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Another Quarter In The Rear View Is Another Record Broken, As First Majestic Races Forward With Production Growth

By Ryan Jackson in Vancouver

At the start of 2013 many companies are reporting their yearly operating results and for [First Majestic Silver](#) it is a very happy new year.

[First Majestic](#) has once again delivered its ninth straight year of production growth from its Mexican silver operations.

In the third quarter, [First Majestic](#) broke the two million ounce per quarter milestone for the first time, delivering 2.4 million silver equivalent ounces, and in the fourth quarter the company has achieved further growth of five per cent growth, taking total production up to 2.6 million silver equivalent ounces.

The full tally for 2012 came in at 9.1 million silver equivalent ounces representing a 20 per cent increase from 2011.

And the fastest growing silver producer in the world has not only been able to keep up impressive production growth but has remained an extremely high purity producer, with silver making up 91 per cent of total metal production.

Having breached milestone after milestone in the company's nine year ascent towards becoming a major player in the silver industry, Keith Neumeyer, the company's president and chief executive, is now approaching a target he has had in his crosshairs for a long time - to produce 10 million ounces of silver in a single year.

"2013 is going to be a big year for us", he says, "because we're going to break through 10 million ounces for the first time in the company's history."

From there, it will be on to bigger and greater things. "By 2014 we'll be over 16 million ounces and there's still growth after that", says Keith.

In fact, Keith and his team don't just plan on reaching 10 million ounces this year but intend to shatter the decade-old goal. The company is expecting its mines to produce in the order of

12.3 million to 13 million silver equivalent ounces this year, including between 11.1 million and 11.7 million ounces of pure silver.

That will represent a year-over-year increase of between 34 per cent and 42 per cent.

Much of the growth Keith is predicting over the short term will come from the Del Toro silver mine, located in Zacatecas State, Mexico. Del Toro holds a NI 43-101 resource of 158.3 million silver equivalent ounces, is fully permitted, and is now coming on stream as the company's largest mine yet.

According to the company's studies the US\$124.2 million that it took to build Del Toro should be paid back after only 3.5 years. Once up and running, the operation is expected to produce at a cash cost of US\$7.05 per ounce.

This month the ramp up at Del Toro should take the operation to 1,000 tonnes per day, and by the end of the year Del Toro is expected to be operating at a rate of 2,000 tonnes per day.

From there, the ramp up will continue into mid-2014 when throughput will once again double to 4,000 tonnes per day. "At that level", Keith explains, "it will be producing around six million ounces of silver a year making it our largest mine."

While Del Toro will provide the lion's share of production growth over the short term, that's not to say the [First Majestic](#) team can't find new ways to squeeze additional production out of their established operations.

In the fourth quarter production growth came as a result of increased throughput and grade from the four operating silver mines: La Encantada, La Parrilla, San Martin, and La Guitarra. The amount of ore processed increased five per cent to 701,618 tonnes, while overall grade increased five per cent from the previous quarter to 176 grams per tonne silver.

Those increases in output and grade came after numerous improvements and refinements to each operation. Among the more notable were a new 2,000 tonne per day dual-circuit processing mill at La Parrilla, a third ball mill at La Encantada which boosted throughput from 800 tonnes per day to 1,800 tonnes per day, and two new large leaching tanks at San Martin.

"From our perspective", says Keith, "the ways of keeping costs down are increasing throughput, modernizing the mills by eliminating old equipment, and using new techniques. We've been focused on that and we're always upgrading and improving the mills and looking for places to cut costs."

But of course the other way to increase output is through acquisitions. In December of 2012, Keith and his team announced the friendly acquisition of Orko Silver with the prize being the La Preciosa silver project.

On closing the deal, Keith spoke of "a day for celebration and the culmination of at least two years of work."

La Preciosa is one of the largest undeveloped primary silver deposits globally and is located only 45 minutes from the company's Mexican head office in Durango and in close proximity to [First Majestic](#)'s existing La Parrilla and Del Toro mines.

Orko initially presented a development scenario involving the construction of a super-pit to exploit its 264 million ounce silver deposit, Keith and his team are considering a more conservative multiple pit design with an underground mining component.

We'll have to wait for the preliminary economic assessment for further detail, but at this stage the company believes that La Preciosa will eventually eclipse even the 4,000 tonne per day Del Toro mine and become [First Majestic](#)'s largest scale operation.

"It fits very nicely into our line of projects coming up", says Keith.

"Right now our focus is on Del Toro but I think you can expect the primary cash burn to happen in 2015 for La Preciosa and 2013 will be a year of permitting and final planning. 2014 will be a year of getting the mine prepared for construction and 2015 will be final preparation and construction, with production probably coming on line sometime in 2016."