



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2008 (UNAUDITED)

**MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

	March 31, 2008	December 31, 2007
	<u>\$</u>	<u>\$</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	52,819,184	12,835,183
Accounts receivable	3,947,566	3,365,054
Other receivables (Note 4)	6,737,278	6,600,195
Inventories (Note 5)	3,384,735	2,908,880
Prepaid expenses and advances	2,351,230	1,044,753
	<u>69,239,993</u>	<u>26,754,065</u>
MINING INTERESTS (Note 6)		
Producing properties	30,864,303	25,167,945
Exploration properties	111,190,265	102,462,552
Plant and equipment	31,641,611	28,903,950
	<u>173,696,179</u>	<u>156,534,447</u>
CORPORATE OFFICE EQUIPMENT (Note 6)	568,351	432,309
DEPOSITS ON LONG-TERM ASSETS AND OTHER	<u>2,974,723</u>	<u>1,282,030</u>
	<u>246,479,246</u>	<u>185,002,851</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	11,909,961	8,732,447
Current portion of long-term vendor liability (Note 7)	13,341,380	13,341,380
Current portion of arrangement liability	388,836	388,836
Current portion of capital lease obligations	2,799,724	2,061,464
Employee profit sharing payable	183,199	177,624
Income and other taxes payable	948,942	926,946
	<u>29,572,042</u>	<u>25,628,697</u>
FUTURE INCOME TAXES	34,335,549	31,848,682
CAPITAL LEASE OBLIGATIONS	644,775	1,245,194
OTHER LONG TERM LIABILITIES	918,650	1,207,332
ASSET RETIREMENT OBLIGATION (Note 14)	<u>2,349,988</u>	<u>2,290,313</u>
	<u>67,821,004</u>	<u>62,220,218</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8 (a))	196,384,287	145,699,783
SHARE CAPITAL TO BE ISSUED	300,695	9,286,155
CONTRIBUTED SURPLUS	20,468,946	17,315,001
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(5,228,910)	(15,186,207)
DEFICIT	<u>(33,266,776)</u>	<u>(34,332,099)</u>
	<u>178,658,242</u>	<u>122,782,633</u>
	<u>246,479,246</u>	<u>185,002,851</u>
CONTINGENT LIABILITIES (Note 12)		
COMMITMENTS (Note 13)		
APPROVED BY THE BOARD OF DIRECTORS		

(Signed) Keith Neumeyer

(Signed) Douglas Penrose

 "Keith Neumeyer"

Director

 "Douglas Penrose"

Director

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED STATEMENTS OF LOSS
FOR THE PERIODS ENDED MARCH 31, 2008, AND 2007

	Three months ended March 31,	
	2008	2007
	\$	\$
Revenue (Note 9)	12,964,182	10,158,621
Cost of sales	6,517,056	6,782,891
Amortization and depreciation	787,179	1,428,736
Depletion	886,362	1,454,478
Accretion of reclamation obligation	45,475	82,087
Mine operating earnings	4,728,110	410,429
General and administrative	2,131,880	904,072
Stock based compensation	1,108,216	919,344
	<u>3,240,096</u>	<u>1,823,416</u>
Operating income (loss)	1,488,014	(1,412,987)
Interest and other expenses	(338,827)	(406,264)
Investment and other income	137,393	114,492
Foreign exchange gain (loss)	(9,812)	(434,904)
Income (loss) before taxes	<u>1,276,768</u>	<u>(2,139,663)</u>
Income tax (recovery) - current	438,404	1,224,086
Income tax (recovery) - future	(226,959)	(301,850)
Income tax (recovery) expense	<u>211,445</u>	<u>922,236</u>
NET INCOME (LOSS) FOR THE PERIOD	1,065,323	(3,061,899)
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	0.02	(0.06)
WEIGHTED AVERAGE SHARES OUTSTANDING	64,057,083	52,349,439

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

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)
FOR THE PERIODS ENDED MARCH 31, 2008, AND 2007

	Shares	Amount \$	Share capital To be issued \$	Contributed Surplus \$	Accumulated Other Comprehensive Income (Loss) ("AOCI") \$	Deficit \$	Total AOCI and deficit \$	Total \$
Balance at December 31, 2006	51,698,630	103,466,619	9,294,020	11,720,436	7,910,502	(27,101,977)	(19,191,475)	105,289,600
Net loss	-	-	-	-	-	(3,061,899)	(3,061,899)	(3,061,899)
Other comprehensive loss:								
Cumulative translation adjustment	-	-	-	-	(3,131,250)	-	(3,131,250)	(3,131,250)
Total comprehensive loss							(6,193,149)	(6,193,149)
Shares issued for:								
Exercise of options	517,500	1,242,450	-	-	-	-	-	1,242,450
Exercise of warrants	812,500	1,828,125	-	-	-	-	-	1,828,125
First Silver arrangement	375	1,815	(1,815)	-	-	-	-	-
Acquisition of La Encantada	382,582	2,000,904	-	-	-	-	-	2,000,904
Stock option expense during the period				919,344				919,344
Warrants issued during the period	-	-	-	333,443	-	-	-	333,443
Transfer of contributed surplus upon exercise of stock options	-	518,750	-	(518,750)	-	-	-	-
Balance at March 31, 2007	53,411,587	109,058,663	9,292,205	12,454,473	4,779,252	(30,163,876)	(31,577,773)	105,420,717
Balance at December 31, 2007	63,042,160	145,699,783	9,286,155	17,315,001	(15,186,207)	(34,332,099)	(49,518,306)	122,782,633
Net income	-	-	-	-	-	1,065,323	1,065,323	1,065,323
Other comprehensive loss								
Cumulative translation adjustment	-	-	-	-	9,957,297	-	9,957,297	9,957,297
Total comprehensive income							11,022,620	11,022,620
Shares issued for:								
Exercise of options	376,250	1,130,588	-	-	-	-	-	1,130,588
Exercise of warrants	7,500	31,875	-	-	-	-	-	31,875
First Silver arrangement	1,856,500	8,985,460	(8,985,460)	-	-	-	-	-
Public offering, net of issue costs	8,500,000	40,273,174	-	-	-	-	-	40,273,174
Stock option expense during the period	-	-	-	1,037,352	-	-	-	1,037,352
Warrants issued during the period	-	-	-	2,380,000	-	-	-	2,380,000
Transfer of contributed surplus upon exercise of stock options	-	263,407	-	(263,407)	-	-	-	-
Balance at March 31, 2008	73,782,410	196,384,287	300,695	20,468,946	(5,228,910)	(33,266,776)	(38,495,686)	178,658,242

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

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (UNAUDITED)

	Three months ended March 31,	
	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the period	1,065,323	(3,061,899)
Adjustment for items not affecting cash		
Depletion	886,362	1,454,478
Depreciation	821,269	504,545
Stock-based compensation	1,108,216	919,344
Accretion of reclamation obligation	45,475	82,087
Write-down of Other receivable	240,000	-
Future income taxes	(226,959)	(301,850)
Other	819,423	(884,558)
	<u>4,759,109</u>	<u>(1,287,853)</u>
Net change in non-cash working capital items		
(Increase) in accounts receivable and advances	(719,595)	(2,222,650)
(Increase) decrease in inventory	(475,855)	(605,349)
(Increase) decrease in prepaid expenses	(1,306,477)	(36,283)
Increase in accounts payable and accrued liabilities	3,177,514	698,358
Increase (decrease) in employee profit sharing payable	5,575	319,486
Increase (decrease) in taxes receivable and payable	21,996	1,118,216
	<u>5,462,267</u>	<u>(2,016,075)</u>
INVESTING ACTIVITIES		
Acquisition costs of Minera La Encantada less cash acquired	-	(3,798,896)
Additions to plant and equipment	(3,694,972)	(2,448,527)
Expenditures on mineral property interests	(5,593,433)	(2,991,966)
Deposits on long term assets	(1,692,693)	-
	<u>(9,288,405)</u>	<u>(9,239,389)</u>
FINANCING ACTIVITIES		
Issuance of common shares and warrants net of issue costs	42,653,174	3,070,575
Exercise of options	1,130,588	
Exercise of warrants	31,875	
Payment of liability for acquisition of Desmin	-	(588,850)
	<u>43,815,637</u>	<u>2,481,725</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,989,499	(8,773,739)
EFFECT OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCY	(5,498)	(170,392)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD	12,835,183	17,870,712
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	52,819,184	8,926,581
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash	3,022,290	5,835,641
Term deposits	49,796,894	3,090,940
	<u>52,819,184</u>	<u>8,926,581</u>
NON-CASH FINANCING AND INVESTING ACTIVITIES (NOTE 15)		
Interest paid	5,833	11,665
Income taxes paid	78,555	-

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

1. DESCRIPTION OF BUSINESS AND CONTINUING OPERATIONS

First Majestic Silver Corp. (the “Company” or “First Majestic”) is in the business of the production, development, exploration and acquisition of mineral properties focusing on silver in Mexico. During the fiscal year ended December 31, 2007, the Company traded on the TSX Venture Exchange under the symbol “FR”. On January 15, 2008, the Company’s shares and warrants commenced trading on the TSX under the symbols “FR” and “FR.WT” respectively, and were de-listed from the TSX Venture Exchange.

2. BASIS OF PRESENTATION

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) with respect to the preparation of interim financial information. Accordingly, they do not include all the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with GAAP have been omitted. The accounting policies, used in preparation of the accompanying unaudited interim consolidated financial statements, are the same as those described in our most recent annual consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These interim financial statements should be read in conjunction with the Company’s latest audited consolidated financial statements for the transition year ended December 31, 2007.

The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries: Corporación First Majestic, S.A. de C.V. (“CFM”) and First Silver Reserve Inc. (“First Silver”), as well as its indirect wholly-owned subsidiaries: First Majestic Plata S.A. de C.V., (“First Majestic Plata”), Minera El Pilon S.A. de C.V., (“El Pilon”), and Minera La Encantada S.A. de C.V. (“La Encantada”). The prior balances of Desmin, SA de CV were amalgamated into La Encantada on January 1, 2008, with no gain or loss on the amalgamation. Inter-company balances and transactions are eliminated on consolidation.

3. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS- DISCLOSURES AND PRESENTATION

During the quarter, the Company adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1535, Capital Disclosures (“Section 1535”), Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”) and Handbook Section 3863, Financial Instruments – Presentation (“Section 3863”).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

3. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument 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, interest rate risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from 2007.

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus, retained earnings and accumulated other comprehensive income.

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 exclusively to one international organization with a strong credit rating, payments receivable 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. Therefore, the Company 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 its expansion plans. The Company does not have any committed loan facilities to meet its business requirements.

On March 25, 2008, the Company completed a public offering with a syndicate of underwriters who purchased 8,500,000 Units at an issue price of \$5.35 per Unit for net proceeds to the Company of \$42,973,875. Although the Company does not have a history of operating profits, the Company believes it has sufficient cash on hand to meet operating requirements as they arise.

