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, 2011 Commission File Number 001-34984

FIRST MAJESTIC SILVER CORP.

(Exact name of registrant as specified in its charter)

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

Suite 1805 – 925 West Georgia Street
Vancouver, British Columbia V6C 3L2 Canada
(604) 688-3033
(Address and telephone number of Registrant's principal executive offices)

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

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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. 105,567,272

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.

[☑] 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, 2011. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to: the continued operation of the mining operations from which the Company purchases silver, no material adverse change in the market price of commodities, that the mining operations will operate and the mining projects will be completed in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements and forward-looking information contained or incorporated by reference in this annual information form are included for the purpose of providing investors with information to assist them in understanding the Company's expected financial and operational performance and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements that are included or incorporated by reference herein, except in accordance with applicable securities laws.

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

The Company is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this annual report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company prepares its financial statements (the "Audited Financial Statements") in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. See. "First Time Adoption of IFRS" described in Note 34 of the Audited Financial Statements.

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 parent entity, is the Canadian dollar, and for the Mexican operations the functional currency is the United States dollar. The financial statement presentation currency is the United States dollar. The accounts of our self-sustaining foreign operations are translated at year end exchange rates, and revenues and expenses are translated at the exchange rates in effect at the date of the underlying transactions. Differences arising from these foreign currency translations are recorded in other comprehensive income.

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, 2011, including the reports of the Independent Registered Chartered Accountants with respect thereto, are filed as Exhibit 99.2 to, and incorporated by reference in, this annual report on Form 40-F.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Company’s management’s discussion and analysis of results of operations and financial condition for the year ended December 31, 2011 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 design and operations of the Company’s disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Exchange Act). Based on that evaluation, the CEO and the CFO have concluded that as of the end of the period covered by this annual report, the Company’s disclosure controls and procedures were adequately designed and effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed by the Company in reports filed under the Exchange Act is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with 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, 2011, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

The Company's independent registered chartered accountants, Deloitte & Touche LLP, have audited the consolidated financial statements included in this annual report and have issued a report dated March 1, 2012 on the Company's internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm.

The Company's Independent Registered Chartered Accountants have issued an attestation report on the Company's internal control over financial reporting as of December 31, 2011, included with the Audited Financial Statements for the year ended December 31, 2011, filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

Changes in Internal Control Over Financial Reporting.

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

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

AUDIT COMMITTEE

Audit Committee

The Company's Board of Directors has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Company's Audit Committee are identified on page 65 of the AIF, filed as Exhibit 99.1 and incorporated by reference herein. In the opinion of the Company's Board of Directors, all members of the Audit Committee are independent (as determined under Rule 10A-3 of the Exchange Act and the rules of the New York Stock Exchange) and are financially literate.

Audit Committee Financial Expert

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

CODE OF ETHICS

The Company has adopted a written Code of Ethical Conduct. A copy of this code is available on the Company's website at http://www.firstmajestic.com or to any person without charge, by written request addressed to: First Majestic Silver Corp., Attention: Corporate Secretary, Suite 1805 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2 Canada (604) 688-3033, or by email (info@firstmajestic.com).

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP acted as the Company's Independent Registered Chartered Accountants for the financial year ended December 31, 2011. See page 66 of the AIF, which is attached hereto as Exhibit 99.1 for the total amount billed to the Company by Deloitte & Touche LLP for services performed in the last two financial years by category of service (for audit fees, audit-related fees, tax fees and all other fees) in Canadian dollars.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

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

UNDERTAKINGS

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

CONSENT TO SERVICE OF PROCESS

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

EXHIBIT INDEX

Exhibit	Description
99.1.	Annual Information Form of the Company for the year ended December 31, 2011
99.2.	The following audited consolidated financial statements of the Company, are exhibits to and form a part of this Report: • Report of Independent Registered Chartered Accountants; • Consolidated Statements of Income for the years ended December 31, 2011 and 2010; • Consolidated Statements of Comprehensive Income for the years ended December 31, 2011 and 2010; • Consolidated Statements of Cash Flow for the years ended December 31, 2011 and 2010; • Consolidated Statements of Financial Position as at December 31, 2011, December 31, 2010 and January 1, 2011; • Consolidated Statements of Changes in Equity for the years ended December 31, 2011 and 2010
99.3.	Management's Discussion and Analysis for the year and fourth quarter ended December 31, 2011
99.4.	CEO Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5.	CFO Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6.	CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7.	CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8.	Consent of Leonel Lopez, Principal Geologist of Pincock, Allen & Holt
99.9.	Consent of Richard Addison, Principal Process Engineer of Pincock, Allen & Holt
99.10.	Consent of Ramon Davila, Ing., Chief Operating Officer of First Majestic Silver Corp.
99.11.	Consent of Florentino Muñoz, Ing., Chief Operating Officer of First Majestic Silver Corp.
99.12.	Consent of Deloitte & Touche LLP, Independent Registered Chartered Accountants

SIGNATURES

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

Date: March 30, 2012

FIRST MAJESTIC SILVER CORP.

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

ANNUAL INFORMATION FORM

For the year ended December 31, 2011

Date: March 30, 2012

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PRELIMINARY NOTES

Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form ("**AIF**") of First Majestic Silver Corp. ("**First Majestic**" or the "**Company**") is as of December 31, 2011.

Financial Information

As of January 1, 2011, the Company's financial results are prepared and reported in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Financial information for periods commencing on or after January 1, 2010 is reported in accordance with IFRS and is presented in United States dollars.

Forward-looking Information

Certain statements contained in this AIF constitute forward-looking information or forward-looking statements under applicable securities laws (collectively, "**forward-looking statements**"). These statements relate to future events or the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to the Company's business strategy, commercial mining operations, anticipated mineral recoveries, projected quantities of future mineral production, interpretation of drill results, anticipated production rates and mine life, the estimated cost and timing of development of the Company's development projects, the timing of completion of exploration programs and preparation of technical reports, operating efficiencies, capital budgets, costs and expenditures and conversion of mineral resources to proven and probable mineral reserves, analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable, the construction of access routes to the Company's operating mines, the recovery of value added tax receivables, and assumptions of management. All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable mineral reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered as and if the property is developed, and in the case of mineral resources or proven and probable mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "forecast", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements".

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements involve risks and uncertainties relating to, among other things, global economic conditions, changes in commodity prices and, particularly, silver prices, changes in exchange rates, access to skilled mining development and mill production personnel, labour relations, costs of labour relations with local communities and aboriginal groups, results of exploration and development activities, accuracy of resource estimates, uninsured risks, defects in title, availability and costs of materials and equipment, inability to meet future financing needs on acceptable terms, changes in national or local governments, changes in applicable legislation or application thereof, timeliness of government approvals, actual performance of facilities, equipment, and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Additional factors that could cause actual results to differ materially include, but are not limited to, the risk factors incorporated by reference herein. See "Risk Factors". The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF, as the case may be. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. Actual results may differ materially from those expressed or implied by such forward-looking statements.

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

The definitions of Proven and Probable Reserves used in National Instrument 43-101 ("**NI 43-101**") differ from the definitions in the Industry Guide 7. Under SEC Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three year history average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

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

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

Currency and Exchange Rate Information

As of January 1, 2011, the Company uses the US dollar as its presentation currency. This AIF contains references to both US dollars and Canadian dollars. **All dollar amounts, unless otherwise indicated, are expressed in U.S. dollars and Canadian dollars are referred to as "C$"**.

On March 29, 2012, the exchange rate of Canadian dollars into US dollars, being the noon exchange rate published by the Bank of Canada was US$1.00 equals C$1.00.

CORPORATE STRUCTURE

Name, Address and Incorporation

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

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

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

On August 27, 1987, the Company was extra provincially registered under the Company Act.

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

On January 2, 2002, the Company continued out of the Commonwealth of the Bahamas under the *Companies Act* (Bahamas) and was continued to the Yukon Territory pursuant to the *Business Corporations Act* (Yukon). On January 3, 2002, the Company completed a consolidation of its share capital on a 1 new for 10 old basis and changed its name to First Majestic Resource Corp.

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

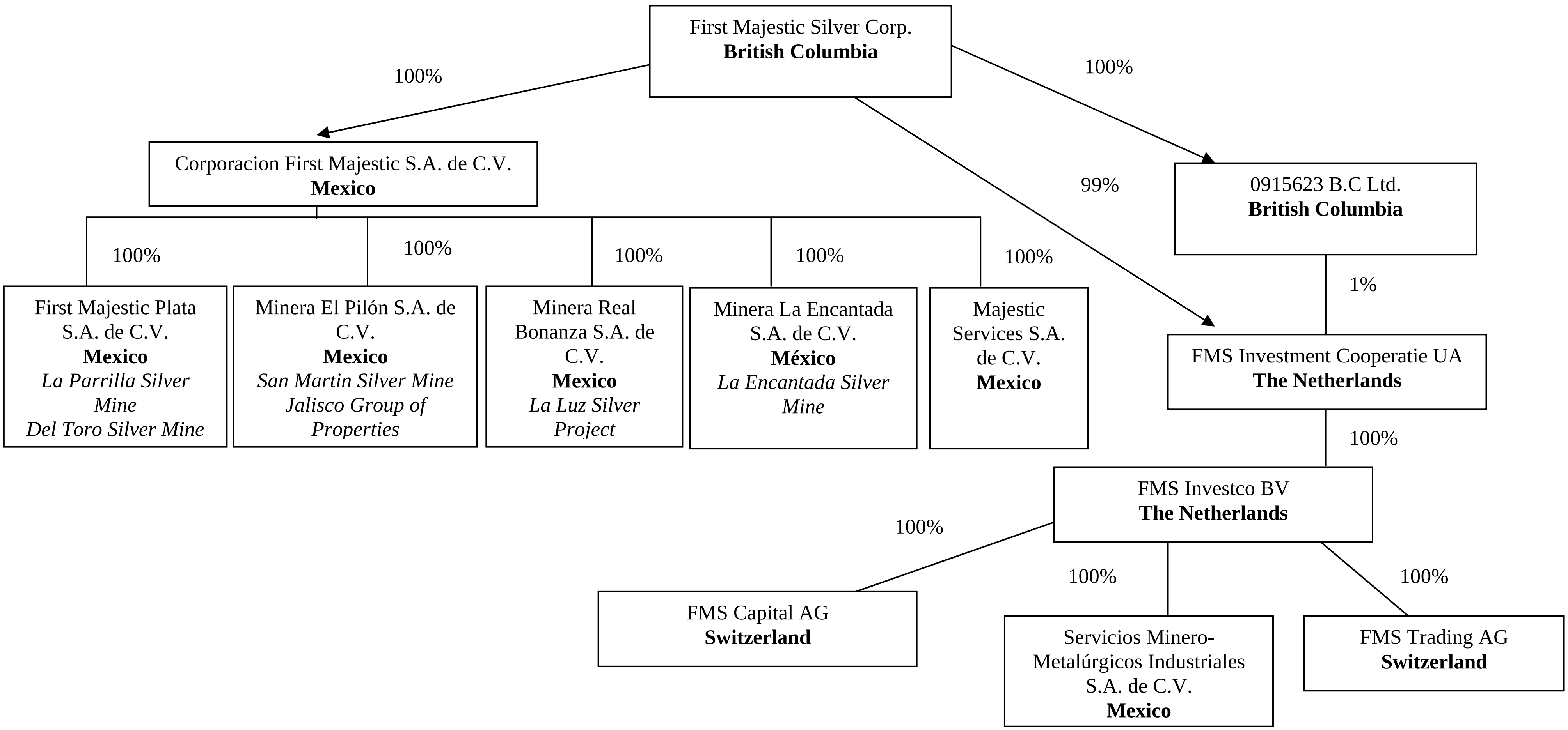
On November 22, 2006, the Company changed its name to First Majestic Silver Corp.

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

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

Intercorporate Relationships

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


First Majestic Silver Corp.
British Columbia
100%
Corporacion First Majestic S.A. de C.V.
Mexico
100%
First Majestic Plata S.A. de C.V.
Mexico
La Parrilla Silver Mine
Del Toro Silver Mine
100%
Minera El Pilón 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.
México
La Encantada Silver Mine
100%
Majestic Services S.A. de C.V.
Mexico
99%
100%
0915623 B.C Ltd.
British Columbia
1%
FMS Investment Cooperatie UA
The Netherlands
100%
FMS Investco BV
The Netherlands
100%
FMS Capital AG
Switzerland
100%
Servicios Minero-Metalúrgicos Industriales S.A. de C.V.
Mexico
100%
FMS Trading AG
Switzerland

GENERAL DEVELOPMENT OF THE BUSINESS

History

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

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

Between March 2004 and August 2005, the Company entered into a number of agreements to acquire mining concessions located in Chalchihuites, Zacatecas, México which are located approximately 45 kilometres southeast of the La Parrilla Silver Mine. During the period ended December 31, 2006 and the year ended June 30, 2006, the Company relinquished its options relating to certain of the Chalchihuites Group of Properties and wrote-off acquisition and exploration costs relating to those options totalling $658,000 and $368,000, respectively. The remaining properties are now referred to as the Del Toro Silver Mine. The Company paid an aggregate of $5,825,000 over a four-year period to complete the remaining option payments.

First Majestic entered into an irrevocable share purchase agreement dated for reference April 3, 2006 to purchase approximately 63% of the issued and outstanding shares of First Silver Reserve Inc. ("**First Silver**") from the major shareholder of First Silver (the "**Seller**"). First Silver was, indirectly, sole owner of the San Martín Silver Mine in Jalisco State, México and certain other properties in México.

First Majestic purchased 24,649,200 common shares of First Silver (the "**Acquisition**") for an aggregate purchase price of $50,776,000. The purchase price was payable to the Seller in three instalments (the "**Agreement**").

The first instalment of $25,388,000 represented 50% of the purchase price and was paid on closing of the Acquisition on May 30, 2006. An additional 25% instalment of $12,694,000 was paid on May 30, 2007. The final 25% instalment of $12,694,000, together with accrued interest of $872,000, was due on May 30, 2008 and was paid into a trust account of the Company and First Silver and a Letter of Credit was deposited in Court pending the outcome of the claims referred to in the section of this AIF entitled "Legal Proceedings".

Pursuant to a plan of arrangement (the "**Arrangement**") completed on September 14, 2006, First Majestic acquired all of the issued and outstanding First Silver shares which it did not already own for an aggregate of 6,712,159 common shares of First Majestic and an aggregate cash payment of C$778,000 paid at closing and C$389,000 due on each of September 14, 2007 (which was paid) and September 14, 2008 (which was paid), with interest payable quarterly and compounded annually at 6.0% per annum on the unpaid balances from the closing of the Arrangement. In addition, upon closing of the Arrangement, 562,500 stock options were granted by the Company in exchange for outstanding stock options of First Silver.

In August 2006, the Company entered into three agreements to acquire the Quebradillas and Viboras mines and a contiguous land package of 3,126 hectares of mining concessions located in the La Parrilla Mining District in Durango State, México, which now forms part of the Company's La Parrilla Silver Mine. The Company acquired the right to purchase all the mining concessions, the mines, the data of past diamond drill programs and the assets located within the mine areas for a total purchase price of $3,000,000 which was paid in full by December 31, 2009. There is a net smelter royalty payable to Grupo Mexico on December 31, 2011 of 1.5% ("**NSR**") of sales revenue to a maximum of $2,500,000 and the Company has the option to purchase the NSR at any time for $2,000,000. For the year ended December 31, 2011, the Company paid $369,000 (December 31, 2010 – $116,000) relating to annual royalties. As at December 31, 2011, the sum of total royalties paid to date for the Quebradillas NSR is $690,000.

Effective November 1, 2006, the Company acquired all of the issued and outstanding shares of Desmin S.A. de C.V. ("**Desmin**"), a privately-held Mexican mining company for the purchase price of $1,500,000 (the final payment having been made on April 30, 2007). Desmin's primary asset was an exploitation contract which entitled Desmin to operate the La Encantada Silver Mine located in Coahuila State in Northern México. The exploitation contract provided Desmin an option to acquire all properties within the 697 hectare land package, including the operations of the mine and mill and all the auxiliary installations and associated equipment at the La Encantada Silver Mine.

In March 2007, the Company acquired all of the issued and outstanding shares of Minera La Encantada S.A. de C.V. ("**Minera La Encantada**"), a Mexican mining company owned by Industrias Peñoles, S.A. de C.V. ("**Peñoles**") for a total purchase price of $3,250,000 and an NSR of 4%. The Company also acquired the underlying 4% NSR through the issuance of 382,582 shares and 191,291 warrants, each warrant entitling Peñoles to purchase one additional share at a price of C$6.80, which warrants expired on March 20, 2009. As a result of the Company's purchase of Minera La Encantada, all royalties were cancelled at closing on March 20, 2007. On January 1, 2008, Desmin amalgamated with Minera La Encantada S.A. de C.V.

Past Three Years

On March 5, 2009, the Company completed a public offering with a syndicate of underwriters led by CIBC World Markets Inc. and including Blackmont Capital Inc., GMP Securities L.P. and Thomas Weisel Partners, who purchased 8,487,576 units of the Company at a price of C$2.50 per unit for gross proceeds to the Company of C$21,219,000. Each unit consisted of one common share in the authorized share structure of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one additional common share at a price of C$3.50 for a period of 24 months from the closing of the offering.

On August 20, 2009, the Company completed the first tranche of a non-brokered private placement consisting of 3,499,000 units at a price of C$2.30 per unit for gross proceeds of C$8,048,000. Each unit consisted of one common share and one-half of one common share purchase warrant, with each full warrant entitling the holder to purchase one additional common share in the authorized share structure of the Company at an exercise price of C$3.30 for a period of two years after the closing of the offering. A finder's fee in the amount of C$101,000 cash and 50,000 finder's warrants were paid in respect to a portion of this private placement. The finder's warrants were subject to the same terms and conditions as those issued to the subscribers.

On September 16, 2009, the Company completed the second and final tranche of the non-brokered private placement consisting of 668,478 units at a price of C$2.30 per unit for gross proceeds of C$1,538,000. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share in the authorized share structure of the Company at an exercise price of C$3.30 for a period of two years after the closing of the offering.

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

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

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

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

Pursuant to an option dated November 25, 2004 with Consorcio Minero Latinamericano, S.A. de C.V., a private Mexican company owned by a former director of First Silver, the Company had the right to purchase a 100% interest in seven mining claims referred to as the Cuitaboca Silver Project covering 3,718 hectares located in the State of Sinaloa, México. To purchase the claims, the Company was required to pay a total of $2,500,000 in staged cash payments through November 25, 2010. Subsequent to acquiring Normabec and during the year ended December 31, 2009, the Company elected not to proceed with the acquisition of the Cuitaboca Silver Project. Accordingly, the historical investment including exploration totalling $2,475,000 was written-off during the year ended December 31, 2009.

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

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

In the third quarter of 2011, the Company acquired a neighbouring property of Del Toro called Dolores for $1,500,000. The property includes 12 hectares of land and a small producing mine where a small amount of ore was shipped to La Parrilla for processing by the previous owner.

Ground breaking at the Del Toro Silver Mine commenced in April 2011 to prepare for the construction of a new 1,000 tonnes per day flotation mill. A mill re-design process was undertaken for the planning and construction of a larger 4,000 tonne per day oxide and sulfide processing facility which is currently going through the environmental permitting process as the prior permit had only approved a 1,000 tonne per day flotation design. Four of the five large platforms have been cleared and mill foundation construction is now underway.

The new 1,000 tonnes per day flotation circuit at the La Parrilla Silver Mine commenced operations on September 2, 2011 and was commissioned as commercially producing on October 1, 2011. Construction of the new 1,000 tonnes per day cyanidation circuit was completed in January 2012 and commercial production of this circuit was effective March 1, 2012. As at March 30 2012, total throughput at the La Parrilla operation was 1,800 tonnes per day.

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 in México. The common shares of the Company trade on the Toronto Stock Exchange under the symbol "FR" and on the New York Stock Exchange under the symbol "AG". The common shares are also quoted on the Frankfurt, Berlin, Munich and Stuttgart Stock Exchanges under the symbol "FMV".

The Company has ownership of three producing mines in México: the La Encantada Silver Mine in Coahuila State, the La Parrilla Silver Mine in Durango State, and the San Martin Silver Mine in Jalisco State. The Company also owns two advanced-stage development silver projects, the Del Toro Silver Mine in Zacatecas State and the La Luz Silver Project in San Luis Potosi 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.

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

At December 31, 2011, the Company had 14 employees based in its Vancouver corporate office, one employee in the United Kingdom, three employees in Switzerland, one employee in The Netherlands and approximately 2,725 employees, contractors and other personnel in México. Additional consultants are also retained from time to time for specific corporate activities, development and exploration programs.

Principal Markets for Silver

Silver is a precious metal that is desirable as jewellery, investment, as well as an important industrial commodity. Silver has a unique combination of durability, malleability, ductility, 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 generates a daily reference price known as the fix. Comex, in contrast, is a futures and options exchange. It is here that most fund activity is focused. Silver is quoted in US dollars per troy ounce.

With successful commissioning of the La Encantada cyanidation plant in April 2010, the Company increased its production of silver doré from 74% of total consolidated production in 2010 to 84% of total consolidated production in 2011. Production in concentrate form, which contains by-products such as lead and zinc and are subject to higher smelting costs, decreased from 26% of total production in 2010 to 16% of total production in 2011. During 2011, 96% of First Majestic's revenues were from the sale of pure silver, which the Company believes gives it the highest revenue percentage from pure silver relative to any of its peers.

Silver can be supplied as a primary product from mining silver, or as a by-product from the mining of gold or other base metals. The Company is a primary silver producer with 96% of its revenue in 2011 coming from the production of silver. The major producers of gold, for example Barrick or Goldcorp, also produce a large amount of silver. The market for primary silver producers is a relatively small market with a significant number of small suppliers producing less than three million ounces each year, some moderate size producers producing between five and ten million ounces each year and only a few producers producing more than ten million ounces each year. First Majestic is an intermediate producer that is aiming to become a senior producer. In the intermediate category alongside the Company are Silvercorp and Silver Standard. In the senior category are Pan American Silver, Coeur d'Alene and Fresnillo.

The Company also maintains an e-commerce website from which it sells approximately 3% of its production direct to retail buyers (B to C) over the internet.

Risk Factors

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

Metal Prices May Fluctuate

Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control including international economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. Movements in the price of metal, such as movements in the spot price of silver, have a direct and immediate impact on the Company's income and may affect the marketability of minerals already discovered and any future minerals to be discovered. Mineral Reserves on the Company's properties have been calculated on the basis of economic factors at the time of calculation; variations in such factors may have an impact on the amount of the Company's mineral Reserves. The Company does not use derivative instruments to hedge its silver commodity price risk, but the Company has in the past, forward sold its lead production up to one year in advance which it may consider doing again in the future. The effect of these price variation factors cannot accurately be predicted.

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

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;
- industrial accidents and explosions;
- encountering unusual or unexpected geological formations;
- changes in consumables, power costs and potential power shortages;
- labour shortages or strikes;
- civil disobedience and protests;
- ground fall and cave-ins; and
- natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes.

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

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

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

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

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, government or other community or indigenous interference in the maintenance or provision of such infrastructure could adversely affect the Company's business, operations and profitability.

La Parrilla and Del Toro Silver Mine Expansions

The Company has prepared estimates of the capital costs for the La Parrilla and Del Toro Silver Mine expansions. The total capital budget for the expansion of La Parrilla to 2,000 tonnes per day was $40,484,000, and as of December 31, 2011, there was $9,770,000 remaining to complete the expansion by March 31, 2012. There can be no assurance that such cost estimates will prove to be accurate. Actual costs may vary from the estimates depending on a variety of factors, many of which are not within the Company's control. Failure to stay within cost estimates or material increases in costs could have a material adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

These factors include the risks outlined above under "Operating Hazards and Risks", as well as the following:

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

Inaccuracies in Production and Cost Estimates

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

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

Future Exploration and Development Activities

Exploration and development of mineral properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish Reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting precious metals from ore. The Company cannot ensure that its current exploration and development programs will result in profitable commercial mining operations. Also, substantial expenses may be incurred on exploration projects which are subsequently abandoned due to poor exploration results or the inability to define Reserves which can be mined economically.

The economic feasibility of development projects is based upon many factors, including the accuracy of Reserve estimates, metal recoveries, capital and operating costs, government regulations relating to prices, taxes, royalties, land tenure, land use, importing, exporting, environmental protection, and precious metal prices, which are highly volatile. Development projects are also subject to the successful completion of economic evaluations or feasibility studies, issuance of necessary governmental permits and availability of adequate financing. Further, material changes in ore Reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

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

Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Proven or Probable Mineral Reserves as a result of continued exploration.

Because mines have limited lives based primarily on Proven and Probable Mineral Reserves, the Company must continually replace and expand its Mineral Reserves as the Company's mines produce metals. The life-of-mine estimates for the Company's mines may not be correct. The ability of the Company to maintain or increase its annual production of metals and the Company's future growth and productivity will be dependent in significant part on its ability to identify and acquire additional commercially mineable mineral rights, to bring new mines into production, to expand Mineral Reserves at existing mines and on the costs and results of continued exploration and potential development programs.

Governmental Regulations, Licenses and Permits

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

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

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

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

Counterparty and Market Risks

The Company enters into sales contracts to sell its products, including silver doré, lead-silver 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 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, 2011, the Company reassessed its reclamation obligations at each of its mines based on updated mine life estimates, rehabilitation and closure plans. The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $6,123,000, which has been discounted using credit adjusted risk free rates ranging from 6.3% to 8.0%, of which $2,319,000 of the reclamation obligation relates to the La Encantada Silver Mine, $1,248,000 of the obligation relates to the La Parrilla Silver Mine, $1,997,000 relates to the San Martin Silver Mine and $559,000 relates to the La Luz Project. The present value of the reclamation liabilities may be subject to change based on management's current and future estimates, changes in the remediation technology or changes to applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

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

Obtaining Future Financing

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

As at December 31, 2011, the Company had $91,200,000 of cash in treasury. As a result of the Company's ability to earn cash flow from its ongoing operations, the Company considers that it has sufficient capital to support its current operating requirements provided it can continue to generate cash from its operations and that costs of its capital projects are not materially greater than the Company's projections. There is a risk that commodity prices decline and that the Company is unable to continue generating sufficient cash flow from operations or that the Company requires significant additional cash to fund expansions and potential acquisitions. Failure to obtain additional financing on a timely basis may cause the Company to postpone acquisitions, major expansion, development and exploration plans.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in mining, exploration and development of mining properties is limited and competition for such persons 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 also a number of factors beyond the Company's control. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and smelting facilities, aggressive income tax and value added tax auditing and the imposition of new or amendments to existing taxes and royalties. The effects of these factors cannot be accurately predicted.

Current Global Financial Conditions

Recent events in global financial markets, and the resulting increased volatility of 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. Numerous financial institutions have either gone into bankruptcy or have had to be rescued by government authorities. Access to financing has been negatively impacted by liquidity crises throughout the world. These factors may impact the ability of the Company to obtain equity or debt financing and, if available, to obtain such financing on terms favorable to the Company.

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

Foreign Currency

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

Title to Properties

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

Although the Company has obtained title opinions for those material properties in which it has a material interest, 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 the jurisdictions in which the Company operates, legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands; accordingly, title holders of mining concessions in such jurisdictions must agree with surface land owners on compensation in respect of mining activities conducted on such land.

Price Volatility of Other Commodities

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

Competition

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

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration, mining and development opportunities in the resource industry with a focus on silver in Mexico. As a result, the Company may from time to time acquire additional mineral properties or securities of issuers which hold mineral properties. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

Environmental Regulation

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

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

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

The Company intends to fully comply with all environmental regulations. On February 25, 2009, the Mexican Environmental Authority PROFEPA (Procuradoria Federal Proteccion al Ambiente) awarded a Clean Industry Certificate to the Company's wholly-owned subsidiary, First Majestic Plata, S.A. de C.V., regarding its activities at the La Parrilla Silver Mine.

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 concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain non-governmental organizations ("**NGOs**"), some of which oppose globalization and resource development, are often vocal critics of 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 it's 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 of the Company outstanding pursuant to which common shares may be issued in the future. Pursuant to the Arrangement between First Majestic and First Silver, shares of First Silver may be tendered for shares of First Majestic until September 14, 2012. Options are likely to be exercised when the market price of the Company's common shares exceeds the exercise price of such options. The exercise of such options 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 resource companies, including the Company, tends to be volatile. Fluctuations in the world price of precious metals and many other elements beyond the control of the Company could materially affect the market price of the Company's common shares.

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to cash and cash equivalents, trade receivables in the ordinary course of business and value added tax refunds and other receivables. The Company sells and receives payment upon delivery of its silver doré and its by-products primarily through three international organizations. Additionally, lead-silver concentrates and related base metal by-products are sold primarily through one international organization with a good credit rating. Payments of receivables are scheduled, routine and received within sixty days of submission; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is not significant. The Company has a Mexican value added tax receivable of $8,791,000 as at December 31, 2011, of which $558,000 is past due. The Company is proceeding through a review process with Mexican tax authorities, but the Company expects to fully recover these amounts.

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, 2011, the Company has outstanding trade payables of $6,512,000 which are generally payable in 90 days or less and accrued liabilities of $15,903,000 which are generally payable within 12 months. As at December 31, 2011, the Company also has income taxes receivable of $9,734,000 in which it hopes to recover within the 2012 calendar year. The Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next 12 months, but there can be no assurance that a sudden significant decrease in silver prices, unrecoverable taxes receivable or other receivables might have a material impact on the Company's sufficiency of cash reserves to meet operating requirements.

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, 2011, with the exception of capital leases, which have fixed interest rates, the Company's exposure to interest-bearing liabilities is limited to its debt facilities.

Based on the Company's interest rate exposure at December 31, 2011, 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

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

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

Environmental and Health and Safety Risks

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

Claims and Legal Proceedings Risks

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

Enforcement of Judgments/Bringing Actions

The Company is organized under the laws of, and headquartered in, British Columbia, Canada and a majority of its directors and officers are not citizens or residents of the United States. In addition, a substantial part of the Company's assets are located outside of Canada and the United States. As a result, it may be difficult or impossible for an investor to: (i) enforce in courts outside of the United States 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.

