



Doug Casey's

# International SPECULATOR

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April 2005

## First Majestic

(V.FR, [www.firstmajestic.com](http://www.firstmajestic.com))

**BUY**—FR, our newest silver-focused pick, recently announced a private placement intended to raise C\$15 million to fund a very aggressive exploration program this year. The offering is of 6.0 million units at C\$2.50 per unit, with each unit consisting of one share and a half warrant, with a full warrant at C\$3.00, expiring two years after the closing.

### FIRST MAJESTIC

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<b>Price</b>	Share: C\$2.31	MCap: C\$51,078,107	On: 3/31/05
<b>Shares</b>	SO: 22,111,735	FD: 29,421,735	As of: 12/31/04
<b>Warrants</b>	UnEx: 5,235,000	C\$0.35-C\$1.85/2.05	Exp: 10/05 & 5/05-06
<b>Options</b>	Open: 2,075,000	C\$0.35-C\$2.25	Exp: 5/22/05-12/14/07
<b>Cash</b>	C\$5,666,816	Burn: C\$122,000/mo.	As of: 12/31/04

Of the proceeds, C\$6 million will be spent at the La Parilla mine. C\$4 million is budgeted for surface and underground exploration, hopefully leading to a new 43-101-compliant reserve of 100 million ounces of silver. Another C\$1 million is for upgrading La Parilla's mill, with the goal of doubling capacity from 200 tpd to 400 tpd (plans are for an eventual 1000 tpd), and C\$1 million more will upgrade tailings processing.

C\$1.75 million is budgeted for the Candamena mining district, where FR plans to re-log 36,000 ft. of old Manhattan Minerals core that are not 43-101-compliant. The significant factor here is that FR has 5000 hectares of ground around the old Manhattan property, which Manhattan hadn't been able to obtain, and the ore body continues visibly into this surrounding area. FR will be doing surface work for the next two months or so, planning to start drilling in June, with the goal of twining some old holes for verification, then extending the ore body. Given that the old resource was 80 million ounces of silver, the blue sky potential is substantial.

C\$0.75mm is budgeted for the Chalchihuites group of properties, where geophysics and surface sampling are complete. Drilling on 8 to 10 strategic holes should also start by June, with the goal of testing for continuity at depth between the 5 old mines in the area. A key detail here is that Chalchihuites is within hauling distance from the mill at La Parilla. A report on the surface work done is expected soon. C\$0.5mm is budgeted to verify work done in 2002 on the Dios Padre mine and to sink a couple deep holes (1,000 meters) to see if the mineralization is like others in the region that go that deep. Also, C\$6 million is dedicated to property payments over the next 18 months.

First Majestic is becoming a substantial player on the Mexican silver mining scene, with over 60 employees there now, and over 100 expected by the end of the year. This is creating a lot of "deal flow", and management reports looking at about a project per week, some of which are now in second and third stage due diligence. The company's corporate target is to prove up 220mm oz of silver reserves within 12 months. If they only do half as much, given that investors seem to be willing to pay US\$1-US\$3 per ounce in the ground of proven silver reserves, the company's market cap should go to at least US\$110 million—more than double its current level—and maybe much higher. There's no need to chase FR stock, but with silver in a correction, it's certainly one to be accumulating on the dips.

**For more information and to subscribe log on today at: [www.caseyresearch.com](http://www.caseyresearch.com)**

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