Technical Report for the San Martín de Bolaños Silver Mine, State of Jalisco, México

Prepared for

First Majestic Silver Corp.

May 8, 2007

70540

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TECHNICAL REPORT: SAN MARTÍN DE BOLAÑOS SILVER MINE, STATE OF JALISCO, MEXICO

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1.0 SUMMARY

Pincock, Allen & Holt (PAH), a division of Runge, Inc. (Runge) was retained by First Majestic Silver Corp. (FMS), to conduct an independent reserve audit, project update, and prepare a Technical Report in accordance with Canadian National Instrument 43-101 for its San Martín de Bolaños (San Martín) Silver Mine operation, as represented and in operation by its wholly-owned Mexican subsidiary, Minera El Pilón, S.A. de C.V. (El Pilón).

Preparation of this Technical Report for FMS by PAH included a site visit (January 23-26, 2007) to review the San Martín mining operation current status, including underground mine, processing plant facilities and present environmental and infrastructure conditions. This Technical Report is also based on the previous "Technical Report for the San Martín de Bolaños Silver Mine, State of Jalisco, México" prepared for First Silver Reserve Inc., dated June 23, 2005 and published in SEDAR on July 5, 2005. The PAH site visit also included a visit to El Pilón administrative and support office at Guadalajara city, where Mr. Abel Boyás Delgado, El Pilón Controller, personally provided all requested data on the Company's financial statements.

The San Martín mine includes underground operations that have opened six main drifts with levels at an approximate 35-meter vertical separation. Each one of the drifts has been developed to a maximum extension of approximately 3,000 meters, with interconnecting ramps between levels, and all have surface access to the Cerro Colorado hillside. Since 1981, when El Pilón initiated operations in the area, to December 2006, over 3.9 million tonnes of silver ore have been extracted and processed, to produce sales of approximately 31.7 million ounces of silver, including some gold and lead. Most of the San Martín ore production has been mined out from the Zuloaga vein, with only minor production extracted from the La Blanca vein, which branches out from the hanging wall of the main structure.

1.1 *Location*

The San Martín mine is located near the town of San Martín de Bolaños on the Bolaños River valley, in the northern portion of the State of Jalisco, México. The San Martín operation is 150 kilometers by air or 250 kilometers by paved road north from Guadalajara. Driving time is four to five hours and flying time is about 45 minutes by commuter or charter plane. The town of San Martín de Bolaños has a population of about 3,000 and the mine is a major contributor to the economy of the town and area.

The plant is located southeast of the town at an elevation of 850 meters asl. The mine is 10 kilometers northwest of the town at elevations between 1,080 and 1,600 asl. The Distance from the mine to the plant is about 13 km.

UTM coordinates at the central part of the San Martín mine operation area are as follows:

North – 2,375,500; East – 615,000

1.2 *Ownership*

Minera El Pilón S.A. de C.V. (El Pilón) is a wholly owned subsidiary of First Silver Reserve Inc., which is based in Vancouver, British Columbia. In 2006 First Silver Reserve Inc. was acquired by First Majestic Resource Corp., which subsequently changed its name to First Majestic Silver Corp. Therefore, First Silver Reserve Inc. and Minera El Pilón, S.A. de C.V. became wholly owned subsidiaries of First Majestic Silver Corp. El Pilón's corporate offices are located in Guadalajara City, México. El Pilón operates the San Martín underground silver mine and ore processing facility near the town of San Martín de Bolaños. Oxidized ore is being mined primarily from the Zuloaga vein and from the adjacent La Blanca Vein. Exploration is on-going on these vein structures, on other sub-parallel and crossing veins that have been rediscovered recently on the San Carlos level, as well as on the Rosario-Condesa vein system. Primary mineralization in sulfides with lead, zinc and copper occurs at the deepest levels, San Juan and San Carlos of the Zuloaga vein.

El Pilón holds 31 contiguous mining concessions in the San Martín de Bolaños mining district that cover mineral rights for 7,841 hectares. El Pilón also owns 5,131 hectares of mineral rights within 12 mining concessions located in other areas outside the San Martín district, but still in the State of Jalisco. El Pilón also owns eight mining concessions that cover 5,134 hectares in the Quitaboca Silver Project located in the State of Sinaloa. No current activity is reported by El Pilón in those other exploration areas.

1.3 *Geology and Mineralization*

The project area lies in the southern part of the Sierra Madre Occidental, an extensive volcanic terrain starting near the United States-Mexican border and trending southeast into the states of Zacatecas and Jalisco. The terrain is characterized by Tertiary age volcanic rocks that have been divided into a lower andesitic sequence of early Tertiary age (40 to 70 million years) and an upper rhyolitic sequence of middle Tertiary age (20 to 40 million years). In the project region, the stratigraphy is represented by a thick sequence of upper volcanics consisting of approximately 1,000 meters of alternating ash-flow tuffs and lava flows. The composition of these rocks is predominantly rhyolitic with lesser amounts of andesite and rare occurrences of basalts. Volcanism, structural development and mineralization in the San Martín area occurred during late Miocene, resulting in a complex geologic framework, (Starling, 2001). Two distinct features have been recognized by different authors, the pre and post mineralization rock formations, and the indicator Guásima Formation.

The mine has been developed on the Zuloaga vein, which has by far been the most extensively developed vein in the district, having accounted for about one-half of the silver production in the district. The mining operation on the Zuloaga vein consists of six main levels and partial development in another three levels (Pinolea, San Carlos, La Escondida) spanning a vertical interval of approximately 350 meters. Main access levels are San José, Santa María, Ballenas, Cangrejos, San Pablo, San Juan and San Carlos, all with access from surface adits and various interconnecting ramps, from elevations of 1080 to 1600 meters asl. Production also occurs from the La Blanca vein, a vertical split off of the Zuloaga vein. The Zuloaga vein occurs along an east-west trending normal fault zone that dips an average 75 degrees to the north, with the hanging wall of the fault down-dropped 100 to 200 meters relative to the footwall.

The vein has been identified over a strike length of 3 kilometers, with a developed vertical extent of about 350 meters. El Pilón is developing exploration and rehabilitation of workings along crosscutting veins to the Zuloaga structure, at the Rebaje 40 Oriente on the Cangrejos Level, and at the Rebaje 1100 on the Ballenas Level; in both cases NS veins intersecting the Zuloaga vein show high grade mineralization in widths of up to 10 meters to the hanging wall of previously mined narrow structures.

La Blanca vein is a near-vertical split off of the Zuloaga vein that cuts upward through the Zuloaga hanging wall. La Blanca vein is typically irregular and narrow, but where mineralized, has higher silver and zinc grades. Sulfides occur as dissemination and clots in the breccia matrix, and locally as massive sulfide lenses. Sulfides consist of galena and sphalerite, with lesser pyrite and chalcopyrite. Calcite is the predominant gangue mineral.

Two additional veins, the Condesa and Rosario, occur to the southwest and have northwest trends. No production has come from these veins in recent years. Access to these veins is from the town of San Martín via an 11.4-kilometer gravel road. The Condesa structure strikes N 40□ W and dips 81□ SW. The Condesa workings show mineralization over 150 meters along strike, with mineralized zone ranging from 1.5 to 2.0 meters in width and occurring in a quartz-cemented andesitic breccia. The Rosario mine is located within the Santa Rosa arroyo at an elevation of 1,600 meters. The Rosario mine is 11.7 kilometers from the town of San Martín on the same gravel road leading to the Condesa mine. Documented production figures for the Condesa mine, as well as the others in the area, are either not available or are incomplete. These vein trends intersect the Zuloaga vein in an area below mineralized surface outcrops of the vein and represent a potential exploration target.

1.4 *Exploration and Project Data*

Exploration potential for finding and developing new resources/reserves in the San Martín de Bolaños district appears to be very promising. Ore bodies in the mine are typically indicated at depth beneath zones of alteration on the surface expression of the Zuloaga vein. The vein has been mapped (Luis Motilla, 1998) on the surface along the outcroppings for about 2 kilometers, over the present workings and several anomalous zones were identified. These surface alteration zones have been correlated to indicate ore concentrations in the present mine workings.

Direct exploration development is integrated into the mine preparation programs, and for vein deposits this has proven to be the most effective method of exploration. For the year 2006, El Pilón's program of exploration included drilling 2,607 meters from underground workings and 5,960 meters from surface, in addition to about 780 meters for exploration and drill site access preparation.

For the year 2007, El Pilón intends to develop the drilling program that was planned for the second semester for 2006, and which was not executed due to the change of El Pilón ownership. The drilling program designed for the San Martín mine includes 29 drill holes to explore the La Escondida level and areas below the known ore shoots on the Zuloaga vein. These 29 drill holes with a total of 2000 meters are directed to investigate areas of resources with the objective to increase reserves, and if it is successful, the program should result in additional resources for the mine. The areas to be investigated

cover an extension of approximately 500,000 m^2 of known mineralized portions of the Zuloaga vein. Estimated investment of drilling from underground workings is US$155,000.

Exploration sampling for reserve delineation in the San Martín mine is conducted by drifting along the mineralized zone so that channel samples can be taken and diamond drilling can be conducted. Channel samples are the primary means of sampling in the mine and are taken perpendicular to the vein structure, across the back of the drift. Sampling crews take channel samples at irregular intervals, typically with one sample every 2 to 3.5 meters along new openings (drifts, crosscuts, ramps, stopes, etc.) and every day from stope development muck piles.

Core drilling is conducted locally to test the upward and downward projections of the structural zone at a distance from the drifts. Core samples are BQ size, 36 millimeters in diameter, and holes are reportedly of generally good recovery (90 percent), with the remaining bad ground having modest recovery (50 to 60 percent). The exploration drilling program to continue investigation of the San Martín district during 2007 include 13 drill holes with a total depth of 4,600 m designed to explore the Rosario, Condesa – Plomosa, La Mancha, and Cerro Colorado areas at an estimated investment of US$460,000.

1.5 *Mining Methods*

Current mine production has been averaging about 775 tonnes per day (tpd) from stopes located on La Escondida, San José, Ballenas, Congrejos, San Pablo, San Juan, Santa Elena, and San Carlos levels. Underground drilling is performed using jackleg drills, and blasting is accomplished with ANFO explosives. Underground loading and haulage is performed with 2 cy, 3 cy and 5 cy LHD's (scooptrams) and 10 to 13 tonne-capacity trucks. Opening sizes are driven at 4.0 meters by 3.5 meters. Ramp inclinations are generally limited to about 12 percent. Typically, the total advance for drifting, ramping and raising is about 550 meters per month. The average productivity in headings is 0.7 meters per manshift, which is in the normal range for this type of development.

Mechanized, cut and fill stopes now account for 100 percent of the production, and these are developed either directly on the vein or by first driving a drift on the vein and then driving a parallel drift about 8 meters away, leaving a pillar between the drifts. Crosscuts are then driven about every 10 meters from the parallel drift through the pillar to the vein for ore extraction. Raises are driven as needed to provide access, services and ventilation.

Ore is trammed to surface with LHD's or low-profile dump trucks and stockpiled at surface dump sites. On the surface, the ore is loaded from stockpiles into 22-tonne trucks for transport to the mill some 15 kilometers away over a gravel road. The ore haulage from the mine to the mill is performed by a contractor.

1.6 *Processing Facilities*

Channel, exploration, mine development and production, and plant samples are sent to El Pilón's on site laboratory for chemical analysis of silver and gold. In more recent years additional analyses by atomic

absorption for lead and zinc in geology samples have become routine. To evaluate sample quality control, El Pilón performs multiple assays, up to three times on some samples, and periodic check analyses on samples. Since 2004, El Pilón has sent about 10 samples each month to ALS Chemex Laboratories, an independent commercial laboratory, for duplicate analysis, obtaining good correlation in silver values and poor correlation in gold assays. The latter is probably a consequence of the very low gold content of the samples.

The San Martín processing plant has been in operation since 1983 at an increasing capacity that has reached 750 tonnes per day. Silver ore is processed by conventional cyanidation, using agitation in tanks, counter-current decantation (CCD) thickening, and precipitation of the dissolved silver and gold by cementation with zinc dust in the Merrill-Crow process. The precipitate is then smelted to produce doré for shipment to commercial refineries. In addition to the cyanidation system, the plant also produces a gravity concentrate which is sold to a smelter; the gravity system recovers about 5 percent of the silver and 10 percent of the gold in the ore. Since 1983, El Pilón has produced more than 30 million ounces of silver together with small amounts of gold.

Mine and plant statistics indicate that the 2006 Run-of-Mine (ROM) Ore averaged 209 g/t silver and 0.32 g/t gold. The total 2006 silver and gold recovery from doré and gravity concentrates were 89.07 and 87.09 percent, respectively.

1.7 *Mineral Reserves / Resources*

El Pilón uses conventional, manual methods, assisted by computer databases, to calculate the tonnage and average grades of the mineable reserve. Reserves are calculated annually, at the end of each calendar year. For this report, PAH has reviewed the reserve dated December 31, 2006 (referred to subsequently as the January 1, 2007 reserve).

1.7.1 Reserve Estimates

Reserve blocks have been defined at the various drift levels in the mine where sampling has found economically mineable mineralization within the Zuloaga, La Blanca and two NS newly-accessed veins. The reserve tonnage and grade are based largely on channel samples, locally with some influence from drill core samples. Reserve blocks range from 10 to 50 meters in length along the vein trend, with proven reserve blocks projected up to 25 meters from the drift in which the channel samples were taken, and probable blocks extending another 25 meters beyond the proven blocks.

For the present (end of 2006) mineable reserve, PAH's economic breakeven cutoff grade calculation was based (G_{ag}), solely on a projected $10.00 per ounce for silver, and the total 2006 operating cost and process recoveries as follows:

$$G_{ag} = \$52.00/(\$10.00 \times .891) = 5.84 \text{ oz/tonne or } 182 \text{ g Ag/tonne}$$

All 2005 and 2006 production has come from the mechanized cut and fill mining.

The gold contained in doré and concentrates was 72,342 grams (2,326 ounces), which would indicate a recovered grade of about 0.28 g/t. For each ounce of silver paid there were 0.001 ounces of gold paid (2,326 ounces Au/1,566,400 ounces Ag). At a gold price of $500/oz, this represents a contribution of $0.74 per ounce of silver.

In addition to the doré sales, a gravity concentrate is produced. During 2006, 253.2 tonnes of concentrate were sold that contained 2,923,075 grams (93,979 ounces) of silver, 8,223 grams (264 ounces) of gold and 13,844 kilos of lead in the concentrates. For each ounce of silver sold, approximately 0.01 kilograms (0.02 lbs) of lead were sold. At $0.50/lb of lead, this contributes another $0.01 per ounce of silver.

This would indicate a total contribution of gold and lead of $0.75 per ounce of silver.

The silver equivalent breakeven cutoff grade ($G_{ag\ eq}$), considering the gold/lead contribution, converted to an equivalent silver grade, would be as follows. Since the metal quantities and values shown in the gold/lead contribution include process recoveries, they are not repeated in the cutoff estimation.

$G_{ag\ eq}$ = $52.00/(($10.00 x0.891) + $0.75)) = 5.38 oz Ag eq./tonne, or about 167 grams Ag eq/tonne.

Table 1-1 summarizes the diluted, recoverable mineable reserves, with credits added for Au/Pb at 8 percent, proven and probable reserves at El Pilón as reviewed by PAH. PAH notes that the reserve is in addition to the material considered as resources.

TABLE 1-1
First Majestic Silver Corp.
Minera El Pilón, S.A. de C.V.
San Martín Mine
Mineable Reserves (With Dilution and Mine Recovery) as of January 1, 2007 - Adjusted PAH Estimate

Reserve Classification	Vein	Width - m (Diluted >2.00m)	Tonnes (Mine Dil.>2.00m, Rec.-95%)	Silver g/t (No Credits)	Contained Silver (Ounces) Without Credits	Silver-eq. g/t With Au/Pb Credit	Contained Silver-eq. (Ounces) Including Au/Pb Credits (8%)
Proven	Zuloaga	2.47	246,287	293	2,323,861	317	2,509,770
Total Proven			**246,287**	**293**		**317**	**2,509,770**
Probable	Zuloaga	3.82	245,736	287	2,270,943	310	2,452,618
Total Probable			**245,736**	**287**		**310**	**2,452,618**
							4,962,389
Total Proven + Probable		**3.14**	**492,022**	**290**	**4,594,804**	**314**	**4,962,389**

COG - Silver only 182 g/t Ag
Includes Mine Dilution, Width>2.00m and Mine Recovery (95%).
Credits for Au/Pb content added as 8 percent

PAH believes that these reserve estimates have been reasonably prepared and conform to acceptable engineering standards for reporting of reserves. PAH believes that the classification of the reserves meets the standards of Canadian National Instrument NI 43-101 and the definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM).

1.7.2 Resource Estimates

The resource calculations by El Pilón are based on projections of the mineralized zones of 50 meters beyond the areas of the reserves for the measured resources, and another 50 meters beyond the boundaries of the measured resources for the blocks of indicated resources. The grade for these blocks is determined from the grade estimated for the adjacent reserve blocks, and sampling in mine workings and drill holes located within the block area.

In addition to the reserves, El Pilón has estimated resources in blocks along the Zuloaga, La Blanca, Plomosa – Rosario, and Rosario – Condesa veins, and in two other NS newly accessed veins that cross the main mineralized structure. These blocks were estimated in the same manner as that described previously for the reserve blocks, with the additional calculation of lead and zinc assays where they are available. During the period of 2006, El Pilón generated production of lead and gold in gravity concentrates adding some contributions for these metals to the silver recovery and sales. The estimated contribution for these metals was approximately 8 percent for the year; therefore, it is reasonable to add that value to the estimated silver grade, but with no additional contribution of zinc.

El Pilón's estimated resource blocks do not include the estimated reserve blocks, since these have been projected at distances that are adjacent and beyond the reserve blocks boundaries.

El Pilón's mineral resources do not include development details for underground mine accessibility and mine planning; therefore, in PAH's opinion these resources are appropriately reported as resources, with estimated tonnage and grade calculated from available data on an "in-situ" basis.

Based on these assumptions, and in the mine's silver COG, PAH reviewed El Pilón's estimates, resulting in measured and indicated resources of Silver Equivalent, which includes credit for lead and zinc at projected prices for the silver US$10 / oz, for lead $0.50 / lb and for zinc $1.50 / lb, which equates to 34 grams of silver per 1 percent of lead and 103 grams of silver per 1 percent of zinc. These estimates do not take in consideration mine dilution nor mine and metallurgical recoveries, or S&R charges. The resources are estimated as "In Situ" material as shown in Table 1-2. At the current rate of San Martín's production, the resources may add about three more years of life to the mine, with additional potential of inferred resources.

The mineral resources estimated by El Pilón and reviewed by PAH are presented in Table 1-2. PAH notes that these resources are in addition to the previously reported reserve.

PAH believes that these resource estimates have been reasonably prepared and conform to acceptable engineering standards for reporting of resources. PAH believes that the classification of the resources

TABLE 1-2
First Majestic Silver Corp.
Minera El Pilón, S.A. de C.V.
San Martín Mine
Mineral Resources Estimates by Pilón, Reviewed by PAH (*)
As of January 1, 2007

Category	*Tonnes "In Situ"*	Silver Grade g/tonne	Contained Silver (oz)	*Grade Ag. Eq. (Ag+ Au+ Pb)(*)*	
				Ag-eq g/t.	*Silver eq. Ounces*
Measured	792,652	257	6,549,474	279	7,122,824
Indicated	1,005,313	243	7,854,522	263	8,501,916
Total Measured Plus Indicated	**1,797,965**	**250**	**14,451,468**	**270**	**15,624,740**
Total Inferred Resources	**2,737,823**			**257**	**22,665,655**

(*) The estimated resources do not include mine dilution, nor mine and metallurgical recovery, or S&R charges.

meets the standards of Canadian National Instrument NI 43-101 and the definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM).

The reserves and resources herein reported by El Pilón for the San Martín mine were reviewed by PAH and constitute part of an operation by Minera El Pilón. There are no significant technical, legal, environmental, political or other kind of restrictions; therefore, in PAH's opinion these reserves and resources may not be materially affected by issues that could prevent their extraction and processing.

1.8 *Environmental*

PAH's environmental and safety review consisted of discussions with site management. Personnel interviewed during the site visit included Ings. Arturo García Espinosa Mine Manager of Operations, and Rafael Romo Gaucin, Mine Chief Geologist and other mine and plant personnel. The purpose was to observe the current site safety and environmental conditions and to identify any potential liabilities that may have significant economic impacts. A brief review was made of file records provided us during the site visit. A copy of yearly renewed Environmental Permit, dated November 6, 2006 for the mine (Permiso Unico Ambiental) was provided to PAH by Mr. García. Other public references have reported full compliance of El Pilón in Mining and Environmental Regulations (Peter Megaw, May 2003). Our assessment is not intended as an environmental and safety compliance audit, although prudent practices were considered in our review. In PAH's opinion, El Pilón is in compliance with the required permits and authorizations.

1.9 *Conclusions*

The San Martin mine is a modest-sized underground operation that has utilized used equipment, whenever possible, and expensed its replacement equipment to a large extent. However, according to a new FMS policy, new equipment will now be purchased as part of the capital spending program. As such, the capital outlay for the mine has been nominal for the past several years, but will be increased significantly as old, obsolete mobile mine equipment wears out.

Mine capital forecast for 2007 is US$350,000 with US$160,000 scheduled principally for scooptrams and trucks and US$190,000 for diamond drilling underground. Mill items will be purchased in 2007 and total US$52,000. No figures were available for 2008 capital expenditures, but US$150,000 has been estimated for portal closures (ten at $10,000 each) and for tailings pond reclamation. Salvage of plant equipment is forecast to just equal dismantling.

Table 1-3 shows comparison of key mine indicators for 2005 and 2006.

TABLE 1-3
First Majestic Silver Corp.
Minera El Pilón, S.A. de C.V.
San Martín Mine
Key Comparative Indicators 2005 / 2006 (*)

Concepts	2005	2006	Difference %
Ore Tonnes Processed	249,239	261,834	5
Average Grade Ag g/t	243	209	-14
Met. Recovery (%)	89.58	89.07	-0.56
Average Price Ag US/oz	7.34	11.66	59
Sales US$	14,108,897	19,638,036	39
Operating Costs US/oz	6.22	8.08	30
Production Ag-eq. oz	1,957,645	1,688,564	-14
Contribution % (Au + Pb)	13	8	-39

(*) Data.- Provided by FMS San Martín mine.

Production costs for the mine in 2006 are provided in Table 1-4, based on mine accounting records. A total of US$13.7 million was expended last year to produce roughly 261,800 tonnes of ore, containing saleable silver amounting to 1,688,600 ounces. On a unit basis, cash production costs were $52.15/ tonne of ore, and $8.08/oz of silver produced. Unit costs of $56.69/tonne of ore are projected for the first semester of 2007.

A simplified cash flow forecast has been prepared and is presented as Table 1-5. The economics covers the period from January 2007 through December 2008, at which time the known proven/probable reserves will be exhausted. In the interim, of course, it is expected that underground exploration will be advanced through both diamond drilling and drifting, and that reserves will continually be added over time from the strong resource base of the mine. FMS has allocated a high capital investment for San Martín to develop reserves and extend the mine life.

Basic premises for the cash flow involve silver prices, which are taken at $10/ounce for 2006 and $10/ounce thereafter. Gold sales are presented at a percentage of silver revenues and are predicated on historical returns in the past. Operating costs and expenses are increased by 8 percent annually to account for inflation and exchange rates. Reclamation expenditures are considered spent in the remaining months of 2007. It can be seen from the table that a net present value for the project at a 12-percent discount rate is approximately $2.83 million.

As expected, the operation exhibits the greatest sensitivity to metal prices, followed by operating costs, and finally by capital costs. Any variances in grade or metallurgical recovery will be equivalent to similar changes in metal prices, since all three factors impact the revenue stream equally. In all cases, however, the San Martín mine shows positive economics as measured by a cash flow exercise, and thus the postulated reserve position is accepted.

TABLE 1-4
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
San Martin Mine
Operating Costs, 2006 (*)
Production = 261,834 tonnes, 1,688,564 oz Ag-equivalent

	US $	$/tonne	$/oz Ag
Mine Operations			
Labor	1,245,633	4.76	0.74
Material	3,659,952	13.98	2.17
Expenses	1,872,049	7.15	1.11
	6,777,634	25.89	4.02
Mine Exploration			
Labor	175,218	0.67	0.10
Material	248,134	0.95	0.15
Expenses	413,825	1.58	0.25
	837,177	3.20	0.50
Mill Operations			
Labor	437,037	1.67	0.26
Material	1,845,234	7.05	1.09
Expenses	961,329	3.67	0.57
	3,243,600	12.39	1.92
Indirects			
Labor	882,865	3.37	0.52
Material	274,840	1.05	0.16
Expenses	1,634,860	6.24	0.97
	2,792,565	10.66	1.65
TOTAL			
Labor	2,740,754	10.47	1.62
Material	6,028,160	23.02	3.57
Expenses	4,882,063	18.65	2.89
	13,650,977	52.14	8.08

(*) Data provided by FMS San Martín mine.

TABLE 1-5
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
San Martin Mine
Cash Flow Analysis, US$

Item	Units	2007	2008	(5.25 mo.) 2009	2010	2011	TOTAL (*)
REVENUE							
Tonnes Milled	tonnes	250,000	250,000	250,000	250,000	250,000	1,250,000
Head Grade	oz Ag/tonne	9.32	9.32	9.32	8.68	8.68	9.06
Metallurgical Recovery	%	89.07	89.07	89.07	89.07	89.07	89.07
Saleable Silver	oz Ag	2,075,331	2,075,331	2,075,331	1,932,819	1,932,819	10,091,631
Silver Price	$/oz	10.00	10.00	10.00	10.00	10.00	10.00
Gross Silver Revenue	$	20,753,310	20,753,310	20,753,310	19,328,190	19,328,190	100,916,310
Gold Revenue	$	1,660,265	1,660,265	1,660,265	1,546,255	1,546,255	8,073,305
Gross Revenue	$	22,413,575	22,413,575	22,413,575	20,874,445	20,874,445	108,989,615
Less:							
Treatment, Security	$	499,823	499,823	499,823	465,500	465,500	2,430,468
Add:							
Miscellaneous	$	44,827	44,827	44,827	41,749	41,749	217,979
Net Revenue	$	21,958,579	21,958,579	21,958,579	20,450,694	20,450,694	106,777,126
COSTS							
Mining	$	6,472,500	6,472,500	6,472,500	6,472,500	6,472,500	32,362,500
Milling	$	3,097,500	3,097,500	3,097,500	3,097,500	3,097,500	15,487,500
General	$	2,665,000	2,665,000	2,665,000	2,665,000	2,665,000	13,325,000
Exploration	$	800,000	800,000	800,000	800,000	800,000	4,000,000
Sales Expenses	$	75,060	85,951	92,827	92,827	92,827	439,492
Administration	$	946,855	1,017,477	1,098,875	1,098,875	1,098,875	5,260,957
Depreciation	$	537,593	574,102	620,030	620,030	620,030	2,971,785
Other	$	(46,625)	(26,711)	(28,848)	(28,848)	(28,848)	(159,880)
Total Op Costs	$	14,547,883	14,685,819	14,817,885	14,817,885	14,817,885	73,687,356
Net Before Taxes	$	7,410,696	7,272,760	7,140,695	5,632,809	5,632,809	33,089,770
TAXES & PROFIT SHARE							
Taxes	$	2,223,209	2,181,828	2,142,208	1,689,843	1,689,843	9,926,931
Profit Share	$	741,070	727,276	714,069	563,281	563,281	3,308,977
Net After Taxes	$	4,446,418	4,363,656	4,284,417	3,379,686	3,379,686	19,853,862
Add Depreciation	$	537,593	574,102	620,030	620,030	620,030	2,971,785
Operational Cash Flow	$	4,984,011	4,937,758	4,904,447	3,999,716	3,999,716	22,825,648
CAPITAL INVESTMENT	$	4,851,000	500,000	500,000	500,000	500,000	6,851,000
PROJECT CASH FLOW	$	133,011	4,437,758	4,404,447	3,499,716	3,499,716	15,974,648
NET PRESENT VALUE	@ 10%	11,661,015					
	@ 12%	11,001,477					
	@ 15%	10,108,191					

(*) Includes some Measured and Indicated Resources

TABLE 1-6
First Majestic Silver Corp.
Minera El Pilón, S.A. de C.V.
San Martín Mine
Summary of Reserves and Resources - 43-101 Dated May 2007
As of January 1, 2007

Category	*Tonnes "In Situ"*	*Silver Grade*	*Silver Contained*	*Silver Grade With Au/Pb Credit*	*Silver Contained With Au/Pb Credit*
		(g/tonne)	**Ounces**	*(g/tonne)*	**Ounces**
Proven Mineral Reserves	246,287	293	2,323,861	317	2,509,770
Probale Mineral Reserves	245,736	287	2,270,943	310	2,452,618
Total Mineral Reserves	**492,022**	**290**	4,594,804	**314**	**4,962,389**
Measured Resources	792,652	257	6,549,474	279	7,122,824
Indicated Resources	1,005,313	243	7,854,522	263	8,501,916
Total Measured Plus Indicated Resources(2)	**1,797,965**	**250**	14,403,996	**270**	**15,624,740**
Total Inferred Resources (2)	**2,737,823**	**-**	**-**	**257**	**22,665,655**

(1) - COG - Silver only 182 g/t Ag

(1) - Includes Mine Dilution, Width>2.00m and Mine Recovery (95%).

