



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2007 (UNAUDITED)

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

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

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2007 AND DECEMBER 31, 2006 (UNAUDITED)

	September 30, 2007	December 31, 2006
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	11,460,308	17,870,712
Trade receivables	2,645,077	1,200,362
Other receivables (Note 4)	6,382,369	5,893,538
Inventory	1,779,584	1,688,451
Prepaid expenses	1,771,398	61,025
	24,038,736	26,714,088
MINERAL PROPERTY INTERESTS (Note 5)	135,099,976	138,870,884
PROPERTY, PLANT AND EQUIPMENT (Note 8)	22,694,187	19,776,682
DEPOSITS ON LONG-TERM ASSETS	1,658,123	-
	183,491,022	185,361,654
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	8,663,171	8,557,624
Current portion of long-term vendor liability (Note 6)	13,341,380	13,341,380
Current portion of Arrangement liability	388,836	388,836
Liability for the acquisition of Desmin	-	1,165,300
Employee profit sharing payable (Note 16)	479,309	293,989
Income taxes payable	1,156,275	394,128
Current portion of long-term lease liability	330,128	-
	24,359,099	24,141,257
LONG TERM VENDOR LIABILITY	-	13,341,380
LONG TERM ARRANGEMENT LIABILITY	-	388,836
LONG TERM PORTION OF LEASE LIABILITY	334,404	-
FUTURE INCOME TAXES	31,190,936	36,784,192
OTHER LONG TERM LIABILITIES	1,226,637	1,518,304
ASSET RETIREMENT OBLIGATION	5,719,929	3,898,085
	62,831,005	80,072,054
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	140,539,056	103,466,619
SHARE CAPITAL TO BE ISSUED	9,286,155	9,294,020
CONTRIBUTED SURPLUS (Note 10)	16,512,148	11,720,436
ACCUMULATED OTHER COMPREHENSIVE INCOME	(12,637,874)	7,910,502
DEFICIT	(33,039,468)	(27,101,977)
	120,660,017	105,289,600
	183,491,022	185,361,654

CONTINUING OPERATIONS (Note 1)

CONTINGENT LIABILITIES (Note 15)

COMMITMENTS (Note 16)

"Keith Neumeyer"

Director

"Douglas Penrose"

Director

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

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
	See Note 3(iv)		See Note 3(iv)	
Revenue (Note 11)	10,288,478	4,616,681	31,293,444	8,013,740
Cost of sales (excluding amortization and depreciation)	6,146,418	3,197,200	20,654,074	5,952,740
	4,142,060	1,419,481	10,639,370	2,061,000
General and administrative	2,449,823	1,303,798	7,751,854	4,762,966
Amortization and depreciation	726,023	327,743	1,760,684	452,996
Depletion	1,814,046	1,498,350	4,855,323	3,049,500
Accretion of reclamation obligation	112,624	36,035	244,729	78,750
Write off of mineral properties (Note 5(g))	1,703,591	2,086,258	1,703,591	2,471,188
Operating loss	(2,664,047)	(3,832,703)	(5,676,811)	(8,754,400)
Interest and financing expenses	(212,794)	(399,145)	(962,200)	(535,117)
Investment and other income	674,446	374,503	1,113,467	600,555
Foreign exchange gain (loss)	166,416	(110,593)	204,467	(111,833)
Dilution gain on shares issued by subsidiary	-	-	-	(89,283)
Loss before taxes and non-controlling interest	(2,035,979)	(3,967,938)	(5,321,077)	(8,890,078)
Income tax (recovery) expense	34,103	(273,504)	616,413	(478,405)
Non-controlling interest	-	-	-	(569,382)
Net loss for the period	(2,070,082)	(3,694,434)	(5,937,490)	(7,842,291)
BASIC AND DILUTED LOSS PER COMMON SHARE	(0.04)	(0.09)	(0.11)	(0.23)
WEIGHTED AVERAGE SHARES OUTSTANDING	58,837,500	40,606,369	54,968,138	34,657,097

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

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDER'S EQUITY AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	Shares	Amount	Share capital To be issued	Special Warrants	Contributed Surplus	Accumulated other comprehensive Income	Deficit	Total
		\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2005	30,681,091	36,198,724	-	-	1,273,788	-	(15,365,927)	22,106,585
Net loss	-	-	-	-	-	-	(7,842,292)	(7,842,292)
Other comprehensive income								
Cumulative translation adjustment	-	-	-	-	-	345,304	-	345,304
Total comprehensive loss								(7,496,988)
Shares issued for								
Exercise of options	550,000	929,000	-	-	-	-	-	929,000
Exercise of warrants	3,811,382	7,917,206	-	-	-	-	-	7,917,206
First Silver arrangement	2,330,412	11,302,498	-	-	-	-	-	11,302,498
Acquisition of mineral properties	200,000	450,000	-	-	-	-	-	450,000
Conversion of special warrants	7,000,000	26,035,109	-	(26,035,109)	-	-	-	-
Special warrants issued	-	-	-	26,035,109	-	-	-	26,035,109
Compensation options issued during during the period	-	(550,000)	-	-	550,000	-	-	-
Fair value of First Majestic options exchanged for First Silver options	-	-	-	-	341,710	-	-	341,710
Stock option expense during the period net of non-controlling interest portion of \$356,712	-	-	-	-	1,401,295	-	-	1,401,295
Warrants issued during the period	-	(4,077,000)	-	-	4,077,000	-	-	-
Transfer of contributed surplus upon exercise of stock options	-	291,200	-	-	(291,200)	-	-	-
Balance at September 30, 2006	44,572,885	78,496,737	-	-	7,352,593	345,304	(23,208,219)	62,986,415
Balance at December 31, 2006	51,698,630	103,466,619	9,294,020	-	11,720,436	7,910,502	(27,101,978)	105,289,599
Net loss	-	-	-	-	-	-	(5,937,490)	(5,937,490)
Other comprehensive income								
Exchange translation adjustment of changing consolidation method for Plata	-	-	-	-	-	(3,244,350)	-	(3,244,350)
Cumulative translation adjustment	-	-	-	-	-	(17,304,027)	-	(17,304,027)
Total comprehensive loss								(26,485,867)
Shares issued for								
Exercise of options	967,500	2,102,550	-	-	-	-	-	2,102,550
Exercise of warrants	1,102,500	2,861,875	-	-	-	-	-	2,861,875
First Silver arrangement	1,625	7,865	(7,865)	-	-	-	-	-
Acquisition of La Encantada	382,582	2,000,904	-	-	-	-	-	2,000,904
Conversion of special warrants	6,883,000	32,138,643	-	(32,138,643)	-	-	-	-
Special warrants issued	-	-	-	32,138,643	-	-	-	32,138,643
Stock option expense during the period	-	-	-	-	2,418,868	-	-	2,418,868
Warrants issued during the period	-	(2,917,000)	-	-	3,250,444	-	-	333,444
Transfer of contributed surplus upon exercise of stock options	-	877,600	-	-	(877,600)	-	-	-
Balance at September 30, 2007	61,035,837	140,539,056	9,286,155	-	16,512,148	(12,637,875)	(33,039,468)	120,660,016

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

FIRST MAJESTIC SILVER CORP.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
	See Note 3(iv)		See Note 3(iv)	
OPERATING ACTIVITIES				
Net loss for the period	(2,070,082)	(3,694,434)	(5,937,490)	(7,842,291)
Adjustment for items not affecting cash				
Depletion	1,814,046	1,498,350	4,855,323	3,049,500
Amortization and depreciation	726,023	327,743	1,760,684	452,996
Stock-based compensation	723,992	158,289	2,418,868	1,758,008
Accretion of reclamation obligation	112,624	36,035	244,729	78,750
Future income taxes	(265,014)	(307,183)	(922,668)	(715,574)
Other	(360,388)	66,275	(728,684)	(56,984)
Write down of mineral property interests	1,703,591	2,086,258	1,703,591	2,471,188
Unrealized gain on futures contracts	-	(68,834)	-	(251,751)
Loss on dilution of investment in subsidiary	-	-	-	89,283
Non-controlling interest	-	-	-	(569,382)
	<u>2,384,792</u>	<u>102,499</u>	<u>3,394,353</u>	<u>(1,536,257)</u>
Net change in non-cash working capital items				
Increase in trade and other receivables	(335,768)	(1,681,686)	(1,933,547)	(2,396,716)
Decrease (increase) in inventory	125,199	(75,514)	(100,804)	86,022
Decrease (increase) in prepaid expenses	569,269	(35,723)	(1,700,702)	43,187
Increase (decrease) in accounts payable and accrued liabilities	433,461	(356,675)	(1,017,161)	135,088
Increase in employee profit sharing payable	48,205	20,882	185,320	177,574
(Decrease) increase in taxes payable	(64,227)	153,913	762,147	322,077
	<u>3,160,931</u>	<u>(1,872,304)</u>	<u>(410,394)</u>	<u>(3,169,025)</u>
INVESTING ACTIVITIES				
Acquisition costs of Minera La Encantada less cash acquired (Note 7)	-	-	(3,798,896)	-
Additions to plant and equipment	(2,499,792)	(2,989,992)	(6,456,524)	(6,300,974)
Expenditures on mineral property interests	(7,202,913)	(1,831,988)	(16,138,025)	(5,086,606)
Advances on long-term assets	(59,384)	-	(1,658,123)	-
Acquisition of First Silver Reserve Inc. less cash acquired	-	(1,391,550)	-	(24,740,337)
(Increase) decrease in silver future contract deposits	-	(219,659)	-	230,217
	<u>(9,762,089)</u>	<u>(6,433,189)</u>	<u>(28,051,568)</u>	<u>(35,897,700)</u>
FINANCING ACTIVITIES				
Issuance of common shares and subscriptions, net of issue costs	145,000	501,711	4,964,425	9,135,599
Issuance of special warrants, net of issue costs	34,559	-	32,138,643	26,074,894
Payment of short-term vendor liability	-	-	(13,341,380)	-
Payment of short-term Arrangement liability	(388,836)	-	(388,836)	-
Payment of liability for acquisition of Desmin	-	-	(1,165,300)	-
Shares issued by subsidiary to non-controlling interest	-	-	-	153,357
	<u>(209,277)</u>	<u>501,711</u>	<u>22,207,552</u>	<u>35,363,850</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>(6,810,435)</u>	<u>(7,803,782)</u>	<u>(6,254,410)</u>	<u>(3,702,875)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCY	818,708	-	(155,994)	-
CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD	<u>17,452,035</u>	<u>16,571,788</u>	<u>17,870,712</u>	<u>12,470,883</u>
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	<u>11,460,308</u>	<u>8,768,006</u>	<u>11,460,308</u>	<u>8,768,008</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF:				
Cash	991,617	5,156,150	991,617	5,156,150
Term deposits	10,468,691	3,611,856	10,468,691	3,611,856
	<u>11,460,308</u>	<u>8,768,006</u>	<u>11,460,308</u>	<u>8,768,006</u>

See Note 13 - Supplemental Cash Flow Information

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

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

1. DESCRIPTION OF BUSINESS AND CONTINUING OPERATIONS

First Majestic Silver Corp. (the "Company" or "First Majestic") is in the business of the production, development, exploration and acquisition of mineral properties focusing on silver in Mexico. The Company trades on the TSX Venture Exchange under the symbol "FR".

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise equity or other financing as required and ultimately its ability to achieve profitable operations. These financial statements do not include any adjustments to the amount and classification of recorded assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to the preparation of interim financial information. Accordingly, they do not include all the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with GAAP have been omitted. The accounting policies used in preparation of the accompanying unaudited interim consolidated financial statements are the same as those described in our most recent annual consolidated financial statements except as described in Note 3. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These interim financial statements should be read in conjunction with the Company's latest audited consolidated financial statements for the transition year ended December 31, 2006.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Corporacion First Majestic, S.A. de C.V., ("CFM"), First Majestic Plata S.A. de C.V. (formerly First Majestic Resources Mexico, S.A. de C.V.) ("First Majestic Plata"), First Silver Reserve Inc. ("First Silver"), Minera El Pilon S.A. de C.V., ("El Pilon"), Desmin S.A. de C.V. ("Desmin") and Minera La Encantada S.A. de C.V. ("La Encantada") (Note 7). Inter-company balances and transactions are eliminated on consolidation.

In August 2007, the Company effected a corporate restructuring of Desmin, La Encantada and First Majestic Plata, such that the Company now holds the shares of FM Plata, Desmin and La Encantada, through CFM, which is a Mexican holding company for Mexican tax consolidation purposes. No gain or loss was recognized as a result of this restructuring. As a result of the corporate restructuring, the Company considered that all Mexican operations are now self-sustaining, and as a result in August 2007, the Company adopted the current rate method for First Majestic Plata and recognized the change in carrying values of its net assets as an element of other comprehensive income (see Note 3(iii)).

