and loss and related tax benefit	14,199	9,525
Share warrants issued (Note 21(c))	-	646
Reclassed to share capital for exercise of stock options	(742)	(3,953)
Balance at end of year	$ 47,069	$ 33,612
Available for sale revaluation reserve (b)		
Balance at beginning of year	$ (2,085)	$ 1,127
Loss on available for sale marketable securities	(2,047)	(3,212)
Reclassification of impairment on available for sale investments (Note 12(a))	3,914	-
Balance at end of year	$ (218)	$ (2,085)
Foreign currency translation reserve (c)		
Balance at beginning of year	$ (308)	$ (677)
Currency translation gain	-	369
Balance at end of year	(308)	(308)
Total equity reserves per statements of financial position	**$ 46,543**	**$ 31,219**

(a) Share-based payments reserve

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 $0.3 million (2012 – $1.1 million).

(b) Available for sale revaluation reserve

The available for sale revaluation reserve principally records the fair value gains or losses related to available for sale financial instruments, net of amount reclassed as impairment.

(c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising on the translation of non-U.S. dollar functional currency operations within the Company into the U.S. dollar presentation currency. Effective January 1, 2013, all of the Company's entities have the U.S. dollar as their functional currency.

23. 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, 2012.

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

	December 31, 2013	December 31, 2012
Equity	$ 570,745	$ 593,525
Prepayment and debt facilities	44,216	50,903
Lease obligations	36,290	22,978
Less: cash and cash equivalents	(54,765)	(111,591)
	$ 596,486	**$ 555,815**

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

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities of 90 days or less, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that 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 Prepayment Facility agreement (see Note 18(a)).

(b) Categories of financial instruments

	December 31, 2013		December 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 54,765	$ 54,765	$ 111,591	$ 111,591
Trade and other receivables	22,045	22,045	19,598	19,598
Fair value through profit or loss				
Marketable securities	3,028	3,028	4,816	4,816
Derivatives	800	800	-	-
Available for sale				
Marketable securities	349	349	2,421	2,421
Total financial assets	**$ 80,987**	**$ 80,987**	**$ 138,426**	**$ 138,426**
Financial liabilities				
Fair value through profit or loss				
Prepayment facility	$ 44,216	$ 44,216	$ 50,403	$ 50,403
Other financial liabilities				
Trade and other payables	34,534	34,534	37,398	37,398
Debt facility	-	-	500	500
Total financial liabilities	**$ 78,750**	**$ 78,750**	**$ 88,301**	**$ 88,301**

23. FINANCIAL INSTRUMENTS (continued)

(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.

	December 31, 2013		December 31, 2012	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash equivalents	$ -	$ 8,832	$ -	$ -
Accounts receivable related to concentrate sales (1)	-	7,939	-	4,823
Marketable securities (2)	3,377	-	7,237	-
Derivatives (2)	800	-	-	-
Financial liabilities				
Prepayment facility (3)	$ (1,383)	$ 45,599	$ -	$ 50,403

(1) Accounts receivable related to concentrate sales are subject to provisional pricing with the selling price adjusted at the end of the quotational period. At each reporting date, the Company's accounts receivable related to concentrate sales are marked-to-market based on a quoted forward price for which there exists an active commodity market.
(2) Derivative financial instruments and marketable securities are valued based on unadjusted quoted prices for identical assets in an active market obtained from securities exchanges.
(3) The prepayment facility is valued based on the market value of lead and zinc to be delivered, determined using the forward price curve of the respective metals, discounted at market discount rate. Zinc and lead call options acquired in relation to the prepayment facility are valued based on unadjusted quoted prices for identical assets in an active market obtained from security exchanges.

There were no transfers between levels 1, 2 and 3 during the years ended December 31, 2013 and 2012.

(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.

23. FINANCIAL INSTRUMENTS (continued)

(d) Financial risk management (continued)

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 VAT 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 four international organizations with good credit ratings. 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 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.

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, 2013, the Company has outstanding trade payables of $20.9 million (December 31, 2012 - $20.8 million) which are generally payable in 90 days or less and accrued liabilities of $13.6 million (December 31, 2012 - $16.5 million) which are generally payable within 12 months. The Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months.

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	$ 34,534	$ 34,534	$ -	$ -	$ -
Prepayment facility	49,930	16,091	33,839	-	-
Finance lease obligations	39,188	17,680	17,766	3,742	-
Decommissioning liabilities	16,437	-	-	-	16,437
Total Obligations	**$ 140,089**	**$ 68,305**	**$ 51,605**	**$ 3,742**	**$ 16,437**

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, 2013		December 31, 2012	
	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	$ 11,873	$ 395	$ (1,043)	$ 11,225	$ 1,123	$ 5,001	$ 500
Mexican peso	763	12,647	(20,194)	(6,784)	(678)	(7,237)	(724)
	$ 12,636	**$ 13,042**	**$ (21,237)**	**$ 4,441**	**$ 444**	**$ (2,236)**	**$ (224)**

23. FINANCIAL INSTRUMENTS (continued)

(d) Financial risk management (continued)

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 byproduct revenue from the sale of gold, zinc, lead and iron ore, which accounts for approximately 17% 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. In July 2013, the Company purchased call options on lead and zinc futures equivalent to remaining production to be delivered under the terms of the prepayment facility. The call options were purchased to mitigate potential exposure to future price increases in lead and zinc.

As at December 31, 2013, a 10% increase or decrease of metal prices at December 31, 2013 would have the following impact on net earnings:

	December 31, 2013				
	Silver	**Gold**	**Lead**	**Zinc**	**Effect of +/- 10% change in metal prices**
Metals subject to provisional price adjustments	$ 1,306	$ 158	$ 555	$ 37	$ 2,056
Metals in doré and concentrates inventory	47	1	11	3	62
Prepayment facility	-	-	(2,377)	(2,446)	(4,823)
	$ 1,353	**$ 159**	**$ (1,811)**	**$ (2,406)**	**$ (2,705)**

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, 2013, the Company's exposure to interest bearing liabilities is limited to its prepayment facility and finance leases.

Based on the Company's interest rate exposure at December 31, 2013, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings.

24. SUBSIDIARIES

Details of the Company's significant subsidiaries at December 31, 2013 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%
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%
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%

25. 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, 2013	Year Ended December 31, 2012
Salaries, bonuses, fees and benefits		
Independent members of the Board of Directors	$ 892	$ 598
Other members of key management	3,396	2,788
Share-based payments		
Independent members of the Board of Directors	442	480
Other members of key management	5,471	4,664
	$ 10,201	**$ 8,530**

26. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31, 2013	Year Ended December 31, 2012
Net change in non-cash working capital items:		
Increase in trade and other receivables	$ (2,447)	$ (3,303)
Increase in inventories	(3,143)	(5,835)
Increase in prepaid expenses and other	(535)	(489)
Decrease in net taxes receivable	8,298	9,924
Increase in trade and other payables	2,180	977
	$ 4,353	**$ 1,274**
Non-cash investing and financing activities:		
Transfer of share-based payments reserve upon exercise of options	$ 742	$ 3,953
Capitalization of borrowing costs (Note 18(a))	(3,193)	-
Assets acquired by finance lease	(6,523)	(10,071)
Shares issued for acquisition of Silvermex (Note 29)	-	136,317
Warrants issued for acquisition of Silvermex (Note 29)	-	646
	$ (8,974)	**$ 130,845**

27. 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 2010, La Guitarra Compañía Minera, S.A. de C.V. ("La Guitarra"), a subsidiary acquired by the Company in 2012, had a tax reassessment from the Mexican tax authorities for the fiscal year 2003 relating to ineligible VAT refunds and tax treatment of intercompany loans with a maximum potential exposure of $3.1 million (40.8 million Mexican pesos). La Guitarra had previously posted cash as collateral for a bond held with the Mexican tax authorities for $3.1 million (40.8 million Mexican pesos) and also accrued a VAT payable of $3.1 million related to the tax reassessment. In 2013, the Company submitted a voluntary tax amnesty and remitted $2.4 million (31.5 million Mexican pesos) in exchange for a credit on the remaining balance of $0.7 million (9.3 million Mexican pesos). As at December 31, 2013, the 2003 tax reassessment had been fully settled with the Mexican tax authorities and the cash was returned. The gain on settlement of $0.7 million was recorded in other income.

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 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). As at December 31, 2013, the Company has defended itself successfully in all of these tax assessments. Professional fees of $0.3 million (2012 - $0.1 million) were incurred and expensed as general and administrative expenses during the year in relation to the appeal process.

27. CONTINGENT LIABILITIES (continued)

In 2012, the Mexican government introduced changes to the federal labour law which made certain amendments to the law relating to the use of service companies and subcontractors and the obligations with respect to workers' participation benefits. These amendments may have an effect on the distribution of profits to workers and result in additional financial obligations to the Company. The Company continues to be in compliance with the federal labour law and believes that these amendments will not result in any new material obligations. Based on this assessment, the Company has not accrued any provisions for the year ended December 31, 2013. The Company will continue to monitor developments in Mexico and to assess the potential impact of these amendments.

28. FIRST SILVER LITIGATION

In May 2006, the Company acquired a controlling interest in First Silver for $50.8 million ("the Agreement"). The purchase price was payable to the Vendor ("Davila Santos") in three instalments. The first and second instalments totaling $38.1 million were paid in accordance with the Agreement. The final 25% instalment of $12.7 million was not paid to Davila Santos pending a legal action by the Company against Davila Santos and his private company involving a mine in Mexico ("the Bolaños Mine") as set out further below.

In November 2007, the Company and First Silver commenced an action against Davila Santos, who was a director and the President and Chief Executive Officer of First Silver at the time of the Agreement ("the Action"). The Company and First Silver alleged, among other things, that Davila Santos through his private company, acquired control of the Bolaños Mine in breach of his fiduciary duties to First Silver. In their Statement of Defence, the defendants denied that Davila Santos violated his fiduciary duties to First Silver.

Davila Santos also filed a counterclaim ("the Counterclaim") against the Company in which he claimed for unpaid amounts and interest under the Agreement. As of July 16, 2009, the unpaid amount, together with interest calculated at the contractual interest rate of 6%, amounted to $14.2 million. As a result of a consent order in the Action on July 16, 2009, the sum of $13.6 million was paid into the trust account of Davila Santos' lawyers pending the outcome of the Action ("the Trust Funds"), leaving an unpaid balance under the Agreement of CDN$0.6 million ("the Unpaid Balance"). In the Counterclaim, Davila Santos also claimed, among other things, interest at 6% compounded annually and calculated daily on the Trust Funds and the Unpaid Balance and reimbursements of all costs and expenses, including his legal fees, incurred by Davila Santos in pursuing his claims against the Company.

The trial of the Action and Counterclaim commenced in the Supreme Court of British Columbia in Vancouver, British Columbia in April 2012. In April 2013, the Company received a positive judgment from the Court, which awarded the sum of $93.8 million in favour of First Majestic against the defendants. As for the Counterclaim, on June 25, 2013, the Court held that Davila Santos was only entitled to simple post-judgment interest on the Unpaid Balance commencing July 16, 2009, and that both the Unpaid Balance and this interest were to be set-off against the amount awarded to the Company. Davila Santos' claim for costs and expenses was dismissed. As well, the Court ordered that the Trust Funds and all earned interest thereon since July 16, 2009 be paid to the Company's lawyers. These funds, totalling $14.1 million, were received by the Company on June 27, 2013 in partial payment of the April 24, 2013 judgment, leaving an unpaid amount of approximately $79.0 million.

The judgments by the Supreme Court of British Columbia in favour of the Company were appealed by the defendants. On June 27, 2013, a justice of the Court of Appeal of British Columbia ordered the defendant to post security or provide a letter of credit in the amount of $79.0 million by September 25, 2013. Additionally, the Supreme Court of British Columbia has granted orders restricting any transfer or encumbrance of the Bolaños Mine by the defendant and limiting mining at the Bolaños Mine. The orders also require that the defendant preserve net cash flow from the Bolaños Mine in a holding account and periodically provide to the Company certain information regarding the Bolaños Mine and the holding account. The defendant did not post security nor provided a letter of credit and as a result, on October 23, 2013, the defendant's appeal ("the Appeal Dismissal Order") was dismissed by the Court of Appeal.

28. FIRST SILVER LITIGATION (continued)

On October 30, 2013, the defendant initiated an application to vary or discharge the Appeal Dismissal Order requiring a written motion within 14 days and a hearing with a three judge panel to determine if the appeal judge made an error in law or principle. The outcome of this application is presently not determinable. Judgment against Davila Santos should not be regarded as conclusive until such time as all avenues for appeal have been exhausted and the Company cautions that even if the results of all such appeals are in the Company's favour it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to try to recover the unpaid portion of the judgment. The outcome of any such action is not presently determinable.

During the year ended December 31, 2013, the Company recognized a gain of $0.6 million related to the reversal of interest and costs previously accrued for the Action. The $14.1 million payment received on June 27, 2013 was recorded as a deferred gain and will only be recognized in the event all avenues for the defendant's appeals have been exhausted. There can be no guarantee of collection on the remainder of the judgment amount and accordingly, as at December 31, 2013, the Company has not accrued any additional amounts related to the remaining $79.0 million unpaid judgment in favour of the Company.

29. 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 2012.

The acquisition strengthened First Majestic's position, adding the La Guitarra Silver Mine as the Company's fourth producing asset with additional growth potential. La Guitarra further diversifies production and cash flow across the Company's portfolio of producing mines and other exploration projects in Mexico, including the Plomosas, Peñasco Quemado, La Frazada and Los Lobos projects.

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

Consideration:		
9,451,641 First Majestic common shares x CAD$14.60 per share	$	136,317
338,295 First Majestic replacement warrants (Note 21(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**

29. ACQUISITION OF SILVERMEX RESOURCES INC. (continued)

Goodwill of $24,591,000 was recognized at the time of the acquisition primarily 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. At December 31, 2013, the Company tested the recoverability of its investment in the mining interests acquired as part of the Silvermex acquisition and assessed them to be impaired (see Note 14).

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 (unaudited). Management considers these pro forma numbers to represent an approximate measure of the performance of the consolidated entity during 2012.

30. SUBSEQUENT EVENTS

Subsequent to December 31, 2013:

a) 293,784 shares valued at $2.8 million were granted for acquisition of mineral properties adjacent to the La Guitarra Silver Mine (see Note 13(e));
b) 1,736,642 options were granted with a weighted average exercise price of CAD$10.44 and expire in five years from the grant date;
c) 48,500 options were cancelled; and
d) Management determined that the 1,000 tpd cyanidation plant at the Del Toro Silver Mine achieved commercial production on January 1, 2014.

Pursuant to the above subsequent events, the Company has 117,318,624 common shares outstanding as at the date on which these consolidated financial statements were approved and authorized for issue by the Board of Directors.

31. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of First Majestic Silver Corp. for the year ended December 31, 2013 were approved and authorized for issue by the Board of Directors on February 25, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR AND QUARTER ENDED DECEMBER 31, 2013

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, 2013, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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, 2014 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, without limitation: the inherent risks involved in the mining, exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project delays or cost overruns or unanticipated excessive operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future, and other factors described in the Company's Annual Information Form under the heading "Risk Factors". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change other than as required by securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Qualified Persons

Leonel Lopez, C.P.G., P.G. of Runge Pincock Minarco (formerly Pincock Allen & Holt) is the independent Qualified Person ("QP") for the Company. Ramon Davila, Ing., the Company's Chief Operating Officer and Carlos Wong, M.Sc., Ore Reserves Compliance Manager, are also certified QPs. 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.