The Company has an obligation regarding its purchase of First Silver Reserve ("FSR") to make a final instalment payment of \$13,341,380, due on May 30, 2008, and to make simple interest payments at 6% per annum, payable quarterly on the outstanding vendor balance. In November 2007, an action was commenced by the Company and FSR against the previous majority shareholder of FSR ("Majority Shareholder"), who was a previous director, President & Chief Executive Officer of FSR, and a company he controls, whereby the Company and FSR allege that while holding the positions of director, President and Chief Executive Officer of FSR, he engaged in a course of deceitful and dishonest conduct in breach of his fiduciary and statutory duties owed to FSR, which resulted in FSR not acquiring a mine. Management believes that there are substantial grounds to this claim, however, the outcome of this litigation is not presently determinable.

Pending resolution of the litigation set out above the Company has withheld payment of quarterly instalments of interest due on November 30, 2007 and February 29, 2008 (approx. \$400,000) to the previous Majority Shareholder, and has maintained a reserve of cash in the amount of such instalments. The Company anticipates withholding payment of interest and the final instalment of \$13,341,380 due May 30, 2008 until such litigation has been resolved, and such date is presently not determinable.

The Company's overall liquidity risk has improved significantly from the prior year due to the March 25th financing and due to the achievement of net income for the period.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

3. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

CURRENCY RISK

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, accounts receivable, accounts payable and investments in mining interests. The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the Mexican peso and the Canadian dollar is summarized in the table below:

COMMODITY PRICE RISK

Movements in the spot price of silver have a direct and immediate impact on the Company's income and the value of its silver-related financial instruments. The Company does not use other derivative instruments to hedge its commodity price risk.

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. The Company's interest-bearing financial liabilities comprise fixed rate debt instruments and capital leases with terms to maturity ranging up to three years. The sensitivity analyses below have been determined based on the undernoted risks at March 31, 2008.

	Reasonably possible changes			
	\$US Denominated Silver Commodity Price	\$US /Peso Exchange Rate	Peso/\$CDN Exchange Rate	Market interest rate
Impact on Quarterly Operations	10%	10%	10%	25 basis points
Net Income ⁽¹⁾	\$ 1,296,418	\$ 90,783	\$ 96,088	\$ 33,012
Other Comprehensive Income ⁽¹⁾	\$ -	\$ -	\$ 566,195	\$ -

(1) These sensitivities are hypothetical and should be used with caution, favourable hypothetical changes in the assumptions result in an increased amount and unfavourable hypothetical changes in the assumptions result in a decreased amount of net income and/or other comprehensive income.

FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using a Black-Scholes model based on assumptions that are supported by observable current market conditions. Changes in these assumptions to reasonably possible alternative assumptions would not significantly affect the Company's results.

The carrying value less impairment provision, if necessary, of trade receivables and payables approximate their fair values.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

3. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

INVENTORIES

In June 2007, the CICA issued Section 3031, Inventories, which provides further guidance on the measurement and disclosure requirements for inventories. Specifically, the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The Company adopted Section 3031 on January 1, 2008. The adoption of the new standard did not have a material impact on the Company's results of operations or financial position.

4. OTHER RECEIVABLES

Details of the components of other receivables are as follows:

	March 31, 2008	December 31, 2007
	\$	\$
Value added tax and GST recoverable	4,570,782	4,467,782
Other taxes recoverable	1,439,230	1,286,967
Interest receivable	-	16,325
Advances to employees	82,134	11,288
Advances to suppliers	354,195	421,535
Other	290,937	396,298
	6,737,278	6,600,195

5. INVENTORIES

Inventories consist of the following:

	March 31, 2008	December 31, 2007
	\$	\$
Finished product (silver dore and concentrates)	1,006,256	1,321,004
Ore in process	90,661	246,289
Materials and supplies	2,287,818	1,341,587
	3,384,735	2,908,880

6. MINING INTERESTS

Expenditures incurred on mining interests, net of depletion, are as follows:

	March 31, 2008			December 31, 2007		
	Cost	Accumulated depreciation and depletion	Net	Cost	Accumulated depreciation and depletion	Net
	\$	\$	\$	\$	\$	\$
Mining properties	154,143,105	12,088,537	142,054,568	138,832,672	11,202,175	127,630,497
Plant and equipment	35,048,576	3,406,965	31,641,611	31,133,655	2,229,705	28,903,950
	189,191,681	15,495,502	173,696,179	169,966,327	13,431,880	156,534,447

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

6. MINING INTERESTS (continued)

(a) A summary of the net book value of mining properties is as follows:

	March 31, 2008				Totals 2008	December 31, 2007
	Depletable	Non-Depletable	Total	Plant and Equipment		
MEXICO	\$	\$	\$	\$	\$	\$
Producing properties						
La Encantada (a)	2,590,727	-	2,590,727	9,524,411	12,115,138	10,086,394
La Parrilla (b)	11,505,565	-	11,505,565	15,655,687	27,161,252	24,517,121
San Martin (c)	16,768,011	-	16,768,011	6,461,513	23,229,524	19,468,380
	30,864,303	-	30,864,303	31,641,611	62,505,914	54,071,895
Exploration properties						
La Encantada (a)		1,755,104	1,755,104		1,755,104	1,728,689
La Parrilla (b)		6,609,594	6,609,594		6,609,594	4,717,254
San Martin (c) (1)		92,866,445	92,866,445		92,866,445	87,749,359
Candamena		-	-		-	700,000
Chalchihuites (d) (e)		9,180,292	9,180,292		9,180,292	6,804,780
Cuitaboca (e) (2)		778,830	778,830		778,830	762,470
	-	111,190,265	111,190,265	-	111,190,265	102,462,552
	30,864,303	111,190,265	142,054,568	31,641,611	173,696,179	156,534,447

A summary of plant and equipment is as follows:

	March 31, 2008			December 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$	\$	\$
La Parrilla Silver Mine	17,144,601	1,488,914	15,655,687	14,763,264	1,063,330	13,699,934
San Martin Silver Mine	7,678,407	1,216,894	6,461,513	6,918,969	864,706	6,054,263
La Encantada Silver Mine	10,225,570	701,159	9,524,411	9,451,422	301,669	9,149,753
Used in Mining Operations	35,048,578	3,406,967	31,641,611	31,133,655	2,229,705	28,903,950
Corporate office equipment	696,294	127,943	568,351	528,865	96,556	432,309
	35,744,872	3,534,910	32,209,962	31,662,520	2,326,261	29,336,259

Details by specific assets are as follows:

	March 31, 2008			December 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$	\$	\$
Land	2,332,096	-	2,332,096	2,309,428	-	2,309,428
Automobile	284,276	174,335	109,941	266,020	41,256	224,764
Buildings	6,285,650	243,979	6,041,671	5,971,902	182,714	5,789,188
Machinery and equipment	25,252,026	2,871,383	22,380,643	21,898,609	1,922,611	19,975,998
Computer equipment	405,791	127,889	277,902	372,549	91,386	281,163
Office equipment	233,472	75,037	158,435	219,127	62,625	156,502
Leasehold improvements	308,183	42,287	265,896	308,183	25,669	282,514
Construction in progress	643,378	-	643,378	316,702	-	316,702
	35,744,872	3,534,910	32,209,962	31,662,520	2,326,261	29,336,259

- (1) This includes properties acquired from First Silver and held by Minera El Pilon. The properties are located in the San Martin de Bolaños region, as well as in Jalisco State (the Jalisco Group of Properties).
- (2) The Cuitaboca property was acquired from First Silver, is held by Minera El Pilon, and all costs are subsequent to acquisition.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

6. MINING INTERESTS (continued)

Details of expenditures by nature and property are summarized in Schedule "A" – Consolidated Summary of Mineral Property Interest to these financial statements.

Mineral property options paid and future option payments are due as follows:

	Note 6(b) La Parrilla US\$	Note 6(e) Chalchihuites US\$	Note 6(f) Cuitaboca US\$	Totals US\$
Paid as at March 31, 2008	2,550,600	5,825,000	550,000	8,925,600
May 21, 2008	217,800	-	-	217,800
May 22, 2008	231,600	-	-	231,600
May 25, 2008	-	-	175,000	175,000
Subtotal Q2 2008	449,400	-	175,000	624,400
Subtotal Q3 2008	-	-	-	-
November 25, 2008	-	-	200,000	200,000
Subtotal Q4 2008	-	-	200,000	200,000
FY 2009 and beyond	-	-	1,575,000	1,575,000
Future Option Payments	449,400	-	1,950,000	2,399,400
Totals	3,000,000	5,825,000	2,500,000	11,325,000

(a) La Encantada Silver Mine, Coahuila State

The La Encantada Silver Mine is a producing underground mine located in Northern Mexico approximately a 1.5 hour flight from Torreon and comprises 2,826 hectares of mining rights and surface land ownership of 1,343 hectares. The closest town, Muzquiz to Boquillas del Carmen, is 45 kilometres away via dirt road. The La Encantada Silver Mine consists of an 800 tonnes per day flotation plant, an airstrip, and other facilities, including a village with 180 houses as well as administrative offices.

(b) La Parrilla Silver Mine, Durango

The La Parrilla Silver Mine is a producing underground mine located approximately 65 kilometres southeast of the city of Durango, Mexico and includes mining equipment, an 800 tonnes per day cyanide and flotation processing mill commissioned in May 2007, and mining concessions covering an area of 53,000 hectares of which the Company owns 100 hectares of surface rights. The Company owns 100% of the La Parrilla Silver Mine which began commercial silver production in October 2004.

(c) San Martin Silver Mine, Jalisco State

The San Martin Silver Mine is a producing underground mine located within the town of San Martin de Bolaños in Northern Jalisco State, Mexico. The mine comprises approximately 7,840 hectares of mineral rights, approximately 1,300 hectares of surface land rights surrounding the mine and another 104 hectares of surface land rights where the 800 tonnes per day cyanidation mill, floatation circuit, mine buildings and offices are located. The Company owns 100% of the San Martin Silver Mine.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

6. MINING INTERESTS (continued)

(d) Chalchihuites Group of Properties, Zacatecas

The Chalchihuites Group of Properties is located 60 km to the southeast from the Company's La Parrilla Silver Mine and consists of a 293 contiguous hectare land package which covers the Perseverancia Silver Mine and the San Juan Silver Mine. In 2004, the Company signed several option agreements which covered a total land area of 487 hectares located in the Chalchihuites Mining District, in the municipality of Chalchihuites, located 150 km to the northwest of Zacatecas City in the Western portion of Zacatecas State. In January 2007, the Company exercised its option to acquire the San Juan Silver Mine, and in June 2007 exercised its option to acquire the Perseverancia Silver Mine. During the quarter ended September 30, 2007, the Company acquired 100 hectares of surface rights covering the area surrounding the San Juan Mine.

In reference to the final US\$2,000,000 payment due June 8, 2007, US\$1,000,000 was paid in June 2007 and the remaining US\$1,000,000 is being held in trust pending registration of the concessions with the Mexican mining registry. In connection therewith, a finder's fee in the amount of \$176,934 (US\$165,870) was paid to a director of the Company.

In September, 2007, the Company took 100% ownership of the Perseverancia Silver Mine, the San Juan Silver Mine and the surrounding 293 hectare land package.

