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ViewPoint

October 24, 2008

First Majestic Silver Corp.

FR-TSX		$0.99
Recommendation		**BUY**
12-month Target Price	(from $4.50)	**$4.00**
Projected Return		304%

Market Data

52-Week Trading Range	$5.75 - $0.95
Shares Outstanding, Basic (mm)	73.8
Shares Outstanding, FD (mm)	90.1
Market Capitalization (mm)	$73.0
Enterprise Value (mm)	$43.4

Operational Data

Total Resources, 2P & M+I (mm oz)	185.2

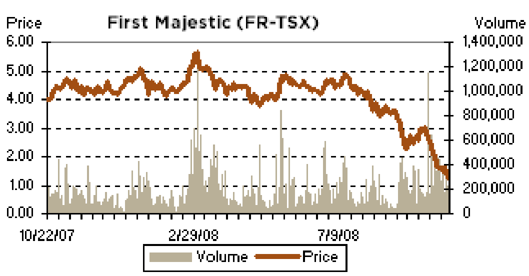
Forecasts

FYE: December	2008E	2009E	2010E
Production (mm oz)	3.84	6.20	7.84
Cash Costs/oz	$6.47	$4.94	$4.33
EPS	$0.00	$0.26	$0.52
CFPS	$0.17	$0.47	$0.74
NAVPS		$3.60	

Valuation

P/E (x)	n/m	3.8	1.9
P/CF (x)	5.8	2.1	1.3
P/NAV (x)		0.27	

Source: Reuters, company reports, Blackmont Capital Inc.



Source: Reuters

Company Profile

Industry: Mining: Precious Minerals

Description: First Majestic is a silver producer with a focus on operating its three silver mines in Mexico; the La Parrilla Silver Mine, the San Martin Silver Mine and the La Encantada Silver Mine.

Q3 Stumbles but Outlook Remains Rosy

Executive Summary

The Q3/08 production for First Majestic Silver (FR-TSX) declined 35% to 710,399 oz of silver (840,918 AgEq oz) in Q3/08, from 1.11 million oz (1.27 million AgEq oz) in Q2/08. Production at all three producing mines declined due to an unusually heavy rainy season in Mexico. The more positive news is that operations at each mine are now back to normal and the company is expecting to deliver record fourth quarter production. Our site visit last week confirmed that the three mines are now running at or above capacity and in addition, the mill improvements at each operation are underway.

We estimate Q4/08 production of 1.1 million oz, which would bring the 2008 total to 3.8 million oz. With a successful ramp-up at La Encantada, we estimate production will increase to 6.2 million oz in 2009 and 7.8 million oz in 2010 with a contribution from Del Toro. Costs over this period are expected to decline below $5.00/oz due primarily to the expansion at La Encantada and the high-grade by-product lead and zinc credits at Del Toro.

We are maintaining our BUY recommendation on First Majestic. From a longer-term value perspective, First Majestic remains one of our top picks as we believe it has excellent growth prospects and the financial stability to weather the credit storm and avoid having to tap the market for additional capital. The company remains attractively valued even with our lower forecast for silver.

See important disclosure statements at the end of this report.