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Fourth Quarter			HIGHLIGHTS	Full Year		
2013	**2012**	**Change**		**2013**	**2012**	**Change**
			Operating			
701,617	701,618	(0%)	Ore Processed / Tonnes Milled	**2,741,717**	2,542,288	8%
3,421,161	2,562,926	33%	Silver Equivalent Ounces Produced	**12,791,527**	9,110,452	40%
2,746,598	2,311,146	19%	Silver Ounces Produced	**10,641,465**	8,260,434	29%
$9.66	$9.26	4%	Cash Costs per Ounce(1)	**$9.35**	$9.08	3%
$42.69	$28.24	51%	Total Production Cost per Tonne (1)	**$39.29**	$28.62	37%
$20.61	$32.42	(36%)	Average Realized Silver Price Per Ounce ($/eq. oz.) (1)	**$23.08**	$31.10	(26%)
			Financial			
$59.0	$71.0	(17%)	Revenues ($ millions)	**$251.3**	$247.2	2%
$14.3	$39.5	(64%)	Mine Operating Earnings ($ millions) (2)	**$92.3**	$142.0	(35%)
($81.2)	$22.4	(463%)	Net (Loss) Earnings ($ millions) (3)	**($38.2)**	$88.9	(143%)
$20.4	$43.2	(53%)	Operating Cash Flows Before Movements in Working Capital and Income Taxes ($ millions) (2)	**$137.3**	$146.8	(6%)
$54.8	$111.6	(51%)	Cash and Cash Equivalents ($ millions)	**$54.8**	$111.6	(51%)
$32.8	$115.7	(72%)	Working Capital ($ millions) (1)	**$32.8**	$115.7	(72%)
			Shareholders			
($0.69)	$0.19	(462%)	(Loss) Earnings Per Share ("EPS") - Basic	**($0.33)**	$0.80	(141%)
$0.05	$0.26	(80%)	Adjusted EPS(1)	**$0.56**	$1.05	(47%)
$0.17	$0.37	(53%)	Cash Flow Per Share(1)	**$1.17**	$1.32	(11%)
117,030,825	116,442,639	1%	Weighted Average Shares Outstanding for the Periods	**116,935,325**	110,775,284	6%

(1) The Company reports non-GAAP measures which include Cash Costs per Ounce, Total Production Cost per Tonne, Average Realized Silver Price per Ounce, Working Capital, Adjusted EPS and Cash Flow Per Share. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 22 to 25.

(2) The Company reports additional GAAP measures which include Mine Operating Earnings and Operating Cash Flows Before Movements in Working Capital and Income Taxes. These additional financial measures are intended to provide additional information and do not have a standardized meaning prescribed by IFRS. See descriptions in "Additional GAAP Measures" on page 25 and 26.

(3) Net loss in the fourth quarter and year ended December 31, 2013 includes an impairment charge on goodwill and mining interests of $28.8 million and a non- cash charge of $38.8 million to deferred income tax expense in relation to the Mexican Tax Reform enacted in December 2013.

Record Production

The Company achieved another quarter of record production, producing 2,746,598 ounces of silver and 3,421,161 of silver equivalent ounces, compared to 2,311,146 ounces of silver and 2,562,926 of silver equivalent ounces in the fourth quarter of 2012, increases of 19% and 33%, respectively.

Annual production in 2013 increased 40% to reach a record of 12,791,527 of silver equivalent ounces compared to 9,110,452 silver equivalent ounces produced in 2012. Silver production also increased 29% to 10,641,465 ounces compared to 8,260,434 ounces of silver in 2012.

Higher production for the year was primarily attributed to the ramp up of the 1,000 tonnes per day ("tpd") flotation and 1,000 tpd cyanidation circuits at the new Del Toro Silver Mine, which accounted for 53% of the increase in silver equivalents production. In addition, the Company's 2013 results included a full year of production from the La Guitarra Silver Mine compared to half year of production in 2012 since the acquisition of Silvermex Resources Inc. in July 2012. Furthermore, production at La Parrilla and San Martin also increased 21% and 33%, respectively, compared to the prior year due to more tonnage milled.

Revenues

The Company generated revenues of $59.0 million in the fourth quarter of 2013, a decrease of $12.0 million or 17% compared to $71.0 million in the fourth quarter of 2012. The decrease in revenue was primarily due to the 36% decline in average silver price compared to the same quarter of the prior year, partially offset by 35% increase in payable equivalent silver ounces sold.

Revenues for the year ended December 31, 2013 were $251.3 million, an increase of $4.1 million compared to $247.2 million in 2012, as record production in 2013 resulted in 41% increase in payable equivalent silver ounces sold. However, the increase in ounces sold was offset by a 26% decrease in average realized silver price per ounce compared to 2012. Higher revenues were also partially offset by higher metal deductions and increased smelting and refining charges related to an increase in concentrate production from the new Del Toro mine, full year of La Guitarra operations and higher throughput at the La Parrilla flotation plant.

Mine Operating Earnings

For the quarter ended December 31, 2013, mine operating earnings were $14.3 million compared to $39.5 million in the fourth quarter of 2012. The decrease was attributed to lower margins as a result of a 36% decrease in average realized silver price per ounce, as well as higher depletion, depreciation and amortization expense from expanded production and operations.

For the year ended December 31, 2013, the Company recognized mine operating earnings of $92.3 million, a decrease of 35% compared to $142.0 million in 2012. The decrease in mine operating earnings was primarily attributed to a 26% decline in average realized silver price per ounce during the year, while depletion, depreciation and amortization expense increased by $17.9 million due to an 8% increase in tonnage milled and additional depreciation and amortization from the new Del Toro mine and full year of La Guitarra operations.

Net (Loss) Earnings

Net loss after taxes for the fourth quarter and year ended December 31, 2013 were $81.2 million and $38.2 million respectively, compared to net earnings after taxes of $22.4 million and $88.9 million in the comparative periods of 2012. Net loss in the current period was attributed to non-cash impairment charges totalling $28.8 million (see “Impairment of Goodwill and Mining Interests” below) and a non-cash accounting adjustment of $38.8 million to deferred income tax liabilities as a result of the recently enacted Mexican Tax Reform (see “Mexican Tax Reform” below).

Earnings per share (“EPS”) for the fourth quarter and year ended December 31, 2013 were a loss of $(0.69) and $(0.33), respectively. Adjusted EPS (see “non-GAAP measures”), normalized for non-cash or unusual items, for the quarter and year ended December 31, 2013 were $0.05 and $0.56, respectively.

Cash Flows from Operations

In the fourth quarter of 2013, operating cash flows before movements in working capital and income taxes was $20.4 million ($0.17 per share), compared to $43.2 million ($0.37 per share) in the fourth quarter of 2012. The decrease in cash flow per share was primarily attributed to decrease in mine operating earnings, which were affected by a 36% decline in silver prices compared to the fourth quarter of 2012.

Operating cash flows before movements in working capital and income taxes for the year decreased 6% from $146.8 million ($1.32 per share) in 2012 to $137.3 million ($1.17 per share) in 2013. Cash flows from operations were lower due to decrease of 26% in average realized silver prices, which were partially offset by a 41% increase in payable equivalent silver ounces sold.

In 2014, the Company’s focus is operational efficiency, to continue optimizing the mines to ensure profitability and generation of operating cash flows in the current lower silver price environment.

Cash Cost per Ounce

Cash cost per ounce (after by-product credits) for the fourth quarter and year ended December 31, 2013 were $9.66 and $9.35, respectively, a slight increase of 4% and 3% compared to $9.26 and $9.08 per ounce in the comparable periods of 2012.

The increase in cash cost per ounce was primarily attributed to higher production costs from the increase in mining and haulage costs at La Encantada due to a higher proportion of fresh ore from the mine compared to old tailings, additional diesel and generator rental costs incurred at Del Toro due to delays in the construction of the power line, and higher than expected smelting and refining costs at the new Del Toro mine due to penalty costs for impurities as the mill is refining its metallurgical processes during the ramp up of this new mine. Increases in production costs were mostly offset by higher by-product credits from La Parrilla, Del Toro and La Guitarra as these mines continue to ramp up their production through 2013.

Effective 2014, the Company will adopt the guidance on All-In Sustaining Cost ("AISC"), which is a non-GAAP industry measure to provide greater visibility, comparability and representation of the total costs associated with producing silver from its current operations. Please see “2014 Outlook” section for more detail on AISC.

Del Toro Silver Mine Construction

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 was shipped to the smelter during February 2013 and the plant was deemed by management to have reached commercial production criteria on April 1, 2013.

Phase 2 expansion included the addition of a 1,000 tpd cyanidation circuit allowing for the production of silver doré bars. Commissioning of the cyanidation commenced on October 20, 2013 and the first pour of silver bars began in late November. The new 1,000 tpd cyanidation circuit was deemed by management to have reached commercial production criteria on January 1, 2014.

By the end of 2013, the Del Toro mine had completed Phase 1 and 2 of the plant construction, with a combined throughput capacity of 2,000 tpd (1,000 tpd flotation and 1,000 tpd cyanidation). As previously announced, to conserve capital in a reduced silver price environment, management is changing its capital investment and production plan for the Del Toro mine. Management has decided to delay the ramp up to 4,000 tpd until further notice. With some minor plant and process modifications, the Company is planning to accelerate the ramp up of the cyanidation circuit to 2,000 tpd in early 2014 and further ramping up to 2,200 tpd by the end of 2014; however, the Company plans to reduce the flotation circuit production level from 1,000 tpd to approximately 550 tpd during 2014. The capital investments that will be delayed include the installation of one of the two semi-autogenous grinding ("SAG") mills and the completion of the San Juan shaft. Management believes this plan will yield production of approximately 2.7 million to 2.9 million silver ounces or 3.2 million to 3.5 million ounces of silver equivalents from Del Toro during 2014, while effectively reducing the treatment and refining cost of concentrates.

San Martin Mill Expansion

The San Martin mill expansion from 900 tpd to 1,200 tpd was completed during the fourth quarter of 2013. The expansion of the processing plant was completed in late December with the final installation of a new and larger 9.5' x 12' ball mill to replace the older 8.5' x12' ball mill. The larger ball mill is expected to be more reliable and capable of reaching planned throughputs of 1,300 tpd during the first quarter of 2014.

Mexican Tax Reform

In late 2013, a new Income Tax Law was enacted in Mexico ("Mexican Tax Reform") which became effective January 1, 2014. Key provisions of the Mexican Tax Reform that may affect the Company consist of:

- Imposes a new 7.5% mining royalty. This royalty is deductible for tax purposes and is calculated as 7.5% of a royalty base which is computed as taxable revenues (except interest and inflationary adjustment), less allowable deductions for income tax purposes (except interest, inflationary adjustment, depreciation and mining fees), less prospecting and exploration expenses of the year;
- Imposes a new environmental duty of 0.5% of gross income arising from the sale of gold and silver;
- Corporate income tax rate to remain at 30%, eliminating the scheduled reduction to 29% in 2014 and to 28% in 2015;
- Elimination of the Business Flat Tax ("IETU");
- Elimination of the option for depreciation of capital assets on an accelerated basis;
- Elimination of 100% deduction on exploration expenses for locating and quantifying new deposits in pre- operating periods. These exploration costs will be amortized on a straight-line basis over 10 years;
- Reduction of deductibility for various employee fringe benefits; and
- Imposes a 10% withholding tax on dividends distributed to resident individuals or foreign residents (including foreign corporations). According to the Mexico-Canada tax treaty, this dividend withholding tax rate may be reduced to 5%.

The Company has taken the position that the new 7.5% mining royalty is an income tax in accordance with IFRS for financial reporting purpose, as it is based on a measure of revenue less certain specified costs. On substantial enactment, a taxable temporary difference arises, as property, plant and equipment and mining assets have book basis but no tax basis for purposes of the royalty. The Company has recognized a non-cash deferred income tax liability of $35.1 million as at December 31, 2013 in respect of this royalty. In addition, the Company recognized $3.7 million for the 2% change in Mexican statutory tax rates on any temporary difference on its existing long-term assets. The combined $38.8 million non-cash adjustment to deferred income tax liability will be drawn down to $nil as a reduction to tax expense over the life of mine as the mine and its related assets are depleted or depreciated.

In addition to the above, the Mexican Tax Reform abolishes the tax consolidation regime and consolidated groups will effectively be de-consolidated on a go forward basis. Existing groups are now required to assess the tax impact of deconsolidation using a mechanism established transition rules specified in legislation for which the final applied rules are expected to be released in the next few months. The Company is reviewing the impact and will communicate the financial impact when it is finally determined in the applied Mexican tax rules.

Impairment of Goodwill and Mining Interests

During 2013, metal prices declined significantly and have remained at these lower levels. As a result, the Company assessed the recoverable amounts of each of its cash-generating units ("CGU's"), including goodwill.

The recoverable amounts of each CGU was determined based on its fair market value less cost to sell ("FVLCTS"), estimated based on life-of-mine ("LOM") cash flow projections which incorporate management's best estimates of future metal prices, production based on current estimates of recoverable reserves and resources, future operating costs and capital expenditures, inflation, and long-term foreign exchange rates. Metal pricing included in the cash flow projections are based on analyst consensus of estimates. Projected cash flows are discounted using the Company's weighted average costs of capital which includes estimates for risk-free interest rates, market value of the Company's equity, market return on equity, share volatility and debt-to-equity financing ratio. For non-producing assets, FVLCTS were estimated based on in-situ value of their resources and exploration potentials. The metal pricing environment related to valuation of exploration-related in-situ ounces and the market value thereof have also declined with a varying impact on the Company's exploration projects. The in-situ values vary dependent on facts and circumstances at each individual project. The impact of this change was assessed on a project by project basis, applying the market comparables most closely related to the specifics of the exploration property. Management's estimate of the FVLCTS is classified as level 3 in the fair value hierarchy.

It was determined that the Company's investment in mining interests acquired from Silvermex Resources Inc. ("Silvermex") in July 2012, including the La Guitarra Silver Mine, the Peñasco Quemado Silver Project, the La Frazada Silver Project and the Los Lobos Silver Project had recoverable values below their carrying values, and as a result the Company recorded total impairment charges of $28.8 million in 2013 broken down as follow:

		Year Ended December 31, 2013
Impairment of goodwill of the La Guitarra Silver Mine	$	24,591
Peñasco Quemado Silver Project		1,600
La Frazada Silver Project		2,100
Los Lobos Silver Project		500
Impairment of goodwill and mining interests	**$**	**28,791**
Deferred income tax recovery		(1,481)
Impairment of goodwill and mining interests, net of tax	**$**	**27,311**

The projected cash flows are significantly affected by changes in assumptions for future metal prices, future capital expenditures, production cost estimates and discount rates. For the purpose of 2013 year end impairment testing, the Company used a long-term silver price of $22.30 per ounce and discount rates ranging from 9% to 11%, equivalent to the Company's weighted average cost of capital, adjusted for specific project risks.

2014 PRODUCTION OUTLOOK AND ALL-IN SUSTAINING COST GUIDANCE

This section of the MD&A provides management's production forecasts for 2014. These forward-looking estimates are subject to the cautionary note regarding the risks associated with relying on forward-looking statements as stated at the beginning of this MD&A.