In March 2008, the Company paid and executed one outstanding option agreement, entered into on August 29, 2005, to acquire the La Esperanza and the San Rafael mining concessions comprising approximately 29 hectares in the Chalchihuites area for a total purchase price of US\$175,000 payable over a three-year period (US\$65,000 paid in March 2008). A finder's fee in the aggregate of US\$7,257 is payable to a director of the Company.

(e) Cuitaboca Silver Project, Sinaloa, Mexico

The Cuitaboca Silver Project, located in the State of Sinaloa, Mexico, consists of an option to acquire a 5,134 hectare land package. This option was acquired in May 2006 through the acquisition of First Silver and its wholly owned subsidiary, El Pilon.

The Company presently owns an option agreement entered into on November 25, 2004 with Consorcio Minero Latinamericano, S.A. de C.V. ("Consortio"), a private Mexican company owned by a former director of First Silver, for the purchase of a 100% interest in seven mining claims covering 3,718 hectares located in the State of Sinaloa, Mexico. To purchase the claims, the Company must pay a total of US\$2,500,000 in staged cash payments through November 25, 2010 (US\$550,000 paid as at December 31, 2007). A 2.5% NSR on the claims may be purchased for an additional US\$500,000 at any time during the term of the agreement or for a period of 12 months thereafter.

7. VENDOR LIABILITY

First Majestic's aggregate purchase price of \$53,365,519, on acquisition of First Silver Reserves Inc. ("FSR"), was payable to the Majority Shareholder in three instalments. The first instalment of \$26,682,759, representing 50% of the purchase price, was paid on closing of the acquisition on May 30, 2006. An additional 25% instalment of \$13,341,380, was paid on May 30, 2007, on the first anniversary of the closing. The final 25% instalment of \$13,341,380 is due on May 30, 2008, on the second anniversary of the closing of the acquisition. Simple interest at 6% per annum, is payable quarterly on the outstanding vendor balance.

In November 2007, an action was commenced by the Company and FSR against the majority shareholder of FSR ("Majority Shareholder"), who was a previous director, President & Chief Executive Officer of FSR, and a company he controls, whereby the Company and FSR allege that while holding the positions of director, President and Chief Executive Officer, he engaged in a course of deceitful and dishonest conduct in breach of his fiduciary and statutory duties owed to FSR, which resulted in FSR not acquiring a mine. Management believes that there are substantial grounds to this claim, however, the outcome of this litigation is not presently determinable.

Pending resolution of the litigation set out above the Company has withheld payment of quarterly instalments of interest due on November 30, 2007 and February 29, 2008 to the previous Majority Shareholder and has maintained a reserve of cash in the amount of such instalments. The Company anticipates withholding payment of the final instalment of \$13,341,380 due May 30, 2008 if such litigation has not been resolved by such date.

On March 14, 2008, a statement of defence and counter-claim was filed in respect of the action commenced by the Company. Pursuant to the counterclaim, a request has been claimed for payment of an aggregate of \$400,241 in respect of interest payments due under the share purchase agreement dated April 3, 2006 which the Company has withheld under such agreement. The Majority Shareholder further claims damages for the failure by the Company to purchase 2,800,000 shares of FSR which the Company acquired pursuant to a plan of arrangement in 2006, the return of some or all of the shares of FSR owned by the Company, and for unquantified damages, costs and interest. The Company believes that the issues raised in the counterclaim will turn on the success of the Company's action against the defendant, however, the outcome of this litigation is not presently determinable.

8. SHARE CAPITAL

(a) Authorized - unlimited number of common shares without par value

On March 25, 2008, the Company completed a public offering with a syndicate of underwriters who purchased 8,500,000 Units at an issue price of \$5.35 per Unit for net proceeds to the Company of \$42,973,875. Each Unit consists of one common share in the capital 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 \$7.00 for a period of 24 months from the closing of the Offering. The underwriters have an option, exercisable up until 30 days following closing of the offering, to purchase up to an additional 1,275,000 Common Shares (the "Option Shares") at a price of \$5.07 per Option Share and up to an additional 637,500 Warrants at a price of \$0.56 per Warrant.

(b) Stock Options

Under the terms of the Company's Stock Option Plan, the maximum number of shares reserved for issuance under the 2007 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 are subject to vesting with 25% vesting upon issuance and 25% vesting each six months thereafter.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. SHARE CAPITAL (continued)

The changes in stock options outstanding for the period ended March 31, 2008, are as follows:

	Period Ended March 31, 2008			Year Ended December 31, 2007		
	Number of Shares	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life	Number of Shares	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life
Balance, beginning of the period	5,892,500	4.04	2.75 years	5,052,500	3.30	2.34 years
Granted	150,000	4.57	2.95 years	2,680,000	4.50	3.83 years
Exercised	(376,250)	3.00	0.43 years	(1,407,500)	2.15	0.22 years
Cancelled or expired	(41,250)	4.10	2.07 years	(432,500)	4.32	0.34 years
Balance, end of the period	5,625,000	4.12	2.41 years	5,892,500	4.04	2.75 years

The following table summarizes both the stock options outstanding and those that are exercisable at March 31, 2008:

Price \$	Options Outstanding	Options Exercisable	Expiry Dates
5.04	49,600	49,600	April 25, 2008
4.55	25,000	25,000	July 6, 2008
3.28	100,000	75,000	October 17, 2008
2.10	240,000	240,000	November 9, 2008
2.45	550,000	550,000	December 16, 2008
3.28	12,500	12,500	June 13, 2009
4.32	767,900	575,925	December 6, 2009
5.50	200,000	150,000	February 1, 2010
4.64	75,000	37,500	June 1, 2010
4.17	100,000	50,000	August 8, 2010
3.72	30,000	15,000	September 24, 2010
3.98	20,000	1,250	October 17, 2010
4.45	830,000	207,500	October 30, 2010
4.34	50,000	12,500	November 1, 2010
4.42	25,000	6,250	November 12, 2010
4.34	200,000	50,000	December 5, 2010
4.65	100,000	25,000	March 25, 2011
4.30	450,000	450,000	June 19, 2011
4.32	245,000	183,750	December 6, 2011
4.41	400,000	300,000	December 22, 2011
5.00	155,000	116,250	February 7, 2012
4.42	50,000	12,500	February 21, 2011
4.65	25,000	12,500	June 20, 2012
4.34	925,000	231,250	December 5, 2012
	5,625,000	3,389,275	

FIRST MAJESTIC SILVER CORP.
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8. SHARE CAPITAL (continued)

During the period ended March 31, 2008, the Company granted stock options to directors, officers and employees to purchase 150,000 shares of the Company. Pursuant to the Company's policy of accounting for the fair value of stock-based compensation over the applicable vesting period, \$1,008,217 has been recorded as an expense in the three-month period ended March 31, 2008 relating to all stock options.

The weighted average fair value of stock options issued at the date of grant was \$1.09 per share during the three month period ended March 31, 2008 (2007 - \$2.14).

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

	Period ended March 31, 2008	Year ended December 31, 2007
Risk-free interest rate	2.9%	4.0%
Estimated volatility	52.4%	56.3%
Expected life	2.0 years	1.7 years
Expected dividend yield	0%	0%

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

(c) Share Purchase Warrants

The changes in share purchase warrants for the period ended March 31, 2008 are as follows:

	Period Ended March 31, 2008			Year Ended December 31, 2007		
	Number of Warrants	Weighted Average Exercise Price (\$)	Average Number of Periods to Expiry	Number of Warrants	Weighted Average Exercise Price (\$)	Average Number of Periods to Expiry
Balance, beginning of the period	5,845,240	5.66	0.89 years	8,766,271	4.02	1.12 years
Issued (i)	4,250,000	7.00	1.98 years	3,632,791	6.52	1.32 years
Exercised	(7,500)	4.25	0.66 years	(2,668,823)	2.58	0.33 years
Cancelled or expired	-	-	0.00 years	(3,884,999)	4.89	0.00 years
Balance, end of the period	10,087,740	6.22	1.21 years	5,845,240	5.66	0.89 years

- (i) On March 25, 2008, the Company issued 4,250,000 warrants exercisable at a price of \$7.00 per share exercisable for a period of two years. The warrants were detachable warrants issued in connection with the 8.5 million units offering.

The following table summarizes the share purchase warrants outstanding at March 31, 2008:

Exercise Price \$	Warrants Outstanding	Expiry Dates
6.50	3,441,500	November 10, 2008
4.25	2,204,949	November 27, 2008
6.81	191,291	March 20, 2009
7.00	4,250,000	March 25, 2010
	10,087,740	

FIRST MAJESTIC SILVER CORP.
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9. REVENUES

Details of the components of revenue are as follows:

	Period Ended	Period Ended
	March 31	March 31
	2008	2007
	\$	\$
Gross revenues - silver dore bars and concentrates	16,245,923	11,857,430
Less: refining, smelting and transportation charges	(3,281,741)	(1,698,809)
Net revenue	12,964,182	10,158,621

10. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2008, the Company:

- (a) incurred \$45,185 (three months ended March 31, 2007 - \$47,408) for management services provided by the President & CEO and/or a corporation controlled by the President & CEO of the Company pursuant to a consulting agreement.
- (b) paid \$60,256 (three months ended March 31, 2007 - \$47,527) to a director and Chief Operating Officer for management and other services related to the mining operations of the Company in Mexico pursuant to a consulting agreement.
- (c) incurred \$1,935,900 of service fees during the period (three months ended March 31, 2007 - \$77,808) to a mining services company sharing our premises in Durango Mexico for the management and payment of mining contractors performing services for the Company in Mexico at all three mines. An employee of the Company is a shareholder of the mining services company. Of the fees, \$511,536 - were unpaid at March 31, 2008 (March 31, 2007 - \$nil).

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.

FIRST MAJESTIC SILVER CORP.
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MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

11. SEGMENTED INFORMATION

The Company considers that it has three operating segments all of which are located in Mexico, and one corporate segment located in Canada. These reportable operating segments are summarized in the table below.

Period ended March 31, 2008					
	El Pilon operations	First Majestic Plata operations	La Encantada operations	Corporate and other eliminations (1)	Totals
	\$	\$	\$	\$	\$
Silver sales	2,209,563	4,998,028	5,756,591	-	12,964,182
Cost of sales	1,465,532	2,571,495	2,480,029	-	6,517,056
Amortization and depreciation	285,264	354,880	147,035	34,090	821,269
Depletion	478,675	190,802	216,885	-	886,362
Earnings (loss) from operations	(21,481)	1,880,169	2,923,460	(3,294,134)	1,488,014
Net interest and other income (expense)	329,878	(330,105)	(84,118)	(126,901)	(211,246)
Income tax (recovery) expense	(86,075)	91,657	205,863	-	211,445
Net earnings (loss)	394,472	1,458,407	2,633,478	(3,421,034)	1,065,323
Total long lived assets	117,398,698	45,315,743	13,804,440	720,372	177,239,253

Period ended March 31, 2007					
	El Pilon operations	First Majestic Plata operations	La Encantada operations	Corporate and other eliminations (1)	Totals
	\$	\$	\$	\$	\$
Silver sales	4,650,488	1,555,416	3,952,717	-	10,158,621
Cost of sales	3,930,350	1,277,133	1,575,408	-	6,782,891
Amortization and depreciation	369,767	78,549	115,966	22,350	586,632
Depletion	1,435,385	19,093	-	-	1,454,478
Earnings (loss) from operations	(1,306,528)	(124,732)	1,825,069	(2,213,060)	(1,819,251)
Net interest and other income (expense)	(347,963)	429,544	(12,312)	(389,681)	(320,412)
Income tax (recovery) expense	60,310	-	861,926	-	922,236
Net earnings (loss)	(1,714,801)	304,812	950,831	(2,602,741)	(3,061,899)
Total long lived assets	125,485,315	30,366,604	11,685,545	169,624	167,707,088

(1) All corporate operations are in Canada.