In 2006, the Company changed its fiscal year end from June 30 to December 31. As a result, these financial statements include the financial position as at September 30, 2007, and the results of operations and changes in cash flows for the three and the nine months then ended. The comparative figures include the financial position as at December 31, 2006, and the results of operations and changes in cash flows for the three and the nine months ended September 30, 2006. Certain of the comparative figures of the prior periods have been reclassified to conform with the presentation as at and for the period ended September 30, 2007.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Significant accounting changes

On January 1, 2007, the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; and Section 3251, Equity.

(i) *Comprehensive Income*

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income (“OCI”). OCI represents changes in shareholders’ equity during a period arising from transactions other than changes related to transactions with owners. OCI includes unrealized gains and losses on financial assets classified as available-for-sale, changes in the fair value of the effective portion of derivative instruments included in cash flow hedges and currency translation adjustments on the Company’s net investment in self-sustaining foreign operations. The Company has included in its interim consolidated financial statements, a combined statement of shareholders’ equity and comprehensive loss for the changes in these items during the first six months of 2007. Cumulative changes in OCI are included in accumulated other comprehensive income (“AOCI”). Generally, gains and losses remain part of the balance of AOCI, until GAAP requires their recognition in net income. Prior financial statements retroactively reflect the classification of the currency translation adjustments on the Company’s net investment in self-sustaining operations as a component of other comprehensive loss.

(ii) *Financial Instruments – Recognition and Measurement and Hedges*

Section 3855 establishes standards for recognizing and measuring financial assets, liabilities, and non-financial derivatives. Financial assets and liabilities, including derivatives, are recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For financial instruments classified as other than held-for-trading, transaction costs are added to the carrying amount of the financial asset or liability on initial recognition and amortized using the effective interest method.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in interests and other business income. Loans and receivables and other financial liabilities are measured at amortized cost and are amortized using the effective interest method. Available-for-sale financial assets are presented in available-for-sale securities in the Company’s consolidated balance sheet and measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Derivative instrument are recorded on the consolidated balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact on Adoption of Section 1530 and 3855

The adoption of these four sections had no material impact on the results of operations and financial position of the Company other than the translation adjustment relating to the Company's net investment in self-sustaining subsidiaries is recorded as a component of comprehensive loss for the nine months ended September 30, 2007 in the amount of \$20,596,178 (2006 - \$154,205) and the cumulative translation adjustment at December 31, 2006 in the amount of \$7,910,502 is recorded as accumulated other comprehensive income as at that date.

(iii) Reclassification of Foreign Operation

In August 2007, the Company changed the method in which it translates the accounts of First Majestic Plata. At the time of the corporate restructuring of Desmin, La Encantada and First Majestic Plata (Note 2), the operations of First Majestic Plata were reclassified from integrated to self-sustaining on the basis that recent commercial operations of the La Parrilla Silver Mine resulted in a change in the functional currency of that operation from the Canadian dollar to the Mexican peso. As a result, the current rate method was adopted in place of the temporal method. The exchange loss of \$3,254,702 attributable to current rate translation of non-monetary items as of the date of the change is included as an element of the exchange gains and losses included in a separate component of accumulated other comprehensive income.

(iv) Change in Accounting Policy Relating to Cost of Production

During the quarter ended September 30, 2007, the Company changed its accounting policy with respect to the treatment of underground mining costs. During production at underground mines, the Company incurs development costs to build new shafts, drifts and ramps that enable the Company to physically access ore underground. Under the new policy, these underground development costs will be capitalized as incurred and amortized on a unit of production basis over the period that the related ore is extracted. Costs incurred and capitalized to enable access to specific ore blocks or areas of the mine, and which only provide an economic benefit over the period of mining that ore block or area, are attributed to earnings using the units-of-production method where the denominator is estimated recoverable ounces of silver contained in proven and probable reserves within that ore block or area.

Previously the Company did not distinguish underground mining costs on this basis and therefore such costs were expensed as costs of production in the period they were incurred.

The Company believes that the new accounting policy provides a more accurate and reliable measure of the cost of production for ore produced at the Company's mines and facilitates a more meaningful inter-period comparison of such costs.

This change has been applied on a prospective basis effective January 1, 2007 with the effect that cost of production, net loss and comprehensive loss for the three and nine months ended September 30, 2007 have all been reduced by \$1,378,324 and \$1,800,234, respectively. Mine development costs have increased by \$1,583,094 and the deficit increased by \$1,800,234, respectively at September 30, 2007. Loss per share for the three and nine months ended September 30, 2007 was reduced by \$0.02 and \$0.03, respectively.

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

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has concluded that retrospective application of this accounting change for periods ending on or prior to December 31, 2006 is impracticable to determine on the basis that production records were not prepared nor retained in sufficient detail to enable a proper determination of the applicable capitalized costs and related amortization.

4. OTHER RECEIVABLES

Details of the components of other receivables are as follows:

	September 30, 2007	December 31, 2006
	\$	\$
Value added tax and GST recoverable	5,612,129	2,951,825
Interest receivable	9,019	32,334
Advances to employees	95,294	90,572
Advances to suppliers	635,276	1,725,622
Other	30,651	1,093,185
	<u>6,382,369</u>	<u>5,893,538</u>

5. MINERAL PROPERTY INTERESTS

Expenditures incurred on mineral property interests are as follows:

	September 30, 2007			December 31, 2006		
	Acquisition	Deferred	Total Costs	Acquisition	Deferred	Total Costs
	Costs	Exploration		Costs	Exploration	
	\$	\$	\$	\$	\$	\$
MEXICO						
Producing properties						
La Parrilla (Note 5(a))	4,573,114	11,021,064	15,594,178	4,791,406	1,527,602	6,319,008
San Martin (Note 5(b))	15,868,835	1,865,189	17,734,024	23,493,057	-	23,493,057
La Encantada (Notes 5(c) and 7)	6,969,607	1,371,667	8,341,274	1,741,643	20,056	1,761,699
	<u>27,411,556</u>	<u>14,257,920</u>	<u>41,669,476</u>	<u>30,026,106</u>	<u>1,547,658</u>	<u>31,573,764</u>
Exploration properties						
San Martin (Note 5(b)) ⁽¹⁾	85,640,828	232,926	85,873,754	101,284,020	-	101,284,020
Chalchihuites (Note 5(d))	4,378,360	1,968,065	6,346,425	2,730,020	1,068,199	3,798,219
Candamena (Notes 5(e) and 17(g))	700,000	-	700,000	1,695,509	297,956	1,993,465
Cuitaboca (Note 5(f)) ⁽²⁾	251,638	258,682	510,320	118,713	102,703	221,416
	<u>90,970,826</u>	<u>2,459,673</u>	<u>93,430,499</u>	<u>105,828,262</u>	<u>1,468,858</u>	<u>107,297,120</u>
	<u>118,382,382</u>	<u>16,717,593</u>	<u>135,099,975</u>	<u>135,854,368</u>	<u>3,016,516</u>	<u>138,870,884</u>

(1) This includes properties acquired from First Silver in the San Martin de Bolaños region, as well as other properties in Jalisco State referred to as the Jalisco Group of Properties.

(2) The Cuitaboca property was acquired from First Silver, however all costs are subsequent to acquisition.

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

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

5. MINERAL PROPERTY INTERESTS (continued)

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

	Note 5(a) La Parrilla US\$	Note 5(d) Chalchihuites US\$	Notes 5(e) and 17(g) Candamena US\$	Note 5(f) Cuitaboca US\$	Totals US\$
Paid as at September 30, 2007	1,951,400	4,760,000	1,375,000	400,000	8,486,400
Future Option Payments					
June 8, 2007 (Note 5(d))	-	1,000,000	-	-	1,000,000
Subtotal Q3 2007	-	1,000,000	-	-	1,000,000
November 21, 2007	145,200	-	-	-	145,200
November 22, 2007	154,400	-	-	-	154,400
November 25, 2007 (subsequently paid)	-	-	-	150,000	150,000
November 29, 2007	-	-	675,000	-	675,000
Subtotal Q4 2007	299,600	-	675,000	150,000	1,124,600
February 21, 2008	145,200	-	-	-	145,200
February 22, 2008	154,400	-	-	-	154,400
February 29, 2008	-	-	600,000	-	600,000
March 1, 2008	-	65,000	-	-	65,000
Subtotal Q1 2008	299,600	65,000	600,000	-	964,600
May 21, 2008	217,800	-	-	-	217,800
May 22, 2008	231,600	-	-	-	231,600
May 25, 2008	-	-	-	175,000	175,000
May 29, 2008	-	-	1,575,000	-	1,575,000
Subtotal Q2 2008	449,400	-	1,575,000	175,000	2,199,400
November 25, 2008	-	-	-	200,000	200,000
November 29, 2008	-	-	3,375,000	-	3,375,000
Subtotal Q3 2008	-	-	3,375,000	200,000	3,575,000
Subtotal Q4 2008	-	-	-	-	-
FY 2009 and beyond	-	-	-	1,575,000	1,575,000
Future Option Payments	1,048,600	1,065,000	6,225,000	2,100,000	10,438,600
Totals	3,000,000	5,825,000	7,600,000	2,500,000	18,925,000

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

5. MINERAL PROPERTY INTERESTS (continued)

(a) La Parrilla Silver Mine, Durango

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

In January 2004, the Company purchased the original 300 hectares of mineral rights as well as the mill and mine. In August 2006, the Company entered into three agreements to acquire the Quebradillas and Viboras Silver Mines and a contiguous land package of 3,126 hectares of mining concessions located in the La Parrilla Mining District in Durango State, Mexico. The Company purchased all the mining concessions, the mines, the data of past diamond drill programs and the assets located within the mine areas for a total purchase price of US\$3,000,000 payable over a period of two years (US\$1,951,400 paid as at September 30, 2007). These agreements call for a net smelter royalty ("NSR") of 1.5% of sales revenue to a maximum of US\$2,500,000. The Company has the option to purchase the NSR at any time for US\$2,000,000.

(b) San Martin Silver Mine, Jalisco State

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

The Company has estimated the cost of the San Martin Silver Mine, which has proven and probable reserves, and is carrying the associated asset categorized with other producing properties. The estimated cost of the property which relates to the value beyond proven and probable is classified as an exploration property (see table above).

(c) La Encantada Silver Mine, Coahuila State

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

In November 2006, the Company acquired the exploitation rights for the La Encantada Silver Mine from Desmin, for US\$1.5 million. Subsequently, the Company acquired Minera La Encantada S.A. de C.V. for consideration of \$6,133,244, consisting of US\$3.25 million in cash, 382,582 common shares of the Company and 191,291 warrants to acquire the NSR from Peñoles (see Note 7).

5. MINERAL PROPERTY INTERESTS (continued)

(d) Chalchihuites Group of Properties, Zacatecas

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

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

At September 30, 2007, the Company took 100% ownership of the Perseverancia Silver Mine, the San Juan Silver Mine and the surrounding 293 hectare land package.

There remains one outstanding option agreement, entered into on August 29, 2005 to acquire the La Esperanza and the San Rafael mining concessions comprising approximately 29 hectares in the Chalchihuites area for a total purchase price of US\$175,000 payable over a three-year period (US\$110,000 paid as at September 30, 2007). A finder's fee in the aggregate of US\$7,257 (2006 - US\$303,750) is payable to a director of the Company in the event that the remaining option agreement is exercised.

(e) Candameña Mining District property, Chihuahua (Notes 5(g) and 17(g))

In December 2004, the Company signed two option agreements for the purchase of the Candameña Mining District property ("Candameña") located in the eastern Sierra Madre Mountain range about midway between Hermosillo and Chihuahua in east central Sonora Mexico. The purchase includes all properties, assets and equipment and all mining concessions consisting of 5,215 hectares. The payment schedule to one of the agreements was amended on May 24, 2005, November 30, 2006 and March 26, 2007 and a 1% NSR, payable up to a maximum of US\$4,000,000, was cancelled on November 30, 2006.

