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[THE TIMELESS PRECIOUS METAL FUND](#)

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[THE SIERRA MADRE GOLD & SILVER VENTURE CAPITAL FUND](#)

[FIRST MAJESTIC SILVER CORP. \(TORONTO:FR\): FOLLOW-UP NO. 1 / JANUARY 21, 2009](#)

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FIRST MAJESTIC SILVER CORP.: RETURN ON USD 20,000 INVESTMENT					
<u>Purchase Date</u>	<u>No. of Shares</u>	<u>Purchase Price</u>	<u>Cost (USD)</u>	<u>Price Today</u>	<u>Value Today</u>
MAY 30, 2008	2'300	4.50	10'350.00		
JAN 13, 2009	4'800	2.10	10'080.00		
Total	7'100	2.88	20'430.00	2.65	18'815.00
Loss					-1'615.00
Loss (in %)					-8%



SHARES OUTSTANDING / FULLY DILUTED	MARKET CAP
73,847,810 / 85,789,101	CAD 186.8 Million
52 WEEK LOW / HIGH	TSXV
CAD 0.87 to 5.75	211,300 (200-day)
RECOMMENDATION	RISK RATING
BUY	HIGHEST

[ON THE ROAD TO PRODUCING 7.5 MILLION OUNCES OF SILVER IN MEXICO](#)

Business Summary

First Majestic owns three producing silver mines, the La Parrilla Silver Mine, the San Martin Silver Mine & the La Encantada Silver Mine.

The **La Parrilla** is located conveniently outside the city of **Durango**. First Majestic commissioned a new 800tpd mill in mid 2007 and has produced close to **2 million ounces of Silver** in 2008.

First Majestic's second operating mine, the **San Martin Silver Mine** is operating at 800tpd, with an annualized production of approximately of **1.5 million ounces of silver**.

First Majestic's third operating mine; the **La Encantada Silver Mine** also has an 800 tpd mill and is expected to produce close to 2.0 million ounces of silver in 2008. This operation is presently being

expanded to 3500 tpd which is anticipated to be fully running at this new capacity by the second quarter of 2009 bringing annual production up to 3.5 million ounces of silver

Projects



La Parrilla Silver Mine

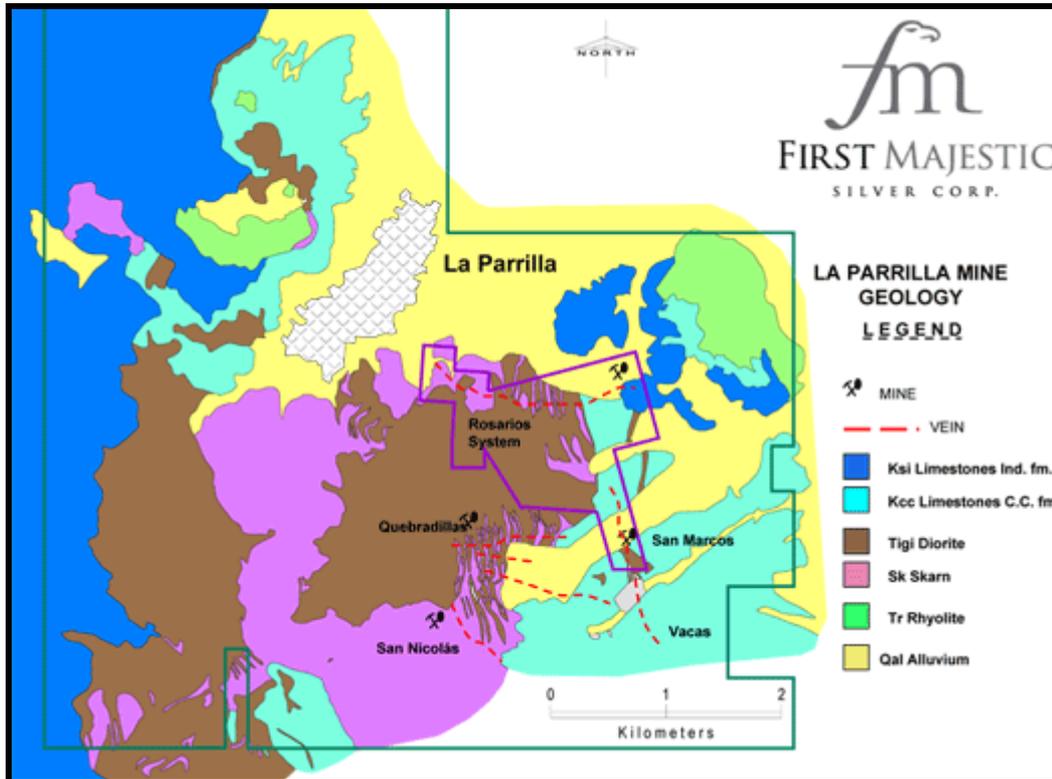
La Parrilla Silver Mine is 100% owned and comprises a complete 800 tpd mill and underground mine which began operations in October 2004. In addition to the mine and mill, the land package consists of over 53,000 hectares.