Mining: Precious Minerals

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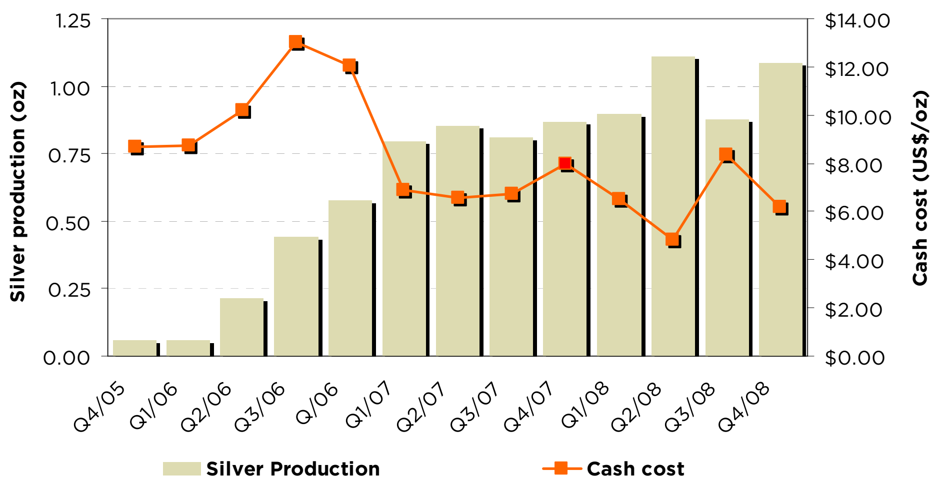
Q3/08 Results Disappoint Due to Heavy Rainfall

Q3/08 production results for First Majestic results were clearly a stumble for the company. Production declined 35% to 710,399 oz of silver (840,918 AgEq oz) in Q3/08, from 1.11 million oz (1.27 million AgEq oz) in Q2/08 (Figure 1). Total ore processed during the quarter at the three mines declined 20% to 170,298 tonnes, average silver head grades decreased 15% to 196 g/t, and combined recoveries showed a decrease from 70% to 67%.

Figure 1 - Quarterly Production and Costs



Source: Company reports, Blackmont Capital Inc.

Production at all three producing mines declined due to an unusually heavy rainy season in Mexico, but the hardest hit was the San Martin mine were thousands of tonnes of rock washed down the mountain, covering three of the four entrances to the mine and causing an access bridge to collapse. At La Encantada and La Parrilla, the excess water from the heavy rainstorms also affected the crushing circuits and screens at all three mines, causing lower throughput and lower recoveries.

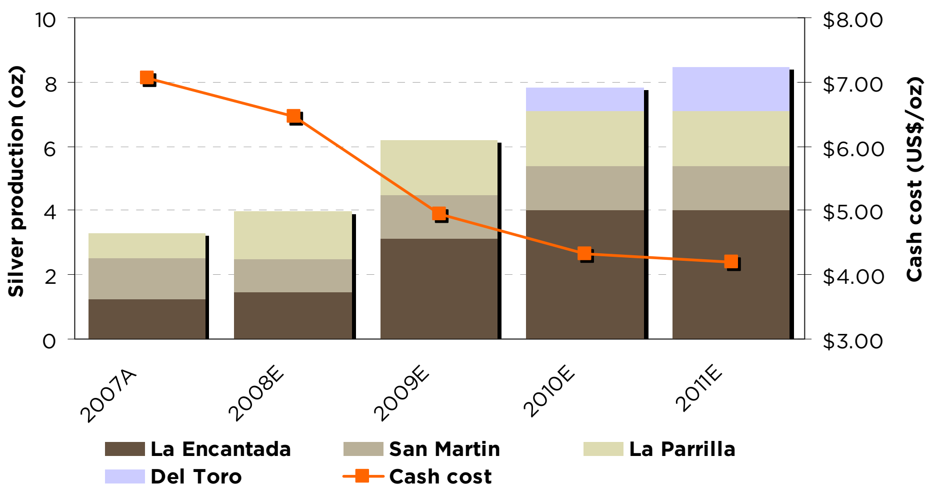
Cash costs for Q3/08 were not released (will be provided with financials in mid-Nov.) but given the lower production, lower grades and lower recoveries, we are estimating cash costs in the $8.50-9.00/oz range.

Q4/08 and 2009 Outlook Remains Rosy

The more positive news is that operations at each mine are now back to normal and the company is expecting to deliver record fourth quarter production. The three mines are now running at or above capacity and in addition, the mill improvements at each operation are still underway, which should result in higher throughputs in 2009. The San Martin mill is undergoing an expansion, which should take its capacity up to 1,000 tpd by year-end – La Encantada is expected to reach a capacity of 3,500 tpd by the second quarter of 2009; La Parrilla is being expanded to 1,000 tpd and should reach that capacity by the second quarter of 2009.