Mineral Projects

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

Summary of Reserves and Resources

This following table illustrates the Company's Mineral Reserves and Resources estimate as at December 31, 2011:

Mine	Classification R & R	Mineralization	Tonnes	Silver g/t	Lead %	Zn %	Silver only oz In Situ	Silver Equivalent (oz) (Pb-Zn) In Situ
La Encantada	Proven (UG)	Oxides	765,965	308	3.29	1.35	7,580,511	7,580,511
	Proven (OP-Tailings)	Oxides	6,877,340	121	1.10	0.66	26,754,505	26,754,505
	Probable (UG)	Oxides	437,525	313	4.84	1.23	4,399,785	4,399,785
	Proven plus Probable (Oxides)		8,080,830	149	1.51	0.75	38,734,800	38,734,800
La Parrilla	Proven (UG)	Oxides	250,076	204	0.72	0.10	1,638,405	1,638,405
	Proven (OP)	Oxides	505,600	114	-	-	1,853,117	1,853,117
	Probable (UG)	Oxides	882,285	208	0.16	0.04	5,901,268	5,901,268
	Probable (OP)	Oxides	1,268,571	98	-	-	3,996,979	3,996,979
	Proven plus Probable (Oxides)		2,906,532	143	0.11	0.02	13,389,770	13,389,770
	Proven (UG)	Sulfides	588,407	213	1.73	1.14	4,035,989	5,471,162
	Probable (UG)	Sulfides	3,708,433	184	1.44	2.03	21,961,702	32,906,530
	Proven plus Probable (Sulfides)		4,296,839	188	1.48	1.91	25,997,691	38,377,692
	Proven+Probable (Oxides plus sulfides)		7,203,371	170	0.92	1.15	39,387,461	51,767,462
San Martín	Proven (UG)	Oxides	719,684	217	-	-	5,017,181	5,017,181
	Probable (UG)	Oxides	327,232	231	-	-	2,433,491	2,433,491
	Proven plus Probable (Oxides)		1,046,915	221	-	-	7,450,672	7,450,672
	Total Proven+Probable (Oxides plus sulfides)		16,331,117	162.98	1.15	0.88	85,572,934	97,952,935
La Encantada	Measured Plus Indicated (UG)	Oxides	4,313,824	147	1.51	2.01	20,411,399	20,411,399
La Parrilla	Measured	Oxides	327,645	150	1.75	1.30	1,576,951	1,576,951
	Plus Indicated (UG)	Sulfides	1,128,306	78	1.13	3.45	2,837,120	7,235,393
	Measured + Indicated (Oxides plus sulfides)		1,455,951	94.30	1.27	2.97	4,414,070	8,812,344
San Martín	Measured	Oxides	575,980	266	-	-	4,925,744	4,925,744
	Plus Indicated (UG)	Sulfides	606,595	66	0.89	1.86	1,288,493	2,707,051
	Measured + Indicated (Oxides plus sulfides)		1,182,575	163.44	0.45	0.96	6,214,237	7,632,795
Del Toro (1)	Measured	Oxides	728,444	194	2.45	2.71	4,543,483	4,543,483
(prior 43-101)	Plus Indicated (UG)	Sulfides	649,528	353	7.20	7.14	7,371,631	21,521,018
	Measured + Indicated (Oxides plus sulfides)		1,377,972	269	4.69	4.80	11,915,114	26,064,501
La Luz (2)	Measured	Oxides	2,656,428	222			18,938,779	18,938,779
(prior 43-101)	Plus Indicated (UG-OP)	Oxides (Tailings)	1,403,233	90			4,075,305	4,075,305
		Sulfides	1,052,170	316			10,675,742	10,675,742
	Measured + Indicated (Oxides plus sulfides)		5,111,831	205.11	-	-	33,689,826	33,689,826
	Total Measured + Indicated (Oxides plus sulfides)		13,442,153	177.39	1.14	1.54	76,644,646	96,610,864
	Total Proven & Probable and Measured & Indicated (Oxides plus sulfides)		29,773,270				162,217,580	194,563,799
La Encantada	Inferred (UG)	Oxides	1,873,553	197	1.48	1.96	11,876,975	11,876,975
La Parrilla	Inferred (UG)	Oxides	1,505,150	204	0.30	0.14	9,893,537	9,893,537
	Inferred (OP)	Oxides	1,293,600	99			4,117,430	4,117,430
	Inferred (UG)	Sulfides	7,485,292	174	1.19	1.51	41,937,467	59,108,592
San Martín	Inferred (UG)	Oxides	5,646,955	252	-	-	45,794,040	45,794,040
	Inferred (UG)	Sulfides	3,476,075	65	0.87	2.10	7,233,600	15,998,743
Del Toro (1)	Inferred (UG)	Oxides	656,778	214	3.35	3.20	4,518,803	4,518,803
	Inferred (UG)	Sulfides	1,174,960	358	7.12	7.47	13,532,060	39,552,778
La Luz (2)	Inferred (UG)	Oxides-Sulfides	1,854,963	220			13,097,701	13,097,701
	Total: Inferred (Ox + Sulf.)		24,967,326				152,001,613	203,958,598

Notes:

(1) For Del Toro, drilling and development was recommenced in the third quarter of 2010 as part of the preparation for an updated independent technical report anticipated to be published in the second quarter of 2012. The estimates listed above are from the technical report dated October 9, 2008, shown on an In-Situ basis. As of the date of this AIF, sufficient information was not available to update the Reserve / Resource estimates.

(2) For La Luz, there has been no drilling or development since the technical report dated July 25, 2008.

Mineral Reserves and Resources are as defined by the CIM Definition Standards on Mineral Reserves and Resources. Mineral Resources are in addition to Reserves and do not have demonstrated economic viability. Unless otherwise noted, the December 31, 2011 Reserves were estimated using appropriate cut-off grades based on assumed metal prices of silver at $23.33 per ounce, gold at $1,600 per ounce, lead at $0.90 per pound and zinc at $0.90 per pound.

Internal Mineral Reserve and Resource estimates for La Encantada, La Parrilla, San Martin and Del Toro at December 31, 2011 were prepared under the supervision of Ramon Davila, Ing., the Company's Chief

Operating Officer and Florentino Muñoz, Ing., the Company's Chief Geologist, as Qualified Persons as the term is defined in NI 43-101.

Mineral Reserve and Resource estimates for La Luz are based on an NI 43-101 historical estimate prepared by Micon International Ltd. (William J. Lewis) for Normabec in November, 2008 (the "**La Luz Technical Report**"). The Company has not confirmed the Resources and Reserves with respect to the La Luz property disclosed in the above table.

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

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

- La Encantada on September 30, 2008;
- La Parrilla on June 30, 2011;
- San Martin on September 30, 2008;
- Del Toro on July 31, 2008; and
- La Luz on July 25, 2008.

The following table shows the total tonnage mined from each of the Company's three producing properties during 2011, including total ounces of silver and silver equivalent ounces produced from each property and the tonnage mined from delineated Reserves and Resources at each such property.

		La Encantada	La Parrilla	San Martin	Total
TONNES OF ORE PROCESSED	TONNES	1,384,040	362,947	286,758	2,033,745
OUNCES OF SILVER PRODUCED	OZ	4,366,636	1,793,728	1,055,745	7,216,108
OUNCES OF SILVER EQ PRODUCED	OZ EQ	32,849	263,444	50,092	346,386
TOTAL OZ OF SILVER EQ PRODUCED	OZ EQ	4,399,485	2,057,172	1,105,837	7,562,494
TONNES MINED FROM 43-101	TONNES	1,311,486	296,521	115,400	1,723,407
TONNES MINED OUTSIDE OF 43-101	TONNES	72,554	66,622	171,360	310,536

La Encantada Silver Mine, México

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

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

Project Description and Location

La Encantada Silver Mine is an underground producing silver mine and processing facility located in the state of Coahuila, México. The mine is wholly-owned and operated by Minera La Encantada, S.A. de C.V. ("**Minera La Encantada**"), a wholly-owned indirect subsidiary of the Company held through its

Mexican holding company, Corporación First Majestic, S.A. de C.V. La Encantada mine consists of two main silver / lead underground mines: the La Encantada and the El Plomo mines which have been consolidated into one operation and an industrial complex that includes a 4,000 tonnes per day cyanidation mill and a 1,000 tonnes per day flotation plant (currently in care-and-maintenance except for the crushing area which remains in operation), all necessary buildings and mine infrastructure, two schools, recreational facilities, mess hall, church, hospital, housing facilities, water wells and pipeline and air strip located in the municipality of Ocampo, Coahuila State, México.

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

Accessibility, Climate, Local Resources and Physiography

La Encantada is located within an isolated mining district in the north western portion of the State of Coahuila, in northern Mexico. It is located in the municipality of Ocampo, approximately 120 kilometres from the city of Múzquiz and approximately 120 kilometres from the city of Ocampo, Coahuila. La Encantada is located in the northern part of the Sierra Madre Oriental, within the Bravo-Conchos region. This physiographic province presents elevations that vary, in the lower parts from 1,000 metres to 1,800 metres above sea level, while mountain ranges in the area present elevations that may reach over 3,500 metres above sea level. These are generally oriented in a north-west direction. Surface rains are estimated to be only 10 millimetres to 20 millimetres per year.

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

Driving time from the city of Múzquiz is approximately 2.5 hours and about four to five hours from the city of Ocampo. A new highway is projected to be constructed during 2012, which is expected to provide easier access to La Encantada from major population centers.

La Encantada's remote location has required the construction of substantial infrastructure, which has been developed during a long period of active operation by the mine's previous owners, Peñoles and Compañía Minera Los Angeles, S.A. de C.V. La Encantada accommodation consists of 180 houses for employees, and an office, warehouses, club, restaurants, guest house, church, hospital and other community facilities.

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

History

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

Geological Setting

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

(a) Regional Geology

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

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

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

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

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

(b) Deposit Geology

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

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

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

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

Exploration

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

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

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

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

As outlined in the Technical Report (which has a cut-off date of September 30, 2008), during the period of September 2007, to September 30, 2008, a total of 6,660 metres of core drilling was completed. During the period of January to June, 2008 underground workings for exploration purposes were developed at the La Encantada mine, including 1,490 metres of access ramps, drifts, and crosscuts, and about 850 metres of exploration tunneling for drill sites access. This development resulted in a significant increment of Resources and Reserves at the various mine levels of the La Encantada Silver Mine, within the Stope 141, Stope 325, Breccia Milagros, Bonanza, Dique San Francisco, San Francisco, Jorobada, San Javier Extensión and Alto del Dique La Escondida areas. Since this cut-off date to December 31, 2011 an additional 23,598 metres have been drilled from underground and surface sites, with 109 holes, of those 6,054 metres with 16 holes were drilled from surface drill sites, which has assisted the geological team on-site to focus on additional areas for future resource definitions in possible future technical reports and for mining activities. Also, this drilling detected potential economic mineralization in Buenos Aires, Azul y Oro, and Ojuelas and San Francisco ore bodies. Underground development during the same period of time totaled 34,428 metres.

First Majestic designed an extensive 2008 geophysical program to investigate the various identified anomaly areas, and to confirm other indicated potential zones. This program was completed during the period of January to October, 2008, and included about 50 kilometres of lines measured by Natural Source Audio-Frequency Magneto Telluric methods (NSAMT). Readings were carried out along lines at 100 metres and 50 metres spacing according to geologic conditions, at 25 metres and 50 metres stations along the lines. This geophysical method takes reading of resistivity and conductivity parameters. The survey was conducted by Zonge Engineering and Research Organization from Tucson, Arizona. The Report identified and confirmed several exploration targets for future drilling. First Majestic has defined, based on potential and size, that the priority targets to explore are the Plomo area, Anomaly A and Anomaly B. In 2011 a surface diamond drill program was initiated at La Encantada covering some of those anomalies, with a total of 6,054 metres and 16 holes.

Mineralization

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

The mineralization consists of unconsolidated massive concentrations of oxides including hematite, limonite and other iron oxides as well as carbonates and sulfates, including the minor presence of zinc oxides. Silver and lead represent the main economic minerals within the oxidized deposits at La Encantada. Silver mineralization occurs as argentite and native silver. Lead mineralization is present as carbonates (cerrussite) and sulfates (anglesite) and other oxides. The La Encantada mineral assemblage occurs within a range of about 435 metres in vertical extension (2,035 metres to 1,600 metres above sea level). Below the 1,600 metres elevation, at the La Morena deposit in the south west portion of La Encantada area, primary sulfide mineralization has been identified. This mineralization includes primarily sphalerite, galena and pyrite.

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

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

Drilling

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

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

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

The drill program from the cut-off date of September 30, 2008 to December 31, 2011 amounted to 23,598 metres over 109 holes of which most were drilled from underground drill sites and the 6,054 metres with 16 holes from surface drill sites checking the geophysics anomalies.

Underground development from the purchase date of November 1, 2006 to the cut-off date of September 30, 2008 amounted to 11,685 metres and development from cut-off to December 31, 2011 amounted to 34,428 metres. This development program is part of the ongoing mining activities and is required to maintain current and future production levels.

Sampling Analysis and Security

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

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

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

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

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

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

Mineral Resources and Reserves

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

The reserve blocks estimated by La Encantada are exclusive of the resource blocks. Estimated Proven and Probable Reserves and Measured and Indicated Resources for La Encantada, as of September 30, 2008, are presented in Table 1. No further external resource or reserve calculations have been conducted since such date. It should be noted that since the cut-off date, to December 31, 2011, 2,856,439 tonnes have been mined from the La Encantada of which 2,504,129 tonnes were mined from the delineated Reserves and 352,310 tonnes were mined from areas that were not included in any previous estimates.

TABLE 1
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 US$12.00/oz-AG, $0.75/lb Pb. Pb credit + 22 g/tonne AG.
(3) Mining dilution is not included at over 2.00 m width. Estimates do not include mining recovery.
(4) Zinc is not recovered.
(5) Dump stockpile is considered as a measured resources because the average grade is below COG- 203 g/tonne Ag only and 186 g/tonne Ag eq., however with pre-screening may be processed. It requires additional testing.
(6) La Morena sulfide 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.

Mineral Reserves and Resources as of December 31, 2011 (based on internal Qualified Person results)

	Category	Type	Internal QP Estimates end Dec. 2011					
			Tonnes	Grade			In-situ mineral	
				Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
La Encantada	Proven and Probable	Oxides + Sulphides	8,080,830	149.09	1.51	0.75	38,734,800	38,734,800
La Encantada	Measured & Indicated	Tailings	4,313,824	147.17	1.51	2.01	20,411,399	20,411,399
La Encantada	Inferred	Oxides + Sulphides	1,873,553	197.17	1.48	1.96	11,876,975	11,876,975

Since the date of the mineral Reserve and Resource estimate contained in Table 1 to December 31, 2011, approximately 10,310,427 ounces of silver equivalent have been extracted from the La Encantada Silver Mine. Production at La Encantada for the year ended December 31, 2011 amounted to 1,384,040 tonnes of ore of which 1,311,486 tonnes of ore were processed from Reserves and 72,554 tonnes of ore were processed from outside of Reserves.

Mining Operations

From the period of the cut-off of September 30, 2008 to December 31, 2011, First Majestic mined and processed 2,856,439 tonnes of ore from La Encantada at an average grade of 229 grams per tonne (7.34 ounces per tonne) Ag, for a total of 20,989,874 contained ounces. Production during this period amounted to 2,856,439 tonnes of ore processed at an average grade of 229 grams per tonne Ag and 2.3% Pb which resulted in 5,656,112 silver ounces being produced and 5,864,956 pounds of lead (Note: Production of lead concentrates. However, was suspended in 2010. Throughput in 2011 amounted to 1,384,040 tonnes of ore.

In July 2008, construction commenced on a new 3,750 tonne per day cyanidation mill. This mill was inaugurated on November 18, 2009. Commissioning of this new facility commenced at that time resulting in commercial production being achieved on April 1, 2010. Full production capacity was reached in the fourth quarter of 2010. During the year 2011 several modifications were made at the cyanidation mill increasing its capacity of 4,000 tonnes per day. Total ore throughput in 2011 was 1,384,040 tonnes grading an average of 210 grams per tonne Ag.

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

The La Encantada mine has largely been developed below ore zones indicated from surface exploration work within a block about four kilometres long, 700 metres wide and 500 metres in height. The mine was initially developed from shafts as a conventional operation with rail haulage levels, and utilizing standard rail-bound loading and hauling equipment. Subsequently, La Encantada was converted to a mainly trackless operation, although rail haulage and shaft hoisting are still used on some areas of the mine. The mine has been developed to the northeast of the shafts over a vertical range of about 400 metres from the surface (2,035 metres above sea level) to about the 1525 level (1,525 metres above sea level), where the water table has been encountered. The mine has not been developed into the large prospective area to the southwest of the developed mine area. In order to improve the safety of our personnel the Company built two underground miner refuges with a capacity for 20 people each. The Company also constructed a new underground mechanic facility in 2011 to improve the availability and productivity of the underground fleet.

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

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

The old flotation plant was constructed in 1973 and at that time incorporated magnetic separation. In 1977 the plant was modified to convert it to flotation separation. Current ore being processed is from two sources: from the underground mine and from old mine dumps and tailings. The tailing and dump rock is screened ahead of the plant which results in cleaning debris from the tailings and upgrading the dump rock to about twice the grade of unscreened material. The mine ore and tailings are generally blended at a ratio of 1,150 tonnes per day from the mine and 2,850 tonnes per day from the tailings and then processed through the mill. The dump material is not mixed with the mine ore and instead, is campaign processed through the plant.

As a result of the addition of the cyanidation plant, the only area operating at the old flotation plant is the crushing area for the mined fresh ore. Crushing takes place in two stages and the ore is milled in a single ball mill closed with a cyclone. The mill is rubber lined and is charged with 2-1/2-inch diameter grinding balls. A second ball mill has been installed and is expected to be commissioned in April 2012, to enable an increase the processing of fresh ore from the mine to 1,500 tonnes per day.

Once crushed, the silver-rich fresh ore is ground, cyanide is then added and then sent to the old 125' thickener. The resulting pulp and solution are then sent by pipe to 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.

Since the date of the mineral Reserve and Resource estimated in the Technical Report (September 2008) to December 31, 2011, approximately 20,989,874 ounces of silver equivalent (including lead) have been extracted from the La Encantada Silver Mine of which 18,401,009 ounces were depleted from the Reserves and Resources.

The average head grade at the mill for 2011 was 210 grams per tonne of silver. This grade was a result of blending the old tailings with fresh mine ore. Combined recoveries from the old tailings feed and the fresh ore in the cyanidation plant was 47% resulting in the production of a total of 4,366,636 ounces of silver in 2011.

La Parrilla Silver Mine, México

Certain of the information regarding the La Parrilla Silver Mine is based on the technical report prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock Allen & Holt ("**PAH**") entitled, "Technical Report for the La Parrilla Silver Mine, Durango State, México" dated September 8, 2011 (in this section, the "**Technical Report**"). Mr. Addison and Mr. Lopez are independent Qualified Persons for the purposes of NI 43-101. The 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 Technical Report which is available for review on SEDAR located at www.sedar.com.

Additional information since the date of the Technical Report has been prepared by the First Majestic under the supervision of Ramon Davila and Florentino Muñoz who are Qualified Person's for the purposes of NI 43-101.

Property Description and Location

La Parrilla Silver Mine is a producing underground silver mine and processing facility in Durango State, México. The mine is wholly-owned and operated by First Majestic Plata, S.A. de C.V. ("**FM Plata**") a wholly-owned indirect subsidiary of the Company through its Mexican holding company, Corporación First Majestic, S.A. de C.V.

La Parrilla consists of 39 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 532 hectares.

Certain of the La Parrilla claims were purchased from Grupo México and include a net smelter return of 1.5% payable to Grupo México. The royalties payable thereunder are capped at $2,500,000. A total of $853,090 had been paid by the Company under the net smelter royalty as of February 29, 2012. There are no other encumbrances on La Parrilla mining concessions.

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

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

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

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

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

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

History

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

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

Geological Setting

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

La Parrilla's mineral deposits are associated to geologic structures, which appear related to the intrusive stock, dikes and sills. Structural intersections have also originated breccia zones that caused favourable conditions for mineralization emplacement as stockwork zones. The contact zone between the intrusive stock and sedimentary rocks has also originated metasomatic deposits.

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

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

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

Exploration

La Parrilla was discovered in colonial times and only partially developed from outcroppings by following mineralization along the structures.

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

The geophysical survey resulted in prospective anomalous zones showing high resistivity and high chargeability. Drill sites were recommended to further investigate the most outstanding anomalies.

The Company's planned exploration program for La Parrilla during 2012 are designed to investigate principally two types of targets: increase the La Parrilla Resource/Reserve base with currently producing areas, and investigate geophysical, geochemical and structural targets that may result in significant concentrations of minerals.

Drilling

Drilling programs at La Parrilla have been limited by past operations, since the best exploration results have been obtained through underground development.

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 Technical Report cut-off of June 30, 2011 to December 31, 2011, 9,290 metres have been drilled.

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

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

Mineralization

Mineralization at La Parrilla is typical of hydrothermal vein deposits and also includes deposits within the skain zone with a high content of silver. Weathering of the La Parrilla mineralization has caused oxidation and secondary enrichment zones containing sulfosalts (cerargyrite, pyrargyrite, stephanite) and carbonates (cerussite, hydrozinite, hemmorphite), sulfates (anglesite, willemite), and iron oxides (hematite, limonite) that may rack depths of up to 150 metres from outcroppings. The primarily minerals consist of pyrite, sphalerite, galena, some chalcopyrite, argentite and other silver sulfosalts (pyrargyrite, stephanite) associated with calcite and quartz as gangue minerals. Oxidation and secondary enrichment of these sulfides makes up the mineral concentrations in the upper parts of the deposits, which consist of halides (ceragyrite), carbonates (cerussite, hydrozincite), sulfates (anglesite), silicates (willemite, hemimorfite) and iron oxides (hematite, limonite).

Sampling and Analysis

(a) Sample Preparation

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

A typical channel sample received by the laboratory, weighing approximately four kilograms, is passed through a jaw crusher to reduce it to a 1.3-centimetre (1/2") size. A 500 gram split is taken and passed through gyratory or disk crushers to reduce it to a 10-mesh (1/8") size. A 200 to 300 gram split is taken and placed in a drying oven at 120 degrees Celsius. After drying, the material is put into two pulverizers, one disk pulverizer and one ring pulverizer, to grind the rock to minus 100 mesh. The resulting pulp is homogenized and ten grams taken for fire assay analysis of silver and gold for geology samples and for concentrates; 20 grams are taken for head samples; and one gram is required for precipitate samples.

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

(b) Check Assaying

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

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

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

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

(c) Security of Samples and Data Verification

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

Mineral Resource and Mineral Reserve Estimate

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

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

As of the date of the Technical Report (September, 2011), the total recoverable diluted Proven and Probable Reserves at a minimum mining width of 2 m, as reviewed by PAH, was 4.1 million tonnes averaging 162 grams per tonne silver, 0.9 percent lead and 1.3 percent zinc, for a total of 15.3 million recoverable ounces of silver only or 17.9 million ounces of silver equivalent contained with gold and lead credits. The proven ore category has been projected up to 20 metres from the drift sample data, while the probable ore category is projected another 20 metres beyond the proven ore.

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

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

Table 2 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 Technical Report. No further external Resources or Reserve estimates have been conducted since such date.

TABLE 2

La Parrilla Silver Mine

Mineral Reserves and Resources as of June 30, 2011

CATEGORY	Mineralization Type	Metric Tonnes	Width Metres	Au g/tonne	Ag g/tonne	Pb %	Zn %	Contained Metal Ag (only) oz	Contained Metal Ag eq oz
MINERAL RESERVES									
Total Proven	Oxides	127,778	3.09		301			1,235,695	1,260,344
Total Proven	Sulfides	160,690	2.72		302	1.36	0.93	1,561,792	1,804,608
PROVEN	Oxides plus Sulfides	288,468	2.88		302	1.36	0.93	2,797,487	3,064,952
Total Probable	Oxides	112,391	3.11		283			1,023,170	1,044,851
Total Probable	Sulfides	104,669	2.78		291	1.45	1.12	978,988	1,137,152
PROBABLE	Oxides plus Sulfides	217,060	2.95		287	1.45	1.12	2,002,158	2,182,002
PROVEN PLUS PROBABLE	Oxides plus Sulfides	505,528	2.91		295	1.40	1.01	4,799,645	5,246,954

CATEGORY	Mineralization Type	Metric Tonnes	Width Metres	Au g/tonne	Ag g/tonne	Pb %	Zn %	Contained Metal Ag (only) oz	Contained Metal Ag eq oz
MINERAL RESOURCES									
Total Measured	Oxides	554,630	4.42	0.15	320			5,702,839	5,809,830
Total Measured	Sulfides	1,640,818	6.58	0.08	245	2.59	4.54	12,934,778	16,996,798
MEASURED	**Oxides plus Sulfides**	**2,195,448**	**6.04**	**0.10**	**264**	**2.59**	**4.54**	**18,637,618**	**22,806,628**
Total Indicated	Oxides	428,445	3.06	0.22	298			4,107,289	4,189,938
Total Indicated	Sulfides	433,043	4.59	0.05	192	3.46	6.07	2,678,396	3,750,441
INDICATED	**Oxides plus Sulfides**	**861,488**	**3.83**	**0.13**	**245**	**3.46**	**6.07**	**6,785,685**	**7,940,379**
MEASURED PLUS INDICATED (8)	**Oxides plus Sulfides**	**3,100,000**	**5.41**	**0.11**	**255**	**2.84**	**4.97**	**25,400,000**	**30,700,000**

CATEGORY	Mineralization Type	Metric Tonnes	Width Metres	Au g/tonne	Ag g/tonne	Pb %	Zn %	Contained Metal Ag (only) oz	Contained Metal Ag eq oz
INFERRED RESOURCES									
Total Inferred (6)	Oxides	4,600,000	3.37	0.03	162	0.01	0.00	23,900,000	24,800,000
Total Inferred	Sulfides	3,400,000	4.86	0.12	179	2.05	3.51	20,000,000	28,000,000
INFERRED RESOURCES (8)	**Oxides plus Sulfides**	**8,000,000**	**4.00**	**0.07**	**169**	**0.87**	**1.49**	**43,900,000**	**52,800,000**

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

Mineral Reserves and Resources as of December 31, 2011 (based on internal Qualified Person results)

			Internal QP Estimates					
				Grade			In-situ mineral	
	Category	Type	Tonnes	Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
La Parrilla	Proven and Probable	Sulphides	7,203,371	170.07	0.92	1.15	39,387,461	51,767,470
La Parrilla	Measured & Indicated	Oxides	1,455,951	94.30	1.27	2.97	4,414,070	8,812,344
La Parrilla	Inferred	Sulphides	10,284,041	169.21	0.91	1.12	55,948,434	73,119,559

Since the date of the mineral Reserve and Resource estimate contained in Table 2, approximately 1,250,220 ounces of silver equivalent have been produced from the La Parrilla Silver Mine. Production at La Parrilla for the year ended December 31, 2011 amounted to 362,947 tonnes of ore of which 296,521 tonnes of ore were processed from Reserves and 66,426 tonnes of ore were processed from outside of Reserves.

Mining Operations

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

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

In 2011, mine and mill production from La Parrilla was about 2,057,172 equivalent ounces of silver from mining 362,947 tonnes of ore, of which 159,048 tonnes were oxide and 203,899 tonnes were sulfide ore. First Majestic metal production from La Parrilla was 1,250,220 equivalent ounces of silver since the June 30, 2011 cut-off date of the Technical Report.

During the 2011 calendar year, the production obtained was from 159,048 tonnes of oxides and mixed ores and 197,947 tonnes of sulfide ores. Although a small portion of both oxide and sulfide ore was obtained from development work, most was from stoping operations with a very small amount obtained from old stope backfill material. About 11 active stopes are required to maintain current production levels, and this will increase to about 27 active stopes for the expanded operations.

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

Bored and conventional raises are largely unsupported with occasional rock bolting done where dubious ground conditions have been identified.

A considerable amount of mine development and exploration projects are required to sustain the ore resources and stope development at the levels required to maintain the target production rates for La Parrilla Silver Mine. The total development metres driven during 2011 was 13,242 metres. In comparison, the total development metres driven during 2010 was 7,545 metres. During 2011, 14,447 metres of exploration were completed in the mines. In comparison, 1,581 metres of exploration was completed in 2010.

Capital Operating Costs

The site operating costs for La Parrilla averaged $42.48 per tonne mined and milled during the year 2011.

The La Parrilla operating costs are based on the mining, milling and processing of 159,048 tonnes of oxide ore and 203,899 tonnes of sulfide ore during 2011. The 2011 annual production costs averaged $8.92 per ounce of silver.

In addition, the costs of downstream processing bullion and concentrates, and marketing of these was considered in the units costs. The average cost of mining, milling and processing oxide ores during the 18-month period was $43.19 per tonne, and for sulfide ores was $74.12 per tonne.

In 2011, the La Parrilla operation was expanded from about 850 tonnes per day (425 tonnes per day oxides and 425 tonnes per day sulfides) to 2,000 tonnes per day (1,000 tonnes per day oxides and 1,000 tonnes per day sulfides). The estimated capital cost for the expansion, which commenced in December 2010 and being expected to be completed in the first quarter of 2012, is about $45,700,000. The total estimated capital costs for the expansion program to 2000 tonnes per day, which is expected to be completed in the first quarter of 2012 and with continued underground preparations and plant sustaining expenditures, including a new production shaft and underground rail system to 2014, is about $69,500,000. The total capital expended in 2010 for the project was about $3,700,000, including $2,000,000 for new mill equipment and $1,600,000 for new mine equipment, both of which were purchased within the production expansion program. The total capital expended in 2011 for the project was approximately $30,714,000.

Most of the capital cost in the actual 2010 and 2011 expenditures, and also for the planned 2012, 2013 and 2014 Mine Plan budgets are for the on-going mill and process plant expansion, underground mine development and consolidation, open pit development, infrastructure upgrading, equipment purchases and exploration.

The Company has generated a life-of-mine capital expenditure schedule, which amounts to about $16,500,000 from January 1, 2011, forward. Sustaining capital over the 14-year mine life includes capitalized development for both open pit and underground mines, and also new mine and plant equipment costs, as well as on-going exploration and tailings expansion capital.

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

San Martín Silver Mine, México

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

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

Project Description and Location

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

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

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

Accessibility, Climate, Local Resources and Physiography

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

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

The San Martín operation is 150 kilometres by air or 250 kilometres by paved road north from Guadalajara. Driving time is four to five hours and flying time is about 45 minutes by charter plane from Guadalajara, of 1.5 hours from Durango, Mexico. The town of San Martín de Bolaños constitutes the commercial center for the immediately surrounding region. Major facilities, including international airports, are located in the cities of Guadalajara, Zacatecas and Aguascalientes.

The municipality of San Martín de Bolaños is occupied by approximately 3,000 people. The town is connected to the national power grid and it has standard telephone lines, internet availability, and satellite communications.

Water for the town inhabitants' consumption is pumped from wells. Most of the people living in the area depend on small scale farming, raising livestock, and growing fruit.

The San Martín mine is connected to the national power grid through a substation located about 20 kilometres to the north at the neighbouring Bolaños mine. Power is supplied by the grid at 33 kva and 60 cycle. Two 1,000-volt transformers supply power to the plant. Diesel generators are located at the plant for emergency and stand-by power in case of power interruptions. Air compressors are located at the plant to supply low-pressure air to the leach tanks. The water source for the processing plant is the Bolaños River, which supplies a permanent flow. Mine and plant installations, including camp facilities, tailings storage and waste disposal areas required for the mining and milling operation of San Martín, are located on land owned by El Pilón.

The infrastructure on-site includes the support facilities for the operations, which are located near the plant and include the main administrative offices, warehouse, assay laboratory, tailings facilities, maintenance buildings, cafeteria and other employee housing.

History

In 1981, Mr. Héctor Dávila Santos purchased the San Martín property, developed the mine, constructed the process plant, and then began production in 1983. In 1997 First Silver Reserve, Inc. ("**FSR**") by way of reverse takeover, acquired all the shares of El Pilón, the owner and operator of the San Martín Silver Mine.

In April 2006 First Majestic entered into an irrevocable share purchase agreement to acquire a majority share interest of FSR from Mr. Dávila Santos. The Company took control of FSR and the San Martin mine in June 2006 and subsequently acquired the remaining shares of FSR pursuant to a business combination which closed on September 14, 2006. Please see the section entitled "General Development of the Business" for further information.

Geology and Mineralization

The project area lies in the southern part of the Sierra Madre Occidental, an extensive volcanic terrain starting near the United States-Mexican border and trending southeast into the states of Zacatecas and Jalisco. The terrain is characterized by Tertiary age volcanic rocks that have been divided into a lower andesitic sequence of early Tertiary age (40 to 70 million years) and an upper rhyolitic sequence of middle Tertiary age (20 to 40 million years). In the project region, the stratigraphy is represented by a thick sequence of upper volcanics consisting of approximately 1,000 metres of alternating ash-flow tuffs and lava flows. The composition of these rocks is predominantly rhyolitic with lesser amounts of andesite and rare occurrences of basalts. Volcanism, structural development and mineralization in the San Martín area occurred during late Miocene, resulting in a complex geologic framework. Two distinct features have been recognized by different authors, the pre and post mineralization rock formations, and the indicator Guásima Formation.

Exploration

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

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

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

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

Drilling

The San Martin drill program from January 1, 2007 to September 30, 2008 (the period covered by the Technical Report) included 127 drill holes with a total depth of 19,619 metres of core, in addition, about 3,906 metres of underground development for drill sites and access preparations. Estimated cost for this program was $4,900,000 million. Since this cut-off date 158 holes covering a total of 12,268 metres were drilled with the intent of defining new economic mining areas and new adjacent mineralized zones in the Zuloaga vein.