(1) - Credits for Au/Pb content added as 8 percent

(2) The estimated resources do not include mine dilution, nor mine and metallurgical recovery, or S&R charges.

2.0 INTRODUCTION AND TERMS OF REFERENCE

2.1 *Terms of Reference*

Pincock, Allen & Holt (PAH), a division of Runge, Inc. (Runge) was retained by First Majestic Silver Corp. (FMS), to conduct an independent reserve audit, project update, and prepare a Technical Report in accordance with Canadian National Instrument 43-101 for its San Martín de Bolaños (San Martín) Silver Mine operation, as represented by its wholly-owned Mexican subsidiary, Minera El Pilón, S.A. de C.V., (El Pilón).

FMS of Vancouver, British Columbia (traded as FR on the Toronto Venture Exchange and as FMV on the Frankfurt Stock Exchange) has been operating the San Martín mine since its acquisition in 2006, while the mine has been in continuous production since 1981. Total recorded production from the San Martín mine to the end of 2006, is 31.7 million troy ounces of silver including some gold and lead from 3.9 million tonnes of ore. The operation consists of an underground silver mine and an 800-metric-tonne-per-day (tpd) capacity processing plant that produces doré and gravity concentrates for shipment to Met-Mex Peñoles (Met-Mex) smelter in Torreón, Coahuila, México. During 2006, El Pilón processed 261,834 tonnes of ore and shipped doré product that contained 1.6 million troy ounces of silver and 2,326 troy ounces of gold. El Pilón also shipped 253 tonnes of gravimetric concentrates to Met-Mex smelter that contained 93,979 troy ounces of silver, 264 troy ounces of gold, and 13,844 kilograms of lead.

2.2 *Purpose of the Technical Report*

Preparation of this Technical Report for FMS by PAH included a site visit to review the San Martín mining operation current status, including underground mine, processing plant facilities and present environmental and infrastructure conditions. PAH site visit also included a visit to El Pilón administrative and support office at Guadalajara city, where Mr. Abel Boyás Delgado, Controller provided all requested data on the Company's financial statements.

During the site visit to San Martín, PAH's personal had the opportunity to interview technical and operative personal for the mine, plant, laboratory, administration, and from other areas of responsibility within the operation. PAH greatly appreciates the support and cooperation provided by all El Pilón employees and administrators, including Ing. Arturo García Espinosa, Mine Manager of Operations, Ing. Rafael Romo Gaucin, Mine Chief Geologist, and Ing. Sergio Oliva, Plant Superintendent, Ing. Cristóbal Jiménez, Geologist, and many others.

The San Martín mining operation is protected by the mineral rights of 32 valid concessions that cover 9,226 hectares (22,799 acres). El Pilón also owns another 11 mining claims that total 5,213 hectares (12,881 acres) of mineral rights in different regions within the State of Jalisco, and 7 mining concessions that cover 3,718 hectares (9,187 acres) in the Quitaboca area within the state of Sinaloa; PAH did not review these other areas. PAH has not reviewed the legal status of the mineral concessions; however, in title opinion provided to FMS by the legal firm of Carlos Galván Pastoriza from Durango City, it is stated

that "all mining rights described in Schedule A (see list in Table 4-1) hereto have been validly issued and recorded properly in the Public Registry of Mining when required by law and are in full force and effect." This Technical Report was completed to meet the requirements of Canada National Instrument 43-101.

2.2.1 Sources of Information

Technical data on the San Martín mining operation was provided by El Pilón to PAH, including information, maps, and reports generated by its own personnel, as well as reports prepared on behalf of FMS. A list of reports and files is presented in Section 21.0, References.

In addition to the above indicated sources of information, PAH's own references included various Technical Reports (public information) on behalf of FMS, including Technical Report for the San Martín de Bolaños Silver Mine, State of Jalisco, México prepared for First Silver Reserve Inc. dated June 23, 2005 and published at SEDAR on July 5, 2005.

Previous studies by PAH in the San Martín mining district included geologic and exploration investigations of the Bolaños mine, which is located at about 20 kilometers to the North, within the same San Martín mining district.

2.3 *Site Visit*

The San Martín mine was visited from January 23 - 26, 2007, by PAH team members Leonel López and Richard Addison, as PAH representatives, as Independent Engineers and Qualified Persons for the purpose of auditing the reserves, observing the operation of the mine and process facilities, inspecting the condition of support facilities and infrastructure, and observing the general site environmental conditions.

PAH previously visited the San Martín mine to perform independent reserve audits and project updates in late 2001, February 1999, in February 1998, in early 1997, and in 1996 to prepare a valuation of El Pilón's operation prior to First Silver Reserve's acquisition of the company in early 1997, and on behalf of FSR during the period of May 16 – 19, 2005.

Personnel assigned for this study includes the following:

- Richard Addison, Metallurgical Engineer
- Leonel López, C.P.G., Project Manager and Principal Geologist
- Other PAH personnel as required

2.4 *Terms and Definitions*

- FMS refers to First Majestic Silver Corp.

- FSR refers to First Silver Reserve Inc. A wholly owned subsidiary of FMS since late 2006.
- INEGI refers to Instituto Nacional de Estadística, Geografía e Informática.
- Ing. refers to engineer, a University professional graduate.
- PAH refers to Pincock, Allen and Holt, Inc., a division of Runge, Inc.
- Peñoles or Met-Mex refers to Metalúrgica Mexicana Met-Mex Peñoles, S.A. de C.V.
- El Pilón refers to Minera El Pilón, S.A. de C.V., a Mexican corporation wholly-owned subsidiary of First Majestic Silver Corp.
- San Martín mine or San Martín operation refers to San Martín de Bolaños Silver Mine and mining operation, which includes underground mine, processing plant and ancillary installations, and operated by Minera El Pilón, S.A. de C.V.
- Zuloaga mine also refers to San Martín mine, which is developed on the Zuloaga vein.
- TSXV refers to Toronto Venture Exchange.
- RC refers to reverse circulation drilling
- COG refers to Cutoff Grade.
- g/t Ag refers to grams per metric tonne
- g/t Au refers to grams per metric tonne.
- Pb (%) refers to the grade of lead in percent.
- Zn (%) refers to the grade of zinc in percent.
- tpd refers to metric tonnes per day
- m refers to meter
- km refers to kilometers, 1,000 meters.
- mm refers to millimeters.
- asl refers to elevations above sea level.

- SEMARNAP refers to Secretaría del Medio Ambiente, Recursos Naturales y Pesca.
- CAN$ refers to Canadian currency.
- $ refers to US currency, and
- $ Pesos refers to Mexican currency.

2.5 *Units*

- Units in this report are metric unless otherwise noted.
- Tonnage figures are dry, metric tonnes, unless otherwise stated.
- Precious metal content is reported in grams per metric tonne (g/t) or grams (g), except where otherwise stated.
- Elevations reported as meters above mean sea level (asl).
- All coordinates used for location and elevations referenced on maps and text in this report are based on newly obtained Universal Transverse Mercator and have been referred to by project personnel as the Global UTM system, and they are based on the Map Datum NAD27-México.

3.0 RELIANCE ON OTHER EXPERTS

This Technical Report was prepared for First Majestic Silver Corp. (FMS) by the independent consulting firm of Pincock, Allen & Holt (PAH), to report the results of a review performed on its San Martín de Bolaños mining operations. The mine is operated by FMS through its wholly-owned Mexican subsidiary, Minera El Pilón, S.A. de C.V.

The Technical Report is based on information available and provided to PAH at the time of the report, largely including data by El Pilón and public information, and to a lesser extent including information by third parties and generated by PAH. PAH believes that the information contained herein will be reliable under the conditions and subject to the limitations set forth herein. PAH does not guarantee the accuracy of third party information, including property and mineral rights legal title, as well as assessment works and permits required by Mexican Mining and Environmental Laws, for which PAH has only relied on previous public reports, opinions, verbal assessments and confirmations by El Pilón personnel and consultants who are experienced professionals. Some parts of this Technical Report have not been included to avoid duplication of information that has not been modified or changed from previous Technical Report prepared by PAH for First Silver Reserve Inc. regarding the same mining operation of San Martín de Bolaños dated June 23, 2005 and published at SEDAR on July 5, 2005.

4.0 PROPERTY DESCRIPTION AND LOCATION

4.1 *Property Description*

First Majestic Silver Corp. operates the San Martín Silver Mine that consists of a predominantly silver mine and processing plant through its wholly owned Mexican subsidiary Minera El Pilón, S.A. de C.V. (El Pilón), the project is located near the town of San Martín de Bolaños, in the State of Jalisco, México.

The San Martín mine includes underground operations that have opened six main drifts with levels at an approximate 35-meter vertical separation. Each one of the drifts has been developed to a maximum extension of approximately 3,000 meters, with interconnecting ramps between levels, and all have surface access to the Cerro Colorado hillside. Since 1981, when El Pilón initiated operations in the area, to December 2006, over 3.9 million tones of silver ore have been extracted and processed, for sales of approximately 31.7 million ounces of silver, including some gold and lead. Most of the San Martín ore production has been mined from the Zuloaga vein, with only minor production extracted from the La Blanca vein, which branches out from the hanging wall of the main Zuloaga structure.

The San Martín ore is transported via a 13.5-kilometer dirt road from the mine installations to the processing plant from an elevation of 1,080-meter above-sea-level (asl), to about 850. The processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks. Silver and gold values in solution are then precipitated by the Merrill-Crow method, by adding zinc dust and smelting the resulting precipitates into doré bars for shipment to a smelter. A gravity separation circuit, consisting of two Falcon concentrators and one vibrating Wilffley table, have been added to the processing system to recuperate coarse grains of gold and silver and some sulfides that are not recovered in the cyanidation circuit.

Other installations include laboratory facilities, offices, dining room, and some housing for key employees.

In addition to the mineral rights covered by 31 mining concessions that include 7,840.5692 hectares (19,375 acres), El Pilón has purchased the surface rights for 1,295.81 hectares (3,202 acres) of land that include the mine and mine installations, part of the access roads, and surrounding areas. Additionally, El Pilón has acquired the surface rights of 159.52 hectares (394 acres) of land where the plant installations and camp are located.

El Pilón's corporate offices are located in the capital city of Guadalajara, State of Jalisco, where purchasing, legal and accounting administrative functions provide support to the mining operation.

4.2 *Location*

El Pilón's San Martín mine is located near the town of San Martín de Bolaños on the Bolaños River valley, in the northern portion of the State of Jalisco, México. The San Martín operation is 150 kilometers by air or 250 kilometers by paved road north from Guadalajara city. Driving time is four to five hours and flying

time is about 45 minutes by charter plane. The town of San Martín de Bolaños has a population of about 3,000 and the mine is a major contributor to the economy of the town and area.

The plant is located southeast of the town at an elevation of 850 meters asl. The mine is 10 kilometers northwest of the town at elevations between 1,080 and 1,190 asl.

UTM coordinates at the central part of the San Martín mine area are as follows:

North – 2,375,500

East – 615,000

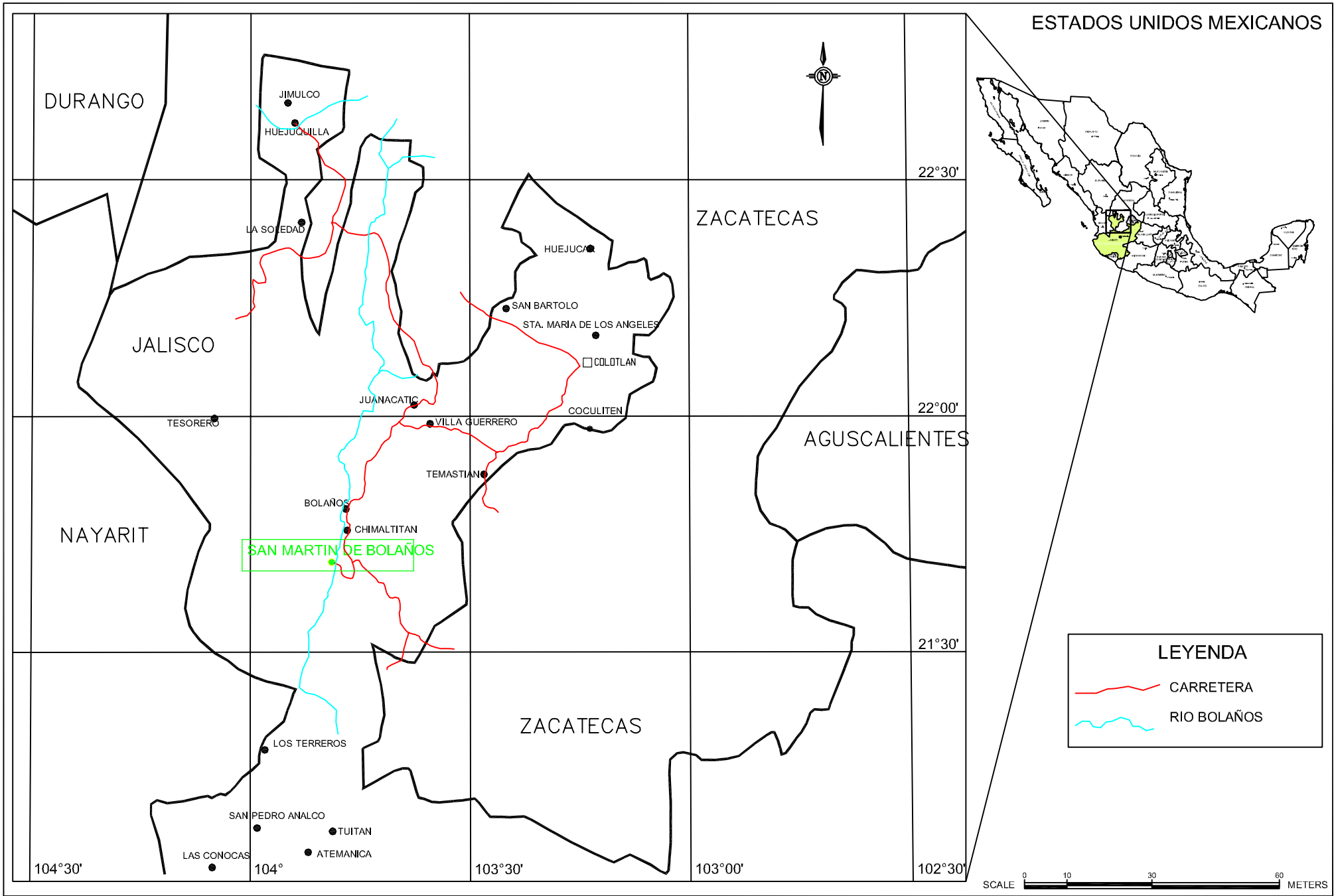
Figure 4-1 shows a general location map.

4.3 *Property Ownership*

Minera El Pilón is a wholly owned subsidiary of First Silver Reserve Inc. which was acquired in 2006 by First Majestic Silver Corp.; both are based in Vancouver, British Columbia. First Majestic Silver Corp. is now the parent company. El Pilón's corporate offices are located in Guadalajara, México. El Pilón operates the San Martín mine, an underground silver mine and ore processing facility near San Martín de Bolaños. Ore is being mined primarily from the Zuloaga Vein and from along the adjacent La Blanca vein. Exploration is on-going on these vein structures, on other sub-parallel and crossing veins that have been uncovered recently on the San Carlos level, as well as on the Rosario-Condesa vein system.

Figure 4-2 depicts El Pilón's San Martín general layout.

El Pilón holds 31 contiguous mining concessions in the San Martín mining district that cover mineral rights for 7840.5692 hectares. These include 31 mining concessions with exploitation rights. El Pilón also controls 5,131 hectares of mineral rights within 12 mining concessions located in other areas outside the San Martín district, but still in the State of Jalisco, and seven mining concessions within the State of Sinaloa at the Quitaboca project, which include 3,718 hectares option by El Pilón and an additional claim of 1,416 hectares staked by El Pilón. No current activity is reported by El Pilón in those other exploration areas. The process to acquire mineral rights from the Mining Department in México (Dirección General de Minas) is initiated by surveying the area of coverage. The applicant must present a location map of the area requested for mineral rights, which includes description of local prominent features and relative position with regards to other adjacent and nearby pre-existing claims. If the claimed area is free at the time of presenting the application, then a Mining Concession is granted for a 50-year term, which may be renewed for similar duration. The Dirección General de Minas issued new Regulations, by Presidential decree, regarding mining concessions in April 26, 2005 to be applied from January 1, 2006, whereby all the Exploration and Exploitation mining claims were transformed to a unique type of Mining Concession for a renewable duration of 50 years. Previous mining claims were automatically adjusted to a 50 year-term from the date of their registration in the Mining Public Registry. The El Pilón title records are maintained in



Prepared by pincock, allen & holt 165 S. Union Boulevard, Suite 950 Lakewood, Colorado 80228 Phone (303) 986-6950 Project No. 70540	Drawing Provided by Mimera El Pilon S.A. De C.V. ***FIRST MAJESTIC SILVER Corp.*** Project Name San Martin Mine	FIGURE 4-1 GENERAL LOCATION MAP	Date of Issue Feb/2007 Drawing Name Fig4-1.dwg

SAN MARTIN MINE

EL PILON Processing Plant

SAN MARTIN DE BOLAÑOS CAB. MUNICIPAL

ELEVACIONES

2700 2600 2500 2400 2300 2200 2100 2000 1900 1800 1700 1600 1500 1400 1300 1200 1100 1000 900 800 700 600 500

SCALE 0 100 200 300 400 500 METERS

Prepared by: pincock, allen & holt, 165 S. Union Boulevard, Suite 950, Lakewood, Colorado 80228, Phone (303) 986-6950	Drawing Provided by Minera El Pilon S.A. De C.V.	FIGURE 4-2 GENERAL LAYOUT - SAN MARTIN UNIT	Date of Issue: Feb/2007
Project No.: 70540	Project Name: San Martin Mine		Drawing Name: Fig4-2.dwg

FIRST MAJESTIC SILVER Corp.

Guadalajara, the state capital city of Jalisco, at the Mining Agency (Agencia de Minería), and at the Central Mining Registry in México City (Dirección General de Minas).

According to El Pilón's concession title dates, mineral rights are due for the earliest titled concessions in the year 2035 (Ampl. Patricia), and most other claims have expiration dates to the years 2050's; these however, may be renewed for another 50 years. PAH reviewed the legal opinion on the current legal status of the properties, which was issued by the legal firm of Carlos Galván Pastoriza from Durango City, where the concessions legal status is confirmed as in good legal standing.

Table 4-1 presents a list of El Pilón's mining concessions.

Other mining concessions within the San Martín district are currently owned by Grupo México, and their coverage is extended to the North, to the presently inactive Bolaños mine.

Figure 4-3 shows San Martín mining concessions map.

4.4 *Mineral Tenure*

According to El Pilón's personal and Mr. Carlos Galván Pastoriza's legal opinion, all mineral concessions are current in assessment work, property taxes and other obligations required by Mexican Mining and Environmental Laws and Regulations.

No royalties or any other encumbrances are due on El Pilón mining concessions.

El Pilón also reported that it owns two lots that cover 1,295.8163 hectares (3,202 acres) of surface land surrounding the mine, and owns another 159.520 hectares (394 acres) of surface land in five lots that include the plant site, camp and tailings areas.

All mining and environmental activities in México are regulated by the Dirección General de Minas and by the SEMARNAP from México City, under the corresponding Laws and Regulations. All minerals below-surface rights lie with the State; while surface rights are owned by "ejidos" (communities) or private individuals, allowing them the right of access and use of their land.

At the San Martín and nearby areas there are no "ejidos;" most land is privately owned.

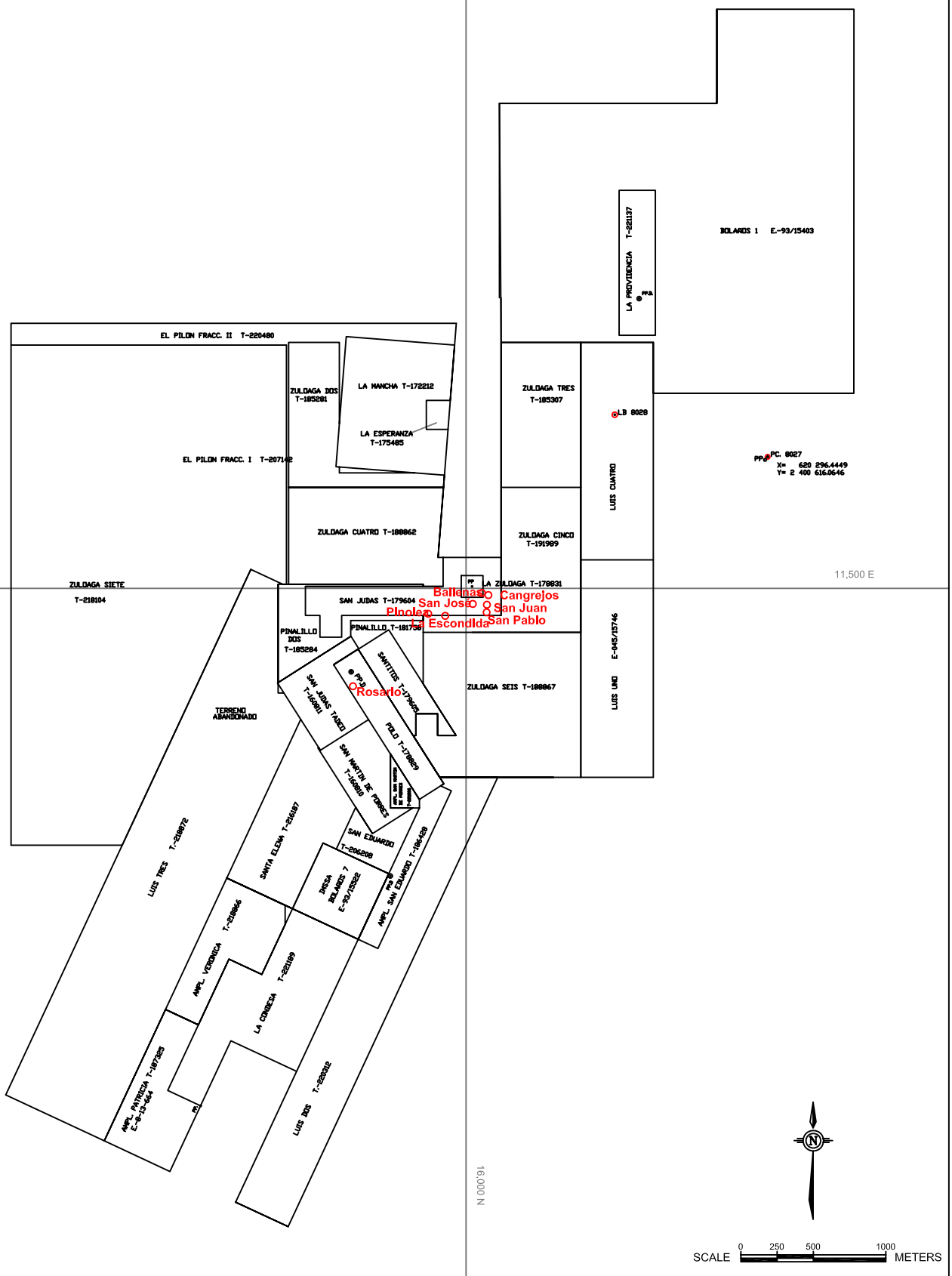
Provisions are included in the Mexican Mining Law to permit expropriation of surface rights for development of projects that are of general economic interest, including mining operations.

4.5 *Surface Land Ownership*

The surface rights to the San Martín mine are mostly owned by El Pilón, and only part of the access roads are in land of other private owners. El Pilón has negotiated surface rights agreements with some individual owners for parts of the road of access. An important consideration is the traditional use of land,

TABLE 4-1
First Majestic Silver Corp.
Minera El Pilón, S.A. de C.V.
San Martín Mine Plus Other Areas in Jalisco and Sinaloa States
Mineral Concessions

	Concession Name	Surface (Ha)	Title Number
	San Martín Unit		
1	La Zuloaga	9	178831
2	La Mancha	270	172212
3	Polo	88	178829
4	San Judas	140	179604
5	Santitos	69.4479	179605
6	Zuloaga Dos	168.8724	185281
7	Pinalillo Dos	79.7712	185284
8	Zuloaga Tres	220	185307
9	Zuloaga Cuatro	282.518	188862
10	Zuloaga Cinco	245.097	191989
11	Zuloaga Seis	425.268	188867
12	Zuloaga Siete	2,102.29	218104
13	Pinalillo	37.9645	181758
14	La Esperanza	12.5631	175485
15	San Eduardo	51.2962	206208
16	Luis Tres	1,091.92	218872
17	Ampliación Verónica	148.6571	218866
18	Ampl.. San Martín de Porres	17.2641	221206
19	Ampl.. A San Eduardo	71.0181	186428
20	San Martín de Porres	91.435	160810
21	San Judas Tadeo	94.8922	160811
22	Ampl.. Patricia	150	187325
23	Santa Elena	322.7636	216187
24	Luis Dos	459.0367	220312
25	Los Cinco Metros	0.1479	185282
26	El Pilón Fracc. I	4.2244	224219
27	El Pilón Fracc. II	187.1202	220480
28	La Providencia	100	221137
29	La Condesa	300	221189
30	Luis Uno	300	45/15746
31	Luis Cuatro	300	45/16075
	TOTAL AREA SAN MARTIN	**7,840.57**	
	Other Areas in Jalisco State		
1	Ampl. Purísima	61	191309
2	La Purísima	81	191314
3	San Juan	96	217843
4	Oconahua Fracc. I	18	218943
5	Oconahua Fracc. II	12.6769	219015
6	Tototlan del Oro	3,091.00	225968
7	Adriana	287.761	222837
8	Rodeo	42.8043	224220
9	Veta Ancha	713.9276	Exploration
10	La Bautista II	14.5465	Exploration
11	Nuevo Poder Oro	17.8688	45/15892
12	La Guerra	694.4932	226676
	TOTAL OTHER AREAS JAL.	**5,131.08**	
	Areas in Sinaloa State		
1	San Pedro		210767
2	San Rafael		222493
3	Jesús María		205338
4	Nuestra Señora del Cármen		208560
5	San Rafael II		214243
6	El Chapotal		210765
7	Cuitaboca		222494
8	Los Sapos	1,416.0000	226832
	TOTAL AREA CUITABOCA	**5,134.00**	
42	**TOTAL PILON HOLDINGS**	**18,105.65**	



Prepared by pincock, allen & holt 165 S. Union Boulevard, Suite 950 Lakewood, Colorado 80228 Phone (303) 986-6950 Project No. 70540	Drawing Provided Minera El Pilon S.A. *FIRST MAJESTIC SILVER Corp.* Project Name San Martin Mine	FIGURE 4-3 MINING CONCESSIONS MAP	Date of Issue Feb/2007 Drawing Name Fig4-3.dwg

which in fact, recognizes that mining is the preferred use of the land in and around old mining workings, as well as current conditions for the proper use of the land. In fact, the right of way provisions allow for free access to mining claims despite land ownership. Topographic conditions at the San Martín mine area do not allow for proper development of other economic activities for the use of the land.

According to El Pilón, there is a good working relationship with people of the town of San Martín de Bolaños, since many of the inhabitants are necessarily employed in the exploration or mining operations. No labor or access problems have been reported by El Pilón within the area.

4.6 *Environmental and Permitting*

PAH is not aware of any environmental liabilities in the San Martín mining district; most of the area covered by El Pilón concessions is mining and prospective land for mineral exploration and mine development. Local topographic conditions are rough. El Pilón mine consists of underground workings, and relatively small waste dumps have been constructed near the mine portals. Mining operations throughout the District present only minor surface disturbances. Most of the mine operations are located within land holdings owned by El Pilón. The San Martín underground operation has been developed on the Zuloaga vein, which strike intersects the western slope of the Cerro Colorado hill, extracting selected ores, and only relatively small waste dumps have been formed during the long history of production. Currently El Pilón operates in part with Cut-and-Fill mining methods to avoid accumulation of large waste dumps on surface.