For 2014, the Company anticipates silver production will increase by 19% to 25% and to a new annual range of 12.7 million to 13.3 million ounces (or 14.8 million to 15.6 million silver equivalent ounces) with the following upcoming developments, based on 330 operating days in the various mine production plans:

- At Del Toro, total throughput from the dual circuit processing plant is expected to average 2,600 tpd (2,100 tpd from cyanidation and 500 tpd from flotation), reaching 2,200 tpd from cyanidation and 550 tpd from flotation by year end;
- As a result of the recent expansion at San Martin, the cyanidation plant is expected to average 1,300 tpd starting in early 2014. This increase in mill capacity from the previously 900 tpd is expected to produce an additional 0.5 million ounces of silver plus modest amounts of gold per year;
- At La Encantada, an upgrade and expansion of the crushing and grinding area which will allow the processing of fresh underground ore to be increased in the second half of 2014. In addition, the reprocessing of old tailings has been eliminated from the mill feed due to the low metal price environment. This modification is expected to improve both silver recoveries and the head grade at the mill; and
- Due to the underground development of the El Coloso Project at the La Guitarra mine in the second half of 2013, the Company expects higher silver grades to be extracted and processed in the second half of 2014.

The Company continues to focus on operational efficiency, to optimize the mines to ensure profitability in a low price environment. These modifications are aimed to maintain First Majestic as one of the silver industry's purest and highest margin producers.

The following is a summary of the Company's 2014 outlook by producing mines:

Anticipated Operating Parameters	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Total
Tonnes processed ('000s)	**931 - 980**	**637 - 670**	**760 - 799**	**436 - 458**	**168 - 176**	**2,932 - 3,083**
Silver ounces ('000s)	**4,150 - 4,368**	**3,079 - 3,232**	**2,754 - 2,895**	**1,725 - 1,813**	**946 - 995**	**12,654 - 13,303**
Gold ounces	-	461 - 485	1,450 - 1,524	2,381 - 2,503	4,076 - 4,285	8,368 - 8,797
Pounds of lead ('000s)	-	14,656 - 15,408	6,482 - 6,815	-	-	21,138 - 22,223
Pounds of zinc ('000s)	-	10,346 - 10,877	2,758 - 2,899	-	-	13,104 - 13,776
Silver equivalent ounces ('000s)	**4,150 - 4,368**	**4,270 - 4,484**	**3,276 - 3,444**	**1,873 - 1,969**	**1,201 - 1,263**	**14,770 - 15,528**
Average silver grade (g/t)	236	184	156	152	207	190
Average recoveries (%)	60%	79%	72%	81%	85%	71%
Cash cost per ounce	**$8.78 - $9.23**	**$7.00 - $7.36**	**$9.18 - $9.66**	**$8.69 - $9.13**	**$9.21 - $9.68**	**$8.67 - $9.12**
Production cost per ounce	**$7.09 - $7.45**	**$9.19 - $9.67**	**$10.41 - $10.95**	**$9.54 - $10.02**	**$9.35 - $9.83**	**$8.80 - $9.26**
Sustaining capital per ounce	**$3.54 - $3.72**	**$4.67 - $4.91**	**$4.84 - $5.09**	**$5.24 - $5.50**	**$9.22 - $9.69**	**$4.66 - $4.90**
Expansionary capital per ounce	**$1.97 - $2.07**	**$1.76 - $1.85**	**$4.81 - $5.06**	**$2.02 - $2.12**	**$6.77 - $7.12**	**$3.35 - $3.52**
Production cost per tonne	**$32.21 - $33.87**	**$41.82 - $43.96**	**$38.56 - $40.54**	**$37.60 - $39.52**	**$51.46 - $54.10**	**$37.51 - $39.43**

Metal average price assumptions for calculating equivalents: Silver $20.00/oz, Gold $1,250/oz, Lead $0.95/lb, Zinc $0.90/lb

The Company, in conjunction with an initiative undertaken within the mining industry, is voluntarily incorporating All-In Sustaining Cost ("AISC"), a non-GAAP measure, into its 2014 forward guidance. The Company believes AISC is a more comprehensive measure than Cash Cost Per Ounce for the Company's consolidated operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations.

AISC is a non-GAAP measure and was calculated based on guidance provided by the World Gold Council ("WGC") in June 2013. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus development capital expenditures.

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

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

All-In Sustaining Cost	**2014 Outlook**
Cash Costs Per Ounce[(1)]	**$8.67 - $9.12**
General and administrative costs	1.69 - 1.77
Share-based payments (non-cash)	0.77 - 0.81
Accretion and amortization of reclamation costs (non-cash)	0.08 - 0.09
Development sustaining capital	2.89 - 3.04
Exploration sustaining capital	0.58 - 0.61
Property, plant and equipment capital	1.19 - 1.25
All-in sustaining costs[(2)]	**$15.87 - $16.69**

1. Cash Costs per Ounce is a non-GAAP measure widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-GAAP Measures" on pages 22 to 23. To conform to WGC's guidance on AISC, the Company has included workers' participation costs in the range of $0.38 - $0.39 in the calculation of Cash Cost Per Ounces for 2014.

2. With the Mexican Tax Reform effective January 1, 2014, the 0.5% environmental duty calculated based on revenues is now incorporated into cash cost per ounce and all-in sustaining cost per ounce guidance. The 7.5% mining royalty that became effective January 1, 2014 is characterized as an income tax and is therefore not included in the metrics referenced above.

In 2014, the Company plans to spend a total of $106.0 million on sustaining capital for current operations including expansionary capital for a number of growth projects. The annual budget includes a total of $42.3 million to be spent towards plant, property and equipment, $55.7 million towards total development and $8.0 million in total exploration.

REVIEW OF OPERATING RESULTS

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

	2013				2012			
Production Highlights	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Ore processed/tonnes milled								
La Encantada	252,467	248,578	269,517	368,679	407,221	388,462	382,172	337,940
La Parrilla	200,541	189,664	193,470	204,660	186,434	175,630	169,786	147,938
Del Toro (1)	122,838	77,439	74,193	45,391	-	-	-	-
San Martin	78,805	78,284	85,483	80,046	77,803	72,257	63,841	72,305
La Guitarra(2)	46,966	47,380	45,735	31,581	30,160	30,339	-	-
Consolidated	**701,617**	**641,345**	**668,398**	**730,357**	**701,618**	**666,688**	**615,799**	**558,183**
Silver equivalent ounces produced								
La Encantada	962,505	931,027	1,132,399	1,136,603	1,117,254	1,090,966	1,041,292	861,506
La Parrilla	1,151,728	1,208,635	952,819	906,192	931,718	851,628	843,307	860,739
Del Toro (1)	693,561	567,723	499,357	176,495	-	-	-	-
San Martin	313,834	377,816	402,798	276,442	267,635	257,688	217,623	284,974
La Guitarra(2)	299,533	285,256	280,744	236,060	246,319	237,803	-	-
Consolidated	**3,421,161**	**3,370,457**	**3,268,117**	**2,731,792**	**2,562,926**	**2,438,085**	**2,102,222**	**2,007,219**
Silver ounces produced								
La Encantada	959,312	900,077	1,104,973	1,116,732	1,099,154	1,068,863	1,022,094	846,391
La Parrilla	813,090	866,710	710,979	725,218	758,692	708,021	690,954	719,143
Del Toro (1)	550,026	416,716	369,772	148,084	-	-	-	-
San Martin	280,490	339,099	371,301	259,884	253,212	238,514	204,200	261,269
La Guitarra(2)	143,680	166,635	210,941	187,746	200,088	189,839	-	-
Consolidated	**2,746,598**	**2,689,237**	**2,767,966**	**2,437,664**	**2,311,146**	**2,205,237**	**1,917,248**	**1,826,803**
Gold ounces produced								
La Encantada	53	61	51	72	70	86	63	19
La Parrilla	274	277	211	289	318	245	226	134
Del Toro (1)	117	74	83	26	-	-	-	-
San Martin	544	625	512	305	274	347	244	458
La Guitarra(2)	2,531	1,905	1,138	892	878	859	-	-
Consolidated	**3,519**	**2,942**	**1,995**	**1,584**	**1,540**	**1,537**	**533**	**611**
Lead ounces produced								
La Parrilla	5,481,400	5,715,018	3,978,798	3,328,235	3,751,074	3,307,944	3,005,209	3,176,662
Del Toro (1)	2,874,489	2,828,533	1,967,741	729,879	-	-	-	-
Consolidated	**8,355,889**	**8,543,551**	**5,946,539**	**4,058,114**	**3,751,074**	**3,307,944**	**3,005,209**	**3,176,662**
Zinc ounces produced								
La Parrilla	1,601,494	1,736,809	1,758,510	1,627,065	1,363,330	844,953	1,423,890	1,320,726
Del Toro (1)	97,251	496,072	1,139,583	52,313	-	-	-	-
Consolidated	**1,698,745**	**2,232,881**	**2,898,093**	**1,679,378**	**1,363,330**	**844,953**	**1,423,890**	**1,320,726**
Cash cost per ounce								
La Encantada	$ 10.61	$ 10.70	$ 8.85	$ 8.79	$ 7.87	$ 8.19	$ 8.35	$ 9.69
La Parrilla	$ 6.45	$ 6.54	$ 9.20	$ 7.36	$ 8.48	$ 8.58	$ 8.35	$ 8.14
Del Toro (1)	$ 12.16	$ 9.29	$ 8.20	$ -	$ -	$ -	$ -	$ -
San Martin	$ 13.96	$ 10.34	$ 10.91	$ 13.87	$ 12.88	$ 12.96	$ 12.75	$ 8.67
La Guitarra(2)	$ 4.08	$ 5.63	$ 13.21	$ 16.85	$ 18.45	$ 13.62	$ -	$ -
Consolidated	**$ 9.66**	**$ 8.84**	**$ 9.43**	**$ 9.49**	**$ 9.26**	**$ 9.19**	**$ 8.83**	**$ 8.96**
Production cost per tonne								
La Encantada	$ 37.49	$ 37.50	$ 34.70	$ 25.65	$ 20.06	$ 21.52	$ 21.30	$ 23.27
La Parrilla	$ 35.80	$ 40.82	$ 37.79	$ 31.78	$ 32.39	$ 36.32	$ 33.46	$ 38.87
Del Toro (1)	$ 57.56	$ 55.35	$ 40.38	$ -	$ -	$ -	$ -	$ -
San Martin	$ 54.07	$ 53.13	$ 52.62	$ 48.18	$ 45.46	$ 45.94	$ 43.66	$ 38.64
La Guitarra(2)	$ 52.87	$ 50.25	$ 49.90	$ 62.01	$ 68.59	$ 65.09	$ -	$ -
Consolidated	**$ 42.69**	**$ 43.49**	**$ 39.57**	**$ 31.79**	**$ 28.24**	**$ 30.05**	**$ 26.97**	**$ 29.24**

(1) The Del Toro Silver Mine was inaugurated on January 23, 2013 and achieved commercial production on the flotation circuit on April 1, 2013.

(2) 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, 2013 and 2012

Quarter Ended December 31,		CONSOLIDATED OPERATING RESULTS	Year Ended December 31,	
2013	**2012**		**2013**	**2012**
701,617	701,618	**Ore processed/tonnes milled**	**2,741,717**	2,542,288
191	176	**Average silver grade (g/t)**	**193**	171
64%	58%	**Recovery (%)**	**62%**	59%
109,629	-	**Pre-commercial silver ounces produced**	**257,713**	28,639
2,636,969	2,311,146	**Commercial silver ounces produced**	**10,383,752**	8,231,795
2,746,598	2,311,146	**Total silver ounces produced**	**10,641,465**	8,260,434
3,519	1,540	**Gold ounces produced**	**10,040**	4,221
8,355,889	3,751,074	**Pounds of lead produced**	**26,904,093**	13,240,889
1,698,745	1,363,330	**Pounds of zinc produced**	**8,509,097**	4,952,899
-	4,432	**Tonnes of iron ore produced**	**14,633**	18,329
3,421,161	2,562,926	**Total production - ounces silver equivalent**	**12,791,527**	9,110,452
$9.66	$9.26	**Cash cost per ounce (1)**	**$9.35**	$9.08
$11.11	$8.97	**Total production cost per ounce (1)**	**$10.36**	$9.08
$42.69	$28.24	**Total production cost per tonne (1)**	**$39.29**	$28.62
13,280	14,802	**Underground development (m)**	**53,257**	57,267
8,324	25,940	**Diamond drilling (m)**	**58,578**	135,769

(1) The Company reports non-GAAP measures which include total production costs per tonne, production costs per ounce and cash cost 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 "Non-GAAP Measures" on page 22 to 23.

Production

Total production for the fourth quarter of 2013 increased by 33% to 3,421,161 ounces of silver equivalent compared to the 2,562,926 ounces of silver equivalent produced in the fourth quarter of 2012. Production in the fourth quarter consisted of 2,746,598 ounces of silver, 3,519 ounces of gold, 8,355,889 pounds of lead and 1,698,745 pounds of zinc compared to 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 produced in the fourth quarter of 2012. The increase in production was primarily due to production contributed from the new Del Toro Silver Mine, as well as improvements in tonnes milled, head grades and recoveries at La Parrilla and upgrades at the San Martin processing plant.

Compared to the third quarter of 2013, production increased by 2% from 3,370,457 ounces of silver equivalents, which consisted of 2,689,237 ounces of silver, 2,942 ounces of gold, 8,543,551 pounds of lead, 2,232,881 pounds of zinc and 5,203 tonnes of iron ore.

Total ore processed during the fourth quarter amounted to 701,617 tonnes milled, representing an increase of 9% over the previous quarter primarily due to the additional tonnage from the new Del Toro cyanidation circuit and continued operational improvements on the flotation circuit at Del Toro.

Cash Cost per Ounce

Cash cost per ounce, a non-GAAP measure, for the fourth quarter of 2013 was $9.66 per ounce of payable silver compared to $8.84 in the third quarter of 2013 and $9.26 in the fourth quarter of 2012.

Cash cost per ounce for the fourth quarter consists of production costs of $11.11 per ounce, transportation, smelting and refining costs of $3.33 per ounce, royalty cost (La Parrilla's Quebradillas mine) of $0.04 per ounce, offset with by-product credits of $4.82 per ounce. Compared to the fourth quarter of 2012, the increase in cash cost per ounce of $0.40 was primarily attributed to higher production costs from the increase in underground mining and haulage costs at La Encantada as a higher proportion of fresh ore from the mine was fed to the mill, additional diesel and generator rental costs incurred at Del Toro due to delays in the construction of the power line, and higher than expected smelting and refining costs at the new Del Toro mine due to penalty costs for impurities as the mill was working to improve its metallurgy process during the early stage ramp up of this new mine. In addition to the above, there were general inflationary effects in consumable costs such as electricity and diesel by approximately 8% to 10%. Increases in production costs were mostly offset by higher by-product credits from La Parrilla and La Guitarra as these mines continued to ramp up their flotation production through 2013.

Compared to the third quarter of 2013, cash cost per ounce in the fourth quarter increased 9% or $0.82 per ounce. The increase in cash cost per ounce was due to lower silver production at San Martin, as well as early stage production challenges at Del Toro's flotation plant, as the mine had higher than expected consumption of electricity and diesel costs, while also incurring higher smelting and refining costs due to high impurities in concentrates.

Head Grades and Recoveries

The overall average head grade for the fourth quarter of 2013 was 191 grams per tonne ("g/t"), a 15 g/t increase or 9% increase compared to 176 g/t in the fourth quarter of 2012 and an 11 g/t decrease or 5% decrease compared to 202 g/t in the third quarter of 2013. The increase from the same quarter of the prior year was primarily attributed to 24% increase in head grades from La Encantada due to a higher proportion of fresh ore being processed, 15% higher grades from San Martin, offset by 50% lower head grade from the La Guitarra mine as production ore came from areas within the La Guitarra vein which contained higher gold grades in conjunction with lower silver grades.

Combined recoveries of silver for all mines in the fourth quarter were 64%, an increase of 9% compared to 58% in the fourth quarter of 2012, and remained relatively unchanged compared to 65% in the third quarter of 2013.