We estimate Q4/08 production of 1.1 million oz, which would bring the 2008 total to 3.8 million oz. With a successful ramp-up at La Encantada, we estimate production will increase to 6.2 million oz in 2009 and 7.8 million oz in 2010 with a contribution from Del Toro (Figure 2). Costs over this period are expected to decline below $5.00/oz due primarily to the expansion at La Encantada and the by-product lead and zinc credits at Del Toro.

Figure 2 - Annual Production and Cost Forecast



Source: Company reports, Blackmont Capital Inc.

La Encantada Expansion Underway

Construction of the new 3,500 tpd cyanidation circuit at the La Encantada mine is well underway and is on-track to be completed by the end of Q1/09. **We believe the ramp-up of the mill at La Encantada remains the single most important catalyst for the company in terms of increased production and increased cash flows in 2009.**

The construction of the new 3,500 tpd cyanidation circuit will allow the company to properly process the oxide ores and produce doré bars as a finished product instead of concentrates, thereby reducing smelting and refining charges that have escalated this year in Mexico. Beginning in Q2/09, silver production will come from combining ore from the mine with tailings from surface. We estimate this expansion will increase production from 1.44 million ounces in 2008 to 3.1 million ounces of silver in 2009 and 4.0 million ounces of silver in 2010.

We are assuming cash costs of approximately $4.62/oz once the expansion is complete. The low grades and recoveries of the old flotation tailings is offset by the low operating costs given that the material is sitting at surface needs only to be processed (no mining or crushing costs).

Large Widths and High Grades at Del Toro

Del Toro is poised to become First Majestic's fourth producing mine. The property (formerly called the Chalchihuites group of properties) is comprised of two past producing mines, San Juan and Perseverancia, situated 5 km apart. An initial resource estimate released October 10 indicated a total resource of 57 million AgEq oz (23.6 million oz silver plus 375 million lb lead and 386 million lb zinc), including 20.9 million oz AgEq in the measured and indicated category. The average grades of the resource are 290 g/t silver, 5.30% lead, and 5.45% zinc.

The bulk of the resource (95%) is at the San Juan mine where a drill hole released in August 2008 dramatically increased the potential for the mine. Hole SSJ-04 intersected 74.20 m grading 359 g/t silver, 7.07% lead, and 7.60% zinc into a new zone beneath two previously identified zones. **Further exploration success since then indicates that this resource is likely to grow significantly higher and underscores the impressive job the company's exploration team has done.**

First Majestic management is confident that Del Toro can be brought into production in 2010, so much so that equipment for a mill at site has already been sourced. Based on our discussions with the company, Del Toro should be able to produce at a rate of 1.5 million AgEq oz/yr (750,000 oz silver) beginning in 2010 if construction begins in Q2/09. We estimate operating costs, net of lead and zinc by-product credits, are likely to be quite low given the high grades of the base metals. The current plan envisages both mines (San Juan and Perseverancia) producing 750 tpd of ore, with 500 tpd of sulphide ore being processed at a new mill on site and 250 tpd of oxide ore being processed at the nearby La Parrilla operation.

The capital expenditures are quite modest at approximately $7.5 million ($1.5 million already spent) and should be able to be funded from cash flow. **However, if the silver price were to remain weak over the next six months, the company would likely delay construction at Del Toro until the silver price environment or cash position improved.**

Our valuation for the project is based on the parameters above and assumes mining of only the measured and indicated portion of the resource. At our new $14/oz long-term silver price forecast and a 5% discount rate, the NPV for Del Toro is $24.5 million, which is less than the $50 million nominal value we ascribed to the project before the resource was released. We believe the new value ascribed underestimates Del Toro, but until the mine is closer to production we will remain conservative with our valuation approach.