Even though exploration activities at San Martin were reduced due to the market environment in 2008 and 2009, an underground drilling program continued in 2009 and 2010. This program consisted of 135 drill holes with 8,029 metres being drilled, which were focused on investigating deep targets and parallel veins to the Zuloaga vein. The total estimated cost for the exploration program was about $2,500,000. This program has detected parallel veins to the Zuloaga vein (San Pedro Type) which may warrant further investigation.

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

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

Sampling and Analysis

San Martin's current sampling team consists of four sampling crews with three employees each. Channel samples are taken with chisel and hammer, collected in a canvas tarp and deposited in numbered bags for transportation to the laboratory. Core samples are taken at the camp facilities after the core logging has been completed.

Exploration sampling for reserve delineation in the San Martín mine is conducted by drifting along the mineralized zone so that channel samples can be taken and diamond drilling can be conducted. Channel samples are the primary means of sampling in the mine and are taken perpendicular to the vein structure, across the back of the drift.

Sampling crews take line channel samples at regular intervals, typically with one line every 3.0 metres along new openings (drifts, crosscuts, ramps, stopes, etc.) and every day from stope development muck piles.

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

Core drilling is conducted locally to test the upward and downward projections of the structural zone at a distance from the drifts. Core samples are BQ and NQ sizes in diameter, and holes are of generally good recovery (90 percent). Drill-hole data are locally included in the reserve calculations, but given the relatively small size of the core sample, it is conservatively applied. Drilling results are applied in the grade calculations giving more weight to the larger-size channel sample data.

Channel, exploration, mine development and production, and plant samples are sent to San Martin's onsite laboratory for chemical analysis of silver and gold. In more recent years additional analyses by atomic absorption for lead and zinc in geology samples have become routine. A typical channel sample received by the laboratory, weighing approximately 4 kilograms, is passed through a jaw crusher to reduce it to a 1.3-centimetre (1/2") size. A 500-gram split is taken and passed through a gyratory crusher to reduce it to a 10-mesh (1/8") size. A 200 to 300 gram split is taken and placed in a drying oven at 150°C. After drying, the material is put into two pulverizers, one disk pulverizer and one ring pulverizer, to control the metallic minerals, and to ground the rock to minus 100 mesh. The resulting pulp is homogenized and 10 grams taken for fire assay analysis of silver and gold for geology samples and concentrates; 20 grams for head samples and 1 gram for precipitate samples.

The 10-gram pulps are placed in fusion crucibles and placed into a diesel-fired furnace for fusion into a lead button. The diesel furnace does not have any temperature control and as a result temperatures fluctuate to a certain extent. The lead buttons are placed in cupellation cupels and placed into an electric furnace for cupellation into a silver-gold bead. The bead is weighed and then put into nitric acid to dissolve away the silver and then the remaining gold bead is weighed again. The final gold bead weight is the gold content, while the difference in weight is the silver content for the samples. The microbalance used has a sensitivity of +1 milligram (equivalent to an actual grade of +1 gram per tonne), while the gold beads commonly range in weight from 100 milligrams down to less than 1 milligram. As a result, the determination of the smaller bead weight is at or below the detection limits of the microbalance.

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

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

Mineral Resource and Mineral Reserve Estimates

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

Table 3 shows a summary of mineral Reserves and Resources for the San Martín Silver Mine to September 30, 2008. No further external resource estimates have been conducted since this cut-off date. It should be noted that since the cutoff date, 912,319 tonnes have been mined from San Martin of which 459,457 tonnes were mined from the Reserves and 452,862 tonnes where mined from areas that were not included in any previous NI 43-101 estimates.

TABLE 3 - San Martín Silver Mine

Mineral Reserves and Resources as of September 30, 2008

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

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

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

Mineral Reserves and Resources as of December 31, 2011 (based on internal Qualified Person results)

	Category	Type	Internal QP Estimates					
			Tonnes	Grade			In-situ mineral	
				Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
San Martin	Proven and Probable	Oxides	1,046,915	221.36	-	-	7,450,672	7,450,672
San Martin	Measured & Indicated	Oxides	1,182,575	163.44	0.45	0.96	6,214,237	7,632,795
San Martin	Inferred	Oxides	9,123,030	180.79	0.33	0.80	53,027,640	61,792,783

The resource calculations contained in Table 3 are based on projections of the mineralized zones of 50 metres beyond the areas of the reserves for the measured resources, and another 50 metres beyond the boundaries of the measured resources for the blocks of indicated resources. The grade for these blocks is determined from the grade estimated for the adjacent reserve blocks, and sampling in mine workings and drill holes located within the block area.

The Company's estimated resource blocks do not include the estimated reserve blocks since these have been projected at distances that are adjacent and beyond the reserve blocks boundaries. Mineral resources do not include development details for underground mine accessibility and mine planning.

Since the date of the mineral Reserve and Resource estimate contained in Table 3 to December 31, 2011 approximately 3,795,425 ounces of silver equivalent (including gold & lead) have been produced from the San Martin Silver Mine of which 1,911,430 ounces were depleted from the Reserves/Resources set in Table 3. Production at San Martin for the year ended December 31, 2011 amounted to 286,758 tonnes of ore of which 115,400 tonnes of ore were processed from Reserves and 171,358 tonnes of ore were processed from outside of Reserves.

Mining Operations

The San Martín Silver Mine includes underground workings that have opened six main drifts with levels at an approximate 35 metre vertical separation. Each one of the drifts has been developed to a maximum extension of approximately 3,000 metres, with interconnecting ramps between levels, and all have surface access to the Cerro Colorado hillside. Since 1983, when El Pilón initiated operations in the area, to the September 2008 cut-off date, over 4.3 million tonnes of silver ore have been extracted and processed, for sales of approximately 33.6 million ounces of silver, including some gold and lead. Since this cut-off date, to December 31, 2011 an additional 912,319 tonnes of ore have been mined with an average grade of 155 grams per tonne Ag, 0.13 grams per tonne Au and 0.08% Pb, resulting in 3,490,638 ounces of silver being produced 4,878 ounces of gold and 4,463 pounds of lead.

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

Mine production has come from stopes located on La Escondida, San José, Ballenas, Congrejos, San Pablo, San Juan, Santa Elena, and San Carlos levels. Underground drilling is performed using jackleg drills, and blasting is accomplished with ANFO explosives. Opening sizes are driven at 4.0 metres by 3.5 metres. Ramp inclinations are generally limited to about 12 percent. Typically, the total advance for drifting, ramping and raising is about 650 to 950 metres per month. The average productivity in headings is 0.7 metres per man shift, which is in the normal range for this type of development

Mechanized cut and fill stopes account for 100 percent of production, and these are developed either directly on the vein or by first driving a drift on the vein and then driving a parallel drift about 8 metres away, leaving a pillar between the drifts. Crosscuts are then driven about every 10 metres from the parallel drift through the pillar to the vein for ore extraction. Raises are driven as needed to provide access, services and ventilation. During the last two years a long hole drill has been operating to recover some ore that was left in the pillars.

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

The San Martín processing plant has been in operation since 1983 at an increasing capacity that reached 750 tonnes per day in 2008. Since September 30, 2008, several improvements have been made at the mill in order to improve efficiencies, costs and throughput. These changes included; rebuilding of leaching tanks, replacing electric motors, rehabilitating crushers, and the installation of a new thickener and replacing one of the ball mills in the third quarter of 2011. These changes have resulted in increasing the current mill throughput to 950 tonnes per day. Silver ore is processed by conventional cyanidation, using agitation in tanks, counter-current decantation (CCD) thickening, and precipitation of the dissolved silver and gold by cementation with zinc dust in the Merrill-Crow 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 2011 was 870 tonnes per day all of which was through the cyanidation circuit for the production of silver doré.

Production for 2011 amounted to 286,758 tonnes grading 147 grams per tonne Ag and 0.13 grams per tonne Au resulting in total silver production of 1,055,745 ounces plus 1,097 ounces of gold production for a total equivalent Ag ounces of 1,105,837. A total of 115,400 tonnes of ore came out of the current delineated Reserve/Resource while 171,360 tonnes were mined from areas that were not included in any previous delineated estimates.

Since September 30, 2008, the average grades have remained very stable from 151 grams per tonne Ag to the current 158 grams per tonne Ag. The average head grade at the mill for 2011 was 147 grams per tonne while the average grade for the entire period of October 1, 2008 to December 31, 2011 was 155 grams per tonne Ag. Gold values had been in the range of 0.15 grams per tonne.

Del Toro Silver Mine, México

Certain of the information on the Del Toro Silver Mine is based on the technical report titled "Technical Report for the Del Toro Silver Mine, Zacatecas State, México" (in this section, the "**Technical Report**") prepared by Leonel Lopez, C.P.G. of PAH and dated October 9, 2008. Mr. Lopez is an independent Qualified Person for the purposes of NI 43-101. The 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 Technical Report which is available for review on SEDAR located at www.sedar.com.

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

Property Description and Location

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

The project's area is located at elevations from 2,300 to 2,900 metres above sea level. The Del Toro Silver Mine consists of 21 contiguous mining concessions in the Chalchihuites mining district that cover mineral rights for 368 hectares (909 acres). All these mining concessions include exploitation rights. Mexican mining concessions include mineral rights for a renewable period of 50 years from the date of the title. The earliest date of renewal of the Del Toro concessions is for the La Encarnación concession which has a January 16, 2019 renewal date. FM Plata owns all mineral rights within those concessions. There are no other encumbrances on the Del Toro mining concessions.

Surface rights in México are either owned by communities ("**Ejidos**") or by private owners. Chalchihuites mining district land is mainly owned by private owners and by "ejidatarios". In either case the mining concessions include "right of way" rights, although in many cases it is necessary to negotiate access to the land. At Del Toro the access to San Juan, Perseverancia and most other mining prospects is opened due to historical works and developments. The Mexican mining laws include provisions to facilitate purchasing the land required for mining activities, installations and development. FM Plata has recently acquired 100 hectares (247 acres) around the San Juan area and has entered into a lease agreement for 25 hectares (61.75 acres) at the Perseverancia area from private owners for future installations and project requirements. FM Plata also recently acquired one hectare of surface rights at the Chalchihuites town which is the proposed site for a sewage treatment plant to be built as part of a Social Responsibility project with the Chalchihuites Municipality. This treatment plant is expected to solve an environmental challenge for the town and the Company will be able to use treated water for the mill operations at the Del Toro mine.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

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

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

The Del Toro area is accessible by paved highways from the cities of Zacatecas and Durango. Driving time to Chalchihuites from Zacatecas is about three hours and from Durango is about 2.0 hours. Local roads connect the mining district to various population centers within the region. The project is located about one kilometre to the east of the village of Chalchihuites by all-weather dirt roads. The labour force, including miners, is available from these population centers.

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

History

The Del Toro Silver Mine is located within the Chalchihuites mining district and contains mineral deposits which have been exploited by underground silver/gold/lead/copper mines. The Company commenced exploration in the area in late 2004 under option agreements. The Company subsequently exercised options to acquire Perseverancia and the San Juan groups of claims in 2006 and 2007 respectively. Del Toro comprises numerous small mine developments located around a regional granodioritic intrusive within metasomatic rocks at the contact with Cretaceous limestones. These are enclosed by mineralized structures, vein-type, manto replacement and breccia pipe deposits. Most mine workings are superficial developments with the exception of the San Juan area where a 90 metre deep shaft was developed to extract some of the high grade silver minerals, and at the Perseverancia area where two shafts were developed following two adjacent breccia pipe deposits to a depth of about 200 metres. No official records exist of mineral production from these Del Toro mines, however, estimates by volume suggest that approximately 100,000 tonnes of ores were extracted from each of the San Juan and Perseverancia mines. The Perseverancia mine was operated by Mr. Raúl Mazatán for a period of 23 years until 1997. He shipped approximately 150 to 300 hand-sorted ore tonnes per month to the Peñoles smelter in the city of Torreón. The ore was reported to contain 1,500 to 3,000 grams per tonne silver and 20 to 40 percent lead in massive sulfides.

Geological Setting

The project is located in the border zone between the physiographic provinces of the Sierra Madre Occidental and the Mesa Central, in the northwestern part of México, within the sub province of Sierras y Llanuras de Durango. It is located on the western side of a regional contact zone between a granodioritic intrusive stock and a sequence of Cretaceous sedimentary rocks.

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

Exploration

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

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

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

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

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

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

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

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

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

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

Up to July 31, 2008, the cut-off date of the current NI 43-101 technical report, 1,212 metres of development was completed to access underground areas of old workings and to develop and test mine areas for preparation for future mining activities by the Company. Since July 31, 2008 to December 31, 2011, an additional 1,142 metres of underground development has been completed in order to gain access to lower levels, as this development is going to be required for any potential future operations and for further exploration.

An exploration program has been underway since 2005 at Del Toro with the following objectives:

1. Underground drilling is currently underway in the San Juan area to upgrade the current NI 43-101 Resources and potentially add additional resources. Approximately 20 holes had been drilled from this underground station.
2. To complete the construction of an underground crosscut in the Perseverancia mine at level 22 area in order to drill from underground to depth to test for the continuation of the Perseverancia chimney.
3. A Surface Diamond Drilling program is being executed to define whether previously tested underground and surface mineralization extends to depth and also to test some of the geophysics anomalies.

Mineralization

Mineralization at Del Toro is a typical assemblage of metasomatic deposits and hydrothermal vein deposits with a high content of silver. These mineral assemblages have been affected by processes of oxidation and secondary enrichment. The assemblages mainly consist of pyrite, sphalerite, galena, some chalcopyrite, argentite and other silver sulfosalts associated with calcite and quartz as gangue minerals. Oxidation and secondary enrichment of these sulfides make up the mineral concentrations in the upper parts of the deposits, such as Ore Body #1 and Ore Body #2 at the San Juan Mine, which consists of sulfosalts (ceragyrite, pyrargyrite, stephanite) carbonates (cerussite, hydrozincite, hemimorphite, malachite, azurite), sulfates (anglesite, willemite), and iron oxides, hematite, limonite, etc. See “Geological Setting” for further information. Ore Body #3 has a larger percentage of sulfide ore; however, it also has oxides in the upper part of the ore body.

Drilling

First Majestic began drilling at Del Toro in November 2005. The Company's exploration drilling program to July 31, 2008 included a total of 56 holes completed for a total depth of 11,716 metres distributed for exploration within the following areas: San Juan surface, San Juan underground, Perseverancia surface and Perseverancia underground. Since July 31, 2008 to December 31, 2011, the Company has drilled 16,811 metres in 38 holes of which 10,860 metres were drilled in 27 holes in 2011, to further reconfirm the extent of the mineralization and in order to compile data for a newly updated NI 43-101 Report.

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

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

At December 31, 2011, the main ramp at the San Juan Mine was 1,899 metres in length and was 225 metres in vertical distance from the surface. This ramp will be used for ore haulage during the first production stage, prior to the shaft being completed in 2013 and will act as an access to the three main ore bodies, which will be developed in 2012. At December 31, 2011, ore body #1 and ore body #2 at the San Juan Mine had been accessed. In addition to the access to ore bodies #1 and #2, other ancillary works were developed including pump stations, mechanical shops, diamond drill stations and production development.

Sampling and Analysis and Security of Samples

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

Exploration sampling for resource delineation at Del Toro is conducted by drifting, cross-cutting and access ramp construction to the mineralized zones so that channel samples can be taken. Channel samples are the primary means of sampling in the old mine workings and are taken perpendicular to the vein structures, across the backs of drifts, generally from the footwall towards the hanging wall of the mineralized structure. Sampling crews take channel samples at regular intervals of 2 metres to 3 metres, typically with several samples along every sampling channel on new openings (drifts, crosscuts, ramps, stopes, etc.). Channel samples are taken in consecutive lengths of less than 1.5 metres along the channel, depending on geologic features. Channel samples are taken with chisel and hammer, collected in a canvas tarp and deposited in numbered bags for transportation to the laboratory.

A channel "line" typically consists of two or more individual samples taken to reflect changes in geology and/or mineralogy across a structural zone. Each sample weighs approximately 4 kilograms. All channels for sampling are painted by the geologist and numbered on the drift walls for proper orientation and identification.

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

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

Drill Core Samples

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

Sampling of the drill core is done after the core has been logged by the project geologists. The geologist marks the core on the basis of geologic and mineralization features. Then the sampling crew splits the core with a diamond saw, as indicated by the geologist and one half of the core is placed in a numbered bag and sent to Inspectorate lab in Durango. Generally the samples represent core lengths of less than 1.5 metres. All the core samples are sent for assaying by Inspectorate. The core samples are crushed and pulverized at BSI-Inspectorate in Durango and 250 gram pulp samples are sent to Reno, Nevada for assaying.

Sample Preparation

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

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

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

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

Mineral Resources and Reserves

Only mineral Resources have been determined for Del Toro and no estimate of Reserves on the property has been completed for the Technical Report. The results from the Del Toro exploration and development program since July 31, 2008 have been extensive enough to require an independent technical report which is anticipated to be delivered in the second quarter of 2012.

In the Technical Report, the Measured and Indicated silver resources, including oxides and sulfides mineralization, consist of 1.4 million tonnes averaging 269 grams per tonne silver, 4.7 percent lead and 4.8 percent zinc for a total content of 21 million ounces of silver equivalent including silver only for oxides and credit for lead and zinc for sulfides. The resource grade has been estimated in silver equivalent content based on the following prices: silver - $12.70 per ounce, lead - $0.90 per pound and zing - $0.85 per pound. To report equivalent ounces of silver an estimated metallurgical recovery for lead and zinc in sulfides was estimated as follows: lead – 85% and zinc – 80%, while silver recovery in oxides was estimated at 65%.

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

TABLE 4
Del Toro Silver Mine
Summary of Resources, San Juan and Perseverancia Mines

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

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

The results from the Del Toro exploration and development project are extensive enough to require the release of an independent NI 43-101 Technical Report which is anticipated to be delivered in the second quarter of 2012.

Mining Operations

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

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

In preparation for a definitive investment decision, the Company completed a permitting process for the construction of a 1,000 tonnes per day flotation plant. All permits, including; environmental, change of land use and explosives were received in the fourth quarter of 2009 and the first quarter of 2010. Since this time, plans have been re-examined in order to build a larger operation. Permitting is now underway for the construction of a 4,000 tonnes per day dual process, flotation / cyanidation mill which will produce doré bars, lead concentrate and zinc concentrate. It is expected these new permits will be in place prior to the year end 2012.

Commencing in late 2010, an extensive development program was launched at the property, consisting of 1,650 metres of ramp and crosscuts, this program was executed in 2011 and for 2012 an additional development program of 5,925 metres is in progress. This development program is designed for three purposes: 1) to gain access to each of the three defined ore bodies to upgrade the current Resources to Reserves, 2) to prepare the ore bodies for mining, and 3) to build multiple underground drilling stations to drill the ore bodies at depth to define additional resources.

At December 31, 2011, the main ramp at the San Juan Mine was 1,899 metres in length and 225 metres in vertical distance from surface. A cross-cut was made at the 7th level (176 metres from surface) where a drill rig was installed in February 2011. Two holes have been completed to date, both of which have intersected the ore bodies as expected.

Capital Expenditures

Considering the work completed to date and the results received, the Company has decided to continue with the following actions to advance Del Toro to production:

- Continue the underground infill drilling program in order to further define and upgrade resources at depth in the three ore bodies defined in previous exploration programs.
- Continue the development of the main access ramp, by an additional 600 metres in the first half of 2012. This ramp is expected to give access to the ore body No. 3 at depth which is expected to become the starting level for production.
- Using a cut-off of March 31st, 2012 of the current underground exploration and development program, a newly updated NI 43-101 Technical Report will be released in the second quarter of 2012.
- Continue with the preparation of the underground infrastructure for preparation of underground mining, which is anticipated to commence in the fourth quarter of 2012. The initial level of production is planned to be 1,000 tonnes per day through flotation by late 2012, to be ramped up to 2,000 tonnes per day (1,000 tonnes per day flotation and 1,000 tonnes per day cyanidation) by the end of 2013, and then reaching full production at 4,000 tonnes per day (2,000 tonnes per day flotation and 2,000 tonnes per day cyanidation) by the second half of 2014.
- To commission a water treatment plant recently constructed in the town of Chalchihuites which will allow the Company to limit the use of clean water and to assist the local community by helping to alleviate its waste water management issues.

- Construct of the power line and substation, road construction, processing plant, and all related surface installations such as laboratory, offices and warehouses as required for the future operations.

Management of the Company has prepared the following initial capital expenditure budget relating to the development of the Del Toro Silver Mine. This budget is preliminary only and is expected to change upon completion of the economic assessment/pre-feasibility study including final metallurgical testing and final plant designs, all of which are expected to be included in the technical report the Company is expecting to commission following completion of the current underground drilling and development program:

Summary of Initial Capital Costs	**Amount (US$ Millions)**
Mill Processing Plant &Tailings Area	84.5
Power Line & Substation	7.5
Mine Equipment	23.3
Additional exploration and Mine Development	29.9
Owners costs	3.2
SUB TOTAL	**148.4**
Contingency (10%)	14.8
TOTAL INITIAL CAPITAL COSTS	**163.2**

The Company does not anticipate that it will require external funding for these initial capital expenditures as the Company's current cash flows from operations are expected to be sufficient to fund this project. In addition to cash flows from operations, as of December 31, 2011, the Company also had $91,200,000 cash and cash equivalents in its treasury to fund this capital project.

Ground breaking for the planned mill construction commenced in April 2011. Foundations began to be laid in December 2011 and construction of the plant facilities is currently underway.

No detailed operating cost estimates are yet available. No manpower or equipment requirements for possible future operations have been developed, and likewise, no long-range production planning is available for public dissemination. These items including the final economic parameters will be addressed when all economic factors are better defined and will be released in the form of a NI 43-101 Technical Report in the second quarter of 2012.

Current plans call for production to commence in the fourth quarter of 2012 with commercial production of Phase 1 being reached in the first quarter of 2013. These estimates are preliminary and until the pre-feasibility study is completed may not be relied upon.

La Luz Silver Project

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

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

The property was acquired by First Majestic in November 2009 as a result of the purchase of all the issued and outstanding shares of Normabec Mining Resources Ltd. The property consists of 22 mining concessions covering 6,327 hectares. No current plans exist for exploration or development of this property; however, due to the historic nature of this region, the Company's plans will be designed to maintain and improve the area.

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

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

Product Marketing and Sales

Silver is sold by the Company using a small number of international metal brokers who buy from the Company and act as intermediaries with the London Bullion Market and the Comex. The physical silver is delivered to two refineries/smelters where the doré silver is refined to better than 99.9% pure bars, and the concentrates are smelted to separate the base metal by-products and the silver, again to a pure form for delivery to the global buyers of silver. The metal refineries and smelters charge the Company for their refining and smelting services. Refining of doré bars is a fraction of the cost of smelting concentrates of silver. As the Company has made a conscious shift towards doré production, the combined average of smelting and refining costs have decreased from $1.27 in fiscal 2010 to $1.20 per ounce in 2011.

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

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

First Majestic's senior management in Vancouver and México negotiate sales contracts for First Majestic operations. Contracts with smelting and refining companies as well as metals brokers and traders are entered into and re-negotiated as required. The Company sells its silver doré and its by-products through three international brokerage organizations. Additionally, silver concentrates and related base metal by-products are sold primarily through one international organization with a good credit rating, with an alternate available to prevent any dependency on the existing smelter of our 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 3% of the Company's production was sold in retail transactions during 2011. 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. In 2011, the one-half ounce round was released and is presently being sold on the Company's e-commerce site.

Social and Environmental Policies

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

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

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

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

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

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

- To meet all applicable Mexican legal requirements, particularly those expressed in the Ley General del Equilibrio Ecológico Protección al Ambiente y sus Reglamentos (Environmental Balance and Environmental Protection General Laws and Rules), through its dependencies;
- To reduce the level of risk in each of the areas of work;
- To maintain the highest standards of social welfare for its workers;
- To mitigate levels of negative environmental impact and if possible to have a positive impact in the environment of the mining unit;
- To monitor the optimal operation of anti-pollution equipment;
- To protect the installations and the assets of the Company;
- To coordinate and disseminate an environmental management system;
- To participate in training and continuing education programs;and
- To monitor and restrict the areas and equipment of high risk.

Responsibility for each activity of the environmental programs is assigned to a person responsible for the monitoring, although the head of the environmental department 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.

Taxation

The taxation of corporations in México is often complex and is assessed via overlapping layers of taxation on a number of various tax bases, with credits or offsets permitted in certain cases between various tax liabilities. The explanation below is not intended to be a detailed and conclusive description of all of the many forms of Mexican corporate taxes, but is a current summary of the most relevant and material forms of corporate taxes impacting mining companies operating in México.

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

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

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

(ii) *Alternative Minimum Tax*, or the Flat Tax on Cashflow (IETU), effective January 1, 2008, a 17.5% tax was introduced on a modified Cashflow method, creditable against income taxes on an annual basis, with the greater of ISR and IETU being due annually, with installments due monthly for each ISR and IETU based on prescribed formulae;

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

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

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

Dividends received by a Mexican resident from another Mexican resident are exempt from corporate taxes. Mexican entities have no preferred treatment for capital gains and in some cases capital losses are restricted. A ten year loss carry forward period exists, subject to inflation adjustment. OECD rules apply to Transfer Pricing matters crossing country borders. Thin capitalization rules are based on a 3:1 debt to equity limitation for foreign companies investing in Mexican mining companies.

In the past, México allowed corporations at their option to consolidate tax filings, effectively enabling the profits of taxable entities to be offset by tax losses in other companies within the consolidated group. Effective January 2010, México introduced tax reforms, which allow consolidation to continue, but which require consolidated corporations to recapture the historical tax benefits of consolidation after a period of five years subsequent to receiving the benefit. Effectively, corporations will receive a six year deferral and then will be required to recapture into taxable income 25% of the benefit in the sixth year, followed by 25%, 20%, 15% and 15% in each subsequent year. For example, First Majestic’s first benefit from tax consolidation was realized in 2008, and as such the benefit of tax consolidation will be recaptured into taxable income and be subject to taxation from 2014 through 2018. Numerous companies in México are challenging the legality of these tax reforms. . There are presently around 350 injunctions challenging the constitutionality of the 2008 tax reforms that reverse the benefit of consolidation. It is unlikely that the outcome of these challenges will be determinable for several years.

DIVIDENDS

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

CAPITAL STRUCTURE

The Company's authorized capital consists of an unlimited number of common shares without par value. A total of 105,567,272 common shares of the Company were issued and outstanding as at the date of this AIF.

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

MARKET FOR SECURITIES

Trading Price and Volume

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

Period	**High C$**	**Low C$**	**Volume**
December 2011	18.12	14.75	14,061,648
November 2011	19.22	14.56	13,779,524
October 2011	18.50	14.16	14,535,810
September 2011	24.55	15.69	32,851,279
August 2011	23.97	18.11	23,962,505
July 2011	24.19	17.66	17,294,187
June 2011	20.54	15.83	16,354,189
May 2011	20.55	15.77	30,289,762
April 2011	25.79	19.50	33,523,271
March 2011	20.72	14.00	28,395,705
February 2011	15.25	12.34	13,026,418
January 2011	15.30	10.31	19,995,325

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

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

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

The term of each of the current directors of the Company will expire at the next Annual General Meeting unless his office is earlier vacated in accordance with the Articles of the Company or he becomes disqualified to act as a Director. The Company is not required to have an executive committee but it has an Audit Committee, a Human Resources, Compensation and Nominating Committee, and a Corporate Governance Committee as indicated below.

Name, Position and City, Province and Country of Residence	Principal Occupation or Employment for Past 5 Years (1)	Period as a Director of the Company	No. and Class of Securities	Percentage of Class (2)
KEITH NEUMEYER CEO, President and Director Zug, Switzerland	President of the Company from November 3, 2001 to present; Director of the Company since December 5, 1998.	December 5, 1998 to present.	Common 2,976,000 Stock Options 700,000	2.82%
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 303,440 Stock Options 462,500	Less than 1.0%
ROBERT A. McCALLUM, B.Sc., P.Eng (3) (5) Former Chairman and Director North Vancouver, British Columbia, Canada	Professional consulting engineer and President of Robert A. McCallum Inc. from 1999 to present; Director of Shore Gold Inc. from October 28, 2005 to February 2012.	December 15, 2005 to present.	Common 130,000 Stock Options 102,400	Less than 1.0%
DOUGLAS PENROSE, CA (3) (5) Chairman and Director Summerland, British Columbia, Canada	Vice President, Finance and Corporate Services of British Columbia Lottery Corporation from 2000 to April 2008.	September 7, 2006 to present.	Common 20,000 Stock options 102,400	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]
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 604,956 Stock options 262,400	Less than 1.0%
DAVID SHAW, Ph.D. [4] [5] Director Vancouver, British Columbia, Canada	President of Duckmanton Partners Ltd. from June 12, 2000 to present; President and Director of Albion Petroleum Ltd. from October 2006 to present; Director of Reef Resources Ltd. from September 2007 to April 2008; Director of Pan Pacific Aggregates plc from October 2008 to December 2011; CEO of Columbia Gold plc from May 2007 to March 2009. Director of Salares Lithium Inc. from December 2009 to September 2010. Director of Talison Lithium Inc. from September 2010 to present and Director of Great Quest Metals Ltd. from December 2010 to present.	January 12, 2005 to present.	Common 145,000 Stock options 242,400	Less than 1.0%
ROBERT YOUNG [4] Director Richmond, British Columbia, Canada	Independent geological consultant from 1999 to present; Director of Goldrush Resources Ltd. from December 2004 to present; Advisor to Copper Mountain Mining Corporation from April 2007 to present; Advisor to Endurance Gold Corporation from May 2011 to present	September 7, 2006 to present.	Common 20,000 Stock options 96,500	Less than 1.0%
CONNIE LILLICO Corporate Secretary Coquitlam, British Columbia, Canada	Corporate Secretary of the Company from August 2007 to present; Corporate Secretary of several TSX Venture Exchange issuers from July 2004 to July 2007.	N/A	Common Nil Stock options 450,000	0.0%
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; Senior Advisor of Gemcom Software Inc. from March 2008 to November 2008; Senior Advisor of The Jimmy Pattison Group from August 2006 to March 2008.	N/A	Common Nil Stock Options 200,000	0.0%

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)]
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 Nil Stock options 500,000	0.0%

(1) The information as to principal occupation and shares beneficially owned has been furnished by the respective individuals.
(2) Based upon the 105,567,272 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 4,199,396 common shares of the Company or approximately 3.98% of the common shares of the Company issued and outstanding as of the date of this AIF.

Audit Committee Information

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

Audit Committee Mandate

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

Composition of the Audit Committee

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

Relevant Education and Experience

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

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

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

Reliance on Certain Exemptions

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

a) the exemption in section 2.4 (*De Minimis Non-Audit Services*) of NI 52-110;

b) the exemption is section 3.2 (*Initial Public Offerings*) of NI 52-110;

c) the exemption is section 3.4 (*Events Outside the Control of the Member*) of NI 52-110;

d) the exemption in section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) of NI 52-110; or

e) an exemption from the Instrument in whole or in part, granted under Part 8 of NI 52-110.

Audit Committee Oversight

The Company's Board of Directors adopted all recommendations by the Audit Committee with respect to the nomination and compensation of the external auditor.

Pre-Approval Policy

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

External Auditor Service Fees

The following table sets out the fees billed to the Company by Deloitte & Touche LLP, Chartered Accountants, and its affiliates for professional services in each of the years ended December 31, 2011 and December 31, 2010, respectively.

Category	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Audit Fees	C$538,000	C$454,726
Audit-Related Fees	C$68,000	-
Tax Fees	C$8,850	C$31,250
All Other Fees	-	-

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

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

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

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

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

On July 16, 2009, a consent order (the "Order") was granted by the Court, with the consent of all parties, under which the Seller obtained a judgment in the amount of $14,160,000. The Company agreed to pay out $13,566,000 from the Letter of Credit to the Seller's lawyer's trust account (the "Trust Funds") in partial payment of the Judgment. The Consent Order requires that the Trust Funds be held pending the outcome of the action. In his counterclaim, the Seller is also seeking, among other things, interest at 6% compounded annually and calculated daily on the Trust Funds and reimbursement of all costs and expenses, including his legal fees, incurred by the Seller in pursuing his claims against the Company. The trial is scheduled to commence in the Supreme Court of British Columbia, Vancouver, British Columbia on April 17, 2012. The Consent Order does not affect the standing of the Company's claims for relief against the Seller in the action. The Trust Funds could potentially become accessible to the Company in the event of a favourable outcome to the litigation.