Development and Exploration

A total of 13,280 metres of underground development was completed in the fourth quarter of 2013, compared to 14,802 metres developed in the fourth quarter of 2012 and 10,923 metres completed in the previous quarter. For the year ended 2013, a total of 53,257 metres of development was completed compared to 57,267 metres in 2012.

In the fourth quarter of 2013, a total of 8,324 metres were drilled over 89 holes consisting primarily of definition drilling and surface exploration drilling, representing a 6% increase from the 7,823 metres drilled in the third quarter of 2013 and 68% decrease from the 25,940 metres drilled in the fourth quarter of 2012. For the year ended 2013, a total of 58,578 metres were drilled compared to 135,769 metres drilled in 2012. As previously indicated, since the second quarter, the Company has decided to reduce its drilling program, with the majority of metres planned to be drilled by the Company's own personnel and equipment and only for the support of mining production, as well as a current focus on preparing resource estimations for the future NI 43-101 Technical Reports. There are currently nine active drill rigs at the Company's five operating mines, four of which are located at the La Encantada mine. The reduced drilling program is expected to delay the release of the planned NI 43-101 Technical Report updates to late 2014, depending on drilling progress to be achieved.

La Encantada Silver Mine, Coahuila, Mexico

Production Results for the Quarter and Year Ended December 31, 2013 and 2012

Quarter Ended December 31,		LA ENCANTADA	Year Ended December 31,	
2013	**2012**	**OPERATING RESULTS**	**2013**	**2012**
252,467	407,221	**Ore processed/tonnes milled**	**1,139,241**	1,515,795
228	184	**Average silver grade (g/t)**	**227**	176
52%	46%	**Recovery (%)**	**49%**	47%
959,312	1,099,154	**Total silver ounces produced**	**4,081,094**	4,036,502
53	70	**Gold ounces produced**	**237**	238
-	4,432	**Tonnes of iron ore produced**	**14,633**	18,329
962,505	1,117,254	**Total production - ounces silver equivalent**	**4,162,534**	4,111,018
$10.61	$7.87	**Cash cost per ounce (1)**	**$9.66**	$8.46
$9.90	$7.47	**Total production cost per ounce (1)**	**$9.25**	$8.11
$37.49	$20.06	**Total production cost per tonne (1)**	**$33.01**	$21.46
3,210	3,554	**Underground development (m)**	**14,132**	14,338
6,611	3,186	**Diamond drilling (m)**	**15,835**	19,390

(1) The Company reports non-GAAP measures which include production costs per tonne, production costs per ounce and cash cost 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 "Non-GAAP Measures" on page 22 to 23.

The La Encantada Silver Mine is a producing underground mine located in the northern Mexico State of Coahuila, 708 kilometres north east of Torreon, accessible via a 1.5 hour flight from Torreon, Coahuila. The La Encantada mine consists of a 4,000 tpd cyanidation plant, a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, airstrip and 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.

A total of 962,505 equivalent ounces of silver were produced by the La Encantada plant during the fourth quarter of 2013. Production in the fourth quarter of 2013 increased 3% compared to the 931,027 equivalent ounces of silver produced in the third quarter of 2013 and decreased by 14% compared to the 1,117,254 equivalent ounces of silver produced in the fourth quarter of 2012.

Tonnage milled in the fourth quarter increased 2% to 252,467 tonnes compared to 248,578 tonnes processed in the third quarter of 2013, and decreased 38% compared to the 407,221 tonnes processed in the fourth quarter of 2012.

Since the second quarter of 2013, the planned mix of fresh ore to old tailings processed through the plant was changed by reducing the tailings feed by almost 50% while slightly increasing the feed of fresh ore. During the fourth quarter of 2013, the ratio of fresh ore to old tailings was 72%:28% (18:7) with a total throughput in the fourth quarter averaging 3,042 tpd consisting of an average of 2,202 tpd of fresh mine ore and 840 tpd of old tailings. With the increase of fresh ore from the mine and reduction of old tailings, the overall cost per tonne of production has increased due to higher cost of mining from the underground mine compared to the low cost of hauling old tailings to the mill. Total production cost per tonne for La Encantada was $37.49 during the fourth quarter and was consistent with the previous quarter while cash cost per ounce in the current quarter was $10.61 and comparable to the $10.70 in the third quarter of 2013.

In 2014, the Company is planning to upgrade and expand the crushing and grinding areas to allow the underground extraction of fresh mine ore to be increased in the second half of 2014, including the installation of a new 24' x 14' ball mill. In addition, beginning in January 2014, the reprocessing of old tailings has been eliminated from the mill feed due to the low metal price environment. This modification is expected to improve both silver recoveries and the head grade at the mill.

A total of 3,210 metres were developed underground in the fourth quarter of 2013 compared to 3,195 metres in the third quarter of 2013 and 3,554 metres in the fourth quarter of 2012. Currently, the primary areas of focus are the surrounding ore bodies of the Milagros and San Javier breccia pipes. Additionally, mine development and production continues from the San Francisco vein and the “990” and “990-2” chimneys. At the recently discovered Regalo and Brecha vein, new mining areas are being prepared for production. In addition, the 310 stope at level 1610 and the extension of the Buenos Aires area at 1850 level began preparation during the quarter. These new areas are being prepared to support the planned increase in fresh mine ore production in 2014.

During the fourth quarter, the Company operated four drill rigs and completed a total of 6,611 metres of diamond drilling compared to 2,928 metres in the third quarter of 2013, representing an increase of 126%, and an increase of 108% from the 3,186 metres in the fourth quarter of 2012. The increase in drilling is related to the Company’s plan to define reserves and resources in preparation for an updated NI 43-101 Technical Report. The Company’s original plan of having an updated NI 43-101 Technical Report has been delayed until late 2014 due to budget cuts and the need to complete its drilling plans.

La Parrilla Silver Mine, Durango, Mexico

Production Results for the Quarter and Year Ended December 31, 2013 and 2012

Quarter Ended December 31,		LA PARRILLA	Year Ended December 31,	
2013	**2012**	**OPERATING RESULTS**	**2013**	**2012**
200,541	186,434	**Ore processed/tonnes milled**	**788,335**	679,788
166	166	**Average silver grade (g/t)**	**162**	170
76%	76%	**Recovery (%)**	**76%**	78%
-	-	**Pre-commercial silver ounces produced**	**-**	28,639
813,090	758,692	**Commercial silver ounces produced**	**3,115,997**	2,848,171
813,090	758,692	**Total silver ounces produced**	**3,115,997**	2,876,810
274	318	**Gold ounces produced**	**1,051**	923
5,481,400	3,751,074	**Pounds of lead produced**	**18,503,451**	13,240,889
1,601,494	1,363,330	**Pounds of zinc produced**	**6,723,878**	4,952,899
1,151,728	931,718	**Total production - ounces silver equivalent**	**4,219,374**	3,487,392
$6.45	$8.48	**Cash cost per ounce (1)**	**$7.31**	$8.38
$9.11	$8.24	**Total production cost per ounce (1)**	**$9.51**	$8.54
$35.80	$32.39	**Total production cost per tonne (1)**	**$36.45**	$35.03
2,989	5,198	**Underground development (m)**	**12,004**	20,606
249	4,618	**Diamond drilling (m)**	**10,974**	26,204

(1) The Company reports non-GAAP measures which include production costs per tonne, production costs per ounce and cash cost 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 "Non-GAAP Measures" on page 22 to 23.

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 roads. 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 1,000 tpd cyanidation circuit and a 1,000 tpd flotation circuit, buildings, offices and associated infrastructure. The plant, including flotation and cyanidation circuits, was operating at a combined average throughput of 2,416 tpd in the fourth quarter of 2013.

Total production at the La Parrilla mine was 1,151,728 equivalent ounces of silver in the fourth quarter of 2013, which was a decrease of 5% compared to 1,208,635 equivalent ounces in the third quarter of 2013 due to slight decrease in grade and recoveries of silver. Compared to the fourth quarter of 2012, total production increased 24% primarily due to 8% increase in tonnage processed. The composition of the silver equivalent production in the fourth quarter of 2013 consisted of 813,090 ounces of silver, 274 ounces of gold, 5,481,400 pounds of lead and 1,601,494 pounds of zinc. This compares with a composition of 866,710 ounces of silver, 277 ounces of gold, 5,715,018 pounds of lead and 1,736,809 pounds of zinc produced in the third quarter of 2013, and 758,692 ounces of silver, 318 ounces of gold, 3,751,074 pounds of lead and 1,363,330 pounds of zinc in the fourth quarter of 2012.

In the fourth quarter of 2013, a total of 200,541 tonnes of ore were processed at La Parrilla, representing an increase of 6% when compared with the 189,664 tonnes processed in the third quarter of 2013, and an increase of 8% when compared with the 186,434 tonnes processed in the fourth quarter of 2012. During the quarter, 97,429 tonnes or 46% of the total ore were extracted from the open pit area at the Quebradillas mine with an average grade of 112 g/t compared to 97,196 tonnes with an average grade of 124 g/t in the third quarter of 2013, causing the average grade to decrease from 182 g/t in the third quarter to 166 g/t in fourth quarter of 2013. Due to a decrease in silver grades at the Quebradillas open pit, production from higher grade underground areas, primarily from San Marcos, was increased during the year. In addition, the new Vacas mine was brought into production in the second half of 2013 at a rate of 313 tpd containing sulphide ore with silver grades ranging from 200 g/t to 240 g/t. Combined recovery levels of silver for both circuits in the fourth quarter were 76% compared to 78% in the third quarter of 2013 and 76% in the fourth quarter of 2012.

A total of 2,989 metres of underground development were completed in the fourth quarter of 2013, compared to 2,213 metres in the third quarter of 2013 and 5,198 metres in the fourth quarter of 2012. The Company continued a reduced pace of construction for the extensive underground ore haulage at Level 11. The development and construction of the rail haulage level is now 1,057 metres in length. Due to the reduction in development costs relating to budget cuts, the 5,000 metre project completion timeline has been extended until the end of 2016. This new haulage and underground electric rail system will consist of 5,000 metres of development and a shaft of 260 vertical metres and will eventually replace the current less efficient above-ground system of trucking ore to the mill. Once completed, this investment is eventually expected to improve ore logistics, ultimately reducing overall operating costs and thereby delivering operational efficiencies.

A total of 249 metres of diamond drilling were completed in the fourth quarter of 2013 compared to 177 metres of diamond drilling in the third quarter of 2013 and 4,618 metres in the fourth quarter of 2012. One drill rig was operating during the fourth quarter and drilled nine holes. The focus of the annual exploration program was on the Rosarios, Quebradillas, Vacas, San Marcos, La Intermedia and La Blanca mines, as well as the Viboras, San Nicolas and the newly discovered La Estrella vein areas. The results from this exploration program are expected to be included in an updated NI 43-101 Technical Report which will now be delayed until the second half of 2014, due to budget cuts.

Del Toro Silver Mine, Zacatecas, Mexico

Production Results for the Quarter and Year Ended December 31, 2013 and 2012

Quarter Ended December 31,		DEL TORO	Year Ended December 31,	
2013	2012	OPERATING RESULTS	2013	2012
122,838	n/a	**Ore processed/tonnes milled**	**319,861**	n/a
209	n/a	**Average silver grade (g/t)**	**213**	n/a
67%	n/a	**Recovery (%)**	**68%**	n/a
109,629	n/a	**Pre-commercial silver ounces produced**	**257,713**	n/a
440,397	n/a	**Commercial silver ounces produced**	**1,226,885**	n/a
550,026	n/a	**Total silver ounces produced**	**1,484,598**	n/a
117	n/a	**Gold ounces produced**	**300**	n/a
2,874,489	n/a	**Pounds of lead produced**	**8,400,642**	n/a
97,251	n/a	**Pounds of zinc produced**	**1,785,219**	n/a
693,561	n/a	**Total production - ounces silver equivalent**	**1,937,136**	n/a
$12.16	n/a	**Cash cost per ounce (1)**	**$9.99**	n/a
$12.05	n/a	**Total production cost per ounce (1)**	**$10.53**	n/a
$57.56	n/a	**Total production cost per tonne (1)**	**$51.54**	n/a
2,612	2,870	**Underground development (m)**	**11,595**	11,450
799	5,687	**Diamond drilling (m)**	**11,429**	37,066

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The Del Toro Silver Mine is located 60 kilometres to the southeast of the Company's La Parrilla Silver Mine and consists of 533 contiguous hectares of mining claims, including the acquisition of four new mining concessions covering 51 hectares and the application to acquire two new mining concessions covering an additional 37 hectares. In addition, Del Toro has 209 hectares of surface rights. The Del Toro operation represents the consolidation of three historical silver mines, the Perseverancia, San Juan and Dolores mines, which are approximately one and three kilometres apart, respectively. First Majestic owns 100% of the Del Toro Silver Mine.

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 was shipped to the smelter during February 2013 and the plant was deemed commercial on April 1, 2013.

Phase 2 of construction of the 1,000 tpd cyanidation plant, including leaching tanks, thickeners, the Merrill-Crowe area, the clarification circuit, the installation of two precipitate filter presses, two induction furnaces and two tailings filters is now completed. Commissioning of the cyanidation plant began on October 20, 2013 and the first official pouring of silver doré bars was celebrated on November 20, 2013. The new cyanidation circuit was deemed commercial effective January 1, 2014 having reached commercial operating levels.

To conserve capital in a reduced silver price environment, management is altering its capital investment and production plan for the Del Toro mine. Management has decided to delay the ramp up to 4,000 tpd. With some minor plant and process modifications, the Company is planning to accelerate the ramp up of the cyanidation circuit to 2,000 tpd by in early 2014, and further ramping up to 2,200 tpd by the end of 2014; however, the Company will be reducing the flotation circuit production plan from 1,000 tpd to approximately 550 tpd during 2014. Capital investments will be delayed for the installation of one of the two SAG mills and the completion of the San Juan shaft.

During the fourth quarter, the new cyanidation circuit had an average throughput of 904 tpd (based on 38 operating days) and the flotation circuit has been operating at an average of 1,196 tpd (based on 74 operating days out of 92 calendar days) for a combined average operating rate of 2,100 tpd. The flotation circuit continues to operate having processed 88,468 tonnes during the fourth quarter with an average silver grade of 226 g/t and a 69% recovery of silver. The new cyanidation circuit processed a total of 34,370 tonnes with an average head grade of 164 g/t silver and recoveries of 60%. As the Company continues to ramp up the cyanidation to 2,000 tpd, it is expected that grades and recoveries will come closer to rates indicated in the Pre-feasibility Study (PFS) dated August 20, 2012.

Cash cost per ounce for the fourth quarter was $12.16, an increase of $2.87 compared to $9.29 in the previous quarter. The increase in cash cost per ounce is primarily attributed to additional diesel and generator rental costs due to delays in the construction of the power line, additional smelting and refining costs due to impurities and some inefficiencies related to early stage operations. Cash cost per ounce is expected to decline in mid-2014 when the power line is completed and the Company can eliminate the rental of generators to supply power to the dual circuits and stabilize the milling and metallurgy process.

During the fourth quarter, the crushing area was upgraded to handle the expanded mill capacity of 2,000 tpd. The cyanidation circuit, which includes a 12' x 14' ball mill, pumps, motors, and Merrill-Crowe mechanism are now fully operational. Tailings filters #1 and #2 are currently in operation, while tailings filter #3 and #4 were successfully installed and being tested. These four tailings filters will be able to handle up to a 4,000 tpd plant operation and will recycle approximately 80% of the water used throughout the milling process. Recycling mill waste-water is not only cost efficient and environmentally friendly, it also reduces operational risk in the event that local water supplies are threatened by natural disruptions such as severe droughts. Del Toro is now the third operation under First Majestic's control that utilizes this new environmentally friendly tailings filtration technology.