Option payments amount to US\$7,600,000 at September 30, 2007 and are payable over a four-year period (US\$1,375,000 paid as at September 30, 2007) pursuant to the terms of the amended option agreements.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

5. MINERAL PROPERTY INTERESTS (continued)

(e) Candameña Mining District property, Chihuahua (continued)

On August 14, 2007, the Company entered into an agreement with Prospector Consolidated Resources Inc. ("Prospector") whereby Prospector has the right to acquire a 100% interest in the Company's option to the Candameña Mining District property by paying \$50,000 within five business days following the execution of the agreement (paid) and issuing 2,000,000 of its shares to the Company within five business days of regulatory approval or September 7, 2007, whichever is earlier. In the event that Prospector has not received regulatory approval by September 7, 2007, it must pay an additional US\$172,500 (US\$150,000 plus VAT) to the Company by October 19, 2007 to satisfy an option commitment to the underlying vendor. Subsequent to September 30, 2007, the Company received the US\$172,500 payment and the issuance of 2,000,000 shares of Prospector remains subject to regulatory approval. At September 30, 2007, management wrote down the carrying value of the Candameña property by \$1,703,591 to \$700,000 reflecting the estimated proceeds on disposal of 2,000,000 shares of Prospector at \$0.35 per share for \$700,000.

(f) Cuitaboca Silver Project, Sinaloa, Mexico

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

The Company presently owns an option agreement entered into on November 25, 2004 with Consorcio Minero Latinamericano, S.A. de C.V. ("Consortio"), a private Mexican company owned by a former director of First Silver, for the purchase of a 100% interest in seven mining claims covering 3,718 hectares located in the State of Sinaloa, Mexico. To purchase the claims, the Company must pay a total of US\$2,500,000 in staged cash payments through November 25, 2010 (US\$400,000 paid as at September 30, 2007). A 2.5% NSR on the claims may be purchased for an additional US\$500,000 at any time during the term of the agreement or for a period of 12 months thereafter.

(g) Write Off of Mineral Property Interests

During the period ended September 30, 2007, management wrote down the carrying value of the Candameña Mining District property by \$1,703,591 to \$700,000 reflecting the estimated value of 2,000,000 shares of Prospector at \$0.35 per share for a revised carrying value of \$700,000.

6. VENDOR LIABILITY

On April 3, 2006, First Majestic entered into a binding share purchase agreement to acquire approximately 63.75% of the issued and outstanding shares of First Silver Reserve Inc. ("First Silver") from the majority shareholder (the "Majority Shareholder") of First Silver. First Majestic's aggregate purchase price of \$53,365,519 was payable to the Majority Shareholder in three installments. The first installment of \$26,682,759, representing 50% of the purchase price, was paid on closing of the acquisition on May 30, 2006. An additional 25% installment of \$13,341,380, was paid on May 30, 2007, on the first anniversary of the closing. The final 25% installment of \$13,341,380 is due on May 30, 2008, on the second anniversary of the closing of the acquisition. Simple interest at 6% per annum, is payable quarterly on the outstanding vendor balance.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

7. ACQUISITION OF MINERA LA ENCANTADA S.A. DE C.V.

In December 2006, the Company signed a letter of agreement to acquire 100% of the issued and outstanding shares of Minera La Encantada S.A. de C.V. (“La Encantada”), a Mexican mining company owned by Minas Peñoles S.A. de C.V. and Industrias Peñoles S. A. de C.V. for the purchase price of US\$3,250,000 and a 4% NSR. La Encantada’s primary asset is the La Encantada Silver Mine in Coahuila State, Mexico. A non-refundable deposit of US\$1,000,000 was made on the date of the agreement and the balance was paid upon closing on March 20, 2007. Pursuant to the terms of the agreement, the Company exercised its option to acquire the 4% NSR in exchange for 382,582 common shares at a value of \$5.23 per share and 191,291 warrants exercisable at a price of \$6.81 per share for a two-year period. The warrants were valued at \$333,443 using the *Black-Scholes Option Pricing Model* (assumptions include a risk free rate of 4.02%, estimated volatility of 72%, expected life of 2 years and expected dividend yield of 0%).

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed is as follows:

Consideration:	\$
Cash paid (US\$3,250,000)	3,798,896
382,582 common shares issued	2,000,904
Fair value of 191,291 share purchase warrants issued	333,443
	<u>6,133,244</u>
Allocation of purchase price	
Net working capital	-
Mineral property interests	7,032,536
Plant and equipment	4,155,290
Asset retirement obligation	(2,305,800)
Future income taxes	(2,748,782)
	<u>6,133,244</u>

The preliminary determination of the fair value of the La Encantada’s assets and liabilities acquired is based on management’s best estimate at the date of these financial statements. The Company has not completed its assessment of the fair value of the assets acquired which includes obtaining independent valuations for certain assets and liabilities, and expects to complete the process and finalize its estimates in the fiscal year. Any changes to the preliminary allocation of fair value of the La Encantada net assets acquired will be recorded in the period they are determined.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

8. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are as follows:

	September 30, 2007			December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$	\$	\$
La Parrilla Silver Mine	13,249,026	779,952	12,469,074	13,835,500	416,209	13,419,291
San Martin Silver Mine	6,168,766	1,458,171	4,710,595	6,116,717	213,952	5,902,765
La Encantada Silver Mine	5,273,527	171,238	5,102,289	435,225	57,268	377,957
Other	478,615	66,386	412,229	104,303	27,634	76,669
	25,169,934	2,475,747	22,694,187	20,491,745	715,063	19,776,682

Details by specific assets are as follows:

	September 30, 2007			December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$	\$	\$
Land	984,728	-	984,728	66,049	-	66,049
Automobile	241,018	22,993	218,025	262,552	18,317	244,235
Buildings	3,091,041	140,062	2,950,979	1,005,504	71,551	933,953
Machinery and equipment	18,858,581	2,183,854	16,674,727	7,751,740	577,649	7,174,091
Computer equipment	321,592	65,717	255,875	48,646	12,686	35,960
Office equipment	194,231	53,400	140,831	184,759	34,605	150,154
Leasehold improvements	272,663	9,721	262,942	-	-	-
Construction in progress	1,206,080	-	1,206,080	11,172,495	255	11,172,240
	25,169,934	2,475,747	22,694,187	20,491,745	715,063	19,776,682

9. SHARE CAPITAL

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

Issued	September 30, 2007		December 31, 2006	
	Shares	\$	Shares	\$
Balance - beginning of period	51,698,630	103,466,619	35,038,157	43,780,469
Issued during the period				
For cash:				
Exercise of options	967,500	2,102,550	255,000	579,750
Exercise of warrants	1,102,500	2,861,875	184,316	414,711
Private placements	-	-	4,429,250	12,419,500
For exercise of special warrants (i)	6,883,000	29,221,643	7,000,000	22,885,359
For First Silver Arrangement	1,625	7,865	4,791,907	23,192,830
For acquisition of La Encantada (Note 7)	382,582	2,000,904	-	-
Transfer of contributed surplus for stock options exercised	-	877,600	-	194,000
Balance - end of the period	61,035,837	140,539,056	51,698,630	103,466,619

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

9. SHARE CAPITAL (CONTINUED)

(i) On May 10, 2007, the Company completed a private placement of Special Warrants for gross proceeds of \$34,415,000 and net proceeds after expenses of the issue of \$29,221,643. A total of 6,883,000 Special Warrants were sold at a price of \$5.00 per Special Warrant through Cormark Securities Inc. (formerly Sprott Securities Inc.) and CIBC World Markets Inc. (as co-lead underwriters) and Blackmont Capital Inc. (the "Underwriters"). Each Special Warrant entitled the holder to receive, without further consideration, upon exercise or deemed exercise, one common share and one half common share purchase warrant. Each whole share purchase warrant is exercisable at a price of \$6.50 expiring on November 10, 2008. The Underwriters received a commission of 5.5% of the gross proceeds of the offering at closing. The Company filed a short form prospectus dated July 25, 2007 qualifying the distribution of 6,883,000 common shares and 3,441,500 share purchase warrants issued upon the exercise of 6,883,000 Special Warrants. The fair value of the warrants was estimated using the *Black-Scholes Option Pricing Model* (assumptions include a risk free rate of 4.65%, estimated volatility of 63.3%, expected life of 1.3 years and expected dividend yield of 0%) and \$2,917,000 was credited to contributed surplus.

(b) Stock Options

In September 2006, the Company adopted a new stock option plan (the "2006 Plan") to replace the previous stock option plan, approved by the Company's shareholders on December 15, 2005. The maximum number of shares reserved for issuance under the 2006 Plan is 10% of the issued shares on a rolling basis. Options may be exercisable over periods of up to five years as determined by the board of directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval. All stock options are subject to vesting with 25% vesting upon issuance and 25% vesting each six months thereafter.

The changes in stock options outstanding for the nine months ended September 30, 2007, are as follows:

	Nine Months Ended September 30, 2007			Year Ended December 31, 2006		
	Number of Shares	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life	Number of Shares	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life
Balance, beginning of the period	5,052,500	3.30	2.34 years	2,954,600	2.43	1.46 years
Granted	585,000	4.90	3.62 years	2,427,900	4.26	3.86 years
Exercised	(967,500)	2.17	0.29 years	(255,000)	2.27	0.31 years
Cancelled or expired	(362,500)	4.32	0.00 years	(75,000)	3.97	1.53 years
Balance, end of the period	4,307,500	3.68	2.21 years	5,052,500	3.30	2.34 years

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

9. SHARE CAPITAL (CONTINUED)

(b) Stock Options (continued)

The following table summarizes both the stock options outstanding and those that are exercisable at September 30, 2007:

Price \$	Options Outstanding	Options Exercisable	Expiry Dates
2.10	25,000	25,000	October 1, 2007
1.85	150,000	150,000	December 14, 2007
2.45	175,000	175,000	December 16, 2007
1.79	180,000	180,000	January 12, 2008
3.75	25,000	25,000	March 8, 2008
4.05	100,000	100,000	March 20, 2008
5.04	49,600	37,200	April 25, 2008
4.55	25,000	18,750	July 6, 2008
3.29	50,000	25,000	October 16, 2008
3.28	100,000	50,000	October 17, 2008
2.10	240,000	240,000	November 9, 2008
2.45	650,000	650,000	December 16, 2008
3.28	12,500	9,375	June 13, 2009
4.32	845,400	422,700	December 6, 2009
5.50	200,000	100,000	February 1, 2010
4.64	75,000	18,750	June 1, 2010
4.17	100,000	25,000	August 8, 2010
3.72	30,000	7,500	September 24, 2010
4.30	450,000	337,500	June 19, 2011
4.32	245,000	122,500	December 6, 2011
4.41	400,000	200,000	December 22, 2011
5.00	155,000	77,500	February 7, 2012
4.65	25,000	6,250	June 20, 2012
	<u>4,307,500</u>	<u>3,003,025</u>	

During the nine months ended September 30, 2007, the Company granted stock options to directors, officers, employees and consultants to purchase 585,500 shares of the Company. Pursuant to the Company's policy of accounting for the fair value of stock-based compensation over the applicable vesting period, \$2,418,868 has been recorded as an expense in the nine-month period ended September 30, 2007 relating to stock options.

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

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Risk-free interest rate	4.3%	3.9%
Estimated volatility	67.8%	80.5%
Expected life	2.0 years	2.9 years
Expected dividend yield	0%	0%

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

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

9. SHARE CAPITAL (CONTINUED)

(c) Share Purchase Warrants

The changes in share purchase warrants for the period ended September 30, 2007 are as follows:

	Nine Months Ended September 30, 2007			Year Ended December 31, 2006		
	Number of Warrants	Weighted Average Exercise Price (\$)	Average Number of Periods to Expiry	Number of Warrants	Weighted Average Exercise Price (\$)	Average Number of Periods to Expiry
Balance, beginning of the period	8,766,271	4.02	1.12 years	2,693,139	2.44	1.38 years
Issued (i) (ii)	3,632,791	6.52	1.32 years	6,257,448	4.65	1.50 years
Exercised	(1,100,000)	2.60	0.73 years	(184,316)	2.25	1.02 years
Balance, end of the period	11,299,062	4.97	0.64 years	8,766,271	4.02	1.12 years

- (i) The Company issued 191,291 warrants exercisable at a price of \$6.81 per share for a two-year period as part of the acquisition of La Encantada (Note 7).
- (ii) The Company filed a short form prospectus dated July 25, 2007 qualifying the distribution of 6,883,000 common shares and 3,441,500 share purchase warrants issued upon the exercise of 6,883,000 Special Warrants.