PAH's environmental and safety review consisted of discussions with site management. Personnel interviewed include Ings. Arturo García Espinosa, Mine Manager of Operations, and Ing. Rafael Romo Gaucin, Mine Chief Geologist and other plant personnel. PAH also observed the current site safety and environmental conditions to identify any potential liabilities that may have significant economic impacts. A brief review was made of file records provided us during the site visit. Other public references have reported full compliance by El Pilón in Mining and Environmental Regulations (Peter Megaw, May 2003). Our assessment is not intended as an environmental and safety compliance audit, although prudent practices were considered in our review. In PAH's opinion, El Pilón is in compliance with the safety and environmental laws and regulations.

PAH has received a copy of the permits and authorizations for the San Martín operation and believes that El Pilón is in compliance with applicable regulations and obtains permits as required. Environmental permits in the state of Jalisco are issued by the Subdelegación de Gestión para la Protección Ambiental y Recursos Naturales, Unidad de Gestión Ambiental located in Guadalajara City. This Institution has recently renewed, on November 6, 2006 the Licencia Ambiental Unica No. 14/LU-117/11/06 on behalf of Minera El Pilón, S.A. de C.V. for operating the San Martín mine. The Licencia Ambiental Unica is issued for the duration of the operation, and is subject to compliance with existing regulations and some other requirements. Periodic site inspections by regulators are being performed by Mexican Official Inspectors to observe site safety and environmental conditions.

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 *Topography and Accessibility*

The San Martín de Bolaños mine is located on the eastern slopes of the Sierra Madre Occidental, alongside the Bolaños River valley, in the northern portion of the State of Jalisco. It is located within the jurisdiction of the municipality of San Martín de Bolaños. The village of San Martín de Bolaños is located by the Bolaños River, at an elevation of 820 meters asl, while the San Martín processing plant is at about 850 meters and the mine portals at 1,080 to 1,600 meters. The Bolaños River has established a 10 to 15 km broad valley that runs north-south and presents abrupt escarpments of volcanic rocks on both sides. Figure 4-2 shows a topographic map of the area.

Access to the San Martín mine area is from Guadalajara city by a 250-km paved road, or by air in small aircraft to the San Martín de Bolaños airstrip located to the northwest of the village. Driving time from Guadalajara city to the mine is approximately four to five hours, and flying time is 45 minutes from the International Airport at Guadalajara city. Please refer to Figure 4-1 that shows a general location and access map of the area.

Access from the mine to the plant is by a 13.5-km road, built and maintained by El Pilón, which includes a concrete pad at the part that crosses the village, and is constantly irrigated to avoid dust generation.

5.2 *Climate and Physiography*

The San Martín mine is located at the coordinates 21°45' North latitude, and 103° 45' West longitude, by the Bolaños river valley. Climate in this area is, according to INEGI (Instituto Nacional de Geografía y Estadística de México) generally warm and semi-wet with rain in the summer season. It presents an average temperature of about 22°C, with the lowest monthly average (19.7°C) in February, and highest in May (30.5° C). Annual freezing temperatures in the region are recorded, mostly during the month of February, from 0 to 20 days, while hail occurs during the rainy season on less than five days per year. Yearly accumulated rainfall in San Martín de Bolaños is registered as 592.1 mm, most of which occurs during June through October. The highest rate of precipitation is recorded at 197.0 mm during the month of October.

The Bolaños River constitutes one of the most important water flows in the State; it forms the Bolaños Hydrological basin that covers approximately 5,100 sq. km. within three States, Aguascalientes, Jalisco, and Nayarit. The Bolaños River discharges its waters into the Santiago River to the south, which drains into the Pacific Ocean.

Climate and topographical conditions in the San Martín de Bolaños area may only support farming and cattle by the river valley; however, in the surrounding areas, only sparse to moderately dense desert vegetation of bushes and shrubs cover the hill slopes. Within the mine area, is a transition zone that

changes from the desert grasses in the lower elevations to evergreens, pines and oaks and other types of trees at higher elevations.

5.3 *Local Resources and Infrastructure*

The town of San Martín de Bolaños constitutes the commercial center for the population living in the region around the San Martín de Bolaños mining district. San Martín de Bolaños offers retail, medical (including General and Seguro Social hospitals), educational (including Jr. and High School), and communications facilities; however, major facilities, including International Airport, are located in the cities of Guadalajara, Zacatecas and Aguascalientes.

The municipality of San Martín de Bolaños holds 5,400 inhabitants according to INEGI's 2000 census data, in a range of 0-10 inhabitants per sq. km. The town includes approximately 3,000 people, with El Pilón probably being the largest employer. The town is connected to the national power grid (Comisión Federal de Electricidad - CFE), and it has standard telephone lines and satellite communications. Water for the town inhabitants' consumption is pumped from wells.

Most of the people living in nearby villages or other small congregations within the area, and mostly along the Bolaños river valley, depend on small scale farming, raising livestock, and growing fruit.

The San Martín mine is also connected to the CFE power grid through a substation located at about 20 km to the north, at the Bolaños mine. Mine and plant are connected to the national power grid. Water source for the processing plant is the Bolaños River, a permanent flow. Mine and plant installations, including camp facilities, tailings storage and waste disposal areas required for the mining and milling operation of San Martín are located on land owned by El Pilón.

The infrastructure on site includes the support facilities for the operations, which are located near the plant and include the main administrative offices, warehouse, assay laboratory, tailings facilities, maintenance buildings, cafeteria and other employee housing. The Maintenance Department operates from the extensive shops and warehouses located at the plant site. Maintenance personnel are supplied for mine and plant requirements from this department. A large fleet of mobile equipment consisting of track type tractors (bulldozers), wheel loaders and road graders are available for feeding ore to the crushing circuit and site and road maintenance.

Power is supplied by the grid at 33 kva and 60 cycle. Two 1,000-volt transformers supply power to the plant. The effective cost of power including consumption and demand charges was U.S.$1.06 per ounce of silver produced during 2006. Diesel generators are located at the plant for emergency and stand-by power in case of power interruptions. Air compressors are located at the plant to supply low-pressure air to the leach tanks.

6.0 HISTORY

6.1 *Property History*

The San Martín de Bolaños mining district is located in the southern portion of the Bolaños District, which consists of a geologic setting (graben) that includes, 20 km to the north of San Martín, the old Bolaños mine. Most of the historical mining production from the area was extracted since colonial times, from the Bolaños mine, which was developed by Kennecott, Cyprus and other operators, into a 1,500 tpd underground mining and processing operation in recent times (1980s). At the San Martín area, past mining developments included underground workings and partial discoveries of the Zuloaga, Blanca, Condesa, and Rosario veins, with some drifting at the Ballenas, Mancha, Plomosa, Melón and Hedionda among other smaller mine developments. Reportedly over 36 million ounces of silver were extracted from the mid-XIX to early XX centuries from the Bolaños District.

6.2 *El Pilón Exploration Programs*

El Pilón has traditionally implemented exploration programs based on direct development workings and complemented with limited drilling. This allows for mine preparation at the same time as the exploration advances along the mineralized structures. Topographic characteristics in the mine area do not permit easy drilling from surface access due to the vein's strike and dip into the mountain range. However, in recent years, and particularly since the year 2002 when the prices of the precious metals have improved, El Pilón has carried out a more aggressive program of exploration based on diamond drilling, both from underground and surface access.

To this date, December 2006, El Pilón has drilled a total of 453 diamond drill holes with a total depth of 44,484 meters, at an average depth per hole of about 98.2 meters; however, most of the drill core has not been kept after logging and sampling.

FMS's staff prepares yearly reports of the San Martín mine silver ore reserves; these have been reviewed by PAH since 1996 to 2001, and in 2005. PAH's reviews of the El Pilón reserve estimates, including past audits as well as this last visit of January 2007, have concluded that these were prepared in a reasonable manner, and in conformance to acceptable engineering standards for reporting of reserves, and meet the standards for classification of reserves established by Canadian National Instrument 43-101, and the definitions of the Canadian Institute of Mining, Metallurgy and Petroleum. Table 6-1 shows San Martín reserve history.

For 2006, under new ownership El Pilón designed an aggressive program of exploration based on direct underground exploration/development and diamond drilling at an estimated cost of over $2,000,000; the program is an on-going effort, and included approximately 7,000 meters of diamond drilling, 800 meters of crosscuts and about 300 meters of drifting along the Zuloaga vein. As a consequence, the results are advancing resources to reserves and opening other areas for further exploration and development, such as the N-S veins that intersect the Zuloaga vein at the Rebaje 40 Oriente, at the Nivel Cangrejo, and at

the Section 6195 at the San Carlos level, where sampling and development works have shown high grade silver mineralization. Recently, El Pilón has hired new geological staff, including three active and experienced geologists with full support from Management, to carry out and supervise the exploration efforts.

TABLE 6-1
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
San Martín Mine
PROVEN AND PROBABLE RESERVES

Year	Silver Ore Metric Tonnes	Average Grade Rec. Silver/MT
1,994	790,889	396
1,995	1,020,044	361
1,996	1,271,495	355
1,997	1,421,578	358
1,998	1,322,437	336
1,999	811,695	346
2,000	1,350,615	343
2,001	634,555	421
2,002	614,419	384
2,003	397,403	305
2,004	676,000	273
2,005	619,480	277
2,006	414,879	302
2,007	492,022	314

(*) Minera El Pilón data. PAH Feb 12, 2007

6.3 *San Martín Silver Production*

In 1981, Mr. Héctor Dávila Santos purchased the San Martín property, developed the mine, constructed the process plant, and then began production in 1983. In 1997 First Silver Reserve, Inc. by reverse takeover, acquired all the shares of the Mexican company Minera El Pilón, S.A. de C.V., owner and operator of the San Martín mine. In April 3, 2006 First Majestic Resources Corp. entered into an irrevocable share purchase agreement to acquire majority shares of First Silver Reserve Inc. and subsequently a business combination was arranged and approved on September 14, 2006. Upon acquisition of First Silver Reserve Inc. by First Majestic Resource Corp. the name was changed to First Majestic Silver Corp. To December 2006, El Pilón has recorded a production of 31.7 million ounces of silver from 3.9 million tonnes of ore.

Table 6-2 presents the San Martín de Bolaños historical silver production by Minera El Pilón, S.A. de C.V.

TABLE 6-2
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
San Martín Mine **February 28, 2007**

HISTORICAL SILVER PRODUCTION

Year	Silver Ore	Silver Ounces Sold	Average Grade Rec. Silver oz/Tonne
	Metric Tonnes		
1,984	110,468	566,726	5.13
1,985	104,707	517,265	4.94
1,986	108,837	579,022	5.32
1,987	106,958	412,844	3.86
1,988	105,419	244,554	2.32
1,989	88,987	206,304	2.32
1,990	99,947	484,704	4.85
1,991	89,816	669,121	7.45
1,992	72,105	563,868	7.82
1,993	71,777	548,337	7.64
1,994	77,313	812,650	10.51
1,995	135,690	1,684,508	12.41
1,996	171,099	2,148,719	12.56
1,997	206,770	2,258,759	10.92
1,998	257,924	2,337,123	9.06
1,999	273,791	2,288,608	8.36
2,000	262,768	2,315,143	8.81
2,001	260,660	2,393,186	9.18
2,002	258,219	2,399,494	9.29
2,003	234,539	2,291,955	9.77
2,004	266,592	2,312,745	8.68
2,005	249,239	1,957,645	7.85
2,006	261,834	1,688,564	6.45
TOTAL	**3,875,459**	**31,681,844**	**8.17**

(*) From 2004 Silver ounces equivalent, including gold.

7.0 GEOLOGICAL SETTING

This section describes the geology for First Majestic's San Martín mine, based on reports provided by El Pilón, previous Technical Reports and observations made during site visits. A discussion of the regional and deposit geology has been previously published in a report entitled "Geology, Tectonic Environment and Structural Controls in the San Martín de Bolaños District, Jalisco, Mexico" by F. R. Scheubel, et. al., published in Economic Geology, Vol. 83, 1988, p. 1703-1720.

A Technical Report for the San Martín de Bolaños Silver Mine, State of Jalisco, México was prepared by PAH for First Silver Reserve Inc., dated June 23, 2005 as project PAH-9161.01 and was published in the SEDAR site in July 5, 2005. This Report contains descriptions of the San Martín mine Geological Setting, including District Regional Geology, Bolaños Regional Stratigraphy, Bolaños Regional Structure, and the San Martín deposit Geology, which have not changed since publication of the Technical Report; therefore, PAH does not consider it necessary to repeat these sections. Only the San Martín geologic map is included as illustration.

7.1 *Bolaños Mining District Regional Geology*

Please refer to Technical Report dated June 23, 2005, published in SEDAR on July 5, 2005.

7.2 *Bolaños Regional Stratigraphy*

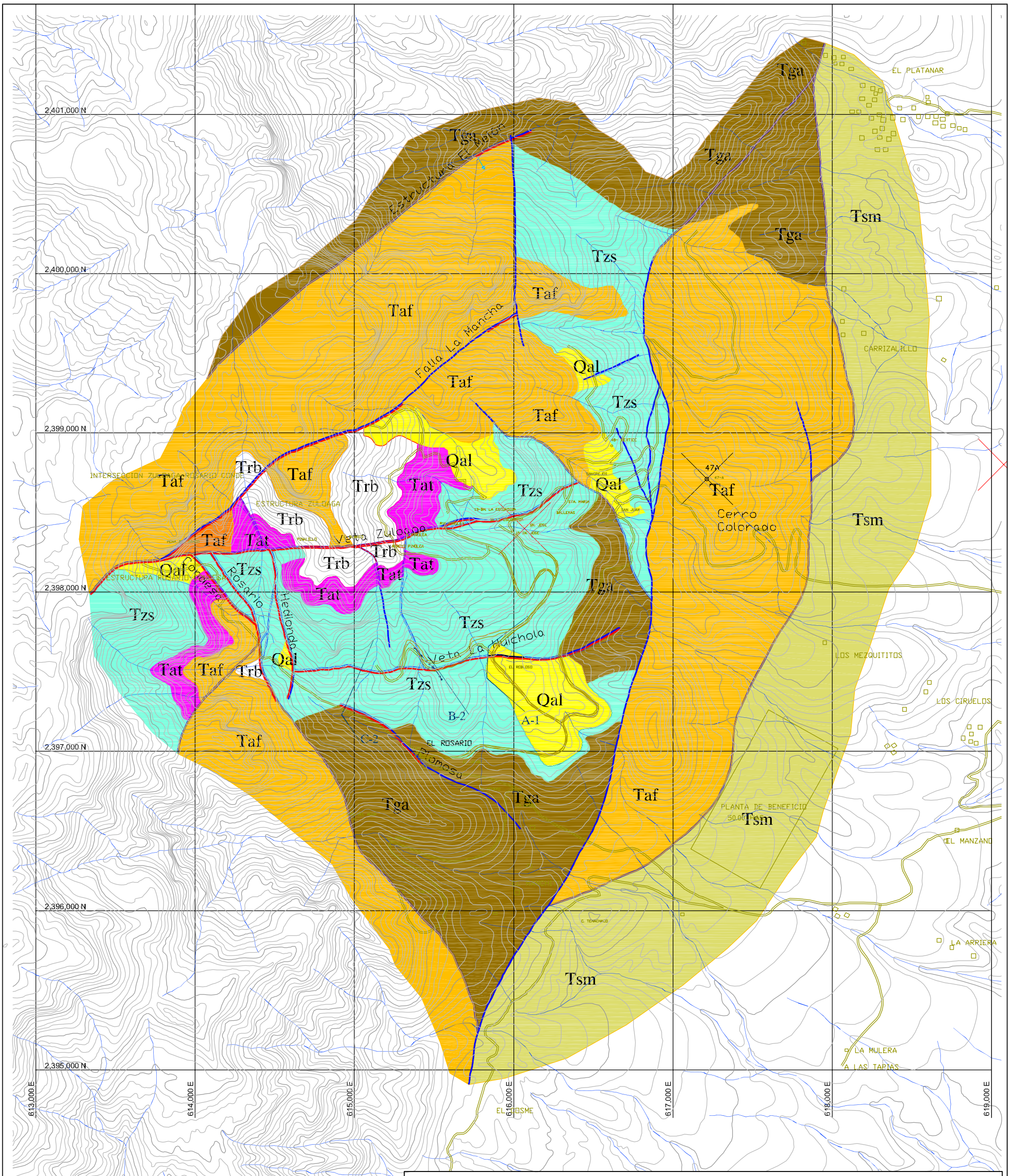
Please refer to Technical Report dated June 23, 2005, published in SEDAR on July 5, 2005.

7.3 *Bolaños Regional Structure*

Please refer to Technical Report dated June 23, 2005, published in SEDAR on July 5, 2005.

7.4 *San Martín Deposit Geology*

Please refer to Technical Report dated June 23, 2005, published in SEDAR on July 5, 2005.



Prepared by pincock, allen & holt 165 S. Union Boulevard, Suite 950 Lakewood, Colorado 80228 Phone (303) 986-6950	Drawing Provided by Minera El Pilon S.A. De C.V. *FIRST MAJESTIC SILVER Corp.*	FIGURE 7-1 SAN MARTIN DE BOLANOS - GEOLOGIC MAP	Date of Issue Feb/2007
Project No. 70540	Project Name San Martin Mine		Drawing Name Fig7-1.dwg

8.0 DEPOSIT TYPES

For a more detailed description of this Report's section please refer to Technical Report dated June 23, 2005, published in SEDAR on July 5, 2005.

Most of the ore extracted from San Martín's Zuloaga vein includes oxidized mineralization with native silver, secondary acanthite and chlorargyrite; however, at the deepest levels, such as San Juan and San Carlos, some primary sulfides occur associated within the transition zone, such as galena, sphalerite and pyrite. No typical mineral zoning has been defined at the San Martín mine due to the structural complexity of the area. Gold is present in minor amounts in the upper parts of the mine and shows poor correlation with silver, with typical ratios that range from 1:300 to 1:800, averaging about 1:600.

9.0 MINERALIZATION

Mineralization at the San Martín mining area is exposed in three main structural systems that include sup-parallel veins and faults. Mineralization at San Martín is enclosed by the rhyolites of the formation Zuloaga, with projected base to the top of the andesites of the Guásima formation; meanwhile, the high grade concentrations of silver mineralization encountered at the Bolaños mine is capped by the base of the Guásima formation. This may indicate that there is a high possibility to uncover important mineral concentrations under the Guásima formation at San Martín.

Descriptions of the San Martín mineralized structures are taken from the Technical Report for the San Martín de Bolaños Silver Mine, State of Jalisco, México was prepared by PAH for First Silver Reserve Inc., dated June 23, 2005 as project PAH-9161.01 and published in the SEDAR site in July 5, 2005.

9.1 *Zuloaga System (EW)*

The Zuloaga system includes the La Huichola, La Mancha and El Melón veins. These mineralized structures are oriented mostly EW (from N60ºE to EW), although the La Mancha tends to joint the Zuloaga vein at their western extension. These mineralized structures present recognized outcroppings of 2.5 to 4.0 km, excepting the El Melón which only appears to be mineralized in the fault's NE extension (500 m). Some blind veins may be associated to these structures, as is the case of the La Blanca vein which splits off the Zuloaga's hangingwall in underground workings, and the parallel vein to hangingwall off Zuloaga at the Rebaje 40 Oriente. This system is the most important in San Martín due to its development along the Zuloaga vein, and it offers important future potential for exploration in the other veins within the system, as well as to depth.

9.2 *Rosario – Condesa System (NS)*

This system consists of NS-trending faults and mineralized structures. It has been partially developed along the Rosario, Condesa and Hedionda veins. Mineralization generally occurs in these structures for about 1,000 m, although the fault zones extend to over 4,000 m in the Rosario-Condesa vein (the SE extension of the structure where the two veins form one structure). Other semi parallel structures within this system include Plomosa and a series of faults in the central and eastern parts of the mine area. Some other NS blind veins have been uncovered in the Zuloaga underground workings, such as the vein at Sección 6195 at San Carlos level, and the vein at Crucero 6231 also at the San Carlos level. These NS structures appear to be narrow veins with high-grade silver mineralization. Some of the most important faults within the mining district are oriented NS.

9.3 *Plomosa System (NW)*

The Plomosa system consists of NW-trending fault zones and veins. Generally this system shows lower intensity of mineralization with only partial exposure in the Plomosa structure. The SE extension of the

Rosario-Condesa occurs parallel to this system, as well as numerous unnamed faults located in the north zone of the mine area.

The surface geologic map appears to indicate a structural window at the San Martín mining area, by showing older rocks of the Toba Alacrán as being pushed up by the Porphyry Rhyolite stock. Strong fracturing, alteration and disseminated mineralization are associated with the Porphyry Rhyolitic stock that occurs in the central portion of the San Martín mining area. This stock has also been identified in the underground workings, by the Section 6405 in the San Carlos level, where it occurs as a mineralized breccia with disseminated sulfides, pyrite, galena and sphalerite, as well as strong propylitic alteration. NS vein structures associated to this stock have shown high grade silver mineralization (350 to 400 grams) in considerable vein widths or brecciated zones. This area is known at the mine as Plutonic Breccia.

Silver occurs in the veins primarily as argentite and was deposited after the base metals. Native silver and possibly chlorargyrite occurs below the surface outcrops and in the upper workings, a product of surficial oxidation of the sulfide mineralization. Gold is only present in minor amounts and shows no correlation with silver, suggesting different mineralizing events. Silver to gold ratios typically range from 300:1 to 800:1 and average about 650:1 for recent production.

Alteration consists predominantly of limited silicification around and next to the veins, with argillic or kaolinization alteration in the surrounding area and a propyllitic halo that extends up to 400 meters from the mineralized zones (Scheubel and others, 1988). X-ray and petrographic investigations (Albison, 2002) concluded that the propyllitic alteration is composed of chlorite-epidote-adularia-calcite with an increase in iron-rich chlorite to the west and depth. It was also concluded that the argillic alteration along vein segments containing high-grade mineralization is dominated by Illite-smectite, and to a lesser degree, kaolinite clays.

El Pilón has commissioned several fluid inclusion studies that show a typical epithermal range of temperatures for the ore formation, from 200ºC to 300ºC, with 1-10 weight percent NaCl equivalent.

Table 9-1 presents a summary of the known extent of the various veins and faults in the San Martín mine area.

TABLE 9-1
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
San Martín Mine
General Veins and Faults Systems

System	Veins and Faults	Estimated Extension
Zuloaga (EW)	Zuloaga (*) La Mancha El Melón (Three veins) La Huichola La Blanca (Blind vein) Other Blind veins	3,500 m; w-0.1 to 10.0 m; depth-+400 m 4,000 m (500 m) – 3,000 m; w-1.-0 to 2.0 m each. 2,500 m Unknown Unknown
Rosario – Condesa (NS)	Condesa Rosario Hedionda Two Faults in central zone (South of Zuloaga) NS vein off Zuloaga (Blind vein) Rebaje 40 Oriente NS Rebaje 6231 San Carlos (Blind vein) Section 6195 San Carlos (Blind vein) Faults to the East of mine area East limiting faults	1,000 m; w-1.5 to 2.0 m 1,000 m; w – 1.5 to 2.0 m 1,000 m; w – 1.0 to 2.0 m 1,000 m each Unknown Unknown Unknown 1,000 to 2,000 m 5,000 to 7,000 m
Plomosa (NW)	Plomosa Rosario-Condesa North and East zones of mine area	(1,000 m) – 2,000 m; w – 1.0 to 2.0 m 3,000 m; w – 1.5 to 2.0 m 1,000 to 2,000 m

(*) The Zuloaga vein has been developed to a depth of approximately 400 meter and it remains open to depth and along strike. All other known veins are undeveloped to depth and strike.

10.0 SAN MARTIN MINE EXPLORATION

Nearly 69 million ounces of silver have been recorded as being extracted from the Bolaños Mining District until 2006. To the mid 1980s, most of the mining activities within the district took place at the Bolaños mine. Partial and limited mining works were developed at the San Martín mine, and the majority of its silver ore has been extracted from the Zuloaga vein. Numerous other veins occur within the San Martín area which appear to represent similar structural and mineral characteristics as those of the Zuloaga vein.

The San Martín exploration targets were described in Technical Report of June 23, 2005 that was published in SEDAR on July 5, 2005 on behalf of First Silver Reserve. They remain the same as of 2007 and are copied below.

Exploration potential for finding and developing new resources/reserves in the San Martín district appears to be very promising. Ore bodies in the mine are typically indicated at depth beneath zones of alteration on the surface expression of the Zuloaga Vein. The vein has been mapped (Luis Motilla, 1998) on the surface along the outcroppings for about 2 kilometers to the west of the present workings and several altered zones have been identified. These surface alteration zones have been correlated to indicate ore concentrations in the present mine workings.

X-ray and petrographic studies (Albinson, 2002) developed on alteration zones associated with the mineralization, have identified, and confirm, the geologic evidences for interpretation of mineral concentrations along the veins. Propylitic alteration with argillaceous, kaolinitic and limited silicification appears to indicate high-grade concentrations, as evidenced by a probable correlation with the deposit's temperature of deposition; however, consideration must be made regarding the effects that the local structural conditions may have imposed on the original mineral deposit. It is evident that the structural conditions at Zuloaga have caused deep oxidation and originated the concentrations of native silver and oxides accessible to the actual underground workings. It appears that at some deeper parts of the mine, such as at the San Carlos level, the transition zone of oxides/sulfides may have been reached, but this stratigraphic level may vary according to local structural conditions.

El Pilón has been developing an aggressive exploration program based on economics, direct exploration development and diamond drilling by in-house operators and with contractors for deep drilling. During the period from 2005 to 2006 El Pilón has completed 74 drill holes with a total depth of 8,064 meters including underground and surface drilling. For the year 2007 El Pilón has scheduled to drill 13 holes from surface with a depth of 4,600 meters in addition to 29 drill holes from underground with a projected depth of 2,000 meters. The exploration program includes investigation of the Rosario vein, deeper zones into the Gúasima Formation, vetas Condesa and Plomosa, and the La Mancha vein from surface, and upper parts of the Escondida area and deeper zones of the Zuloaga vein from underground access.

Direct exploration development is integrated into the mine preparation programs and in vein deposits this has proven to be the most effective method of exploration. For the year 2006, El Pilón's program of underground development included about 3,680 meters for exploration and drill site access preparation.

Favorable current prices of the precious metals has allowed El Pilón to schedule an aggressive 2007 drilling program for both, underground and surface drilling. It includes 42 drill holes with a total programmed depth of 6,600 meters at an estimated cost of $0.70 million.

The drilling program is based on underground drilling with El Pilón's own equipment, which includes a Diamec 232 electric drilling machine, a Longyear 34, and a CP 55. This equipment is utilized for drilling shallow to medium depths, while the contracted equipment is only used for deep and surface drilling.

The drilling program has identified three main target zones along the Zuloaga vein in the San Martín mine. These 42 drill holes are directed to investigate areas of resources with the objective to increase reserves, and if it is successful, the program should result in about 1.0 million tones of additional reserves for the mine, according to El Pilón's Geology Department estimates.

Figure 10-1 shows a long term exploration program along the Zuloaga vein.

Target zones that may result in considerable bulk mineral concentrations are numerous in San Martín, and care must be taken to prioritize the exploration objectives. Some of these zones remain to be investigated from previous programs and are the following:

- Area under the Guásima formation. This stratigraphic area has resulted in large, high-grade mineral concentrations at Bolaños mine. San Martín and Bolaños mines are located in the same mining district. The exploration block I Zuloaga includes deep drilling to this area.