Regulatory Actions

No penalties or sanctions were imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2011.

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, 2011.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

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

Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock Allen & Holt prepared technical reports on the Company's mining properties. To management's knowledge, Mr. Addison and Mr. Lopez do not have any registered or beneficial interests, direct or indirect, in any securities or other property of the Company (or of any of its associates or affiliates).

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

Mr. Florentino Muñoz supervised the preparation of certain technical information set forth herein relating to the Company's mineral properties. Mr. Muñoz is an employee of the Company and Mr. Muñoz does not have any registered or beneficial interests, direct or indirect, in any securities or other property of the Company (or of any of its associates or affiliates).

ADDITIONAL INFORMATION

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

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

Additional financial information is provided in the Company's audited financial statements and MD&A for the year ended December 31, 2011 which may be obtained upon request from First Majestic's head office, or may be viewed on the Company's website (www.firstmajestic.com) or on the SEDAR website (www.sedar.com).

APPENDIX "A" TO THE ANNUAL INFORMATION FORM OF

FIRST MAJESTIC SILVER CORP.

(the "Company")

AUDIT COMMITTEE MANDATE

1. MANDATE

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

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

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

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

2. COMPOSITION AND ORGANIZATION OF THE COMMITTEE

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

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

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

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

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

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

3. MEETINGS

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

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

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

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

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

4. RESPONSIBILITIES OF THE COMMITTEE

The Audit Committee will perform the following duties:

External Auditor

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

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

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

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

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

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

Financial Statements and Financial Information

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

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

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

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

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

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

Risk Management, Internal Controls and Information Systems

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

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

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

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

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

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

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

Other

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

5. PROCESS FOR HANDLING COMPLAINTS REGARDING FINANCIAL MATTERS

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

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

6. REPORTING

The Audit Committee will report to the Board on:

a. the external auditor's independence;

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

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

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

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

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

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

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

7. AUTHORITY OF THE COMMITTEE

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

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

8. EFFECTIVE DATE

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

FIRST MAJESTIC
SILVER CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2011 (AUDITED)

925 West Georgia Street, Suite 1805, Vancouver, B.C. Canada V6C 3L2
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www.firstmajestic.com

FIRST MAJESTIC
SILVER CORP.

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 & Touche LLP and their report outlines the scope of their examination and gives their opinion on the financial statements.

"Keith Neumeyer"

Keith Neumeyer
President & CEO
March 1, 2012

"Raymond Polman"

Raymond Polman, CA
Chief Financial Officer
March 1, 2012

Report of Independent Registered Chartered Accountants

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

We have audited the accompanying consolidated financial statements of First Majestic Silver Corp. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010, 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, 2011, December 31, 2010 and January 1, 2010 and their financial performance and cash flows for the years ended December 31, 2011 and December 31, 2010 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, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
March 1, 2012
Vancouver, Canada

Report of Independent Registered Chartered Accountants

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

We have audited the internal control over financial reporting of First Majestic Silver Corp. and subsidiaries (the "Company") as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* 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, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2011 of the Company and our report dated March 1, 2012 expressed an unqualified opinion on those consolidated financial statements.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
March 1, 2012
Vancouver, Canada

First Majestic Silver Corp.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(tabular amounts are expressed in thousands of United States dollars, except share and per share amounts)

	Note	Year Ended December 31, 2011	2010 (Note 34)
Revenues	6	**$ 245,514**	**$ 117,908**
Cost of sales		66,787	48,125
Gross margin		**178,727**	**69,783**
Depletion, depreciation and amortization		15,440	10,109
Mine operating earnings		**163,287**	**59,674**
General and administrative expense	7	15,969	10,449
Share-based payments		5,948	4,455
Accretion of decommissioning liabilities	22	435	365
Foreign exchange loss		622	2,797
Other expenses		483	1,065
Operating earnings		**139,830**	**40,543**
Investment and other income (loss)	8	(1,030)	2,934
Finance costs		(1,263)	(727)
Earnings before income taxes		**137,537**	**42,750**
Income taxes			
Current income tax expense	24	10,920	434
Deferred income tax expense	24	23,043	7,185
		33,963	7,619
Net earnings for the year attributable to equity holders of the Company		**$ 103,574**	**$ 35,131**
Earnings per common share			
Basic		**$ 1.00**	**$ 0.38**
Diluted		**$ 0.96**	**$ 0.36**
Weighted average shares outstanding			
Basic	9	**103,276,935**	**93,587,581**
Diluted	9	**107,368,050**	**98,857,498**

APPROVED BY THE BOARD OF DIRECTORS

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

First Majestic Silver Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(tabular amounts are expressed in thousands of United States dollars)

		Year Ended December 31,	
	Note	2011	2010
			(Note 34)
Net earnings for the year attributable to equity holders of the Company		**$ 103,574**	**$ 35,131**
Other comprehensive income			
Available for sale investments:			
Unrealized gain on fair value of investments	13	1,109	73
Currency translation gain (loss)		(1,298)	621
Other comprehensive income (loss)		(189)	694
Comprehensive income for the year attributable to equity holders of the Company		**$ 103,385**	**$ 35,825**

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

First Majestic Silver Corp.

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(tabular amounts are expressed in thousands of United States dollars)

	Note	Year Ended December 31, 2011	2010
OPERATING ACTIVITIES			
Net earnings for the year		$ 103,574	$ 35,131
Adjustments for:			
Share-based payments		5,948	4,455
Depletion, depreciation and amortization		15,735	10,109
Accretion of decommissioning liabilities		435	365
Investment loss (income) from derivative financial instruments		1,671	(2,919)
Current income taxes		10,920	434
Deferred income taxes		23,043	7,185
Finance costs		1,263	727
Unrealized foreign exchange loss (gain) and other		(2,373)	3,192
Operating cash flows before movements in working capital, finance costs and income taxes		160,216	58,679
Net change in non-cash working capital items	30	(13,703)	(509)
Income taxes paid		(18,984)	(334)
Cash generated by operating activities		**127,529**	**57,836**
INVESTING ACTIVITIES			
Expenditures on mineral property interests (net of accruals)		(44,296)	(14,746)
Acquisition of property, plant and equipment (net of accruals)		(51,630)	(15,819)
Realized gain on derivative financial instruments		2,385	2,919
Increase in deposits on long-term assets		(10,504)	(2,658)
Proceeds from disposal of marketable securities		-	81
Cash used in investing activities		**(104,045)**	**(30,223)**
FINANCING ACTIVITIES			
Proceeds from exercise of stock options and share warrants		28,371	15,187
Proceeds from lease financing		2,474	-
Payment of lease obligations		(2,865)	(2,109)
Payment of other long-term liabilities		(583)	-
Finance costs paid		(1,263)	(693)
Increase (decrease) in debt facilities, net of repayments		784	(4,579)
Cash generated by financing activities		**26,918**	**7,806**
Increase in cash and cash equivalents		**50,402**	**35,419**
Effect of exchange rate on cash held in foreign currencies		(381)	135
Cash and cash equivalents, beginning of year	10	41,163	5,609
Cash and cash equivalents, end of year	10	**$ 91,184**	**$ 41,163**
Supplemental cash flow information	30		

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, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010

(tabular amounts are expressed in thousands of United States dollars)

	Note	December 31, 2011	December 31, 2010	January 1, 2010
Assets			(Note 34)	(Note 34)
Current assets				
Cash and cash equivalents	10	$ 91,184	$ 41,163	$ 5,609
Trade and other receivables	11	15,593	8,354	8,514
Income taxes receivable	24	9,734	-	-
Inventories	12	14,661	8,651	3,578
Other financial assets	13	4,865	357	369
Prepaid expenses and other	14	1,535	1,572	997
Total current assets		**137,572**	**60,097**	**19,067**
Non-current assets				
Mining interests	15	157,865	119,660	105,843
Property, plant and equipment	16	129,040	72,383	58,107
Deferred tax assets	24	8,331	3,065	-
Deposits on long-term assets	17	10,504	2,426	4,097
Total assets		**$ 443,312**	**$ 257,631**	**$ 187,114**
Liabilities and Equity				
Current liabilities				
Trade and other payables	18	$ 22,433	$ 12,400	$ 10,907
Other financial liabilities	19	383	-	-
Debt facilities	20	784	-	1,477
Current portion of lease obligations	21	4,269	1,160	2,048
Income taxes payable		-	440	116
Total current liabilities		**27,869**	**14,000**	**14,548**
Non-current liabilities				
Lease obligations	21	9,825	2,417	632
Decommissioning liabilities	22	6,123	6,795	4,149
Deferred tax liabilities	24	48,897	22,071	9,474
Other long-term liabilities	23	-	893	717
Debt facilities		-	-	3,078
Total liabilities		**92,714**	**46,176**	**32,598**
Equity				
Shareholders' equity				
Share capital	25	273,304	239,770	218,855
Equity reserves	26	27,844	25,809	24,916
Retained earnings (Accumulated deficit)		49,450	(54,124)	(89,255)
Total equity		**350,598**	**211,455**	**154,516**
Total liabilities and equity		**$ 443,312**	**$ 257,631**	**$ 187,114**

Contingent liabilities (Note 32)

Subsequent events (Note 33)

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, 2011 AND 2010

(tabular amounts are expressed in thousands of United States dollars, except share amounts)

	Share Capital				Equity Reserves					
	Shares	Amount	To be issued	Total	Share-based payment	Available for sale revaluation	Foreign currency translation	Total equity reserves	Retained earnings (Accumulated deficit)	Total equity
Balance at January 1, 2010	92,648,744	$ 218,608	$ 247	$ 218,855	$ 24,971	$ (55)	$ -	$ 24,916	$ (89,255)	$ 154,516
Net earnings	-	-	-	-	-	-	-	-	35,131	35,131
Share-based payment	-	-	-	-	4,455	-	-	4,455	-	4,455
Other comprehensive income	-	-	-	-	-	73	621	694	-	694
Shares issued for:										
Exercise of options	3,573,125	11,148	-	11,148	-	-	-	-	-	11,148
Exercise of warrants	1,185,250	3,999	-	3,999	-	-	-	-	-	3,999
Acquisition of assets (Note 15(e))	152,798	1,512	-	1,512	-	-	-	-	-	1,512
Conversion of shares to be issued (Note 25(d))	500	2	(2)	-	-	-	-	-	-	-
Transfer of equity reserve upon exercise of options and warrants	-	4,256	-	4,256	(4,256)	-	-	(4,256)	-	-
Balance at December 31, 2010	**97,560,417**	**$ 239,525**	**$ 245**	**$ 239,770**	**$ 25,170**	**$ 18**	**$ 621**	**$ 25,809**	**$ (54,124)**	**$ 211,455**
Net earnings	-	-	-	-	-	-	-	-	103,574	103,574
Share-based payment and related tax benefits	-	-	-	-	7,387	-	-	7,387	-	7,387
Other comprehensive income (loss)	-	-	-	-	-	1,109	(1,298)	(189)	-	(189)
Shares issued for:										
Exercise of options	2,449,750	10,428	-	10,428	-	-	-	-	-	10,428
Exercise of warrants	5,118,093	17,943	-	17,943	-	-	-	-	-	17,943
Conversion of shares to be issued (Note 25(d))	7,112	35	(35)	-	-	-	-	-	-	-
Transfer of equity reserve upon exercise of options and warrants	-	5,163	-	5,163	(5,163)	-	-	(5,163)	-	-
Balance at December 31, 2011	**105,135,372**	**$ 273,094**	**$ 210**	**$ 273,304**	**$ 27,394**	**$ 1,127**	**$ (677)**	**$ 27,844**	**$ 49,450**	**$ 350,598**

Total comprehensive income for the year ended December 31, 2011 was $103,385,000 (2010 - $35,825,000).

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" and on the Toronto Stock Exchange under the symbol "FR".

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

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with and in full compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC") for the years ended December 31, 2011 and 2010.

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 and available for sale investments. 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: Corporación First Majestic, S.A. de C.V. ("Corporación"), First Silver Reserve Inc. ("First Silver"), First Majestic Plata, S.A. de C.V., Minera El Pilón, S.A. de C.V., Minera La Encantada, S.A. de C.V., Majestic Services S.A. de C.V., Minera Real Bonanza, S.A. de C.V., Servicios Minero-Metalúrgicos e Industriales, S.A. de C.V., 0915623 B.C. Ltd., FMS Investment Coöperatie U.A., FMS Investco B.V., FMS Trading AG and FMS Capital AG. First Silver underwent a wind-up and distribution of its assets and liabilities to the Company in December 2007 but First Silver has not been dissolved for legal purposes pending the outcome of litigation. In December 2011, the Company underwent a corporate reorganization whereby its fully owned subsidiary, Normabec Mining Resources Ltd., was wound up and its subsidiary, Minera Real Bonanza, S.A. de C.V., was transferred to Corporación. Intercompany balances and 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 cost 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost 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.

The interest of non-controlling shareholders in the acquiree is measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Foreign currency translation

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

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

Revenue recognition

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

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

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

Doré sold to third parties is priced on delivery. Final weights and assays are adjusted on final settlement which is approximately one month after delivery. Concentrate sales to third-party smelters are provisionally priced and the price is not settled until a predetermined future date, typically one to two 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 our 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

Inventories

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

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

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

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

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

Exploration and evaluation expenditures

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditures (continued)

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

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

Mining interests

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

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

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

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

Property, plant and equipment

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 that mineral property.

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.

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

Impairment of tangible assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. For exploration and evaluation assets, indication includes but is 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 income statement. 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 income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

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

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

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

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

Taxation

<u>Current income taxes</u>

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.

<u>Deferred income taxes</u>

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Earnings (loss) per share

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

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

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. 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 available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary due to a significant or prolonged decline in the fair value of that investment below its cost. 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. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Provisions

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

Significant accounting estimates and judgments

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

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

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

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

Commencement of commercial production and production levels intended by management

Prior to reaching commercial production levels intended by management, costs incurred are capitalized as part of the costs of related mining properties and proceeds from mineral sales are offset against costs capitalized. Depletion of capitalized costs for mining properties begins when operating levels intended by management have been reached. Management considers several factors in determining when a mining property has reached the commercial production levels intended by management. The results of operations of the Company during the periods presented in these audited consolidated financial statements have been impacted by management's determination that the flotation plant at the La Parrilla mine and the cyanidation plant at the La Encantada mine achieved commercial production levels intended by management on October 1, 2011 and April 1, 2010, respectively.

Functional currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

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

Impairment of property, plant and equipment and mining interests

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

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

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

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

Estimated reclamation and closure costs

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

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

Mineral reserve estimates

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments (continued)

Inventory valuation

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

Valuation of share-based payments

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

Income taxes

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

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

4. RECENT ACCOUNTING PRONOUNCEMENTS

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Financial instruments

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 – *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities. The Company will evaluate the impact the final standard will have on its consolidated financial statements when issued.

Consolidated Financial Statements

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

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

Joint Arrangements

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

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

4. RECENT ACCOUNTING PRONOUNCEMENTS (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. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value.

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

Items of Other Comprehensive Income

In June 2011, the IASB issued an amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income* ("amendments to IAS1"). The amendments to IAS1 are the result of a joint project with the US Financial Accounting Standards Board and provide guidance on presentation of items contained in other comprehensive income ("OCI") and their classification within OCI. The amendments to IAS1 require items of OCI, along with their tax effects, to be grouped into those that will and will not subsequently be reclassified to profit or loss. The measurement and recognition of items of profit or loss and OCI are not affected by the amendments. This amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

The IASB is expected to publish new IFRSs on the following topics during 2012. The Company will assess the impact of these new standards on the Company's operations as they are published:

- Leases
- Revenue recognition

(tabular amounts are expressed in thousands of United States dollars)

5. SEGMENTED INFORMATION

The Company has three operating segments located in Mexico, two development projects in Mexico, one retail market segment in Canada and one silver trading segment in Europe. All of the Company's operations are within the mining industry and its major products are silver doré and lead-silver concentrate.

An operating 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.

Transfer prices between business segments are set on an arm's-length basis in a manner similar to transactions with third parties.

Significant information relating to the Company's reporting operating segments is summarized in the table below:

	Year ended December 31, 2011				
	Revenue	Cost of sales	Depletion, depreciation and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico					
San Martin	$ 35,191	$ 12,641	$ 2,631	$ 19,919	$ 14,794
La Parrilla	58,344	16,021	4,492	37,831	55,951
La Encantada	136,347	36,117	8,317	91,913	24,311
Del Toro	-	-	-	-	15,533
La Luz	-	-	-	-	2,539
Canada					
Coin and Dore Sales	28,592	26,520	-	2,072	-
Europe					
Dore Sales	45,059	31,826	-	13,233	-
Corporate and Eliminations	(58,019)	(56,338)	-	(1,681)	785
Consolidated	$ 245,514	$ 66,787	$ 15,440	$ 163,287	$ 113,913

	Year ended December 31, 2010				
	Revenue	Cost of sales	Depletion, depreciation and amortization	Mine operating earnings (loss)	Capital expenditures
Mexico					
San Martin	$ 23,982	$ 12,252	$ 3,354	$ 8,376	$ 4,746
La Parrilla	30,911	12,149	2,909	15,853	8,732
La Encantada	61,681	23,085	3,846	34,750	16,811
Del Toro	-	-	-	-	1,980
La Luz	-	-	-	-	3,404
Canada					
Coin and Dore Sales	6,489	5,579	-	910	-
Europe					
Dore Sales	-	-	-	-	-
Corporate and Eliminations	(5,155)	(4,940)	-	(215)	342
Consolidated	$ 117,908	$ 48,125	$ 10,109	$ 59,674	$ 36,015

(tabular amounts are expressed in thousands of United States dollars)

5. SEGMENTED INFORMATION (continued)

	At December 31, 2011		At December 31, 2010		At January 1, 2010	
	Total assets	Total liabilities	Total assets	Total liabilities	Total assets	Total liabilities
Mexico						
San Martin	$ 69,288	$ 19,734	$ 53,325	$ 16,118	$ 50,377	$ 15,146
La Parrilla	148,446	15,043	68,070	6,643	57,779	4,069
La Encantada	127,491	21,929	76,198	15,373	60,739	13,464
Canada						
Coin and Dore Sales	2,076	139	939	207	653	282
Europe						
Dore Sales	30,483	4,484	-	-	-	-
Corporate and Eliminations	65,528	31,385	59,099	7,835	17,566	(363)
Consolidated	$ 443,312	$ 92,714	$ 257,631	$ 46,176	$ 187,114	$ 32,598

6. REVENUES

	Year Ended December 31, 2011	Year Ended December 31, 2010
Gross revenue from payable ounces of silver equivalents	$ 253,233	$ 125,436
Less: refining & smelting, net of intercompany eliminations	(7,719)	(7,528)
Revenues	**$ 245,514**	**$ 117,908**

7. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Year Ended December 31, 2011	Year Ended December 31, 2010
Corporate administration	$ 4,245	$ 3,335
Salaries and benefits	7,363	4,681
Audit, legal and professional fees	3,192	1,492
Filing and listing fees	527	425
Directors fees and expenses	347	304
Depreciation	295	212
	$ 15,969	**$ 10,449**

8. INVESTMENT AND OTHER INCOME (LOSS)

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

	Year Ended December 31, 2011	Year Ended December 31, 2010
Gain (loss) from investment in derivative investments	$ (1,671)	$ 2,919
Interest income and other	641	15
	$ (1,030)	**$ 2,934**

(tabular amounts are expressed in thousands of United States dollars)

9. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share for the years ended December 31, 2011 and 2010 are based on the following:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Net income for the year attributable to equity holders of the Company	$ 103,574	$ 35,131
Weighted average number of shares on issue - basic	103,276,935	93,587,581
Adjustments for:		
Share options	3,438,127	2,852,399
Warrants	652,988	2,417,518
Weighted average number of shares on issue - diluted	107,368,050	98,857,498

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company are comprised of bank balances and short-term investments, which are convertible to cash, with a term of 90 days or less as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash	$ 91,184	$ 34,951	$ 5,039
Short-term investments	-	6,212	570
	$ 91,184	**$ 41,163**	**$ 5,609**

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Company are comprised of:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	$ 6,269	$ 2,748	$ 2,069
Value added taxes and other taxes recoverable	8,872	5,300	5,847
Loan receivable from supplier and other	452	306	598
	$ 15,593	**$ 8,354**	**$ 8,514**

The Company does not hold any collateral for any receivable amounts outstanding at December 31, 2011 and 2010. Trade and other receivables include $557,000 (December 31, 2010 - $782,000; January 1, 2010 - $877,000) in value added taxes recoverable that have been outstanding for more than one year. The Company expects full recovery of the amounts outstanding and therefore no impairment has been recorded against these receivables.

(tabular amounts are expressed in thousands of United States dollars)

12. INVENTORIES

	December 31, 2011	December 31, 2010	January 1, 2010
Finished product - doré and concentrates	$ 799	$ 1,823	$ 327
Work in process	4,027	1,233	441
Stockpile	409	959	369
Materials and supplies	8,934	4,240	2,181
Silver coins and bullion including in-process shipments	492	396	260
	$ 14,661	**$ 8,651**	**$ 3,578**

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

13. OTHER FINANCIAL ASSETS

Other financial assets consist of marketable securities. As at December 31, 2011, the fair value of these marketable securities is $4,865,000 (December 31, 2010 - $357,000; January 1, 2010 - $369,000) with cost of $3,713,000 (December 31, 2010 - $319,000; January 1, 2010 - $354,000). In April 2011, the Company acquired $3,400,000 in marketable securities in relation to an option agreement for its Jalisco Group of Properties (see note 15(f)).

No marketable securities were disposed of in 2011. During the year ended December 31, 2010, the Company disposed some of its marketable securities for an investment loss of $22,000. Net change in fair value of marketable securities of $1,109,000 (2010 - $73,000) during the year was recorded to other comprehensive income.

14. PREPAIDS EXPENSES AND OTHER

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

	December 31, 2011	December 31, 2010	January 1, 2010
Prepayments to suppliers and contractors	$ 1,138	$ 1,336	$ 792
Deposits	397	236	205
	$ 1,535	**$ 1,572**	**$ 997**

15. MINING INTERESTS

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

	December 31, 2011	December 31, 2010	January 1, 2010
Producing properties	$ 91,116	$ 62,741	$ 54,373
Exploration properties (non-depletable)	66,749	56,919	51,470
	$ 157,865	**$ 119,660**	**$ 105,843**

(tabular amounts are expressed in thousands of United States dollars)

15. MINING INTERESTS (continued)

Producing properties are allocated as follows:

Producing properties	La Encantada Silver Mine	La Parrilla Silver Mine	San Martin Silver Mine	Total
Cost				
At January 1, 2010	**$ 12,423**	**$ 21,286**	**$ 37,016**	**$ 70,725**
Additions	4,601	5,396	1,053	11,050
Change in decommissioning liabilities	488	770	268	1,526
At December 31, 2010	**$ 17,512**	**$ 27,452**	**$ 38,337**	**$ 83,301**
Additions	8,305	15,869	3,571	27,745
Change in decommissioning liabilities	(25)	(525)	164	(386)
Transfer from exploration properties	1,472	4,394	5	5,871
At December 31, 2011	**$ 27,264**	**$ 47,190**	**$ 42,077**	**$ 116,531**
Accumulated depletion and amortization				
At January 1, 2010	**$ (2,747)**	**$ (2,863)**	**$ (10,742)**	**$ (16,352)**
Depletion and amortization	(1,453)	(966)	(1,789)	(4,208)
At December 31, 2010	**$ (4,200)**	**$ (3,829)**	**$ (12,531)**	**$ (20,560)**
Depletion and amortization	(1,840)	(1,573)	(1,442)	(4,855)
At December 31, 2011	**$ (6,040)**	**$ (5,402)**	**$ (13,973)**	**$ (25,415)**
Carrying value				
At January 1, 2010	**$ 9,676**	**$ 18,423**	**$ 26,274**	**$ 54,373**
At December 31, 2010	**$ 13,312**	**$ 23,623**	**$ 25,806**	**$ 62,741**
At December 31, 2011	**$ 21,224**	**$ 41,788**	**$ 28,104**	**$ 91,116**

Exploration properties are allocated as follows:

Exploration properties	La Encantada Silver Mine	La Parrilla Silver Mine	San Martin Silver Mine	Del Toro Silver Mine	La Luz Silver Project	Total
Cost						
At January 1, 2010	**$ 2,383**	**$ 7,465**	**$ 13,863**	**$ 11,280**	**$ 16,479**	**$ 51,470**
Exploration and evaluation expenditures	552	325	1,569	360	2,107	4,913
Change in decommissioning liabilities	-	-	-	-	536	536
At December 31, 2010	**$ 2,935**	**$ 7,790**	**$ 15,432**	**$ 11,640**	**$ 19,122**	**$ 56,919**
Exploration and evaluation expenditures	2,057	2,274	3,008	10,472	1,242	19,053
Proceeds from option payment (f)	-	-	(3,400)	-	-	(3,400)
Change in decommissioning liabilities	-	-	-	-	48	48
Transfer to producing properties	(1,472)	(4,394)	(5)	-	-	(5,871)
At December 31, 2011	**$ 3,520**	**$ 5,670**	**$ 15,035**	**$ 22,112**	**$ 20,412**	**$ 66,749**

15. MINING INTERESTS (continued)

(a) La Encantada Silver Mine, Coahuila State

The La Encantada Silver Mine is a producing underground mine located in northern Mexico 708 kilometres north east of Torreon, Coahuila and is accessible via a 1.5 hour flight from Torreon, Coahuila. The La Encantada Silver Mine consists of a 4,000 tpd cyanidation plant which achieved commercial production on April 1, 2010, a 1,000 tpd flotation plant (currently in care-and-maintenance), a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, airstrip and all the infrastructure required for such an operation. The mine is comprised of 4,076 hectares of mining rights and surface land ownership of 1,343 hectares. The closest town, Muzquiz, is 225 km away via mostly paved road. The Company owns 100% of the La Encantada Silver Mine.

(b) La Parrilla Silver Mine, Durango State

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

There is a net smelter royalty (“NSR”) agreement of 1.5% of sales revenue associated with the Quebradillas Mine, with a maximum payable of $2.5 million. The Company has an option to purchase the NSR at any time for an amount of $2.0 million. For the year ended December 31, 2011, the Company paid royalties of $369,000 (2010 - $116,000). As at December 31, 2011, the sum of total royalties paid to date for the Quebradillas NSR is $690,000.

(c) San Martin Silver Mine, Jalisco State

The San Martin Silver Mine is a producing underground mine located adjacent to the town of San Martin de Bolaños, in northern Jalisco State, Mexico, 290 km north east of Guadalajara, Mexico, and is owned 100% by the Company. The mine comprises approximately 7,841 hectares of mineral rights, 1,300 hectares of surface rights surrounding the mine, and another 104 hectares of surface rights where the 950 tpd cyanidation plant and 500 tpd flotation plant (currently in care and maintenance), mine buildings, offices and related infrastructure. During 2011, several improvements were made including the installation of a new ball mill, replacing an older and smaller mill, the replacement of the filter presses in the Merrill-Crowe circuit, and the addition of two new induction furnaces.

(d) Del Toro Silver Mine, Zacatecas State

The Del Toro Silver Mine is located 60 km to the southeast of the Company’s La Parrilla Silver Mine and consists of 405 contiguous hectares of mining claims, including the Dolores area, plus an additional 129 hectares of surface rights covering the area surrounding the San Juan mine. The Del Toro operation represents the consolidation of two old silver mines, the Perseverancia and San Juan mines, which are approximately one kilometre apart. Del Toro is presently an operating division of the Company’s First Majestic Plata, S.A. de C.V. subsidiary, although plans are underway to transfer its assets into a newly formed subsidiary of the Company to better isolate its operating results from the La Parrilla Mine as the plant begins production in late 2012. First Majestic owns 100% of the Del Toro Silver Mine.

In 2011, the Company acquired a neighbouring property during the third quarter called Dolores for $1.5 million. The property includes 12 hectares of land and a small producing mine where a small amount of high grade ore was shipped to La Parrilla by the previous owner.

(tabular amounts are expressed in thousands of United States dollars)

15. MINING INTERESTS (continued)

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

The La Luz Silver Project is located near the village of Real de Catorce, 25 km west of the town of Matehuala in San Luis Potosi State, Mexico. The La Luz property consists of 35 mining concessions covering 5,738 hectares. The Company owns 100% of the La Luz Silver Project. In November 2010, the Company agreed to acquire the 3% NSR, the surface rights of the property, the buildings located thereon covering the location of the previous mining operations, and all technical and geological information collected pertaining to the area, in consideration for \$3.0 million. Consideration for the purchase consisted of a cash payment of \$1.1 million and \$1.5 million in shares of the Company in November 2010, and a cash payment of \$0.4 million which was paid in January 2011.

(f) 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 during the period.

16. 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 January 1, 2010	**\$ 7,827**	**\$ 25,387**	**\$ 32,113**	**\$ 1,415**	**\$ 66,742**
Additions	641	11,741	7,007	663	20,052
Transfers	6,485	29,904	(36,389)	-	-
At December 31, 2010	**\$ 14,953**	**\$ 67,032**	**\$ 2,731**	**\$ 2,078**	**\$ 86,794**
Additions	5,722	25,066	34,671	1,675	67,134
At December 31, 2011	**\$ 20,675**	**\$ 92,098**	**\$ 37,402**	**\$ 3,753**	**\$ 153,928**
Accumulated depreciation and amortization					
At January 1, 2010	**\$ (2,566)**	**\$ (5,177)**	**\$ -**	**\$ (892)**	**\$ (8,635)**
Depreciation and amortization	(919)	(4,624)	-	(233)	(5,776)
At December 31, 2010	**\$ (3,485)**	**\$ (9,801)**	**\$ -**	**\$ (1,125)**	**\$ (14,411)**
Depreciation and amortization	(1,846)	(7,501)	-	(1,130)	(10,477)
At December 31, 2011	**\$ (5,331)**	**\$ (17,302)**	**\$ -**	**\$ (2,255)**	**\$ (24,888)**
Carrying value					
At January 1, 2010	**\$ 5,261**	**\$ 20,210**	**\$ 32,113**	**\$ 523**	**\$ 58,107**
At December 31, 2010	**\$ 11,468**	**\$ 57,231**	**\$ 2,731**	**\$ 953**	**\$ 72,383**
At December 31, 2011	**\$ 15,344**	**\$ 74,796**	**\$ 37,402**	**\$ 1,498**	**\$ 129,040**

(1) Included in land and buildings is \$4,181,000 (December 31, 2011 - \$3,279,000; January 1, 2011 - \$2,178,000) of land properties which are not subject to depreciation.

(2) Included in property, plant and equipment is \$14,789,000 (December 31, 2011 - \$4,553,000; January 1, 2011 - \$2,838,000) of equipment under finance lease.

