



## Minews Story

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# First Majestic Resource Eyes Mexican Silver.

By Our Canadian Correspondent

The silver bear has awoken from a deep slumber and Canadian-listed First Majestic Resources has wasted little time in setting up shop in Mexico, home to around 17 per cent of the world's silver production.

The Keith Neumeyer-led company has essentially by-passed the exploration stage and is cranking up production at its Le Parrilla mine property, which it acquired in May 2004. The junior turned on the operational tap in July after pouring about US\$1 million into revamping the existing mill near Durango City. By October the operation was treating 180 tonnes of oxide ore a day and in December 30,000 ounces of silver were poured. The company is currently putting in a floatation circuit that will see production double to 360 tonnes per day before eventually hitting its 500 tonne per day target. Overall, First Majestic aims to see output of 1 million ounces of silver this year, 2 million ounces by 2006 and 10 million ounces per year in the not to distant future.

Those may seem like lofty goals but it is just the start according to Keith, who is no slouch at company building having been the founding president of now mid-tier copper producer First Quantum Minerals. For those who don't know the story, First Quantum picked up a copper property in Zambia and over about 2 years spent US\$32 million to bring it into production. The revenue in the first year of operations back in 1998 totaled US\$18 million and then jumped to over US\$30 million in the second year. By 2000, First Quantum had US\$135 million in sales and its stock price had increased from around C\$2 per share in the early days to its current level of about C\$17 per share.

First Quantum has grown based on its operational know how and First Majestic has developed the same focus. The company's COO is Ramon Davila, who came over from Plata Panamericana, a wholly-owned subsidiary of Pan American Silver, and has worked with Mexico's largest silver producer, Industries Penoles, as well as Luismin. Beefing up the board on the management side, the company recently added David Shaw to its team. David is a Brit who was a senior Mining Analyst with Yorkton Securities and most recently was a crucial part of the group that built junior explorer, Cardero Resources.

While most juniors are content to look for the next big find, First Majestic is aggressively looking to become a mid-tier silver producer by following the same model for silver that First Quantum used for copper. Namely, picking up underappreciated assets and turning them into producers.

Shortly after the Le Parrilla acquisition, First Majestic gained title to four adjacent claim groups called the Chalchihutes. This project hosts exceptionally high grades with samples from the Perseverance mine yielding 15% lead, 6% zinc and 607 g/t silver. Of interest here is that any exploration success can be transformed rapidly into production by transporting the material to the La Parrilla property for processing. Exploration drilling is expected to get underway any day now.

Next up for the company is the Dios Padre property, which was recently acquired. With a reported 57 million ounces of near surface silver outlined at a grade of 456 g/t silver and the promise for much more, First Majestic aims to confirm the earlier work with an eye on having a 2,000 tonne per day operation up and running by 2006. Capital costs are expected to ring in at US\$20 million for the proposed open-pit operation and output could reach 5 million ounces per year as early as 2006.

Nearby in the eastern Sierra Madre Mountains, midway between Hermosillo and Chihuahua in east central Sonora, First Majestic latest deal involved the acquisition of a floatation mill, the equipment and all mining concessions at Candamina. The total price tag is US\$7.6 million payable over a three year period. Previously worked by Manhattan Minerals, the property hosts a historic resource of 6.1 million tonnes grading 0.9 gram gold per tonne. They also reported a potential for resources in this deposit of 20 million ounces of silver. One of the main targets for the company is the La Blanca area which hosts the old La Verde mine, which has a historic underground mined resources grading 466 g/t silver, 0.13 g/t gold, 4.33% lead and 3% zinc and the La Prieta mine that is reported to have similar robust grades.

Having around C\$7 million in its till, First Majestic is well funded but with its 2004 shopping binge and the ramping up of production, a new financing is almost assured in the first half of 2005.

It is still early days for the fledgling producer and operational risk is always a factor but with an aggressive growth strategy and an experienced management team, First Majestic offers investors leverage to rising silver prices. Will it become the silver equivalent of First Quantum? Only time will tell but it looks like the company is off to a strong start.