Valuation & Target Price Update

Incorporating the updated Del Toro valuation and several other changes into our model yields an updated NAV of $3.60 per share (Figure 3). This is based on a 5% discount rate on all cash flows and our recently revised silver price forecasts of $11.00/oz in Q4/08 and $14.00/oz in 2009 and long-term. Our NAV includes value for only 62 million oz of silver, or 34% of First Majestic's total resource, indicating the potential for increased value if successful project exploration and development continues.

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Our current NAV does not include any dilution from the company's warrants and options as they are all now out of the money given the decline in the share price.

Our 12-month target price is now C$4.00, which is based on an equal weighting of recently lowered target multiples of 1.00 times NAV and 10 times 2009 CFPS.

Figure 3 - Net Asset Value Summary

Asset	C$ million	% of NAV
La Encantada (100%), Mexico	$119.5	44.7%
San Martin (100%), Mexico	$44.5	16.6%
La Parrilla, (100%), Mexico	$47.8	17.9%
Del Toro, (100%), Mexico	$24.5	9.2%
Cash	$34.3	11.6%
Non-cash working capital	($1.6)	
Long term debt	$0.0	
ITM option/warrant proceeds	$0.0	
Future property payments	($1.5)	
Total NAV (millions C$)	**$267.6**	
Shares o/s (millions)	73.8	
FD ITM shares (million)	73.8	
Total NAVPS (C$)	**$3.60**	

Source:: Blackmont Capital Inc.

The good news for the company, and this distinguishes First Majestic from many of its junior growth peers, is the solid balance sheet. We estimate the company currently has $34 million in cash. This represents $0.46 per share and provides security against a non-existent junior equity financing market. At our recently revised silver price forecasts of $11.00/oz in Q4/08 and $14.00/oz in 2009, we estimate the cash balance will only go as low as $21 million in Q1/09 before increased cash flows from La Encantada build cash in Q2/09 (Figure 4). **Even if silver were to remain near the $10/oz level, we estimate the company would still have enough cash to avoid any further capital raise.**

If the silver price were to remain weak, it is more likely that First Majestic would curtail spending, particularly at Del Toro, in order to conserve cash. The company has already reduced the number of operating drill rigs from 23 to the current 15, and expects this number to decrease to four by year-end.

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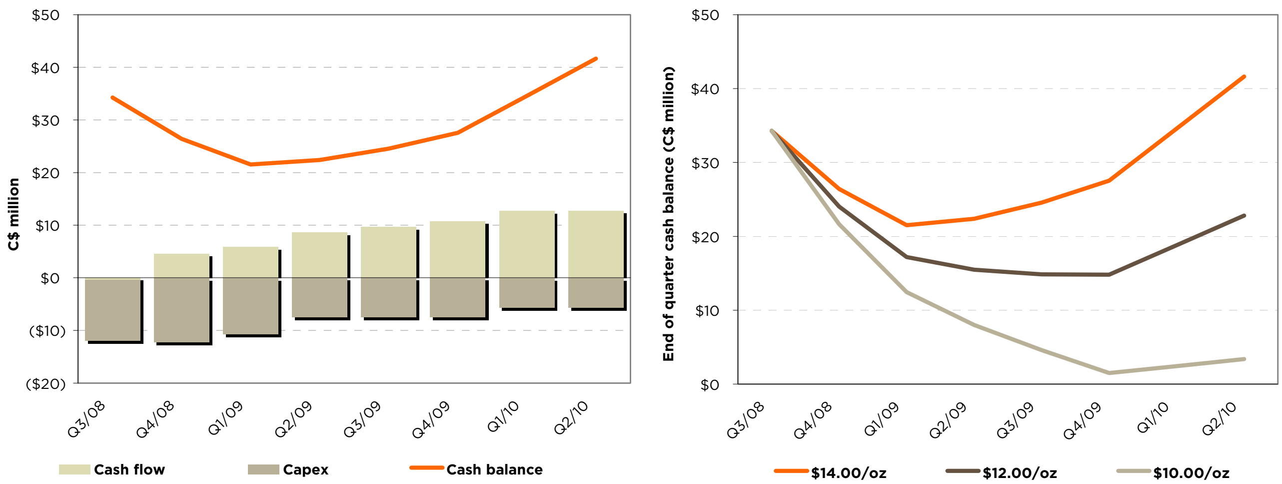
Figure 4 - Quarterly Free Cash Flow Forecast