(tabular amounts are expressed in thousands of United States dollars)

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	La Encantada Silver Mine	La Parrilla Silver Mine	San Martin Silver Mine	Del Toro Silver Mine	La Luz Silver Project	Corporate	Total
Cost							
At January 1, 2010	**$ 40,118**	**$ 16,161**	**$ 9,331**	**$ 324**	**$ 60**	**$ 748**	**$ 66,742**
Additions	11,658	3,011	2,124	1,620	1,297	342	20,052
Transfers	12	374	(387)	-	-	1	-
At December 31, 2010	**$ 51,788**	**$ 19,546**	**$ 11,068**	**$ 1,944**	**$ 1,357**	**$ 1,091**	**$ 86,794**
Additions	13,949	37,808	8,215	5,061	1,316	785	67,134
At December 31, 2011	**$ 65,737**	**$ 57,354**	**$ 19,283**	**$ 7,005**	**$ 2,673**	**$ 1,876**	**$ 153,928**
Accumulated depreciation and amortization							
At January 1, 2010	**$ (1,854)**	**$ (3,629)**	**$ (2,765)**	**$ -**	**$ (25)**	**$ (362)**	**$ (8,635)**
Depreciation and amortization	(2,370)	(1,910)	(1,241)	-	(12)	(243)	(5,776)
At December 31, 2010	**$ (4,224)**	**$ (5,539)**	**$ (4,006)**	**$ -**	**$ (37)**	**$ (605)**	**$ (14,411)**
Depreciation and amortization	(6,385)	(2,846)	(917)	-	(36)	(293)	(10,477)
At December 31, 2011	**$ (10,609)**	**$ (8,385)**	**$ (4,923)**	**$ -**	**$ (73)**	**$ (898)**	**$ (24,888)**
Carrying value							
At January 1, 2010	**$ 38,264**	**$ 12,532**	**$ 6,566**	**$ 324**	**$ 35**	**$ 386**	**$ 58,107**
At December 31, 2010	**$ 47,564**	**$ 14,007**	**$ 7,062**	**$ 1,944**	**$ 1,320**	**$ 486**	**$ 72,383**
At December 31, 2011	**$ 55,128**	**$ 48,969**	**$ 14,360**	**$ 7,005**	**$ 2,600**	**$ 978**	**$ 129,040**

In 2011, the Company pledged certain properties of the San Martin Mine as guarantees as part of its tax appeal process (see Note 32).

17. DEPOSITS ON LONG-TERM ASSETS

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

	December 31, 2011	December 31, 2010	January 1, 2010
Deposits on equipment	$ 6,006	$ 1,905	$ 4,097
Deposits on equipment under finance leases	2,812	151	-
Deposits on services	1,686	370	-
	$ 10,504	**$ 2,426**	**$ 4,097**

18. TRADE AND OTHER PAYABLES

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

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

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 6,512	$ 6,023	$ 2,995
Accrued liabilities	15,903	6,279	7,762
Unearned revenue	18	98	150
	$ 22,433	**$ 12,400**	**$ 10,907**

(tabular amounts are expressed in thousands of United States dollars)

19. OTHER FINANCIAL LIABILITIES

At December 31, 2011, the Company carried a long position on silver futures equivalent to 1.0 million ounces of silver at an average price of $32.00. Other financial liabilities of $383,000 reflects an unrealized loss of $4,083,000 (2010 - $nil) in silver futures, net of a deposit of $3,700,000 (2010 - $nil) to fulfill margin requirements. For the year ended December 31, 2011, the Company has a realized gain on silver futures of $2,412,000 (2010 - $2,919,000), resulting in a net loss of $1,671,000 (2010 – net gain of $2,919,000).

20. DEBT FACILITIES

In March 2011, the Company entered into an agreement for a pre-payment facility for advances on the sale of lead in its concentrate production. Under the terms of the agreement, $3.0 million was advanced against the Company's lead concentrate production from the La Parrilla Silver Mine for a period of 12 months. Interest accrues at an annualized floating rate of one-month LIBOR plus 5%. Interest is payable monthly and the principal amount is repayable based on the volume of lead concentrate shipped with minimum monthly quotas valued at $250,000. At December 31, 2011, after delivering monthly quotas of lead concentrates and payments of interest charges, the Company had a remaining balance payable on the pre-payment facility of $784,000 (2010 - $nil).

21. LEASE OBLIGATIONS

The Company has entered into leases for various mining and plant equipment. These leases have terms of 36 to 48 months with interest rates ranging from 7.9% to 12.5%. 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, 2011		December 31, 2010	
Less than one year	$	5,238	$	1,409
More than one year but not more than five years		10,795		2,687
		16,033		4,096
Less: future finance charges		(1,939)		(519)
Present value of minimum lease payments	**$**	**14,094**	**$**	**3,577**
Included in the financial statements as:				
Current portion of lease obligations		4,269		1,160
Lease obligations		9,825		2,417
Present value of minimum lease payments	**$**	**14,094**	**$**	**3,577**

22. 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.

(tabular amounts are expressed in thousands of United States dollars)

22. DECOMMISSIONING LIABILITIES (continued)

At December 31, 2011	La Encantada Silver Mine	La Parrilla Silver Mine	San Martin Silver Mine	La Luz Silver Project	Total
Anticipated settlement date	2021	2030	2018	2028	
Undiscounted value of estimated cash flow	$ 2,647	$ 2,109	$ 2,110	$ 859	$ 7,725
Estimated mine life (years)	10	19	7	17	
Discount rate	6.8%	8.0%	6.3%	7.7%	
Balance at January 1, 2010	**$ 1,727**	**$ 950**	**$ 1,472**	**$ -**	**$ 4,149**
Movements during the period:					
Change in rehabilitation provision	488	770	268	536	2,062
Interest or accretion expense	152	84	129	-	365
Foreign exchange loss	106	58	55	-	219
Balance at December 31, 2010	**$ 2,473**	**$ 1,862**	**$ 1,924**	**$ 536**	**$ 6,795**
Movements during the period:					
Change in rehabilitation provision	(25)	(525)	164	48	(338)
Interest or accretion expense	172	126	137	-	435
Interest or accretion expense capitalized	-	-	-	41	41
Foreign exchange gain	(301)	(215)	(228)	(66)	(810)
Balance at December 31, 2011	**$ 2,319**	**$ 1,248**	**$ 1,997**	**$ 559**	**$ 6,123**

The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in the remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

23. OTHER LONG-TERM LIABILITIES

In 1992, Minera El Pilón entered into a contract with a Mexican bank, whereby the bank committed to advance cash to El Pilón in exchange for silver to be delivered in future instalments. The bank failed to advance the fully agreed amount, and El Pilón therefore refused to deliver the silver. El Pilón sued the bank for breach of contract to retain the advance received from the bank. At December 31, 2010, the Company had accrued an aggregate potential liability for legal costs, interest and penalties of $773,000 (January 1, 2010 - $717,000). During 2011, the Company reached an agreement to settle the liability for $463,000 and the residual balance was recognized as other income during the year.

As at December 31, 2010, other long term liabilities included $120,000 related to surface rights acquisitions at Quebradillas (January 1, 2010 - $nil). There is no remaining balance due at December 31, 2011.

(tabular amounts are expressed in thousands of United States dollars)

24. INCOME TAXES

As at December 31, 2011, the Company had income taxes receivable of $9,734,000 (December 31, 2010 – income taxes payable of $440,000; January 1, 2010 – income taxes payable of $116,000) from excess income tax installments paid in a certain tax jurisdiction during 2011. This amount will be applied as installments against income taxes payable to be incurred in 2012.

The movement of deferred tax assets and deferred tax liabilities components are shown below:

Deferred tax assets	Losses	Share issue costs	Deductible Stock option benefits	Provisions	Other	Total
At January 1, 2010	**$ 19,094**	**$ 1,631**	**$ -**	**$ 2,242**	**$ (5,051)**	**$ 17,916**
(Expense) benefit to income statement	(7,509)	(663)	-	(130)	4,813	(3,489)
At December 31, 2010	**$ 11,585**	**$ 968**	**$ -**	**$ 2,112**	**$ (238)**	**$ 14,427**
(Expense) benefit to income statement	(4,998)	(522)	701	5,656	91	928
Benefit to equity	-	-	1,439	-	-	1,439
At December 31, 2011	**$ 6,587**	**$ 446**	**$ 2,140**	**$ 7,768**	**$ (147)**	**$ 16,794**

Deferred tax liabilities	Property, plant and equipment and mining interests	Total
At January 1, 2010	**$ 27,390**	**$ 27,390**
Expense to income statement	6,043	6,043
At December 31, 2010	**$ 33,433**	**$ 33,433**
Expense to income statement	23,927	23,927
At December 31, 2011	**$ 57,360**	**$ 57,360**

Deferred tax liabilities, net	
At January 1, 2010	**$ 9,474**
At December 31, 2010	**$ 19,006**
At December 31, 2011	**$ 40,566**

As at December 31, 2011, the Company had Canadian tax losses of $3.9 million, which will expire between 2027 and 2028, and Mexican tax losses of $17.7 million, which will expire between 2016 and 2021.

Deferred tax assets are recognized for tax losses to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon numerous factors, including the future profitability of operations in the jurisdictions in which the tax losses arose. At December 31, 2011, the Company did not recognize deferred tax assets of $0.8 million (2010 - $0.5 million) as uncertainty exists regarding the realization of certain tax losses.

(tabular amounts are expressed in thousands of United States dollars)

24. INCOME TAXES (continued)

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, 2011 and 2010.

	Year Ended December 31, 2011	Year Ended December 31, 2010
Net earnings before tax	**$ 137,537**	**$ 42,750**
Combined statutory tax rate	26.50%	28.50%
Income tax expense computed at statutory tax rate	**$ 36,447**	**$ 12,184**
Reconciling items:		
Non-deductible expenses	2,083	2,090
Impact of inflationary adjustments	280	805
Effect of different foreign statutory tax rates on earnings of subsidiaries	472	770
Impact of foreign exchange on deferred income tax assets and liabilities	(786)	(3,316)
Deductible stock option benefits	(4,730)	-
Change in unrecognized deferred income tax asset	295	(5,838)
Other	(98)	924
Income tax expense	**$ 33,963**	**$ 7,619**
Effective tax rate	**25%**	**18%**
Current income tax expense	10,920	434
Deferred income tax expense	23,043	7,185
Income tax expense	**$ 33,963**	**$ 7,619**

In 2011, the combined statutory tax rate in Canada decreased 2% as the federal tax rate was lowered from 18% to 16.5% while the provincial tax rate was lowered from 10.5% to 10%.

For the year ended December 31, 2011, the effective income tax rates on earnings from operations of 25% (2010 – 18%) was lower than the combined corporate statutory rate primarily due to deductible stock option benefits and the Company's ability to take advantage of lower tax rates and differing tax rules applicable to certain of the Company's metal marketing, operating and financing subsidiaries outside of Canada and Mexico. The tax provision on earnings is computed after taking account of intercompany transactions such as interest on loans, sales, other charges and credits among subsidiaries resulting from their capital structure as well as from the various jurisdictions in which operations and assets are owned. For these reasons, the effective tax rate differs from the combined corporate statutory rate in Canada. The Company's effective tax rate and its cash tax cost depend on the laws of numerous countries and the provisions of multiple income tax conventions between various countries in which the Company operates.

(tabular amounts are expressed in thousands of United States dollars)

25. 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	Shares to be issued	Total
Balance at January 1, 2010	92,648,744	$ 218,608	$ 247	$ 218,855
Shares issued for:				
Exercise of options	3,573,125	11,148	-	11,148
Exercise of warrants	1,185,250	3,999	-	3,999
Acquisition of assets (Note 15(e))	152,798	1,512	-	1,512
Conversion of shares to be issued (Note 25(d))	500	2	(2)	-
Transfer of equity reserve upon exercise of options and warrants	-	4,256	-	4,256
Balance at December 31, 2010	**97,560,417**	**$ 239,525**	**$ 245**	**$ 239,770**
Shares issued for:				
Exercise of options	2,449,750	10,428	-	10,428
Exercise of warrants	5,118,093	17,943	-	17,943
Conversion of shares to be issued (Note 25(d))	7,112	35	(35)	-
Transfer of equity reserve upon exercise of options and warrants	-	5,163	-	5,163
Balance at December 31, 2011	**105,135,372**	**273,094**	**210**	**273,304**

(b) Stock options

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

The following table summarizes the information about stock options outstanding and exercisable at December 31, 2011:

	Options Outstanding			Options Exercisable		
Exercise prices (CAD$)	**Number of Options**	**Weighted Average Exercise Price (CAD$/Share)**	**Weighted Average Remaining Life (Years)**	**Number of Options**	**Weighted Average Exercise Price (CAD$/Share)**	**Weighted Average Remaining Life (Years)**
2.01 - 3.00	517,450	2.04	1.05	517,450	2.04	1.05
3.01 - 4.00	1,229,375	3.64	1.33	1,229,375	3.64	1.33
4.01 - 5.00	947,500	4.38	0.93	922,500	4.39	0.91
10.01 - 20.03	2,240,050	13.99	3.55	962,425	12.55	2.65
	4,934,375	8.31	2.23	3,631,750	5.96	1.53

(tabular amounts are expressed in thousands of United States dollars)

25. SHARE CAPITAL (continued)

(b) Stock options (continued)

As of December 31, 2011, incentive stock options represent 5% (December 31, 2010 - 7%) of issued and outstanding common capital. The aggregate intrinsic values of vested share options (the market value less the exercise value) at December 31, 2011 and December 31, 2010 were $40.1 million (CAD$40.8 million) and $47.6 million (CAD$47.4 million), respectively.

The changes in stock options issued during the years ended December 31, 2011 and 2010 are as follows:

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Number of Options	Weighted Average Exercise Price (CAD$/Share)	Number of Options	Weighted Average Exercise Price (CAD$/Share)
Balance, beginning of the year	6,464,875	5.61	8,603,750	3.50
Granted	939,500	16.13	2,003,000	10.03
Exercised	(2,449,750)	4.15	(3,573,125)	3.16
Expired	(20,250)	12.44	(568,750)	4.63
Balance, end of the year	4,934,375	8.31	6,464,875	5.61

During the year ended December 31, 2011, 2,449,750 (2010 – 3,573,125) stock options were exercised. The weighted average closing share price at date of exercise for the year ended December 31, 2011 was CAD$19.02 (2010 - CAD$8.27).

During the year ended December 31, 2011, 939,500 (2010 – 2,003,000) stock options were granted for an aggregate fair value of CAD$7,893,000 (2010 – CAD$8,079,000).

The fair value of employee stock options granted is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Year Ended December 31,	
	2011	2010
Weighted average fair value at grant date ($)	8.40	4.03
Expected dividend yield (%)	-	-
Average risk-free interest rate (%)	1.25	1.72
Expected life (years)	3.36	2.10
Expected volatility (%)	75.63	73.69
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.

(tabular amounts are expressed in thousands of United States dollars)

25. SHARE CAPITAL (continued)

(c) Share purchase warrants

As at December 31, 2011, there are no share purchase warrants outstanding.

The changes in share purchase warrants during the years ended December 31, 2011 and 2010 are as follows:

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price (CAD$/Share)	Number of Warrants	Weighted Average Exercise Price (CAD$/Share)
Balance, beginning of the year	5,142,277	3.44	11,357,465	5.04
Exercised	(5,118,093)	3.44	(1,185,250)	3.41
Cancelled or expired	(24,184)	3.50	(5,029,938)	7.06
Balance, end of the year	-	-	5,142,277	3.44

(d) Share capital to be issued

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

At December 31, 2011, the prior shareholders of First Silver had yet to exchange 99,030 shares (2010 – 113,254 shares) of First Silver, exchangeable for 49,515 shares (2010 – 56,627 shares) of First Majestic resulting in a remaining value of shares to be issued of $210,000 (2010 - $245,000). During the year ended December 31, 2011, a total of 7,112 shares (2010 – 500 shares) were redeemed by prior shareholders of First Silver.

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

(tabular amounts are expressed in thousands of United States dollars)

26. EQUITY RESERVES

	Year Ended December 31, 2011	Year Ended December 31, 2010
Available for sale revaluation reserve (a)		
Balance at beginning of year	$ 18	$ (55)
Gain on available for sale securities	1,109	73
Balance at end of year	1,127	18
Share-based payments reserve (b)		
Balance at beginning of year	25,170	24,971
Share-based payments recognized in profit and loss, and related tax benefit	7,387	4,455
Reclassed to share capital for exercise of stock options and warrants	(5,163)	(4,256)
Balance at end of year	27,394	25,170
Foreign currency translation reserve (c)		
Balance at beginning of year	621	-
Currency translation gain	(1,298)	621
Balance at end of year	(677)	621
Total equity reserves per statement of financial position	**$ 27,844**	**$ 25,809**

(a) The available for sale reserve principally records the fair value gains or losses related to available-for-sale financial instruments.

(b) The share-based payments reserve records the cumulative amount recognized under IFRS 2 in respect of options granted but not exercised to acquire shares of the Company and related tax benefits.

(c) The foreign currency translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations within the Company into the US dollar presentation currency.

27. 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, 2010.

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

	December 31, 2011	December 31, 2010
Equity	$ 350,598	$ 211,455
Debt facilities	784	-
Less: cash and cash equivalents	(91,184)	(41,163)
	$ 260,198	**$ 170,292**

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

(tabular amounts are expressed in thousands of United States dollars)

27. FINANCIAL INSTRUMENTS (continued)

(a) Capital risk management (continued)

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

(b) Categories of financial instruments

	December 31, 2011		December 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 91,184	$ 91,184	$ 41,163	$ 41,163
Trade and other receivables	15,593	15,593	8,354	8,354
Available for sale				
Marketable securities	4,865	4,865	357	357
Total financial assets	**$ 111,642**	**$ 111,642**	**$ 49,874**	**$ 49,874**
Financial liabilities				
FVTPL				
Derivative financial instruments	$ 383	$ 383	$ -	$ -
Other financial liabilities				
Trade and other payables	22,433	22,433	12,400	12,400
Debt facilities	784	784	-	-
Total financial liabilities	**$ 23,600**	**$ 23,600**	**$ 12,400**	**$ 12,400**

(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.

(tabular amounts are expressed in thousands of United States dollars)

27. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial instruments (continued)

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

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

There were no transfers between levels 1, 2 and 3 during the years ended December 31, 2011 and 2010.

(d) Financial risk management

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

i) Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk relates primarily to trade receivables in the ordinary course of business and value added tax and other receivables. The Company sells and receives payment upon delivery of its silver doré and by-products primarily through three international organizations. Additionally, silver-lead concentrates and related base metal by-products are sold primarily through one international organization with a good credit rating. Payments of receivables are scheduled, routine and received within sixty days of submission; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is not significant. The Company has a Mexican value added tax receivable of $8.7 million as at December 31, 2011 (2010 - $4.6 million), of which $0.6 million (2010 - $0.8 million) is past due. The Company is proceeding through a review process with Mexican tax authorities, but the Company expects to fully recover these amounts.

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

(tabular amounts are expressed in thousands of United States dollars)

27. FINANCIAL INSTRUMENTS (continued)

(d) Financial risk management

ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and to support its expansion plans. As at December 31, 2011, the Company has outstanding trade payables of $6.5 million (2010 - $6.0 million) which are generally payable in 90 days or less and accrued liabilities of $15.9 million (2010 - $6.3 million) which are generally payable within 12 months. As at December 31, 2011, the Company also has income taxes receivable of $9.7 million which will be applied as installments against income taxes payable to be incurred in 2012. The Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next 12 months.

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

		Payments Due By Period			
Balances in $'000	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	$ 22,433	$ 22,433	$ -	$ -	$ -
Other financial liabilities	383	383	-	-	-
Debt facilities	784	784	-	-	-
Finance lease obligations	14,094	4,269	8,501	1,324	-
Decommissioning liabilities	7,725	-	-	-	7,725
Purchase obligations	56,321	56,321	-	-	-
Total Obligations	**$ 101,740**	**$ 84,190**	**$ 8,501**	**$ 1,324**	**$ 7,725**

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, 2011		December 31, 2010	
Balances in USD$'000	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	$ 42,673	$ 91	$ (1,977)	$ 40,787	$ 4,079	$ 8,174	$ 817
Mexican peso	1,042	9,763	(18,238)	(7,433)	(549)	(10,726)	(1,073)
	$ 43,715	**$ 9,854**	**$ (20,215)**	**$ 33,354**	**$ 3,530**	**$ (2,552)**	**$ (256)**

iv) Commodity Price Risk

Commodity price risk is the risk that movements in the spot price of silver have a direct and immediate impact on the Company's income or the value of its related financial instruments. The Company also derives by-product revenue from the sale of gold, zinc, lead and iron ore, which accounts for less than 5% 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 does not use derivative instruments to hedge its commodity price risk. As at December 31, 2011, based on unsettled silver ounces sold by the Company that are subject to market price adjustments, a 10% increase or decrease of silver price at December 31, 2011 does not have a significant impact on net earnings.

(tabular amounts are expressed in thousands of United States dollars)

27. FINANCIAL INSTRUMENTS (continued)

(d) Financial risk management (continued)

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, 2011, with the exception of capital leases, which have fixed interest rates, the Company's exposure to interest bearing liabilities is limited to its debt facilities.

Based on the Company's interest rate exposure at December 31, 2011, a change of 25 basis points increase or decrease of market interest rate does not have a significant impact on net earnings.

28. SUBSIDIARIES AND ASSOCIATES

Details of the Company's significant subsidiaries at December 31, 2011 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%
Corporacion 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 Pilon, S.A. de C.V.	Silver mining company	Mexico	100%
Minera La Encantada, S.A. de C.V.	Silver mining company	Mexico	100%
Minera Real Bonanza, S.A. de C.V.	Silver mining company	Mexico	100%
Majestic Services, S.A. de C.V.	Service company	Mexico	100%
Servicios Minero-Metalurgicos Industriales S.A. de C.V.	Service company	Mexico	100%
0915623 B.C. Ltd.	Holding company	Canada	100%
FMS Investment Cooperatië UA	Holding 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%

29. 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, 2011	Year Ended December 31, 2010
Salaries, bonuses, fees and benefits		
Members of the Board of Directors	$ 347	$ 304
Other members of key management	2,150	1,159
Share-based payments		
Members of the Board of Directors	1,031	812
Other members of key management	1,978	1,324
	$ 5,506	**$ 3,599**

(tabular amounts are expressed in thousands of United States dollars)

30. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31, 2011	Year Ended December 31, 2010
Net change in non-cash working capital items:		
Decrease (increase) in trade and other receivables	$ (7,794)	$ 160
Increase in inventories	(6,010)	(5,073)
Increase in prepaid expenses and other	(3,637)	(575)
Increase in trade and other payables	5,294	4,755
Increase (decrease) in taxes payable	(1,556)	224
	$ (13,703)	**$ (509)**
Non-cash investing and financing activities:		
Transfer of contributed surplus upon exercise of options and warrants	$ 5,163	$ 4,256
Assets acquired by capital lease	(10,909)	(3,038)

31. VENDOR LIABILITY AND INTEREST

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

In November 2007, an action was commenced by the Company and First Silver against the Seller who was previously a director, President & Chief Executive Officer of First Silver. The Company and First Silver alleged that, while holding the positions of director, President and Chief Executive Officer, the Seller engaged in a course of deceitful and dishonest conduct in breach of his fiduciary and statutory duties owed to First Silver, which resulted in the Seller acquiring a mine which was First Silver's right to acquire. These allegations are denied by the Seller but management believes that there are substantial grounds to this claim. However, the outcome of this litigation is not presently determinable.

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

On July 16, 2009, an Order was granted by the Court, with the consent of all parties, under which the Seller obtained a judgment in the amount of $14,160,000. The Company agreed that $13,566,000 under the Letter of Credit would be paid into the Seller's lawyer's trust account (the "Trust Funds") in partial satisfaction of the Judgment. The Consent Order requires that the Trust Funds be held pending the outcome of the Action. In his counterclaim, the Seller is also seeking, among other things, interest at 6% compounded annually and calculated daily on the Trust Funds and reimbursements of all costs and expenses, including his legal fees, incurred by the Seller in pursuing his claims against the Company. The trial is scheduled to commence in the Supreme Court of British Columbia, Vancouver, British Columbia on April 17, 2012. The Consent Order does not affect the standing of the Company's claims for relief against the Seller in the Action. The Trust Funds could potentially become accessible to the Company in the event of a favourable outcome to the litigation.

32. 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 the year, Minera El Pilón, S.A. de C.V., a subsidiary of the Company, received tax assessments from the Mexican tax authority for fiscal years 2004 to 2007 relating to various tax treatments with a maximum potential remittance of approximately $5.6 million (75.7 million Mexican pesos). The Company is currently defending the tax treatments amounting to $3.2 million (43.4 million Mexican pesos) related to 2007 via the administrative appeal process and believes it has a strong defense against the claims. The tax reassessment for 2004 to 2006 amounting to $2.4 million (32.3 million Mexican pesos) are being pursued through tax court, which requires pledging security as guarantees until the end of the trial. As a result, the Company has pledged certain properties of the San Martin Mine as guarantees. The Company believes it is more likely than not that it will defend itself successfully in all claims and therefore has not recorded a provision for the potential tax exposure relating to these assessments.

33. SUBSEQUENT EVENTS

Subsequent to December 31, 2011:

a) The Company sold its long position on silver futures and converted the unrealized loss of $4.1 million to a realized gain of $1.5 million (see Note 19);

b) 1,040,000 options were granted with a weighted average exercise price of CAD$17.96 and expire in five years from the grant date;

c) 431,650 options were exercised for gross proceeds of CAD$2,536,000; and

d) 25,000 options were cancelled.

34. FIRST TIME ADOPTION OF IFRS

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. The accounting policies set out in Note 3 have been applied in the preparation of its opening IFRS statement of financial position at the date of transition, and in preparing the consolidated financial statements for the year ended December 31, 2011 and 2010.

Exemptions on Transition

The Company applied the following exemptions to its opening statement of financial position dated January 1, 2010 in accordance with IFRS 1 - *First-time adoption of International Financial Reporting Standards*, which provides guidance for the initial adoption of IFRS. IFRS 1 requires retrospective application of the standards in the transition statement of financial position, with all adjustments to assets and liabilities taken to accumulated deficit unless certain exemptions are applied:

(a) Business combinations

The Company has elected to not apply IFRS 3 to business combinations that occurred before the date of transition to IFRS. IFRS 3 has been applied by the Company to business combinations that occurred on or after January 1, 2010.

34. FIRST TIME ADOPTION OF IFRS (continued)

(b) Cumulative translation differences

As permitted by the IFRS 1 election for cumulative translation differences, the Company has deemed cumulative translation differences for foreign operations to be zero at the date of transition. Any gains and losses on subsequent disposal of foreign operations will not be impacted by translation differences that arose prior to the date of transition.

(c) Decommissioning liabilities included in the cost of property, plant and equipment

The Company has elected to apply the exemption related to decommissioning liabilities included in the cost of property, plant and equipment. This exemption allows a first-time adopter to apply the requirements of IFRIC 1, dealing with changes in decommissioning liabilities, on a prospective basis from the date of transition.

(d) Share-based payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 - *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards which had vested at the date of transition.

(e) Fair value as deemed cost

IFRS 1 allows an entity to measure individual items of mining interests and property, plant and equipment at fair value as deemed cost at the date of transition. The Company has elected to apply this exemption to the carrying value of mining interest for the San Martin mine at the date of transition. As a result, an adjustment of $48,945,000, net of deferred income tax recovery of $13,705,000, was recorded to accumulated deficit to adjust the aggregate carrying value of mining interests previously reported under Canadian Generally Accepted Principles (“previous GAAP”) to its fair value at January 1, 2010.

(f) Estimates

IFRS 1 requires that an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the entity’s previous GAAP, unless there is objective evidence that those estimates were in error. The Company’s IFRS estimates as of January 1, 2010 are consistent with its previous GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to previous GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company’s actual cash flows, it has resulted in changes to the Company’s reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company’s previous GAAP statements of income and statements of financial position for the year ended December 31, 2010 have been reconciled to IFRS, with the resulting differences explained below.

The adoption of IFRS does not have a significant impact on the statement of cash flows for the year ended December 31, 2010. Therefore, no reconciliation is presented in these consolidated financial statements.

(tabular amounts are expressed in thousands of United States dollars)

34. FIRST TIME ADOPTION OF IFRS (continued)

Previous GAAP to IFRS Reconciliation

The January 1, 2010 previous GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP January 1, 2010 CAD$	Canadian GAAP January 1, 2010 USD$	Note	Effect of Transition to IFRS January 1, 2010 USD$	IFRS January 1, 2010 USD$
ASSETS					
Current assets					
Cash and cash equivalents	$ 5,890	$ 5,609		$ -	$ 5,609
Trade and other receivables	8,901	8,514		-	8,514
Inventories	3,812	3,578		-	3,578
Prepaid expenses and other	1,468	1,366		-	1,366
Total current assets	**20,071**	**19,067**		**-**	**19,067**
Non-current assets					
Mining interests	166,400	158,647	(v)(vi)	(52,804)	105,843
Property, plant and equipment	60,798	58,107		-	58,107
Deposits on long-term assets	4,306	4,097		-	4,097
Total assets	**$ 251,575**	**$ 239,918**		**$ (52,804)**	**$ 187,114**
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables and accrued liabilities	$ 11,462	$ 10,907		$ -	$ 10,907
Current portion of debt facilities	1,547	1,477		-	1,477
Current portion of lease obligations	2,139	2,048		-	2,048
Taxes payable	118	116		-	116
Total current liabilities	**15,266**	**14,548**		**-**	**14,548**
Non-current liabilities					
Debt facilities	3,214	3,078		-	3,078
Lease obligations	668	632		-	632
Decommissioning liabilities	4,336	4,149		-	4,149
Other long-term liabilities	754	717		-	717
Deferred tax liabilities	28,417	27,038	(v)(vi)	(17,564)	9,474
Total liabilities	**52,655**	**50,162**		**(17,564)**	**32,598**
Equity					
Shareholders' Equity					
Share capital	244,517	218,855		-	218,855
Equity reserves	27,785	24,881	(iii)	90	24,971
Accumulated other comprehensive income	(40,215)	(26,380)	(ii)	26,325	(55)
Accumulated deficit	(33,167)	(27,600)	(i)(ii)(iii)(v)	(61,655)	(89,255)
Total liabilities and equity	**$ 251,575**	**$ 239,918**		**$ (52,804)**	**$ 187,114**

(tabular amounts are expressed in thousands of United States dollars)

34. FIRST TIME ADOPTION OF IFRS (continued)

The December 31, 2010 previous GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP December 31, 2010 CAD$	Canadian GAAP December 31, 2010 USD$	Note	Effect of Transition to IFRS December 31, 2010 USD$	IFRS December 31, 2010 USD$
ASSETS					
Current assets					
Cash and cash equivalents	$ 40,941	$ 41,163		$ -	$ 41,163
Trade and other receivables	8,315	8,354		-	8,354
Inventories	8,604	8,651		-	8,651
Prepaid expenses and other	1,919	1,929		-	1,929
Deferred tax asset	2,310	2,323		(2,323)	-
Total current assets	**62,089**	**62,420**		**(2,323)**	**60,097**
Non-current assets					
Mining interests	179,833	171,798	(v)(vi)	(52,138)	119,660
Property, plant and equipment	76,395	73,385	(i)	(1,002)	72,383
Deferred tax asset	738	742		2,323	3,065
Deposits on long-term assets	2,413	2,426		-	2,426
Total assets	**$ 321,468**	**$ 310,771**		**$ (53,140)**	**$ 257,631**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	$ 12,288	$ 12,400		$ -	$ 12,400
Current portion of debt facilities	-	-		-	-
Current portion of lease obligations	1,240	1,160		-	1,160
Taxes payable	438	440		-	440
Total current liabilities	**13,966**	**14,000**		**-**	**14,000**
Non-current liabilities					
Lease obligations	2,318	2,417		-	2,417
Decommissioning liabilities	6,104	6,129	(iv)	666	6,795
Other long-term liabilities	888	893		-	893
Deferred tax liabilities	42,373	42,603	(v)(vi)	(20,532)	22,071
Total liabilities	**65,649**	**66,042**		**(19,866)**	**46,176**
Equity					
Shareholders' Equity					
Share capital	265,779	239,770		-	239,770
Equity reserves	27,952	25,034	(iii)	136	25,170
Accumulated other comprehensive income	(40,850)	(25,686)	(ii)	26,325	639
Accumulated deficit	2,938	5,611	(i)(ii)(iii)(v)(vi	(59,735)	(54,124)
Total liabilities and shareholders' equity	**$ 321,468**	**$ 310,771**		**$ (53,140)**	**$ 257,631**

(tabular amounts are expressed in thousands of United States dollars)

34. FIRST TIME ADOPTION OF IFRS (continued)

The Company's previous GAAP income statement and consolidated statement of income and comprehensive income for the year ended December 31, 2010 have been reconciled to IFRS as follows:

	Year Ended December 31, 2010				
	Canadian GAAP CAD$	Canadian GAAP USD$	Note	Effect of Transition to IFRS USD$	IFRS USD$
Revenues	**$ 120,766**	**$ 117,908**		**$ -**	**$ 117,908**
Cost of sales	49,835	48,125		-	48,125
Gross margin	**70,931**	**69,783**		**-**	**69,783**
Depletion, depreciation and amortization	9,384	9,107	(i)	1,002	10,109
Mine operating earnings	**61,547**	**60,676**		**(1,002)**	**59,674**
General and administration expense	10,787	10,449		-	10,449
Share-based payments	4,549	4,409	(iii)	46	4,455
Accretion of decommissioning liabilities	376	365		-	365
Foreign exchange loss (gain)	(18)	2,797		-	2,797
Other expenses	1,114	1,065		-	1,065
Operating earnings	**44,739**	**41,591**		**(1,048)**	**40,543**
Investment and other income	3,022	2,934		-	2,934
Finance costs	(749)	(727)		-	(727)
Earnings before income taxes	**47,012**	**43,798**		**(1,048)**	**42,750**
Current income tax expense	448	434		-	434
Deferred income tax expense (recovery)	10,459	10,153	(vi)	(2,968)	7,185
	10,907	10,587		(2,968)	7,619
Net earnings for the year	**$ 36,105**	**$ 33,211**		**$ 1,920**	**$ 35,131**
Other comprehensive income					
Available for sale investments:					
Unrealized gain in fair value of investments	$ 75	$ 73		$ -	$ 73
Currency translation gain (loss)	(686)	621		-	621
Other comprehensive income (loss)	**(611)**	**694**		**-**	**694**
Comprehensive income for the year	**$ 35,494**	**$ 33,905**		**$ 1,920**	**$ 35,825**

34. FIRST TIME ADOPTION OF IFRS (continued)

Summary of Differences Between Previous GAAP and IFRS

(i) Functional and presentation currency

Effective January 1, 2010, for the purpose of these financial statements, the Company has changed its presentation currency from the Canadian dollar to U.S. dollar. Under previous GAAP, the Company's subsidiaries had a functional currency of the Mexican peso. The Company has accounted for this change in functional currency on a prospective basis in accordance with the requirements of IAS21, *"The Effects of Changes in Foreign Exchange Rates"*. With the successful expansion of the La Encantada plant, the Company has achieved consistent profitability in 2010 and the need to access additional financing from the Canadian public markets has been significantly reduced. Also, a substantial portion of the Company's revenue stream and a significant portion of expenditures are now incurred in U.S. dollars. Therefore, the Company assessed that the functional currency of its Mexican subsidiaries is the U.S. dollar.