The following table summarizes the share purchase warrants outstanding at September 30, 2007:

Exercise Price \$	Warrants Outstanding	Expiry Dates
2.25	168,823	October 20, 2007
4.00	420,000	October 20, 2007
5.00	3,464,999	October 20, 2007
2.60	1,400,000	December 14, 2007
6.50	3,441,500	November 10, 2008
4.25	2,212,449	November 27, 2008
6.81	191,291	March 20, 2009
	<u>11,299,062</u>	

10. CONTRIBUTED SURPLUS

The components of contributed surplus are as follows:

	Nine Months Ended September 30, 2007	Year Ended December 31, 2006
	\$	\$
Balance, beginning of the period	11,720,436	4,272,294
Stock option expense during the period	2,418,868	1,558,892
Fair value of First Majestic options exchanged for First Silver options	-	173,250
Conversion of special warrants	2,917,000	2,607,000
Warrants issued during the period	333,444	3,046,000
Finder's warrants issued during the period	-	257,000
Transfer to share capital for options exercised during the period	(877,600)	(194,000)
	<u>16,512,148</u>	<u>11,720,436</u>

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

11. REVENUE

Details of the components of revenue are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenues, silver dore bars and concentrates	10,886,394	4,683,017	33,685,525	8,147,646
Refining, smelting and transportation charges	(597,916)	(66,336)	(2,392,081)	(133,906)
Net reportable revenues	<u>10,288,478</u>	<u>4,616,681</u>	<u>31,293,444</u>	<u>8,013,740</u>

12. RELATED PARTY TRANSACTIONS

During the nine-month period ended September 30, 2007, the Company:

- (a) incurred \$138,389 (2006 - \$110,391) for management services provided by the President & CEO and/or a corporation controlled by the President & CEO of the Company pursuant to a consulting agreement.
- (b) incurred \$nil (2006 - \$44,000) for geological and technical services provided by directors and/or corporations controlled by the directors of the Company.
- (c) paid \$144,180 (2006 - \$162,673) to the Chief Operating Officer for management and other services related to the mining operations of the Company in Mexico pursuant to a consulting agreement.
- (d) paid \$254,742 (US\$234,292) (2006 - \$nil) to a director of the Company as finder's fees upon the completion of certain option agreements relating to the Chalchihuites Group of Properties.

Amounts paid to related parties were incurred in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
NON CASH INVESTING AND FINANCING ACTIVITIES:				
Issuance of vendor liability on the acquisition of First Silver	-	-	-	26,682,759
Fair value of warrants upon completion of private placements	-	2,607,000	-	4,077,000
Fair value of compensation options issued as part of special warrants	-	-	-	550,000
Reclass of plant and equipment to mineral property interests	-	-	-	-
Issuance of shares for mineral property interests	-	-	-	450,000
Liability for First Silver Arrangement	-	22,084,941	-	22,084,941
Shares issued for acquisition of First Silver Reserve Inc.	-	1,134,038	7,865	1,134,038
Shares issued for acquisition of La Encantada	-	-	2,000,904	-
Fair value of warrants issued for acquisition of La Encantada	-	-	333,443	-
Fair value of warrants issued upon conversion of special warrants	2,917,000	-	2,917,000	-
Transfer of contributed surplus to common shares for options exercised	22,000	26,700	877,600	355,800
Conversion of special warrants to common shares	32,138,643	25,524,894	32,138,643	25,524,894
Contributed surplus for First Majestic options issued for First Silver options	-	173,250	-	173,250

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

14. SEGMENTED INFORMATION

The Company considers that it has four operating segments. These reportable operating segments are summarized in the table below.

Nine months ended September 30, 2007					
	El Pilon Mexican operations	First Majestic Plata operations	Desmin and La Encantada Mexican operations	Corporate and other eliminations (1)	Totals
Silver sales	\$ 12,757,589	\$ 7,276,514	\$ 11,259,341	\$ -	\$ 31,293,444
Cost of sales	9,950,617	5,342,033	5,361,424	-	20,654,074
Amortization and depreciation	766,531	470,464	460,339	63,349	1,760,683
Depletion	4,197,368	361,266	296,689	-	4,855,323
Earnings (loss) from operations	(3,565,817)	(4,508,371)	4,473,295	(3,038,117)	(6,639,010)
Net interest and other income	149,746	1,292,843	(8,991)	(115,663)	1,317,935
Income tax (recovery) expense	(284,734)	-	901,148	-	616,414
Net earnings (loss)	(3,131,338)	(3,215,527)	3,563,156	(3,153,781)	(5,937,490)
Total long lived assets	109,615,202	35,455,712	13,969,142	412,229	159,452,285

(1) All corporate operations are in Canada.

Nine months ended September 30, 2006					
	El Pilon Mexican operations	First Majestic Plata operations	Desmin and La Encantada Mexican operations	Corporate and other eliminations (1)	Totals
Silver sales	\$ 6,066,095	\$ 1,947,645	\$ -	\$ -	\$ 8,013,740
Cost of sales	4,023,207	1,929,532	-	-	5,952,739
Amortization and depreciation	297,443	145,931	-	9,622	452,996
Depletion	2,661,190	388,310	-	-	3,049,500
Earnings (loss) from operations	(1,147,211)	(2,753,995)	-	(5,388,311)	(9,289,517)
Net interest, income and other items	157,169	(855,101)	-	1,097,371	399,439
Income tax recovery	(478,405)	-	-	-	(478,405)
Net earnings (loss) before non-controlling int.	(1,468,447)	(3,609,095)	-	(4,290,941)	(9,368,483)
Total long lived assets	117,725,196	20,532,729	-	67,396	138,325,321

(1) All corporate operations are in Canada.

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

15. CONTINGENT LIABILITIES

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

Under Mexican regulations, the Company may be obligated to remit taxes to the government on payments made for the acquisition of mineral claims in the event that the recipients of such payments fail to make the required tax remittances relating to those payments. The maximum potential remittance is approximately \$4.0 million however the Company believes it has substantial defences to any claims, however, the outcome is not presently determinable.

In July 2006, an action was commenced against the Company by a former executive who alleged that the Company breached a March 2005 stock option agreement. The plaintiff was seeking money damages or, if the court finds this inappropriate, 25,000 common shares of the Company plus interest. Subsequent to September 30, 2007, all outstanding claims were settled and the parties agreed to a mutual release of all claims (see Note 17(f)).

16. COMMITMENTS

Under Mexican regulations, employees (excluding directors and senior management) are eligible for a profit sharing bonus of 10% of annual pre-tax profit. The amount of the profit sharing bonus accrued as a component of cost of sales for the nine months ended September 30, 2007 is \$555,601 (2006 - \$260,698) which will be paid to the employees of certain Mexican operating subsidiaries in May 2008.

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

In June 2007, the Company entered into a lease commitment with a mining equipment supplier for the delivery of \$4,215,371 (US\$3,964,050) of equipment to be delivered over a period from July to February 2008. The Company has committed to pay 35% within 30 days of entering into the lease, 15% on arrival of the equipment, and the remaining 50% is to be paid in quarterly payments over a period of 24 months, financed at 9.5% interest over the term of the lease. A portion of the equipment was delivered prior to September 30, 2007, and the lease liability and leased assets received have been recorded at September 30, 2007.

The following is a schedule of future minimum lease payments under the capital leases at September 30, 2007:

Prior to September 30, 2008	\$ 330,128
Prior to September 30, 2009	334,404
	<u>\$ 664,532</u>

FIRST MAJESTIC SILVER CORP.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2007:

- (a) The Company issued 215,000 common shares for proceeds of \$428,600 pursuant to the exercise of stock options.
- (b) The Company cancelled 70,000 stock options exercisable at a price of \$4.32 per share originally expiring on December 6, 2009.
- (c) The Company granted 25,000 stock options exercisable at a price of \$3.98 per share expiring on October 17, 2010, 870,000 stock options exercisable at a price of \$4.45 per share expiring on October 30, 2010, 50,000 stock options exercisable at a price of \$4.34 per share expiring on November 1, 2010 and 25,000 stock options exercisable at a price of \$4.42 per share expiring on November 12, 2010.
- (d) The Company issued 1,566,323 common shares for proceeds of \$4,014,227 pursuant to the exercise of warrants.
- (e) 3,464,999 warrants exercisable at a price of \$5.00 per share expiring on October 20, 2007 and 420,000 warrants exercisable at a price of \$4.00 per share expiring on October 20, 2007 expired unexercised.
- (f) In July 2006, an action was commenced against the Company by a former executive who alleged that the Company had breached a March 2005 stock option agreement (see Note 15). In November 2007, all outstanding claims were settled and the parties agreed to a mutual release of all claims.
- (g) The Company received US\$172,500 from Prospector Consolidated Resources Inc. ("Prospector") pursuant to an agreement whereby Prospector has the right to acquire a 100% interest in the Company's option to the Candameña Mining District property (see Note 5(e)).

SCHEDULE "A"
FIRST MAJESTIC SILVER CORP.

CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007

	La Parrilla \$	San Martin \$	Chalchihuites \$	Candamena \$	Cuitaboca \$	La Encantada \$	Total \$
Balance - beginning of the period	6,319,008	124,777,077	3,798,219	1,993,465	221,416	1,761,699	138,870,884
Expenditures during the period							
Consulting	5,977	-	899,579	116,093	-	-	1,021,649
Filing fees	43,822	-	6,159	14,266	-	-	64,247
Mine exploration costs	10,922,470	2,149,906	234,136	180,769	155,979	1,351,610	14,994,870
Reports and assays	-	-	-	-	-	-	-
	<u>10,972,269</u>	<u>2,149,906</u>	<u>1,139,874</u>	<u>311,128</u>	<u>155,979</u>	<u>1,351,610</u>	<u>16,080,766</u>
Acquisition costs during the period (net)	784,731	-	2,293,864	430,661	132,925	7,032,536	10,674,717
Less: write off of mineral properties	-	-	-	(1,703,591)	-	-	(1,703,591)
Less: depletion	(358,584)	(4,197,370)	-	-	-	(296,689)	(4,852,643)
Less: amortization of mining rights	-	-	-	-	-	(331,868)	(331,868)
Cumulative translation adjustment	(2,123,246)	(19,121,837)	(885,532)	(331,663)	-	(1,176,013)	(23,638,291)
Balance, end of the period	<u><u>15,594,178</u></u>	<u><u>103,607,776</u></u>	<u><u>6,346,425</u></u>	<u><u>700,000</u></u>	<u><u>510,320</u></u>	<u><u>8,341,275</u></u>	<u><u>135,099,974</u></u>

(See Note 5)



Management's Discussion and Analysis

For the nine-months ended September 30, 2007

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

Forward-Looking Statements

Except for statements of fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the mining, exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties related to the availability of and costs of financing needed in the future and other factors described in the Company's Annual Information Form under the heading "Risk Factors". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

1.0 Preliminary Information

The following Management's Discussion and Analysis ("MD&A") of First Majestic Silver Corp. ("First Majestic" or "the Company") should be read in conjunction with the accompanying interim consolidated financial statements for the nine months ended September 30, 2007 and the audited consolidated financial statements for the six-month transition year ended December 31, 2006. Additional information on the Company, including the Company's Annual Information Form, is also available on SEDAR at www.sedar.com.

Pursuant to a resolution passed by shareholders on September 7, 2006, the Company changed its name from "First Majestic Resource Corp." to "First Majestic Silver Corp." on November 22, 2006. Consistent with this revised naming convention, on August 9, 2007, the Company changed the name of First Majestic Resources Mexico S.A. de C.V. to First Majestic Plata S.A. de C.V. ("FM Plata").

The Company completed a restructuring of its Mexican operations on August 14, 2007, incorporating a holding company in Mexico to consolidate the operations of its Mexican subsidiaries. This MD&A relates to the consolidated operations of the Company and its two wholly owned direct subsidiaries: Corporacion First Majestic S.A. de C.V. ("CFM"), and First Silver Reserve Inc ("First Silver"), as well as the indirect wholly owned subsidiaries of CFM: Minera La Encantada S.A. de C.V. ("La Encantada"), Desmin S.A. de C.V. ("Desmin"), and FM Plata; as well as First Silver's wholly owned subsidiary Minera El Pilon S.A. de C.V. ("El Pilon") (see section 1.8 for the Organization Chart subsequent to restructuring).

During the period ended December 31, 2006, the Company changed its fiscal year-end from June 30 to December 31 to be consistent with the fiscal year ends of its operating subsidiaries. To facilitate the change in year end, the Company reported a one-time, six-month transition year, covering the six month period ended December 31, 2006. Subsequent to the transition year, the first fiscal year is the current calendar year ending December 31, 2007.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated. Certain financial results in this MD&A regarding operations, cash costs, and average realized revenues, will have been reclassified to conform with industry peer company presentation standards, requiring US dollar information and adjusted historical comparative information.

All information contained in this MD&A is as of November 27, 2007, unless otherwise stated.