12. CONTINGENT LIABILITIES

In February 2004, an action was commenced against the Company by the optionors of the Wekusko Property in Canada whereby the optionors are seeking an amount of \$43,500 cash, 30,000 common shares of the Company and an entitlement to exercise an option to purchase 100,000 shares of the Company at \$0.35 per share. The Company believes it has substantial defences to the claim; however the outcome of this litigation is not presently determinable.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

13. COMMITMENTS

The Company is obligated to make certain payments as described in Note 6, in connection with the acquisition of its mineral property interests.

The Company is also obligated to make certain interest and cash payments, as described in Note 7, in connection with the acquisition of a controlling interest in FSR, subject to litigation (see note 7).

In May 2007, the Company entered into an office premises lease for a period of four years and eight months commencing August 1, 2007. The premises lease commits the Company to a net annual rental expense of \$48,700 in 2007, \$116,880 in 2008 through 2011, and \$29,220 in 2012. Additional annual operating costs are estimated at \$101,110 per year (\$8,426 per month) over the term of the lease. The Company provided a deposit of two months of rent equaling \$42,879.

The Company is committed to making severance payments amounting to US\$540,000 to four officers in the event that there is a change of control of the Company.

14. ASSET RETIREMENT OBLIGATIONS

	Period ended March 31, 2008	Year ended December 31, 2007
	\$	\$
Balance, beginning of the period	2,290,313	3,898,085
Amounts assumed on acquisitions	-	2,305,800
Effect of change in estimates	-	(3,493,413)
Interest accretion	45,475	208,448
Effect of translation of foreign currencies	14,200	(628,607)
	2,349,988	2,290,313

Asset retirement obligations allocated by mineral properties are as follows:

	Anticipated Date	March 31, 2008 \$	December 31, 2007 \$
La Encantada mine	2037	315,126	307,271
La Parrilla mine	2032	369,882	360,000
San Martin mine	2013	1,664,980	1,623,042
		2,349,988	2,290,313

During the year ended December 31, 2007, the Company assessed its reclamation obligations at each of its mines including the La Encantada mine acquired during the year. The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is \$4,274,000, which has been discounted using a credit adjusted risk free rate of 8.5%. \$ 1,118,465 of the reclamation obligation relates to the La Parrilla Silver Mine, \$1,900,535 of the obligation relates to the San Martin Silver Mine, and \$ 1,255,000 relates to the La Encantada Silver Mine. 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.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 (UNAUDITED) AND DECEMBER 31, 2007

15. OTHER NON-CASH FINANCING AND INVESTING ACTIVITIES

	Year ended March 31, 2008	Year ended December 31, 2007
	\$	\$
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of special warrants to common shares (Note 8)	-	29,221,643
Fair value of warrants issued for acquisition of La Encantada (Note 8)	-	333,443
Fair value of warrants issued upon conversion of special warrants	-	5,193,357
Fair value of warrants upon completion of public offering	2,380,000	-
Issuance of shares for First Silver Arrangement (Note 8)	8,985,460	7,865
Issuance of shares for acquisition of La Encantada	-	2,000,904
Transfer of contributed surplus to common shares for options exercised (Note 8)	263,407	1,104,250

16. SUBSEQUENT EVENTS

Subsequent to March 31, 2008:

- (a) On April 4, 2008, the Company completed the issuance of an aggregate of 637,500 common share purchase warrants pursuant to the exercise of the over-allotment option granted to the Underwriters in connection with the public offering of 8,500,000 units of First Majestic which closed on March 25, 2008. The Additional Warrants were sold to the Underwriters at an issue price of \$0.56 per Additional Warrant. Each Additional Warrant entitles the holder to acquire one additional common share at a price of \$7.00 until March 25, 2010. The gross proceeds to First Majestic from the exercise of the Over-allotment Option is \$357,000.
- (b) On April 26, 2008, the Company issued 30,000 stock options with an exercise price of \$4.19 per share to employees of the Company.
- (c) On May 15, 2008, the Company issued 100,000 stock options with an exercise price of \$4.02 per share to an employee of the Company.

SCHEDULE "A"
FIRST MAJESTIC SILVER CORP.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
FOR THE PERIOD ENDED MARCH 31, 2008

	La Parrilla \$	San Martin \$	Chalchihuites \$	Candamena \$	Cuitaboca \$	La Encantada \$	Total \$
Balance - beginning of the period	15,534,440	101,163,475	6,804,781	700,000	762,470	2,665,330	127,630,496
Expenditures during the period							
Consulting	78,706	-	-	-	-	-	78,706
Filing fees	-	-	-	-	-	-	-
Mine exploration costs	689,413	2,031,191	2,333,254	-	11,625	621,376	5,686,859
Reports and assays	-	-	-	-	-	-	-
	768,119	2,031,191	2,333,254	-	11,625	621,376	5,765,565
Adjustments in acquisition costs during the period (net)	-	-	-	-	-	938,308	938,308
Less: Reclassification of proceeds on sale to other receivable	-	-	-	(700,000)	-	-	(700,000)
Less: depletion	(190,802)	(478,675)	-	-	-	(216,885)	(886,362)
Cumulative translation adjustment	2,005,633	6,928,527	42,258	-	4,735	339,608	9,320,761
Less : Adjustments to ARO (Note 14)	(2,232)	(10,063)	-	-	-	(1,905)	(14,200)
Balance, end of the period	18,115,158	109,634,455	9,180,293	-	778,830	4,345,832	142,054,568

(See Note 6)

SCHEDULE "B"
FIRST MAJESTIC SILVER CORP.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
FOR THE YEAR ENDED DECEMBER 31, 2007

	La Parrilla \$	San Martin \$	Chalchihuites \$	Candamena \$	Cuitaboca \$	La Encantada \$	Total \$
Balance - beginning of the period	6,319,008	124,777,077	3,798,218	1,993,465	221,416	1,761,699	138,870,883
Expenditures during the period							
Consulting	5,977	-	1,301,171	116,093	-	-	1,423,241
Filing fees	43,822	-	6,159	14,266	-	-	64,247
Mine exploration costs	12,029,890	2,746,556	333,661	180,769	408,129	1,708,632	17,407,637
Reports and assays	-	-	-	-	-	-	-
	12,079,689	2,746,556	1,640,991	311,128	408,129	1,708,632	18,895,125
Acquisition costs during the period (net)	1,078,650	-	2,293,864	430,661	132,925	7,032,536	10,968,636
Less: write off of mineral properties	-	-	-	(1,703,591)	-	-	(1,703,591)
Less: depletion	(747,648)	(5,392,958)	-	-	-	(176,528)	(6,317,134)
Less: amortization of mining rights ⁽²⁾	-	-	-	-	-	(434,056)	(434,056)
Cumulative translation adjustment	(2,227,324)	(19,838,914)	(928,292)	(331,663)	-	(1,229,917)	(24,556,110)
Less : New adjustments Final Price Allocation	-	-	-	-	-	(3,971,236)	(3,971,236)
Less : Adjustments to ARO	(967,935)	(1,128,286)	-	-	-	(2,025,800)	(4,122,021)
Balance, end of the period	15,534,440	101,163,475	6,804,781	700,000	762,470	2,665,330	127,630,496

(1)

- (1) For properties held by Minera El Pilon, all amounts are aggregated into acquisition costs. No part of the purchase price was allocated to the Cuitaboca property.
(2) See Note 9 – Acquisition of Desmin S.A. de C.V.

(See Note 6)



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED MARCH 31, 2008

Forward-Looking Statements

Except for statements of fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" 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 ecological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties related to 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. The reader is cautioned not to place undue reliance on forward-looking statements.

PRELIMINARY INFORMATION

First Majestic Silver Corp. ("First Majestic" or "the Company") is in the business of production, development, exploration and acquisition of mineral properties focusing on silver in Mexico. The common shares and warrants of the Company trade on the Toronto Stock Exchange under the symbols "FR", "FR.WT" and "FR.WT.A", respectively. The common shares are also quoted on the "Grey Market" in the U.S. under the symbol "FRMSF" and on the Frankfurt, Berlin, Munich and Stuttgart Stock Exchanges under the symbol "FMV". Silver producing operations of the Company are carried out through three operating mines: the La Parrilla, the La Encantada, and the San Martin Silver Mines.

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements for the quarter ended March 31, 2008, and the audited consolidated financial statements of the Company for the year ended December 31, 2007. Additional information on the Company, including the Company's Annual Information Form, is also available on SEDAR at www.sedar.com.

This MD&A relates to the consolidated operations of the Company and its two wholly owned direct subsidiaries: Corporación First Majestic, S.A. de C.V. ("CFM"), and First Silver Reserve Inc ("First Silver"), as well as the indirect wholly owned subsidiaries of CFM: Mineral El Pilon, S.A. de C.V. ("El Pilon"), Minera La Encantada, S.A. de C.V. ("La Encantada"), Desmin, S.A. de C.V. ("Desmin"), and First Majestic Plata, S.A. de C.V. ("FM Plata"), see "transactions with related parties" section below for a current Organization Chart subsequent to restructuring.

QUALIFIED PERSONS

Unless otherwise indicated, Leonel Lopez, C.P.G., P.G. of Pincock Allen & Holt is the Qualified Person for the Company and has reviewed the technical information herein. National Instrument 43-101 technical reports regarding the La Parrilla Silver Mine, the La Encantada Silver Mine and the San Martin Silver Mine can be found on the Company's web site at www.firstmajestic.com or on SEDAR at www.sedar.com.

**FIRST MAJESTIC SILVER CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS**

All financial information in this MD&A is prepared in accordance with Canadian GAAP, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated. Certain financial results in this MD&A, regarding operations, cash costs, and average realized revenues, will have been reclassified from prior reports to conform with industry peer company presentation standards, showing selected US dollar operational information.

All information contained in this MD&A is current as of May 15, 2008, unless otherwise stated.