(ii) Cumulative translation differences

As permitted by the IFRS 1 election for cumulative translation differences, the Company has deemed cumulative translation differences for foreign operations to be zero at the date of transition. Cumulative translation loss at January 1, 2010 was re-allocated from accumulated other comprehensive income to accumulated deficit.

(iii) Share-based payments

IFRS requires each tranche of a share-based award with different vesting dates to be considered a separate grant for purpose of fair value calculation, and the resulting fair value is amortized over the vesting period of the respective tranches. Furthermore, forfeiture estimates are recognized in the period they are estimated.

Under previous GAAP, the fair value of share-based awards with graded vesting was calculated as one single grant and the resulting fair value was recognized on a straight-line basis over the longest vesting period. Forfeitures of awards were only recognized in the period the forfeiture occurred.

(iv) Decommissioning liabilities

IFRS requires provision for decommissioning liabilities to be estimated based on constructive cash flow discounted based on liability specific risk-free discount rate. The discount rate should be updated periodically at each period end date. Under previous GAAP, provision for decommissioning liabilities was estimated based on legal cash flow and discounted based on a risk-adjusted discount rate.

Historical net book value of costs of the related mining properties when the first decommissioning liabilities first arose was adjusted to reflect historical difference in the decommissioning liabilities.

(v) Fair value as deemed cost

IFRS 1 allows an entity to measure individual items of property, plant and equipment at fair value at the date of transition. The Company has elected to apply the IFRS 1 exemption to measure its mining interest for the San Martin mine at fair value as deemed cost at January 1, 2010 using a discounted cash flow model under IFRS compared to previous GAAP which compares the carrying value of the mining interest to the undiscounted cash flows. Based on silver prices ranging from $14.50 to $19.30 per ounce and a discount rate of 14.75% used in the discounted cash flow model, an adjustment of $48.9 million, net of future income tax recovery of $13.7 million, was recorded to accumulated deficit to adjust the aggregate carrying value of mining interests under previous GAAP to its aggregate fair value at January 1, 2010.

34. FIRST TIME ADOPTION OF IFRS (continued)

(vi) Deferred tax liabilities

IFRS does not allow recognition of deferred taxes for acquisition of assets that do not qualify as a business combination. There is no similar prohibition under previous GAAP. As a result, deferred tax liabilities related to the Company's previous asset acquisitions that did not qualify as business combination were derecognized at transition.

As part of the transition to IFRS, the carrying value of the Company's property, plant and equipment and mining interests were changed without a change in their respective tax value. Deferred taxes were updated to reflect the change in temporary differences between the carrying value and tax value of these assets.

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of First Majestic Silver Corp. for the year ended December 31, 2011 were approved and authorized for issue by the Board of Directors on March 1, 2012.

FIRST MAJESTIC
SILVER CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR AND THE FOURTH QUARTER ENDED DECEMBER 31, 2011

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, 2011, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All dollar amounts are expressed in United States ("US") dollars and tabular amounts are expressed in thousands of dollars unless otherwise indicated. All information contained in this MD&A is current as of March 1, 2012 unless otherwise stated.

With the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS, the Company's accounting policies have changed and the presentation, financial statement captions and terminology used in this MD&A and the accompanying audited consolidated financial statements are consistent with IFRS as is now required by the securities laws. The new policies have been consistently applied to all of the years presented in this MD&A and all prior period information has been restated or reclassified to be consistent with IFRS for comparative purposes, unless otherwise noted. Further details on the conversion to IFRS and the reconciliation of prior periods from Canadian GAAP to IFRS are provided in the notes to our audited consolidated financial statements for the year ended December 31, 2011.

Forward-Looking Statements

Certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "outlook" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the mining, exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future, and other factors described in the Company's Annual Information Form under the heading "Risk Factors". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change other than as required by securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Qualified Persons

Leonel Lopez, C.P.G., P.G. of Pincock Allen & Holt is the independent Qualified Person for the Company. Ramon Davila, Ing., the Company's Chief Operating Officer and Florentino Muñoz, Ing., the Company's Chief Geologist, are also certified Qualified Persons. 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.

In United States dollars, unless otherwise noted
(tabular amounts in thousands of dollars)

2011 HIGHLIGHTS

	Fourth Quarter 2011	Fourth Quarter 2010	Change	Annual 2011	Annual 2010	Change
Operating						
Silver Equivalent Ounces Produced	2,101,528	1,827,987	15%	7,562,494	7,024,056	8%
Silver Ounces Produced (excluding equivalent ounces from by-products)	1,957,657	1,757,332	11%	7,216,109	6,529,325	11%
Payable Silver Ounces Produced	1,926,055	1,738,548	11%	7,094,359	6,172,900	15%
Total Cash Costs per Ounce(1)	$8.01	$7.78	3%	$8.24	$7.53	9%
Average Revenue per Payable Equivalent Ounces Sold ($/eq. oz.)(1)	$31.70	$24.88	27%	$35.38	$20.19	75%
Financial						
Revenues ($ millions)	$60.8	$40.1	52%	$245.5	$117.9	108%
Mine Operating Earnings ($ millions)	$38.4	$24.0	60%	$163.3	$59.7	174%
Net Earnings After Taxes ($ millions)	$21.3	$13.7	56%	$103.6	$35.1	195%
Operating Cash Flows Generated Before Movements in Working Capital ($ millions)	$36.9	$23.2	59%	$160.2	$58.7	173%
Cash and Cash Equivalents at December 31 ($ millions)	$91.2	$41.2	122%	$91.2	$41.2	122%
Working Capital at December 31 ($ millions)	$109.7	$46.1	138%	$109.7	$46.1	138%
Shareholders						
Earnings Per Share - Basic	$0.20	$0.14	42%	$1.00	$0.38	167%
Cash Flow Per Share Before Movements in Working Capital(1)	$0.35	$0.24	45%	$1.55	$0.63	147%
Share Price on TSX at December 31	$17.18	$14.40	19%	$17.18	$14.40	19%
Weighted Average Shares Outstanding for the Periods Ended December 31	105,203,712	95,674,687	10%	103,276,935	93,587,581	10%

(1) The Company reports non-GAAP measures which include Total Cash Costs per Ounce, Average Revenue per Payable Equivalent Ounces Sold and Cash Flow Per Share Before Movements in Working Capital. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See Reconciliation to IFRS on pages 16 and 17.

Record Production

With the successful commissioning of the new 1,000 tonnes per day ("tpd") flotation circuit at the La Parrilla mine in the fourth quarter of 2011, the Company achieved another quarter of record production, producing 1,957,657 ounces of silver and 2,101,528 of silver equivalent ounces, compared to 1,757,332 ounces of silver and 1,827,987 silver equivalent ounces produced in the fourth quarter of 2010.

Annual production reached 7,216,109 ounces of silver and 7,562,494 of silver equivalent ounces, compared to 6,529,325 ounces of silver and 7,024,056 of silver equivalent ounces in 2010. With 96% of the Company's 2011 revenues resulting from the sale of pure silver, First Majestic remains the purest silver producer relative to any of its peers.

Record Revenues

With the success from its record production and strong metal prices, the Company has also generated record revenues of $60.8 million and $245.5 million for the three months and for the year ended December 31, 2011, respectively, compared to $40.1 million and $117.9 million for the comparable periods in 2010. Revenues for the year ended December 31, 2011 would have been higher by $1.4 million were it not for some delayed shipments of 64,266 silver equivalent ounces in lead concentrates at year end, related to year end logistical challenges with our purchaser of the concentrates. Instead the shipments had to be delivered in January and will contribute to revenues in 2012.

In addition to the increase in production, the increase in revenues is also attributable to a significant increase in the average realized silver price compared to the prior year, as the Company realized an average revenue per payable ounce of $31.70 and $35.38 for the three months and for the year ended December 31, 2011, respectively. These are price increases of 27% and 75% from the comparable periods of 2010.

Record Mine Operating Earnings

For the three months and year ended December 31, 2011, the Company recognized mine operating earnings of $38.4 million and $163.3 million, respectively, compared to $24.0 million and $59.7 million for the comparable periods in 2010, which represents increases of 60% and 174%, respectively.

Record Net Earnings

Net earnings after taxes for the three months and year ended December 31, 2011 were $21.3 million and $103.6 million, respectively, compared to $13.7 million and $35.1 million for the comparable periods in 2010.

Earnings per share ("EPS") for the three months ended December 31, 2011 was $0.20, an increase of 42% compared to $0.14 for three months ended December 31, 2010. With record revenues and mine operating earnings, annual EPS soared to a record $1.00 per share in 2011, an increase of 167% compared to $0.38 in 2010.

Net earnings for the quarter and year ended December 31, 2011 reflects an unrealised loss on silver futures of $4.1 million for the fourth quarter and for the year. Adjusted EPS (a non-GAAP measure) after removing the loss on silver futures was $0.24 for the quarter and $1.04 for the year.

As at year end, the Company was carrying a long position on silver futures equivalent to 1.0 million ounces of silver at an average price of $32.00, representing an unrealized investment loss of $4.1 million. Management is bullish on silver prices and believed the price of silver would recover sufficiently to erase the unrealized loss. Subsequent to year end, the Company sold its entire position and converted the unrealized loss of $4.1 million to a realized gain of $1.5 million.

Record Cash Flows from Operations

The significant increase in silver prices during the year and record production have contributed to a healthy increase in the Company's gross margins in 2011. As a result, cash flows from operations before movements in non-cash working capital, finance costs and income taxes increased by 173% from $58.7 million ($0.63 per share) in 2010 to $160.2 million ($1.55 per share) in 2011. Cash flows from operations for the fourth quarter of 2011 also increased by 59% to $36.9 million ($0.35 per share) compared to $23.2 million ($0.24 per share) for the fourth quarter of 2010.

During 2011, the Company continued to achieve growth by re-investing more than $104.0 million of its operating cash flows in the form of new investments in development and exploration of its mineral properties, the construction of new processing plants and acquisition of new mining equipment.

Cash Cost per Ounce

Cash cost per ounce (a non-GAAP measure) for the fourth quarter of 2011 was $8.01, a slight increase of 3% compared to $7.78 in the fourth quarter of 2010. Cash cost per ounce for the full year was $8.24 compared to $7.53 in 2010. The increase in cash cost per ounce was attributed to marginal increases in the cost of consumables including cyanide, energy and petroleum products. Also, throughputs of ore at the La Encantada mine were increased during the year to offset lower recoveries, which led to higher consumption of energy and reagents and therefore marginally higher cash costs. Efforts are underway, including pilot tests, to find the best metallurgical solution to boost recoveries at the La Encantada mine.

Cash cost per ounce for the fourth quarter consists of production costs of $8.06, transportation cost and refining costs of $1.83, offset by by-product credits of $1.88. Cash cost per ounce for the year consists of production cost of $8.14 per ounce, transportation cost and refining costs of $1.54 per ounce, offset by by-product credits of $1.44 per ounce. Production costs per ounce increased $0.34 per ounce for the fourth quarter of 2011 compared to 2010, and $0.68 per ounce year over year. Transportation and refining costs have increased by $0.62 per ounce on average in the fourth quarter for 2011 compared to 2010 and decreased $0.06 per ounce year over year. The increase over the fourth quarter of 2010 was due to the increase in shipments of concentrates from the La Parrilla flotation circuit, which more than doubled from 217,862 ounces in the fourth quarter of 2010 to 484,749 ounces, while the smelting cost per ounce for these concentrates was $4.54 per ounce, whereas the average refining costs for 2011 were $0.42 per ounce for the fourth quarter and $0.38 per ounce for the year. By-product credits have increased $0.72 per ounce for the fourth quarter of 2011 compared to 2010 and decreased $0.09 per ounce year over year.

Record Cash

At December 31, 2011, the Company had cash and cash equivalents of $91.2 million, an increase of $50.0 million or 122% compared to $41.2 million as at December 31, 2010. Working capital also improved by $63.6 million to $109.7 million at December 31, 2011.

La Parrilla Plant Expansion

The new 1,000 tpd flotation circuit at the La Parrilla Silver Mine commenced operations on September 2, 2011 and was deemed to be commissioned as commercially producing on October 1, 2011. The expansion of the 1,000 tpd cyanidation circuit is continuing well and the cyanidation facility is anticipated to be commissioned during the first quarter of 2012. These expansions are being achieved without any stoppage of production as La Parrilla shifts gears from 850 tpd to 2,000 tpd expected by the end of the first quarter of 2012. Additional construction achievements consist of a new 115,000 Kw power line connected to the national grid, the installation of new induction furnaces, and a new state of the art laboratory. Currently, the plant is operating at 1,800 tpd. The La Parrilla team is currently working on the completion of the Merrill-Crowe circuit and the installation of the new tailings filters.

Once this expansion is complete and the total mill capacity reaches 2,000 tpd, the production from the plant is anticipated to almost double from approximately 1.8 million ounces of silver equivalent produced in 2010 to more than 3.2 million equivalent ounces per year in 2012, consisting of more than 2.9 million ounces of silver, 6.0 million pounds of lead and 4.3 million pounds of zinc.

2012 PRODUCTION OUTLOOK

This section of the MD&A provides management's production forecasts for 2012. These are forward-looking estimates and subject to the cautionary note regarding the risks associated with relying on forward-looking statements as stated at the beginning of this MD&A.

Production in 2012 is expected to increase from 2011 levels with the following upcoming developments:

- The expansion of the cyanidation circuit at the new 2,000 tpd plant at La Parrilla is expected to be completed with full commercial production achieved by the end of the first quarter of 2012, resulting in a rate of production of more than 3.2 million equivalent ounces per year,
- Construction and development of the Del Toro Silver Mine is underway and is expected to commence production at 1,000 tpd in the fourth quarter of 2012.
- At La Encantada, intensive metallurgical tests are being conducted with the objective of improving recoveries by eliminating or reducing the manganese in the ore feed prior to the cyanidation process. Also, a new ball mill has been installed and is expected to be fully operational by the end of the first quarter. This new mill will allow for a higher percentage of fresh ore being processed which is anticpated to improve the head-grade at the mill and also have a positive impact on overall recoveries.

Estimated production range on a mine-by-mine basis for 2012, associated expected operating costs and price assumptions are included in the following table. These figures are based on existing installed capacity at the Company's operations in the La Encantada and San Martin mines, increasing capacities at the La Parrilla mine for the last three quarters of 2012, and the production of 1,000 tpd at the Del Toro mine in the fourth quarter of 2012. Actual results may vary based on production throughputs, grades, recoveries, changes in economic conditions and operating circumstances.

Anticipated Operating Parameters	La Encantada	La Parrilla	San Martin	Del Toro	Total
Total tonnes processed ('000s)	**1,231 - 1,300**	**579 - 611**	**279 - 294**	**74 - 78**	**2,163 - 2,283**
Operating days	342	330	330	82	
Silver ounces from production ('000s)	**4,193 - 4,426**	**2,671 - 2,819**	**1,003 - 1,059**	**383 - 404**	**8,251 - 8,709**
Gold ounces from production	-	122 - 129	1,141 - 1,205	-	1,263 - 1,334
Pounds of lead from production ('000s)	-	11,233 - 11,860	-	2,118 - 2,236	13,350 - 14,096
Pounds of zinc from production ('000s)	-	2,511 - 2,651	-	1,770 - 1,868	4,281 - 4,519
Silver equivalent ounces from production ('000s)	**4,193 - 4,426**	**3,063 - 3,234**	**1,064 - 1,123**	**489 - 516**	**8,810 - 9,299**
Average silver grade (g/t)	207	183	140	197	191
Average recoveries (%)	51%	77%	80%	80%	63%
Cash cost per ounce	**$8.26**	**$8.40**	**$11.76**	**$5.55**	**$8.61**
Production cost per ounce	**$7.68**	**$8.70**	**$12.79**	**$7.47**	**$8.62**
Production cost per tonne	**$26.02**	**$38.79**	**$45.82**	**$37.47**	**$32.38**
Anticipated cash flow from operations, before changes in non-cash working capital: ($ millions)					**$134.8 - $142.7**
Metal average price assumptions for calculating equivalents:					
Silver $30.00/oz, Gold $1,600/oz, Lead $0.90/lb, Zinc $0.90/lb					

In United States dollars, unless otherwise noted
(tabular amounts in thousands of dollars)

REVIEW OF OPERATING RESULTS

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

	2011					2010				
Production Highlights	**Q4**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**	**Total**
Ore processed/tonnes milled										
La Encantada	369,310	366,308	333,710	314,712	1,384,040	319,908	295,328	264,552	194,750	1,074,538
La Parrilla	121,109	89,972	77,363	74,503	362,947	78,537	76,618	75,271	73,443	303,869
San Martin	74,584	73,879	71,004	67,291	286,758	68,730	62,275	64,527	68,917	264,449
Consolidated	565,003	530,159	482,077	456,506	2,033,745	467,175	434,221	404,350	337,110	1,642,856
Silver ounces produced										
La Encantada	1,076,096	1,020,467	1,133,654	1,136,419	4,366,636	1,049,811	1,160,468	921,078	723,622	3,854,979
La Parrilla	628,836	449,771	395,716	319,405	1,793,728	395,161	402,760	375,465	375,446	1,548,832
San Martin	252,725	238,627	251,009	313,384	1,055,745	312,360	260,142	242,255	310,757	1,125,514
Consolidated	1,957,657	1,708,865	1,780,379	1,769,208	7,216,109	1,757,332	1,823,370	1,538,798	1,409,825	6,529,325
Silver equivalent ounces produced										
La Encantada	1,092,189	1,029,336	1,139,336	1,138,624	4,399,485	1,050,911	1,163,887	950,223	815,209	3,980,230
La Parrilla	738,919	511,301	443,304	363,648	2,057,172	448,592	483,608	435,985	445,603	1,813,789
San Martin	270,420	251,133	261,190	323,094	1,105,837	328,484	273,003	269,959	358,591	1,230,037
Consolidated	2,101,528	1,791,770	1,843,830	1,825,366	7,562,494	1,827,987	1,920,498	1,656,167	1,619,403	7,024,056
Cash cost per ounce										
La Encantada	$ 7.49	$ 8.04	$ 7.61	$ 7.17	$ 7.57	$ 7.71	$ 6.23	$ 7.20	$ 8.08	$ 7.14
La Parrilla	$ 8.22	$ 7.90	$ 8.84	$ 10.66	$ 8.73	$ 7.06	$ 7.09	$ 7.57	$ 7.83	$ 7.38
San Martin	$ 9.70	$ 10.74	$ 10.72	$ 9.85	$ 10.22	$ 8.87	$ 10.52	$ 10.13	$ 6.91	$ 8.98
Consolidated	$ 8.01	$ 8.39	$ 8.32	$ 8.26	$ 8.24	$ 7.78	$ 7.03	$ 7.75	$ 7.67	$ 7.53

Consolidated Production Results for the Quarter and Year Ended December 31, 2011 and 2010

Quarter Ended		CONSOLIDATED FIRST MAJESTIC	Year to Date	
2011	**2010**	**RESULTS**	**2011**	**2010**
565,003	467,175	Ore processed/tonnes milled (3)(4)	2,033,745	1,642,856
201	207	Average silver grade (g/tonne)	199	219
54%	57%	Recovery (%)	55%	56%
1,957,657	1,757,332	Total silver ounces produced	7,216,109	6,529,325
-	-	Pre-commercial silver ounces produced (3)(4)	34,316	261,193
1,957,657	1,757,332	Commercial silver ounces produced	7,181,793	6,268,132
1,926,055	1,738,548	Payable silver ounces produced (1)	7,094,359	6,172,900
440	436	Gold ounces produced	1,537	2,157
3,416,908	1,119,523	Pounds of lead produced	7,888,943	6,404,227
152,664	134,771	Pounds of zinc produced	178,767	363,288
4,695	-	Tonnes of iron ore produced	9,907	-
2,101,528	1,827,987	Total production - ounces silver equivalent	7,562,494	7,024,056
$8.01	$7.78	Total cash cost per ounce (1)(3)(4)	$8.24	$7.53
$8.06	$7.72	Total production cost per ounce (1)(2)	$8.14	$7.46
$27.48	$28.70	Total production cost per tonne (1)(2)	$28.50	$30.35
11,978	6,028	Underground development (m)	37,312	22,398
19,916	6,103	Diamond drilling (m)	56,713	17,321

(1) The Company reports non-GAAP measures which include production costs per tonne, production costs per ounce and cash cost (including smelting and refining charges) per ounce of payable silver, in order to manage and evaluate operating performance at each of the Company's mines. These measures, established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning, and are non-GAAP measures. See Reconciliation to IFRS on page 16.

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

(3) The flotation circuit of the La Parrilla mill expansion project achieved a commercial stage of production effective October 1, 2011. During the quarter ended September 30, 2011, the net margin of $1.1 million (Net Revenue of $1.4 million less Costs of Sales of $0.3 million) in connection with the sale of concentrates containing 34,316 ounces of silver during the pre-operating period was recorded as a reduction of construction in progress. The tables above include the production from the mill expansion, however average silver grade, recovery, total cash costs per ounce, total production cost per ounce and total production cost per tonne are based on production excluding pre-commercial stage production of 5,952 tonnes of ore processed and 34,316 silver ounces during the quarter ended September 30, 2011.

(4) The La Encantada mill expansion project achieved commercial production effective April 1, 2010. During the pre-commercial stage, the tables above included the production from the mill expansion, however, average silver grade, recovery, total cash cost per ounce, and total production cost per tonne were based on production excluding pre-commercial stage production of 124,508 tonnes of ore processed and 261,193 silver ounces during the quarter ended March 31, 2010.

Total production for the fourth quarter of 2011 was 2,101,528 ounces of silver equivalents consisting of 1,957,657 ounces of silver, 440 ounces of gold, 3,416,908 pounds of lead, 152,664 pounds of zinc and 4,695 tonnes of iron ore. Silver equivalent production increased 15% compared to the 1,827,987 ounces of silver equivalents produced in the fourth quarter of 2010, which consisted of 1,757,332 ounces of silver, 436 ounces of gold, 1,119,523 pounds of lead and 134,771 pounds of zinc. Compared to the third quarter of 2011, production increased 17% from 1,791,770 ounces of silver equivalents, which consisted of 1,708,865 ounces of silver, 1,891,991 pounds of lead and 409 ounces of gold. The start-up of the La Parrilla 1,000 tpd flotation circuit took less than 30 days to achieve commercial production, and a total of only 40,592 equivalent ounces of silver were excluded from commercial production during the year.

Total cash costs per ounce (including smelting, refining, transportation and other selling costs, and by-product credits, which is a non-GAAP measure and a standard of the Silver Institute) for the fourth quarter was $8.01 per ounce of silver compared to $8.39 in the third quarter of 2011 and $7.78 in the fourth quarter of 2010. The annualized cost increase was attributed to supply chain problems relating to cyanide and increasing petroleum prices. The costs per kilogram of cyanide increased significantly in the second quarter and for the year. An increase in cyanide costs is expected to prevail during 2012 regardless of the removal of supply chain issues, also diesel and energy costs in Mexico reflected increased costs through the year, thus affecting cash costs.

The average head grade for the fourth quarter of 2011 was 201 g/t. Consolidated recoveries for all mines combined for the fourth quarter was 54%. Even though recoveries at the La Parrilla and San Martin were good, the low recoveries at the La Encantada combined with the high volumes processed at La Encantada have a significant impact on reducing the overall average.

Efforts are continuing to increase the recoveries at La Encantada by increasing the mixture of fresh ore to tailings which requires additional milling capacity. An additional ball mill is in the process of being installed to increase fresh ore processing capacity to 1,500 tpd, and this ball mill is expected to be fully commissioned by the end of the first quarter of 2012. Under ideal conditions with the revised mix of fresh ore and tailings, this plant should be able to achieve 60% recovery rates, based on 78% recoveries for fresh ore and 50% recoveries for tailings.

Management is also testing a number of pilot metallurgical studies, which are expected to further improve recoveries. During the quarter, extensive metallurgical tests were undertaken by two independent labs in the United States and the Company's own lab at the La Encantada operation. The results of the metallurgical tests show the possibility to improve metallurgical recoveries. The Company constructed a 500 tpd pilot plant at La Encantada to test processing through an SO_2 (Sulphur Dioxide) circuit. Further testing and evaluation of the potential solutions is underway to assess the economic parameters and to define the best cost-benefit solution. A final decision is expected in the first half of 2012.

In order to try to compensate for the lower recoveries, the ore processed during the fourth quarter of 2011 was increased to 565,003 tonnes from the Company's combined operations amounting to a 21% increase in throughput compared to the fourth quarter of 2010 and an increase of 7% compared to the third quarter of 2011.

The underground development in all operations and projects has been increased significantly in the quarter with the objective of preparing the different areas within the mines for future production. A total of 11,978 metres of underground development were completed in the fourth quarter of 2011 compared to 10,129 metres completed in the third quarter of 2011 and 6,028 metres in the fourth quarter of 2010. Total development increased 67% year over year to 37,312 metres as the Company is expanding development at La Encantada and La Parrilla for increased production rates. At the San Martin mine, new veins are being explored and development is focused on bringing these new areas into production. At the Del Toro mine, the different ore bodies are being prepared for production in the fourth quarter of 2012 and for 2013.

Diamond drilling programs on a companywide basis during the fourth quarter of 2011 amounted to 19,916 metres in 127 holes consisting primarily of definition drilling and surface exploration drilling, representing a 226% increase from the 6,103 metres drilled in the fourth quarter of 2010. A total of 56,713 metres have been drilled during the year in 272 holes, an increase of 227% compared to 2010 exploration. A significant project is underway at Del Toro to define the ore bodies at the San Juan and Perseverancia mines to support production planning and to continue to extend the life of the Del Toro mine. Drilling has been focused on several objectives:

a) Definition drilling for Reserve development to assist in mining activities with the objective to plan for future production increases and new NI 43-101 report updates.

b) An infill-drilling program is underway at the Del Toro mine to upgrade Measured & Indicated Resources to Reserves in advance of mining activities anticipated to commence in the fourth quarter of 2012. At La Encantada, among other targets underground, the Milagros breccia was drilled at depth confirming also the continuity of the breccia.

c) Regional drilling to explore targets previously identified by geochemistry and / or geophysics:

- drilling from surface to explore the La Parrilla mine to determine if the San Marcos, Vacas, Quebradillas mines are joined at depth;
- geophysical anomalies at the La Encantada are being drilled from surface. The first of five anomalies, the El Plomo area is the now being drilled;
- at the San Martin mine, drilling is underway at the Esperanza, Huichola and Hedionda areas where drilling was previously suspended in 2008; and
- the Company has a total of 22 drill rigs currently operating throughout its projects, and expects to have 27 operating by the end of the first quarter of 2012.

During the quarter ended December 31, 2011, the Company expended $14.1 million on its mineral properties and a further $21.0 million on plant and equipment on a cash basis. This compares to $5.4 million invested in mineral properties and $6.9 million in plant and equipment in the fourth quarter of 2010. The increase in capital expenditures was primarily related to the mill expansion at the La Parrilla Silver Mine, and some underground development of Del Toro, and the land clearing and equipment purchased for the new Del Toro processing plant. The Company is also aggressively increasing its exploration and development programs to support additional mill expansions and to drive further resource upgrades.

First Majestic Silver Corp. In United States dollars, unless otherwise noted
Management's Discussion and Analysis (tabular amounts in thousands of dollars)

La Encantada Silver Mine, Coahuila, Mexico

Production Results for the Quarter and Year Ended December 31, 2011 and 2010

Quarter Ended		LA ENCANTADA	Year to Date	
2011	2010	RESULTS	2011	2010
369,310	319,908	Ore processed/tonnes milled (3)	1,384,040	1,074,538
214	214	Average silver grade (g/tonne)	210	234
42%	48%	Recovery (%)	47%	48%
1,076,096	1,049,811	Total silver ounces produced	4,366,636	3,854,979
-	-	Pre-commercial silver ounces produced (3)	-	261,193
1,076,096	1,049,811	Commercial silver ounces produced	4,366,636	3,593,786
1,070,717	1,044,367	Payable silver ounces produced (1)	4,344,803	3,552,758
25	21	Gold ounces produced	96	79
-	-	Pounds of lead produced	-	2,124,060
4,695	-	Tonnes of iron ore produced	9,907	-
1,092,189	1,050,911	Total production - ounces silver equivalent	4,399,485	3,980,230
$7.49	$7.71	Total cash cost per ounce (1)(3)	$7.57	$7.14
$7.16	$7.14	Total production cost per ounce (1)(2)	$7.15	$6.52
$20.79	$23.30	Total production cost per tonne (1)(2)	$22.44	$24.37
3,760	2,729	Underground development (m)	12,126	9,013
2,922	2,680	Diamond drilling (m)	11,837	7,257

(1) The Company reports non-GAAP measures which include production costs per tonne, production costs per ounce and total cash cost (including smelting and refining charges) per ounce of payable silver, in order to manage and evaluate operating performance at each of the Company's mines. These measures, established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning, and are non-GAAP measures. See Reconciliation to IFRS on page 16.

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

(3) The La Encantada mill expansion project achieved commercial production effective April 1, 2010. During the pre-commercial stage, the tables above included the production from the mill expansion, however, average silver grade, recovery, total cash cost per ounce, and total production cost per tonne were based on production excluding pre-commercial stage production of 124,508 tonnes of ore processed and 261,193 silver ounces during the quarter ended March 31, 2010.