Qualified Persons

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

1.1 Background

Nature of Business

The Company is in the business of production, development, exploration and acquisition of mineral properties focusing on silver in Mexico. The common shares and warrants of the Company trade on the TSX Venture Exchange under the symbols "FR" and "FR.WT", respectively. The common shares are also quoted on the "Grey Market" in the U.S. under the symbol "FRMSF" and on the Frankfurt, Berlin, Munich and Stuttgart Stock Exchanges under the symbol "FMV".

Silver producing operations of the Company are carried out through three operating mines: the La Parrilla, the La Encantada, and the San Martin.

1.2 Overall Operating Performance and Highlights

- Sales revenues for the third quarter were \$10,288,478, a 123% increase compared to \$4,616,681 in the corresponding period in 2006. Shipments in the third quarter included a record 911,916 equivalent ounces of silver, an increase of 106% over the 441,879 equivalent ounces shipped in the corresponding period in 2006.
- Sales revenues for the three quarters ended September 30, 2007, were \$31,293,444 an increase of 290% compared to the \$8,013,470 sales revenues in the corresponding period in 2006. Shipments year to date included 2,427,935 equivalent ounces of silver, an increase of 202% over the 805,157 equivalent ounces of silver shipped in the corresponding period in 2006. The equivalent silver production for the quarter consisted of 810,106 ounces of silver, 436 ounces of gold, and 942,844 pounds of lead.
- Silver production in the third quarter ending September 30, 2007, has increased to 940,225 equivalent ounces of silver, an increase of 10% over the prior quarter's production of 852,721 equivalent ounces of silver, and an increase of 113% over the 441,919 produced in the quarter ending September 30, 2006.
- Mine earnings (excluding amortization and depreciation) of \$4,142,060 were added this quarter for a year to date total of \$10,639,370 for the nine months ended September 30, 2007 compared to \$1,419,481 and \$2,061,000 for the three and nine months ended September 30, 2006. During the quarter ended September 30, 2007, the Company changed its accounting policy with respect to the treatment of underground mining costs (see Section 1.11(iv) – Change in Accounting Policy Relating to Cost of Production).
- Net loss for the quarter ended September 30, 2007, was \$2,070,082 representing a 44% decrease from the prior year's net loss of \$3,694,434 for the corresponding quarter in 2006.
- The net loss for the quarter ended September 30, 2007, included a \$1,703,591 one time write down of the carrying value of the Candameña property which management decided to option to Prospector Consolidated Resources Inc. in the period.

- Direct cash costs per ounce of silver (see Non-GAAP measures below) increased to US\$6.73 per ounce for the quarter ended September 30, 2007, from US\$6.59 per ounce from the prior quarter after the retroactive application of the change of accounting policy described in Section 1.11(iv). Cash costs increased due to a 20% increase in diesel costs in the quarter as well as an increase in labour costs at La Encantada. This cash costs disclosure reflects the Company's revised calculation of cash costs to align this measure with industry standards (see Non-GAAP Measure, below).
- On July 31, 2007, the Company incorporated a new wholly owned Mexican subsidiary, Corporacion First Majestic, S.A. de C.V., ("CFM") and on August 14, 2007, effected a corporate restructuring of Desmin, La Encantada and FM Plata, such that the Company now holds the shares of FM Plata, Desmin and La Encantada, through CFM, a Mexican holding company for Mexican tax consolidation purposes.

FIRST MAJESTIC CONSOLIDATED OPERATIONS				
Quarter Ended September 30		RESULTS	Year to date September 30	
2007	2006		2007	2006
165,549	77,325	Ore processed/tonnes milled	457,958	127,742
215	199	Average silver grade (g/tonne)	218	200
71	82	Recovery (%)	72	81
810,106	410,693	Silver ounces produced	2,301,785⁽²⁾	667,343
436	591	Gold ounces produced	1,558	941
23,163	29,849	Equivalent ounces from gold	78,809	46,450
942,844	14,651	Pounds of lead produced	1,816,992	20,216
106,957	1,377	Equivalent ounces from lead	167,739	1,777
940,225	441,919	Total production - ounces of silver equivalents	2,552,872	715,570
911,916	441,879	Shipments - Payable ounces of silver equivalents	2,427,935	805,157
6.73	9.09	Total USD cash cost per ounce ⁽¹⁾	6.68	8.49
5,220	2,610	Underground development (m)	14,932	5,215
9,983	6,969	Diamond drilling (m)	29,081	22,729
38.01	51.96	Total USD production cost per tonne	40.51	47.53

LA PARRILLA OPERATIONS				
Quarter Ended September 30		RESULTS	Year to date September 30	
2007	2006		2007	2006
55,540	11,073	Ore processed/tonnes milled	126,274	36,143
202	190	Average silver grade (g/tonne)	196	196
67	67	Recovery (%)	68	68
241,341	45,364	Silver ounces produced	540,671	153,786
112	28	Gold ounces produced	284	103
6,012	1,515	Equivalent ounces from gold	14,553	6,391
603,486	0	Pounds of lead produced	980,744	0
68,103	0	Equivalent ounces from lead	94,761	0
315,456	46,879	Total production - ounces of silver equivalents	649,985	160,177
296,974	46,879	Shipments - Payable ounces of silver equivalents	576,192	249,804
8.67	12.63	Total USD cash cost per ounce ⁽¹⁾	8.58	8.58
1,699	1,035	Underground development (m)	4,937	3,042
9,144	5,896	Diamond drilling	25,353	18,622
46.55	53.47	Total USD production cost per tonne	41.59	38.03
SAN MARTIN SILVER OPERATIONS				
Quarter Ended September 30		RESULTS	Year to date September 30	
2007	2006		2007	2006
60,004	66,252	Ore processed/tonnes milled	183,793	91,599
173	201	Average silver grade (g/tonne)	175	202
81	85	Recovery (%)	84	86
269,955	365,329	Silver ounces produced	865,393	513,557
324	563	Gold ounces produced	1,274	838
17,151	28,334	Equivalent ounces from gold	64,256	40,059
5,934	14,651	Pounds of lead produced	42,615	20,216
1,452	1,377	Equivalent ounces from lead	3,484	1,777
288,558	395,040	Total production - ounces of silver equivalents	933,133	555,393
276,104	395,040	Shipments - Payable ounces of silver equivalents	920,123	555,353
9.20	8.67	Total US cash cost per ounce ⁽¹⁾	9.34	8.46
2,095	1,575	Underground development (m)	5,936	2,173
641	1,073	Diamond drilling	2,787	4,107
46.03	51.71	Total USD production cost per tonne	47.25	51.28

LA ENCANTADA SILVER OPERATIONS				
Quarter Ended September 30		RESULTS	Year to date September 30	
2007	2006		2007	2006
50,005	n/a	Ore processed/tonnes milled	147,891	n/a
279	n/a	Average silver grade (g/tonne)	290	n/a
67	n/a	Recovery (%)	65	n/a
298,810	n/a	Silver ounces produced	895,720	n/a
0	n/a	Gold ounces produced	0	n/a
0	n/a	Equivalent ounces from gold	0	n/a
333,424	n/a	Pounds of lead produced	793,633	n/a
37,401	n/a	Equivalent ounces from lead	69,494	n/a
336,211	n/a	Total production - ounces of silver equivalents	965,214	n/a
338,838	n/a	Shipments - Payable ounces of silver equivalents	931,620	n/a
2.92	n/a	Total USD cash cost per ounce ⁽¹⁾	3.02	n/a
1,426	n/a	Underground development (m)	4,059	n/a
198	n/a	Diamond drilling	942	n/a
18.92	n/a	Total USD production cost per tonne	31.20	n/a

(1) *The Company reports the non-GAAP cash cost per ounce of payable silver in order to manage and evaluate operating performance at each of the Company's mines. The measure is widely used in the silver mining industry as a benchmark for performance, but does not have a standardized meaning. To facilitate a better understand of this measure as calculated by the Company, we have provided a detailed reconciliation of this measure to our cost of sales as shown in our unaudited Consolidated Statement of Operations for the period, which can be found on page 10 of the MD&A.*

(2) *The ounces of silver produced previously disclosed at June 30, 2007 included an immaterial misstatement which has been corrected in the year to date silver production results by reducing 10,988 ounces of silver from the period ended June 30, 2007.*

Q3-2007 - Increasing Production

Production in the third quarter ending September 30, 2007 increased to 940,225 equivalent ounces of silver representing an 10% increase over 852,721 equivalent ounces in the prior quarter and an increase of 113% over the 441,919 equivalent ounces in the same quarter of the previous year.

The equivalent silver production for the quarter consisted of 810,106 ounces of silver, an increase of 4% over the 776,226 ounces in the previous quarter, and a very significant increase in lead production amounting to 949,988 pounds compared to 534,324 pounds of lead produced in the previous quarter, an increase of 78%. The large increase in lead production was primarily due to the start-up of the flotation circuit at the La Parrilla Silver Mine. Production of gold was 436 ounces in the quarter compared to 591 ounces in the prior quarter as a result of ore being mined during the quarter containing lower gold content.

The ore processed at the Company's three operating silver mines; the La Parrilla Silver Mine, the San Martin Silver Mine and the La Encantada Silver Mine, increased to 165,549 tonnes in the quarter representing a 6% increase over the 155,762 tonnes processed in the second quarter and a 113% increase over the third quarter of 2006.

Year to date silver production to September 30, 2007, was 2,552,872 equivalent ounces of silver, compared to 713,197 equivalent ounces of silver for the three quarters ended September 30, 2006. The Company's increase in production can be attributed to a 246% increase in production at the Company's flagship La Parrilla Silver Mine when compared with the same quarter in 2006, or by 39% when compared to the previous quarter. Production has also increased

significantly due to the control of the San Martin Silver Mine and the La Encantada Silver Mine which was achieved in the quarters ending June 2006 and December 2006, respectively.

Significant underground development consisted of a combined total of 5,219 meters in the quarter for all three mines. In addition there have been significant improvements and upgrades carried out at each mill. This ongoing program of enhancements will continue for the balance of the year and into 2008, and is focused on increasing the Company's silver production in each of the following quarters.

La Parrilla Silver Mine, Durango, Mexico

In the third quarter of 2007, commissioning and improvements continued at the La Parrilla mill. Presently a new counter current thickener is being constructed and new filter presses have been ordered. These improvements are anticipated to increase recoveries in the cyanidation circuit and are estimated to be completed by the end of November. At the end of April 2007, a permit was obtained for the construction of the new tailings pond allowing for construction to begin in the second week of May. The construction of the new facility is now 95% complete and is expected to be finished by the end of November, within the US\$1.5 million budget, and within the six months projected time frame for project completion.

Production in the third quarter was 55,540 tonnes which represents an increase of 39% when compared to the 39,884 tonnes in the second quarter. The average head grade of silver at the mill was 202 g/t, as compared to the previous quarter's 201 g/t. Recoveries of silver improved from 63% in the second quarter to 67% in the third quarter. Total silver production in the quarter was 315,456 ounces of silver equivalent, representing a 63% increase over the 193,651 ounces in the previous quarter ended June 30, 2007. The composition of the silver equivalent production during the quarter included 241,341 ounces of silver, 112 ounces of gold and 603,486 pounds of lead.

Resource and Reserve development at La Parrilla continues to be a priority, with the use of six drill rigs. During the quarter, exclusive of Chalchuites (see below), a total of 6,459 meters of diamond drilling was completed over 22 holes, for a year to date total of 23,612 meters drilled over a total of 88 holes in various areas within the La Parrilla property. The primary focus of drilling during this quarter has been confirming resources at the Quebradillas and Vacas areas which were previously owned by Grupo Mexico. The current exploration and resource development program will be expanded in the fourth quarter and into 2008. In addition to the ongoing diamond drill program, and with the objective of increasing the total proven reserves and developing new production areas, a total of 1,698 meters of development was completed in the third quarter of 2007 at the La Rosa-Rosario, San Marcos, Quebradillas and San Juan areas. A total of 4,937 meters of underground development has been completed in the current year to date at La Parrilla.

San Martin Silver Mine, Jalisco, Mexico

During the third quarter of 2007, two new scoop trams, one underground truck and one Jumbo Axera were delivered to the mine as part of a fleet modernization program that began in 2006 in order to improve efficiencies within the mine. At the mill a dust collector and a new gas collector are being installed in the crushing and smelting areas.

Production at the San Martin mine, during the quarter ended September, 2007, was 60,004 tonnes, representing a 5% decrease compared to the 63,213 tonnes in the previous quarter ended June 30, 2007. The average head grade during the current quarter was 173 g/t representing a 2% increase from 170 g/t during the previous quarter. Recoveries for the quarter were 81% compared to 84% in the previous quarter, resulting in total production of 288,558 equivalent ounces of silver, which is 9% lower than the 317,887 ounces in the second quarter of 2007. The equivalent ounces of silver consisted of 269,955 ounces of silver, 324 ounces of gold and 5,934 pounds of lead.

