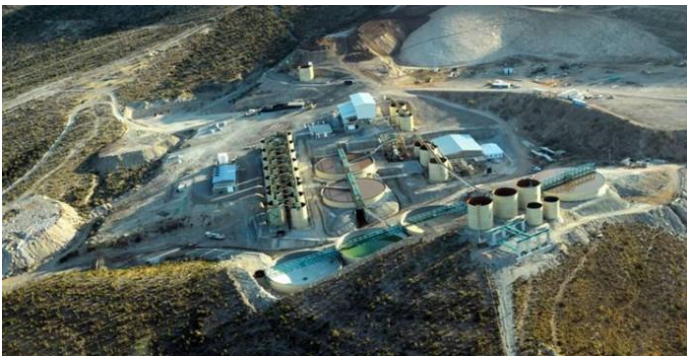




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First Majestic's Balance Sheet Strength Allows Room For Manoeuvre In The Face Of Weak Silver Prices



It's not easy times in the silver business, as First Majestic Silver's most recent quarterly results demonstrate.

First Majestic's revenues during the third quarter of 2014 dropped by nearly 40 per cent when set against the previous quarter, while net earnings swung well into the red as

the company booked a US\$10.5 million loss as against a US\$7.6 million profit in the previous quarter.

All-in sustaining costs were also higher, nine per cent up on the previous quarter at US\$19.89 per ounce of silver. The average realised price per ounce of silver equivalent was just US\$19.10.

In all probability it will go lower in the current quarter as silver prices have been bumping along at just above US\$15.00 per ounce for a little while now.

For silver miners in general, that makes for a pretty bleak outlook. However, in First Majestic's case there are some saving graces.

Although times are undoubtedly tough, the most recent quarterly results were skewed very much to the negative by two set of exceptional circumstances. The first comes back to costs. The reason costs were up was because First Majestic was absorbing the impact of severance payments made to workers who were let go during the quarter, approximately four per cent of the total.

First Majestic's workforce at its five Mexican silver mines peaked at 4,900 back in January of last year. Fast forward nearly two years and it's taking a much more streamline 3,900 workers to produce more than 3.5 million ounces of silver every quarter, up five per cent on a year ago.

That's all to the good.



The second reason why the latest set of accounts paint an even bleaker picture than might have been expected is that First Majestic has temporarily suspended silver sales in the hope of a stronger market ahead.

That may be wishful thinking, but it does point to two facts. One – there's strength in depth on the balance sheet. And two – when that stockpiled material does go through there will be a significant revenue boost, most probably at the end of the current quarter.

Silver pour at La Encantada

So much of the ground apparently given up in that 40 per cent drop in revenues will be made up by the end of the year. It would of course be helpful if the silver price were to stage a recovery too, but that's out of First Majestic's hands.

Instead, all eyes will be on the strength of the US dollar, and with it the US economy. There are plenty of doom-mongers still out there, but plenty of commentators too now talking about a bull run for the dollar.

If that happens, First Majestic's belt tightening exercises will probably have to continue. But with cash and cash equivalents of around US\$40 million on the balance sheet, the company still has plenty of options.