FINANCIAL PERFORMANCE AND HIGHLIGHTS

- Sales revenues for the quarter were \$12.96 million; an increase of 28% compared to \$10.16 million for the quarter ended March 31, 2007.
- Earnings from mine operations for the quarter amounted to \$4.7 million, compared to \$0.4 million for the quarter ended March 31, 2007.
- The Company generated operating income of \$1.5 million for the quarter, compared to an operating loss of \$1.8 million for the quarter ended March 31, 2007.
- The Company generated its first quarterly net income for the quarter ended March 31, 2008, with net income of \$1,065,323 compared to a loss of \$3,061,899 for the quarter ended March 31, 2007. The net income for the first quarter was after deducting a non-cash stock-based compensation expense of \$1,108,216.
- The Company currently has more than \$52 million in its treasury, is generating significant cash flows from operations, and has sufficient capital to support its operating requirements for the foreseeable future provided it does not undertake any major acquisitions, or embark on significant capital expansion plans.
- Total quarterly production consisted of 1,061,720 ounces of silver equivalents, including 895,358 ounces of silver, 240 ounces of gold, and 1,857,897 pounds of lead. Shipments in the quarter totalled 1,019,490 ounces of silver equivalents.
- In the quarter, the Company invested \$5,593,433 in capital expenditures on its mineral properties, a further \$3,694,972 on additions to plant and equipment.
- Direct cash costs per ounce of silver (see Non-GAAP measures below) for the quarter ended March 31, 2008, were \$US6.51 per ounce, and averaged \$4.38 for La Parrilla and La Encantada combined. Start up costs of the new flotation circuit, and low grades of the sulphide ore feed to the mill in March at San Martin were responsible for increasing the consolidated cash costs to \$US6.51. It is anticipated that due to changes commenced in the first quarter at San Martin, that costs will begin to improve at this operation in the second quarter.

The subsidiaries, mines, mills and properties are related as follows:

Subsidiaries:	Mine and Mill	Exploration Properties
Minera El Pilón	San Martin Silver Mine	San Martin property Cuitaboca Silver Project Jalisco Group of Properties
First Majestic Plata	La Parrilla Silver Mine	La Parrilla Property Chalchihuites Group of Properties Candameña Mining District ⁽¹⁾
Minera La Encantada	La Encantada Silver Mine	La Encantada property

MINING OPERATING RESULTS

CONSOLIDATED FIRST MAJESTIC RESULTS	Quarter Ended 2008
Ore processed/tonnes milled	158,398
Average silver grade (g/tonne)	248
Recovery (%)	71%
Silver ounces produced	895,358
Gold ounces produced	240
Equivalent ounces from gold	12,684
Pounds of lead produced	1,857,897
Equivalent ounces from lead	137,894
Pounds of zinc produced	318,539
Equivalent ounces from zinc	15,784
Total production - ounces of silver equivalents	1,061,720
Shipments - Payable ounces of silver equivalents	1,019,490
Total USD cash cost per ounce ⁽¹⁾	6.51
Underground development (m)	6,006
Diamond drilling (m)	10,256
Total USD production cost per tonne ⁽¹⁾	45.83

LA PARRILLA RESULTS	Quarter Ended 2008
Ore processed/tonnes milled	55,299
Average silver grade (g/tonne)	276
Recovery (%)	75%
Silver ounces produced	367,870
Gold ounces produced	138
Equivalent ounces from gold	7,224
Pounds of lead produced	1,245,334
Equivalent ounces from lead	92,714
Pounds of zinc produced	32,763
Equivalent ounces from zinc	0
Total production - ounces of silver equivalents	467,808
Shipments - Payable ounces of silver equivalents	426,519
Total USD cash cost per ounce ⁽¹⁾	4.66
Underground development (m)	2,048
Diamond drilling (m)	8,547
Total USD production cost per tonne	39.24

SAN MARTIN RESULTS	Quarter Ended 2008
Ore processed/tonnes milled	50,218
Average silver grade (g/tonne)	138
Recovery (%)	79%
Silver ounces produced	174,506
Gold ounces produced	102
Equivalent ounces from gold	5,460
Pounds of lead produced	108,775
Equivalent ounces from lead	8,130
Pounds of zinc produced	266,640
Equivalent ounces from zinc	15,784
Total production - ounces of silver equivalents	203,880
Shipments - Payable ounces of silver equivalents	227,047
Total US cash cost per ounce ⁽¹⁾	15.40
Underground development (m)	2,564
Diamond drilling (m)	931
Total USD production cost per tonne	55.40

LA ENCANTADA RESULTS	Quarter Ended 2008
Ore processed/tonnes milled	52,881
Average silver grade (g/tonne)	322
Recovery (%)	64%
Silver ounces produced	352,982
Gold ounces produced	0
Equivalent ounces from gold	0
Pounds of lead produced	503,788
Equivalent ounces from lead	37,050
Pounds of zinc produced	19,136
Equivalent ounces from zinc	0
Total production - ounces of silver equivalents	390,032
Shipments - Payable ounces of silver equivalents	365,924
Total US cash cost per ounce ⁽¹⁾	4.04
Underground development (m)	1,395
Diamond drilling (m)	779
Total USD production cost per tonne	43.63

		Cash Cost Calculations Three Months Ended March 31, 2008 (Amounts in US\$)			
		San Martin	La Parrilla	La Encantada	Total
Direct Mining Expenses(MMI)	US\$	2,676,390	2,665,008	1,684,441	7,025,839
Profit Sharing	US\$	-	-	16,589	16,589
Other Selling Costs (Transport, etc.)	US\$	30,435	43,883	71,587	145,904
Third Party Smelting	US\$	94,843	454,237	882,537	1,431,617
By-product Credits	US\$	(19,407)	(993,289)	(331,527)	(1,344,222)
Less Profit Sharing	US\$	-	-	(16,589)	(16,589)
TOTAL CASH COSTS	US\$	2,782,260	2,169,839	2,307,038	7,259,138
CASH COST PER OUNCE PRODUCED	US\$/OZ	15.94	5.90	6.54	8.11
Cash Cost Per Ounce Produced	US\$/OZ	15.94	5.90	6.54	8.11
Smelting Cost Per Ounce	US\$/OZ	(0.54)	(1.23)	(2.50)	(1.60)
Direct Mining Cash Cost	US\$/OZ	15.40	4.66	4.04	6.51
TONNES PRODUCED	TONNES	50,218	55,299	52,881	158,398
OUNCES OF SILVER PRODUCED	OZ	174,506	367,870	352,982	895,358
OUNCES OF SILVER EQ PRODUCED	OZ EQ	29,374	99,938	37,050	166,362
TOTAL OZ OF SILVER EQ PRODUCED	OZ EQ	203,880	467,808	390,032	1,061,720
Mining	\$/Tonne	27.72	20.79	11.10	19.75
Milling	\$/Tonne	9.55	20.73	5.51	12.10
Indirect	\$/Tonne	16.02	6.67	15.24	12.50
Selling Costs	\$/Tonne	0.61	0.79	1.35	0.92
Smelter cost	\$/Tonne	1.89	8.21	16.69	9.04
By-product Credits	\$/Tonne	(0.39)	(17.96)	(6.27)	(8.49)
DIRECT COST PER TONNE	\$/Tonne	55.40	39.24	43.63	45.83

(1) The Company reports non-GAAP measures which include Direct Costs Per Tonne and cash cost per ounce of payable silver in order to manage and evaluate operating performance at each of the Company's mines. These measures are widely used in the silver mining industry as a benchmark for performance, but does not have a standardized meaning, and are not GAAP measures.

REVIEW OF MINING OPERATING RESULTS

Production in the first quarter ending March 31, 2008 increased to 1,061,720 equivalent ounces of silver representing a 5% increase over 1,008,299 equivalent ounces in the prior quarter and an increase of 36% over the equivalent ounces in the same quarter of the previous year.

The equivalent silver production for the quarter consisted of: 895,358 ounces of silver, representing an increase of 3% over the 868,354 ounces in the previous quarter, and an increase in lead production amounting to 1,857,897 pounds compared to 1,107,154 pounds of lead produced in the previous quarter, an increase of 68%. The large increase in lead production was primarily due to the increase of production at La Parrilla and to the start up of the flotation circuit at the San Martin Silver Mine. Production of gold was 240 ounces in the quarter compared to 490 ounces in the prior quarter representing a decrease of 49%, also in this quarter the first production of zinc concentrates was obtained from the flotation circuit at the San Martin mine with a total content of 318,539 pounds.

The ore processed at the Company's three operating silver mines; the La Parrilla Silver Mine, the San Martin Silver Mine and the La Encantada Silver Mine, amounted to 158,398 tonnes in the quarter representing a 8% increase over the 146,798 tonnes processed in the previous quarter and a 16% increase over the first quarter of 2007.

The Company's aggressive development program continues at all three mines as a priority. This activity is ongoing for the purpose of opening up additional producing stopes, improving grade control, and increasing resource development and exploration. A total of 6,006 meters of development was completed in the quarter compared with 5,346 metres of underground development completed in the previous quarter representing a positive variation of 12%. This program is important as it provides access to new areas within the different mines and prepares the mines for continued growth of silver production in 2008.

Reserve and Resource development remains a top priority for the Company. Presently twenty drill rigs are operating; five rigs at La Parrilla and three at the Chalchihuites, nine rigs at San Martin and three rigs at La Encantada. Also, in line with the Company's aggressive resource development strategy, 10,256 meters of diamond drilling was completed during the quarter, covering a total of 47 holes, which compared with the previous quarter 8,122 meters showing an increase of 26%.

The Company's operations plan for 2008 includes the completion of over 82,000 metres of drilling and over 46,000 metres of underground development.

In line with Company's program of underground equipment replacement launched with Sandvik in 2006, a total of 11 pieces of underground equipment were delivered in 2007, and 12 of the 20 additional pieces of underground equipment were received. All of this equipment is being deployed in underground mining activities at the different operations.

MINING PROPERTY UPDATES

La Parrilla Silver Mine, Durango, México

During the first quarter of 2008, the most important activities were: The continuous underground development at the different areas in the four operating mines within the La Parrilla property; including Rosarios/La Rosa, Quebradillas, San Marcos and at the San Jose/La Blanca mines. The Company increased its focus on trying to increase recoveries with mill improvements in both the Flotation and Cyanidation circuits, including commencing the construction of two leaching tanks, two thickeners, and the foundations for the installation for the two new filter presses which arrived in the last week of April, and which are now in operation. Exploration continues with diamond drilling from surface in order to increase the Reserves and Resources base.

During the first quarter of 2008, the production was 55,299 tonnes, which, when compared to the production of 53,138 tonnes in the previous quarter, shows an increase of 4%. The average head grade of silver at the mill in the first quarter of 2008 was 276 g/t which compares with the fourth quarter of 2007 of 222 g/t of silver, showing an increase of 24%. Recoveries of silver improved from 70% in the fourth quarter to 75% in the first quarter of 2008.

Total silver production in the quarter was 467,808 ounces of silver equivalent, representing a 33% increase over the 350,838 ounces in the previous quarter ended December 31, 2007. The composition of the silver equivalent production in the first quarter of 2008 included 367,870 ounces of silver, 138 ounces of gold and 1,245,334 pounds of lead.

Resources and Reserves development at La Parrilla continues to be a priority, with the use of five drill rigs. During the quarter, a total of 19 diamond drill holes were completed within the La Parrilla area, consisting of 8,547 meters which compared with 6,869 meters in the previous quarter showing an increase of 24%. Complementing this program, a geophysics study was initiated in five different areas in the last quarter of 2007, with this exploration program testing new exploration targets.