Upon the completion of surface geological mapping carried out in the prior quarter, the surface drilling program was resumed in order to drill new targets defined in the North-South structural system, where some intersections of high grade ore are indicating new areas of high interest. During the third quarter of 2007, a total of 641 metres of diamond drilling was completed consisting of 8 underground holes. In the current year to date, a total of 2,787 metres of

diamond drilling has been completed over a total of 42 holes in the San Martin area; 8 holes from the surface and 34 from underground. Five drill rigs are currently being used; consisting of three underground and two on surface. It is anticipated that two additional rigs will be added to the surface drill program in the coming quarter.

Also during this quarter, a new exploration zone in the Rosario-Condesa system was defined in the Cinco Senoresa area, where some old workings were re-habilitated and mapping was completed.

Additionally, during the quarter 2,094 metres of underground development has been completed. An important part of this development was to access the upper levels in the mine where higher grade oxide ores appear to be present. This development is anticipated to improve head grades at the mill starting in the fourth quarter of 2007. Also, new development was completed at the Rosarios-Condesa old workings in order to develop new possible resources. This activity is ongoing with the purposes of: grade control; the development of additional resources; and exploration to define additional targets for future mine expansion.

La Encantada Silver Mine, Coahuila, Mexico

During the third quarter of 2007, a new 1500 KW power plant was imported from the USA, delivered, and commissioned. This new power plant will provide the mine the opportunity to upgrade one of its existing 2000 KW power plants, and once this is completed, redundant 24/7 coverage of power generation will be available for the mine and mill. Also during the quarter, two new scoop trams arrived at the mine, replacing two older pieces of equipment. During the final quarter of the year another two scoop trams are expected to arrive at the mine.

At the La Encantada Silver Mine, production in the quarter was 50,005 tonnes, a decrease of 5% compared to the second quarter's production of 52,664 tonnes. The average head grade of silver was 279 g/t, an increase of 3% compared to the 272 g/t achieved in the previous quarter. A total of 336,211 equivalent ounces of silver were produced during the third quarter, which represents an increase of 0.5% from the 335,141 equivalent ounces in the previous quarter. Silver production consisted of 298,810 ounces of silver, (a decrease of 4% versus the 310,377 ounces in the previous quarter) and 333,424 pounds of lead (a decrease of <1% on the 342,412 pounds in the previous quarter). Utilization of the mill has increased from 30% of capacity when the operation was acquired in November 2006, to present mill rates of 80% of capacity in the third quarter. This improvement in operations has resulted in an 86% increase in silver production, compared to when we acquired operations in the quarter ended December 31, 2006. Further increases in mill output are anticipated into the fourth quarter, resulting in additional expected ounces of silver production from the La Encantada mine on a go-forward basis.

In the short time since the operations of La Encantada were acquired, several enhancements have been made, including the installation of a new screening plant, and an aggressive underground development campaign, including 1,427 metres of drifting to several targets located in the San Javier/Milagros Breccias areas. The purpose of these ongoing developments is mining production, confirmation of resources, and exploration.

During the third quarter of 2007 a total of six diamond drill stations were prepared and underground drilling commenced late in the quarter, with two holes completed for a total of 198 meters drilled. Year to date drilling at the La Encantada area totals 51 holes, consisting of 942 meters, of which 49 holes were drilled into the old tailings pond, totalling 744 metres.

Initial metallurgical tests confirm the possibility of economically recovering the silver contained in the old tailings ponds. An economic evaluation was prepared to assess the feasibility of this project. Environmental permitting and basic engineering for the new mill upgrade and the new tailings area are presently in progress.

Chalchihuites Group of Properties, Zacatecas, Mexico

In January, 2004 the Company entered into several option agreements to acquire a group of mining concessions with a total surface area of 487 hectares, located in Chalchihuites, Zacatecas, Mexico, approximately 60 kilometres southeast

of the La Parrilla Silver Mine. After a three year exploration program consisting of geochemistry, geophysics and diamond drilling, the company elected to exercise its option to acquire 100% of the 293 hectares which covers the San Juan Silver Mine, the Perseverancia Silver Mine, and surrounding area. The Company also has the rights to another 29 hectares, consisting of two additional mining claims in the Chalchihuites area.

During the third quarter of 2007, underground mine development at the San Juan continued to access and explore the lower part of a recently discovered new ore body. A ramp of 1500 meters is being developed with small production (50 tonnes per day) being produced from this mine. Exploration and development at the San Juan mine was accelerated during the quarter with the objective of developing the mine for larger future production. A total of 655 meters of development has been completed in the quarter, and a total of 11 diamond drill holes totalling 2,136 meters, has also been completed. An underground diamond drill is operating on a permanent basis, and a mine contractor with a crew of 35 people is presently developing the mine. The Company intends to publish a NI 43-101 Technical Report for the San Juan Silver Mine in the first quarter of 2008.

As well, the Perseverancia is presently being upgraded and rehabilitated to increase production of the high grade chimney areas. High grade ore is presently being produced at a rate of 100 tonnes per month. A diamond drill program, consisting of 13 holes, has been completed to date, consisting of a total of 2,858 meters. During the current period, the continuity of the Perseverancia chimneys at depth was confirmed. During the quarter, extraction of low volumes of high grade ore, totalling approximately 200 tonnes grading approximately 1.5 kilos of silver and 35% lead were extracted from the mine. This high grade ore is crushed to minus 1/8" and is being shipped directly to the smelter. This production is expected to continue to increase in the following months. The Company intends to publish a NI 43-101 Technical Report for the Perseverancia Silver Mine in the first quarter of 2008.

Cuitaboca Silver Project, Sinaloa, Mexico

As a result of the September 2006 acquisition of First Silver Reserve, Inc., the Company acquired an option to purchase a 100% interest in the Cuitaboca Silver Project, consisting of 5,134 hectares located in the State of Sinaloa, Mexico, containing at least six well known veins with sulphide mineralization carrying high grade silver. The veins within the property are known as; the La Lupita, Los Sapos, Chapotal, Colateral-Jesus Maria, Mojardina and Santa Eduwiges.

During the three months ended September 30, 2007, the Company completed five kilometres of road construction to access the Mojardina and Eduwiges veins which are the second and third veins scheduled to be accessed. Total road construction since mid 2006 consists of 26 kms.

The first vein structure discovered; the Colateral vein, was intersected in 2006, and is now being explored and sampled with direct drifting. A total of 110 meters has been developed in the vein in the current year to date. Sampling and assaying are in process as development continues. Based on the encouraging results at the Colateral vein, the program was expanded to develop and explore by drilling the Mojardina and Eduwiges veins.

Based on the successful development of the Colateral vein which remains open both at depth and along strike, the Company intends to advance the current exploration program, increasing the development and exploration efforts by completing 2,000 metres of direct drifting along the vein and commencing a diamond drill program at both the Colateral and Mojardina veins. Road construction will also be continued to extend access to the La Lupita, Los Sapos, Chapotal, and Santa Eduwiges veins where additional exploration work will be carried out. This drill program is expected to begin in the first quarter of 2008.

Jalisco Group of Properties, Jalisco, Mexico

As a result of the September 2006 acquisition of First Silver Reserve Inc., the company acquired a group of mining claims totalling 5,131 hectares located in various mining districts located in Jalisco State, Mexico. During the current quarter ended September 30, 2007, a team of geologists has been assembled to evaluate those mining claims. The initial stage is focused on the evaluation of the geological potential at the prolific mining district of Etzatlan, Jalisco

where the Company owns 787 hectares. During the final quarter of 2007, surface geology will be evaluated in this area, leaving the remainder of the surface area to be evaluated in 2008.

Candameña Mining District property, Chihuahua, Mexico

The Company has two option agreements for the purchase of the Candameña Mining District property located in the eastern Sierra Madre Mountain range about midway between Hermosillo and Chihuahua in east central Chihuahua, Mexico. The option agreements include all properties, assets, equipment and all mining concessions consisting of 5,215 hectares.

During the second quarter of 2007, a diamond drill program consisting of seven holes totalling 1,550 meters was completed in order to test the La Verde and La Prieta vein system. Results did not definitively identify the continuation of the silver mineralization that was previously mined.

The Company has been assessing its alternatives for the Candameña properties in light of the remaining option payments. Due to the nature of the gold and silver mineralization discovered in the various exploration programs to date, it has been concluded that the property appears to be an interesting gold exploration project rather than a silver project. Based on this conclusion, on August 14, 2007, the Company entered into an agreement with Prospector Consolidated Resources Inc. ("Prospector") to sell the option rights for the Candameña Mining District, for consideration of a \$50,000 non-fundable cash payment (received on August 16, 2007.), and subject to regulatory approval, 2,000,000 fully paid and non-assessable common shares of Prospector. As regulatory approval was not received prior to the proposed closing date of October 19, 2007, Prospector has been required to assume responsibility for future mineral property option payments, and has made an additional payment of US\$172,500 (US\$150,000 plus VAT) in October, 2007, on behalf of First Majestic. The Company has reduced the carrying value of the Candameña property by \$1,703,591 to \$700,000 being the estimated proceeds on disposal of the mineral property.

1.3 Results of Operations

Three and nine months ended September 30, 2007 compared to three and nine months ended September 30, 2006.

Revenues were \$10,288,478 for the three months ended September 30, 2007 compared to the \$4,616,681 for the three months ended September 30, 2006. The increase in revenue is due to the acquisitions of the San Martin mine on May 31, 2006, and the production of the La Encantada mine which was acquired through the acquisition of Desmin on November 1, 2006. The revenues for the three months ended September 30, 2007, reflect production for all three mines (La Parrilla, San Martin, and La Encantada) for the full three month period, whereas, the revenues in the three months ended September 30, 2006, only reflect the production of La Parrilla and San Martin for three months, and no results for La Encantada.

For the nine months ended September 30, 2007, revenues increased to \$31,293,444, compared to the \$8,013,740 for the nine months ended September 30, 2006. The increase in revenue is due to increased production at the La Parrilla and the acquisitions of the San Martin mine on May 31, 2006, and the production of the La Encantada mine which was acquired through the acquisition of Desmin on November 1, 2006.

Mine earnings (excluding amortization and depreciation) for the three months ended September 30, 2007 were \$4,142,060, compared to \$1,419,481 for the three months ended September 30, 2006 after the retroactive application of the change of accounting policy described in Section 1.11(iv). Mine earnings (excluding amortization and depreciation) for the nine months ended September 30, 2007 were \$10,639,370, compared to \$2,061,000 for the nine months ended September 30, 2006. The improvements in mine operating earnings are due to increased shipments from the La Parrilla, the acquisitions of the San Martin mine on May 31, 2006, and the production from the La Encantada mine which was acquired through the acquisition of Desmin on November 1, 2006.

General and administrative costs increased for the three months ended September 30, 2007 to \$2,449,823 from \$1,303,798 for the three months ended September 30, 2006, reflecting increases in office related costs, significantly increased staffing and related salaries and benefits. Also contributing to these increases was an increase in stock based compensation which is included as a component of general and administrative expenses (\$723,992 for the three months ended September 30, 2007 compared to \$158,289 for the three months ended September 30, 2006).

General and administrative costs increased for the nine months ended September 30, 2007 to \$7,751,854 from \$4,762,966 for the nine months ended September 30, 2006. Increases were experienced in most areas, particularly mine administration costs (as we had not acquired La Encantada in the nine months ended September 30, 2006 and only four months of mine administration costs was consolidated for San Martin in the same period), office-related costs and salaries and benefits due to the administration acquired in the past year by the Company. In the September 2006 quarter we closed the Guadalajara based Minera El Pilon mine administration office that was acquired through the acquisition of First Silver, and all Mexican administration is now centralized in our office in Durango, Mexico.

The net loss after taxes for the three months ended September 30, 2007 decreased to (\$2,070,082) (\$0.04 per share) from (\$3,694,434) (\$0.09 per share) for the three months ended September 30, 2006 after the retroactive application of the change of accounting policy described in Section 1.11(iv). The net loss after taxes for the nine months ended September 30, 2007 decreased to (\$5,937,490) (\$0.11 per share) from (\$7,842,291) (\$0.23 per share) for the nine months ended September 30, 2006, due to higher mine earnings and the retroactive application of the change of accounting policy described in Section 1.11(iv) in the current quarter.