The construction of the 45 km, 115 KW power line from the State of Durango is approximately 90% complete but has experienced several delays due to its length and routing complexities. Due to route changes of the power line at three towns along the route, the scheduled completion date of the power line has been delayed from July 2013 to mid-2014. In order to have sufficient power to support the cyanidation plant, the National power company has offered to provide up to 6 MW on a temporary basis on an existing 34 KW power line to be connected in February 2014 until the new power line is completed and ready to commission.

During late 2013, the Company entered into several option agreements to acquire six adjacent mineral properties, namely the Chalchihuites, Navidad, Milagros, Zaragosa, Santa Clara and Ivone properties. These properties consist of 492 hectares of mineral rights. When fully exercised, the total purchase price will amount to $3.3 million, of which $1.1 million has been paid, $0.6 million is due in 2014, $1.2 million in 2015 and the remaining balance of $0.4 million due over years 2016 and 2017.

During the quarter, one underground drill rig was active at Del Toro and a total of 10 holes were diamond drilled for a total of 799 metres compared to 2,856 metres in the third quarter of 2013 and 5,687 metres in the fourth quarter of 2012.

Total underground development at Del Toro in the fourth quarter of 2013 was 2,612 metres compared to the 1,817 metres in the third quarter of 2013. Current development programs are focused on the San Juan, Perseverancia/San Nicolas and Dolores mines for preparation of the upcoming increase in production.

As at December 31, 2013, the Company had invested a combined $122.5 million in construction of the Del Toro project, of which $114.2 million relates to Phase 1 and 2 construction and $8.3 million relates to Phase 3 expansion.

San Martin Silver Mine, Jalisco, Mexico

Production Results for the Quarter and Year Ended December 31, 2013 and 2012

Quarter Ended December 31,		SAN MARTIN	Year Ended December 31,	
2013	**2012**	**OPERATING RESULTS**	**2013**	**2012**
78,805	77,803	**Ore processed/tonnes milled**	**322,618**	286,206
156	136	**Average silver grade (g/t)**	**153**	136
71%	75%	**Recovery (%)**	**79%**	76%
280,490	253,212	**Total silver ounces produced**	**1,250,774**	957,195
544	274	**Gold ounces produced**	**1,986**	1,323
313,834	267,635	**Total production - ounces silver equivalent**	**1,370,890**	1,027,920
$13.96	$12.88	**Cash cost per ounce (1)**	**$12.05**	$11.72
$15.25	$14.04	**Total production cost per ounce (1)**	**$13.47**	$13.05
$54.07	$45.46	**Total production cost per tonne (1)**	**$52.00**	$43.46
2,858	1,966	**Underground development (m)**	**10,118**	8,473
387	4,361	**Diamond drilling (m)**	**8,667**	35,037

(1) The Company reports non-GAAP measures which include production costs per tonne, production cost per ounce and cash cost 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 "Non-GAAP Measures" on page 22 to 23.

The San Martin Silver Mine is a producing underground mine located near the town of San Martin de Bolaños in the Bolaños River valley, in the northern portion of the State of Jalisco, México, 150 kilometres by air or 250 kilometres by paved road north of Guadalajara City. The San Martin mine is 100% owned by the Company. The mine comprises of 33 contiguous mining concessions in the San Martin de Bolaños mining district that cover mineral rights for 37,518 hectares, including the application to acquire two new mining concessions covering 29,676 hectares which are in the process of registration. In addition, the mine owns 160 hectares of surface land where the processing plant, camp, office facilities, maintenance shops, and tailings dams are located, and an additional 1,296 hectares of surface rights. The newly expanded 1,300 tpd mill and processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks and Merrill-Crowe doré production system.

The expansion of the processing plant was completed in late December. The installation of a new 9.5' x 12' ball mill to replace the older 8.5' x 12' ball mill was completed and is currently being tested. This new larger ball mill is expected to be more reliable and capable of reaching planned throughputs of 1,300 tpd. The ramp up to full capacity of 1,300 tpd is now expected to be reached in the first quarter of 2014. At full capacity of 1,300 tpd, San Martin's annual silver production is anticipated to increase by over 50% to approximately 1.75 million to 1.85 million ounces of silver in the form of doré bars with potential upside from gold credits over the life of the mine.

Total production in the fourth quarter of 2013 was 313,834 ounces of silver equivalent, a decrease of 17% compared to the 377,816 ounces of silver equivalent produced in the third quarter of 2013, but 17% higher than the 267,635 equivalent ounces of silver produced in the fourth quarter of 2012. The ounces of silver equivalent produced in the fourth quarter of 2013 consisted of 280,490 ounces of silver and 544 ounces of gold. This compares with 339,099 ounces of silver and 625 ounces of gold produced in the third quarter of 2013 and 253,212 ounces of silver and 274 ounces of gold in the fourth quarter of 2012. Production was affected by some down time during the expansion into new equipment including the agitation tanks, impacting leaching time and the counter current washing system, resulting in lower recoveries during the fourth quarter. Silver recovery in the fourth quarter of 2013 was 71%, compared to 82% in the third quarter of 2013 and 75% in the fourth quarter of 2012.

In the fourth quarter of 2013, a total of 78,805 tonnes were processed at the San Martin mine, consistent when compared to the 78,284 tonnes milled in the third quarter of 2013 and 77,803 tonnes milled in the fourth quarter of 2012. The average head grade was 156 g/t in the fourth quarter of 2013, compared to the 165 g/t in the third quarter of 2013 and 136 g/t in the fourth quarter of 2012. The decrease in the ore grade compared to third quarter of 2013 was due to lower grade in the stopes and the increase in ore grade compared to the same quarter of the prior year was attributed to production from the newly developed Rosarios/Huichola areas.

During the fourth quarter, a total of 387 metres of diamond drilling were completed compared with 376 metres of drilling in the third quarter of 2013 and 4,361 metres drilled in the fourth quarter of 2012. The exploration program has been deferred due to the budget cuts in the second half of the year for cost reduction. One underground drill rig was active during the fourth quarter within the San Martin property, focusing on the La Huichola, Rosarios, Condesa and Intermedia veins.

A total of 2,858 metres of development were completed in the fourth quarter of 2013 compared to 2,267 metres of development in the third quarter of 2013 and 1,966 metres in the fourth quarter of 2012. This mine development was primarily focused at the new Rosarios area where seven areas are now in production.

On May 28, 2013, an updated NI 43-101 Technical Report was released indicating an increase of Proven and Probable Reserves by 224% to 22.0 million silver ounces, resulting in an increase in the Reserve life to 9.5 years at the higher throughput of 1,300 tpd.

La Guitarra Silver Mine, Mexico State, Mexico

Production Results for the Quarter and Year Ended December 31, 2013 and 2012

Quarter Ended December 31,		LA GUITARRA	Year Ended December 31,	
2013	**2012**	**OPERATING RESULTS**	**2013**	**2012[2]**
46,966	30,160	**Ore processed/tonnes milled**	**171,662**	60,499
118	236	**Average silver grade (g/t)**	**152**	230
81%	87%	**Recovery (%)**	**84%**	87%
143,680	200,088	**Total silver ounces produced**	**709,002**	389,927
2,531	878	**Gold ounces produced**	**6,466**	1,737
299,533	246,319	**Total production - ounces silver equivalent**	**1,101,593**	484,122
$4.08	$18.45	**Cash cost per ounce [1]**	**$10.60**	$15.94
$21.08	$15.92	**Total production cost per ounce [1]**	**$15.61**	$14.92
$52.87	$68.59	**Total production cost per tonne [1]**	**$53.04**	$66.84
1,611	1,214	**Underground development (m)**	**5,408**	2,400
278	8,088	**Diamond drilling (m)**	**11,673**	18,072

(1) The Company reports non-GAAP measures which include production costs per tonne, production cost 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 "Non-GAAP Measures" on page 22 to 23.

(2) 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 Resources Inc., which resulted in the 100% owned La Guitarra Silver Mine becoming the Company's fourth producing silver mine. The La Guitarra mine is located in the Temascaltepec Mining District in the State of Mexico, near Toluca, Mexico, and approximately 130 kilometres southwest from Mexico City.

At the time of the acquisition, the La Guitarra mine consisted of two underground operating areas and a flotation mill with a capacity of 350 tpd, producing approximately 0.8 million ounces of silver equivalent per year. Since then, the Company has completed an expansion of the milling and flotation areas from 350 tpd to 500 tpd without disrupting operations. The upgraded La Guitarra mill has been operating at the higher throughput since April 24, 2013. The new 500 tpd circuit, resulting from the installation of a new ball mill and new flotation cells, is anticipated to produce approximately 1.2 million ounces of silver equivalent annually, representing over one million ounces of pure silver plus a modest amount of gold. This newly expanded mill averaged 566 tpd of production based on 83 operating days out of 92 calendar days during the fourth quarter of 2013.

During the fourth quarter of 2013, total production at La Guitarra was 299,533 equivalent ounces of silver, an increase of 5% compared to the 285,256 ounces produced in the third quarter of 2013 and an increase of 22% compared to the 246,319 ounces in the fourth quarter of 2012. Average production cost for the fourth quarter was $52.87 per tonne, a 5% increase compared to $50.25 per tonne in the third quarter of 2013 but was a 23% improvement from $68.59 in the same quarter of the prior year. Reduction of costs has been a priority since First Majestic took control of the La Guitarra mine in the third quarter of 2012. Since taking control of La Guitarra, First Majestic has reduced production cost per tonne by more than 59% to an average cost of $53.04 per tonne in 2013, from over $128.00 per tonne in the second quarter of 2012 prior to acquisition.

Prior to June 2013, the silver/gold concentrates being produced at the mine were primarily being shipped to La Parrilla for further leaching in the cyanidation process, converting the concentrates into doré bars. Since then, the full production of silver-gold concentrates was sold under a new smelter agreement with a third party, allowing the Company to discontinue concentrate shipments to the La Parrilla mine for further refining. As a result of this new agreement, the Company has achieved a significant reduction in treatment charges and transportation costs, which decreased from $8.06 per ounce in the second quarter to $4.24 per ounce in the current quarter. Cash cost in the fourth quarter was $4.08, which decreased by 28% compared to $5.63 in the third quarter. The decrease was primarily attributed to increase in gold by-product credits and reduction of smelting and refining costs.

The composition of the silver equivalent production in the fourth quarter consisted of 143,680 ounces of silver and 2,531 ounces of gold, compared to 166,635 ounces of silver and 1,905 ounces of gold in the previous quarter. A total of 46,966 tonnes of ore were processed during the fourth quarter consisting of an average head grade of 118 g/t with recoveries of 81% compared to 47,380 tonnes of ore processed in the third quarter of 2013 with an average head grade of 135 g/t and recoveries of 81%. During the fourth quarter, production ore came from areas within the La Guitarra vein which contained higher gold grades in conjunction with lower silver grades. The average silver grade is expected to improve once production commences at the new Joya Larga structure. This new area has indicated grades ranging between 200 g/t to 350 g/t of silver.

The permitting of a 1,000 tpd cyanidation processing facility is currently in the planning and evaluation stage. It is anticipated that permit applications will be submitted to the Mexican authorities in 2014. Once this new processing facility is permitted and fully constructed, production of silver doré bars is anticipated to replace the production of silver/gold concentrates.

A total of 1,611 metres of underground development was completed during the fourth quarter compared to 1,431 metres in the third quarter of 2013 and 1,214 metres in the fourth quarter of 2012. Mine development at the Joya Larga structure within the El Coloso area has now reached 151 metres along the vein and has successfully reached the economical production area. Initial ore extraction began in December at a rate of 48 tpd and preparation continues to further increase ore extraction to a rate of 160 tpd by the second half of 2014. Two underground drill rigs were active in the fourth quarter within the La Guitarra property. A total of 278 metres of diamond drilling were completed during the fourth quarter compared to 1,486 metres during the third quarter of 2013 and 8,088 metres in the fourth quarter of 2012. The focus was to assist underground mining activities and further define Reserves and Resources to support an updated NI 43-101 Technical Report scheduled to be released in the late 2014 due to budget cuts.

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 internal Qualified Persons review all the technical data, 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 the completion of an updated NI 43-101 Technical Report, the Company recommends caution when relying on any of the previously filed technical reports relating to the La Guitarra Silver Mine.

DEVELOPMENT AND EXPLORATION PROJECTS

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. 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. In July 2013, the Company completed the acquisition of an additional 21 hectares of surface rights covering 29 adjacent properties for $1.0 million. The total surface rights on different properties at La Luz amounted to 26 hectares.

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 2014 subject to the legal activities presently in progress. The Company has submitted three different legal orders to obtain the approvals to present its final permit applications. The Company has obtained one positive resolution and expects the remaining orders to be approved in 2014.

A metallurgical test to define the final flow sheet diagram for a flotation plant, which is required for final permitting, was completed and the final studies for the tailings pond are now in progress.

There has been opposition from certain groups of indigenous people and non-government organizations. An injunction was placed by the Company to defend against the attempt by the indigenous peoples to issue a constitutional decree to declare certain areas in San Luis Potosi as natural protected areas, including areas within which the La Luz mine has been duly granted mining concessions. These legal matters are being addressed in the Mexican courts 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 Company is continuing with the project of restoring the old historic buildings at the Santa Ana Hacienda and the construction of the previously announced Thematic and Cultural Park which will include a mining museum. A new information centre was also inaugurated in the town of Real de Catorce during the first quarter. To date, an amount of $3.3 million has been invested in the project, which is expected to be completed in 2014. Public access will be granted to certain areas by the end of 2013. This new cultural facility and mining museum is part of 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 second term with a total of 40 students having graduated to date. 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 to 20 years of age. In addition, public baseball and football fields were built within the El Potrero community.

As a result of recent droughts in the area, a sustainable agricultural program has been initiated to cultivate various types of cactus to improve the ecology of the region and sustainability of the local community.

Jalisco Group of Properties, Jalisco, Mexico

The Company acquired a group of mining claims totalling 5,245 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.

Plomosas Silver Project and other Exploration Properties

The Company owns an extensive portfolio of exploration stage properties, some of which were acquired during the Silvermex acquisition. The highest priority project, the Plomosas Silver Project, which consists of the adjacent Rosario and San Juan historic mines in the Sinaloa, Mexico was scheduled for drilling in 2013. However, due to budget cuts, this exploration program has been delayed. The Company is also assessing its portfolio of other exploration properties to determine if these additional properties fit within the Company's production focused portfolio.