The primary focus of drilling during this quarter continues confirming resources at the Quebradillas and Vacas areas. In addition to the ongoing diamond drill program, and with the objective of increasing the total Proven Reserves and developing new production areas, a total of 2,048 meters of underground development was

completed in the first quarter of 2008, at the La Rosa-Rosario, La Blanca, San Marcos, Quebradillas and San José areas.

Mine equipment continued arriving at La Parrilla with four new pieces arriving at the mine in the first quarter of 2008.

San Martin Silver Mine, Jalisco, Mexico

During the first quarter of 2008, the 500 tpd flotation circuit was commissioned and operated in its first stage in test batches of 10 days each alternating with operations of 20 days at the cyanidation circuit. The first tests were conducted to define the final metallurgical parameters. In the month of March, the first concentrates were produced at San Martin. 85 tonnes of lead concentrates were produced and shipped to La Parrilla to mix with La Parrilla's concentrates, and 87 tonnes of zinc concentrates were produced and are being given an additional cleaning step to comply with the minimum grade of 50% of zinc that is required by the smelter.

In the cyanidation circuit, the environmental and upgrade activities continued, including: pouring cement floors at the leaching and thickeners areas in the cyanidation circuit; and the repair and reinforcement of the leaching tanks. These improvements are part of the process of achieving a "Clean Industry Certification" from PROFEPA, the Mexican environmental agency responsible for policing environmental affairs. In addition, one new scoop tram, two new underground trucks and one Jumbo Quasar were delivered to the San Martin mine as part of a fleet modernization program that began in 2006, dedicated toward improving efficiencies within the mine, reducing maintenance costs, and reducing energy consumption.

Production at the San Martin mine during the quarter ended March 31, 2008, was 50,218 tonnes, representing an 11% decrease compared to the 56,003 tonnes in the previous quarter ended December 30, 2007. The average head grade during the current quarter was 138 g/t representing a 20% decrease from 171 g/t during the previous quarter, this reduction is caused by the feed of the sulphide ore with an average of 90 g/t of silver in the flotation circuit, but also results in additional value being received from the resulting combined average of 4% lead and zinc received. During the quarter a new mining plan was developed and immediately implemented. These changes, which will be in place for the remainder of 2008, are designed to increase tonnage and silver grade being fed to the mill. This new approach, which also includes some upgrades and additions to the mill, will allow for higher tonnage of ore being mined and milled, and is anticipated to lower overall costs at the San Martin.

Combined recoveries of silver in the quarter were 79%, compared to 86% in the previous quarter, resulting in total production of 203,880 equivalent ounces of silver, which is 29% lower than the 284,819 ounces in the fourth quarter of 2007. The equivalent ounces of silver consisted of 174,506 ounces of silver, 102 ounces of gold, 108,775 pounds of lead, and 266,640 pounds of zinc.

During the first quarter of 2008, a total of 931 metres of diamond drilling was completed consisting of 12 underground holes and 4 holes from surface.

During the quarter six drill rigs were operating. In April, three additional rigs were added to the drill program and presently nine drill rigs are operating of which four are operating underground and five from surface. This significant drilling effort is focused in defining additional Reserves and Resources in the different targets that were defined during the previous year, in which an important surface geological program was defined.

During the first quarter a total of 2,564 metres of underground development was completed. An important part of this development continues to be focused on access to the upper levels in the mine where oxide ores appear to be present. Also during the quarter, work continued at the new exploration zone in the Rosario-Condesa system, in the Cinco Señores area, where some old workings were re-habilitated and mapping was completed. Additional exploration with direct development is under way in this area. This activity is ongoing with the purposes of: grade control; the development of additional Reserves and Resources; and exploration to define additional targets for future mine expansion.

La Encantada Silver Mine, Coahuila, Mexico

During the first quarter of 2008, improvements continued at La Encantada, including the installation of a new secondary cone crusher. In addition, three new scoop trams arrived at the mine, replacing older pieces of equipment. The new scoop trams are permitting the Company to access high grade areas and increase the rate of development at the mine. Additional equipment is being procured as part of the Sandvik order and delivery is expected in the second half of 2008.

At the La Encantada Silver Mine, production in the quarter was 52,881 tonnes, an increase of 40% compared to the fourth quarter of 2007 production of 37,657 tonnes. The average head grade of silver was 322 g/t, a decrease of 13% compared to the 370 g/t achieved in the previous quarter. A total of 390,032 equivalent ounces of silver were produced during the first quarter, which represents an increase of 5% from the 372,642 equivalent ounces of silver in the previous quarter. Silver production consisted of 352,982 ounces of silver, an increase of 3% versus the 341,709 ounces in the previous quarter and 503,788 pounds of lead, an increase of 69% from the 298,269 pounds in the previous quarter.

Mine development continues with 1,395 meters of development completed in the first quarter aimed at several targets including the San Javier/Milagros Breccias and Azul y Oro areas. The purpose of the ongoing underground development program is to increase production levels in 2008, confirm additional Reserves and Resources, and for exploration purposes.

Diamond Drilling continued at underground targets with a total of four holes completed in the first quarter consisting of 779 meters. A new mineralized area is being defined with this drilling program and results are expected in the second quarter of 2008.

The evaluation of the cyanidation plant continues and metallurgical tests conducted on the tailings were confirmed with new and historic tests, confirming the possibility of economically recovering the contained silver. An economic evaluation was prepared to assess the feasibility of this project. Equipment for this plant expansion is in the process of being assessed and the first environmental permit was obtained, with the second and final permit expected in the second quarter. Engineering design for the construction of a cyanidation circuit is continuing and is expected to be completed in the second quarter of 2008.

EXPLORATION PROPERTY UPDATES

Chalchihuites Group of Properties, Zacatecas, Mexico

In March 2008 the Company added to its land holding by electing to exercise an option to purchase the rights to another 29 hectares, consisting of two additional mining claims in the San Juan mine area, the Esperanza claims.

For the quarter ended March 31, 2008, a total of eight diamond drill holes were completed totalling 1963 meters at both the San Juan and Perseverancia Silver Mines. An underground diamond drill is operating on a permanent basis, and an additional rig has been installed on surface to explore the extension of the San Juan ore body to the East. A total of three drill rigs are operating at Chalchihuites, one on surface at Perseverancia, one underground and one on surface at San Juan. A mine contractor with a crew of 48 people is presently developing both mines.

The Perseverancia Silver Mine is presently being upgraded and rehabilitated to increase production of the high grade chimney areas. High grade ore is presently being produced at a rate of 100 tonnes per month. During the first quarter, approximately 300 tonnes were extracted from the mine, grading approximately 1.5 kilos (1,500 g/t) of silver and 35% lead. This high grade ore is crushed to minus 1/8" and is being shipped directly to the smelter. This production is expected to continue and to increase in the following months.

Cuitaboca Silver Project, Sinaloa, Mexico

As a result of the Company's acquisition of Minera El Pilon, the Company acquired an option to purchase a 100% interest in the Cuitaboca Silver Project, consisting of 5,134 hectares located in the State of Sinaloa, Mexico, which contains at least six well known veins with sulphide mineralization carrying high grade silver. The veins within the property are known as; the La Lupita, Los Sapos, Chapotal, Colateral-Jesus Maria, Mojardina and Santa Eduwiges.

During the quarter, the Company completed another three kilometres of road construction to access the Mojardina and Eduwiges veins which are the second and third veins scheduled to be accessed. Total road construction since mid 2006 consists of 34 kms. During the first quarter of 2008, a mining contractor mobilized equipment and the required man force and the development work at the Colateral vein was reinitiated. Development at the Santa Eduwiges vein is expected to be initiated in the second quarter of 2008.

The Company intends to advance the current exploration program, increasing the development and exploration efforts by completing 2,000 metres of direct drifting along the vein and commencing a diamond drill program at both the Colateral and Mojardina veins during 2008. Road construction will also be continued to extend access to the La Lupita, Los Sapos, Chapotal, and Santa Eduwiges veins where additional exploration work will be carried out.

Jalisco Group of Properties, Jalisco, Mexico

As a result of the Company's acquisition of Minera El Pilon the company acquired a group of mining claims totalling 5,131 hectares located in various mining districts located in Jalisco State, Mexico. During the second half of 2007, a team of geologists visited these mining claims to initially focus on the evaluation of the geological potential at the prolific mining district of Etzatlan, Jalisco where the Company owns 787 hectares. During 2008, surface geology and mapping will continue with the purpose of defining future drill targets.

Candameña Mining District property, Chihuahua, Mexico

On August 14, 2007, the Company entered into an agreement with Prospector Consolidated Resources Inc. ("Prospector") whereby Prospector had the right to acquire a 100% interest in the Company's option to the Candameña Mining District Property by paying \$50,000 and issuing two million of its common shares to the Company upon regulatory approval. The Company received \$50,000 in August 2007, and Prospector assumed all option commitments to the underlying property vendors effective August 2007. Prospector received regulatory approval and the Company received two million shares of Prospector in March 2008. In September 2007, management wrote down the carrying value of its receivable on sale of the option on the Candameña property by \$1,703,591 to \$700,000, reflecting the cash received and estimated proceeds on disposal of two million shares of Prospector. In March 2008, the Company wrote down the remaining receivable on Candameña to \$460,000, reflecting the market value of the Prospector Resources shares on the date it received those shares.

RESULTS OF OPERATIONS

Three months ended March 31, 2008 compared to three months ended March 31, 2007.

Revenue increased to \$12,964,182 for the three months ended March 31, 2008 compared to the \$10,158,621 for the three months ended March 31, 2007, an increase of 28%. This increase is due primarily to the ramping up of production at the La Parrilla Silver Mine and La Encantada Silver Mines, and an increase in recoveries at La Parrilla.

Mine operating earnings for the three months ended March 31, 2008 was \$4,728,110 an increase of \$4,940,224 over the \$410,429 of mine operating earnings for the three months ended March 31, 2007.

An operating income of \$1,488,014 was generated after general and administrative costs and stock based compensation, for the three months ended March 31, 2008, compared to a loss of \$1,412,987 for the three months ended March 31, 2007. Expenses were higher in general administration due to the increase in staff required to administer and manage the additional volumes of business taken on in the past year, as well as the increase in audit, legal and professional fees associated with the increased volume of business and additional legal

activities in the current quarter associated with a lawsuit launched in the final quarter of 2007. Interest and other expense includes approximately \$205,000 of 6% simple interest on the vendor and arrangement liabilities associated with the purchase of First Silver and interest expense associated with capital leases with Sandvik Financial.

The loss before income taxes turned to a pre-tax profit of \$1,276,768 for the three months ended March 31, 2008, an improvement of \$3,416,431 compared to the same period in the prior year, due to the higher mine operating earnings, lower amortization, depreciation and depletion.

The net loss after taxes turned to a net income after taxes of \$1,065,323 (\$0.02 per share) from a loss of \$3,061,899 (\$0.06 per share) for the same period in the prior year, due primarily to increased mine operating earnings, reduced amortization, depreciation and depletion, which represents the first quarter of bottom line earnings for the Company.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for each of the last eight quarters.