Source:: Blackmont Capital Inc.

Conclusion

First Majestic has seen its share price tumble over the past three months (down 80%) as the combination of being a (i) junior (ii) silver producer with (iii) growth as the triple whammy. Junior mining stocks (as represented by the TSX Venture index) are off 64% over the same period; the silver price and silver equities are off 51% and 68%, respectively, since mid-July; and to top it off, investors are simply not paying for growth in these difficult times. **If there is any silver lining to the recent sell-off, it is that it likely would have happened even if First Majestic had a better Q3/08 than it actually did.**

The company continues to be a vulnerable and attractive target for any larger silver producers looking to increase production at an exceptionally low price. Using the EV/oz of 2009 production as the comparison metric, **First Majestic trades at only $8/oz, compared with $35/oz for Pan American Silver (PAA-TSX) and $47/oz for Hecla Mining (HL-NYSE), the two most likely suitors.**

We are maintaining our BUY recommendation on First Majestic and from a longer-term value perspective, it remains one of our top picks as we believe it has excellent growth prospects and the financial stability to weather the credit storm and avoid having to tap the market for additional capital. The company's valuation remains attractive even with our lower forecast for silver.

First Majestic Silver Corp.

Blackmont Research Disclosure

Company Name	Ticker	Disclosure
First Majestic Silver Corp.	FR - TSX	1, 2, 12

Richard Gray visited First Majestic Silver Corp.'s Mexico properties for a tour within the past 12 months. The cost of the visit(s) was compensated in part by the company.

Distribution of Research Ratings (# of Stocks)		
BUY	78	57%
Speculative BUY	14	10%
HOLD	34	25%
SELL	3	2%
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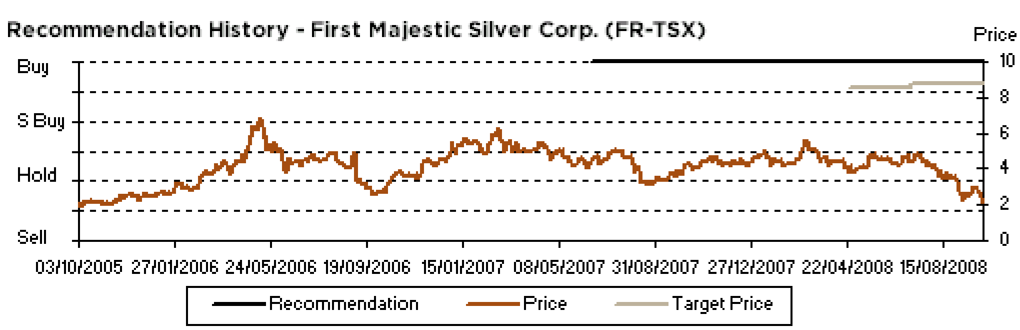

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BUY:	The stock's total return is expected to exceed a minimum of 15% over the next 12 months.
Speculative BUY:	The stock's total return is expected to exceed 30% to 40% over the next 12 months. However, there exists a very high and unquantifiable risk in either the corporate or industry fundamentals associated with the investment that could result in a significant loss.
HOLD:	The stock's total return is expected to be between 0% and 15% over the next 12 months.
SELL:	The stock's total return is expected to be negative over the next 12 months.
Under Review:	The stock's rating is under review for 48 hours for either an upgrade or downgrade.

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