The property is located **65km due southeast of the city of Durango** in the western part of the Mexican Altiplano at 23 degrees 44' 16" North latitude and 104 degrees 06' 26" West longitude. The nearest towns are San Jose de La Parrilla, 1.5km to the north of the property, and the larger Vicente Guerrero, 16km to the southeast.

Excellent infrastructure exists in the area with the mine only 4 km away from the main highway which links Durango and Zacatecas.

Among the several large vein systems included within the La Parrilla property boundaries, the company is focusing on the La Rosa/Los Rosarios, San Marcos, San José, San Nicolás, Vacas, Quebradilla, La Luz and Recuerdo structures. Most of the silver ore presently being mined comes from Los Rosarios, La Rosa, San Jose, and San Marcos mines. The figure below illustrates the geographical layout of First Majestic's Land package.

In early 2006, it was determined that sufficient ore was being developed to justify the construction of a new mill with a capacity of 800 tpd. Construction began in March 2006 and was completed in December. Two 400 tpd circuits; one to handle oxide ore, and the other to handle sulphide ore were included in the mill design. **At this level of production, the La Parrilla Silver Mine will be producing approximately 1,800,000 ounces of silver per year.**



San Martin Silver Mine

The San Martín Silver Mine is 100% owned and includes an 800 tpd cyanide mill and a land package consisting of 7840 hectares of which First Majestic owns 1482 hectares of the surface rights. The area has never been explored using modern exploration techniques. **The mine has been in continuous production since 1983 and produces approximately 1.5 million ounces of silver per year. First Majestic is focused on increasing its silver resources while at the same time maintaining production at present levels through 2007 and increasing production in 2008.**

The San Martín is located 250 km north of **Guadalajara in Jalisco State, Mexico**. Pincock Allen & Holt ("PAH"), the Company's Qualified Person, has completed a NI 43-101 compliant technical report on the San Martín. In addition to calculating a large silver Resource, PAH also stated that the exploration potential for developing additional Resources at the San Martín appears to be very promising.

First Majestic took control of operations of the San Martín in June 2006 by purchasing a majority stake in First Silver Reserve Inc. In September 2006, First Majestic purchased the remaining shares of First Silver resulting in 100% ownership.

The San Martín Silver Mine suffered from a lack of reinvestment for several years. The opportunity which First Majestic identified was to make the necessary investments in development, exploration and mill improvements to not only increase the 43-101 compliant silver Resources, but also increase silver production from current levels.

La Encantada Silver Mine

The La Encantada Silver Mine is located in the "**Sierra Madre Oriental**" physiographic province of México. The mine is in the **state of Coahuila** and the access is through the road from Muzquiz to Boquillas del Carmen, Coah., through a 165 kilometres paved road and a branch of 45 kilometres dirty road, covering the distance in 2.5 hours.

The mining activity in this district began in a low scale in 1950 up to 1969 and at the beginning of the 1970's until the year 2003 with Grupo Peñoles/Lacana Corp. exploiting the ore-bodies of; La Prieta, 660, Ojuelas, Escondida, San Javier Breccia, Milagros and some of the irregular veins in the San Javier zone. It is estimated that around 6.0 million tons with a grade of 418 g/ton silver and 9.83% lead have been extracted (P. Trejo and E. Chico).