	Quarter	Net sales revenues \$	Net Income (loss) after taxes \$	Basic and diluted net loss per common share \$	Stock based compensation (2) \$	Property Write Downs \$	Notes:
Year Ended December 31, 2008	Q1	12,964,182	1,065,323	0.02	1,108,216	0	
Year ended December 31, 2007	Q4	11,631,477	(1,771,511)	(0.03)	1,446,821	0	
	Q3	10,288,478	(2,070,082)	(0.04)	723,992	1,703,591	1, 3
	Q2	10,846,344	(729,658)	(0.01)	775,532	0	
	Q1	10,158,621	(3,137,751)	(0.06)	919,344	0	
Transition year ended December 31, 2006	Q2	8,138,284	(3,893,758)	(0.09)	1,400,603	774,254	4
	Q1	4,616,681	(3,694,434)	(0.09)	158,289	2,086,258	5
Year ended June 30, 2006	Q4	2,725,624	(3,151,860)	(0.07)	1,292,007	384,930	6
	Q3	671,435	(995,998)	(0.03)	307,712	0	

Notes:

(1) During the year ended December 31, 2007, the Company changed its accounting policy with respect to the treatment of underground mining costs (see Section 1.11(iv) – Change in Accounting Policy Relating to Cost of Production). This change has been applied on a prospective basis effective January 1, 2007 with the effect that cost of production, net loss and comprehensive loss for the year ended December 31, 2007 have all been reduced by \$2,400,996. Capitalized mine development costs have increased by \$2,136,055 and the deficit decreased by \$2,400,996 at December 31, 2007. Loss per share for the year ended December 31, 2007 was reduced by \$0.04, respectively.

(2) Stock Based Compensation - the net losses are affected by significantly varying stock based compensation amounts in each quarter. Stock based compensation results from the issuance of stock options in any given period, as well as factors such as vesting and the volatility of the Company's stock, and is a calculated amount based on the *Black-Scholes Option Pricing Model* of estimating the fair value of stock option issuances.

Write downs of mineral properties – net losses are impacted by managements' decision not to pursue certain mineral properties. The write downs relate to the following properties:

(3) In the quarter ended September 30, 2007, management elected not to proceed with the acquisitions of the Candameña Mining District and accordingly, included a \$1,703,591 one time write down of the carrying value of the Candameña mineral property to its estimated proceeds from disposal.

- (4) In the quarter ended December 31, 2006, management elected not to proceed with the acquisitions of five of the Chalchihuites Group Properties (Beatriz, Esmeraldita, Nueva India, Tayoltita and Verdiosa) and accordingly, the historical investment in these properties totalling \$688,766 were written off during the quarter in addition to other exploration costs of \$85,488.
- (5) In the quarter ended September 30, 2006, management elected not to proceed with the acquisitions of the Dios Padre Silver Project and the La Candelaria Silver Project, and as a result wrote down the carrying values of the properties by \$1,895,107 and \$191,151, respectively.
- (6) In the quarter ended September 30, 2006, management wrote off mineral property interests in the amount of \$384,930 relating to two of the Chalchihuites Group Properties known as El Magistral and La Esmeralda.

In addition the cost of production, net loss and comprehensive loss for the three months ended March 31, 2007 and June 30, 2007 have been increased by \$75,852 and reduced by \$497,762, respectively. Loss per share for the three months ended March 31, 2007 and June 30, 2007 was reduced by \$nil and \$0.01, respectively.

The results for the seven most recent quarters include the consolidation of operating results of the San Martin mine since June 1, 2006, and the La Encantada mine since November 1, 2006. Accordingly, the sales revenues have increased significantly with these acquisitions.

LIQUIDITY

At March 31, 2008, the Company had working capital of \$39,667,951 and cash and cash equivalents of \$52,819,184 compared to working capital of \$1,125,365 and cash and cash equivalents of \$12,835,183 at December 31, 2007. Current liabilities at March 31, 2008 includes the current portion of a long-term vendor liability relating to the acquisition of First Silver in the amount of \$13,341,380, and the current portion of a liability relating to the First Silver Arrangement in the amount of \$388,836, as well as the current portion of capital lease obligations of \$2,799,724.

On March 25, 2008, the Company completed a public offering with a syndicate of underwriters led by CIBC who purchased 8,500,000 Units at an issue price of \$5.35 per Unit, for gross proceeds of \$45,475,000. Each Unit consists of one common share in the capital 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 \$7.00 for a period of 24 months from the closing of the Offering. The underwriters have an option, exercisable up until 30 days following closing of the offering, to purchase up to an additional 1,275,000 Common Shares (the "Option Shares") at a price of \$5.07 per Option Share and up to an additional 637,500 Warrants at a price of \$0.56 per Warrant.

On April 4, 2008, the Company completed the issuance of an aggregate of 637,500 common share purchase warrants pursuant to the exercise of the over-allotment option granted to the Underwriters in connection with the public offering of 8,500,000 units of First Majestic which closed on March 25, 2008. The Additional Warrants were sold to the Underwriters at an issue price of \$0.56 per Additional Warrant. Each Additional Warrant entitles the holder to acquire one additional common share at a price of \$7.00 until March 25, 2010. The gross proceeds to First Majestic from the exercise of the Over-allotment Option is \$357,000.

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 any liquidity risk and there are no restrictions on the ability of the Company to meet its obligations. The Company has no exposure and has not invested any of its treasuries in any asset backed commercial paper securities. The Company has chosen not to hedge any of its production of silver and has not invested in any futures contracts for the purpose of hedging against commodity prices or currency volatility.

During the quarter ended March 31, 2008, the Company made investments on its mineral properties of \$5,593,433 (March 31, 2007 - \$2,991,966), and on plant and equipment further expenditures of \$3,694,972 (March 31, 2007 - \$2,448,527), and \$1,692,693 on deposits on new mining equipment (March 31, 2007 - \$ nil).

CAPITAL RESOURCES

As a result of the \$34,415,000 private placement and the \$45,475,000 public offering mentioned above, as well as the Company's ability to earn cash flow from its ongoing operations, the Company currently has approximately \$53 million of cash in treasury and considers that it has sufficient cash flow to meet its existing obligations and to address its capital expansion plans going forward.

The Company's obligations in 2008 include \$13,341,380 owing in May 2008 to the majority shareholder of FSR ("FSR Shareholder") regarding the acquisition of First Silver Reserve Inc. ("FSR") as well as \$400,241 in respect of interest payments due to the same FSR Shareholder. Also, the final \$388,836 payment on the arrangement liability is due in September 2008. In November 2007, an action was commenced by the Company and FSR against the previous FSR Shareholder, to whom approximately \$13.7 million in principal and interest is owed, dating back to the acquisition of FSR in April 2006. Pending resolution of the litigation set out above the Company has withheld payment of quarterly instalments of interest due on November 30, 2007 and February 29, 2008 to the previous majority Shareholder and has maintained a reserve of cash in the amount of such instalments. Although the Company has sufficient funds to meet this obligation, the Company anticipates withholding payment of the final instalment and maintaining a reserve for these payments until such time as the litigation has been resolved.

The Company is obligated to make payments to Sandvik Financial pertaining to a short-term leasing arrangement for equipment purchases made in 2006 and 2007, where 50% of the cost of the equipment was scheduled over two year terms from the date of delivery, pursuant to quarterly payments. The combined obligation for the 2006 and 2007 equipment purchases amounts to \$3.6 million, inclusive of interest and principal, with principal of \$2,061,464 due in 2008, and \$1,245,194 due in 2009.

The Company is obligated to make certain mineral property future option payments to retain access to certain mineral properties at its La Parrilla, Chalchihuites, and Cuitaboca properties. These obligations include US\$449,400 for La Parrilla and US\$1.95 million for Cuitaboca.

Future costs to retire assets including dismantling, remediation and ongoing treatment and monitoring of sites are recognized and recorded as liabilities at fair value as at the date the liabilities are incurred. The remediation liability is accreted over time to the estimated amount ultimately payable through periodic charges to earnings. Future site restoration costs are capitalized as part of the carrying value of the related mineral properties at their initial values and amortized over the mineral properties useful lives based on a units-of-production method. The present value of the Company's 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.

2008 OUTLOOK

As the Company's Reserves and Resources continue to grow, the Company continues to focus on expansions of its mills and operational output. In 2008, management at First Majestic will focus on executing its business plan by continuing the ongoing improvements at each mine, and achieving production and resource targets for 2008. The Company is targeting 5.3 million ounces of silver equivalent production for 2008, and continued increases in NI 43-101 compliant silver Resources. The Company's primary focus is to build long term sustainable mining operations, and shareholders can be assured management at First Majestic is very focused on growth and profitable mining operations.

Improvements made to date in 2008 include: the completion of the flotation circuit at the San Martin; the replacement of the secondary crusher at the La Encantada; and, the addition of two new filter presses at the La Parrilla.

An important part of improving mining efficiencies and costs, 20 pieces of underground equipment were ordered for delivery in 2008, of which 12 have already been delivered. This new equipment includes scoop-trams, underground trucks and jumbos.

In 2008, other improvements that are either in the planning stage or scheduled, include; mill expansion plan at the La Encantada anticipated to be launched in the second quarter; extensive geophysics program at the La Encantada property is scheduled; changes underway at the San Martin to increase tonnage and reduce the cost per tonne; expansion of the San Martin mill in the early planning stage; the Chalchihuites project is undergoing an extensive development program which includes diamond drilling in order to release a NI 43-101 report in July; at the Cuitaboca project the exploration and development program will continue through the year for an anticipated release of a NI 43-101 report by year end.

In 2008, the third year of this program, 20 additional pieces of underground equipment are planned, of which 12 have already been delivered. This new equipment includes scoop-trams, underground trucks and jumbos, and is intended to improve efficient underground operations.

The Company anticipates that silver, gold, and lead prices will continue to be volatile but will continue their upward trends. We expect all three producing mines to produce positive cash flows from production, as well as positive mine operating earnings during 2008.

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2008, the Company had no material off-balance sheet arrangements such as guarantee contracts, 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.

RELATED PARTY TRANSACTIONS:

During the period ended March 31, 2008, the Company:

- (a) incurred \$45,185 (three months ended March 31, 2007 - \$47,408) for management services provided by the President & CEO and/or a corporation controlled by the President & CEO of the Company pursuant to a consulting agreement.
- (b) paid \$60,256 (three months ended March 31, 2007 - \$47,527) to a director and Chief Operating Officer for management and other services related to the mining operations of the Company in Mexico pursuant to a consulting agreement. The \$478,206 paid includes \$254,742 (US\$234,292) paid as finder's fees upon the completion of certain option agreements relating to the Chalchihuites Group of Properties.
- (c) incurred \$1,935,900 of service fees during the period (three months ended March 31, 2007 - \$77,808) to a mining services company sharing our premises in Durango Mexico for the management and payment of mining contractors performing services for the Company in Mexico at all three mines. An employee of the Company is a shareholder of the mining services company. Of the fees, \$511,536 were unpaid at March 31, 2008 (March 31, 2007 - \$nil).