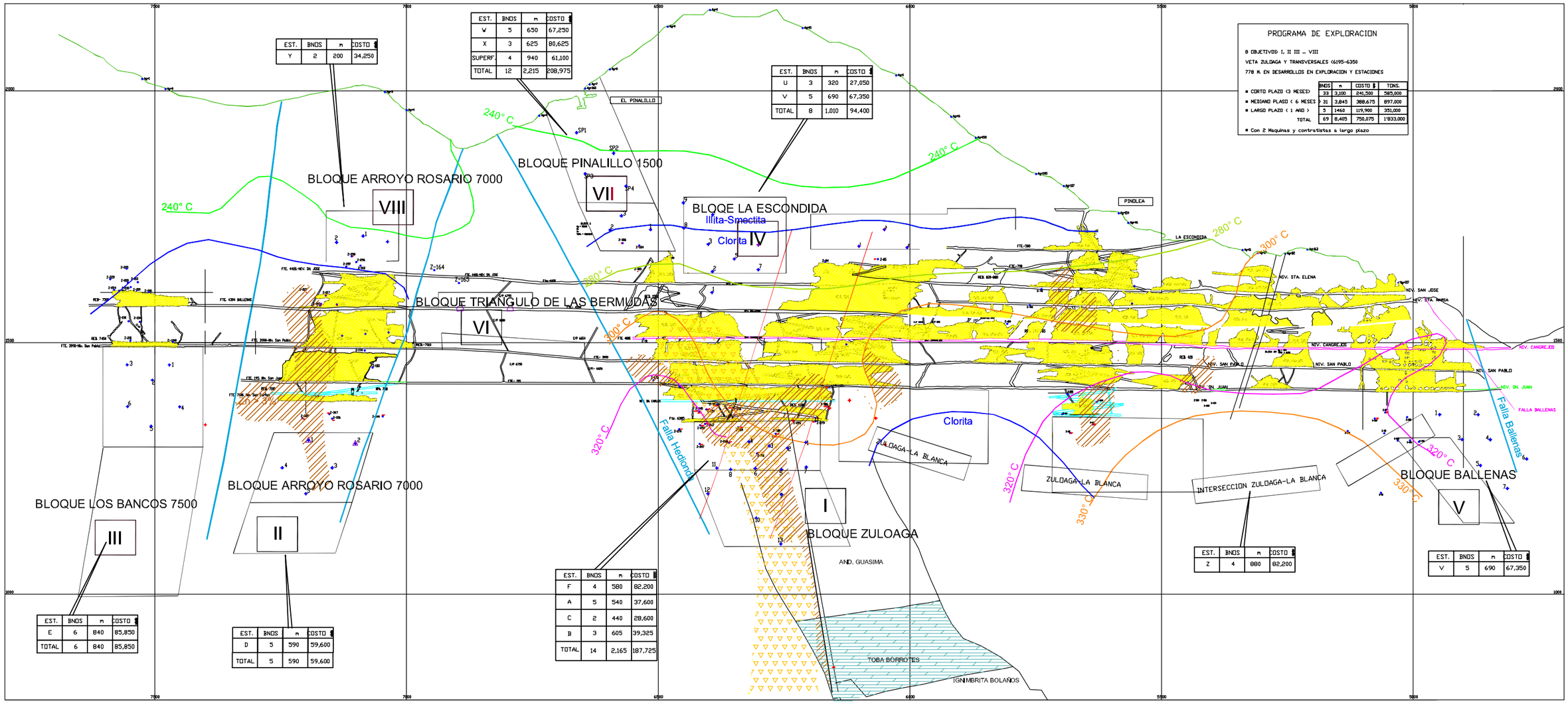
- Banco area. Several mineral structures may be intersecting at this zone, such as Zuloaga, La Mancha, Rosario, Condesa and Hedionda. Exploration block III Los Bancos 7500 includes drilling for this area.

- Breccia zone. This area represented by the Porphyry Rhyolite stock in the central portion of the mine area, and localized at the San Carlos level, may indicate one of the mineralizing channels and probable sources of the sulfide concentrations. This area is investigated by drilling in exploration block I Zuloaga.

- Other veins of the Zuloaga system may present mineral occurrences similar to the Zuloaga vein concentrations, such as the La Mancha and La Huichola veins.

- The Rosario-Condesa access and haulage adit is being driven alongside the Rosario-Condesa fault, allowing an excellent opportunity for exploration along this zone; it has advanced to reach the Zuloaga Ballenas level; however, a caved in zone (approximately 150 meters) has not allowed access to this communication.

The Cerro Colorado exploration target occurs to the east of the Zuluaga mine development and consists of the eastern extension of the Zuloaga Vein where it has been offset and down-dropped by one of the north-trending Bolaños graben faults. Drifting and drilling are planned to test this encouraging target area. The La Blanca Vein is a near-vertical split off of the Zuloaga Vein that cuts upward through the



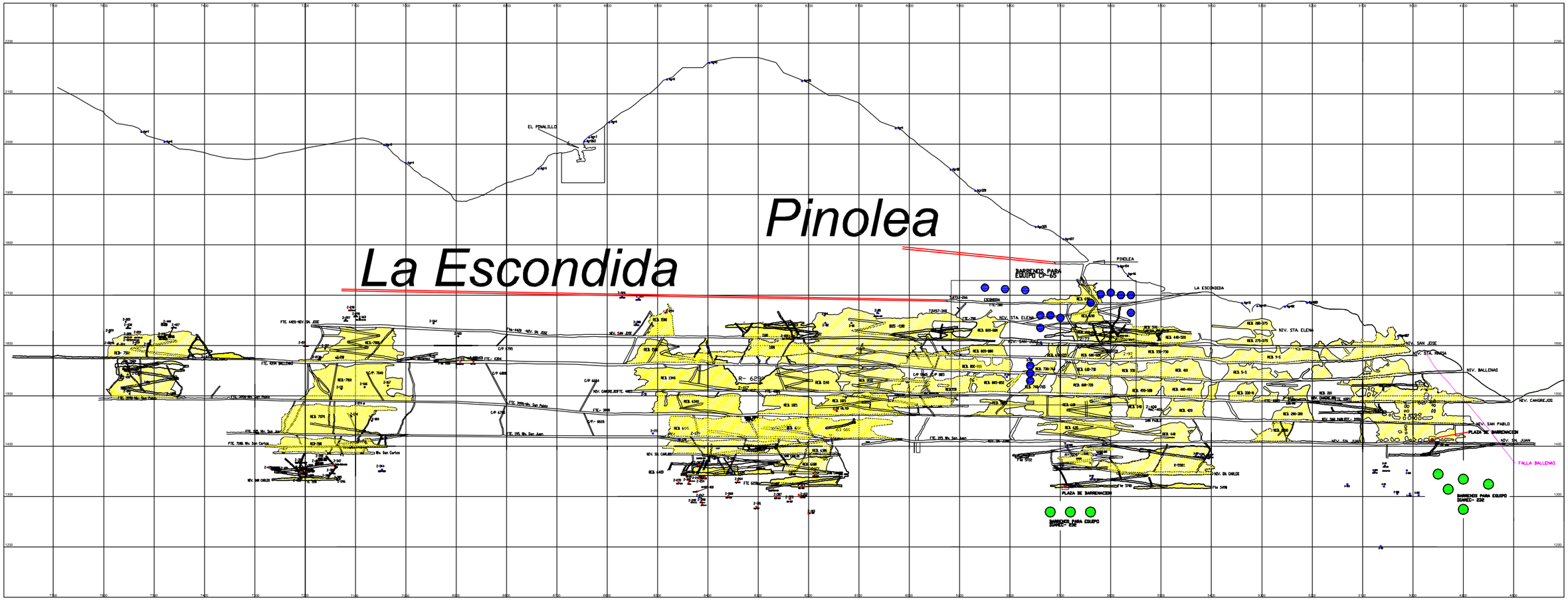
Prepared by pincock, allen & holt 165 S. Union Boulevard, Suite 950 Lakewood, Colorado 80228 Phone (303) 986-6950	Drawing Provided by Minera El Pilon S.A. De C.V. ***FIRST MAJESTIC SILVER Corp.*** Project Name San Martin Mine	FIGURE 10-1 LONG TERM EXPLORATION PROGRAM	Date of Issue Feb/2007
Project No. 70540			Drawing Name Fig10-1.dwg

Zuloaga hanging wall. The La Blanca Vein is typically irregular and narrow, but were mineralized has higher silver and zinc grades. Sulfides occur as dissemination and clots in the breccia matrix, and locally as massive sulfide lenses. Sulfides consist of galena and sphalerite, with lesser pyrite. Calcite is the predominant gangue mineral.

- Two additional veins, the Condesa and Rosario, occur to the southwest and have northwest trends. No production has come from these veins in recent years. The Condesa mine is located on the south side of the Las Peñitas arroyo at an elevation of 1,450 meters. Access is obtained from the town of San Martín via an 11.4-kilometer gravel road. The Condesa structure strikes N 40 W and dips 81 SW. The Condesa workings show mineralization over 150 meters along strike, with mineralization ranging from 1.5 to 2.0 meters in width and occurring in a quartz-cemented andesitic breccia. The Rosario mine is located within the Santa Rosa arroyo at an elevation of 1,600 meters. The Rosario mine is 11.7 kilometers from the town of San Martín on the same gravel road leading to the Condesa mine. Documented production figures for the Condesa mine, as well as the others in the area, are either not available or incomplete. These vein trends intersect the Zuloaga Vein in an area below mineralized surface outcrops of the vein and represent an encouraging exploration target.

Figure 10-2 shows drilling locations for the 2007 exploration program from the underground workings, including planned drifting.

Figure 10-3 shows drilling exploration targets from surface, including the area to be investigated by geophysical methods.

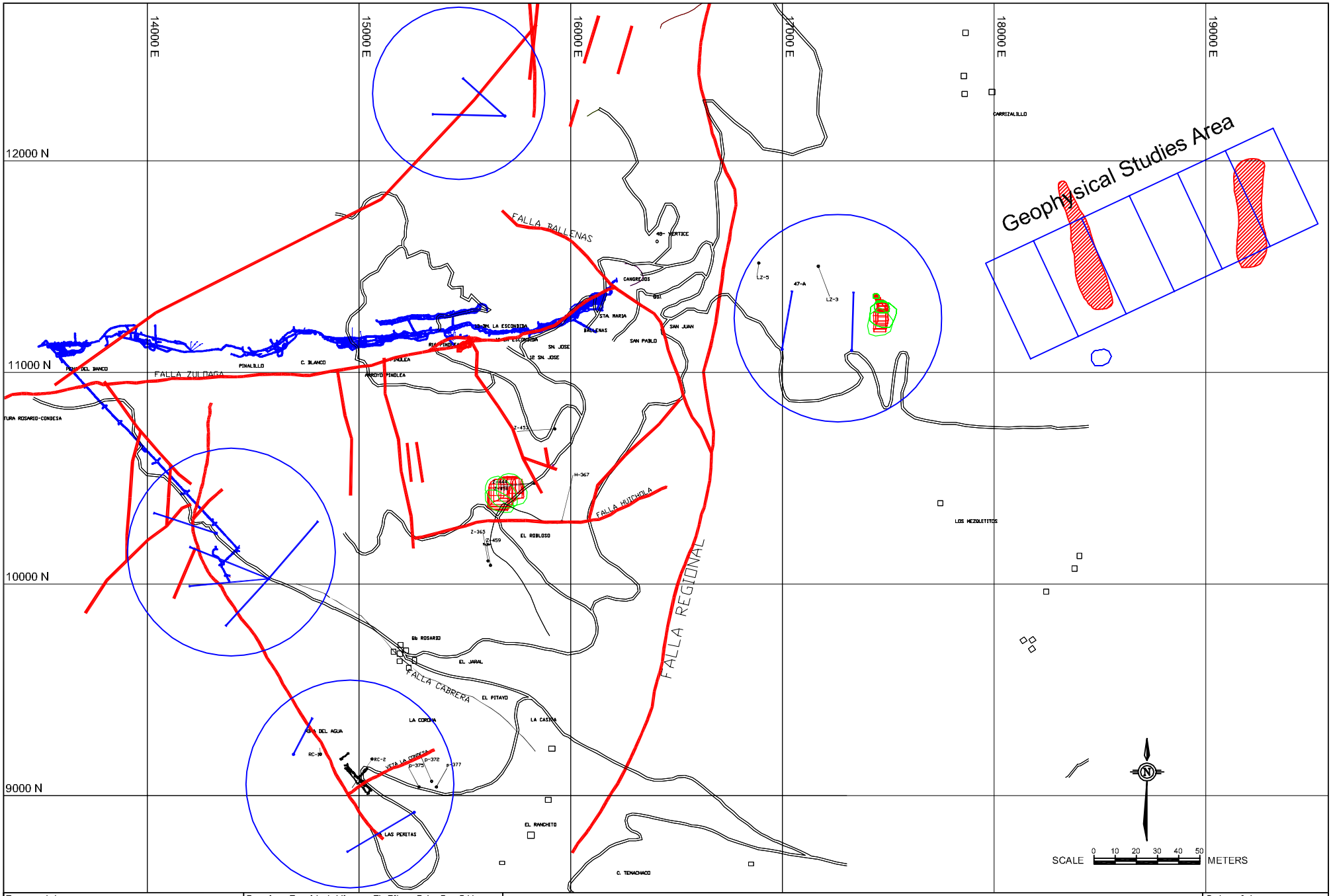


LEGEND

- Drillholes (CP-65)
- Drillholes (Diamec-232)
- Exploration Drifting

SCALE 0 50 100 200 METERS

Prepared by pincock, allen & holt 165 S. Union Boulevard, Suite 950 Lakewood, Colorado 80228 Phone (303) 986-6950 Project No. 70540	Drawing Provided by Minnera El Pilon S.A. De C.V. ***FIRST MAJESTIC SILVER Corp.*** Project Name San Martin Mine	FIGURE 10-2 DRILLING PROGRAM - FIRST SEMESTER 2007 FROM UNDERGROUND MINE	Date of Issue Feb/2007 Drawing Name Fig10-2.dwg



Prepared by pincock, allen & holt 165 S. Union Boulevard, Suite 950 Lakewood, Colorado 80228 Phone (303) 986-6950	Drawing Provided Minera El Pilon S.A. De C.V. ***FIRST MAJESTIC SILVER Corp.*** Project Name San Martin Mine	FIGURE 10-3 DRILLING PROGRAM - FIRST SEMESTER 2007 FROM SURFACE	Date of Issue Feb/2007 Drawing Name Fig10-3.dwg
Project No. 70540			

11.0 SAN MARTIN UNIT DRILLING

El Pilón's drilling program for the year 2005 to 2006 included 74 drill holes with a total depth of 8,064 meters of core, in addition to about 3,680 meters of underground development for drill sites and access preparations. Estimated cost for this program was $1.50 million.

Table 11-1 shows El Pilón's 2006 Exploration Program.

TABLE 11-1
FIRST MAJESTIC SILVER CORP.
Minera El Pilón, S.A. de C.V.
San Martín Mine
2006 Drilling Program

2006	Minera El Pilón Equipment			Contractor		Total per Month
	Drilling Equipment					
	DIAMEC-232	CP-65	LY -38	LY - 44	LY - 38	
January	70.10	154.85				224.95
February	48.20	129.45		95.00		272.65
March	131.75	157.80		605.35		894.90
April	97.00	253.00		370.60		720.60
May	50.50	72.80	71.40	504.75		699.45
June	107.98		71.40			179.38
July	9.70		31.40			41.10
August	85.30		134.40	228.20		447.90
September	128.40		80.80	325.50	232.05	766.75
October	80.90		129.70			210.60
November	76.95	144.75		444.65	230.20	896.55
December	167.00	121.90		213.75	101.60	604.25
TOTAL YEAR	**1,053.78 MTS**	**1,034.55 MTS**	**519.10 MTS**	**2,787.80 MTS**	**563.85 MTS**	**5,959.08**

Minera El Pilón		**2,607.43 MTS**
Contractors		**3,351.65 MTS**
	Total	**5,959.08 MTS**

El Pilón has scheduled 42 drill holes for the year 2007, including 29 core holes from underground workings and 13 core holes to be drilled from surface to investigate deep targets. Total estimated cost is about $0.70 million. If this program is successful in proving economic mineralization within the target areas, it may result in about 1.0 million tones of additional resources for the mine.

Drilling at San Martín is carried out with Company owned equipment. This includes electric powered drilling machines for underground operations, such as a Diamec 232, a CP 55, and a LY 38. Long Year 38 and 44 are utilized to core drill from surface access. El Pilón's program for deep drilling is scheduled to be assigned to an independent contractor.

Core drilling is incorporated in the regular mining operations to test the vertical vein projections and both walls for mine planning as well as for geologic investigations. El Pilón's Geology staff reports core recoveries of about 90 percent with exceptions in brecciated rock where it may drop to 50 percent. Core diameter used at San Martín is generally BQ (36 mm) for underground drill holes and NQ diameter for surface drilling. The core is logged by the Geology staff and sampled, including all of the core.

Table 11-2 shows a 2005 to 2006 complementary list of the drill holes developed by El Pilón at the San Martín mine throughout the life of the operation.

Most of the exploration activity at San Martín was based on direct underground development, particularly during the earlier stages of the operation. In recent years this has been complemented with diamond drilling. The total length of the underground development has not been estimated, however, drifting along the Zuloaga vein as shown on the longitudinal section may add to more than 40 to 60 kilometers, including crosscuts, interconnecting ramps and stopes areas. All this work adds up to a recorded production of 31.7 million ounces of silver to December 2006.

TABLE 11-2
FIRST MAJESTIC SILVER CORP.
Minera El Pilón, S.A. de C.V.
San Martín Mine
List of Drill Holes at San Martin Mine Program 2005 - 2006.

	Long Year 34 Equipment						
	DIAMEC 232						
	CP 65						
Drillhole No.	**Northing**	**Easting**	**Elevation**	**Strike**	**Dip**	**Depth**	**Target zone**
Z-388	14,874.280	11,282.650	1,368.750	NE 87º 12' 30"	34º 44' 04" (-)	132.85	Nivel San Carlos,
Z-389	14,670.700	11,253.566	1,364.535	NW 21º 49' 23"	07º 33' 45" (+)	39.00	Niv. San Carlos,
Z-390	14,874.081	11,282.521	1,368.770	SE 63º 26' 05"	58º 57' 49" (-)	128.50	
Z-391	14,264.310	11,111.230	1,567.660	NE 09º 19' 48"	43º 31' 28" (-)	28.35	
Z-392	14,673.250	11,339.130	1,346.470	SE 10º 27' 18"	44º 35' 22" (-)	127.20	Nivel San Carlos,
Z-393	14,268.060	11,107.700	1,567.100	NE 53º 50' 56"	43º 54' 58" (-)	43.30	Nivel Ballenas,
Z-394	14,673.230	11,339.380	1,346.120	SE 08º 14' 57"	64º 00' 00" (-)	181.50	Nivel San Carlos,
Z-395	13,977.741	11,246.474	1,333.372	SE 19º 21' 32"	3º 00' 00" (+)	37.80	Nivel San Carlos,
Z-396	13,978.065	11,250.140	1,333.323	NE 45º 49' 47"	1º 00' 00" (-)	35.15	Nivel San Carlos,
Z-397	14,682.530	11,291.137	1,345.930	SW 17º 05' 12"	49º 00' 00" (-)	70.00	Nivel San Carlos,
Z-398	14,673.623	11,339.272	1,346.169	SE 28º 38' 58"	46º 00' 00" (-)	136.50	Nivel San Carlos,
Z-399	13,928.880	11,234.960	1,337.400	NW 31º 03' 21"	31º 00' 00" (+)	60.55	Nivel San Carlos,
Z-400	14,672.550	11,338.480	1,346.160	SW 15º 51' 55"	45º 00' 00" (-)	127.65	Nivel San Carlos,
Z-401	14,682.658	11,290.894	1,346.533	SW 05º 42' 26"	15º 00' 00" (-)	45.90	Nivel San Carlos,
Z-402	13,567.667	11,135.330	1,553.090	NW 05º 26' 44"	21º 00' 00" (+)	16.91	Nivel San Pablo,
Z-403	14,672.350	11,337.713	1,346.198	SW 15º 56' 18"	30º 51' 00" (-)	130.35	Nivel San Carlos,
Z-404	13,568.594	11,129.949	1,552.643	NE 78º 11' 43"	15º 00' 00" (+)	20.80	Xo. 7550, Rpa. 7435 Reb. 7450
Z-405	13,937.499	11,213.426	1,340.265	NW 03º 17' 39"	13º 00' 00" (+)	84.25	Nivel San Carlos
Z-406	15,995.893	11,343.543	1,472.704	NW 25º 32' 10"	06º 50' 00" (+)	147.00	Nivel Cangrejos,
Z-407	13,714.740	11,150.087	1,572.730	SE 63º 06' 54"	22º 55' 46" (+)	26.72	Nivel Ballenas,
Z-408	15,991.487	11,341.507	1,473.443	NW 71º 09' 15"	00º 21' 15" (+)	169.55	Nivel Cangrejos,
Z-409	14,889.817	11,152.516	1,614.988	NW 66º 06' 11"	01º 30' 00" (+)	107.15	Nivel San José,
Z-410	13,862.774	11,238.525	1,351.330	NE 09º 10' 0.14"	03º 13' 00" (+)	70.00	Nivel San Carlos,
Z-411	14,889.229	11,157.235	1,614.180	NW 45º 51' 47"	04º 39' 06" (-)	136.10	Nivel San José,
Z-412	14,782.601	11,209.798	1,510.917	NW 74º 57' 56"	01º 52' 16" (+)	106.25	Nivel San José,
Z-413	14,860.916	11,347.365	1,368.652	SE 24º 05' 26"	39º 21' 42" (-)	180.25	, Cortar Veta 6195 y Zuluaga
Z-414	15,808.785	11,355.767	1,492.005	NW 28º 41' 11"	00º 16' 44.53" (+	41.50	
Z-415	13,860.384	11,238.049	1,350.786	NW 38º 22' 58"	09º 22' 48" (+)	55.90	Nivel San Carlos,
Z-416	14,979.536	11,254.903	1,415.324	NW 58º 47' 47"	15º 48' 56" (+)	61.65	
Z-417	14,787.989	11,209.322	1,510.959	SE 84º 09' 8.13"	01º 56' 44" (-)	180.80	
Z-418	14,861.160	11,346.750	1,368.790	SW 01º 28' 00"	64º 31' 00" (-)	242.60	Nivel San Carlos,
Z-419	14,979.029	11,240.029	1,414.507	SW 89º 58' 19"	32º 20' 12" (-)	52.40	Nivel San Juan, Cortar Veta Fte. 6167
Z-420	14,866.187	11,349.310	1,368.958	SW 71º 33' 54"	45º 40' 16" (-)	277.90	
Z-421	15,044.700	11,247.614	1,509.048	SW 80º 33' 42"	00º 28' 38" (+)	159.60	Nivel Cangrejos,
Z-422	14,856.367	11,350.680	1,358.710	SW 44º 25' 08"	50º 22' 00" (-)	229.00	
Z-423	14,979.560	11,239.960	1,414.491	SW 70º 26' 18"	32º 31' 29" (-)	48.00	
Z-424	14,979.344	11,240.422	1,414.913	NW 31º 06' 19"	02º 14' 00" (+)	46.00	
Z-425	14,916.478	11,422.719	1,369.570	SW 74º 41' 24"	78º 41' 00" (-)	606.00	
Z-426	15,444.035	11,248.021	1,509.003	NW 82º 49' 08"	01º 06' 00" (-)	121.80	
Z-427	13,641.473	11,080.242	1,612.567	NE 16º 50' 09"	29º 32' 00" (+)	50.50	Nivel Ballenas,
Z-428	15,585.889	11,132.604	1,625.654	NE 44º 31' 33"	13º 25' 00" (+)	71.40	Nivel SJO, Cortar Veta Zuluaga arriba R-570
Z-429	13,915.435	11,219.377	1,339.901	NW 08º 38' 52"	30º 20' 12" (-)	73.50	Nivel San Carlos, R-7190 (Xo. 7220)
Z-430	15,583.352	11,133.502	1,625.575	NW 21º 42' 50"	05º 38' 00" (+)	34.48	Nivel San Jose
Z-431	Not Drilled						
Z-432	Not Drilled						
Z-433	13,902.362	11,288.296	1,335.415	SW 46º 41' 34"	42º 51' 48" (-)	49.90	
Z-434	15,235.230	11,226.590	1,411.460	NE 16º 00' 00"	Horizontal	25.00	Nivel SJN, Veta La Blanca
Z-435	14,998.500	11,191.660	1,447.920	NW 41º 42' 00"	13º 14' 00" (+)	95.00	Nivel SJN, Cortar STW R-6195 15m arriba
Z-436	14,747.909	11,192.369	1,584.688	NE 20º 27' 25"	01º 25' 46" (+)	81.00	Nivel Ballenas, Cortar Veta La Blanca
Z-437	14,349.710	11,121.850	1,483.000	NW 18º 37' 00"	Horizontal	95.00	Nivel San Rafael Cortar Zuloaga y veta al alto
Z-438	13,586.966	11,067.248	1,620.860	NW 26º 25' 48"	15º 19' 41" (+)	73.30	Nivel Ball Mto 7500 al bajo de Zuluaga
Z-439	15,224.680	11,190.652	1,611.357	NW 86º 04' 35"	Horizontal	311.00	Nivel Sjo cortar vetas N-S
Z-440	13,640.389	11,080.233	1,612.621	NW 01º 14' 21"	35º 12' 07" (+)	66.70	nivel Ballenas, cortar Zuluaga arriba R-7500
Z-441	13,640.015	11,080.352	1,612.674	NW 20º 50' 06"	30º 20' 02" (+)	48.20	Nivel Ballenas, explorar el bajo veta Zuluaga
Z-442	14,464.950	11,115.981	1,476.517	NE 00º 30' 39"	00º 40' 52" (+)	60.00	Nivel San Pablo, Cortar Zuluaga
Z-443	15,234.146	11,192.799	1,611.346	NE 84º 17' 03"	01º 32' 28" (+)	121.20	Nivel San Jose, Cortar vetas N-S
Z-444	15,835.073	10,475.663	1,640.038	SW 85º 52' 59"	61º 42' 27" (-)	322.00	Area huichola, Anomalia Geofisica La Huichola
Z-445	14,168.511	11,121.277	1,576.938	NW 28º 33' 58"	00º 23' 17" (-)	110.70	Nivel Ballenas, Veta la Mancha
Z-446	13,906.837	11,288.755	1,334.825	SE 43º 22' 42"	60º 54' 52" (-)	82.20	Nivel San Carlos,
Z-447	15,638.504	11,345.479	1,537.360	NE 02º 26' 43"	01º 08' 05" (-)	37.00	Nivel Ballenas, Checar V. La Blanca hacia costados
Z-448	15,623.685	11,335.659	1,539.685	SE 06º 19' 50"	00º 15' 28" (+)	40.00	Nivel Ballenas, Checar a los costados Fte. 670
Z-449	14,855.354	11,348.884	1,369.146	SW 78º 00' 37"	24º 17' 46" (-)	198.90	Nivel San Carlos, Veta Zuluaga
Z-450	15,834.597	10,475.692	1,640.102	SW 83º 50' 46"	43º 04' 11" (-)	220.65	Nivel Superior, Anomalia Geofisica Huichola
Z-451	15,324.143	11,129.503	1,645.584	NW 07º 07' 06"	06º 13' 36" (+)	76.80	Nivel Escondida, Veta Zuluaga
Z-452	14,856.711	11,349.167	1,368.805	SW 79º 21' 02"	68º 19' 02" (-)	198.35	Nivel San Carlos,
Z-453	15,956.350	10,732.000	1,580.000	SW 84º 30' 20"	47º 20' 15" (-)	266.80	??
Z-454	15,225.325	11,132.743	1,648.724	NW 01º 16' 45"	18º 46' 05" (+)	44.65	Nivel Escondido, Zuluaga
Z-455	14,471.454	11,115.861	1,476.742	NE 38º 04' 50"	00º 22' 13" (+)	76.65	Nivel San Pablo, Zuluaga La Hedionda
Z-456	15,518.065	11,166.430	1,683.063	NW 02º 41' 33"	00º 08' 30" (+)	41.30	Nivel Escondida, Alto de Zuluaga
Z-457	17,430.809	10,999.705	1,295.693	NE 03º 56' 59"	46º 07' 07" (-)	178.70	Superficie, Anomalia Geofisica C. Colorado
Z-458	15,518.032	11,166.377	1,683.413	NW 06º 45' 13"	17º 52' 17" (+)	33.85	Nivel Escondida, Alto de Zuluaga
Z-459	15,105.632	10,179.686	1,644.590	NE 45º 25' 5.5"	56º 58' 46" (-)	101.60	?????
Z-460	16,163.942	11,356.858	1,385.441	NE 01º 30' 57"	40º 55' 57" (-)	79.50	Nivel San Carlos, Zuluaga debajo de Fte.4943
Z-461	15,518.211	11,166.470	1,683.080	NE 18º 26' 06"	01º 11' 36" (+)	43.50	Nivel Escondida, Alto de Zuluaga
Z-462	15,301.894	11,137.360	1,684.366	SW 00º 56' 11"	01º 08' 57" (+)	40.00	Nivel Escondida, Checar al bajo de la veta
Z-463	16,147.227	11,346.980	1,384.980	NW 39º 08' 38"	41º 17' 26" (-)	81.95	Nivel San Carlos, Cro. Rampa 4943
Z-464	15,243.572	11,140.957	1,686.936	SW 09º 26' 04"	00º 40' 37" (-)	20.15	Nivel Escondida, Checar bajo de la veta
Total	No. 74 Drilled					**8064.16**	

12.0 SAN MARTIN SAMPLING METHODOLOGY

PAH reviewed, with more detail, El Pilón's sampling program for the preparation of a Technical Report of April 2001 and again in June of 2005. El Pilón's current sampling team consists of three sampling crews with three employees each. Channel samples are taken with chisel and hammer, collected in a canvas tarp and deposited in numbered bags for transportation to the laboratory. Core samples are taken at the camp facilities after the core logging has been completed.