MINE AND PLANT OPERATION

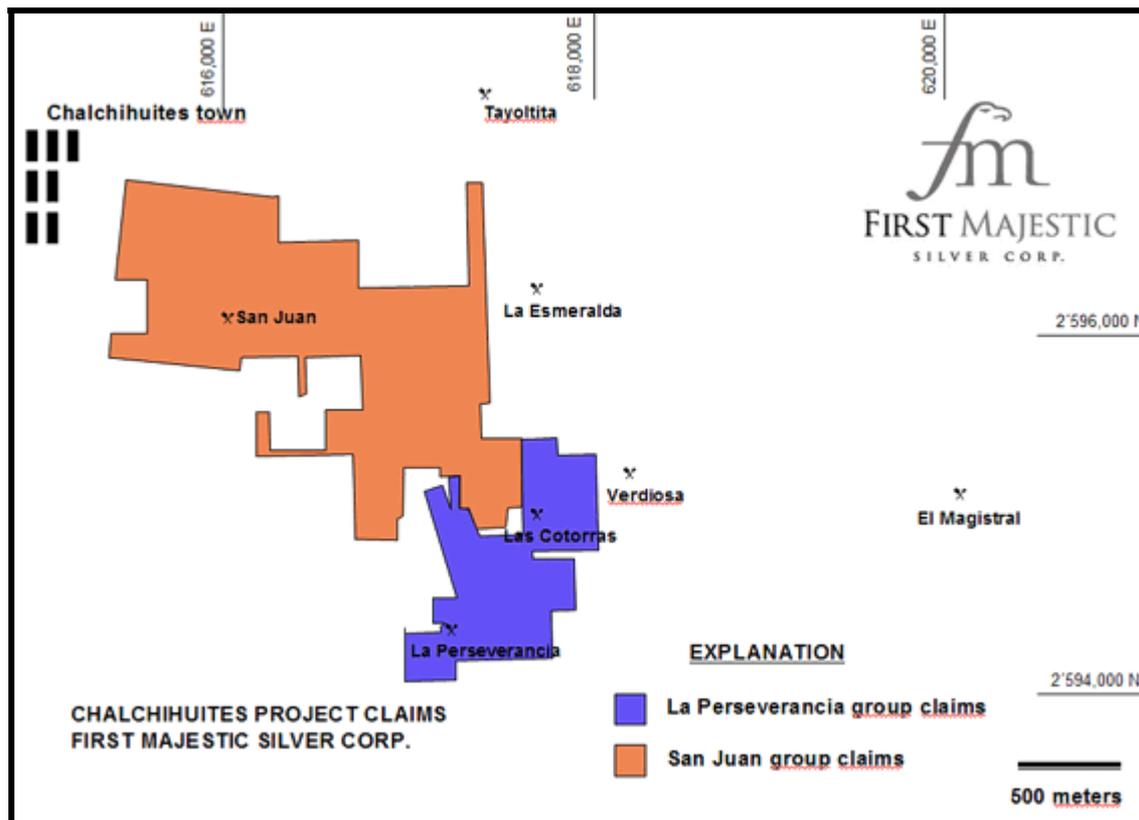
Historically, the strategy was to obtain greater grades of silver while maintaining low tonnage. Mining is taking place mainly in the San Javier area, of "mantos" 314 and the Ojitos structure, between levels 635 to 680.

The flotation plant with a capacity of 800 tons per day is presently being operated at 75% of its capacity. In recent years, very little reinvestment was made to open new areas up within the mine to take advantage of higher mill capacity. Annual production in 2004 & 2005 was approximately 800,000 ounces and in 2006 after First Majestic took over operations, silver production increased to 950,000 ounce.

First Majestic plans to improve the technologies within the mill to increase recoveries, while at the same time developing the underground mine in order to access additional ore to sustain higher daily tonnages thus increasing silver production.