NON-GAAP MEASURES

CASH COST PER OUNCE AND TOTAL PRODUCTION COST PER TONNE

"Cash costs per ounce" and "total production cost per tonne" are non-GAAP measures used by the Company to manage and evaluate operating performance at each of the Company's operating mining units, and 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, 2013						Three Months Ended December 31, 2012				
	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Total	La Encantada	La Parrilla	San Martin	La Guitarra	Total
Cost of sales (as reported)						**$ 31,437**					**$ 23,686**
Add (Deduct): Cost of sales for Vancouver, Europe and intercompany elimination						(25)					(425)
Cost of sales (mine)	**$ 10,134**	**$ 8,303**	**$ 5,978**	**$ 4,282**	**$ 2,715**	**$ 31,412**	**$ 9,637**	**$ 8,216**	**$ 3,358**	**$ 2,050**	**$ 23,261**
Add: Third party smelting and refining	469	3,748	2,545	94	417	7,273	569	3,693	87	1,821	6,170
Deduct: Workers' participation cost	(78)	(351)	(30)	(270)	(29)	(758)	(558)	-	-	(58)	(616)
Inventory changes	(266)	(39)	(450)	403	(65)	(417)	(264)	(1,274)	127	274	(1,137)
Other non-cash costs	(99)	(77)	(89)	(62)	(54)	(381)	(269)	(326)	99	(85)	(581)
Total cash cost before by-product credits (A)	**$ 10,160**	**$ 11,584**	**$ 7,954**	**$ 4,447**	**$ 2,984**	**$ 37,129**	**$ 9,115**	**$ 10,309**	**$ 3,671**	**$ 4,002**	**$ 27,097**
Deduct: By-product credits attributed to:											
Gold	(19)	(221)	-	(547)	(2,502)	(3,289)	(29)	(355)	(425)	(1,604)	(2,413)
Lead	-	(4,997)	(2,606)	-	-	(7,603)	(2)	(2,853)	-	-	(2,855)
Zinc	-	(1,281)	(206)	-	-	(1,487)	-	(883)	-	-	(883)
Iron	-	-	-	-	-	-	(475)	-	-	-	(475)
Total by-product credits	**(19)**	**(6,499)**	**(2,812)**	**(547)**	**(2,502)**	**(12,379)**	**(506)**	**(4,091)**	**(425)**	**(1,604)**	**(6,626)**
Total cash cost (B)	**$ 10,141**	**$ 5,085**	**$ 5,142**	**$ 3,900**	**$ 482**	**$ 24,750**	**$ 8,609**	**$ 6,218**	**$ 3,246**	**$ 2,398**	**$ 20,471**
Tonnes processed	**252,467**	**200,541**	**88,468**	**78,805**	**46,966**	**667,247**	**407,221**	**186,434**	**77,803**	**30,160**	**701,618**
Total ounces of silver produced	959,312	813,090	440,397	280,490	143,680	2,636,969	1,099,154	758,692	253,212	200,088	2,311,146
Deduct: Metal deduction ounces	(3,838)	(25,231)	(17,616)	(1,122)	(25,852)	(73,659)	(5,495)	(25,097)	(1,266)	(70,144)	(102,002)
Payable ounces of silver produced (C)	**955,474**	**787,859**	**422,781**	**279,368**	**117,828**	**2,563,310**	**1,093,659**	**733,595**	**251,946**	**129,944**	**2,209,144**
Mining cost per ounce	$ 2.95	$ 3.11	$ 4.78	$ 5.98	$ 8.97	$ 3.91	$ 1.77	$ 2.65	$ 3.57	$ 7.01	$ 2.57
Milling cost per ounce	5.49	4.33	5.28	6.54	6.31	5.25	4.75	4.34	7.35	3.40	4.83
Indirect cost per ounce	1.46	1.67	1.99	2.73	5.80	1.95	0.95	1.25	3.12	5.51	1.57
Total production cost per ounce	**$ 9.90**	**$ 9.11**	**$ 12.05**	**$ 15.25**	**$ 21.08**	**$ 11.11**	**$ 7.47**	**$ 8.24**	**$ 14.04**	**$ 15.92**	**$ 8.97**
Transport and other selling costs per ounce	0.24	0.69	0.75	0.32	0.71	0.49	0.35	0.60	0.18	0.87	0.44
Smelting and refining costs per ounce	0.49	4.76	6.01	0.34	3.53	2.84	0.52	5.03	0.34	14.01	2.79
Royalties per ounce	-	0.14	-	-	-	0.04	-	0.19	-	-	0.06
Cash cost per ounce before by-product credits (A/C)	**$ 10.63**	**$ 14.70**	**$ 18.81**	**$ 15.91**	**$ 25.32**	**$ 14.48**	**$ 8.34**	**$ 14.06**	**$ 14.56**	**$ 30.80**	**$ 12.26**
By-product credits cost per ounce											
Gold	(0.02)	(0.28)	-	(1.95)	(21.24)	(1.28)	(0.04)	(0.48)	(1.68)	(12.35)	(1.09)
Lead	-	(6.34)	(6.16)	-	-	(2.96)	(0.00)	(3.89)	-	-	(1.29)
Zinc	-	(1.63)	(0.49)	-	-	(0.58)	-	(1.20)	-	-	(0.40)
Iron	-	-	-	-	-	-	(0.43)	-	-	-	(0.22)
Total by-product credits	**(0.02)**	**(8.25)**	**(6.65)**	**(1.95)**	**(21.24)**	**(4.82)**	**(0.47)**	**(5.58)**	**(1.68)**	**(12.35)**	**(3.00)**
Cash cost per ounce (B/C)	**$ 10.61**	**$ 6.45**	**$ 12.16**	**$ 13.96**	**$ 4.08**	**$ 9.66**	**$ 7.87**	**$ 8.48**	**$ 12.88**	**$ 18.45**	**$ 9.26**
Mining cost per tonne	$ 11.17	$ 12.22	$ 22.82	$ 21.21	$ 22.50	$ 15.01	$ 4.74	$ 10.42	$ 11.55	$ 30.20	$ 8.10
Milling cost per tonne	20.79	17.04	25.22	23.19	15.83	20.19	12.76	17.06	23.82	14.65	15.21
Indirect cost per tonne	5.53	6.54	9.52	9.67	14.54	7.49	2.56	4.91	10.09	23.74	4.93
Total production cost per tonne	**$ 37.49**	**$ 35.80**	**$ 57.56**	**$ 54.07**	**$ 52.87**	**$ 42.69**	**$ 20.06**	**$ 32.39**	**$ 45.46**	**$ 68.59**	**$ 28.24**

Cash cost per ounce is compiled after deducting by-product credits related to lead, zinc and iron production. For the quarter ended December 31, 2013, by-product credits of approximately $4.82 per payable silver ounce (2012 -$3.00) were deducted from operating costs in the calculation of cash cost per ounce.

(expressed in thousands of U.S. dollars, except ounce and per ounce amounts)	Year Ended December 31, 2013						Year Ended December 31, 2012					
	La Encantada	La Parrilla	Del Toro	San Martin	La Guitarra	Total	La Encantada	La Parrilla	San Martin	La Guitarra		Total
Cost of sales (as reported)						**$ 115,658**						**$ 79,747**
Add (Deduct): Cost of sales for Vancouver, Europe and intercompany elimination						(643)						(497)
Cost of sales (mine)	**$ 41,366**	**$ 31,552**	**$ 14,003**	**$ 17,552**	**$ 10,542**	**$ 115,015**	**$ 35,088**	**$ 26,324**	**$ 12,445**	**$ 5,393**	**$**	**79,250**
Add: Third party smelting and refining	1,904	12,922	6,774	436	3,975	26,011	1,927	12,600	310	2,978		17,815
Deduct: Workers' participation cost	(1,047)	(351)	(30)	(270)	(58)	(1,756)	(2,144)	-	-	(58)		(2,202)
Inventory changes	(1,031)	15	(491)	(63)	(742)	(2,312)	1,657	(16)	386	(1,048)		979
Other non-cash costs	(216)	(156)	(157)	(96)	(125)	(750)	(601)	(534)	29	57		(1,049)
Total cash cost before by-product credits (A)	**$ 40,976**	**$ 43,982**	**$ 20,099**	**$ 17,559**	**$ 13,592**	**$ 136,208**	**$ 35,927**	**$ 38,374**	**$ 13,170**	**$ 7,322**	**$**	**94,793**
Deduct: By-product credits attributed to:												
Gold	(97)	(860)	(7)	(2,546)	(7,418)	(10,928)	(172)	(1,158)	(1,994)	(3,001)		(6,325)
Lead	-	(16,435)	(6,866)	-	-	(23,301)	(2)	(10,696)	-	-		(10,698)
Zinc	-	(4,597)	(1,481)	-	-	(6,078)	-	(3,460)	-	-		(3,460)
Iron	(1,634)	-	-	-	-	(1,634)	(1,777)	-	-	-		(1,777)
Total by-product credits	(1,731)	(21,892)	(8,354)	(2,546)	(7,418)	(41,941)	(1,951)	(15,314)	(1,994)	(3,001)		(22,260)
Total cash cost (B)	**$ 39,245**	**$ 22,090**	**$ 11,745**	**$ 15,013**	**$ 6,174**	**$ 94,267**	**$ 33,976**	**$ 23,060**	**$ 11,176**	**$ 4,321**	**$**	**72,533**
Tonnes processed	**1,139,241**	**788,335**	**240,100**	**322,618**	**171,662**	**2,661,956**	**1,515,795**	**670,670**	**286,206**	**60,499**		**2,533,170**
Total ounces of silver produced	4,081,094	3,115,997	1,226,885	1,250,774	709,002	10,383,752	4,036,502	2,848,171	957,195	389,927		8,231,795
Deduct: Metal deduction ounces	(18,137)	(95,173)	(51,372)	(5,506)	(126,310)	(296,498)	(20,182)	(98,376)	(3,926)	(118,819)		(241,303)
Payable ounces of silver produced (C)	**4,062,957**	**3,020,824**	**1,175,513**	**1,245,268**	**582,692**	**10,087,254**	**4,016,320**	**2,749,795**	**953,269**	**271,108**		**7,990,492**
Mining cost per ounce	$ 2.56	$ 3.59	$ 3.92	$ 4.59	$ 6.60	$ 3.51	$ 1.85	$ 2.89	$ 3.79	$ 6.14	$	2.58
Milling cost per ounce	5.50	4.42	4.78	6.29	4.47	5.13	5.34	4.45	6.82	3.46		5.15
Indirect cost per ounce	1.19	1.50	1.83	2.59	4.54	1.72	0.92	1.20	2.44	5.32		1.35
Total production cost per ounce	**$ 9.25**	**$ 9.51**	**$ 10.53**	**$ 13.47**	**$ 15.61**	**$ 10.36**	**$ 8.11**	**$ 8.54**	**$ 13.05**	**$ 14.92**	**$**	**9.08**
Transport and other selling costs per ounce	0.36	0.59	0.81	0.28	0.88	0.50	0.36	0.59	0.44	1.11		0.48
Smelting and refining costs per ounce	0.47	4.28	5.76	0.35	6.84	2.58	0.48	4.58	0.32	10.98		2.23
Royalties per ounce	-	0.18	-	-	-	0.05	-	0.24	-	-		0.08
Cash cost per ounce before by-product credits (A/C)	**$ 10.08**	**$ 14.56**	**$ 17.10**	**$ 14.10**	**$ 23.33**	**$ 13.49**	**$ 8.95**	**$ 13.95**	**$ 13.81**	**$ 27.01**	**$**	**11.87**
By-product credits cost per ounce												
Gold	(0.02)	(0.28)	(0.01)	(2.05)	(12.73)	(1.08)	(0.04)	(0.42)	(2.09)	(11.07)		(0.79)
Lead	-	(5.45)	(5.84)	-	-	(2.30)	-	(3.89)	-	-		(1.35)
Zinc	-	(1.52)	(1.26)	-	-	(0.60)	-	(1.26)	-	-		(0.43)
Iron	(0.40)	-	-	-	-	(0.16)	(0.45)	-	-	-		(0.22)
Total by-product credits	(0.42)	(7.25)	(7.11)	(2.05)	(12.73)	(4.14)	(0.49)	(5.57)	(2.09)	(11.07)		(2.79)
Cash cost per ounce (B/C)	**$ 9.66**	**$ 7.31**	**$ 9.99**	**$ 12.05**	**$ 10.60**	**$ 9.35**	**$ 8.46**	**$ 8.38**	**$ 11.72**	**$ 15.94**	**$**	**9.08**
Mining cost per tonne	$ 9.14	$ 13.74	$ 19.18	$ 17.73	$ 22.45	$ 13.31	$ 4.90	$ 11.84	$ 12.62	$ 27.49	$	8.15
Milling cost per tonne	19.63	16.95	23.39	24.29	15.18	19.45	14.14	18.26	22.71	15.51		16.23
Indirect cost per tonne	4.24	5.76	8.97	9.98	15.41	6.53	2.42	4.93	8.13	23.84		4.24
Total production cost per tonne	**$ 33.01**	**$ 36.45**	**$ 51.54**	**$ 52.00**	**$ 53.04**	**$ 39.29**	**$ 21.46**	**$ 35.03**	**$ 43.46**	**$ 66.84**	**$**	**28.62**

Cash cost per ounce is compiled after deducting by-product credits related to lead, zinc and iron production. For the year ended December 31, 2013, by-product credits of approximately $4.14 per payable silver ounce (2012 -$2.79) were deducted from operating costs in the calculation of cash cost per ounce.

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,		Year Ended December 31,	
	2013	2012	2013	2012
Revenues as reported	**$ 58,989**	**$ 71,007**	**$ 251,313**	**$ 247,177**
Add back: smelting and refining charges	7,286	6,373	26,050	17,815
Gross Revenues	**66,275**	**77,380**	**277,363**	**264,992**
Payable equivalent silver ounces sold	3,215,055	2,386,860	12,018,168	8,519,448
Average realized price per ounce of silver sold (1)	**$ 20.61**	**$ 32.42**	**$ 23.08**	**$ 31.10**
Average market price per ounce of silver per COMEX	$ 20.77	$ 32.56	$ 23.82	$ 31.17

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

ADJUSTED EARNINGS PER SHARE ("Adjusted EPS")

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

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

	Three Months Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
Net (loss) earnings as reported	**$ (81,229)**	**$ 22,350**	**$ (38,232)**	**$ 88,898**
Adjustments for non-cash or unusual items:				
Impairment of goodwill and mining interests	28,791	-	28,791	-
Deferred income tax expense	51,032	4,022	63,164	17,662
Loss (gain) from fair value adjustment of prepayment facility	2,907	403	(3,919)	403
Share-based payments	2,837	2,870	14,518	10,646
Loss (gain) from investment in silver futures and marketable securities	1,628	553	6,601	(6,216)
Write-down of AFS marketable securities	137	-	3,914	-
Gain from First Silver litigation, net of fees	168	526	122	2,013
Gain from termination fee on Orko acquisition	-	-	(9,129)	-
Gain from value added tax settlement	-	-	(711)	-
Acquisition costs for Silvermex Resources Inc.	-	129	-	2,740
Adjusted net earnings	**$ 6,271**	**$ 30,853**	**$ 65,119**	**$ 116,146**
Weighted average number of shares on issue - basic	117,030,825	116,442,639	116,935,325	110,775,284
Adjusted EPS	**$ 0.05**	**$ 0.26**	**$ 0.56**	**$ 1.05**

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 audited consolidated statements of cash flow, divided by the weighted average shares outstanding during the period.

	Three Months Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
Operating Cash Flows before Movements in Working Capital and Income Taxes	**$ 20,400**	**$ 43,188**	**$ 137,269**	**$ 146,776**
Weighted average number of shares on issue - basic	117,030,825	116,442,639	116,935,325	110,775,284
Cash Flow per Share	**$ 0.17**	**$ 0.37**	**$ 1.17**	**$ 1.32**

WORKING CAPITAL

Working capital is determined based on current assets and current liabilities as reported in the Company's audited consolidated financial statements. The Company uses working capital as a measure of the Company's short-term financial health and operating efficiency.

	At December 31,	
	2013	**2012**
Current Assets	$ 109,533	$ 172,917
Less: Current Liabilities	(76,723)	(57,230)
Working Capital	**$ 32,810**	**$ 115,687**

ALL-IN SUSTAINING COST

Effective January 1, 2014, for future reporting periods the Company will be voluntarily adopting all-in sustaining costs ("AISC"). The Company believes AISC is a more comprehensive measure than Cash Cost Per Ounce for the Company's consolidated operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its current operations

AISC was calculated based on guidance provided by the World Gold Council ("WGC") in June 2013. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining capital versus expansionary capital expenditures.