Exploration sampling for reserve delineation in the San Martín mine is conducted by drifting along the mineralized zone so that channel samples can be taken and diamond drilling can be conducted. Channel samples are the primary means of sampling in the mine and are taken perpendicular to the vein structure, across the back of the drift. Sampling crews take channel samples at irregular intervals, typically with one sample every 2 to 3.5 meters along new openings (drifts, crosscuts, ramps, stopes, etc.) and every day from stope development muck piles.

Channel samples consist of shallow chips broken off the back of the drift. A channel "line" typically consists of two or more individual samples taken to reflect changes in geology and/or mineralogy across the structural zone. Each sample weighs approximately 4 kilograms. Locally, the drift is completely enclosed by the structural zone, and the full thickness of the vein is not sampled.

Core drilling is conducted locally to test the upward and downward projections of the structural zone at a distance from the drifts. Core samples are BQ size, 36 millimeters in diameter, and holes are reportedly of generally good recovery (90 percent), with the remaining bad ground having modest recovery (50 to 60 percent). Drill hole data are locally included in the reserve calculations, but given the relatively small size of the core sample, it is applied by El Pilón with conservatism. Drilling results are applied in the grade calculations giving more weight to the larger-size channel sample data.

13.0 SAN MARTIN SAMPLE PREPARATION, ANALYSIS AND SECURITY

13.1 *Sample Preparation*

Channel, exploration, mine development and production, and plant samples are sent to El Pilón's on-site laboratory for chemical analysis of silver and gold. In more recent years additional analyses by atomic absorption for lead and zinc in geology samples have become routine. A typical channel sample received by the laboratory, weighing approximately 4 kilograms, is passed through a jaw crusher to reduce it to a 1.3-centimeter (1/2") size. A 500-gram split is taken and passed through a gyratory crusher to reduce it to a 10-mesh (1/8") size. A 200 to 300 gram split is taken and placed in a drying oven at 150 degrees Centigrade. After drying, the material is put into two pulverizers, one disk pulverizer and one ring pulverizer, to control the metallic minerals, and to ground the rock to minus 100 mesh. The resulting pulp is homogenized and 10 grams taken for fire assay analysis of silver and gold for geology samples and concentrates; 20 grams for head samples and 1 gram for precipitate samples.

The 10-gram pulps are placed in fusion crucibles and placed into a diesel-fired furnace for fusion into a lead button. PAH notes that the diesel furnace does not have any temperature control and as a result temperatures fluctuate. The lead buttons are placed in cupellation cupels and placed into an electric furnace for cupellation into a silver-gold bead. The bead is weighed and then put into nitric acid to dissolve away the silver and then the remaining gold bead is weighed again. The final gold bead weight is the gold content, while the difference in weight is the silver content for the samples. The microbalance used has a sensitivity of $\pm$ 1 milligram (equivalent to an actual grade of $\pm$ 1 gram per tonne), while the gold beads commonly range in weight from 100 milligrams down to less than 1 milligram. As a result, the determination of the smaller bead weight is at or below the detection limits of the microbalance.

13.2 *Laboratory Facilities*

PAH notes that the laboratory generally appears to be adequate, with reasonable cleaning and organization. The laboratory currently conducts about 200 to 250 assays per day, including exploration samples, development samples, and mill samples. Laboratory personnel include two sample prep operators, one person in the refinery, two weighing samples and reporting results and one Chief Chemist/AA operator.

The on-site laboratory has a small gas muffle furnace and an electric cupelling furnace for fire assaying. Solution samples are analyzed with a Perkins Elmer 2380 Atomic Absorption unit. Mine samples are periodically sent to an outside laboratory, usually Chemex and more recently splits of the same samples are also sent to two other Peñoles labs for check assays. No plant samples are sent to outside laboratories. All plant feed and tailings assays are run as triplicate samples and the average value is reported unless the silver values vary by more than 20 g/t. Then the triplicate samples are repeated. Six replicates of Gravity Concentrate are assayed and the average value is reported unless the silver varies by more than 300 g/t. Then, the six replicate samples are repeated. Doré is drilled and six replicates are

assayed and the average value reported unless the assay varies by more than 400 g/t. All geological samples are run as triplicates and the samples repeated if the assay exceeds 300 g/t.

13.3 *Check Assaying*

To evaluate sample quality control, El Pilón performs periodic check analyses on samples. Since 2004, El Pilón has sent each month, from about 10 to 30 samples to Chemex Laboratories, an independent commercial laboratory, to Met Mex Peñoles laboratory, and to Laboratorio Industrial Metalúrgica Herrera, for duplicate analysis.

PAH has reviewed assays of duplicated samples from 2005 and 2006 as indicated in Table 13-1. The samples were sent to ALS Chemex and included a range of silver grades from 2 to 5,263 g/t. The results show that of 39 duplicated samples, the average silver grade at Chemex (390 g/t) is higher by about 10 percent than at El Pilón laboratory (356 g/t), while the average gold grade resulted in 0.40 g/t at Chemex and 0.09 g/t at El Pilón. The silver assay results present a very close correlation, while the gold assays show a poor correlation due probably to erratic distribution within the ore. The sample assays obtained at the El Pilón laboratory appear conservative. The El Pilón laboratory assays are used as a basis for mine reconciliation and production recovery estimates, therefore these would reflect conservative estimates as well.

In PAH opinion the assaying procedure should be reviewed to close the difference between ALS Chemex results and those obtained at El Pilón laboratory.

Table 13-1 shows the assay results and statistics of 39 samples duplicated at ALS Chemex and at El Pilón laboratories. These samples were assayed between November 2005 and December 2006.

The samples mineral content range includes assays that vary from 2 to 5,263 g/t Ag. Average correlation of the results is close to 100 percent for the silver assays within a broad range. High discrepancies occur in the gold assays. PAH reviewed these data in order to evaluate the accuracy of the El Pilón laboratory. PAH believes that the reproducibility of silver grades is acceptable and somewhat conservative, considering that the reported values from the El Pilón laboratory tend to be lower, but within acceptable industry practices. Gold assays present high variations. Because the gold beads are so small, the assayer is forced to estimate the bead weight in the measurement gold grades in the tenths of a gram per tonne range. PAH believes that the reproducibility of gold grades is reasonable, with some of the variability between sample pairs due to the relatively small quantity of pulp (10 grams) used for the assays. Since the gold values are not used in the determination of the reserve block delineation and stope layouts, PAH does not view this as a significant issue.

PAH recommended in 2001, and continues to recommend that El Pilón consider using larger sample pulp quantities in the assaying of silver and gold in order to reduce variability. PAH also suggests that the diesel furnace be replaced with an electrical furnace so that the temperature can be controlled, and the addition of a micro-balance to allow better measurement of fire assay beads.

TABLE 13-1
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
Assay Comparison - Laboratories El Pilón / ALS Chemex.

March 3, 2007

Date	Sample No.	Location	Width m	EL PILON LABORATORY					ALS CHEMEX LABORATORY				
				Ag	Au	Pb	Cu	Zn	Ag	Au	Pb	Cu	Zn
				g/ t	g/ t	%	%	%	g/ t	g/ t	%	%	%
November 2005	1	BARRENO Z-401	1.00	286	0.50	0.42	0.02	1.35	309	0.31	0.46	0.03	1.36
	2	BARRENO Z-401	1.15	252	0.50	0.2	0.02	0.73	302	0.47	0.24	0.04	0.50
	3	BARRENO Z-401	1.00	185	0.5	0.17	0.03	0.38	293	0.52	0.13	0.04	0.28
	4	BARRENO Z-400	0.55	95	0.01	0.04	0.01	0.12	107	0.07	0.08	0.01	0.15
	5	BARRENO Z-399	1.10	107	0.01	2.84	0.18	2.96	116	1.02	3.93	0.23	4.03
	6	BARRENO Z-399	1.00	318	0.01	0.96	0.09	3.31	352	3.03	4.34	0.31	6.44
	7	BARRENO Z-399	1.10	258	0.01	0.62	0.05	1.04	292	0.46	0.63	0.04	1.06
	8	BARRENO Z-398	1.60	309	1.00	6.44	0.22	6.58	344	0.05	8.85	0.28	11.1
	9	BARRENO Z-398	1.00	172	0.50	3.85	0.15	5.6	223	0.05	6.42	0.24	10.65
January 2006	1	Crucero 7530 Romp. A 10 mts. Tope 1.10-2.20	1.10	35	0.01	0.05	0.01	0.12	34	0.05	0.05	0.01	0.13
	2	Crucero 6239 línea 239 1.30 - 2.80	1.50	791	0.01	0.70	0.14	1.70	845	0.54	0.73	0.15	1.73
	3	Crucero 7386 Sección 7315 Tope 0.00 - 1.00	1.00	139	0.01	0.09	0.03	0.19	123	0.05	0.09	0.03	0.18
	4	Crucero 6424 Romp. A 1.00 mts. 1.90 - 2.90	1.00	295	0.01	0.17	0.02	0.57	556	0.05	0.16	0.01	0.55
	5	Crucero 6238 T.D. Romp. A 37 mts. 0.00 - 1.20	1.20	31	0.01	0.04	0.01	0.06	22	0.05	0.04	0.01	0.06
	6	Crucero 6238 T.I. romp. A 38.5 mts. 0.00 -0.60	0.60	34	0.01	0.02	0.01	0.05	38	0.05	0.02	0.01	0.06
	7	Crucero 6238 T.I. Romp. A 3.5 mts. 0.00 - 1.20	1.20	405	0.01	0.06	0.03	0.10	464	0.68	0.07	0.02	0.09
	8	Crucero 6238 T.D. Romp. A 3.5 mts. 0.00 - 1.10	1.10	121	0.01	0.01	0.02	0.06	133	0.05	0.03	0.01	0.06
	9	Crucero 6167 Línea 241 0.0 -0.50	0.50	130	0.01	0.07	0.02	0.15	167	0.05	0.04	0.01	0.13
	10	Crucero 6199 Romp. 11.50 mts. 0.00 - 1.30	1.30	11	0.01	0.12	0.01	0.29	25	0.05	0.11	0.01	0.29
February 2006	1	Barreno Z-407 8.80 - 10.78	2.28	9	0.01	0.01	0.01	0.05	10	0.05	0.03	0.01	0.06
	2	Barreno Z-407 12.22 - 13.85	1.63	40	0.01	0.04	0.01	0.08	45	0.05	0.06	0.01	0.07
	3	Barreno Z-407 32.00 - 33.00	1.00	899	0.01	0.25	0.03	1.18	972	1.16	0.22	0.03	1.07
	4	Barreno Z-407 33.00 - 34.20	1.20	12	0.01	0.01	0.01	0.02	5	0.05	0.01	0.01	0.01
	5	Barreno Z-407 38.00 - 38.50	0.50	2	0.01	0.05	0.01	0.06	5	0.05	0.01	0.01	0.01
	6	Frente 6167 Seccion 242 0.50 - 1.30	0.80	5263	0.01	0.14	0.03	1.68	5550	0.05	0.10	0.02	1.54
	7	Frente 663 Sección 5694 0.00 - 1.00	1.00	31	0.01	2.12	0.18	3.80	73	0.05	2.26	0.17	3.69
	8	Rampa 6110 Tabla Izquierda 0.00 - 1.30	1.30	430	0.01	0.40	0.01	1.16	455	0.93	0.38	0.02	1.07
	9	Rampa 6110 Tabla Derecha 0.00 - 1.30	1.30	235	0.01	1.04	0.01	1.88	264	0.27	1.02	0.02	1.9
	10	Crucero 7530 Romp. A 1.00 mts. 0.00 - 1.00	1.30	360	0.01	0.25	0.05	0.95	425	0.39	0.28	0.05	0.98
December 2006	1	RPA. 6220 P- 230 a 7.0mts (1.50-2.1)	0.60	66	0.01	0.07	0.01	0.14	71	0.05	0.02	0.01	0.01
	2	Rpa. 6120 (6.30-7.40 Tabla Izquierda	1.10	282	0.01	0.11	0.02	0.24	297	0.06	0.1	0.02	0.19
	3	Rpa. 5613 P 604 a 38.0 mts 4.0-4.8 tope	0.80	249	0.01	1.37	0.12	2.77	254	5.05	1.58	0.15	2.71
	4	Reb. 5583 Secc. 5498 (1.10) T del Bajo	1.10	890	0.01	0.82	0.08	1.16	865	2.32	0.91	0.1	1.24
	5	Rpa 5583 (1.60-2.00 Tabla Derecha)	0.40	64	0.01	0.96	0.03	4.77	69	0.2	1.09	0.03	5.60
	6	Cro. 6301 (Secc 6192 1.50 Tabla Sur)	1.50	682	0.01	0.50	0.01	0.53	665	0.24	0.66	0.02	0.59
	7	Cro. 6301 (Secc 6195 1.30 T. del Bajo)	1.30	75	0.01	0.18	0.01	0.15	86	0.05	0.07	0.01	0.17
	8	Cro. 5970 (de Romp 0-1.40 Tabla W)	1.40	66	0.01	0.12	0.02	0.51	87	0.19	0.16	0.02	0.60
	9	Cro 5970 (Romp. A 4.0 m. 0-1.20 T. W)	1.20	136	0.01	0.21	0.02	0.37	148	0.10	0.21	0.02	0.35
	10	Cro 6418 (Romp. A 9.0 mts 0-1.00 Te.)	1.00	107	0.01	0.21	0.03	0.54	127	0.19	0.19	0.02	0.52
	39	SUMPRODUCT	42.71	333					365				
		Average Width - m	1.10					Dif. %	109.66				
		Statistics — Average		356	0.09	0.66	0.05	1.22	390	0.49	0.92	0.06	1.57
Data: El Pilón		Maximum		5,263	1.00	6.44	0.22	6.58	5,550	5.05	8.85	0.31	11.10
Analysis : PAH		Minimum		2	0.01	0.01	0.01	0.02	5	0.05	0.01	0.01	0.01
		Median		139	0.01	0.18	0.02	0.53	167	0.07	0.16	0.02	0.52
		Correlation		0.999	-0.093	0.957	0.902	0.962					

13.4 *Conclusion*

Overall, PAH found that the results from the check assaying are reasonable. PAH recommends the inclusion of standard samples to assess analytical precision. In addition, field duplicate samples and blank samples would allow for an assessment of sample preparation procedures.

It is PAH's opinion that the sample methods and analyses are representative of the deposits at the San Martín mine, and that most of El Pilón's data was generated by San Martín by procedures that were carried out according to accepted industry standards using accepted practices.

PAH finds that the exploration, sampling, and laboratory analysis for the San Martín operation is being conducted by El Pilón in a reasonable manner consistent with standard industry practices. PAH would expect the sampling results to be reasonably representative of the deposit mineralization and believes that they be used with acceptable confidence in the estimation of the mineable reserves.

14.0 DATA VERIFICATION

PAH has not taken independent samples from the surface or underground exposures of the vein deposits at San Martín, as other Qualified Persons have previously sampled the mineralization as discussed in this report, and the production records are the most reliable data of mineralization contained in the ore deposits under development at the mine.

El Pilón has established a systematic procedure to verify data and quality control which has proven effective and accurate by many years of operation. Assay data and information generated by the operation is transmitted by manual procedures; however, all the paper trail is accessible and available for inspection.

Table 14-1 presents a summary of data verification procedures for assays at the El Pilón laboratory.

TABLE 14-1
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
Data Verification - Laboratory Assays **March 1, 2007**

Sample Class	No. Assays/Day	No. Assays	If Variation:	Then:	Results
Geology					
Channel	90	3 X	< 20 g	Average	Average
		3 X	> 20 g	Repeat	Average
Drilling	20	1 X	< 100 g	Reading	Reading
		3 X	> 100 g	Repeat 3 X	Average
Mine/Plant					
Heads	12	3 X	< 20 g	Average	Average
		3 X	> 20 g	Reapet 3 X	Average
Concentrates	63	6 X	< 300 g	Average	Average
		6 X	> 300 g	Repeat 6 X	Average
Tailings	12	3 X		Average	Average
Doré	3	6 X	< 400 g	Average	Average
		6 X	> 400 g	Repeat 6 X	Average
Total / Day	200				
Mine	Approx.10-30	Approx. 10-30 / mo.		Sent to external labs.	

PAH believes that an adequate amount of checking has been conducted and that the results are representative of the mineralization in the deposit. Furthermore, PAH recommended to add field duplicate samples, including correlation analysis of results for duplicate checks. PAH's conclusion was that the results from check assaying were reasonable, including appropriate preparation procedures; that the sampling results appear to be reasonably representative of the deposit mineralization and should be usable with acceptable confidence in the estimation of the mineable reserves.

15.0 ADJACENT PROPERTIES

The San Martín mining operation by El Pilón, is enclosed by the Bolaños Mining District. The Bolaños District comprises approximately 20 kilometers of NS extension, from the San Martín mine in the South to the old Bolaños mine in the northern part.

The Bolaños mine has been inactive since about 1998 and is the only other significant mineral deposit located near the San Martín area. Reportedly, the Bolaños mine has produced approximately 36 million ounces of silver throughout its historical operation.

No other mining property exists adjacent to San Martín. All surrounding areas to San Martín have been claimed, and are owned by El Pilón.

The San Martín mine is located within an isolated Mining District in the northwest trending Sierra Madre Occidental. Other operating mines and Mining Districts within the Sierra Madre Occidental range include multi-million ounce producers of precious metals, such as the Zacatecas and the Fresnillo Districts (currently the largest silver producer in the World), in operation by Grupo Peñoles and other operators to the North of San Martín. These other mining districts, however, are located hundreds of kilometers away from San Martín.

16.0 METALLURGICAL TESTING

Since the San Martín processing plant has been in operation since 1983 at an increasing capacity that has reached 775 tonnes per day no testing is required to establish the viability of processing the ore or the processing parameters. The ore is processed by conventional cyanidation.

An ore processing scheme for the sulfide mineralization has yet to be established. Attempts at treating the sulfide ore within the existing plant were not successful. El Pilón is of the opinion that a separate, independent plant will be required to process the sulfide ore. Bench-scale testing of the sulfide ore is currently in progress at FMS's La Parrilla mining operation near Durango City.

17.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

El Pilón uses conventional, manual methods, assisted by computer databases, to calculate the tonnage and average grades of the mineable reserve. Reserves are calculated annually, at the end of each calendar year. For this report, PAH has reviewed the reserve dated December 31, 2006 (referred to subsequently as the January 1, 2007 reserve).

17.1 *Introduction*

Reserve blocks have been defined at the various drift levels in the mine where sampling has found economically mineable mineralization within the Zuloaga, La Blanca and two NS newly-accessed veins. The reserve tonnage and grade are based largely on channel samples, locally with some influence from drill core samples. Reserve blocks range from 10 to 150 meters in length along the vein trend, with proven reserve blocks projected up to 25 meters from the drift in which the channel samples were taken, and probable blocks extending another 25 meters beyond the proven blocks.

To estimate the reserve block tonnages, El Pilón has prepared north-south cross sections for the entire mine, perpendicular to the structural zone, at ten-meter intervals. From each section that crosses a reserve block, the cross sectional area of the mineralized zone is measured by AutoCAD methods and sample lengths. The reserve block volume for each 10-meter section is then calculated from the cross sectional area and the vertical projection of the block area measured by AutoCAD in longitudinal section.

The density factor used to convert reserve block volumes into tonnes has been determined as a weighted average from ore samples representative of the vein deposit, including oxides ore, sulfides ore and transition zone ore. The density tests were performed by Ing. Armando Gabriel Hernández a research metallurgist in a commercial lab in Guadalajara, by applying the Le Chatelier methodology to eight mine samples (December 2004). El Pilón's estimated average density is 2.80. PAH believes that on average the density for mineralization appears to be reasonable. PAH recommends that samples be periodically taken as checks for bulk density determination to ensure the application of an appropriate density factor.

To estimate the average grade and thickness for each 10-meter section that crosses a reserve block, El Pilón composites all sample grades in the drift that occur within five meters on either side of the section. El Pilón investigated three methods to filter the outlier samples greater than 1,000 g/t Ag, and determined that, based on statistical analysis performed on 3,040 samples, the most appropriate filter was to assign a top grade of 800 g/t Ag to those samples. The total length of samples in the composite is then divided by the total number of composites, giving the average width of the mineralization in the drift at that section. Similarly, the average silver grade of the samples, weighted by length, gives the average silver grade for the drift at that section.

The tonnes and grade for each reserve block are then determined by combining the tonnes and grade results obtained for each 10-meter section that crosses the block. The resource block tonnes and grade are tabulated by El Pilón on a series of spreadsheet summaries.

PAH notes that the sampling conducted across the vein for use in the reserve estimate is done without regard to economic cutoff grade or mineable width considerations, resulting in maximum vein widths. This maximum width typically includes zones within the veins that are above the cutoff grade, as well as sub-ore grade mineralization below the cutoff grade. PAH recommends that both cutoff grade and mineable width be taken into consideration in the compositing of samples across the vein in order to help optimize ore production. Reserve blocks delineated on this basis would need to be mined accordingly by El Pilón, using appropriate grade control practices to insure that the selective mining of the ore proceeds as envisioned by the reserve estimates and, where practical, leaving sub-ore grade parts.

PAH also notes that in a few local areas, the drift is wholly enclosed by the vein zone and unless there are some additional cross cuts or drilling, the vein width is taken as that measured across the confines of the drift opening. In these areas, the use of the less than actual vein width leads to underestimation of the block reserves. PAH recommends that the true vein widths, measured by cross cuts and/or the drill holes, be used as much as possible in the ore reserve estimation.

The reserve blocks estimated by Pilón are not included within the resource blocks.

17.2 *Cutoff Grade Calculation*

For the present (end of 2006) mineable reserve, PAH's economic breakeven cutoff grade calculation was based on the basic parameters shown in Table 17-1. Table 17-1 shows Cutoff Grade Parameters.

TABLE 17-1
First Majestic Silver Corp.
MINERA EL PILON, S.A DE C.V.
San Martín Mine
Cutoff Grade Parameters

Concepts		Costs US$
Average Total Operating Cost		$52.15 / tonne
Minimum Mining Width (Cut & Fill)		2 meters
COG Silver only		182 g/t
COG Silver-eq. + Gold/Lead Credits		167 g/t
Mill/Refinery Recovery		Met.Rec - 89.07%; S&R - 99.2% = 0.884
Silver Price		$10.00 / troy ounce ($0.32/gram)
Gold Price		$500.00 / troy ounce ($16.08/gram)
Lead Price		$0.50 / lb
Gold:Silver Price Ratio		50
Gold:Silver Metal Ratio (in doré)		0.00146
Gold/Lead Contribution		$0.75 / troy ounce silver
Monetary Exchange Rate		$1 / 10.94 pesos

Equating these parameters, the breakeven cutoff grade for silver (G_{ag}), based solely on silver, for the total operating cost and process recoveries anticipated, becomes:

G_{ag} = $52.00/($10.00 x .891) = 5.84 oz/tonne or 182 g Ag/tonne

All 2005 and 2006 production has come from the mechanized cut and fill mining.

Ore production for the year 2006 was reported at 261,834 tonnes, at an average grade of 209 g Ag/t, and 0.32 g Au/t. Gold is present in payable quantities in many areas and lead in some areas. Therefore, a gold/lead credit is applicable for the cutoff grade. The actual gold head grade is not well known because of the problems in assaying as previously discussed in the laboratory analysis section.

From the 261,834 tonnes of production, the silver sold in doré and concentrates during 2006 was 49.3 million grams (1,472,421 ounces). The gold sold in doré and concentrates during 2006 was 64,119 grams (2,061 ounces).

The grams of gold contained in doré and concentrates were estimated to be about 78,550 grams (2,525 ounces), which would indicate a mill feed grade of about 0.32 g/t; the estimated process recovery for gold was 92.1 percent (72,342 grams gold in doré). For each ounce of silver paid there were 0.001 ounces of gold paid (2,326 ounces Au/1,566,400 ounces Ag). At a gold price of $500/oz, this represents a contribution of $0.74 per ounce of silver.

In addition to the doré sales, a gravity concentrate is produced. During 2006, 253.2 tonnes of concentrate were sold that contained 2,923,075 grams (93,979 ounces) of silver, 8,223 grams (264 ounces) of gold and 13,844.5 kilos of lead. For each ounce of silver sold, approximately 0.01 kilograms (0.02 lbs) of lead were sold. At $0.50/lb of lead, this contributes another $0.01 per ounce of silver.

This would indicate a total contribution of gold and lead of $0.75 per ounce of silver.

Revenues from gold and lead contained in both, doré and concentrates represented in 2006, approximately 8 percent of the total revenue received, while lead represents less than one percent of the total revenue. This would equate to an average gold/lead credit of about $0.75/ounce of silver at a silver price of $10.00. A contribution of $0.75 was used as the credit for gold and lead in the calculations of the cutoff grade.

The silver equivalent breakeven cutoff grade ($G_{ag\ eq}$), considering the gold/lead contribution, converted to an equivalent silver grade, would be as follows. Since the metal quantities and values shown in the gold/lead contribution include process recoveries, they are not repeated in the cutoff calculation.

$G_{ag\ eq}$= $52.00/(($10.00 x0.891)+$0.75)) = 5.38oz Ag eq./tonne, or about 167 grams Ag-eq/tonne.

This cutoff estimate was the basis to calculate 2007 reserves. PAH notes that that the reserve is in addition to the material considered as resources.

17.3 *Reserve Estimate*

PAH has reviewed the El Pilón annual reserve update of January 1, 2007, along with factors for mining dilution and recovery. In addition, the sampling methods, assaying procedures, compositing methods, data handling, cutoff grade application and grade calculations were reviewed. Several reserve blocks were cross-checked to track data handling from the initial assays to the final tonnage and grade calculation to ensure that the stated methods and practices were observed.

El Pilón has estimated the mineable reserve for the main Zuloaga Vein, as well as for two NS trending veins that have been intersected by the Zuloaga vein at the San Carlos Level. For the Zuloaga Vein, El Pilón has tabulated an "in-situ" reserve, without consideration for mining dilution and mining extraction experienced by the cut and fill operations, and without contribution of zinc content.

The total "in-situ" undiluted reserve as tabulated by El Pilón and reviewed by PAH, is shown in Table 17-2 at a 182 gram Ag only cutoff grade for the Zuloaga vein and for the NS veins at the San Carlos level. The total "in-situ" undiluted reserve and without Au/Pb credits added, as reviewed by PAH, is 0.518 million tonnes averaging 290 grams per tonne silver, for a total of 4.8 million contained ounces of silver. As discussed previously in the calculation methodology section, the proven ore category has been projected 25 meters from the drift sample data, while the probable ore category is projected another 25 meters beyond the proven ore. No material is currently classified beyond the probable category. Broken ore is material blasted in the stopes and awaiting extraction.

Figure 17-1 shows longitudinal sections of the Zuloaga and La Blanca Veins, with the location of the reserve blocks included in the mineable reserves.