Chalchihuites Properties

Strategically located only 60 km to the southeast from La Parrilla Silver Mine, First Majestic optioned to acquire 487 hectares of a contiguous land package comprising three claim groups containing 4 previously operated mines. **The Perseverancia Silver Mine** (6 claims), **the San Juan Mine** (8 claims) **La Esmeralda Mine** (7 claims), and **the Magistral Mine** (1 Claim) are **located in the Chalchihuites mining district** located at the Western portion of Zacatecas State in the municipality of Chalchihuites, and 150 km to the northwest from Zacatecas City.



A total of eight agreements were entered into to secure the land package. **The properties host silver, copper, lead and zinc mineralization with a potential for near term silver production which could be processed at the La Parrilla.** The properties have history of silver-lead-zinc and copper-gold production with extensive underground workings. The properties host potential for manto style silver-lead-zinc replacement type ore bodies, chimney type gold-silver-lead-zinc-copper ore bodies and silver vein type ore bodies and represent significant exploration potential.

Access to the properties is easily achieved due to the close proximity to the Interstate 45 highway and the state roads which connect the Chalchihuites Town and several country and trail roads connect most of the claims. Local infrastructure, including electricity, water and telephones are all presently available. Basic facilities, restaurants, hotels and gas stations can be found in Chalchihuites Town. Major services, banks, repair shops, etc, can be found in Vicente Guerrero Town and in Sombrerete town located both just 50 km away. The climate is moderate to semi-dry. Rainfalls are much more common in summer than in winter. Vegetation is scarce because of the semi-dry weather conditions; in the lower parts cactuses, grasslands and farm lands are common while in the heights, pine and oak forests occur.

Although there are no records of production, at least four mines have been worked in intermittent way and it is estimated the tonnage and grade exploited due to the size and sampling of the stopes as follows; the Perseverancia ($\pm 100,000$ tonnes grading 500-1,500 gr/ton Ag, and 10-35% combined Pb and Zn); the San Juan ($\pm 100,000$ tonnes, 300-500 gr/ton Ag), La Esmeralda ($\pm 80,000$ tonnes, 2-6% Cu), the Magistral ($\pm 50,000$ tonnes, 2-6% Cu and 2-8 gr/ton Au). Also, some other small mines, pits and ditches are spread out all over the properties such as Tayoltita, El Zinc, La Nueva India, Las Cotorras, La Verdiosa, Cármen, etc.

Candamena Mining District

The Candameña property covers an area of 5,215 hectares and is located in a remote area of the Barranca section of the NW Sierra Madre Occidental in the State of Chihuahua close to the border with Sonora. The property can be reached from either Hermosillo or Chihuahua via Highway 16 that connects both cities. The Candameña contains several expressions of mineralization that range from anomalous alteration zones with little to no exploration to mineralized areas that were the target of more intense exploration work and historic mining. The area within this large land package of special interest and thus the focus of the present program is the La Verde Silver Mine. Mapping and surveying in this area is underway. Road construction will begin in June to allow for access of drilling equipment which is anticipated to commence drilling in July 2006.

Recent News: **Production Increases 27% in 4th Quarter**

First Majestic Silver Corp. announced that production in the fourth quarter ending December 31, 2008 increased to 1,070,903 equivalent ounces of silver representing a 27% increase over the prior quarter production and an increase of 6% over the same quarter in the prior year.

The equivalent silver production for the quarter consisted of 930,120 ounces of silver, an increase of 29% over the previous quarter and 2,093,987 pounds of lead which represents a 38% increase over the previous quarter. The large increase in lead production was a result of improvements in recoveries of lead and tonnage at the flotation circuit at the La Encantada Silver Mine. Production of gold in the quarter amounted to 403 ounces representing a 25% decrease compared to the prior quarter.

During the quarter, the combined recoveries of silver at the three different mills showed a slight decrease from 67% to 65%. The overall average silver head grade in the quarter improved for the three mines increasing by 6% over the previous quarter to an overall head grade of 207 g/t silver.