The La Encantada Silver Mine is a producing underground mine located in northern Mexico 708 kilometres north east of Torreon, Coahuila and is accessible via a 1.5 hour flight from Torreon, Coahuila. The La Encantada Silver Mine consists of a 4,000 tpd cyanidation plant which achieved commercial production on April 1, 2010, a 1,000 tpd flotation plant (currently in care-and-maintenance), a village with 180 houses as well as administrative offices, laboratory, general store, hospital, schools, church, airstrip and all the infrastructure required for such an operation. The mine is comprised of 4,076 hectares of mining rights and surface land ownership of 1,343 hectares. The closest town, Muzquiz, is 225 km away via mostly paved road. The Company owns 100% of the La Encantada Silver Mine.

With adjustments made to the tailings screening intake systems, and to the tailings filter presses, the plant, initially inaugurated with a capacity of 3,500 tpd, has been able to consistently achieve over 4,000 tpd on average of processing throughput during the past year and was re-rated to 4,000 tpd. In recent quarters, an area within the mine Azul y Oro and Buenos Aires with high manganese levels has been exploited resulting in lower than budgeted recoveries. As a short term solution, in order to compensate for these lower recoveries, mill throughput was increased to an average of 4,345 tpd in the fourth quarter while the average for the year was 4,083 tpd. As a longer term solution, metallurgical tests have been underway in order to the test the leaching of manganese, with positive results. The Company retained Hazen Research, Inc. to construct a laboratory pilot plant in order to test and re-confirm internal lab tests. The Company is also working simultaneously on testing a 500 tpd pilot plant on site at La Encantada to test the results obtained at the laboratories. The Company is evaluating the economic feasibility of incorporating the process into the cyanidation plant. The Company is also testing alternative methods of solving the metallurgical issues related to manganese in the ore such as with acid leaching.

A total of 1,092,189 equivalent ounces of silver were produced by the La Encantada plant during the fourth quarter of 2011, which was an increase of 6% compared with the 1,029,336 equivalent ounces of silver produced in the third quarter of 2011, and an increase of 4% compared to the 1,050,911 equivalent ounces of silver produced in the fourth quarter of 2010. Silver equivalent production in the fourth quarter of 2011 consisted of 1,076,096 ounces of silver, which was an increase of 5% compared to the 1,020,467 ounces produced in the third quarter of 2011, and an increase of 3% compared to the 1,049,811 ounces produced in the fourth quarter of 2010. Also, 25 ounces of gold and 4,695 tonnes of iron ore were produced in the fourth quarter of 2011.

There were 369,310 tonnes of ore processed in the fourth quarter of 2011 compared to 366,308 tonnes in the third quarter of 2011, an increase of 1% and an increase of 15% compared to the 319,908 tonnes processed in the fourth quarter of 2010. The average head grade was 214 g/t in the fourth quarter of 2011, representing an increase of 10% when compared to 195 g/t in the third quarter of 2011 and was consistent compared to the fourth quarter of 2010. Silver recovery in the fourth quarter of 2011 was 42%, a decrease from the 44% in the third quarter of 2011 and the 48% in the fourth quarter of 2010.

Underground mine development has been increased consistently throughout 2011. In order for blending of higher grade ore in the future with less manganese, a total of 3,760 metres were completed in the fourth quarter of 2011 compared to 2,808 metres of development completed in the third quarter of 2011, representing an increase of 34%. The current development program is focused on improving haulage and logistics for ore and waste that is transported by trucks from several production areas within the mine, including the San Javier/Milagros Breccias, Azul y Oro, the new Buenos Aires area and a newly developed area between the 660 level and the Ojuelas ore bodies. During 2011, the San Francisco vein was accessed and brought into production prior to year end. This area is known for higher silver grades and lower manganese content. In addition, the Milagros Breccia pipe is being developed at the 600 level in order for it to be brought into production in the second quarter of 2012. The purpose of the ongoing underground development program is to prepare for increased production levels and to confirm additional Reserves and Resources.

A total of three diamond drill rigs are operating at La Encantada, with one rig operating underground defining Reserves while two rigs are drilling from surface exploring the regional geophysical anomalies previously discovered. A total of 2,922 metres of diamond drilling was completed in the fourth quarter of 2011 compared to 4,381 metres in the third quarter of 2011.

The preparation of new areas continued during the fourth quarter. These new areas will contribute to increased production from fresh ore to 1,500 tpd during the first quarter of 2012, compared to the 1,150 tpd of fresh ore currently being processed, with a daily total average of tailings and fresh ore of 4,345 tpd. The third ball mill is currently being installed and is expected to be operating by the end of the first quarter of 2012 to increase fresh ore throughput and to have a positive impact on the blended head grades and silver recoveries.

During the first half of 2011, the automatic feed of reagents was completed at the new plant, achieving a more efficient use of reagents and an additional new power generator was added to the generation plant to replace the last old and inefficient generator which is expected to result in future savings on diesel, spare parts, repairs and maintenance, and to provide a more continuous operation of the plant and supporting infrastructure. A complete upgrade of the haulage level was completed and the two production shafts, including the hoists, received a complete repair and upgrade.

First Majestic Silver Corp. In United States dollars, unless otherwise noted
Management's Discussion and Analysis (tabular amounts in thousands of dollars)

La Parrilla Silver Mine, Durango, Mexico

Production Results for the Quarter and Year Ended December 31, 2011 and 2010

Quarter Ended		LA PARRILLA	Year to Date	
2011	2010	RESULTS	2011	2010
121,109	78,537	Ore processed/tonnes milled (3)	362,947	303,869
203	205	Average silver grade (g/tonne)	200	209
80%	77%	Recovery (%)	77%	76%
628,836	395,161	Total silver ounces produced	1,793,728	1,548,832
-	-	Pre-commercial silver ounces produced (3)	34,316	-
628,836	395,161	Commercial silver ounces produced	1,759,412	1,548,832
603,878	383,382	Payable silver ounces produced (1)	1,699,090	1,500,255
79	102	Gold ounces produced	344	413
3,416,908	1,119,523	Pounds of lead produced	7,888,943	4,280,167
152,664	134,771	Pounds of zinc produced	178,767	363,288
738,919	448,592	Total production - ounces silver equivalent	2,057,172	1,813,788
$8.22	$7.06	Total cash cost per ounce (1)(3)	$8.72	$7.38
$8.24	$7.80	Total production cost per ounce (1)(2)	$8.92	$7.80
$41.03	$38.07	Total production cost per tonne (1)(2)	$42.48	$38.53
3,793	1,935	Underground development (m)	13,242	7,545
4,648	1,498	Diamond drilling (m)	14,447	1,581

(1) The Company reports non-GAAP measures which include production costs per tonne, production costs per ounce and total cash cost (including smelting and refining charges) per ounce of payable silver, in order to manage and evaluate operating performance at each of the Company's mines. These measures, established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning, and are non-GAAP measures. See Reconciliation to IFRS on page 16.

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

(3) The flotation circuit for the La Parrilla mill expansion project achieved a commercial stage of production effective October 1, 2011. During the quarter ended September 30, 2011, the net margin of $1.1 million (Net Revenue of $1.4 million less Costs of Sales of $0.3 million) in connection with the sale of concentrates containing 34,316 ounces of silver during the pre-operating period was recorded as a reduction of construction in progress. The tables above include the production from the flotation circuit expansion, however average silver grade, recovery, total cash costs per ounce, production cost per ounce and total production cost per tonne are based on production excluding pre-commercial stage production of 5,952 tonnes of ore processed and 34,316 silver ounces during the quarter ended September 30, 2011.

The La Parrilla Silver Mine, located approximately 65 kilometres southeast of the city of Durango, 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 and the Quebradillas mines which are connected via above-ground gravel road ways. La Parrilla includes a 2,000 tpd processing plant consisting of new 1,000 tpd cyanidation and 1,000 tpd flotation circuits, buildings, offices and associated infrastructure. Construction is currently in progress, approximately 90% complete on the new cyanidation circuit, with the plant currently operating at 1,800 tpd. Commissioning of the new cyanidation circuit is anticipated during the first quarter of 2012.

In September 2010, the Company acquired an additional 16,630 hectares of land through staking, and 15 hectares of surface rights. The total mining concessions now cover a contiguous area of 69,460 hectares. 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.

Total production at the La Parrilla Silver Mine was 738,919 equivalent ounces of silver in the fourth quarter of 2011, which was an increase of 45% compared to the third quarter of 2011, and an increase of 65% compared to the fourth quarter of 2010. The composition of the silver equivalent production in the fourth quarter of 2011 consisted of 628,836 ounces of silver, 79 ounces of gold, 3,416,908 pounds of lead and 152,664 pounds of zinc. This compares with a composition of 449,771 ounces of silver, 103 ounces of gold and 1,891,991 pounds of lead produced in the third quarter of 2011, and 395,161 ounces of silver, 102 ounces of gold, 1,119,523 pounds of lead and 134,771 pounds of zinc in the fourth quarter of 2010.

In the fourth quarter of 2011, a total of 121,109 tonnes of ore were processed at La Parrilla, representing an increase of 35% when compared with the 89,972 tonnes processed in the third quarter of 2011, and an increase of 54% when compared with the 78,537 tonnes processed in the fourth quarter of 2010. During the quarter, 33,668 tonnes of oxide ore were extracted from the open pit area at the Quebradillas mine compared to 33,945 tonnes of oxide ore in the third quarter of 2011. For 2011, a total of 125,678 tonnes was extracted from the open pit which had an average grade of 183 g/t Ag. Recovery levels of silver in the fourth quarter were 80% compared to 77% in the third quarter of 2011. Lead and zinc concentrates are now grading at approximately 40% and 44% of lead and zinc respectively. Silver recoveries for flotation were 85% in the fourth quarter, and 84% for the year. Silver recoveries for cyanidation were 66% in the fourth quarter, and 66% for the year.

A total of 3,793 metres of underground development was completed in the fourth quarter of 2011, compared to 4,015 metres in the third quarter of 2011. A total of 13,242 metres of underground development was completed in 2011 compared to 7,545 metres in 2010, an increase of 76%.

In September 2011, the Company issued a new NI 43-101 Technical Report which indicated that the Company's exploration and development efforts have resulted in upgrading a significant portion of the Measured and Indicated Resources to Proven and Probable Reserves, resulting in the life of mine ("LOM") being extended from two years to fourteen years.

A total of 4,648 metres of diamond drilling was completed in the fourth quarter of 2011 compared to 4,642 metres of diamond drilling in the third quarter of 2011 and 1,498 metres in the fourth quarter of 2010. Currently, there are five diamond drill rigs operating at La Parrilla, three are on surface and two are underground. More than 25,000 metres of drilling are planned for 2012 representing the continuation of an aggressive investment in exploration at La Parrilla. The focus during this expanded exploration program will be the Rosarios, Quebradillas, Vacas, San Marcos, and La Blanca mines and the Cerro Santiago, Viboras, San Nicolas, Sacramento areas plus the first ever regional exploration program undertaken on this very large 69,440 hectare property. An aggressive regional mapping program is currently underway using two teams of geologists in order to define a broad regional exploration program covering the entire property. In the year 2012, it will mark the first time that the regional geological anomalies will be drilled. Results from this exploration program are expected to be released late in 2012 in an updated NI 43-101 Technical Report.

The total capital budget for the expansion, including expanded underground development is expected to be $40.5 million, $30.6 million of which was expended by the 2011 year end and a further $9.9 million of capital expenditures have been committed. Incremental production, revenues and operating costs associated with the new flotation circuit were capitalized in the quarter ended September 30, 2011. Effective October 1, 2011, the commissioning of the flotation circuit was completed and all revenues and costs are now recorded in operations rather than being capitalized as pre-production. Management estimates that incremental production of 91,176 silver equivalent ounces from the new cyanidation circuit during the pre-commercial period will be capitalized in the quarter ended March 31, 2012.

In United States dollars, unless otherwise noted
(tabular amounts in thousands of dollars)

San Martin Silver Mine, Jalisco, Mexico

Production Results for the Quarter and Year Ended December 31, 2011 and 2010

Quarter Ended		SAN MARTIN	Year to Date	
2011	2010	RESULTS	2011	2010
74,584	68,730	Ore processed/tonnes milled	286,758	264,449
135	175	Average silver grade (g/tonne)	147	168
78%	81%	Recovery (%)	78%	79%
252,725	312,360	Total silver ounces produced	1,055,745	1,125,514
251,460	310,799	Payable silver ounces produced (1)	1,050,466	1,119,887
336	313	Gold ounces produced	1,097	1,665
270,420	328,484	Total production - ounces silver equivalent	1,105,837	1,230,037
$9.71	$8.87	Total cash cost per ounce (1)	$10.22	$8.98
$11.45	$9.52	Total production cost per ounce (1)(2)	$11.01	$10.02
$38.64	$43.05	Total production cost per tonne (1)(2)	$40.34	$42.45
2,426	1,364	Underground development (m)	7,831	5,840
6,885	1,925	Diamond drilling (m)	19,569	8,483

(1) The Company reports non-GAAP measures which include production costs per tonne, production cost per ounce and total cash cost (including smelting and refining charges) per ounce of payable silver, in order to manage and evaluate operating performance at each of the Company's mines. These measures, established by the Silver Institute (Production Cost Standards, June 2011), are widely used in the silver mining industry as a benchmark for performance, but do not have a standardized meaning, and are non-GAAP measures. See Reconciliation to IFRS on page 16.

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

The San Martin Silver Mine is a producing underground mine located adjacent to the town of San Martin de Bolaños, in northern Jalisco State, Mexico, 290 km north east of Guadalajara, Mexico, and is owned 100% by the Company. The mine comprises approximately 7,841 hectares of mineral rights, 1,300 hectares of surface rights surrounding the mine, and another 104 hectares of surface rights where the 950 tpd cyanidation plant and 500 tpd flotation plant (currently in care and maintenance), mine buildings, offices and related infrastructure. During 2011, several improvements were made including the installation of a new ball mill, replacing an older and smaller mill, the replacement of the filter presses in the Merrill-Crowe circuit, and the addition of two new induction furnaces. Total mill capacity has increased from 900 tpd to 950 tpd providing for increased silver production and lower costs. Further improvements are budgeted for 2012 including new leaching tanks and new thickeners. These mill improvements are expected to have a positive impact on overall production, quality of doré and total costs. The processing plant has historically produced 100% of its production in the form of silver doré with some gold by-product. In early 2008, a 500 tpd flotation circuit was assembled to take advantage of the large sulphide resources at this mine. However, due to low base metal prices and high costs of smelting concentrates, the circuit was placed into care and maintenance pending further capital investment and improved sulphide mineral economics.

Total production of 270,420 ounces of silver equivalent in the fourth quarter of 2011 was 8% higher than the 251,133 equivalent ounces of silver produced in the third quarter of 2011 and 18% lower than the 328,484 equivalent ounces of silver produced in the fourth quarter of 2010. The equivalent ounces of silver in the fourth quarter of 2011 consisted of 252,725 ounces of silver and 336 ounces of gold. This compares with 238,627 ounces of silver and 285 ounces of gold produced in the third quarter of 2011 and 312,360 ounces of silver and 313 ounces of gold in the fourth quarter of 2010. Silver recovery levels in the fourth quarter of 2011 increased to 78%, compared to 74% in the third quarter of 2011, but decreased from 81% in the fourth quarter of 2010.

In the fourth quarter of 2011, 74,584 tonnes were processed at the San Martin Silver Mine, representing an increase of 1% when compared to the 73,879 tonnes milled in the third quarter of 2011 and an increase of 9% compared to the 68,730 tonnes milled in the fourth quarter of 2010. The average head grade was 135 g/t in the fourth quarter of 2011, compared to the 136 g/t in the third quarter of 2011 and 175 g/t in the fourth quarter of 2010.

During the fourth quarter of 2011, a total of 2,426 metres of underground development was completed compared to 1,964 metres in the third quarter of 2011. In addition, 6,885 metres of diamond drilling was completed in the fourth quarter of 2011 compared to 6,542 metres in the third quarter of 2011.

The underground drilling program is continuing and is confirming the presence of structures similar to the San Pedro area which are continually providing additional oxide feed. A total of 122 holes for 7,831 metres were drilled underground during the year. The Company has five drill rigs currently operating at San Martin both from surface and underground. During the quarter, a total of 42 holes including 6,885 metres were drilled from surface which indicated evidence of economic ore in the Rosarios and La Huichola veins which will continue in 2012. Five drill rigs are currently operating at the mine consisting of three drills on the surface and two drills underground.

The 2009 surface exploration program defined the new La Esperanza vein which runs parallel to the Zuloaga vein and has high anomalous samples from 100 to 250 g/t of silver on surface. The development program launched in early 2011 into the La Esperanza vein resulted in the construction of a 14 km road and a 500 metre ramp including development along the vein. Currently, 100 tonnes of ore is being extracted per day from this area in order to improve the overall head grades at the mill. In addition, approximately 150 tonnes of ore per day is being sent to the mill from the Huichola area which was discovered in 2008, however was not developed until 2011. For 2012, the focus will remain to develop additional ounces within the Zuloaga, La Esperanza and Huichola/Rosarios vein systems. A new NI 43-101 Technical Report is expected to be released prior to the 2012 year end.

During the third quarter, a review on the collective bargaining agreement between the union and the Company was completed and a new collective agreement was reached based on performance bonuses for productivity improvements. The new agreement is expected to bring benefits for both the union members and the Company by improving safety, productivity and by reducing costs.

DEVELOPMENT AND EXPLORATION PROJECTS

Del Toro Silver Mine, Zacatecas, Mexico

The Del Toro Silver Mine is located 60 km to the southeast of the Company's La Parrilla Silver Mine and consists of 405 contiguous hectares of mining claims plus an additional 129 hectares of surface rights covering the area surrounding the San Juan mine where construction of a 4,000 tpd flotation / cyanidation plant is currently underway. The Del Toro operation represents the consolidation of three historical silver mines, the Perseverancia, San Juan and Dolores mines, which are approximately one and three kilometres apart, respectively. Dolores was acquired in the third quarter of 2011 for U$1.5 million. The previous owner of this high grade producing mine has been shipping a small amount of ore to First Majestic's La Parrilla mill for the past two years.

Del Toro is presently an operating division of the Company's First Majestic Plata, S.A. de C.V. subsidiary, although plans are underway to transfer Del Toro into a newly formed subsidiary of the Company to better isolate its operating results from the La Parrilla mine as the plant begins production in late 2012. First Majestic owns 100% of the Del Toro Silver Mine.

All necessary permits for the construction of a 1,000 tpd flotation mill were granted by the Mexican authorities in the fourth quarter of 2009 and the first quarter of 2010. Land clearing began in April 2011 and foundation construction for this new processing facility began in December 2011. Re-permitting for a 4,000 tpd dual processing operation is currently underway in conjunction with a Preliminary Economic Assessment which is expected to be released during the first half of 2012. The current plans involve scaling up the plant capacity over a three year period commencing at 1,000 tpd in the fourth quarter of 2012, expanding to 2,000 tpd by the fourth quarter of 2013 and finally reaching 4,000 tpd by the middle of 2014.

At a ceremony celebrated in December 2011, the first stone of the new plant was placed by the Governor of Zacatecas and the first stage of the construction of the new processing plant was officially launched.
During the year several exploration initiatives were underway. The primary effort was focused on infill drilling to upgrade the previously defined Measured and Indicated Resources to Probable Reserves and to discover additional Resources in the known ore bodies as well as explore regionally. Two crosscuts at San Juan were constructed underground during the year. One crosscut was constructed at the seventh level (176 metres from surface) where

two drill rigs were installed and where ten holes were drilled at depth. The second crosscut was constructed 60 metres deeper where one drill rig was installed and drilled seven holes. Surface drilling was also underway throughout the year. The surface program was designed to discover extensions to known areas of mineralization and for testing anomalies identified by geophysics as well as testing the new Dolores area.

During the year, 27 holes were completed for a total of 10,860 metres. Of those 27 holes, 17 holes were drilled underground for a total of 6,414 metres, and ten holes were drilled on surface for a total of 4,446 metres.

In order to prepare Del Toro for production, an extensive development program was launched in late 2010 consisting of constructing an access ramp into ore bodies 1, 2 and 3 at San Juan, the construction of an access ramp into the Perseverancia chimney and an access ramp in Dolores. These access ramps have also allowed for the construction of crosscuts for drilling to further define additional Resources and to allow for a newly updated NI 43-101 compliant Resources / Reserves estimate to be prepared.

To date, the main ramp into San Juan mine is now 1,994 metres in length and 260 metres in vertical depth from the surface. This main ramp will be used for ore haulage during the first production stage, prior to the shaft being completed in 2013, and will act as an access to the three main ore bodies which will be developed during 2012. To date, access has been accomplished to ore body 1 and ore body 2 at San Juan.

At the Perseverancia mine, development of the access ramp was re-initiated in 2011 and to date has reached 422 metres in length, to gain access to the chimneys. While developing this ramp, a new vein was discovered which was named the "San Nicolas vein". This vein has been correlated to old mine workings 1,000 metres to the north-east from the Perseverancia mine. The discovery of the San Nicolas vein has opened a new development area and to date 155 metres of development has been completed in two different levels, 50 metres apart. A drill rig was assigned to this area and is currently drilling with the intent of defining the possible connection of the San Juan and Perseverancia ore bodies. Two holes have been completed and the results appear very favourable, pending results from the final assays.

At the Dolores mine, over 525 metres have been developed to date in the mine in different workings including a ramp that is providing access to the main Dolores vein in two levels.

Total development in the fourth quarter amounted to 1,999 metres while underground development completed during 2011 totaled 4,113 metres. This development program will continue over the next twelve months to support planned production levels while construction of the new processing plant is underway.

Construction of the new milling facility is well underway and currently on schedule. Construction of a sewage water treatment plant for the town of Chalchihuites has also commenced. This facility is expected to be completed by mid-2012 and will supply water to the mill while cleaning up the environment in the region. Also, after receiving approvals from the local Ejido, the Company constructed and completed a three kilometre long road to allow for heavy equipment and vehicles to access the mine site while bypassing the town of Chalchihuites. Approximately 90% of the required equipment for the flotation circuit and 50% of the equipment for the cyanidation circuit has been ordered. Also, the new power line from the town of Vicente Guerrero and Chalchihuites is in the permitting process.

In March 2011, the Company prepared an initial capital expenditure estimate relating to the exploration, development and construction of the Del Toro Silver Mine. The initial capital costs estimate is pending changes upon completion of the NI 43-101 Technical Report / Preliminary Economic Assessment, including final metallurgical testing and final plant designs which will support the Company's investment decisions. A bulk metallurgical test of 5,000 tonnes of ore was conducted at the La Parrilla mill in October 2011 to reconfirm metallurgical parameters.

As at December 31, 2011, $14.9 million had been spent and for 2012 the Company has plans to invest a further $123.8 million in construction, equipment and underground development.

La Luz Silver Project, San Luis Potosi, Mexico

The La Luz Silver Project, is located 25 km west of the town of Matehuala in San Luis Potosi State, Mexico, near the village of Real de Catorce and was acquired in November 2009, through the acquisition of Normabec Mining Resources Ltd. ("Normabec"). As a result of the acquisition of Normabec, and its wholly owned subsidiary Minera Real Bonanza, S.A. de C.V., the Company owns 100% of the La Luz Silver Project and all of the associated mining claims of what was historically known as the Santa Ana mine and consists of 35 mining concessions covering 5,738 hectares, with estimated historical production of 230 million ounces between 1773 and 1990. After the acquisition of Normabec, the Company transferred Mineral Real Bonanza into the consolidated group in Mexico under the Company's wholly owned subsidiary, Corporación First Majestic, SA de CV, and proceeded to wind up Normabec in December 2011.

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

To date, the Baseline Study and the Geo-hydrologic Study have been completed. The Environmental Impact Statement, the Risk Study and the Change of Use of Land Studies are expected to be presented to government authorities in the first or second quarter of 2012. A metallurgical test is underway to define the final flow sheet diagram for a flotation plant which is required for final permitting. Contrary to independent reports regarding the La Luz mine, the Company has no plans to do any mining above ground, no plans for open pit mining, and has no plans for the use of cyanide in any of its processing activities on or around the La Luz project.

The permit for the restoration of the old historic buildings at the Santa Ana Hacienda has been received and the construction of the previously announced Thematic and Cultural Park which will include a mining museum has begun. In addition, cleaning of the impressive underground workings is underway to rehabilitate this historic mine for public access. This new cultural facility and mining museum will form a "Sustainable Development Project" which will provide permanent long term jobs to the local communities.

Jalisco Group of Properties, Jalisco, Mexico

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

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

NON-GAAP MEASURES

TOTAL CASH COST PER OUNCE FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2011 AND 2010

"Total cash cost per ounce" is a measure developed by precious metals companies in an effort to provide a comparable standard; however, there can be no assurance that our reporting of this non-GAAP measure is similar to that reported by other mining companies. Cash costs per ounce is a measure used by the Company to manage and evaluate operating performance at each of the Company's operating mining units, and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning 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 audited consolidated financial statements.

(expressed in thousands of U.S. dollars,	Three Months Ended December 31, 2011				Three Months Ended December 31, 2010			
except ounce and per ounce amounts)	San Martin	La Parrilla	La Encantada	Total	San Martin	La Parrilla	La Encantada	Total
Cost of sales (as reported)				**$ 16,383**				**$ 12,977**
Add (Deduct): Cost of sales for Vancouver, Europe and intercompany elimination				(2,180)				(380)
Cost of sales (mine)	**$ 2,766**	**$ 5,106**	**$ 6,331**	**$ 14,203**	**$ 3,549**	**$ 2,964**	**$ 6,084**	**$ 12,599**
Add: Third party smelting and refining	142	2,217	410	2,769	118	1,050	344	1,512
Deduct: By-product credits	(688)	(2,514)	(414)	(3,616)	(446)	(1,506)	(40)	(1,992)
Deduct: Royalties	-	(154)	-	(154)	-	(24)	-	(24)
Deduct: Employee benefits	604	-	1,468	2,072	(244)	-	244	(1)
Inventory changes	(112)	352	330	570	(219)	222	1,339	1,341
Other non-cash costs	(269)	(45)	(103)	(417)	-	-	82	82
Total cash cost (A)	**$ 2,443**	**$ 4,962**	**$ 8,022**	**$ 15,427**	**$ 2,758**	**$ 2,706**	**$ 8,053**	**$ 13,517**
Tonnes produced	**74,584**	**121,109**	**369,310**	**565,003**	**68,730**	**78,537**	**319,908**	**467,175**
Total ounces of silver produced	252,725	628,836	1,076,096	1,957,657	312,360	395,161	1,049,811	1,757,332
Deduct: Metal deduction ounces	1,265	24,958	5,379	31,602	1,561	11,779	5,444	18,784
Payable ounces of silver produced (B)	**251,460**	**603,878**	**1,070,717**	**1,926,055**	**310,799**	**383,382**	**1,044,367**	**1,738,548**
Mining cost per ounce	$ 3.84	$ 3.15	$ 1.33	$ 2.23	$ 3.37	$ 2.72	$ 1.14	$ 1.89
Milling cost per ounce	5.35	3.59	4.99	4.60	4.06	3.66	5.16	4.64
Indirect cost per ounce	2.26	1.50	0.84	1.23	2.09	1.42	0.84	1.19
Total production cost per ounce	**$ 11.45**	**$ 8.24**	**$ 7.16**	**$ 8.06**	**$ 9.52**	**$ 7.80**	**$ 7.14**	**$ 7.72**
Transport and other selling costs cost per ounce	0.43	0.48	0.33	0.39	0.41	0.45	0.28	0.34
Smelting and refining costs cost per ounce	0.56	3.67	0.38	1.44	0.38	2.74	0.33	0.87
By-product credits cost per ounce	(2.73)	(4.17)	(0.38)	(1.88)	(1.44)	(3.93)	(0.04)	(1.15)
Total cash cost per ounce (A/B)	**$ 9.71**	**$ 8.22**	**$ 7.49**	**$ 8.01**	**$ 8.87**	**$ 7.06**	**$ 7.71**	**$ 7.78**
Mining cost per tonne	$ 12.96	$ 15.69	$ 3.85	$ 7.59	$ 15.24	$ 13.30	$ 3.71	$ 7.02
Milling cost per tonne	18.04	17.88	14.48	15.68	18.37	17.87	16.84	17.24
Indirect cost per tonne	7.64	7.46	2.45	4.21	9.44	6.90	2.75	4.44
Total production cost per tonne	**$ 38.64**	**$ 41.03**	**$ 20.79**	**$ 27.48**	**$ 43.05**	**$ 38.07**	**$ 23.30**	**$ 28.70**

(expressed in thousands of U.S. dollars,	Year Ended December 31, 2011				Year Ended December 31, 2010			
except ounce and per ounce amounts)	San Martin	La Parrilla	La Encantada	Total	San Martin	La Parrilla	La Encantada	Total
Cost of sales (as reported)				**$ 66,787**				**$ 48,125**
Add (Deduct): Cost of sales for Vancouver, Europe and intercompany elimination				(2,008)				(639)
Cost of sales (mine)	**$ 12,641**	**$ 16,021**	**$ 36,117**	**$ 64,779**	**$ 12,252**	**$ 12,149**	**$ 23,085**	**$ 47,486**
Add: Third party smelting and refining	427	6,425	1,659	8,511	429	4,284	3,123	7,836
Deduct: By-product credits	(1,686)	(7,522)	(1,046)	(10,254)	(2,073)	(5,479)	(1,873)	(9,425)
Deduct: Royalties	-	(433)	-	(433)	-	(95)	-	(95)
Deduct: Employee benefits	(383)	(13)	(4,819)	(5,215)	(500)	-	(1,301)	(1,801)
Inventory changes	107	456	1,245	1,808	(48)	211	2,270	2,433
Other non-cash costs	(364)	(108)	(282)	(754)	-	-	75	75
Total cash cost (A)	**$ 10,742**	**$ 14,826**	**$ 32,874**	**$ 58,442**	**$ 10,060**	**$ 11,070**	**$ 25,379**	**$ 46,509**
Tonnes produced	**286,758**	**356,996**	**1,384,040**	**2,027,794**	**264,449**	**303,869**	**950,030**	**1,518,348**
Total ounces of silver produced	1,055,745	1,759,412	4,366,636	7,181,793	1,125,514	1,548,832	3,593,786	6,268,132
Deduct: Metal deduction ounces	5,279	60,322	21,833	87,434	5,627	48,577	41,028	95,232
Payable ounces of silver produced (B)	**1,050,466**	**1,699,090**	**4,344,803**	**7,094,359**	**1,119,887**	**1,500,255**	**3,552,758**	**6,172,900**
Mining cost per ounce	$ 4.01	$ 3.28	$ 1.24	$ 2.14	$ 3.94	$ 3.13	$ 1.38	$ 2.27
Milling cost per ounce	4.79	3.96	5.04	4.74	3.98	3.40	4.29	4.02
Indirect cost per ounce	2.21	1.68	0.87	1.26	2.10	1.27	0.85	1.17
Total production cost per ounce	**$ 11.01**	**$ 8.92**	**$ 7.15**	**$ 8.14**	**$ 10.02**	**$ 7.80**	**$ 6.52**	**$ 7.46**
Transport and other selling costs cost per ounce	0.41	0.45	0.28	0.34	0.43	0.37	0.27	0.33
Smelting and refining costs cost per ounce	0.41	3.78	0.38	1.20	0.38	2.86	0.88	1.27
By-product credits cost per ounce	(1.61)	(4.43)	(0.24)	(1.44)	(1.85)	(3.65)	(0.53)	(1.53)
Total cash cost per ounce (A/B)	**$ 10.22**	**$ 8.72**	**$ 7.57**	**$ 8.24**	**$ 8.98**	**$ 7.38**	**$ 7.14**	**$ 7.53**
Mining cost per tonne	$ 14.70	$ 15.61	$ 3.90	$ 7.49	$ 16.69	$ 15.48	$ 5.16	$ 9.23
Milling cost per tonne	17.54	18.83	15.83	16.60	16.87	16.77	16.04	16.33
Indirect cost per tonne	8.10	8.04	2.71	4.41	8.89	6.28	3.17	4.79
Total production cost per tonne	**$ 40.34**	**$ 42.48**	**$ 22.44**	**$ 28.50**	**$ 42.45**	**$ 38.53**	**$ 24.37**	**$ 30.35**

Note - The table above does not include 261,957 silver equivalent ounces of pre-commercial production from the La Encantada mill expansion project during the quarter ended March 31, 2010, which were produced at a cost of $2,348,346 and does not include 40,592 silver equivalent ounces of pre-commercial production from the La Parrilla flotation mill expansion project during the quarter ended September 30, 2011, which were produced at a cost of $263,000.