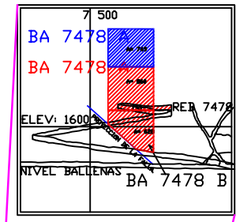
TABLE 17-2
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
San Martín Mine
Mineral Reserves (Without Dilution) as of January 1, 2007 - El Pilón Estimate, PAH Review [(1)]

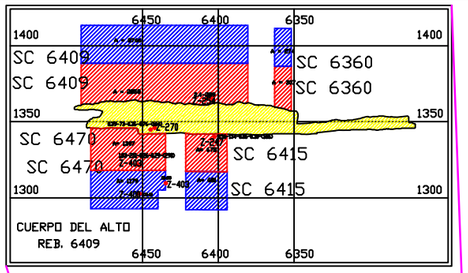
Reserve Classification	Vein	Width - m	Tonnes	Silver g/t (*)	Contained Silver (Ounces)
Proven	**Zuloaga**	2.47	259,249	293	2,446,170
Total Proven			**259,249**	**293**	**2,446,170**
Probable	**Zuloaga**	3.82	258,669	287	2,390,466
Total Probable			**258,669**	**287**	**2,390,466**
Total Proven + Probable		**3.14**	**517,918**	**290**	**4,836,636**

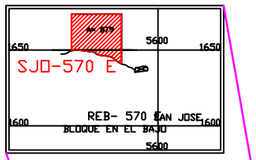
COG - Silver only 182 g/t Ag

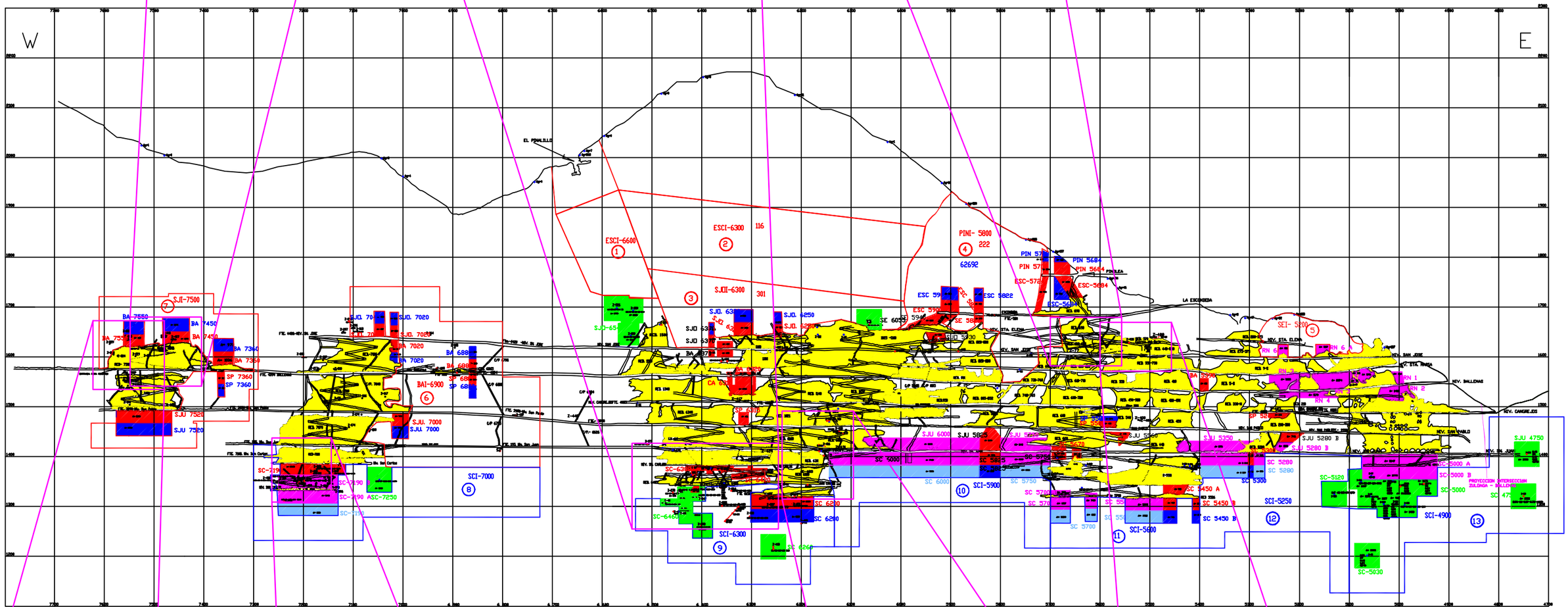
(*).- Silver grade does not include Au/Pb credits.

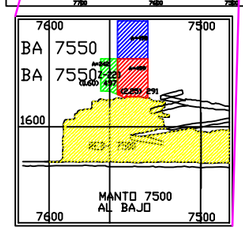
(1) Minor differences due to rounding

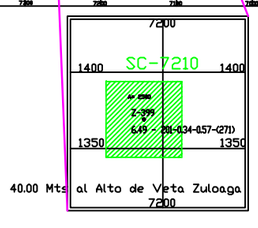




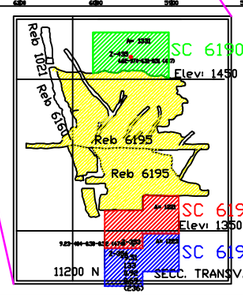


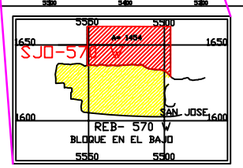






RESERVAS	RECURSOS
PROBADAS	RECURSOS MEDIDOS Ag Eq (Ag+Pb+Zn)
PROBABLES	RECURSOS INDICADOS Ag Eq (Ag+Pb+Zn)
	RECURSOS INDICADOS CON BARRENACION
	RECURSOS INFERIDOS Ag
	RECURSOS INFERIDOS Ag (Ag+Pb+Zn)





SCALE 0 50 100 200 METERS

Prepared by: pincock, allen & holt, 165 S. Union Boulevard, Suite 950, Lakewood, Colorado 80228, Phone (303) 986-6950	Drawing Provided by Minera El Pilon S.A. De C.V.	FIGURE 17-1 SAN MARTIN RESERVES / RESOURCE MAP	Date of Issue: Feb/2007
Project No.: 70540	Project Name: San Martin Mine		Drawing Name: Fig17-1.dwg

FIRST MAJESTIC SILVER Corp.

During 2005 and 2006, all of the production was derived from cut and fill stopes. In the cut and fill stopes, where the width is less than about 3 meters, the ore is blasted and removed (resued) before blasting the waste onto the stope floor for fill. A minimum mining width of 2 meters is required in the cut and fill stopes for the mechanized equipment in use at the mine.

With an average width in the cut and fill stopes of approximately 2.0 meters, the typical dilution from the walls of the Zuloaga Vein would be that estimated to mine the minimum width of extraction at the 2.00m width. A mechanized cut and fill mining method will typically (using dry fill) result in an overall mining recovery of approximately 95 percent.

A review of the assays beyond the silver equivalent grade boundary on the walls of the Zuloaga Vein indicated an average diluting grade of approximately 10 to 200 g Ag/t. However, since there is about a one percent difference between the mine feed grades to the mill and the mill calculated feed grade, some additional dilution is being introduced in the stopes. The recognition and correction of the various excess dilution sources will help the mine reconcile the differences in grade between the mine and mill.

PAH recommends that El Pilón assign a geologist to spray paint the boundaries of the economic mineralization along the stopes to avoid higher dilution during the mining activities.

Table 17-3 summarizes the diluted, recovered (with credits added for Au/Pb at 13 percent), proven and probable reserves at El Pilón as reviewed by PAH. PAH notes that the reserve is in addition to the material considered as resources.

PAH notes that the current mining across the width of the Zuloaga Vein is often conducted with limited regard to economic cutoff grade or mineable width considerations, resulting in taking maximum vein widths. This maximum width typically includes zones within the veins that are above the cutoff grade, as well as sub-ore grade mineralization below the cutoff grade. PAH believes that El Pilón can be more selective in mining across the veins to extract the ore above cutoff grade, without taking as much of the sub-ore grade mineralization. Reducing the amount of the lower grade material taken during mining will potentially reduce mining costs, haulage costs, and processing costs, and allow for a more efficient and economic operation. In PAH review El Pilón's block Nos. ESC-5822, SE-5822, SJO-570E, and SC-6355 from proven, and Blocks Nos. SC-6355 and RN-4 from probable reserves were discounted due to lower average grade than the COG estimated for silver only.

17.3.1 Conclusion

PAH believes that these reserve estimates have been reasonably prepared and conform to acceptable engineering standards for reporting of reserves. PAH believes that the classification of the reserves meets the standards of Canadian National Instrument NI 43-101 and the definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM).

TABLE 17-3
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
San Martín Mine
Mineable Reserves (With Dilution and Mine Recovery) as of January 1, 2007 - Adjusted PAH Estimate

Reserve Classification	Vein	Width - m (Diluted >2.00m)	Tonnes (Mine Dil.>2.00m, Rec.-95%)	Silver g/t (No Credits)	Contained Silver (Ounces) Without Credits	Silver-eq. g/t With Au/Pb Credit	Contained Silver-eq. (Ounces) Including Au/Pb Credits (8%)
Proven	Zuloaga	2.47	246,287	293	2,323,861	317	2,509,770
Total Proven			**246,287**	**293**		**317**	**2,509,770**
Probable	Zuloaga	3.82	245,736	287	2,270,943	310	2,452,618
Total Probable			**245,736**	**287**		**310**	**2,452,618**
							4,962,389
Total Proven + Probable		**3.14**	**492,022**	**290**	**4,594,804**	**314**	**4,962,389**

COG - Silver only 182 g/t Ag
Includes Mine Dilution, Width>2.00m and Mine Recovery (95%).
Credits for Au/Pb content added as 8 percent

17.4 *Resource Estimation*

The Resource calculations by El Pilón are based on projections of the mineralized zones of 50 meters beyond the areas of the reserves for the measured resources, and another 50 meters beyond the boundaries of the measured resources for the blocks of indicated resources. The grade for these blocks is determined from the grade estimated for the adjacent Reserve blocks, and sampling in mine workings and drill holes located within the block area.

El Pilón's estimated mineral resources are considered conservative, since only adjacent blocks are projected from the reserve blocks. Mineralization in the Zuloaga vein has shown an estimated 70/30 percent ore to waste ratio within the mineralized structure; therefore, based on mining records the resource projections above and below the reserve blocks may be extended to the length of the known structure.

In addition to the Reserves, El Pilón has estimated Resources in blocks along the Zuloaga vein, La Blanca vein, the Plomosa – Rosario vein, the Rosario – Condesa vein, and in two other NS newly accessed veins that cross the main mineralized structure. These blocks were estimated in the same manner as that described previously for the reserve blocks, with the additional calculation of lead and zinc assays where they are available. During the period of 2004, El Pilón generated production of lead and gold in gravity concentrates adding some contributions for these metals to the silver recovery and sales. The estimated contribution for these metals was approximately 8 percent for the year; therefore, it is reasonable to add that value to the estimated silver grade, but with no additional contribution of zinc.

The mineralized veins within the deeper parts of the mine, as well as in some other localized areas, contain variable amounts of base metals, particularly zinc, which is locally present in sufficient quantities to potentially be considered as an additional metal product for revenue generation. The Zuloaga Vein contains resource areas that are locally as high as 5 percent zinc. The La Blanca Vein also contains

higher zinc values. Zinc grade distribution is not well defined as sample analysis for zinc has historically been limited, but is being conducted routinely for the exploration drilling in more recent sampling.

Metallurgical studies have been performed by experts at the Universidad Autónoma in San Luis Potosí, México, and a vertical flotation cell has been installed on site for producing a lead/silver concentrate. The long-term plans are to make both a lead/silver and a zinc concentrate that would be shipped to the Peñoles smelter in Torreón, México. However, the final flow sheet design has not been completed, and to-date, only testwork has been developed in a column flotation cell that has been installed within the plant area, producing minor amounts of lead/silver concentrates, but no commercial production of zinc concentrates has occurred, although it appears that zinc and lead (minor) concentrate production could potentially be feasible.

PAH has reviewed the preliminary technical and economic information for the potential processing of the zinc and has found that although the potential processing of zinc is encouraging and should be pursued, the current degree of evaluation is not sufficiently high to add the zinc contribution to the resource grade.

In PAH's opinion, when the zinc content is recovered and sold by the operation, then the zinc value converted to equivalent silver may also be applied to the resource blocks grades. In current Resource grade estimates the zinc has been only indicated as part of the block's grade, but not included in value or silver equivalent.

El Pilón's estimate of measured and indicated resource blocks is shown in Table 17-4. The measured and indicated silver resource consists of 1,798,000 tonnes averaging 270 grams per tonne silver equivalent, for a total content of 15,625,000 ounces of silver. The resource grade has not been discounted by El Pilón for a metallurgical recovery or mine dilution, and only added 8 percent contribution for gold and lead content.

El Pilón has also estimated inferred resources that have resulted in silver equivalent of 22.7 million ounces contained in 2.7 million tonnes of inferred resources.

El Pilón's estimated resource blocks do not include the estimated reserve blocks, since these have been projected at distances that are adjacent and beyond the reserve blocks boundaries.

El Pilón's mineral resources do not include development details for underground mine accessibility and mine planning, therefore, in PAH opinion these resources are appropriately reported as resources, with estimated tonnage and grade calculated from available data on an "in-situ" basis.

Based on these assumptions, and in the mine's silver COG, PAH reviewed the El Pilón estimates. The resulting resources were credited with the 8 percent historical contribution for gold/lead to the silver grade, resulting in a silver equivalent contained ounces of 15.6 million, which at the current San Martín rate of production, may add over 7 years of life to the mine. These resources were not adjusted for mine dilution, mine or metallurgical recovery, or S&R charges.

TABLE 17-4
First Majestic Silver Corp.
Minera El Pilón, S.A. de C.V.
San Martín Mine
Mineral Resources Estimates by Pilón, Reviewed by PAH (*)
As of January 1, 2007

Category	*Tonnes "In Situ"*	Silver Grade g/tonne	Contained Silver (oz)	*Grade Ag. Eq. (Ag+ Au+ Pb)(*)*	
				Ag-eq g/t.	*Silver eq. Ounces*
Measured	792,652	257	6,549,474	279	7,122,824
Indicated	1,005,313	243	7,854,522	263	8,501,916
Total Measured Plus Indicated	**1,797,965**	**250**	**14,451,468**	**270**	**15,624,740**
Total Inferred Resources	**2,737,823**			**257**	**22,665,655**

(*) The estimated resources do not include mine dilution, nor mine and metallurgical recovery, or S&R charges.

The mineral resources estimated by El Pilón and reviewed by PAH are presented in Table 17-4. PAH notes that these resources are in addition to the previously reported reserve.

El Pilón has estimated additional silver resources at a distance beyond the proven and probable reserves. These additional resources lack sufficient drifting, raising, sampling, drill holes or old workings with production data and are estimated at a lower degree of confidence than the other reserve or resource categories. PAH considers these additional resources to be of an inferred category and they are based on projections of presumed vein continuity ahead, above, and below current mining; and based on very widely-spaced drill holes, surface sampling or old surface workings. Exploration and development of these inferred resources is presented in the corresponding section of this report. Those inferred resources are presented in separate line at Table 17-4.

The inferred resources need considerable grade and tonnage information before they can be "proved up" to "mineable reserves." In addition, historically about 70 percent of the vein has been mined due to the normal low grade, narrow zones or waste areas contained within the vein. To date, the Zuloaga Vein has demonstrated a continuity along 3.0 kilometers of strike length and down dip to about 400 meters; so it is reasonable to assume that in the future resources will continue to be converted to ore as additional drifting, crosscutting and raising define vein configurations, sampling and assaying determine the grade, and diamond drilling confirms vein extensions and fills in data gaps.

17.5 *Conclusion*

PAH believes that these resource estimates have been reasonably prepared and conform to acceptable engineering standards for reporting of resources. PAH believes that the classification of the resources meets the standards of Canadian National Instrument NI 43-101 and the definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM). The reserves and resources herein reported by El Pilón for the San Martín mine were reviewed by PAH and constitute part of an operation by Minera El Pilón. There are no significant technical, legal, environmental, political or other kind of restrictions; therefore, in PAH's opinion these reserves and resources may not be materially affected by issues that could prevent their extraction and processing.

18.0 OTHER RELEVANT DATA AND INFORMATION

The San Martín mine is an operation focused on extracting ore from the Zuloaga vein; its workings have reached nearly 3,000 meters along strike, at different levels of approximately 400 meters in vertical development. Sub-parallel and crossing veins to the Zuloaga have been discovered along the main structure, such as the La Blanca vein, and the parallel vein at the Crucero 6409 in the San Carlos level, as well as the crossing NS veins at Crucero 6231 and at the Sección 6195.

While the extracted ore is mainly oxidized material, at the San Carlos level an increasing presence of sulfides may indicate the transition zone between oxides and sulfides; however, the mineralization occurs in strong concentrations, with more zinc, lead, copper and possibly gold associated in the primary mineralization zone. Another interesting target for exploration within the mine area is known as "Plutonic Breccia," which may represent a Porphyry Rhyolite Stock, and this could be related to the mineralizing channels.

Numerous other veins, sub-parallel to the Zuloaga vein and in a crossing pattern appear to indicate an important geologic potential to be investigated within the San Martín de Bolaños District, and within the El Pilón holdings.

The San Martín mine is managed by a professional staff that El Pilón has contracted and trained in the operation throughout the many years of work in this District. The San Martín mine appears as a stable, progressive mining and metallurgical operation.

San Martín's future is founded on the timely and proper manner of reserve development to sustain the operation. As of January 2007, San Martín mineral reserves amounted to less than two years of continued operation; however, if the current measured and indicated resources were developed into reserves, the operation may be projected to about 10 years more.

19.0 INTERPRETATION AND CONCLUSIONS

In 1981, Mr. Héctor Dávila Santos founded the Mexican corporation Minera El Pilón, S.A. de C.V. and purchased the San Martín property, developed the mine, constructed the process plant, and then began production in 1983. In 1997 First Silver Reserve, by reverse takeover acquired all the shares of the Mexican company Minera El Pilón, S.A. de C.V., owner and operator of the San Martín mine. In 2006 First Majestic Resources Corp. acquired First Silver Reserve Inc., and consequently is now the owner and operator of the El Pilón properties. Subsequently to First Majestic's acquisition of First Silver, the corporate name of the Company was changed to First Majestic Silver Corp.

The San Martín mine includes underground operations that have opened six main drifts with levels at an approximate 35-meter vertical separation. Each one of the drifts has been developed to a maximum extension of approximately 3,000 meters, with interconnecting ramps between levels, and all have surface access to the Cerro Colorado hillside. Since 1981, when El Pilón initiated operations in the area, to December 2006, over 3.9 million tonnes of silver ore have been extracted and processed, to produce sales of approximately 31.7 million ounces of silver, including some gold and lead. Most of the San Martín ore production has been mined from the Zuloaga vein, with only minor production extracted from the La Blanca vein, which branches out from the hanging wall of the main structure.

The processing plant consists of crushing, grinding and conventional cyanidation by agitation in tanks. Silver and gold values in solution are then precipitated by the Merrill-Crow method, by adding zinc dust and smelting the precipitates into doré bars for shipment to a smelter. A gravity separation circuit, consisting of two Falcon concentrators and one vibrating Wilffley table, have been added to the processing system to recover coarse grains and some sulfides that are not leached in the cyanidation circuit.

Other installations include laboratory facilities, offices, dinning room and some housing for key employees.

In addition to the mineral rights covered by 32 mining concessions that include 9,226 hectares (22,799 acres), El Pilón has purchased the surface rights for 1,300 hectares (3,212 acres) of land that include the mine installations, part of the access roads, and surrounding areas. Additionally, El Pilón has acquired the surface rights of 107 hectares (264 acres) of land where the plant installations and camp are located.

El Pilón corporate offices are located in the State of Jalisco capital city of Guadalajara, where purchasing, legal and accounting administrative functions give support to the mining operation, however FMS has head offices for all its Mexican operations in the state of Durango capital city of Durango. Most if not all of El Pilon's personnel in the Guadalajara office are planned to be moved to Durango and most likely the Guadalajara office shut down.

Mine and plant statistics indicate that the 2006 Run-of-Mine (ROM) Ore averaged 209 g/t silver and 0.32 g/t gold. The total 2006 silver and gold recovery from doré and gravity concentrates were 89.07 and 87.09 percent, respectively.

El Pilón's estimated reserves for January 1, 2007 as reviewed by PAH resulted in:

Proven and Probable Reserves:

Tonnes	Ag eq. (*)	Contained Ounces.
492,000	314 g/t	5,000,000

(*) - Ag eq. Includes 8 percent added value for Gold/Lead credits.

These estimated reserves indicate about 2.5 years of operation from January 2007.

At the San Martín mine, the majority of its silver ore has been extracted from the Zuloaga vein. Numerous other veins occur within the San Martín area that appear to represent similar structural and mineral characteristics as those of the Zuloaga vein.

Exploration potential for finding and developing new resources/reserves in the San Martín district appears to be very promising. El Pilón has been developing an aggressive exploration program based on economics, direct exploration development and diamond drilling by in-house operators and with contractors for deep drilling.

Direct exploration development is integrated into the mine preparation programs and in vein deposits this has proven to be the most effective method of exploration. For the year 2007, El Pilón's program of underground development includes about 780 meters for exploration and drill site access preparation. El Pilón has scheduled an aggressive drilling program for both, underground and surface drilling. It includes 42 drill holes with a total programmed depth of 6,600 meters at an estimated cost of $0.70 M.

The drilling program has identified 8 target zones along the Zuloaga vein in the San Martín mine. These 42 drill holes are directed to investigate areas of resources with the objective to increase reserves, and if it is successful, the program should result in about 1.0 million tonnes of additional resources/reserves for the mine, according to El Pilón's Geology Department estimates.

Current estimated Resources for the San Martín mine include Measured and Indicated Resources calculated by El Pilón and reviewed by PAH, as follows:

"In-Situ" Measure and Indicated Resources as of January 2007.

Tonnes	Ag eq.(*)	Contained Ounces
1,800,000	270	15.6 million

(*) - Includes 8 % of added value for Au/PB credits.

Resources "in-situ" with no mine dilution or recovery considerations.

These resources, estimated along the Zuloaga vein, if proven to reserve certainty may add many more years to the mine life.

The reserves and resources herein reported by El Pilón for the San Martín mine and reviewed by PAH constitute part of a mineral deposit that is currently under operation by El Pilón, without technical, legal, environmental, political or of any other kind of restrictions, therefore, in PAH's opinion these reserves and resources may not be materially affected by relevant issues that may prevent their extraction and processing.

PAH is not aware of any environmental liabilities in the San Martín mining district. Most of the area covered by El Pilón concessions is mining and prospective land for mineral exploration and mine development in rough topography. El Pilón workings are of limited extent with relatively small waste dumps that have been developed with minor surface disturbances. Most of the mine operations are located within land holdings owned by El Pilón. The San Martín underground operation has been developed on the Zuloaga vein, the strike of which intersects the western slope of the Cerro Colorado hill. Selected ores are extracted in the mining operation and only relatively small waste dumps have been formed during the long history of production. Currently El Pilón operates mainly with Cut-and-Fill mining methods to avoid accumulation of large waste dumps on surface, and most waste generated from development is used for stope backfill.

El Pilón has two regular annual contracts with the Smelter and Refinery of MET-MEX Peñoles located in the city of Torreón, Coahuila State, México. Peñoles is the largest silver refinery in México and the World, with a capacity of approximately 90 million ounces of silver per year. The contracts between El Pilón and Peñoles for sales of doré and concentrates, are typical for those kinds of minerals.

During 2006 El Pilón shipped doré and gravimetric concentrates containing a total of 1.57 million ounces of silver, 2,326 ounces of gold and 13,844 kilograms of lead to Peñoles, for a total silver equivalent production of 1.7 million ounces.

El Pilón ships doré bars by airplane to Guadalajara, where they are delivered to a purchasing representative for re-shipment to Peñoles. El Pilón gravity concentrates, sold to Peñoles during 2006, contained about 10 percent lead, 25 percent sulfur, 11.6 kg/t silver and 24 g/t of gold. Gravity concentrates are shipped by truck from the mine to Torreón, Coahuila, to MET-MEX Peñoles Smelter and Refinery.

Production costs for the San Martín mine in 2006 totaled $13.7 million to produce roughly 261,800 tonnes of ore, containing saleable silver amounting to 1,566,400 ounces. On a unit basis, cash production costs were $50.15/tonne of ore, and $8.08/oz of silver produced.

As expected the project exhibits the greatest sensitivity to metal prices, followed by operating costs, and finally by capital costs. Any variances in grade or metallurgical recovery will be equivalent to similar changes in metal prices, since all three factors impact the revenue stream equally.

In all cases, however, the San Martin mine shows positive economics as measured by a cash flow exercise, and thus the postulated reserve position is acceptable.

20.0 RECOMMENDATIONS

The San Martín mine has been in operation since 1983, with a long history of mineral reserves development, until about the year 2000, when the precious metals prices forced reduction of the exploration budget; however, in recent years El Pilón has augmented personal and budget to escalate the exploration programs.

PAH highly recommends a continued support for the exploration activities in San Martín to develop resources into reserves and extend the mine life. Care must be taken to prioritize the exploration targets since the area holds a broad potential for development and possible discovery of new ore bodies. Underground access to the areas of exploration must be a primary objective to investigate identified resource targets.

FMS has authorized a $2.00 M exploration budget for this year, which should result in a significant increment of reserves. This program includes approximately 800 meters of underground exploration development for drifting, crosscutting and drill sites preparation, in addition to 42 drill holes with a total programmed depth of over 6,600 meters. Budget for this program is approximately $700,000, although part of the expenditures, are usually included into the operating costs. The capital expenditures in budget for 2007 include $69,000 for direct investments in other studies to support the diamond drilling program, including geophysics, geochemical and inclusions.

The San Martín mine includes now a long underground development of about 3,000 meters in some of the levels, for over 20 km in workings along the main operating levels. Maintenance of the access roads for transportation of the ores from different stopes makes this task complicated and expensive; however, El Pilón has recently acquired additional special equipment to accomplish this task, including a small bulldozer and an underground grader. To maintain clean underground roads will help in equipment maintenance. Additional mine equipment and capital investments programmed by San Martín for the mine include a total of $344,000.

With the possibility of establishing sufficient resources of sulfide ore to warrant the construction of a sulfide-ore processing plant (floatation area), PAH considers it worthwhile conducting mineral processing testwork on samples from the mine as they become available.

In PAH opinion El Pilón's programmed capital expenditures for the year 2007, for a total of US$4.85 million are scheduled to improve the operation and through a successful exploration program, increase the mine's reserves and therefore the mine life.

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22.0 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES

22.1 *Introduction*

The San Martín de Bolaños silver mine (San Martín, San Martín mine, Zuloaga mine or El Pilón mine) has been in operation since 1983 by the Mexican corporation Minera El Pilón, S.A. de C.V., a wholly-owned subsidiary of First Silver Reserve Inc., which has merged with First Majestic Resource Corp. and subsequently changed its name to First Majestic Silver Corp. in 2006. The San Martín mine has produced an aggregate amount of 31.7 million ounces of silver including gold and lead as sub-products to December 2,006. It currently operates a conventional cyanidation plant at a rated capacity of 850 tonnes per day with agitation in tanks, precipitation by the Merrill-Crow method and one gravimetric concentration circuit added with two Falcon concentrators. Its production is shipped as doré and some gravimetric concentrates to the smelter and refinery facility of Met-Mex Peñoles in Torreón, México.

22.2 *Mining Review*

This section describes the mine design, recent production, mine equipment, anticipated mine capital expenditures and current and expected mine operating costs.

22.2.1 Mine Design and Production

El Pilón currently has the only producing mine in the district, which is developed by a series of trackless levels from the surface. Levels of the Zuloaga Vein, from the lowest to the highest, are the San Carlos, San Juan, San Pablo, Cangrejos, Ballenas, Santa María, San José, Santa Elena, La Escondida and Pinolea levels. The San Carlos and Pinolea levels are currently under development. The levels above are spaced approximately 35 meters apart vertically, except the spacing between the Pinolea and La Escondida levels is 70 meters. In the future, the engineers plan the spacing between all new levels at a minimum of 60 meters.

Underground development is normally performed by El Pilón employees and a mining contractor. Since the fall of 2004, when a dispute with the contractors arose, all development and mining work had been performed by El Pilón employees, and development advances were significantly below past performance. The dispute has now been resolved, and the contractor's employees have returned to work, and devlopment advances now are largely as planned.

Current mine production has been averaging about 700 tonnes per day (tpd) from stopes located on La Escondida, San José, Ballenas, Congrejos, San Pablo, San Juan, and Sta. Elena levels. Underground drilling is performed using jackleg drills. Blasting is accomplished with ANFO explosives. The average advance for drifting, ramping and raising in 2006 was 585 meters per month. Underground loading and haulage is performed with 2 cy, 3 cy and 5 cy LHD's (scooptrams) and 10 to 22 tonne capacity trucks. Opening sizes are typically about 3.5 meters by 3.5 meters. Ramp inclinations are generally limited to

about 12 percent. The average productivity in headings is 0.7 meters per manshift, which is in the normal range for this type of development.

Mechanized, cut and fill stopes now account for 100 percent of the production which is developed either directly on the vein or by first driving a drift on the vein and then driving a parallel drift about 8 meters away, leaving a pillar between the drifts. Crosscuts are then driven about every 10 meters from the parallel drift through the pillar to the vein for ore extraction. Raises are driven as needed to provide access, services and ventilation.

On the surface, the ore is loaded from stockpiles with front-end loaders into 22-tonne trucks for transport to the mill some 15 kilometers away over a gravel road. To eliminate the rehandling and loading of ore from surface stockpiles, PAH recommends that El Pilón management consider construction of a truck loadout with chutes from an underground area (possibly the San Juan level), with all mine ore passed through a raise system to an excavated holding bin above the truck-loading level. The ore haulage from the mine to the mill is performed by a contractor.

The current mine ventilation system appears adequate for the production rate and the amount of diesel equipment in the mine. PAH did not observe any areas with excessive heat build-up or with stagnant air. Ventilation to the working areas is provided by a 60,000 cubic-feet-per-minute capacity (cfm) extraction fan located on surface near the La Escondida level portal. A back-up 50,000 cfm fan is available, if needed. A second major 150,000 cfm (200 hp) extraction fan is located at the portal of the Rosario Mine adit, which intersects the west end of the main Ballenas level; the adit was rehabilitated in 2005 for use as the principal west-end exhaust for the mine. Smaller axial fans are available for local ventilation. Within the mine the ventilation is controlled with brattice doors.

