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6th December 2004, Weekly Update
(Stock price: C\$2.08)

Junior silver miner First Majestic Resource (TSXV: FR) announced the acquisition of yet another potential silver-producing asset last week. This is the fourth acquisition in less than 12 months.

There is substantial execution risk in FR, but if management can successfully develop the assets they've purchased into producing mines then the upside potential in the stock price is huge. The fact that the senior managers have excellent track records gives us confidence that FR will become a mid-tier silver producer within the next few years.

29th November 2004, Weekly Update
(Stock Price: C\$2.03)

FR closed at C\$2.03 on Friday, so those who bought following our multiple recommendations in the 1.50s over the past few months have a nice gain. However, in our opinion the stock would be trading at C\$3.00 if it were being fairly valued by the market based only on the current stage of development of its various assets. Furthermore, if the company's management executes its business plan, and at this time there is every indication that it will, then FR could quite conceivably be a double-digit stock within 4 years assuming only a moderate increase in the silver price. So, while we are almost always in favour of harvesting some profits following upward spikes in stock prices we don't think it makes sense to lose your position in a stock such as FR just because there is a risk of a sharp correction in the gold/silver sector. In particular, if you exit now in an effort to sidestep the effects of, say, a 20%-30% market correction, then unless you can accurately time your subsequent re-entry into the stock you risk giving up hundreds of percent of additional gains.

Another point to consider is that FR and many of our other stock selections are 'late stage' stocks. What this means is that they tend to achieve most of their gains near the ends of sector-wide rallies and sometimes even make big gains AFTER the majors have peaked. For example, the HUI peaked in early December of last year but FR did not peak until 4 months later. And taking a look at some of the other stocks in the TSI List we note that AQI, DROOY, EDV, MRB, NG and XRC did not make their 12-month highs until 1-4 months after the Hui's December 2003 Peak.

22nd November 2004, Weekly Update
(Stock Price: C\$2.10)

Last Thursday First Majestic Resource (TSXV: FR) announced the purchase of the Dios Padre silver mine in Mexico for a consideration of US\$6.5M (plus 500,000 FR shares) to be paid in stages over the coming 3 years.

The following information on resources at Dios Padre was included in FR's press release, but note that

these resource estimates do not conform to National Instrument 43-101 and will need to be verified by FR's due diligence over the coming six months before they can be relied upon:

"As stated in the most recent report known by the company, dated December, 2002, published by David A. Bending, MSc, PGeo, of Reno, Nev.; using a conservative resource model focusing on resources in the accessible upper levels of the mine, 3.5 million tonnes grading 465 grams per tonne (g/t) containing 57,211,000 ounces of silver has been estimated which appears to be amenable to open pit mining. It also appears by reviewing this and other reports on the Dios Padre silver mine, the ore responds well to conventional milling and flotation. The on-site mill appears to have yielded historic recoveries of up to 87 per cent silver."

So, assuming that FR's due diligence program is able to verify the above-mentioned resource estimate then FR has just committed to spend US\$6.5M to buy a high-grade silver deposit amenable to open pit mining containing US\$427M of silver. Sounds like a good deal to us. Pending a successful conclusion to the due diligence program FR will be out of pocket to the tune of US\$300K (the initial payment).

The FR stock price had moved up quite sharply during the two weeks leading up to the announcement of its latest acquisition and therefore didn't react much to what is potentially very good news. From a technical perspective C\$2.50 looks like a reasonable short-term target for the stock and prior to last week's news we had a valuation-based 12-month target of C\$3-C\$4. Our valuation will increase substantially if the aforementioned resource is confirmed, but at this stage we will be conservative and stick with C\$3-C\$4.

In general, it's not a good idea to buy stocks after they have just run-up in price. In FR's case, for example, we think the stock offers good value at Friday's closing price of C\$2.10 and might even work well as a short-term trade if the silver price moves up to test its April peak, but note that the short-term risk of buying now is higher than it was when we recommended the stock in the 1.50s and 1.60s earlier this year (between July and October we highlighted the stock 4 times at prices ranging from 1.51 to 1.64). The idea is to buy the stocks during consolidations when few people are interested, so what we endeavour to do in the TSI commentaries and e-mails is highlight our favourite stocks when the short-term downside risk is relatively low. This is typically when they look 'sold out' or when they are immersed in drawn-out consolidation patterns. It doesn't always work well, but it beats jumping in after a lot of other people have already jumped in.

25th October 2004, Stock Selection Update #27 (Stock Price: C\$1.57)

For those looking for exposure to silver we'll reiterate our view that First Majestic Resource (TSXV: FR) offers excellent value anywhere near the current price of C\$1.57. The stock has not reacted at all to the post-May rebound in metal prices, but in this regard it is certainly not an orphan as many of the juniors have gone nowhere during this period. However, if metal prices continue to increase then at some point the high-quality juniors (and some of the low-quality ones) will rocket higher as investment/speculative demand shifts down the food chain in search of under-valued situations. When this happens, though, the stocks will be difficult to buy and buying will be a much riskier proposition than it is right now.

11th October 2004, Weekly Update
(Stock Price: C\$1.51)

FR is an under-valued silver explorer/producer with a market cap of around US\$28M. Production at its La Parrilla silver mine in Mexico got off to a slow start over the past few months, but teething problems should soon be fixed and La Parrilla will likely produce at least 1M ounces of silver over the coming 12 months. Furthermore, over the next 6-12 months the company expects to put other mines into production and to complete additional acquisitions. Our expectation is that FR will have low-cost annual silver production of 2M-4M ounces by this time next year.