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.

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.

PROPOSED TRANSACTIONS

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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires companies to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

All of the Company's significant accounting policies and the estimates derived therefrom are included in Note 2 to the annual consolidated financial statements for period ended March 31, 2008. While all of the significant accounting policies are important to the Company's consolidated financial statements, the following accounting policies, and the estimates derived therefrom, have been identified as being critical:

- Carrying Values of Property, Plant and Equipment and Other Mineral Property Interests;
- Depletion and Depreciation of Property, Plant and Equipment;
- Reclamation and Remediation Obligations;
- Income Taxes; and
- Stock Based Compensation.

Carrying Values of Property, Plant and Equipment and Other Mineral Property Interests

The Company reviews and evaluates its mineral properties for impairment at least annually or when events and changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. Estimated undiscounted future net cash flows for properties in which a mineral resource has been identified are calculated using estimated future production, commodity prices, operating and capital costs and reclamation and closure costs. Undiscounted future cash flows for exploration stage mineral properties are estimated by reference to the timing of exploration and/or development work, work programs proposed, the exploration results achieved to date and the likely proceeds receivable if the Company sold specific properties to third parties. If it is determined that the future net cash flows from a property are less than the carrying value, then an impairment loss is recorded with a charge to operations, to the extent the carrying value exceeds discounted estimated future cash flows.

The estimates used by management are subject to various risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of the Company's investments in mining projects and other mineral property interests.

Depletion and Depreciation of Property, Plant and Equipment

Property, plant and equipment comprise one of the largest components of the Company's assets and, as such, the amortization of these assets has a significant effect on the Company's financial statements. On the commencement of commercial production, depletion of each mining property is provided on the unit-of-production basis using estimated reserves as the depletion basis. The mining plant and equipment and other capital assets are depreciated, following the commencement of commercial production, over their expected

economic lives using either the unit-of-production method or the straight-line method (over two to 10 years), as appropriate.

Capital projects in progress are not depreciated until the capital asset has been put into operation.

The reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves the study of geological, geophysical and economic data and the reliance on a number of assumptions. The estimates of the reserves may change, based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production. A change in the original estimate of reserves would result in a change in the rate of depletion and depreciation of the related mining assets or could result in impairment resulting in a write-down of the assets.

Reclamation and Remediation Obligations

The Company has obligations for site restoration and decommissioning related to its mining properties. The Company, using mine closure plans or other similar studies that outline the requirements planned to be carried out, estimates the future obligations from mine closure activities. Because the obligations are dependent on the laws and regulations of the country in which the mines operate, the requirements could change resulting from amendments in those laws and regulations relating to environmental protection and other legislation affecting resource companies.

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As the estimate of obligations is based on future expectations, in the determination of closure provisions, management makes a number of assumptions and judgments. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out. Actual costs incurred in future periods related to the disruption to date could differ materially from the discounted future value estimated by the Company at March 31, 2008.

Income Taxes

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantially enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make assumptions about the future performance of the Company.

Management executed a corporate restructuring for tax purposes that became effective January 1, 2008, enabling 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 not paying taxes on their cash earnings in Mexico. Management has reviewed its IETU obligations and its consolidated tax position at March 31, 2008, and

management is required to assess whether the Company is “more likely than not” to benefit from these tax losses prior to recording a benefit from the tax losses.

Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Stock-Based Compensation

The Company uses the *Black-Scholes Option Pricing Model*. Option pricing models require the input of subjective assumptions including the expected price volatility. Changes in the input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options granted during the year.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS- DISCLOSURES AND PRESENTATION

During the quarter, the Company adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1535, Capital Disclosures (“Section 1535”), Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”) and Handbook Section 3863, Financial Instruments – Presentation (“Section 3863”).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument 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, interest rate risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company’s size and status. The Companies overall strategy remains unchanged from 2007.

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus, retained earnings and accumulated other comprehensive income.

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 exclusively to one international organization with a strong credit rating, payments receivable 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. Therefore, the Company 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 its expansion plans. The Company does not have any committed loan facilities to meet its business requirements.

On March 25, 2008, the Company completed a public offering with a syndicate of underwriters who purchased 8,500,000 Units at an issue price of \$5.35 per Unit for net proceeds to the Company of \$42,973,875. Although the Company does not have a history of operating profits, the Company believes it has sufficient cash on hand to meet operating requirements as they arise.

The Company has an obligation regarding its purchase of First Silver Reserve ("FSR") to make a final instalment payment of \$13,341,380, due on May 30, 2008, and to make simple interest payments at 6% per annum, payable quarterly on the outstanding vendor balance. In November 2007, an action was commenced by the Company and FSR against the previous majority shareholder of FSR ("Majority Shareholder"), who was a previous director, President & Chief Executive Officer of FSR, and a company he controls, whereby the Company and FSR allege that while holding the positions of director, President and Chief Executive Officer of FSR, he engaged in a course of deceitful and dishonest conduct in breach of his fiduciary and statutory duties owed to FSR, which resulted in FSR not acquiring a mine. Management believes that there are substantial grounds to this claim, however, the outcome of this litigation is not presently determinable.

Pending resolution of the litigation set out above the Company has withheld payment of quarterly instalments of interest due on November 30, 2007 and February 29, 2008 (approx. \$400,000) to the previous Majority Shareholder, and has maintained a reserve of cash in the amount of such instalments. The Company anticipates withholding payment of interest and the final instalment of \$13,341,380 due May 30, 2008 until such litigation has been, and such date is presently not determinable.

The Company's overall liquidity risk has improved significantly from the prior year due to the March 25th financing and due to the achievement of net income in the period.

CURRENCY RISK

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, accounts receivable, accounts payable, long-term investments. The sensitivity of the Company's net earnings and other comprehensive income due to changes in the exchange rate between the Mexican peso and the Canadian dollar is summarized in the table below:

COMMODITY PRICE RISK

Movements in the spot price of silver have a direct and immediate impact on the Company's income and the value of its silver-related financial instruments. The Company does not use other derivative instruments to hedge its Commodity price risk.

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 cash and cash equivalents which bear interest at a mixture of fixed rates for pre-set periods of time. The company's interest-bearing financial liabilities comprise fixed rate debt instruments and capital leases with terms to maturity ranging up to three years.

The sensitivity analyses below have been determined based on the exposure to equity price risks at March 31, 2008.

	Reasonably possible changes ⁽¹⁾			
	\$US			
	Denominated Silver Commodity Price	\$US /Peso Exchange Rate	Peso/\$CDN Exchange Rate	Market interest rate
	10%	10%	10%	25 basis points
Impact on Quarterly Operations				
Net Income	\$ 1,296,418	\$ 90,783	\$ 96,088	\$ 33,012
Other Comprehensive Income	\$ -	\$ -	\$ 566,195	\$ -

(1) These sensitivities are hypothetical and should be used with caution, favourable hypothetical changes in the assumptions result in an increased amount and unfavourable hypothetical changes in the assumptions result in a decreased amount of net income and/or other comprehensive income.

OTHER MD&A REQUIREMENTS

- (a) 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 transition year ended December 31, 2007.
- (b) Outstanding Share Data as of the Report Date

As of the Report Date, May 15, 2008, the Company has the following securities outstanding:

Issued common shares: 73,782,410 common shares

Stock options:

Price \$	Options Outstanding	Options Exercisable	Expiry Dates
4.55	25,000	25,000	July 6, 2008
3.28	100,000	100,000	October 17, 2008
2.10	240,000	240,000	November 9, 2008
2.45	550,000	550,000	December 16, 2008
3.28	12,500	12,500	June 13, 2009
4.32	765,400	574,050	December 6, 2009
5.50	200,000	150,000	February 1, 2010
4.64	75,000	37,500	June 1, 2010
4.17	100,000	50,000	August 8, 2010
3.72	30,000	15,000	September 24, 2010
3.98	20,000	7,500	October 17, 2010
4.45	815,000	407,500	October 30, 2010
4.34	50,000	25,000	November 1, 2010
4.42	25,000	12,500	November 12, 2010
4.34	200,000	50,000	December 5, 2010
4.65	100,000	25,000	March 25, 2011
4.19	30,000	7,500	April 26, 2011
4.02	100,000	25,000	May 15, 2011
4.30	450,000	450,000	June 19, 2011
4.32	245,000	183,750	December 6, 2011
4.41	400,000	300,000	December 22, 2011
5.00	155,000	116,250	February 7, 2012
4.42	50,000	12,500	February 21, 2011
4.65	25,000	12,500	June 20, 2012
4.34	925,000	231,250	December 5, 2012
	5,687,900	3,620,300	

Share purchase warrants:

	Period Ended March 31, 2008			Year Ended December 31, 2007		
	Number of Warrants	Weighted Average Exercise Price (\$)	Average Number of Periods to Expiry	Number of Warrants	Weighted Average Exercise Price (\$)	Average Number of Periods to Expiry
Balance, beginning of the period	5,845,240	5.66	0.89 years	8,766,271	4.02	1.12 years
Issued (i) (ii)	4,250,000	7.00	1.98 years	3,632,791	6.52	1.32 years
Exercised	(7,500)	4.25	0.66 years	(2,668,823)	2.58	0.33 years
Cancelled or expired	-	-	0.00 years	(3,884,999)	4.89	0.00 years
Balance, end of the period	10,087,740	6.22	1.21 years	5,845,240	5.66	0.89 years

- (i) On March 25, 2008, the Company issued 4,250,000 warrants exercisable at a price of \$7.00 per share exercisable for a period of two years. The warrants were detachable warrants issued in connection with the 8.5 million units offering.

The following table summarizes the share purchase warrants outstanding at March 31, 2008:

Exercise Price \$	Warrants Outstanding	Expiry Dates
6.50	3,441,500	November 10, 2008
4.25	2,204,949	November 27, 2008
6.81	191,291	March 20, 2009
7.00	4,250,000	March 25, 2010
	10,087,740	

Disclosure Controls and Procedures

The Company's officers and management are responsible for establishing and maintaining disclosure controls and procedures for the Company. These disclosure controls and procedures are designed to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

Of note this quarter is that this is the first reporting period subsequent to the January 1, 2008 implementation of new accounting information systems in the Company's Mexican operations. The Company chose to implement new systems to harmonize and automate the consolidated reporting process and to better prepare the Company for the additional reporting details required for multi-lingual and multicurrency record keeping and to introduce improved system based controls in response to NI 52-109 requirements and in advance of IFRS requirements. As this is the first reporting period with these new accounting systems, the new controls are still in the process of being implemented and tested. Management has had to rely extensively on substantive testing and detailed analyses in lieu of establishing detailed controls over the new systems in order to ensure the fair presentation of its quarterly financial statements. Management expects to finalize the implementation of new controls over its new accounting information systems in Q2 of 2008.

Based upon the recent evaluation of the effectiveness of the disclosure controls and procedures regarding the Company's consolidated financial statements for the period ended March 31, 2008, and this MD&A, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the design and implementation of disclosure controls and procedures were effective as at and for the period ended March 31, 2008.