FMS is planning to consolidate operations, and confine production and development activities to the east end of the mine. There are several ore blocks on the Zuluoga vein situated at distances of over 2.5 to 3.0 kilometers from the main east end portal entrances to the mine. Under the current consolidation plan, these areas would not be mined in the near future, but new zones above the Escondida and Pinolea levels would have to be identified and quickly developed if the current production rate of 775 tpd is to be maintained. PAH concurs with the consolidation plan.

The mine operates three shifts per day, 6.3 days per week, 329 days per year. The current total company hourly mine employment is 109, not including mine management and supervision (8), engineering (8), geology (25), which adds another 41 employees. Company maintenance personnel for the mine total about 39. An additional 45 hourly and salaried personal are currently employed by a contractor for development, mining and maintenance. This brings the current total personnel working directly in the mining function to about 234. At this mine staffing level, the average productivity for a 700-tpd-production rate would be approximately 4.0 tonnes per manshift, which would be typical for a Mexican mechanized cut and fill operation, using dry backfill.

The budget for the first half of 2007 is 135,200 tonnes at a grade of 223 grams Ag/t (7.17 oz Ag/t). Based on the gold produced to date, the gold grades in the mill feed typically average 0.3 to 0.5 g/t (0.010 to 0.015 oz/t).

As a check of the gold head assays at San Martin, PAH recalculated the gold contribution for the cutoff grade based on the total gold and silver produced in doré during 2006. This provides an independent check that the empirically assigned gold grade is both justified and representative. PAH's methodology for completion of this independent check was as follows:

Based on the kilos of silver and gold contained in doré and concentrates during 2006, the silver:gold ratio would be 674:1.

Gold recovered grade = 0.276 g Au/t (72,342 g Au sold/261,834 t)

At 87.1 percent recovery for gold, the indicated feed grade to the mill would have been about 0.32 g/t.

The assayed silver head grade was 209 g/t, which checks with the process recoveries and kilos of silver produced.

22.2.2 Mine Equipment

The mine equipment includes several brands of used equipment that have been rehabilitated by the mine mechanics. All of it appears to be in fair operating condition and is being maintained in good mechanical condition. In late 2006 the mine received four new mobile equipment units; namely, two Toro 6 LHD's (3.3 m^3) and two Sandvik EJC-522 mine trucks (22-t). PAH recommends that the mine stop buying used equipment of numerous brands and sizes, and standardize on one or two brands; apparently this is a policy that FMS management is establishing at its operations.

All mechanical repairs are performed in a surface shop outside of the Ballenas level portal. There are no underground shops, and there is not a preventive maintenance program in effect. Underground roads are in fair condition (rough, with ponded water and muck spillage) which impacts adversely on the mobile equipment traveling the roads. Although there are no records on the equipment availability or utilization, the availability is reported to be in the 60 to 70 percent range. The mine has acquired a small bulldozer (D-4) and a small underground road grader, for maintaining the roads, but the roads still need better attention. The road grader, however, has not been operational since its arrival at the mine in 2005.

Equipment operator training, a good preventive maintenance program, and some small underground shops (with concrete floors and lighting) near the active working areas would undoubtedly justify, through decreased equipment repair costs, the expenditures required. The mine continues to add to and upgrade its equipment fleet as required.

TABLE 22-1
First Majestic Silver Corporation
Minera El Pilón - San Martín Mine
Major Mine Equipment List - 2006

February 28, 2007

Quantity	Description	Capacity	Notes
2	Wagner St 2-B LHD	2.0 cy	One in rebuild
1	Jarvis-Clark JS220 LHD	2.0 cy	
1	Jarvis-Clark EJC-100 LHD	2.5 cy	
9	Wagner ST 3.5 B LHD's	3.5 cy	
3	Wagner St 5A, 5 B, & 5H LHD's	5.0 cy	
1	Schopf L6A LHD	3.5 cy	
2	Wagner ST-6C LHD's	6.0 cy	
2	TORO 6 LHD's	4.3 cy or 3.3 cm	New
1	Young 472-12	12-t	
1	Young 490T17 Mine Truck	14-t	
3	Dux DT-12 Mine Trucks	12-t	
4	Jarvis Clark JDT-413 Mine Trucks	12-t	
3	Jarvis Clark JDT-415 Mine Trucks	Two 12-t, one 15-t	
1	Wagner Mine Truck	12-t ?	
2	Sandvik EJC-522 Mine Trucks	22-t	New
	Pneumnatic Jackleg Drills	N.A.	
	Pneumatic Stoper Drills	N.A.	
1	Diamec 232 Diamond Drill	N.A.	
1	Diamec 250 Diamond Drill	N.A.	
3	Longyear 34 to 65 Diamond Drills	N.A.	
1	Onram 1000 Diamond Drill		
5	New Holland NH 5610 Boss Buggy Tractors	NH 5610	
3	Case 621 B Front-end Loaders	3.5 cy	
1	Case 1840 Front-end Loader	?	
2	Michigan 45-B Front-end Loaders	2.5 cy	
1	Caterpillar 924F Front-end Loader	2.0 cy	
1	Caterpillar 966C Front-end Loader	5.0 cy	
1	Bobcat 731 Front-end Loader	1.0 cy	
1	Fortress SG-10 Motorgrader	N.A.	
1	Compact CM-14 U/G Motorgrader	N.A.	Has not worked
1	Caterpillar 14 G Motorgrader	N.A.	
2	Caterpillar D8K Bulldozers	N.A.	
3	Komatsu Track Dozers, D-155 A1, D375E-5, D65E	N.A.	
1	John Deere 310D Backhoe	N.A.	
1	Gardner-Denver ESRF-300 Air Compressor	1,400 cfm	
1	Ingersoll-Rand XLE Air Compressor	1,100 cfm	
1	Ingersoll-Rand XLE Air Compressor	1,600 cfm	
1	Ingersoll-Rand SSR-100 Air Compressor	450 cfm	
2	Sullair S25-350 Air Compressors	1,500 cfm	
7	Portable Air Compressors; 6 Atlas Copco, 1 Grimer Schmidt	335 to 750 cfm	
1	Allis Chalmers ACP-60C-2PS Fork Lift	N.A.	
3	Aliva Lanz-01,02 & 03 Shotcrete Machines	N.A.	
1	Rosario Exhaust Ventilation Fan; 200 hp	150,000 cfm	
1	Escondida Exhaust Ventilation Fan; 100 hp	60,000 cfm	
1	San Jose Ventilation Fan; 40 hp	50,000 cfm ?	
20	Axial Ventilation Fans; 7.5 to 30 hp	variable	
5	Fairbanks-Morse 2-stage Water pumps; model 5592	25 & 30 hp	
1	Tsurumi Submersible Water Pump; model KTV2_37H	40 mt	
1	Tsurumi Submersible Water Pump; model LH-311W-60	80 mt	

22.2.3 Mine Costs

Capital Costs

Typically, the mine had expensed most development, exploration and used equipment purchases; however, FMS has instituted a new fiscal policy, and many previously expensed costs and equipment purchases will now be capitalized. The anticipated 2007 expenditures are consistent with the mine's plans to continue increasing ore reserves and improve the overall efficiency of the present operation. Most of these mine capital expenditures estimated for 2007 are for mine development and exploration, mine and mill equipment and other ancillary equipment and administrative expenditures. The total capital expenditures planned for 2007, including capitalized mine development and exploration costs ($2.21 million), and mobile mine equipment already received ($1.6 million), is US$4.85 million. The summary of the projected 2007 Capital Expenditures is found in Table 22-2.

All capital cost estimates are presented in fourth quarter 2006 U.S. dollars, with no allowance for inflation, or peso devaluation. The peso to dollar exchange rate used for the 2007 operating and capital cost projects is 10.50:1.0.

Operating Costs

The mine operating cost (w/o depreciation or capitalized development and exploration) for 2005 was US$48.88 per tonne milled, based on 249,239 metric tonnes milled. The total unit operating cost in 2006 was $52.15 per tonne milled based on 261,834 tonnes milled. The operating costs for the first six months of 2007 are projected at $59.06 per tonne (based on 135,200 tonnes milled in six months). The cost breakdown by major cost centers for 2006 compared to the projected unit operating costs for 2007 are presented in Table 22-3.

The actual 2006 mine operating costs were $29.09, which about 3 percent above the budget for the year. Operating costs have been negatively impacted by price increases in major consumables such as diesel fuel, steel, electric power, and repair parts.

The San Martín 2006 operating costs from Table 22-3 were compared to those from FMS's La Parrilla mine. The two mines have very similar ground conditions, they produce about the same monthly tonnages, and cut and fill stoping on fairly wide (2-10 meters) vein-type ore zones employing development waste rock for backfill is used as the primary mining method for both operations. The La Parrilla costs for the first four months of 2006 were $45.09 per tonne, and those for San Martín for the year were $52.15 per tonne for a difference of +16 percent. The operating costs for both mines are presented in fourth quarter 2006 U.S. dollars, with no allowance for inflation or peso devaluation.

TABLE 22-2
First Majestic Silver Corporation
Minera El Pilón - San Martín Mine
2007 Capital Expenditures (1st semester only) **February 28, 2007**

Item	No. or Quantity	Estimated Cost (US $)
Mine & Exploration		
Toro 6 "Scooptram" LHD	2	720,000
Sandvik EJC-522 mine trucks	2	860,000
Construction of mine dry	N.A.	238,000
Mine preparation & exploration	2,592 meters	1,524,860
Other exploration	N.A.	69,000
In-mine diamond drilling	2,010 meters	154,770
Surface diamond drilling	4,590 meters	459,000
Sub-total		**4,025,630**
Mill & Process Plant		
Vibrating screen	N.A.	28,600
Primary thickener	N.A.	28,600
Back-up generators	N.A.	350,000
Sub-total		**407,200**
Safety		
Personal Safety equipment	N.A.	82,350
Ambulance	1	25,000
Safety studies	N.A.	10,000
Sub-total		**117,350**
Environmental		
Diesel fuel containments	2	13,000
Other waste containment	1	5,000
Studies, audits, analyses	N.A.	40,000
Refinery dust collector	1	47,600
Dust suppression	N.A.	9,500
Storage containers	2	8,000
Sub-total		**123,100**
Assay Lab		
Assay lab eqipment	Misc.	45,500
Building improvements	N.A.	20,000
Sub-total		**65,500**
Administration		
Antenna for internet	N.A.	5,000
Software upgrades	N.A.	3,000
Computers	3	2,250
Radio telephone and radio upgrades	N.A.	4,000
Additional rooms for staff hotel	10	98,000
Sub-total		**112,250**
Grand Total		**4,851,030**

TABLE 22-3
First Majestic Silver Corporation
Minera El Pilón - San Martín Mine
2006 Actual and 2007 Projected Mine Operating Costs (US $/t)

	2006 Unit Costs	2007 Projected Unit Costs	Variance
Cost Center			
Mine	25.89	32.33	6.44
Mine exploration	3.20	2.00	1.20
Sub-Total Mine	**29.09**	**34.33**	**7.64**
Mill	12.39	12.69	0.30
Site G&A	10.67	12.04	1.37
Sub-Total Mill & G&A	**23.06**	**24.73**	**1.67**
Total All	**52.15**	**59.06**	**9.31**

TABLE 22-4
First Majestic Silver Corporation
Minera El Pilón - San Martín Mine
Comparison of 2006 San Martín vs La Parrilla Operating Costs ($U.S) **Feb 28, 2007**

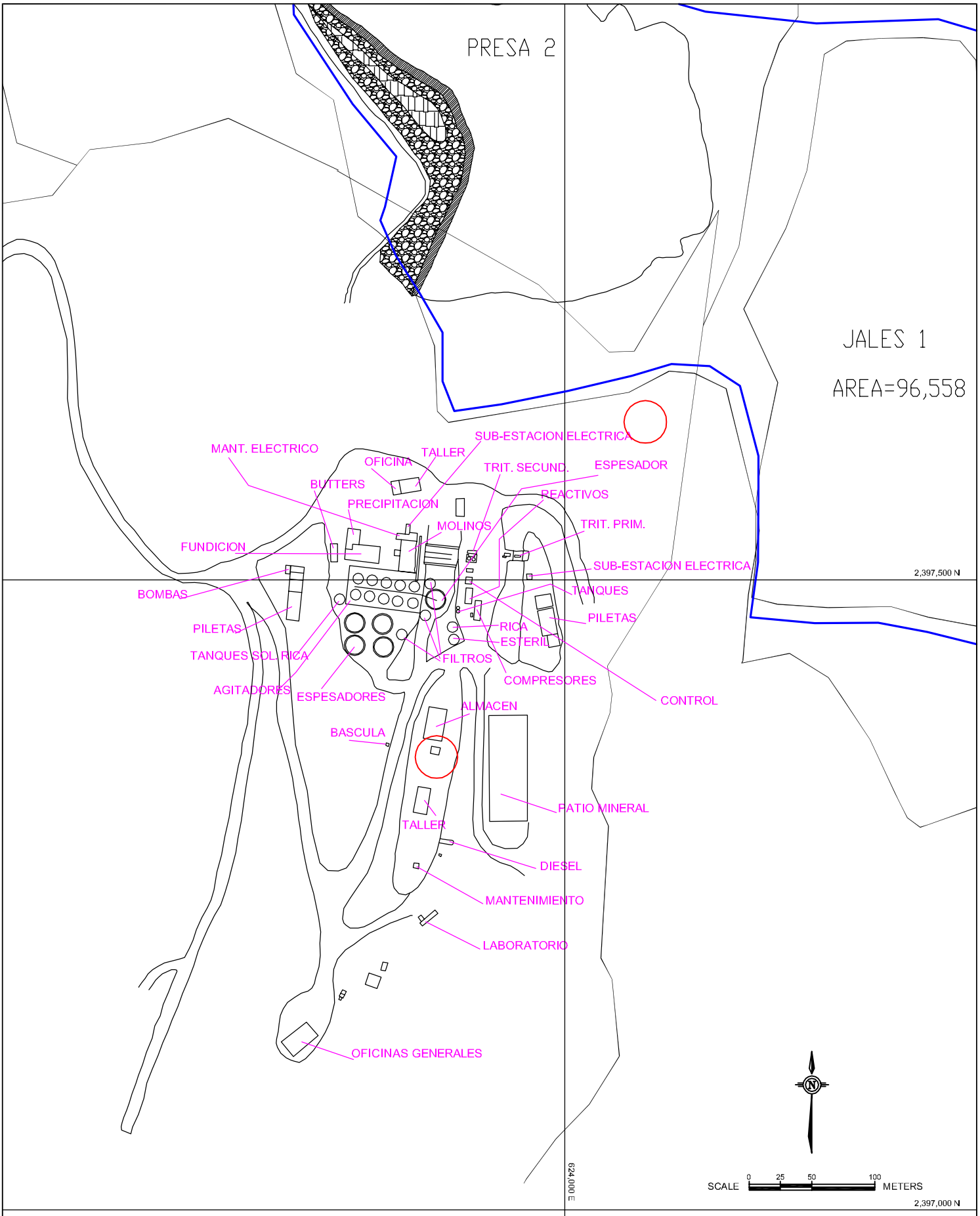
Concept	San Martín Operating Cost (per tonne)	La Parrilla Operating Cost (per tonne)	Variance
Mine	$29.09	$19.70	($9.39)
Mill	12.39	21.60	9.21
Site G& A	10.67	3.79	-6.88
Total	**$52.15**	**$45.09**	($7.06)

The current payroll, and 2007 first-half payroll budget, shows that approximately 366 hourly, salaried and contractor personnel will be employed at the property.

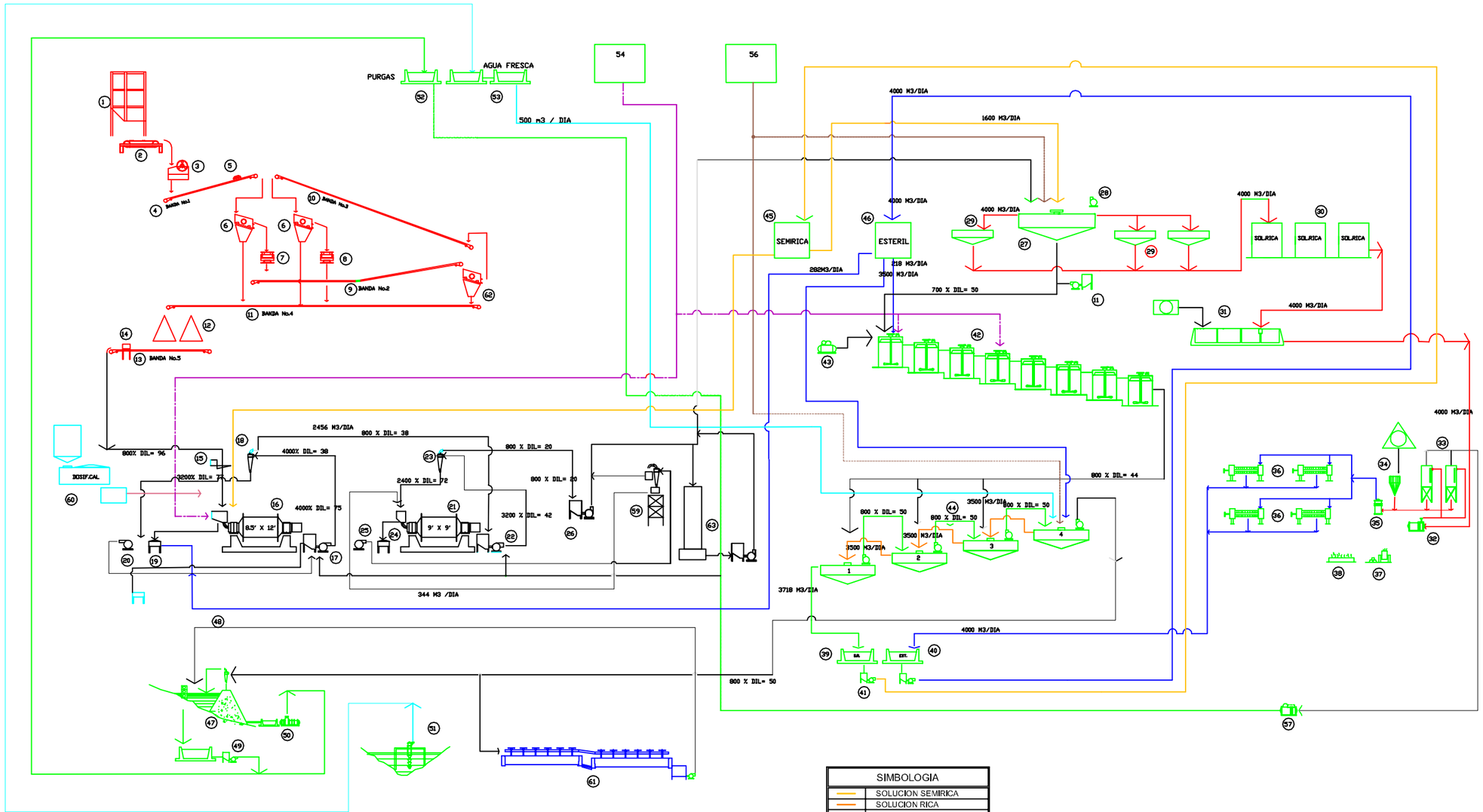
22.3 *Ore Processing*

Ore is transported approximately 13 km to the processing plant located on the east side of the town of San Martín de Bolaños and the Bolaños River. Support facilities for the operations are also near the plant and include the main administrative offices, warehouse, assay laboratory, tailings facilities, maintenance buildings, cafeteria and other employee housing.

The general layout of the plant site, tailings containments, and the support facilities are shown in Figure 22-1 and the layout of the mill facilities is shown in Figure 4-2. The process plant flowsheet and listing of major process plant equipment are shown in Figure 22-2.



Prepared by pincock, allen & holt 165 S. Union Boulevard, Suite 950 Lakewood, Colorado 80228 Phone (303) 986-6950 Project No. 70540	Drawing Provided by Minera El Pilon *FIRST MAJESTIC SILVER Corp.* Project Name San Martin Mine	FIGURE 22-1 GENERAL PLANT SITE LAYOUT	Date of Issue Feb/2007 Drawing Name Fig22-1.dwg



NUM.	DESCRIPCION DEL EQUIPO
1	TOLVA DE GRUESOS CAP.500 TONS.
2	ALIMENTADOR DE ORUGA 42" X 18'
3	QUEBRADORA QUIJADA 20 X 36
4	BANDA TRANSP. NUM.1 DE 24"
5	ELECTROIMAN
6	CRIBA VIBRATORIA DOBLE CAMA 5' X 14'
7	QUEBRAD.CONO 4 1/4 ' STD.
8	QUEBRAD.CONO 4 1/4 ' CAB.CORTA
9	BANDA TRANSP.NUM.2 DE 24"
10	BANDA TRANSP.NUM.3 DE 24"
11	BANDA TRANSP.NUM4.DE 24"
12	TOLVA DE FINOS CAP.2,000 TONS.
13	BANDA TRANSP.NUM.5 DE 24"
14	PESOMETRO
15	MUESTREADOR AUTOMATICO SOLIDOS
16	MOLINO BOLAS 8.5' X 12'
17	BOMBAS S.R.L. 8 X 6
18	D0S BANCOS CICLONES D20
19	CONCENTRADOR FALCON SB-21
20	BOMBAS SRL 5 X4
21	MOLINO DE BOLAS 9' DIAM.X 9'
22	BOMBAS SRL 8 X 6
23	CICLONES D20
24	CONCENTRADOR FALCON SB- 38
25	BOMBAS 5 X 4
26	CAJON DE FINOS BOMBAS SRL 8 X 6
27	ESPESADOR PRIMARIO 50' DIAM.X 7'
28	BOMBA DIAFRAGMA 6" DUPLEX
29	FILTROS DE ARENA (FUERA DE OPERACION)
30	3 TANQUES SOLUCION RICA CAP. 720 M3
31	FILTROS BUTTER
32	DOS BOMBAS GOULD HORIZONTAL OPERANDO
33	TANQUES DESOXIGENADORES
34	ALIMENTADOR DE ZINC
35	BOMBA GOULD VERTICAL 4" X 3" X 10"
36	FILTROS PRENSAS
37	HORNO BASCULANTE
38	SECADOR DE PRECIPITADO
39	PILETA SOL. SEMIRICA
40	PILETA SOL.ESTERIL
41	BOMBAS SRL 10 X 8
42	AGITADORES 26' X 28'
43	COMPRESOR INGERSOL RAND
44	ESPESADORES 50' DIAM.X 7'
45	TANQUE DE SOL.SEMIRICA 412 MTS.CUB.
46	TANQUE DE SOL.ESTERIL 412 MTS.CUB.
47	PRESA DE JALES
48	CICLONES D10
49	AGUA DECANTACION (CHINOS)
50	AGUA RECUPERACION
51	CARCAMO BOMBA VERTICAL TAZONES
52	PILETA AGUA PURGAS
53	PILETA AGUA FRESCA
54	TANQUE PREPARACION CIANURO
56	TANQUE PREPARACION FLOCULANTE
57	BOMBA DE VACIO NASH CL-1003 H.P.75
59	BANCOS DE CICLONES
60	DOSIFICADOR DE CAL
61	BANCOS DE FLOTACION 100 PIES CUB.
62	CRIBA 5 X 14
63	CELDA DE COLUMNA MOD. PIRAMID 3` X 32`

SIMBOLOGIA	
	SOLUCION SEMIRICA
	SOLUCION RICA
	SOLUCION ESTERIL
	SOLUCION RECUPERADA
	AGUA FRESCA
	PULPA CON CIANURO
	CIANURO
	CAL
	FLOCULANTE
	ZINC
	ANTINCRUSTABLE

Prepared by pincock, allen & holt 165 S. Union Boulevard, Suite 950 Lakewood, Colorado 80228 Phone (303) 986-6950 Project No. 70540	Drawing Provided by Minera El Pilon S.A. De C.V. ***FIRST MAJESTIC SILVER Corp.*** Project Name San Martin Mine	FIGURE 22-2 SAN MARTIN PLANT PROCESSING PLANT FLOWSHEET	Date of Issue Feb/2007 Drawing Name Fig22-2.dwg

The plant operates on a 24-hour per day schedule for seven days per week at a nominal 750 tonne per day feed rate. The ore receiving, crushing and screening and ore storage facilities operate on a schedule of two each 10-hour per day shifts allowing four hours per day for scheduled maintenance.

The remaining plant facilities operate on three of each 8-hour shifts. Scheduled maintenance is conducted for four hours each Monday.

Mine and plant statistics indicate that the 2006 Run-of-Mine (ROM) Ore averaged 209 g/t silver and about 0.32 g/t gold. The total 2006 silver and gold recovery from doré and gravity concentrates were 88.29 and 87.09 percent, respectively.

22.3.1 Ore Receiving

Ore is delivered by a contract trucker in 22-tonne capacity end-dump trucks. The ore haul consists of two shifts per day on a six day per week schedule. Each truck is weighed on a scale upon entering the site. The ore is normally dumped directly onto the Coarse Ore Grizzly and into the 200-tonne bin. If the Coarse Ore Bin is full, the trucks dump into a stockpile near the bin. Run of Mine ore appears to normally be 100 percent passing 24-inch although boulders as large as 36 inch can be seen in the oversize pile near the bin. Oversize is removed from the grizzly with a Front-End Loader, transferred to a hydraulic breaker where it is broken and then returned to the Coarse Ore Grizzly. The grizzly consists of parallel lengths of mine rail mounted upside down and spaced approximately 12 inches apart.

The ore contains variable quantities of clay and clay-like minerals which can cause material handling problems in the crushing plant and screening plant and in later operations. Major silver minerals are argentite, Ag_2S, and stromeyerite, $(Ag,Cu)_2S$. Both minerals are highly soluble in dilute NaCN solutions. Galena and sphalerite are also present and have been recovered by flotation of the cyanide tailings.

22.3.2 Crushing

Material is withdrawn from the Coarse Ore Bin with a 42-inch x 18-foot Apron Feeder and fed across a stationary grizzly with 4-inch spacing. Rock smaller than 4-inch drops directly to No.1 Conveyor while the plus 4-inch rock drops into a 30 x 40-inch Primary Jaw Crusher. Crushed ore joins the fines on No.1 Conveyor. A stationary magnet is located at the head pulley of No. 1 Conveyor to remove tramp steel. No.1 Conveyor feeds ore over a 5 x 14-foot single-deck Vibrating Screen equipped with a 3/8-inch woven wire deck. Screen fines are finished product and report to No. 4 Conveyor while the screen oversize drops into a 4-1/4-foot Symons Standard Secondary Crusher. The crusher discharges onto No.2 Conveyor. The No.2 Conveyor transfers the crushed ore to a second 5- x 14-foot single-deck screen also equipped with a 3/8-inch woven wire deck. Screen fines are also finished product and drop to No. 4 Conveyor while screen oversize is transferred by No. 3 Conveyor over a third 5 x 14-foot vibrating screen also equipped with a 3/8-inch woven wire deck. Screen fines drop to No. 4 Conveyor and the oversize drops into the Tertiary Crusher, a 4-1/4-foot Symons Short-Head. This crusher discharges onto No.2 Conveyor and joins the discharge of the Secondary Crusher.

The crushed ore is 100 percent passing 13 mm and 80 percent passing 5.2 mm and is discharged from No.4 Conveyor into a 2,200-tonne capacity covered Fine Ore Stockpile . The Bond Ball Mill Work Index is reported to be 16.5 kwh/tonne.

22.3.3 Grinding and Gravity Concentration

The Fine Ore Stockpile is fitted with two reclaim chutes. The chutes are fitted with manually-adjustable vertical gates through a rack-and-pinion drive. The chutes discharge onto the No.5 Conveyor, which feeds the 8-1/2-foot x 12 foot Primary Ball Mill equipped with a 450 Hp motor. A belt scale and an automatic sampler are located on No.5 Conveyor. The belt scale is used to feed approximately 33 tonnes per hour of feed to the Primary Ball Mill. The automatic sampler is fitted with a 1-inch wide cutter set on a 10-minute cycle. A sample is discharged into a bucket for a shift sample. Each shift sample weighs approximately 20 kg and this is reduced to approximately 1 kg with the use of a "Jones"-type splitter.

The Primary Mill operates in closed-circuit with one D20 hydrocyclone (Cyclone) (with one installed spare). Approximately 70 percent of the cyclone underflow reports directly back to the feed of the Primary Mill while approximately 30 percent is sent to a SB21 Falcon Gravity Separator. Falcon tails are pumped back to the cyclone feed box of the Primary mill while the Falcon Concentrate flows to a rectangular concrete storage tank in the mill area.