The Company defines Sustaining Capital expenditures as " *Capital costs incurred to sustain and maintain existing assets to achieve constant planned levels of production. This includes costs required to ensure that assets retain their existing productive capacity and improving/enhancing assets to minimum standards for reliability, environmental and safety requirements over the planned life of the mine."*

For mining companies sustaining capital is typically described as ongoing maintenance, necessary activities, and non-discretionary spending that does not increase the capacity or productivity, and costs that are not deemed expansionary in nature. Costs specifically excluded from sustaining capital include day to day operating costs, tax expenses, financing costs, dividend payments, corporate G&A, merger and acquisition costs, and reclamation and rehabilitation costs.

AISC, in accordance with the WGC definition begins with the Company's total cash costs and additionally, it incorporates the Company's sustaining capital expenditures, corporate general and administrative expense, exploration and evaluation costs, share-based payments and reclamation cost accretion. The Company believes that this measure represents the total costs of producing silver from current sustainable operations, and provides the Company and other stakeholders of the Company with additional information of the Company's operational performance and ability to generate sustainable cash flows.

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 mine operating performance prior to non-cash depletion, depreciation and amortization 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 working capital and income taxes paid. Management believes that this measure allows investors to evaluate the Company's pre-tax cash flows generated from operations adjusted for fluctuations in non-cash working capital items due to timing issues and the Company's ability to service its debt.

The terms described above do not have a standardized meaning prescribed by IFRS, therefore the Company's definitions may not be comparable to similar measures presented by other companies.

REVIEW OF FOURTH QUARTER FINANCIAL RESULTS

For the quarter ended December 31, 2013 compared to the quarter ended December 31, 2012 (in thousands of dollars, except for per share amounts):

	Fourth Quarter		
	2013	**2012**	
Revenues	**$ 58,989**	**$ 71,007**	(1)
Cost of sales (excludes depletion, depreciation and amortization)	31,437	23,686	(2)
Gross margin	**27,552**	**47,321**	
Depletion, depreciation and amortization	13,298	7,861	(3)
Mine operating earnings	**14,254**	**39,460**	(4)
General and administrative expenses	6,457	7,218	(5)
Share-based payments	2,837	2,870	
Accretion of decommissioning liabilities	135	137	
Impairment of goodwill and mining interests	28,791	-	(6)
Acquisition costs	-	129	
Foreign exchange loss (gain)	654	(440)	
Operating (loss) earnings	**(24,620)**	**29,546**	(7)
Investment and other loss	(4,617)	(628)	(8)
Finance costs	(941)	(925)	
(Loss) earnings before income taxes	**(30,178)**	**27,993**	
Current income tax expense	19	1,621	
Deferred income tax expense	51,032	4,022	
Income tax expense	51,051	5,643	(9)
Net (loss) earnings for the period	**$ (81,229)**	**$ 22,350**	(10)
(Loss) earnings per share (basic)	**$ (0.69)**	**$ 0.19**	(10)
(Loss) earnings per share (diluted)	**$ (0.69)**	**$ 0.19**	

1. Revenues for the quarter ended December 31, 2013 decreased by 17% to $58,989,000 from $71,007,000 in the fourth quarter of 2012. The decrease in revenues was primarily attributed to a 36% decrease in average realized silver price, partially offset by a 35% increase in equivalent silver ounces sold due to production from the new Del Toro Silver Mine as well as increased production at San Martin and La Parrilla. Revenue was also affected by higher smelting and refining costs related to increased concentrate output from the La Parrilla and the Del Toro mines.

2. Cost of sales in the fourth quarter of 2013 was $31,437,000, an increase of $7,751,000 or 33% compared to $23,686,000 in the fourth quarter of 2012. The increase in cost of sales was primarily attributed to a 35% increase in payable equivalent ounces sold.

3. Depletion, depreciation and amortization increased from $7,861,000 in the fourth quarter of 2012 to $13,298,000 in the fourth quarter of 2013, an increase of $5,437,000 or 69%. The increase was due to additional depreciation and depletion expense from the new Del Toro mine and expansion of the La Guitarra and San Martin mines.

4. Despite a 33% production growth, mine operating earnings decreased by 64% in the fourth quarter of 2013 to $14,254,000, a decrease of $25,206,000 when compared to $39,460,000 for the same quarter in the prior year. Mine operating earnings were primarily affected by lower silver prices and increases in depletion, depreciation and amortization compared to the fourth quarter of 2012.

5. General and administrative expenses has decreased by $761,000 or 11% compared to the same quarter in the prior year. The decrease was attributed to lower salaries and benefits as part of the Company's initiative for cost reduction, as well as lower legal fees relating to the First Silver Reserve Inc. ("First Silver") trial.

6. During the quarter ended December 31, 2013, as a result of the decline in silver prices and the Mexican Tax Reform, the Company recognized an impairment loss of $28,791,000 on certain mining interests which were acquired from Silvermex Resources Inc. in July 2012.

7. Operating loss for the quarter was $24,620,000, compared to operating earnings of $29,546,00 for the quarter ended December 31, 2012. The decrease was primarily due to lower mine operating earnings and impairment loss on goodwill and mining interests.

8. During the quarter ended December 31, 2013, the Company recognized investment and other loss of $4,617,000 compared to $628,000 in the same quarter in the prior year. The investment loss in the fourth quarter of 2013 was attributed to a $2,906,000 loss from fair value adjustment of the prepayment facility, a loss of $1,169,000 from investment in silver futures, $464,000 loss on investment in FVTPL marketable securities and a $137,000 write-down on available-for-sale marketable securities.

9. During the quarter ended December 31, 2013, the Company recorded an income tax expense of $51,051,000 compared to an income tax expense of $5,643,000 in the quarter ended December 31, 2012. The increase in taxes was attributed to a $38,793,000 non-cash accounting adjustment to deferred income tax in relation to the Mexican Tax Reform, foreign exchange effects, partially offset by decrease in earnings before taxes.

10. As a result of the foregoing, net loss for the quarter ended December 31, 2013 was $81,229,000 or EPS of $(0.69), compared to net earnings of $22,350,000 or EPS of $0.19 in the quarter ended December 31, 2012.

REVIEW OF ANNUAL FINANCIAL RESULTS AND SELECTED ANNUAL FINANCIAL INFORMATION

For the year ended December 31, 2013 compared to the years ended December 31, 2012 and 2011 (in thousands of dollars, except for share amounts):

	Annual			
	2013	**2012**	**2011**	
Revenues	**$ 251,313**	**$ 247,177**	**$ 245,514**	(1)
Cost of sales (excludes depletion, depreciation and amortization)	115,658	79,747	66,787	(2)
Gross margin	**135,655**	**167,430**	**178,727**	
Depletion, depreciation and amortization	43,337	25,405	15,440	(3)
Mine operating earnings	**92,318**	**142,025**	**163,287**	(4)
General and administrative	24,855	21,774	15,969	(5)
Share-based payments	14,518	10,646	5,948	(6)
Accretion of decommissioning liabilities	539	472	622	
Impairment of goodwill and mining interests	28,791	-	-	(7)
Acquisition costs	-	2,740	435	(8)
Foreign exchange loss (gain)	926	(174)	483	
Operating earnings	**22,689**	**106,567**	**139,830**	(9)
Investment and other income (loss)	5,974	6,715	(1,030)	(10)
Finance costs	(2,470)	(2,293)	(1,263)	
Earnings before income taxes	**26,193**	**110,989**	**137,537**	
Current income tax expense	1,261	4,429	10,920	
Deferred income tax expense	63,164	17,662	23,043	
Income tax expense	64,425	22,091	33,963	(11)
Net (loss) earnings for the year	**$ (38,232)**	**$ 88,898**	**$ 103,574**	(12)
(Loss) earnings per share (basic)	**$ (0.33)**	**$ 0.80**	**$ 1.00**	(12)
(Loss) earnings per share (diluted)	**$ (0.33)**	**$ 0.79**	**$ 0.96**	
Cash and cash equivalents	**$ 54,765**	**$ 111,591**	**$ 91,184**	
Total assets	**$ 854,952**	**$ 813,031**	**$ 443,312**	
Non-current liabilities	**$ 207,484**	**$ 162,276**	**$ 64,845**	

1. Revenues for the year ended December 31, 2013 increased by 2% or $4,136,000 to $251,313,000 from $247,177,000 during the prior year. While payable equivalent ounces sold increased by 41% compared to the prior year, revenues were affected by a 26% decrease in average realized silver price and higher smelting and refining costs related to increased concentrate output from La Parrilla and Del Toro mines.

2. Cost of sales for the year ended December 31, 2013 was $115,658,000 an increase of 45% or $35,911,000 compared to $79,747,000 in 2012. The increase in cost of sales was attributed to a 41% increase in payable equivalent ounces sold and 3% increase in cash cost per ounce.

3. Depletion, depreciation and amortization increased by 71% to $43,337,000 for the year ended December 31, 2013, primarily due to incremental depreciation expense from the addition of the new Del Toro mine and full year of depletion, depreciation and amortization from the La Guitarra mine, as well as higher depletion expense from 8% increase in tonnage of ore processed.

4. Mine operating earnings decreased by 35% to $92,318,000 for the year ended December 31, 2013, compared to $142,025,000 in the prior year. Mine operating earnings were affected by the decrease in silver prices and higher depletion, depreciation and amortization expenses.

5. General and administrative expenses for the year ended December 31, 2013 increased $2,979,000 or 14% compared to the prior year due to higher professional fees, additional administrative expenses for the newly recruited senior management for expanded operations and a resulting increase in salaries and employee benefits.

6. Share-based payments expense for the year ended December 31, 2013 increased by $3,872,000 or 36% compared to the same period of the prior year. The increase was primarily due to stock options granted in 2013 and 2012, including amortization of the stock option benefit for the additional senior management 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. During the year ended December 31, 2013, as a result of the decline in silver prices and the Mexican Tax Reform, the Company recognized an impairment loss of $28,791,000 on certain mining interests which were acquired from Silvermex Resources Inc. in July 2012.

8. In 2012, the Company incurred acquisition costs of $2,740,000 related to the acquisition of Silvermex. The transaction was completed in July 2012 and was valued at $137.0 million at the time of the acquisition.

9. Operating earnings was $22,689,000 for the year ended December 31, 2013, compared to operating earnings of $106,567,000 for the year ended December 31, 2012, due to decrease in mine operating earnings, impairment of goodwill and mining interests, higher general and administrative, share-based payments expenses and foreign exchange losses.

10. During the year ended December 31, 2013, investment and other income was $5,974,000 compared to $6,715,000 in the prior year. The income is primarily attributed to a net gain of $9,129,000 from the termination fee related to the Orko acquisition, a $3,919,000 gain from fair value adjustment of the prepayment facility, a gain of $1,355,000 from payouts on insurance claims relating to theft of concentrates in late 2012, and a $557,000 gain from the First Silver litigation, offset by a $3,915,000 write-down on available- for-sale marketable securities, a $4,818,000 loss on silver futures contracts and a $1,783,000 loss on mark-to- market adjustments of marketable securities.

11. During the year ended December 31, 2013, the Company recorded an income tax expense of $64,425,000 compared to $22,091,000 in 2012. The $42,334,000 increase in income tax expense was primarily attributed to a non-cash accounting adjustment of $38,793,000 relating to the Mexican Tax Reform, partially offset by lower earnings.

12. As a result of the foregoing, net loss for the year ended December 31, 2013 was $38,232,000 or EPS of $(0.33), compared to net earnings of $88,898,000 or EPS of $0.80 per common share for 2012.

SUMMARY OF QUARTERLY RESULTS

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

	2013				2012			
Financial Highlights	**Q4[1]**	**Q3[2]**	**Q2[3]**	**Q1[4]**	**Q4[5]**	**Q3[6]**	**Q2[7]**	**Q1[8]**
Revenue	$ 58,989	$ 76,882	$ 48,372	$ 67,070	$ 71,007	$ 63,581	$ 54,774	$ 57,815
Cost of sales	$ 31,437	$ 36,060	$ 23,891	$ 24,270	$ 23,686	$ 20,912	$ 18,456	$ 16,693
Depletion, depreciation and amortization	$ 13,298	$ 11,645	$ 10,198	$ 8,196	$ 7,861	$ 6,832	$ 5,259	$ 5,453
Mine operating earnings	$ 14,254	$ 29,177	$ 14,283	$ 34,604	$ 39,460	$ 35,837	$ 31,059	$ 35,669
Net (loss) earnings after tax	$ (81,229)	$ 16,320	$ 160	$ 26,517	$ 22,350	$ 24,869	$ 15,321	$ 26,358
(Loss) earnings per share (basic)	$ (0.69)	$ 0.14	$ 0.00	$ 0.23	$ 0.19	$ 0.22	$ 0.14	$ 0.25
(Loss) earnings per share (diluted)	$ (0.69)	$ 0.14	$ 0.00	$ 0.23	$ 0.19	$ 0.21	$ 0.14	$ 0.24

Notes:

1. In the quarter ended December 31, 2013, mine operating earnings decreased $14,923,000 or 51% compared to the quarter ended September 30, 2013, primarily attributed to decrease of 17% or 673,621 ounces of payable equivalent silver ounces sold. More ounces were sold in the prior quarter due to sale of approximately 650,000 ounces of silver sales that were suspended and delayed at the end of the second quarter. In addition, depletion, depreciation and amortization was higher due to 9% increase in tonnes milled during the fourth quarter compared to the prior quarter. Net loss after tax was $81,229,000 compared to net earnings of $16,320,000. The decrease was attributed to $28,791,000 impairment on goodwill and mining interests, $14,923,000 decline in mine operating earnings, as well as $38,793,000 non-cash adjustment to deferred income tax expense recorded during the quarter in relation to the Mexican Tax Reform.

2. In the quarter ended September 30, 2013, mine operating earnings increased $14,894,000 or 104% compared to the quarter ended June 30, 2013, primarily attributed to an increase of 57% or 1,407,022 ounces of payable equivalent silver ounces sold, which includes approximately 650,000 ounces of silver sales that were suspended and delayed at the end of the second quarter of 2013 due to declining silver prices. Net earnings after tax was $16,320,000, an increase of $16,160,000 compared to the previous quarter due to increase in mine operating earnings and investment and other income.

3. In the quarter ended June 30, 2013, mine operating earnings decreased $20,321,000 or 59% compared to the quarter ended March 31, 2013, primarily attributed to a 25% decline in silver prices and management's decision to suspend approximately 700,000 ounces of silver sales near quarter end in order to maximize future profits. Net earnings after tax was $160,000, a decrease of $26,357,000 compared to the previous quarter due to decrease in mine operating earnings and $5,864,000 loss on investment in silver futures and marketable securities, compared to a one-time gain of $9,131,000 from termination fee of the Orko acquisition in the previous quarter.

4. In the quarter ended March 31, 2013, mine operating earnings decreased $4,856,000 or 12% compared to the quarter ended December 31, 2012, primarily attributed to 9% decline in silver prices and higher cost of sales due to appreciation of the Mexican peso against the US dollar. Net earnings after tax increased by $4,167,000 or 19% compared to the previous quarter, due to gain from termination fee of the Orko acquisition and gain on fair value adjustment of the prepayment facility.

5. 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.

6. In the quarter ended September 30, 2012, mine operating earnings increased $4,778,000 or 15% compared to the quarter ended September 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 third quarter of 2012. The increase was due to increase in mine operating earnings and $9,016,000 increase in investment income compared to the third quarter of 2012.