First Majestic Silver Non-GAAP Measure, Cash Cost of Production (expressed in US\$)

Non-GAAP Measures Cash Cost per ounce of Silver Produced (1)		Three Months Ended	Nine Months Ended
		September 30, 2007	September 30, 2007
Cost of Sales (excluding depreciation)	\$CDN	6,146,418	20,654,074
Cost of Sales, US Dollar Conversion	\$US	5,883,585	18,677,052
Inventory fluctuations and other	\$US	280,502	(958,561)
Direct Mining Expenses (Mine, Mill, Indirect, Selling)	\$US	6,164,087	17,718,491
Third party smelting charged to net sales (2)	\$US	843,326	1,972,570
By-product credits	\$US	(714,192)	(2,269,445)
Cash Costs	\$US	6,293,221	17,421,616
Less: Smelting, refining and transport	\$US	(843,326)	(1,972,570)
Direct Cash Costs	\$US	5,449,895	15,449,046
Ounces of Silver Produced (Pure Silver) (3)	Oz.	810,106	2,301,785
Cash Cost Per Ounce of Silver Produced	US\$/Oz.	7.77	7.57
Smelting Cost Per Ounce of Silver Produced	US\$/Oz.	(1.04)	(0.89)
Direct Cash Costs Per Ounce of Silver	US\$/Oz.	6.73	6.68

- 1) First Majestic has adopted methods established by The Gold Institute (Production Cost Standards, Nov. 1999) to calculate costs per ounce of silver. All of First Majestic's operations are "primary" silver mines – meaning the majority of their value (revenue) comes from silver. The "cash cost per ounce" of silver for each mine is based on the ounces of silver for which we are paid, excluding the ounces lost in smelting and refining. This measure was adopted to allow comparison of operational efficiency at our mines relative to previous periods and to allow comparison with other peer company operations. Cash cost per ounce does not have a standardized meaning under GAAP, and accordingly, it is intended only to provide additional information, and should not be considered in isolation or as a substitute for other measures of performance prepared in accordance with GAAP.
- 2) Smelting costs reported year to date at June 30, 2007, were overstated by \$463,592, however, as these costs are deducted in preparation of Direct Cash Costs, there was no impact on Direct Cash Costs per ounce. For

prior period comparison and consistency, smelting costs were adjusted in the comparative results for June 30, 2007.

- 3) Ounces of Silver produced at June 30, 2007, included an immaterial error overstating silver production at June 30, 2007 by 10,998 ounces on a year to date basis. For comparative purposes the error was corrected in the prior period comparative results.

Revenues Per Canadian GAAP (expressed in CDN\$)

Per Canadian GAAP, revenues are stated as invoiced revenues for delivered shipments of silver dore bars, and silver concentrates, including metal by-products of gold and lead, after having deducted refining, smelting and transportation charges. The following analysis provides the gross value of revenues prior to refining, smelting and shipping charges, which results in the net reportable revenue for the period. Gross revenues are used to calculate the average realized price per equivalent ounce of silver sold.

Revenue Analysis Per Canadian GAAP (expressed in CDN\$, unless Otherwise Stated)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Revenues, silver dore bars and concentrates	10,886,394	4,683,017	33,685,525	8,147,646
Refining, smelting and transportation charges	(597,916)	(66,336)	(2,392,081)	(133,906)
Net reportable revenues, per GAAP	10,288,478	4,616,681	31,293,444	8,013,740
Equivalent Ounces of silver sold	911,916	441,879	2,427,935	805,157
Average revenue per ounce sold	11.94	10.60	13.87	10.12
Average US/CAD translation in the period	1.0446	1.1212	1.1048	1.1327
Average revenue per ounce sold (US Dollar Equiv.)	11.43	9.45	12.56	8.93

1.4 Summary of Quarterly Results

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

	Year ended December 31, 2007			Transition year ended December 31, 2006		Year ended June 30, 2006		
	Q3	Q2 Restated (1)	Q1 Restated (1)	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Net sales revenues	10,288,478	10,846,344	10,158,621	8,138,284	4,616,681	2,725,624	671,435	484,647
Net loss after taxes	(2,070,082)	(729,658)	(3,137,751)	(3,893,758)	(3,694,434)	(3,151,860)	(995,998)	(829,114)
Basic and diluted net loss per common share	(0.04)	(0.01)	(0.06)	(0.09)	(0.09)	(0.07)	(0.03)	(0.03)

Notes:

- (1) During the quarter ended September 30, 2007, the Company changed its accounting policy with respect to the treatment of underground mining costs (see Section 1.11(iv) – Change in Accounting Policy Relating to Cost of Production). This change has been applied on a prospective basis effective January 1, 2007 with the effect that cost of production, net loss and comprehensive loss for the three and nine months ended September 30, 2007 have all been reduced by \$1,378,324 and \$1,800,234, respectively. Mine development costs have increased by \$1,535,293 and the deficit increased by \$1,800,234, respectively at September 30, 2007. Loss per share for the three and nine months ended September 30, 2007 was reduced by \$0.02 and \$0.03, respectively.

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

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

Other significant impacts on net losses per period are as follows:

	Year ended December 31, 2007			Transition year ended December 31, 2006		Year ended June 30, 2006		
	Q3	Q2	Q1	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Stock based compensation (1)	723,992	775,532	919,344	1,400,603	158,289	1,292,007	307,712	5,250
Write downs of mineral properties	1,703,591	-	-	774,254	2,086,258	384,930	-	-
	(2)			(3)	(4)	(5)		

Notes:

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

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

- (2) In the quarter ended September 30, 2007, management elected not to proceed with the acquisitions of the Candameña Mining District and accordingly, included a \$1,703,591 one time write down of the carrying value of the Candameña mineral property to its estimated proceeds from disposal.
- (3) In the quarter ended December 31, 2006, management elected not to proceed with the acquisitions of five of the Chalchihuites Group Properties (Beatriz, Esmeralda, Nueva India, Tayoltita and Verdiosa) and accordingly, the historical investment in these properties totalling \$688,766 were written off during the quarter in addition to other exploration costs of \$85,488.
- (4) In the quarter ended September 30, 2006, management elected not to proceed with the acquisitions of the Dios Padre Silver Project and the La Candelaria Silver Project, and as a result wrote down the carrying values of the properties by \$1,895,107 and \$191,151, respectively.
- (5) In the quarter ended September 30, 2006, management expensed mineral property interests in the amount of \$384,930 relating to two of the Chalchihuites Group Properties known as El Magistral and La Esmeralda.

1.5 Liquidity

At September 30, 2007, the Company had working capital deficiency of \$320,363 and cash and cash equivalents of \$11,460,308 compared to working capital of \$2,572,831 and cash and cash equivalents of \$17,870,712 at December 31, 2006. Current liabilities at September 30, 2007 includes the current portion of a long-term vendor liability relating to the Acquisition of First Silver in the amount of \$13,341,380 and the current portion of a liability relating to the First Silver Arrangement in the amount of \$388,836.

On May 10, 2007, the Company completed a private placement of special warrants for gross proceeds of \$34,415,000 and net proceeds after expenses of the issue of \$29,221,643. A total of 6,883,000 special warrants were sold at a price of \$5.00 per special warrant through Cormark Securities Inc. (formerly Sprott Securities Inc.) and CIBC World Markets

Inc. (as co-lead underwriters) and Blackmont Capital Inc. (the "Underwriters"). On July 25, 2007, the Company obtained a final receipt for a short form prospectus qualifying the distribution of 6,883,000 common shares and 3,441,500 common share purchase warrants issuable on exercise or deemed exercise of the 6,883,000 special warrants. The special warrants were deemed to be exercised on July 30, 2007, without further consideration, for one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable at a price of \$6.50 until November 10, 2008. A portion of the net proceeds was used to pay the \$13,341,380 short-term liability due May 30, 2007 and the balance will be used to fund further expansion at the Company's three operating mines, to meet property option commitments and for general working capital.

Funds surplus to the Company's short-term operating needs are invested in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to any liquidity risk and there are no restrictions on the ability of the Company to meet its obligations. The Company has no exposure and has not invested any of its treasury in asset backed commercial paper.

During the nine months ended September 30, 2007, the Company received \$2,102,550 pursuant to the exercise of 967,500 stock options and \$2,861,875 pursuant to the exercise of 1,102,500 share purchase warrants. Subsequent to the period end, the Company received an additional \$428,600 pursuant to the exercise of 215,000 stock options and \$4,014,227 pursuant to the exercise of 1,566,323 share purchase warrants.

During the nine months ended September 30, 2007, the Company incurred net costs of \$16,138,025 (September 30, 2006 - \$5,086,606) in respect of expenditures on mineral property interests and \$6,456,524 (September 30, 2006 - \$6,300,974) in respect of plant and equipment.

1.6 Capital Resources

The Company is continuing to focus on reducing its operating costs at each of its three primary producing mines. These improvements in operations are partially a result of the continuous program of replacing old equipment in the mines and mills with new or rebuilt equipment. This ongoing program has begun to show results as can be seen in the financial results ending September 30, 2007. Other important areas of focus have been and continue to be, grade control and mine dilution. These areas generally take the longest to achieve and need to be accomplished in line with equipment upgrades and improvements in mining techniques and standards. As a result of these efforts, the La Parrilla and La Encantada financial results are beginning to show significant signs of improvement. The San Martin is anticipated to begin to show similar improvements by year end.

In addition to improvements in operations anticipated as the three mines mature over the coming quarters, increases in silver production is also expected to continue as Reserves and Resources increase at each mine and further expansions of the mills are achieved.

The Company anticipates that silver, gold, and lead prices will continue to be volatile in the short term but will continue their upward trends. We expect all three producing mines to produce positive cash flows from production, as well as positive mine operating earnings after deducting mine depletion, amortization and depreciation during 2007.

The Company's continued development is dependent on applying the capital raised to continue to expand operations, to generate a break even level of net income, and thereby in the near term to lessen its dependency on future financings.

The Company's primary capital assets consist of three silver producing mineral property interests in Mexico. The La Parrilla Silver Mine, the San Martin Silver Mine, and the La Encantada Silver Mine, all of which are owned 100% by the Company.

The Company is required to make certain property payments by certain dates to maintain its interest in certain exploration properties. These dates are outlined in the notes to the interim consolidated financial statements. The Company concluded that the results from a recently completed drilling and exploration program at the Candameña

property were not sufficient to continue its investment in this project. Even though the property appears to have merit, due to the Company's production focus, it was determined selling the project made the most sense. The Company located an opportunity to realize on its past investment and to transfer its future property commitments by selling its option to Prospector Consolidated Resources Inc. The agreement with Prospector is dependent on a due diligence and regulatory approval period that could continue into December 2007. Until the transfer of the options and the commitments are completed, the property payments are listed in the Company's property commitment schedule. The Company has extended Prospector's closing deadline to provide sufficient time to receive regulatory approval.

The Company is required to make certain interest and cash payments to the former shareholders of First Silver, pursuant to the majority acquisition of First Silver on May 31, 2006, and the subsequent arrangement to acquire the minority interest.

Future costs to retire assets including dismantling, remediation and ongoing treatment and monitoring of sites are recognized and recorded as liabilities at fair value as at the date the liabilities are incurred. The remediation liability is accreted over time to the estimated amount ultimately payable through periodic charges to earnings. Future site restoration costs are capitalized as part of the carrying value of the related mineral properties at their initial values and amortized over the mineral properties useful lives based on a units-of-production method. The present value of the Company's reclamation liabilities may be subject to change based on management's current estimates, changes in the remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

1.7 Off-Balance Sheet Arrangements

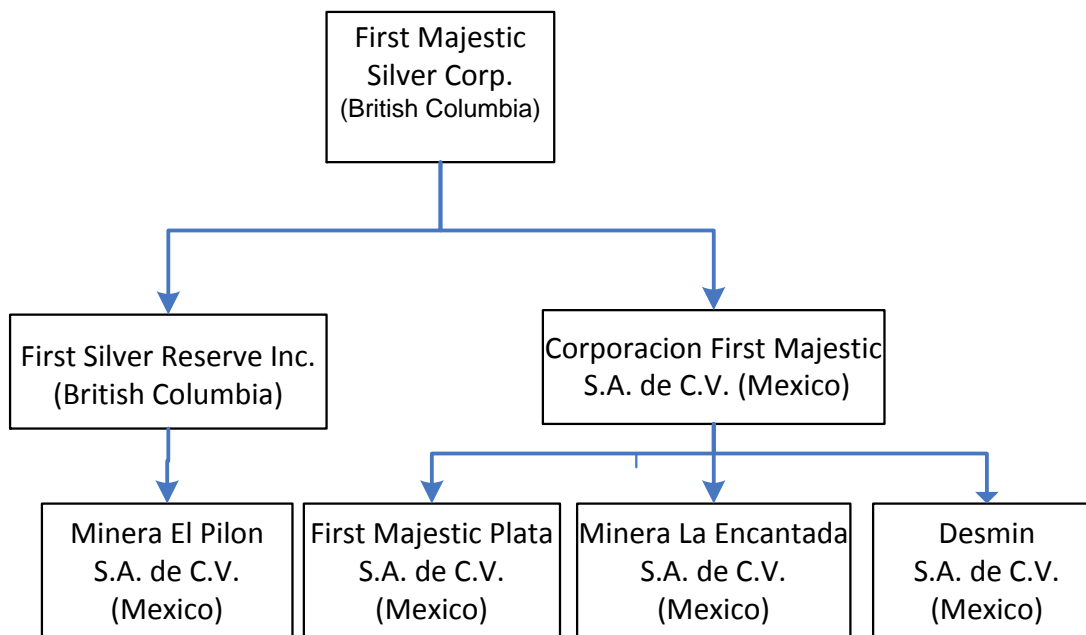
At September 30, 2007, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Company.