The Primary Mill cyclone overflow is feed to the Secondary Ball Mill, a 9-foot x 9-foot Ball Mill with a 450 Hp motor. The Secondary Mill discharges pulp to the Secondary Cyclone Feed Sump. This sump and pump feeds one D20 Cyclone (with one installed spare) which discharges cyclone underflow back to the feed of the Secondary Mill. Approximately 50 percent of the cyclone underflow goes directly into the mill feed while the remaining 50 percent is sent to a SB38 Falcon Gravity Separator. Falcon tailings are pumped to a separate D20 cyclone. Cyclone underflows return to the feed of the Secondary Ball Mill while cyclone overflows, at 70 percent passing 200 mesh (74 microns), are pumped to the Pre-Leach Thickener. The gravity concentrate flows to the same tank as that for the Primary Mill gravity concentrate.

The gravity concentrate from both Falcon Separators is periodically passed-over a table concentrator. Table tails are pumped to the Secondary Mill cyclone feed box. Table concentrates are air-dried and bagged and shipped to the Peñoles' smelter in Torreón for treatment. For 2006, approximately 5.29 percent of the silver and 9.90 percent of the gold in the ore was recovered into the gravity concentrates.

About 50 percent of the total Sodium Cyanide (NaCN) consumed is added to the feed of the Primary Ball and the remaining 50 percent is added in the Leach Tanks. The entire lime requirement for the plant is added to the feed or the Primary Ball Mill. The Primary Ball Mill is charged with 2- and 3-inch grinding balls while 1 ½ inch balls are used in the Secondary Mill. Total cyanide and lime consumption for 2006 were 1.21 and 3.91 kg/t of ore respectively. Total ball consumption averaged 0.92 kg/t of ore for 2006.

22.3.4 Leaching

The Secondary Ball Mill cyclone overflow is pumped to a 50-foot diameter Pre-Leach Thickener. Approximately 40% of the precious metals are dissolved in the grinding and Pre-Leach thickener. The remainder must be dissolved in the Leach Circuit. The Pre-Leach Thickener overflow is stored in 3 each 240 m^3 tanks as feed to the Merrill-Crowe Circuit. Thickener Underflow at approximately 50 percent solids is leached in a series of 8 each 26-foot diameter x 30-foot agitated tanks. This provides approximately 78-hours of leach time at the nominal 750-tonne per day feed rate. Sodium cyanide solution is added in Tank No.1 and Tank No. 5 to maintain a NaCN concentration of approximately 1,100 ppm in No.1 Tank, 900 ppm in No.5 Tank, and 600 pp, in the tails.

The Leach Tanks are constructed and piped to allow the by-passing of any tank. Each tank is taken out of service twice each year for approximately one week for scheduled maintenance. Air for the plant is supplied by a 350-horsepower Sullair compressor. This compressor can deliver about 1,200 cubic-feet-per minute (cfm) of 50-60 pounds-per square inch (psig) air. This allows approximately 100 cfm per leach tank to assist in tank agitation and to supply air to oxidize the precious metals. The discharge from the No.8 Leach Tank flows by gravity to the feed of No.1 CCD Thickener.

The feed to each leach tank is sampled once each shift and placed in a bucket for a 24-hour composite sample.

22.3.5 Counter-Current-Decantation (CCD)

The CCD Circuit consists of four each 50-foot diameter thickeners. The No. 1 Thickener overflow is referred to as Semi-Rich Solution and is pumped to a 450 m^3 tank. Semi-Rich Solution is used as dilution water in the Primary Ball Mill and the excess is recycled to the feed of the Pre-Leach Thickener, thus the tenor of the Rich Solution (Pre-Leach Thickener) is increased. The CCD Thickener underflow pulp densities range form 50 to 56 percent solids. Soluble recovery in the CCD Circuit is approximately 97 percent. Approximately 150 cubic meters per hour of Barren Solution and 15 cubic meters per hour of Fresh Water are added as Wash Water in the No.4 CCD Thickener. The Wash Ratio (tonnes of wash: tonnes of dry ore) is approximately 5 at the nominal 750-tonne per day feed rate. The underflow from No.4 CCD Thickener is pumped to one of two Tailings dams located near the plant. The underflow of each CCD Thickener is sampled once per day. Flocculant is added to the Pre-Leach Thickener and each of the four CCD Thickeners at a total rate of 16 gms/t of ore.

A portion of the tailings have been directed to a Tailings Flotation Circuit in the past. The flotation concentrate containing approximately 45 percent lead, 3,000 g/t silver and 10 percent zinc was shipped to the Peñoles' smelter in Torreón. The flotation circuit remains intact but is not currently being used. The plant constructed a 36-inch diameter x 32-foot tall column flotation cell for possible inclusion in the plant process. This test circuit diverted approximately 10 tonne-per-hour of feed to the Pre-Leach Thickener as feed to the column cell. The column cell did not work well. The conclusion from the test installations is that the sulfide ore should be processed in a separate plant operated in parallel with the cyanide plant.

22.3.6 Merrill-Crowe

The Rich Solution containing approximately 35 ppm silver from the three 240 m^3 storage tanks is filtered in four Butters Filters. Anti-scalant is added to the feed of the Butters Filters. These open-top tanks are fitted with pre-coated filter bags to remove fine solids associated with the Rich Solution. The filtered solution contains less than 5 ppm of suspended solids. Twin De-aeration Towers are used to remove oxygen from this solution to approximately 0.5 ppm prior to zinc precipitation in one of four Plate & Frame Filters. Zinc consumption for 2006 averaged 0.20 kg/t of ore and 0.97 kg/kg of doré.

Barren solution from the precipitation filters is pumped to a 450 m^3 Barren Solution Tank. Approximately 150 m^3 per hour of Barren Solution is then pumped to No.4 CCD Thickener as wash water. Each Precipitate Filter is shut-down and precipitate collected about twice each week. Precipitate averages about 75 percent silver.

Barren Solution is sampled once each shift and analyzed as a shift sample. A sample of Pregnant Solution is taken from the feed to the Butters Filters each shift.

22.3.7 Refinery

The Zinc Precipitate is dried in an open oven prior to being fluxed and smelted. A mixture of 5 to 6 percent Borax, 2 to 3 percent Na_2CO_3 and 1 percent broken glass is used for the flux. Fume hoods are mounted over the Drying Oven and the Smelting Furnace for dust collection. The doré averages about 92 percent silver. Slag is crushed and processed over a shaking table to recover metal prills. Table tails are recycled to the mill.

22.3.8 Reagent Preparation

Plant reagents include sodium cyanide, lime, and flocculant. Lime is received in 2-tonne Super Sacks. A crane is used to transfer a Super Sack over an unloading hopper located above a mixing tank. Sodium cyanide is received in drums and manually scoped into a mixing tank. The operator wears a face mask, face shield and rubber gloves while mixing. The drums are stored in a fenced and locked area near the mixing facilities. Flocculant is received as dry powder in 25 kg bags, mixed and diluted to 0.5 percent for use in the thickeners.

22.3.9 Plant Operating Costs-2006

The plant operating costs for 2006 are US$12.39 per tonne for the 261,156 tonnes milled. The operating cost breakdown is indicated in Table 22-5. These costs are based on 10.94 pesos per U.S. dollar.

TABLE 22-5
First Majestic Silver Corporation
Minera El Pilón - San Martín Mine
2006 Operating Costs
Production - 261,834 tonnes, 1,566,165 oz. Ag **February 28, 2007**

Cost Area		Total Cost	Cost Per Tonne	Cost Per Ounce
Mine				
	Labor	1,245,633	4.76	0.74
	Supplies	3,659,952	13.98	2.17
	Other	1,872,049	7.15	1.11
	Sub-Total	6,777,634	**25.89**	**4.02**
Mine Expl.				
	Labor	175,218	0.67	0.10
	Supplies	248,134	0.95	0.15
	Other	413,825	1.58	0.25
	Sub-Total	837,177	**3.20**	**0.50**
Mill				
	Labor	437,037	1.67	0.26
	Supplies	1,845,234	7.05	1.09
	Other	961,329	3.67	0.57
	Sub-Total	3,243,600	**12.39**	**1.92**
Site G&A				
	Labor	882,865	3.37	0.52
	Supplies	274,840	1.05	0.16
	Other	1,634,860	6.24	0.97
	Sub-Total	2,792,565	**10.66**	**1.65**
Total				
	Labor	2,740,753	10.47	1.62
	Supplies	6,028,160	23.03	3.57
	Other	4,882,063	18.64	2.90
	Sub-Total	13,650,976	52.14	8.09
TOTAL ALL		**13,650,976**	**52.15**	**8.09**

22.4 *Infrastructure*

The Infrastructure site includes the support facilities for the operations are located near the plant and include the main administrative offices, warehouse, assay laboratory, tailings facilities, maintenance buildings, cafeteria and other employee housing. The Maintenance Department operates from the extensive shops and warehouse located at the plant site. Maintenance personnel are supplied for mine and plant requirements from this department. A large fleet of mobile equipment consisting of track type tractors (bulldozers), wheel loaders and road graders are available for feeding ore to the crushing circuit and site and road maintenance.

Power is supplied by the grid at 33 kva and 60 cycle. Two 1,000-volt transformers supply power to the plant. Plant power consumption in 2006 was 40.9 kWh/tonne; average load was 1.2 megawatts. The effective cost of power including consumption and demand charges was US$0.095 per kWh for 2006.

Diesel generators are located at the plant for emergency and stand-by power in case of power interruptions.

Make-up water is pumped from the Bolaños River located about 1 km west of the plant. The water is purchased from the government; the cost is approximately $\$0.03/m^3$.

22.4.1 Tailings

The plant tailings are pumped to one of two tailings facilities. The tailings normally report to the No.1 dam during wet months and No. 2 dam during dry periods. The No. 1 tailings dam is located to the east of the plant and was the first of the two facilities. The No. 2 tailings dam is located to the north of the plant. Both tailings dams are located close to and north of the plant as shown in Figure 23-3. The No. 1 dam was built first and the No. 2 dam later. There are about five years of additional capacity remaining in the existing tailings facilities and there is plenty of space available for future expansion. The perimeter walls of the dam are built using cycloned tailings. Water is reclaimed from the tailings dams and returned to the plant.

22.5 *Product Marketing*

El Pilón holds two regular annual contracts with the Smelter and Refinery of MET-MEX Peñoles located in the city of Torreón, Coahuila State, México. Peñoles is the largest silver refinery in México and the world, with a capacity of approximately 90 million ounces of silver per year. The contracts between El Pilón and Peñoles for sales of doré and concentrates are typical for these products.

During 2006 El Pilón shipped to Peñoles doré and gravimetric concentrates containing a total of 1.6 million ounces of silver, and 2,325 ounces of gold and 17,055 kilograms (37,600 lbs) of lead.

El Pilón ships doré bars by airplane to Guadalajara City where they are delivered to a purchasing representative for re-shipment to Peñoles. El Pilón sales contract of doré with Peñoles include typical conditions and related charges as follows:

- Each lot is weighed upon receipt, melted, sampled for metal content and then reweighed.
- El Pilón is paid for 99.5 percent of the contained gold and 99.5 percent of the contained silver in U.S. dollars.
- Treatment and refining charges were US$0.15 per troy ounce of doré bullion shipped from the mine.
- Freight charges, insurance and other fees equal about US$0.03 per troy ounce doré bullion shipped from the mine.

El Pilón gravity concentrates sold to Peñoles during 2006, typically contain about 10 percent lead, 2 percent zinc, 20 percent sulfur, 15 kg/t silver and 30 g/t of gold. Gravity concentrates are shipped by

truck from the mine to Torreón, Coahuila, to MET-MEX Peñoles Smelter and Refinery. El Pilón sales contract with Peñoles include the following typical conditions and related charges:

- Smelter charges per tonne of concentrate is $205.00
- Refinery charges per kilogram of silver is $10.
- El Pilón is paid 95 percent of the gold contained in concentrates.
- El Pilón is paid 95 percent of the silver contained in concentrates above 50 g/t.
- El Pilón is paid 95 percent of the lead contained in concentrates above 30 Kg/t.

22.6 *Environmental and Safety Review*

El Pilón has been operating the San Martín mine since 1983 with the necessary land-use and water extraction permits in effect for the operation. El Pilón has purchase the land surface rights where the mine and plant installations are located to better manage the property. Through the years and changes in regulatory framework, El Pilón has been required to update the necessary operation permits.

In October 1997, El Pilón received a tailings water discharge permit from the National Water Commission (C.N.A.); this permit is in-force for the mine life. El Pilón samples water collected at the lowest seepage collection pond below the tailings impoundment. The seepage is collected and pumped back (recycled) to the process facility. Analyses are reported to the authorities and have indicated that the water contains less than 3-ppm free cyanide. According to El Pilón personnel, no discharge of this seepage has occurred. Site personnel also indicated that regulatory personnel have inspected the seepage collection installation and no water discharge permit violations have been issued to date.

PAH's environmental and safety review consisted of discussions with site management and supervision Ing. Arturo García, Manager of Operations, Ing. Sergio Oliva, Plant Superintendent, and other personal, site visit to observe the current site safety and environmental conditions and to identify any potential liabilities having significant economic impacts, and a brief review of file records provided us during the site visit. Our assessment is not intended as an environmental and safety compliance audit, although prudent practices were considered in our review. In PAH's opinion, El Pilón is in compliance with the required permits and authorizations.

Periodic regulatory inspections of the site by SEMARNAP and the Mines Department are being performed to observe compliance. PAH has received copies of permits and authorizations for the San Martín operation and believes that El Pilón is in compliance with applicable regulations and obtains permits as required.

In general, surface disturbance related to mining is limited to the access road to the mining levels, waste rock dumps at each portal, and auxiliary support areas. Development waste rock is used for fill inside the

mine and limits the size of waste rock dumps at the surface. Most of these activities are carried out on land owned by El Pilón. Acid rock drainage (ARD) that may be associated with adit water discharges and waste rock dumps is not visibly evident. We noticed no iron precipitates or oxide stains that indicate ARD. Adit drainage is small and quickly seeps into the waste rock dump and dry arroyo. The arid nature of the area indicates that native soils could have an appreciable carbonate content and probably have capacity to neutralize limited amounts of acid rock drainage.

El Pilón has constructed several concrete pads with berms for spill containment for the oil and fuel storage areas and for vehicle washing near the portal area. Regular trips by 22-tonne-capacity haul trucks raises dust on the gravel road from the mine to the mill that passes through the southern edge of the town of San Martín de Bolaños. El Pilón has the haulage contractor perform periodic watering of haul roads to control dust and El Pilón has paid for the concrete pavement of the portion of the road that crosses the town of San Martín.

PAH noted no visible evidence of ARD on the active and historic tailings deposition areas or spent heap leach pile. The surface of the active tailings impoundment is wetted, which controls fugitive dust emissions.

The grinding area, agitated leach tanks, wash thickeners, cyanide mix tank, and several other process vessels in the mill area have little or no spill containment. There are minimal stormwater control measures to route uncontaminated runoff away from the mill or to collect and contain stormwater runoff from around the mill site. Below the mill facilities (west) there are three small unlined and bermed ponds that were constructed to collect surface runoff or major spills from the mill area. These ponds are periodically cleaned and the materials recycled.

El Pilón has purchased a scrubber system for the smelting area to control particulate and gas emissions and plans to install it in 2007. There are no emission inventories on the fixed sources of air pollution at the mill.

El Pilón has good control of the storage of hazardous chemicals and lubricants at the mill site and has installed concrete pads and fenced areas for drums.

Although Mexican environmental legislation is not explicit in the requirements for remediation, reclamation, and closure, the SEMARNAP expresses concern for the preservation and restoration of the environment and natural ecosystems in its environmental management guidance for industry. In fact, SEMARNAP recommends that facilities establish and implement a program for remediation of spills and releases to the environment.

El Pilón supplied to PAH estimated costs for reclamation and mine closure of the mine, mill and tailings containment areas, which PAH considers low despite the fact that El Pilón owns most of the surface rights where the installations and mine are located; therefore, based on local conditions, PAH increased the projected costs to a more reasonable amount.

PAH's estimate for the range of costs required to comply with and remediate the environmental issues for the project is approximately $150,000 in addition to the salvage value of plant and mine equipment. These costs are general ranges based on PAH's experience in mining projects in México, and are not the result of detailed analysis. Actual costs will depend on site conditions and impacts from the operation, regulatory requirements at the time of compliance, and corporate environmental management standards.

22.7 *Economic Analysis*

22.7.1 Capital Costs

FMS's San Martín mine is a modest-sized underground operation that utilizes used equipment whenever possible and has expensed its replacement equipment to a large extent in the past. As such, the capital outlay for the mine has been nominal for the past several years but FMS has instituted a new fiscal policy and, as such, will consider all equipment purchases, mine development and exploration, diamond drilling, new construction, etc. as capital expenditures.

Anticipated capital expenditures for 2007 of $4.85 million are presented in Table 22-2 and are summarized below in US$:

Concept	**Expenditures ($000US)**
Mine, Development & Exploration	$4,026
Mill and Assay Lab	473
Safety and Environmental	240
Site G&A	112
Total	**$4,851**

The capital forecast for 2007 is $4.84 million with $4.03 million scheduled for mine development and exploration and underground and surface diamond drilling. Expenditures for the mill include $350,000 for purchase of motor-generator sets to operate during peak usage hours, when electric power from the national grid (*Comisión Federal de Electricidad*) is cost prohibitive. Salvage of plant equipment is forecast to just equal dismantling.

22.8 *Operating Costs*

Production costs for the Unit in 2006 and those projected for 2007 are found in Table 22-3. A total of $13.65 million was expended last year to produce roughly 261,800 tonnes of ore, containing saleable silver amounting to 1,566,400 ounces. On a unit basis, 2006 cash production costs were $52.15/tonne of ore, and $8.71/oz of silver produced. Projections for the first half of 2007 show a marked increase in production costs compared to 2006. The 2007 first semester forecast cost is $59.06 per tonne, but the forecast cost per ounce at $8.04 will be about the same as that achieved in 2006. PAH believes that the forecast 2007 unit costs are reasonably estimated, and that the increases are partially due to inflationary pressures and exchange rate fluctuations. However, management must find a way to arrest the large

increases in unit operating costs, which have increased 31 percent since December 31, 2004, and the 2007 projection represents an additional 17 percent.

A breakdown of the 2006 San Martín operating costs is found in Table 22-6.

TABLE 22-6
First Majestic Silver Corp.
MINERA EL PINON, S.A. DE C.V.
San Martín Mine **February 28, 2007**
2006 Plant Operating Costs

Item	$US	$/tonne
Wages and Benefits		
Staff	159,545	0.61
Hourly	121,613	0.46
Benefits	134,691	0.51
Subtotal	415,849	1.59
Operating Supplies		
Power	916,656	3.50
Grinding steel	188,732	0.72
Sodium cyanide	589,653	2.25
Lime	100,062	0.38
Diesel	48,157	0.18
Zinc	211,768	0.81
Subtotal	2,055,029	7.85
Maintenance Supplies	707,288	2.70
Other	66,185	0.25
TOTAL	**$3,244,350**	**$12.39**

22.9 *Economic Analysis*

A simplified cash flow forecast has been prepared and is presented as Table 22-7. The economics covers the period from January 2007 through December 2008, at which time the known proven/probable reserves will be exhausted. In the interim, of course, it is expected that underground development and exploration will be advanced through both diamond drilling and drifting, and that reserves will continually be added over time.

The basic premise for the cash flow involve silver prices, which are taken at $10/ounce for 2007 and 2008, considering that the mine is currently in full production. Gold sales are presented at a percentage of silver revenues and are predicated on historical returns in 2006. Operating costs and expenses are increased by 8 percent annually to account for inflation and exchange rates. Reclamation expenditures are considered spent in the remaining months of 2007 and 2008.

TABLE 22-7
First Majestic Silver Corp.
MINERA EL PILON, S.A. DE C.V.
San Martín Mine
Cash Flow Analysis, US$

Item	Units	2007	2008	TOTAL
REVENUE				
Tonnes Milled	tonnes	250,000	242,000	492,000
Head Grade	oz Ag/tonne	9.32	9.32	9.32
Metallurgical Recovery	%	89.07	89.07	89.07
Saleable Silver	oz Ag	2,076,158	2,009,721	4,085,880
Silver Price	$/oz	10.00	10.00	10.00
Gross Silver Revenue	$	20,761,584	20,097,213	40,858,797
Gold Revenue	$	1,660,927	1,607,777	3,268,704
Gross Revenue	$	22,422,510	21,704,990	44,127,500
Less:				
S&R Costs, Insurance	$	96,202	93,168	189,370
Environmental Reclam	$	50,000	150,000	200,000
Property Tax & Insurance	$	55,000	200,000	255,000
Net Revenue	$	22,221,308	21,261,822	43,483,130
COSTS				
Mining	$	8,082,500	7,823,860	15,906,360
Milling	$	3,172,500	3,070,980	6,243,480
General	$	3,010,000	2,913,680	5,923,680
Exploration	$	500,000	484,000	984,000
Sales Expenses	$	85,540	93,118	178,658
Administration	$	946,855	1,017,477	1,964,332
Depreciation	$	1,209,468	539,000	1,748,468
Other	$	(46,625)	(46,625)	(93,250)
Total Op Costs	$	16,960,238	15,895,490	32,855,728
Net Before Taxes	$	5,261,070	5,366,332	10,627,402
TAXES & PROFIT SHARE				
Taxes	$	1,420,489	1,448,910	2,869,398
Profit Share	$	526,107	536,633	1,062,740
Net After Taxes	$	3,314,474	3,380,789	6,695,263
Add Depreciation	$	1,209,468	539,000	1,748,468
Operational Cash Flow	$	4,523,942	3,919,789	8,443,731
CAPITAL INVESTMENT	$	4,851,000	-	4,851,000
PROJECT CASH FLOW	$	(327,058)	3,919,789	3,592,731
NET PRESENT VALUE	@ 10%	2,942,170		
	@ 12%	2,832,816		
	@ 15%	2,679,526		

It can be seen from the table that a net present value for the project at a 12-percent discount rate is approximately $2.80 million. Sensitivity analyses were performed at the same discount and show the following NPV:

Base Case @ 12 % discount	$2.83 million
Increase silver price by 10%	5.18
Decrease silver price by 10%	0.48
Increase op costs by 10%	1.08
Decrease op costs by 10%	4.59
Increase cap costs by 10%	2.43
Decrease cap costs by 10%	3.23

As expected the project exhibits the greatest sensitivity to metal prices, followed by operating costs, and finally by capital costs. Any variances in grade or metallurgical recovery will be equivalent to similar changes in metal prices, since all three factors impact the revenue stream equally. In all cases, however, the San Martín mine shows positive economics as measured by a cash flow exercise, and thus the postulated reserve position is accepted.

The San Martín mine is an existing operation, so a discussion of payback period does not have meaning here. It can be seen from Table 22-7 that there is sufficient after-tax operational cash flow in any year to adequately cover projected capital expenditures. The 2007 capital cost expenditure is $4.851 million and in progress, which may assure the mine operation continuity. Among the investment program are workings developed in the mine areas that have proven to contain significant potential of oxide ore.

The mine life, based on the proven/probable reserve position, is two years and covers production through 2008.

23.0 ILLUSTRATIONS

All corresponding illustrations for this report have been included within each section.

24.0 DATE AND SIGNATURE PAGE

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I, Leonel López, C.P.G., am a professional geologist and Principal Geologist for Pincock, Allen & Holt, Inc. of 165 S. Union Boulevard, Suite 950, Lakewood, Colorado, USA. This certificate applies to the Technical Report for the San Martin de Bolaños Silver Mine, State of Jalisco, Mexico dated May 8, 2007 (the "Technical Report").

1. I am a Professional Geologist (PG-2407) in the state of Wyoming, USA, a Certified Professional Geologist (CPG-08359) in the American Institute of Professional Geologists, a Member (No. 1943910RM) as SME Founding Registered Member, a registered Geological Engineer (Cédula Profesional #1191), in the Universidad Nacional Autónoma de México, a member of the International Association on the Genesis of Ore Deposits, a member of the Society of Economic Geologists, and a member of the Association of Exploration Geochemists.

2. I graduated from the Universidad Nacional Autónoma de México with the title of Ingeniero Geólogo in 1966 and subsequently have taken numerous short courses in Economic Evaluation and Investment Decision Methods at Colorado School of Mines, and other technical subjects in related professional seminars. I have practiced my profession continuously since 1963.

3. Since 1963, I have been involved in mineral exploration and evaluation of mineral properties for gold, silver, lead, zinc, copper, antimony, and non-metallic deposits as fluorite, barite, dolomite and coal deposits in Canada, United States of America, México, Guatemala, Costa Rica, Nicaragua, Ecuador, Venezuela, Perú, Bolivia, Chile, Brazil and Argentina.

4. As a result of my experience and qualification I am a Qualified Person as defined in NI 43-101.

5. I am presently a Principal Geologist with the international resource and mining consulting company of Pincock, Allen & Holt, Inc. and have been employed since December 2003, and was formerly employed by the same firm from 1988 to 1993.

6. I have previously worked on the San Martín de Bolaños mine, as an independent engineer in 1991 and in 2005. As part of this study, I visited the project site from January 23 to 26, 2007 for the purposes of observing site layout and infrastructure, examining the deposit geology, inspecting the underground mine, inspecting exploration drilling locations, reviewing sampling procedures, reviewing available exploration and reserve and resource estimates and data, and discussing the project with site personnel.

7. I am the primary author of the Technical Report, including Sections 1 – 15, and the resource part of Section 17. I am also responsible for other report sections outside of my discipline of geology and resource modeling, which were prepared by other Pincock, Allen & Holt representatives that were qualified in those particular disciplines (mining, processing, environmental and economics), which I believe to be reliable work. I have visited the project in January 2007, and I have acted as Project Manager for the preparation of this Technical Report.

8. As of the date of this certificate, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

9. I am independent of First Majestic Silver Corp. in accordance with the application of Section 1.4 of National Instrument 43-101.

10. I have read National Instrument 43-101, Form 43-101F1 and this report has been prepared in compliance with NI 43-101 and Form 43-101F1.

11. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them, including electronic publications in the public company files, on their websites accessible by the public.

Dated in Lakewood, Colorado, this 8th day of May 2007

"Leonel López, C.P.G."

_____

Leonel López, C.P.G.

Richard Addison
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As an author of the report entitled "Technical Report for the San Martín de Bolaños Silver Mine, State of Jalisco, Mexico" dated May 8, 2007 (the "Technical Report") and prepared on behalf of First Majestic Silver Corp. (the "Issuer"), I, Richard Addison, P.E., C. Eng., Eur. Ing., do hereby certify that:

1. I am currently a Principal Process Engineer of:

   Pincock, Allen & Holt
   165 S. Union Blvd., Suite 950
   Lakewood, CO 80228
   USA

2. My residential address is: 857 S. Van Gordon Court, #G207, Lakewood, Colorado 80228.

3. I graduated from the Camborne School of Mines in England as an Honors Associate in 1964 and subsequently obtained a Master of Science degree in metallurgical engineering from the Colorado School of Mines in 1968. I have practiced my profession continuously since 1964.

4. I am a Registered Professional Engineer (#3198) in the state of Nevada, USA, a Chartered Engineer in the U.K., and a registered European Engineer in the EEC. I am a member of the American Institute of Mining, Metallurgical, and Petroleum Engineers and a member of The Institute of Materials, Minerals and Mining in the U.K.

5. I have worked as a metallurgical engineer for a total of 38 years since my graduation from university and have been involved in the evaluation and operation of mineral properties for gold, silver, copper, lead, zinc, tin, aluminum, iron, potash, gypsum, limestone, barite, clay, sulfur, pyrite, oil shale, coal, and diamonds in the United States, Canada, Mexico, Dominican Republic, Honduras, Nicaragua, Costa Rica, Panama, Venezuela, Guyana, Peru, Ecuador, Bolivia, Argentina, Chile, Spain, Portugal, Britain, Bulgaria, Indonesia, Papua New Guinea, the Philippines, Japan, Tunisia, Ghana, Zambia, South Africa, Russia, Kyrghyzstan, Brazil, and Australia.

6. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

7. I am responsible for the preparation of Sections 1.6, Processing Facilities; Section 16, Metallurgical Testing; Section 22.3, Ore Processing; Section 22.4, Infrastructure; and Section 22.5, Product Marketing. I visited the San Martín project in January 2007.

8. As of the date of the certificate, to the best of my knowledge, information and belief, the technical report contains all scientific and technical information that is required to disclose to make the technical report not misleading.

9. I am independent of the Issuer in accordance with Section 1.4 of NI 43-101.

10. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

11. I consent to the filing of the Technical Report with any securities regulatory authority, stock exchange or other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Dated in Lakewood, Colorado, this 8th day of May 2007.

"Richard Addison"

Richard Addison, P.E., C. Eng., Eur. Ing.