7. 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.

8. 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 quarter and a lower effective tax rate due to the new global tax structure that the Company established in late 2011.

LIQUIDITY

At December 31, 2013, the Company held cash and cash equivalents of $54.8 million and had working capital of $32.8 million, compared to cash and cash equivalents of $111.6 million and working capital of $115.7 million at December 31, 2012. Cash and cash equivalents decreased by $56.8 million during the year, primarily as a result of $178.7 million of investments in property, plant and equipment and mineral property interests, $9.3 million of repayments on lease obligations, $5.3 million on deposits on long-term assets and $4.7 million realized loss on derivative financial instruments, offset by $134.3 million generated from operating activities and $16.1 million from proceeds from lease financings.

During the year, the Company expended $94.4 million on mineral properties and $84.3 million on property, plant and equipment compared to $99.3 million expended on mineral properties and $75.8 million expended on property, plant and equipment in the previous year. Capital expenditures are comparable to the prior year due to the on-going construction at Del Toro and the scaling up of the San Martin and La Guitarra expansion which included capital expenditures for property, plant and equipment as well as mine development for the increased tonnage to the mill.

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 $54.8 million in cash and cash equivalents at December 31, 2013, the Company believes it has sufficient funds to meet current operating and its reduced capital requirements.

MANAGEMENT OF RISKS AND UNCERTAINTIES

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

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to trade receivables in the ordinary course of business and VAT and other receivables. 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 byproducts are sold primarily through four international organizations with good credit ratings. 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 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, 2013, the Company has outstanding trade payables of $20.9 million (December 31, 2012 -$20.8 million) which are generally payable in 90 days or less and accrued liabilities of $13.6 million (December 31, 2012 - $16.5 million) which are generally payable within 12 months. The Company believes it has sufficient cash on hand, combined with cash flows from operations, to meet operating requirements as they arise for at least the next 12 months.

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	$ 34,534	$ 34,534	$ -	$ -	$ -
Prepayment facility	49,930	16,091	33,839	-	-
Finance lease obligations	39,188	17,680	17,766	3,742	-
Decommissioning liabilities	16,437	-	-	-	16,437
Purchase obligations and commitments (1)	35,207	35,207	-	-	-
Total Obligations	**$ 175,296**	**$ 103,512**	**$ 51,605**	**$ 3,742**	**$ 16,437**

(1) Purchase obligations and commitments primarily consist of committed purchase orders and contracts related to construction of the Del Toro Silver Mine and the San Martin mill expansions.

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, 2013		December 31, 2012	
	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	$ 11,873	$ 395	$ (1,043)	$ 11,225	$ 1,123	$ 5,001	$ 500
Mexican peso	763	12,647	(20,194)	(6,784)	(678)	(7,237)	(724)
	$ 12,636	**$ 13,042**	**$ (21,237)**	**$ 4,441**	**$ 444**	**$ (2,236)**	**$ (224)**

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 approximately 17% 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. In July 2013, the Company purchased call options on lead and zinc futures equivalent to remaining production to be delivered under the terms of the prepayment facility. The call options were purchased to mitigate potential exposure to future price increases in lead and zinc.

As at December 31, 2013, a 10% increase or decrease of metal prices at December 31, 2013 would have the following impact on net earnings:

					December 31, 2013
	Silver	**Gold**	**Lead**	**Zinc**	**Effect of +/- 10% change in metal prices**
Metals subject to provisional price adjustments	$ 1,306	$ 158	$ 555	$ 37	$ 2,056
Metals in doré and concentrates inventory	47	1	11	3	62
Prepayment facility	-	-	(2,377)	(2,446)	(4,823)
	$ 1,353	**$ 159**	**$ (1,811)**	**$ (2,406)**	**$ (2,705)**

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, 2013, the Company's exposure to interest bearing liabilities is limited to its prepayment facility and finance leases.

Based on the Company's interest rate exposure at December 31, 2013, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings.

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 foreign 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. The Company has complied with environmental taxes applied to the use of certain fossil fuels according to the Kyoto Protocol. Although the Company makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its future obligations for these costs. Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. While the health and safety of our people and responsible environmental stewardship are our top priorities, there can be no assurance that First Majestic has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially and adversely affect the Company's business, results of operations or financial condition.

Claims and Legal Proceedings Risks

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

In April 2013, the Company received a positive judgment on the First Silver trial from the Supreme Court of British Columbia (the "Court"), which awarded a sum of $93.8 million in favour of First Majestic against the defendants (see Note 28 of the Company's consolidated financial statements for the year ended December 31, 2013). An amount of $14.1 million were received by the Company in June 2013 as partial payment of the judgment, leaving an unpaid amount of approximately $79.0 million. The judgments by the Court in favour of the Company were appealed by the defendants, but the appeal was dismissed in October 2013. The defendant has initiated an application to vary or discharge the appeal dismissal order requiring a further hearing with a three judge panel to determine if the appeal judge made an error in law or principle. The outcome of this application is presently not determinable. Judgment against the defendants should not be regarded as conclusive until such time as all avenues for appeal have been exhausted and the Company cautions that even if the results of all such appeals are in the Company's favour it is likely that it will be necessary to take additional action in Mexico and/or elsewhere to try to recover the unpaid portion of the judgment. There can be no guarantee of collection on the remaining $79.0 million of the judgment amount and accordingly, as at December 31, 2013, the Company has not accrued any additional amounts related to the remaining unpaid judgment in favour of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2013, 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.

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, 2013 and 2012, there were no significant transactions with related parties outside of the ordinary course of business.

SUBSEQUENT EVENTS

Subsequent to December 31, 2013:

a) 293,784 shares valued at $2.8 million were granted for acquisition of mineral properties adjacent to the La Guitarra Silver Mine;

b) 1,736,642 options were granted with a weighted average exercise price of CAD$10.44 and expire in five years from the grant date;

c) 48,500 options were cancelled; and

d) Management determined that the 1,000 tpd cyanidation plant at the Del Toro Silver Mine achieved commercial production on January 1, 2014.

Pursuant to the above subsequent events, the Company has 117,318,624 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 mill or mill and proceeds from mineral sales are offset against costs capitalized. Depletion of capitalized costs for mining properties and depreciation and amortization of property, plant and equipment begin when operating levels intended by management have been reached.

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

- substantially all major capital expenditures have been completed to bring the mine or mill to the condition necessary for it to be capable of operating in the manner intended by management;
- the mine or mill has reached a pre-determined percentage of design capacity;
- the ability to sustain a pre-determined level of design capacity for a significant period of time (i.e., the ability to continue to produce ore at a steady or increasing level);
- the completion of a reasonable period of testing of the mine plant and equipment;
- the ability to produce a saleable product (i.e., the ability to produce concentrate within required sellable specifications);
- the mine or mill has been transferred to operating personnel from internal development groups or external contractors; and
- mineral recoveries are at or near the expected production levels.

The results of operations of the Company during the periods presented in these consolidated financial statements have been impacted by management's determination that commercial production was achieved for the following expansions:

- the 1,000 tpd cyanidation plant at the La Parrilla mine achieved commercial production on March 1, 2012;
- the 1,000 tpd flotation plant at the Del Toro mine achieved commercial production on April 1, 2013; and
- the 1,000 tpd cyanidation plant at the Del Toro mine achieved commercial production on January 1, 2014.

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, mining interests and goodwill

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's property, plant and equipment, mining interests and goodwill 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, mining interests and goodwill. Internal sources of information management considers 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, mining interests and goodwill, management makes estimates of the discounted future 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 rates or depreciation rates differ from the initial estimate, the change in estimate would be made prospectively in the consolidated statements of earnings.

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 and other 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.

Mexican Tax Reform

In late 2013, the Mexican government approved a tax reform that enacted a new Mexican Income Tax Law ("MITL"), effective January 1, 2014, and repealed the Flat Tax Law ("IETU"). The new MITL maintains the current 30% corporate income tax rate, eliminating the previously scheduled reduction to 29% in 2014 and to 28% in 2015.

The new MITL eliminates the option to depreciate capital assets on an accelerated basis, as well as the 100% tax deduction for a mining company's pre-operating expenses. As of 2014, capital assets will be depreciated on a straight-line basis using the provided allowed percentage for each type of asset, and pre-production expenses will be amortized over a 10 year period.

The new MITL also imposes a 10% withholding tax on dividends distributed to resident individuals or foreign residents (including foreign corporations). This new withholding tax will apply beginning in 2014, but not to distributions of profits subject to corporate-level tax prior to 2014, so the pre-2014 tax paid profits balance distributions are exempted. Per the Mexico-Canada tax treaty this dividend withholding tax rate may be reduced to 5%.

The tax reform also included in the Mexican Federal Fees Law a new 7.5% mining royalty on taxpayers with mining concessions. This royalty is deductible for tax purposes and is calculated as 7.5% of a royalty base which is computed as taxable revenues for income tax purposes (except interest and inflationary adjustment), less allowable deductions for income tax purposes (except interest, inflationary adjustment, depreciation and mining fees), less prospecting and exploration expenses of the year. The Company has taken the position that the royalty is an income tax as it is based on a measure of revenue less certain specified costs. On substantial enactment, a taxable temporary difference arises, as property, plant and equipment and mining assets have book basis but no tax basis for purposes of the royalty. The Company has recognized a deferred tax liability of $35.1 million as at December 31, 2013 in respect of this royalty. This deferred tax liability will be drawn down to $nil as a reduction to tax expense over the life of mine as the mine and its related assets are depleted or depreciated.

The tax reform also creates a new environmental duty equal to 0.5% of gross revenues from the sale of gold and silver, which will also be tax deductible for income tax purposes.

First Majestic estimates a non-cash adjustment to deferred income tax liabilities of approximately $38.8 million related to the deferred tax impacts of the above tax changes, including $35.1 million on the 7.5% mining royalty and $3.7 million for the elimination of a scheduled reduction of Mexico corporate statutory tax rate to 29% in 2014 and 28% in 2015.

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. In December 2009, Mexico introduced tax consolidation reform rules, which effective January 2010, would require companies to begin the recapture of the benefits of tax consolidation within five years of receiving each annual consolidation 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 was expected to be recaptured from 2014 to 2023. The tax reform abolished the existing consolidation regime effective as of January 1, 2014 and offers a revised simplified form of tax integration over a three year peiod. Existing groups are now required to assess the tax impact of deconsolidation using a mechanism established transition rules specified in legislation for which the final applied rules are expected to be released in the next few months. The Company is reviewing the impact and will communicate the financial impact when it is finally determined in the applied Mexican tax rules.

The tax deconsolidation results in the availability of entity level loss carryforwards that were previously used to shelter taxable income of other group companies. As at December 31, 2013, the Company has total non-capital loss carryforwards of $217.0 million on a non-consolidated basis for Mexican income tax purposes that may be carried forward to reduce taxable income on a company by company basis.

Deferred tax assets are recognized for these 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 individual operations in the legal entities in which the tax losses arose.

Tax Contingencies

During 2010, La Guitarra Compañía Minera, S.A. de C.V. ("La Guitarra"), a subsidiary acquired by the Company in 2012, had a tax reassessment from the Mexican tax authorities for the fiscal year 2003 relating to ineligible VAT refunds and tax treatment of intercompany loans with a maximum potential exposure of $3.1 million (40.8 million Mexican pesos). La Guitarra had previously posted cash as collateral for a bond held with the Mexican tax authorities for $3.1 million (40.8 million Mexican pesos) and also accrued a VAT payable of $3.1 million related to the tax reassessment. In 2013, the Company submitted a voluntary tax amnesty and remitted $2.4 million (31.5 million Mexican pesos) in exchange for a credit on the remaining balance of $0.7 million (9.3 million Mexican pesos). As at December 31, 2013, the 2003 tax reassessment had been fully settled with the Mexican tax authorities and the cash was returned. The gain on settlement of $0.7 million was recorded in other income.

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 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). As at December 31, 2013, the Company has defended itself successfully in all of these tax assessments. Therefore, no provision was recorded for tax exposure relating to these reassessments. Professional fees of $0.3 million (2012 -$0.1 million) were incurred and expensed as general and administrative expenses during the year in relation to the appeal process.

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 and predictable effect on the consolidated financial statements of the Company.

CHANGES IN ACCOUNTING POLICIES

Accounting Policies Adopted Effective January 1, 2013

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. 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. The adoption of this standard did not have a significant impact on the Company's 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. IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is accounted for using the equity method and proportionate consolidation is no longer permitted. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20"), which clarifies the requirements for accounting for the cost of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. The Company adopted IFRIC 20 in compliance with the transitional requirements and the application of this standard did not result in an adjustment to the Company's 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. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Disclosures on Offsetting of Financial Instruments

In December 2011, the IASB issued an amendment to IFRS 7 – *Financial Instruments: Disclosure* ("amendments to IFRS 7"). The amendments to IFRS 7 require more extensive disclosures about offsetting (also known as netting) of financial instruments. The new offsetting disclosure requirements are effective for annual periods beginning on or after January 1, 2013 and need to be applied retrospectively to all comparative periods. The Company has applied the amendments to IFRS 7 on a prospective basis, commencing January 1, 2013. The adoption of this amendment did not have a significant impact on the Company's comparative periods.

Items of Other Comprehensive Income

In June 2011, the IASB issued an amendment to IAS 1 ("amendments to IAS 1") – *Presentation of Items of Other Comprehensive Income* . The amendments to IAS 1 require items of other comprehensive income ("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. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2013

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. On July 24, 2013, the IASB tentatively decided to defer the mandatory effective date until the finalization of the impairment, classification and measurement requirements, with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its consolidated financial statements when issued.

Levies imposed by governments

In May 2013, the IASB issued IFRIC 21 – *Levies* ("IFRIC 21"), an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of the adoption of this interpretation on its consolidated financial statements.

Recoverable Amount Disclosures

In May 2013, the IASB issued amendments to IAS 36 – *Impairment of* Assets ("amendments to IAS 36"). The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

OTHER

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, 2013

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.

During the year, the Company installed SAP ERP software in all of its legal entities to enable real time consolidation and entity by entity detailed reporting and in-depth analyses. There has been an improvement in the Company's internal control over financial reporting during the year ended December 31, 2013. None of the changes during the year is reasonably likely to materially negatively affect the Company's internal control over financial reporting.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). Based on this assessment, management concludes that, as of December 31, 2013, 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, 2013, has been audited by Deloitte LLP, Chartered Accountants, who also audited the Company's consolidated financial statements as of and for the year ended December 31, 2013 and 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.

Exhibit 99.4

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 27, 2014

/s/ Keith Neumeyer
Keith Neumeyer
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.5

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 27 2014

/s/ Raymond Polman
Raymond Polman
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 99.6

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, 2013 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 27, 2014

/s/ Keith Neumeyer
Keith Neumeyer
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.7

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, 2013 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 27, 2014

/s/ Raymond Polman
Raymond Polman
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Runge, Inc. dba
RungePincockMinarco

165 S. Union Boulevard
Suite 950
Lakewood, Colorado 80228

CONSENT OF AUTHOR

March 27, 2014

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, 2013 (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, 2013.

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 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;
- Technical Report for the San Martin Silver Mine, Jalisco State, México dated May 23, 2013;

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

/s/ Leonel López
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 27, 2014

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, 2013 (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, 2013.

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 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.

Yours truly,

/s/ Richard Addison
Signature of Qualified Person

Richard Addison, P.E.
Print name of Qualified Person

Exhibit 99.10

March 27, 2014

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, 2013 (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, 2013.

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

Exhibit 99.11

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our reports dated February 25, 2014 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, 2013.

Chartered Accountants
Vancouver, Canada
March 27, 2014