1.8 Transactions with Related Parties

On July 31, 2007, the Company incorporated a new wholly owned Mexican subsidiary, Corporacion First Majestic, S.A. de C.V., ("CFM") and effected a corporate restructuring of Desmin, La Encantada and FM Plata, on August 14, 2007, such that the Company now holds the shares of FM Plata, Desmin and La Encantada, through CFM, which is a Mexican holding company for Mexican tax consolidation purposes.

The following diagram of the corporate structure of the Company is offered for further clarity:

**FIRST MAJESTIC SILVER CORP.
ORGANIZATIONAL STRUCTURE ON COMPLETION
OF REORGANIZATION**



* Note: Shares of each subsidiary are owned 100% by its respective parent, except that a nominal number of shares of each Mexican company is held by a nominee director.

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

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

(1) On August 14, 2007, the Company entered into an agreement with Prospector Consolidated Resources Inc. ("Prospector") to sell to Prospector the option rights for the Candameña Mining District for consideration consisting of a non-refundable \$50,000 cash deposit immediately, and subject to a due diligence period (by September 7, 2007) a payment of two million common shares of Prospector. If Prospector has not by September 7, 2007, completed its due diligence, and received regulatory approval, Prospector may extend its exercise period from September 7, 2007 to October 19, 2007, in which event the option will thereafter be exercisable not later than October 19, 2007, providing that Prospector must pay US\$150,000 plus VAT (paid), to reimburse the Company for required payments to be made to the underlying property owners of Candameña. The Company has extended Prospector's closing deadline to provide sufficient time to receive regulatory approval.

During the nine month period ended September 30, 2007, the Company:

- (a) incurred \$138,389 (2006 - \$110,391) for management services provided by the President & CEO and/or a corporation controlled by the President & CEO of the Company pursuant to a consulting agreement.
- (b) incurred \$nil (2006 - \$44,000) for geological and technical services provided by directors and/or corporations controlled by the directors of the Company.
- (c) paid \$144,180 (2006 - \$162,673) to the Chief Operating Officer for management and other services related to the mining operations of the Company in Mexico pursuant to a consulting agreement.
- (d) paid \$254,742 (US\$234,292) (2006 - \$nil) to a director of the Company as finder's fees upon the completion of certain option agreements relating to the Chalchihuites Group of Properties.

Amounts paid to related parties were incurred in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties.

1.9 Proposed Transactions

The board of directors is not aware of any proposed transactions involving any proposed assets, businesses, business acquisitions or dispositions which may have an effect on the financial condition, results of operations and cash flows.

1.10 Critical Accounting Estimates

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

All of the Company's significant accounting policies and the estimates derived therefrom are included in Note 2 to the annual consolidated financial statements for the six-month transition year ended December 31, 2006. While all of the significant accounting policies are important to the Company's consolidated financial statements, the following accounting policies, and the estimates derived therefrom, have been identified as being critical:

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

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

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

future net cash flows from a property are less than the carrying value, then an impairment loss is recorded with a charge to operations, to the extent the carrying value exceeds discounted estimated future cash flows.

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

Depletion and Depreciation of Property, Plant and Equipment

Property, plant and equipment comprise one of the largest components of the Company's assets and, as such, the amortization of these assets has a significant effect on the Company's financial statements. On the commencement of commercial production, depletion of each mining property is provided on the unit-of-production basis using estimated reserves as the depletion basis. The mining plant and equipment and other capital assets are depreciated, following the commencement of commercial production, over their expected economic lives using either the unit-of-production method or the straight-line method (over two to 10 years), as appropriate.

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

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

Reclamation and Remediation Obligations

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

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

As the estimate of obligations is based on future expectations, in the determination of closure provisions, management makes a number of assumptions and judgments. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out. Actual costs incurred in future periods related to the disruption to date could differ materially from the discounted future value estimated by the Company at December 31, 2006.

Income Taxes

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

The determination of the ability of the Company to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make assumptions about the future performance of the Company. Management is required to assess whether the Company is “more likely than not” to benefit from these tax losses. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Stock-Based Compensation

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

1.11 Changes in Accounting Policies including Initial Adoption

Significant accounting changes

(i) Comprehensive income

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income (“OCI”). OCI represents changes in shareholders’ equity during a period arising from transactions other than changes related to transactions with owners. OCI includes unrealized gains and losses on financial assets classified as available-for-sale, changes in the fair value of the effective portion of derivative instruments included in cash flow hedges and currency translation adjustments on the Company’s net investment in self-sustaining foreign operations. The Company has included in its interim consolidated financial statements, a statement of comprehensive loss for the changes in these items during the first quarter of 2007. Cumulative changes in OCI are included in accumulated other comprehensive income (“AOCI”). Generally, gains and losses remain part of the balance of AOCI, until GAAP requires their recognition in net income. Prior financial statements retroactively reflect the classification of the currency translation adjustments on the Company’s net investment in self-sustaining operations as a component of other comprehensive loss.

(ii) Financial Instruments – Recognition and Measurement and Hedges

Section 3855 establishes standards for recognizing and measuring financial assets, liabilities, and non-financial derivatives. Financial assets and liabilities, including derivatives, are recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For financial instruments

classified as other than held-for-trading, transaction costs are added to the carrying amount of the financial asset or liability on initial recognition and amortized using the effective interest method.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in interests and other business income. Loans and receivables and other financial liabilities are measured at amortized cost and are amortized using the effective interest method. Available-for-sale financial assets are presented in available-for-sale securities in the Company's consolidated balance sheet and measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Derivative instrument are recorded on the consolidated balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in net income with the exception of derivatives designated as effective cash flow hedges.

Impact on Adoption of Section 1530 and 3855

The adoption of these four sections had no material impact on the results of operations and financial position of the Company other than the translation adjustment relating to the Company's net investment in self-sustaining subsidiaries is recorded as a component of comprehensive loss for the nine months ended September 30, 2007 in the amount of \$20,347,520 (2006 - \$154,205) and the cumulative translation adjustment at December 31, 2006 in the amount of \$7,910,502 is recorded as accumulated other comprehensive income as at that date.

(iii) Reclassification of Foreign Operation

In August 2007, the Company changed the method in which it translates the accounts of First Majestic Plata. At the time of the corporate restructuring of Desmin, La Encantada and First Majestic Plata (Note 2), the operations of First Majestic Plata were reclassified from integrated to self-sustaining on the basis that recent commercial operations of the La Parrilla Silver Mine resulted in a change in the functional currency of that operation from the Canadian dollar to the Mexican peso. As a result, the current rate method was adopted in place of the temporal method. The exchange loss of \$3,254,702 attributable to current rate translation of non-monetary items as of the date of the change is included as an element of the exchange gains and losses included in a separate component of accumulated other comprehensive income.

(iv) Change in Accounting Policy Relating to Cost of Production

During the quarter ended September 30, 2007, the Company changed its accounting policy with respect to the treatment of underground mining costs. During production at underground mines, the Company incurs development costs to build new shafts, drifts and ramps that enable the Company to physically access ore underground. Under the new policy, these underground development costs will be capitalized as incurred and amortized on a unit of production basis over the period that the related ore is extracted. Costs incurred and capitalized to enable access to specific ore blocks or areas of the mine, and which only provide an economic benefit over the period of mining that ore block or area, are attributed to earnings using the units-of-production method where the denominator is estimated recoverable ounces of silver contained in proven and probable reserves within that ore block or area.

Previously the Company did not distinguish underground mining costs on this basis and therefore such costs were expensed as costs of production in the period they were incurred.

The Company believes that the new accounting policy provides a more accurate and reliable measure of the cost of production for ore produced at the Company's mines and facilitates a more meaningful inter-period comparison of such costs.

This change has been applied on a prospective basis effective January 1, 2007 with the effect that cost of production, net loss and comprehensive loss for the three and nine months ended September 30, 2007 have all been reduced by \$1,378,324 and \$1,800,234, respectively. Mine development costs have increased by \$1,535,293 and the deficit increased by \$1,800,234, respectively at September 30, 2007. Loss per share for the three and nine months ended September 30, 2007 was reduced by \$0.02 and \$0.03, respectively.

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

The Company has concluded that retrospective application of this accounting change for periods ending on or prior to December 31, 2006 is impracticable to determine on the basis that production records were not prepared nor retained in sufficient detail to enable a proper determination of the applicable capitalized costs and related amortization.

1.12 Financial Risks and Other Risks

The Company's financial instruments consist of cash and cash equivalents, trade receivables, accounts receivable and advances, accounts payable, arrangement liability and vendor liability. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

All of the Company's mining and exploration activities are carried on outside of Canada. Accordingly, the Company is subject to the risks associated with fluctuations in the rate of exchange of foreign currencies against the Canadian dollar, in particular the Mexican peso, and the United States dollar. Such fluctuations may materially affect the Company's financial position and results.

In conducting its business, the principal risks and uncertainties faced by the Company centre on metal and mineral prices, development and exploration of its mineral properties, and efficient production of silver doré and concentrate

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and minerals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. The Company has previously relied on equity financing for its working capital requirements and to fund its capital expansion, development and exploration programs. Although the Company is generating significant cash flows from operations, there is no assurance that additional capital expansion financing will be available to the Company, or will be available on acceptable terms.

1.13 Other MD&A Requirements

(a) Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com,
- the Company's Annual Information Form,
- the Company's audited consolidated financial statements for the transition year ended December 31, 2006.

(b) Outstanding Share Data as of the Report Date

As of the Report Date, November 27, 2007, the Company has the following securities outstanding:

Issued common shares: 62,817,160 common shares

Stock options:

Price \$	Options Outstanding	Options Exercisable	Expiry Dates
1.85	100,000	100,000	December 14, 2007
2.45	125,000	125,000	December 16, 2007
1.79	90,000	90,000	January 12, 2008
3.75	25,000	25,000	March 8, 2008
4.05	100,000	100,000	March 20, 2008
5.04	49,600	49,600	April 25, 2008
4.55	25,000	18,750	July 6, 2008
3.29	50,000	25,000	October 16, 2008
3.28	100,000	50,000	October 17, 2008
2.10	240,000	240,000	November 9, 2008
2.45	650,000	650,000	December 16, 2008
3.28	12,500	9,375	June 13, 2009
4.32	775,400	387,700	December 6, 2009
5.50	200,000	100,000	February 1, 2010
4.64	75,000	18,750	June 1, 2010
4.17	100,000	25,000	August 8, 2010
3.72	30,000	7,500	September 24, 2010
3.98	25,000	6,250	October 17, 2010
4.45	870,000	217,500	October 30, 2010
4.34	50,000	12,500	November 1, 2010
4.42	25,000	6,250	November 12, 2010
4.30	450,000	337,500	June 19, 2011
4.32	245,000	122,500	December 6, 2011
4.41	400,000	200,000	December 22, 2011
5.00	155,000	77,500	February 7, 2012
4.65	25,000	6,250	June 20, 2012
	<u>4,992,500</u>	<u>3,007,925</u>	

Share purchase warrants:

Exercise Price \$	Warrants Outstanding	Expiry Dates
6.50	3,441,500	November 10, 2008
4.25	2,212,449	November 27, 2008
6.81	191,291	March 20, 2009
	<u>5,845,240</u>	

1.14 Disclosure Controls and Procedures

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

Based upon the recent evaluation of the effectiveness of the disclosure controls and procedures regarding the Company's consolidated financial statements for the period ended September 30, 2007, and this MD&A, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the design and implementation of disclosure controls and procedures were effective as at and for the period ended September 30, 2007.