AVERAGE REALIZED PRICE PER OUNCE OF SILVER SOLD FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2011 AND 2010

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 shipped payable ounces of silver to calculate the average realized price per ounce of silver sold.

Revenue Analysis (expressed in thousands of dollars, except ounce and per ounce amounts)	Quarter Ended December 31, 2011(1)	2010	Year to Date December 31, 2011	2010(2)
Net Revenues as reported	**$ 60,801**	**$ 40,092**	**$ 245,514**	**$ 117,908**
Add back: Smelting and Refining Charges	2,788	1,460	7,719	7,528
Gross Revenues	**63,589**	**41,552**	**253,233**	**125,436**
Payable equivalent silver ounces sold	2,005,970	1,670,265	7,158,148	6,212,430
Average consolidated gross revenue per payable equivalent silver ounces sold	**$ 31.70**	**$ 24.88**	**$ 35.38**	**$ 20.19**
Average market price per ounce of silver per COMEX	$ 31.84	$ 26.46	$ 35.20	$ 20.18

(1) At September 30, 2011, the La Parrilla mill expansion project had not achieved a commercial stage of production, therefore, sales receipts in the quarter ended September 30, 2011 of $1,401,000 in connection with the sale of 34,316 silver equivalent ounces of concentrates during the pre-operating period were recorded as a reduction of capital in the construction in progress account and were excluded from the above revenue analysis.

(2) At March 31, 2010, the La Encantada mill expansion project had not achieved a commercial stage of production, therefore, sales receipts in the quarter ended March 31, 2010 of $4,646,000 in connection with the sale of 262,403 silver equivalent ounces of precipitates during the pre-operating period were not recorded as sales revenues but instead were recorded as a reduction of capital in the construction in progress account. As at March 31, 2010, total cash receipts of $5,576,000 in connection with the sale of 316,680 silver equivalent ounces of precipitates during the pre-operating period were excluded from the above revenue analysis.

CASH FLOW PER SHARE FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2011 AND 2010

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

ADDITIONAL GAAP MEASURES

The Company uses additional GAAP measures which should be evaluated in conjunction with IFRS measures. It is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The following additional GAAP measures are used:

- *Gross margin* represents the difference between revenues and cost of sales, excluding depletion, depreciation and amortization. Management believes that this presentation provides useful information to investors to evaluate the Company's operating performance on a cash basis in order to assess the Company's ability to generate operating cash flow.
- *Mine operating earnings* represents the difference between gross margin and depletion, depreciation and amortization. Management believes that mine operating earnings provides useful information to investors because mine operating earnings excludes expenses not directly associated with commercial production.
- *Operating cash flows before movements in working capital, finance costs and income taxes* represents cash flows generated from operations before changes in non-cash working capital, finance costs and income taxes paid. Management believes that this measure allows investors to evaluate the Company's pre-tax cash flows generated from operations adjusted for fluctuations in non-cash working capital items due to timing issues and the Company's ability to service its debt, if any.

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

REVIEW OF FINANCIAL RESULTS

For the year ended December 31, 2011 compared to the year ended December 31, 2010 (in $000's, except for share amounts):

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	
Revenues	$ **245,514**	$ **117,908**	(1)
Cost of sales	66,787	48,125	(2)
Gross margin	**178,727**	**69,783**	
Depletion, depreciation and amortization	15,440	10,109	(3)
Mine operating earnings	**163,287**	**59,674**	(4)
General and administrative	15,969	10,449	(5)
Share-based payments	5,948	4,455	(6)
Accretion of decommissioning liabilities	435	365	
Foreign exchange loss	622	2,797	(7)
Other expenses	483	1,065	(8)
Operating earnings	**139,830**	**40,543**	(9)
Investment and other income (loss)	(1,030)	2,934	(10)
Finance costs	(1,263)	(727)	
Earnings before income taxes	**137,537**	**42,750**	
Current income tax expense	10,920	434	
Deferred income tax expense	23,043	7,185	
Income taxes expense	33,963	7,619	(11)
Net earnings for the year attributable to equity holders of the Company	$ **103,574**	$ **35,131**	(12)
Earnings per share (basic)	$ **1.00**	$ **0.38**	(12)
Earnings per share (diluted)	$ **0.96**	$ **0.36**	

1. Revenues (after smelting and refining charges) for the year ended December 31, 2011 increased by $127,606,000 or 108% to $245,514,000 from $117,908,000 in the year ended December 31, 2010. The increase in revenues was primarily attributed to an increase in average realized silver price from $20.19 per ounce in the year ended December 31, 2010 to $35.38 per ounce in the year ended December 31, 2011 and an 8% increase in silver equivalent ounces produced. Revenues for the year ended December 31, 2011 do not include 64,266 silver equivalent ounces of lead concentrates, or $1.4 million of revenues, at La Parrilla that were delayed for shipment at year end due to year end logistical challenges with our purchaser of the concentrates.

2. Cost of sales increased by $18,662,000 or 39%, to $66,787,000 in the year ended December 31, 2011 from $48,125,000 in the same period of 2010. This increase in cost of sales was primarily related to 8% increase in production and higher production costs as the Company tried to compensate for lower recoveries by increasing tonnes milled by 24% when compared to the prior year.

3. Depletion, depreciation and amortization increased by $5,331,000 or 53% to $15,440,000 for the year ended December 31, 2011, primarily due to higher depletion expense attributed to a 24% increase in tonnage of ore milled. Depreciation expense also increased in the fourth quarter of 2011 upon successful commissioning of the La Parrilla flotation circuit. Furthermore, depreciation for the La Encantada cyanidation plant did not commence until the plant achieved commercial production in April 2010, therefore only nine months of depreciation was recognized for the year ended December 31, 2010 as compared to the annual depreciation in 2011.

4. Mine operating earnings increased by $103,613,000 or 174% to $163,287,000 for the year ended December 31, 2011, compared to $59,674,000 for the same period in the prior year. This is primarily due to the $127,606,000 increase in revenues, and is offset by the higher cost of sales and depletion, depreciation

and amortization expenses. Also, during the year the net margin of $1.1 million (Net Revenue of $1.4 million less Costs of Sales of $0.3 million) in connection with the pre-production sale of concentrates from the new La Parrilla flotation circuit was recorded as a reduction of capital costs of the new plant rather than as mine operating earnings.

5. General and administrative expenses for the year ended December 31, 2011 increased by $5,520,000 or 53% compared to the prior year due to higher legal litigation and professional fees, security costs, insurance costs, listing fees, employee benefits and an annual incentive bonus plan payout regarding 2010.

6. Share-based payments for the year ended December 31, 2011 increased by $1,493,000 or 34% compared to the same period of the prior year. The increase was due to an increase in the Black-Scholes fair value of stock options granted as a result of the significant appreciation in the Company's share price in the current year.

7. Foreign exchange loss for the year ended December 31, 2011 was $622,000 compared to a loss of $2,797,000 in 2010. The foreign exchange loss for the current period primarily reflects the effect of the strengthening US dollar on the Company's assets that are not denominated in US dollars.

8. Other expenses of $483,000 for the year ended December 31, 2011 was primarily related to the cost to restructure the collective bargaining agreement at the San Martin Silver Mine, partially offset by a gain on the settlement of the lawsuit with Banca Cremi. During the year, a new collective agreement was reached with the union which is expected to bring benefits for both the union members and the Company by improving safety, productivity and cost reductions.

9. Operating earnings increased by $99,287,000 or 245% to $139,830,000 for the year ended December 31, 2011, compared to operating earnings of $40,543,000 for the year ended December 31, 2010, due to the increase in mine operating earnings associated with higher production levels and higher silver prices.

10. During the year, investment income decreased by $3,964,000 compared to the prior year. The decrease is primarily attributed to an unrealized loss of $4,083,000 on silver futures contracts.

11. During the year, the Company recorded an income tax expense of $33,963,000 compared to $7,619,000 in 2010. The increase is reflective of $94,787,000 or 222% increase in earnings before taxes compared to 2010. Current income tax expense increased significantly compared to 2010, as the Company has utilized certain allowable tax loss carryforwards.

12. As a result of the foregoing, net earnings for the period attributable to equity holders of the Company for 2011 increased 195% to $103,574,000 or basic earnings per share of $1.00 compared to net earnings of $35,131,000 or $0.38 per common share in 2010.

For the quarter ended December 31, 2011 compared to the quarter ended December 31, 2010 (in $000's, except for share amounts):

	For Quarter Ended December 31, 2011	For Quarter Ended December 31, 2010	
Revenues	$ **60,801**	$ **40,092**	(1)
Cost of sales	16,383	12,977	(2)
Gross margin	**44,418**	**27,115**	
Depletion, depreciation and amortization	6,035	3,131	(3)
Mine operating earnings	**38,383**	**23,984**	(4)
General and administrative	5,398	4,039	(5)
Share-based payments	1,350	2,289	(6)
Accretion of decommissioning liabilities	97	93	
Foreign exchange loss (gain)	(486)	444	(7)
Other income	(194)	(113)	(8)
Operating earnings	**32,218**	**17,232**	(9)
Investment and other income (loss)	(3,491)	1,183	(10)
Finance costs	(367)	(126)	
Earnings before income taxes	**28,360**	**18,289**	
Current income tax expense (recovery)	(4,868)	372	
Deferred income tax expense	11,889	4,263	
Income tax expense	7,021	4,635	(11)
Net earnings for the period attributable to equity holders of the Company	$ **21,339**	$ **13,654**	(12)
Earnings per share (basic)	$ **0.20**	$ **0.14**	(12)
Earnings per share (diluted)	$ **0.20**	$ **0.13**	

1. Revenues for the quarter ended December 31, 2011 increased by $20,709,000 or 52% to $60,801,000 from $40,092,000 in the fourth quarter of 2010. The increase was attributed to a 27% increase in average realized silver price from $24.88 per ounce in the fourth quarter of 2010 to $31.70 per ounce in the fourth quarter of 2011 and a 15% increase in silver equivalent ounces produced compared to the same quarter of the prior year. Revenues for the quarter ended December 31, 2011 does not include 64,266 silver equivalent ounces of lead concentrates, or $1.4 million of revenues, at La Parrilla that were delayed for shipment at year end due to year end logistical challenges with our purchaser of the concentrates.

2. Cost of sales increased by $3,406,000 or 26%, to $16,383,000 in the fourth quarter of 2011 from $12,977,000 in the same quarter of 2010. This increase in cost of sales was primarily related to 15% increase in production and a 21% increase in tonnes milled compared to the fourth quarter of 2010, as the La Encantada mine increased ore feed during the quarter to compensate for the low recoveries associated with the high manganese level in the ore.

3. Depletion, depreciation and amortization increased by $2,904,000 or 93% to $6,035,000 in the fourth quarter of 2011 from $3,131,000 in the same quarter of 2010. The increase was due to higher depletion from the 21% increase in tonnage of ore milled and higher depreciation expense after the successful commissioning of the flotation circuit at the La Parrilla mine on October 1, 2011.

4. Mine operating earnings increased by $14,399,000 or 60% to $38,383,000 for the quarter ended December 31, 2011, compared to $23,984,000 for the same quarter in the prior year. This is primarily due to the $20,709,000 increase in revenues, and is offset by the higher cost of sales and depletion, depreciation and amortization expenses compared to the fourth quarter of 2010.

5. General and administrative expenses for the fourth quarter of 2011 increased by $1,359,000 or 34% compared to the prior year due to higher legal litigation and professional fees, and increase in salaries and employee benefits.

6. Share-based payments for the fourth quarter of 2011 decreased by $939,000 or 41% compared to the same quarter in the prior year. The decrease was due to fewer stock options granted in the fourth quarter of 2011 compared to the fourth quarter of 2010.

7. Foreign exchange gain for the quarter was $486,000 compared to a loss of $444,000 in the fourth quarter of 2010. The foreign exchange gain for the quarter primarily reflects the effect of the weakening of the US dollar during the quarter on the Company's monetary assets that are not denominated in US dollars.

8. Other income of $194,000 for the quarter was primarily related to settlement reached with Banca Cremi as the Company settled claims during the quarter, reducing the provision from $772,000 to a settlement of $463,000.

9. Operating earnings increased by $14,986,000 or 87% to $32,218,000 for the quarter ended December 31, 2011, compared to operating earnings of $17,232,000 for the quarter ended December 31, 2010, due to the increase in mine operating earnings associated with higher production and silver prices.

10. During the quarter ended December 31, 2011, the Company recognized an investment loss of $3,491,000 compared to a gain of $1,183,000 in the same quarter in the prior year. The investment loss is primarily attributed to unrealized loss of $4,083,000 on the Company's investment in silver futures contracts.

11. During the quarter ended December 31, 2011, the Company recorded an income tax expense of $7,021,000 compared to an income tax expense of $4,635,000 in the quarter ended December 31, 2010. The increase is reflective of $10,071,000 or 55% increase in earnings before tax.

12. As a result of the foregoing, net earnings for the period attributable to equity holders of the Company for the quarter ended December 31, 2011 increased to $21,339,000 or basic earnings per share of $0.20 compared to net earnings of $13,654,000 or $0.14 per common share in the quarter ended December 31, 2010, for an increase of $7,685,000 or 56% compared to the same period in the prior year.

SUMMARY OF QUARTERLY RESULTS

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

	2011					2010				
Financial Highlights	**Q4(1)**	**Q3(2)**	**Q2(3)**	**Q1(4)**	**Total**	**Q4(5)**	**Q3(6)**	**Q2(7)**	**Q1(8)**	**Total**
Revenue	$ 60,801	$ 61,407	$ 68,040	$ 55,266	$ 245,514	$ 40,092	$ 32,614	$ 27,456	$ 17,746	$ 117,908
Mine operating earnings	$ 38,383	$ 42,467	$ 46,794	$ 35,643	$ 163,287	$ 23,984	$ 15,874	$ 12,649	$ 7,167	$ 59,674
Net earnings after tax	$ 21,339	$ 27,772	$ 30,593	$ 23,870	$ 103,574	$ 13,654	$ 10,059	$ 10,976	$ 444	$ 35,133
Basic earnings per share	$ 0.20	$ 0.27	$ 0.30	$ 0.24	$ 1.00	$ 0.14	$ 0.11	$ 0.12	$ 0.00	$ 0.38
Diluted earnings per share	$ 0.20	$ 0.26	$ 0.29	$ 0.23	$ 0.96	$ 0.13	$ 0.10	$ 0.12	$ 0.00	$ 0.36

Notes:

1. In the quarter ended December 31, 2011, mine operating earnings decreased by $4,084,000 or 10% compared to the quarter ended September 30, 2011. The decrease was primarily attributed to 18% decrease in average realized silver price and increase in depletion, depreciation and amortization expense related to higher mill throughput and commencement of depreciation for La Parrilla's flotation circuit after it was successfully commissioned on October 1, 2011. Net earnings after tax decreased from the prior quarter by $6,433,000 or 23% compared to the prior quarter, primarily due to an unrealized loss of $4,083,000 on silver futures.

2. In the quarter ended September 30, 2011, sales revenues decreased by $6,633,000 compared to the quarter ended June 30, 2011. The decrease was primarily attributed to 1% decrease in average realized silver price and 9% decrease in ounces of silver equivalents sold. Net earnings after taxes decreased by $2,821,000 or 9% in the quarter ended September 30, 2011 compared to the quarter ended June 30, 2011, primarily due to a loss of $1.5 million on derivative instrument and a one-time cost of $0.7 million related to restructuring of the union labour agreement at the San Martin Silver Mine.

3. In the quarter ended June 30, 2011, sales revenues increased by $12,774,000 compared to the quarter ended March 31, 2011. The increase was primarily attributed to a 20% increase in average realized silver price. Net earnings after taxes increased by $6,723,000 or 28% in the quarter ended June 30, 2011 compared to the quarter ended March 31, 2011, primarily due to $11,151,000 increase in mine operating earnings, offset by a $1,775,000 increase in income taxes and lower investment income.

4. In the quarter ended March 31, 2011, sales revenues increased by $15,174,000 compared to the quarter ended December 31, 2010. The increase was primarily due to the 30% increase in silver price. Net earnings

after taxes increased 10,216,000 or 75% in the quarter ended March 31, 2011, compared to the quarter ended December 31, 2010, primarily due to $11,659,000 increase in mine operating earnings.

5. In the quarter ended December 31, 2010, sales revenues increased by $7,478,000 compared to the quarter ended September 30, 2010. The increase was primarily due to the increase in silver price, partially offset by a 9.6% decrease in silver equivalent ounces sold related to a slowdown in the holiday season. Net earnings after taxes increased $3,599,000 or 36% in the quarter ended December 31, 2010, compared to the quarter ended September 30, 2010, due to $8,110,000 increase in mine operating earnings, which was partially offset by increases in non-cash share-based payments and deferred income tax expenses.

6. In the quarter ended September 30, 2010, sales revenues increased by $5,158,000 compared to the quarter ended June 30, 2010. The increase was primarily due to a 15% increase, or 245,549 equivalent ounces of silver sold after intercompany eliminations, in the third quarter of 2010 as compared to the second quarter of 2010, and an increase in silver price during the quarter. Net earnings after taxes decreased $919,000 or 8% in the quarter ended September 30, 2010, compared to the quarter ended June 30, 2010, mainly due to $2,890,000 increase in deferred income tax expense due to utilization of certain loss carryforwards during the period.

7. In the quarter ended June 30, 2010, sales revenues increased by $9,710,000 compared to the quarter ended March 31, 2010 and was primarily due to an increase of 325,185 equivalent ounces of silver sold (after intercompany eliminations) in the second quarter of 2010 compared to the first quarter of 2010. In the first quarter of 2010, pre-commercial sales were not included as equivalent ounces sold but instead were credited to the capitalization of the La Encantada mill expansion project. Revenues and net earnings was positively affected by an increase of the average gross revenue per ounce realized of $18.68 in the quarter ended June 30, 2010 compared to $16.23 in the quarter ended March 31, 2010.

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

LIQUIDITY

At December 31, 2011, the Company had cash and cash equivalents of $91.2 million and working capital of $109.7 million, compared to cash and cash equivalents of $41.2 million and working capital $46.1 million at December 31, 2010. Cash and cash equivalents increased by $50.0 million during 2011 as a result of $127.5 million generated from operating activities and $28.4 million from proceeds from exercise of options and warrants, offset by $95.9 million invested in property, plant and equipment, and mineral property interests and $10.5 million increase in deposits on long-term assets.

Cash flows from operations were strong at $127.5 million in 2011, and with current silver prices and expanding operations, the operational cash flows are expected to remain robust for 2012.

During 2011, the Company expended $44.3 million on mineral properties and $51.6 million on property, plant and equipment on a cash basis as compared to $14.7 million expended on mineral properties and $15.8 million expended on property, plant and equipment in 2010. The significant increase in capital expenditures is primarily related to the additional investments in the mill expansion at La Parrilla and the development of the Del Toro project, all afforded by additional operational cash flows.

Funds surplus to the Company's short-term operating needs are invested in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

With $90.9 million in cash and short-term investments as at the date of this MD&A and between $134.8 million and $142.7 million of cash flow anticipated from operations in 2012, the Company believes it has sufficient funds to meet current operating and capital requirements. Capital requirements for 2012 includes $9.8 million to complete the 2,000 tpd La Parrilla expansion and $123.8 million earmarked for the Del Toro capital project, inclusive of exploration and development costs. The 2012 capital budget is sensitive to the price of silver and therefore management re-visits capital budgeting semi-annually to respond to the volatility in commodity markets. Anticipated operating cash flow of $142.7 million is based on silver price assumption of $30.00 per ounce in 2012. An increase in average silver prices from the budgeted $30.00 could result in more aggressive expenditures in the latter half of 2012 and, conversely, weaker average silver prices could result in a reduction of capital expenditures in the latter half of 2012. Should the Company adopt additional expansion plans, the Company would need to consider the funds required relative to the funds available in treasury at such time, including expected cash flows from operations, to determine whether additional sources would be required for those pending additional expansion plans.

MANAGEMENT OF RISKS AND UNCERTAINTIES

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

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations. The Company’s credit risk relates primarily to trade receivables in the ordinary course of business and value added tax and other receivables. The Company sells and receives payment upon delivery of its silver doré and by-products primarily through three international organizations. Additionally, lead-silver concentrates and related base metal by-products are sold primarily through one international organization with a good credit rating. Payments of receivables are scheduled, routine and received within sixty days of submission; therefore, the balance of overdue trade receivables owed to the Company in the ordinary course of business is not significant. The Company has a Mexican value added tax receivable of $8.7 million as at December 31, 2011 (2010 - $4.6 million), of which $0.6 million (2010 - $0.8 million) is past due. The Company is proceeding through a review process with Mexican tax authorities, but the Company expects to fully recover these amounts.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company has in place a planning and budgeting process to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis and to support its expansion plans. As at December 31, 2011, the Company has outstanding trade payables of $6.5 million (2010 - $6.0 million) which are generally payable in 90 days or less and accrued liabilities of $15.9 million (2010 - $6.3 million) which are generally payable within 12 months. As at December 31, 2011, the Company also has income taxes receivable of $9.7 million which will be applied as installments against income taxes payable to be incurred in 2012. The Company believes it has sufficient cash on hand to meet operating requirements as they arise for at least the next 12 months.

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

		Payments Due By Period			
Balances in $'000	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	$ 22,433	$ 22,433	$ -	$ -	$ -
Other financial liabilities	383	383	-	-	-
Debt facilities	784	784	-	-	-
Finance lease obligations	14,094	4,269	8,501	1,324	-
Decommissioning liabilities	7,725	-	-	-	7,725
Purchase obligations	56,321	56,321	-	-	-
Total Obligations	**$ 101,740**	**$ 84,190**	**$ 8,501**	**$ 1,324**	**$ 7,725**

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, 2011		December 31, 2010	
Balances in USD$'000	**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	$ 42,673	$ 91	$ (1,977)	$ 40,787	$ 4,079	$ 8,174	$ 817
Mexican peso	1,042	9,763	(18,238)	(7,433)	(549)	(10,726)	(1,073)
	$ 43,715	**$ 9,854**	**$ (20,215)**	**$ 33,354**	**$ 3,530**	**$ (2,552)**	**$ (256)**

Commodity Price Risk

Commodity price risk is the risk that movements in the spot price of silver have a direct and immediate impact on the Company's income or the value of its related financial instruments. The Company also derives by-product revenue from the sale of gold, zinc, lead and iron ore, which accounts for less than 5% 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 does not use derivative instruments to hedge its commodity price risk. As at December 31, 2011, based on unsettled silver ounces sold by the Company that are subject to market price adjustments, a 10% increase or decrease of silver price at December 31, 2011 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 currency exchange rates, import and export regulations, cancellation or renegotiation of contracts and environmental and permitting regulations. The Company currently has no political risk insurance coverage against these risks.

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

Environmental and Health and Safety Risks

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

Claims and Legal Proceedings Risks

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

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2011, 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 those disclosed in this MD&A and the consolidated financial statements and the related notes.

As at year end, the Company was carrying a long position on silver futures equivalent to 1.0 million ounces of silver at an average price of $32.00, representing an unrealized investment loss of $4.1 million. Management is bullish on silver prices and believed the price of silver would recover sufficiently to erase the unrealized loss. Subsequent to year end, the Company sold its entire position and converted the unrealized loss of $4.1 million to a realized gain of $1.5 million.

During the year, the Company pledged certain properties of the San Martin Silver Mine as guarantees as part of the requirement for its tax appeal process with the Mexican tax authority (see note 32 of consolidated financial statements for the year ended December 31, 2011).

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, 2011, there were no significant transactions with related parties outside of the ordinary course of business.

PROPOSED TRANSACTIONS

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

SUBSEQUENT EVENTS

Subsequent to December 31, 2011:

a) The Company sold its long position on silver futures and converted the unrealized loss of $4.1 million to a realized gain of $1.5 million;

b) 1,040,000 options were granted with a weighted average exercise price of CAD$17.96 and expire in five years from the grant date;

c) 431,650 options were exercised for gross proceeds of CAD$2,536,000; and

d) 25,000 options were cancelled.

CRITICAL JUDGEMENTS AND ESTIMATES

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

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

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

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

Commencement of commercial production and production levels intended by management

Prior to reaching commercial production levels intended by management, costs incurred are capitalized as part of the costs of related mining properties and proceeds from mineral sales are offset against costs capitalized. Depletion of capitalized costs for mining properties begins when operating levels intended by management have been reached. Management considers several factors in determining when a mining property or mill expansion has reached the commercial production levels intended by management. The results of operations of the Company during the periods presented in these audited consolidated financial statements have been impacted by management's determination that the flotation plant at the La Parrilla mine and the cyanidation plant at the La Encantada mine achieved commercial production levels intended by management on October 1, 2011 and April 1, 2010, respectively.

Functional currency

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

Impairment of property, plant and equipment assets and mining interests

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

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

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

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

Estimated reclamation and closure costs

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

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

Mineral reserve estimates

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

Inventory valuation

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

Valuation of share-based payments

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

Income taxes

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

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

Management executed a corporate restructuring for tax purposes effective January 1, 2008, enabling it on a limited basis to consolidate its tax losses of certain subsidiaries against the taxable incomes of other subsidiaries. Co-incident with the tax consolidation, Mexico introduced an alternative minimum tax known as the IETU, effective January 1, 2008, to attempt to limit certain companies from avoiding paying taxes on their cash earnings in Mexico. Management has reviewed its IETU obligations and its consolidated tax position at December 31, 2011, and management assessed whether the Company is "more likely than not" to benefit from these tax losses. In December 2009, Mexico introduced tax consolidation reform tax rules which, effective January 2010, would require companies to begin the recapture of the benefits of tax consolidation within five years of receiving the benefit, and phased in over a five year period. First Majestic's first tax deferral benefit from consolidation was realized in 2008, and as such the benefit of tax consolidation would be recaptured from 2014 to 2021. Numerous companies in Mexico are challenging the legality of these regressive tax reforms. It is unlikely that the outcome of these challenges will be determinable for several years.

During the year, Minera El Pilon, S.A. de C.V., a subsidiary of the Company, received tax assessments from the Mexican tax authority for fiscal years 2004 to 2007 relating to various tax treatments with a maximum potential remittance of approximately $5.6 million (75.7 million Mexican pesos). The Company is currently defending the tax treatments amounting to $3.2 million (43.4 million Mexican pesos) related to 2007 via the administrative appeal process and believes it has a strong defense against the claims. The tax reassessment for 2004 to 2006 amounting to $2.4 million (32.3 million Mexican pesos) are being pursued through tax court, which requires pledging security as guarantees until the end of the trial. As a result, the Company has pledged certain properties of the San Martin mine as guarantees. The Company believes it is more likely than not that it will defend itself successfully in all claims and therefore has not recorded a provision for the potential tax exposure.

During the second half of 2011, the Company established a global tax structure to take advantage of favourable tax rates in various jurisdictions. This global tax restructuring is anticipated to reduce the overall effective tax rate to approximately 25% annually and to remain at these rates provided the rates of the underlying jurisdictions do not change.

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

CHANGE IN ACCOUNTING POLICIES

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs").

Effective January 1, 2011, the Company prepares its financial statements in accordance with IFRS. The comparative financial information of 2010 in the MD&A has also been restated to conform with IFRS. This MD&A should be read in conjunction with Note 34 "First Time Adoption of IFRS" of the Company's audited consolidated financial statements for the year ended December 31, 2011.

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 financial reporting changes that resulted from the application of IFRS accounting policies which were implemented during the year ended December 31, 2011 have not materially affected, or are not reasonably likely to materially 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, 2011, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2011, 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, 2011, has been audited by Deloitte & Touche LLP, Independent Registered Chartered Accountants, who also audited the Company's consolidated financial statements as of and for the year ended December 31, 2011, as stated in their report which appears on the Company's consolidated financial statements.

Limitations of Controls and Procedures

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

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com,
- the Company's Annual Information Form,
- the Company's audited consolidated financial statements for the year ended December 31, 2011.

CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith N. Neumeyer, certify that:

1. I have reviewed this annual report on Form 40-F of First Majestic Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer’s other certifying officer(s) 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(s) 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 30, 2012

/s/ Keith Neumeyer
Keith N. Neumeyer
President and Chief Executive Officer

Exhibit 99.5

CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Raymond L. Polman, certify that:

1. I have reviewed this annual report on Form 40-F of First Majestic Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) 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(s) 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 30, 2012

/s/ Raymond Polman
Raymond L. Polman
Chief Financial Officer

Exhibit 99.6

CEO CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

March 30, 2012

Securities and Exchange Commission
450 Fifth Street, N.W
Washington, D.C. 20549

Ladies and Gentlemen:

In connection with the annual report of First Majestic Silver Corp. (the “Company”) on Form 40-F for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Keith N. Neumeyer, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of First Majestic Silver Corp.

/s/ Keith Neumeyer

Keith N. Neumeyer
President and Chief Executive Officer

Exhibit 99.7

CFO CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

March 30, 2012

Securities and Exchange Commission
450 Fifth Street, N.W
Washington, D.C. 20549

Ladies and Gentlemen:

In connection with the annual report of First Majestic Silver Corp. (the “Company”) on Form 40-F for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Raymond L. Polman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of First Majestic Silver Corp.

/s/ Raymond Polman

Raymond L. Polman
Chief Financial Officer

pincock allen & holt
Consultants for Mining and Financial Solutions

165 South Union Boulevard, Suite 950
Lakewood, Colorado 80228-2226

303-986-6950
Fax 303-987-8907

www.pincock.com

Letter of Consent

March 30, 2012

VIA SEDAR

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, 2011 (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, 2011.

I, Leonel López, C.P.G., of Pincock, Allen & Holt, hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

1. Technical Report for the La Parrilla Silver Mine, State of Durango, México, September 8, 2011;

2. Technical Report for the San Martín Silver Mine, State of Jalisco, México, February 26, 2009 (Amended and Restated);

3. Technical Report for the La Encantada Silver Mine, Coahuila State, México, February 26, 2009 (Amended and Restated); and

4. Technical Report for the Del Toro Silver Mine, Zacatecas State, México, October 9, 2008 (the "**Technical Reports**"),

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

Yours very truly,

Per: Leonel Lopez

Leonel López, C.P.G.
Principal Geologist

pincock allen & holt

Consultants for Mining and Financial Solutions

165 South Union Boulevard, Suite 950
Lakewood, Colorado 80228-2226

303-986-6950
Fax 303-987-8907

www.pincock.com

Letter of Consent

March 30, 2012

VIA SEDAR

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, 2011 (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, 2011.

I, Richard Addison, P.E., C.Eng., of Pincock, Allen & Holt, hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

1. Technical Report for the La Parrilla Silver Mine, State of Durango, México, September 8, 2011;

2. Technical Report for the San Martín Silver Mine, State of Jalisco, México, February 26, 2009 (Amended and Restated); and

3. Technical Report for the La Encantada Silver Mine, Coahuila State, México, February 26, 2009 (Amended and Restated), "**Technical Reports**"),

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

Yours very truly,

Per: R. Addison

Richard Addison, P.E., C.Eng.
Principal Process Engineer

Exhibit 99.10

March 30, 2012

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, 2011 (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, 2011.

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 information in the Annual Report.

Yours truly,

/s/ Ramon Davila

Ramon Davila, Ing., Chief Operating Officer

Exhibit 99.11

March 30, 2012

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, 2011 (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, 2011.

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 information in the Annual Report.

Yours truly,

/s/ Florentino Muñoz

Florentino Muñoz, Ing., Chief Geologist

CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the use of our reports dated March 1, 2012 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, 2011.

/s/ Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 30, 2012