The ore processed during the quarter at the Company's three operating silver mines; the La Parrilla Silver Mine, the San Martin Silver Mine and the La Encantada Silver Mine, amounted to 215,646 tonnes representing an increase of 27% over the previous quarter.

Despite the reduction of underground development throughout the Company's three operating silver mines, a total of 5,847 metres of development was completed in the quarter representing a reduction of 34% over the previous quarter. The total development for the year 2008, totalled 27,890 metres. This compares to 20,279 metres of underground developed in the previous calendar year representing an increase of 38%. This development program in 2008 was very important in giving access to new areas within the different mines in order to continue the growth of silver production in the future, and to upgrade current ore resources to reserves.

Reserve and Resource development was a high priority for the Company in 2008. In the quarter, two new NI 43-101 Reports were released. Current global resources now stand at 260,351,425 equivalent ounces of silver. As previously reported, two additional NI 43-101 Reports will soon be released to further increase this number. During most of the year, over 20 drill rigs were operating. During the fourth quarter, a decision was made to reduce the diamond drill program to four drill rigs, which currently remain in operation. A total of 4,193 metres of diamond drilling was completed during the quarter compared to 26,666 in the previous quarter. During the year ending December 31, 2008, a total of 61,440 metres of diamond drilling was completed which compares to 37,176 metres drilled in 2007 representing an increase of 65%.

Keith Neumeyer, President & CEO, stated, "we've witnessed another significant year of growth in production and Resources as a result of our continued focus on mine and mill improvements throughout the past couple of years. Production increased by 18% year over year and Resources have increased by an impressive 55%. These improvements will translate into higher production for 2009 and with the new La Encantada mill coming online later this year, production will get another significant boost. First Majestic is still a young company that is not without challenges as can be expected as a result of our significant growth to date. I'm continually encouraged by our team of professionals who collectively have over 500 years of mining and management experience and who are all extremely committed to building a leader in the silver sector."

As a result of the work completed in 2008, some of the improvements and advances made during the year include:

At the La Parrilla Silver Mine:

- A new CCD thickener and two new leaching tanks to increase capacity and two new filter presses in the filtration area were added which have positively impacted recoveries.
- Expansion of mill capacity from 800 tpd to 850 tpd which was achieved in November 2008.

At the La Encantada Silver Mine:

- The increase in NI 43-101 compliant Reserves and Resources from 66 to 89 million ounces of silver equivalent representing a 34% increase on a year over year basis which included Reserves of 35.5 million ounces of silver equivalent representing an increase of 182% year over year.
- All related permitting for the new 3,500 tpd Cyanidation plant was obtained during the first half of 2008 and construction of the new plant began in July. Planned completion remains the second quarter of 2009.
- Several improvements were made within the current flotation mill which has resulted in overall capacity reaching 1000 tpd in November 2008.

At the San Martin Silver Mine:

- Expansion of the mill began at San Martin in July 2008 and was completed in December resulting in an increase in capacity within the cyanidation circuit to 950 tpd. This throughput has now been reached and is fully operational.

At the Del Toro Silver Mine:

- One of the most impressive and over-looked events of 2008 was marked by the discovery of the third ore body at Del Toro. This large and open, highly mineralized structure is still in the early stages of being defined. The first NI 43-101 compliant Reserves and Resources estimate was published in the fourth quarter far exceeding management's expectations. A total of 57 million ounces of silver equivalent were defined paving the way toward feasibility study and permitting which is planned to be completed by the second quarter of 2009.

Total production during 2008 reached 4,244,756 ounces of silver equivalent representing an increase of 18% compared to the previous year's 3,584,265 ounces silver equivalent. Even though management is pleased with the substantial increase in silver production compared to 2007, production for the year was lower than originally estimated. The heavy rainy season which affected the third quarter had a negative impact on the tonnage feed through the mills at each operation. Also, at the San Martin, maintaining optimal head grade continued to be the primary challenge which required management to try different alternatives to give the development program time to prepare and access new areas within the mine. Given the expansions that were completed in 2008 and the new construction underway at the La Encantada, management is estimating production to be 6,000,000 ounces of silver for 2009.

Fundamental Considerations

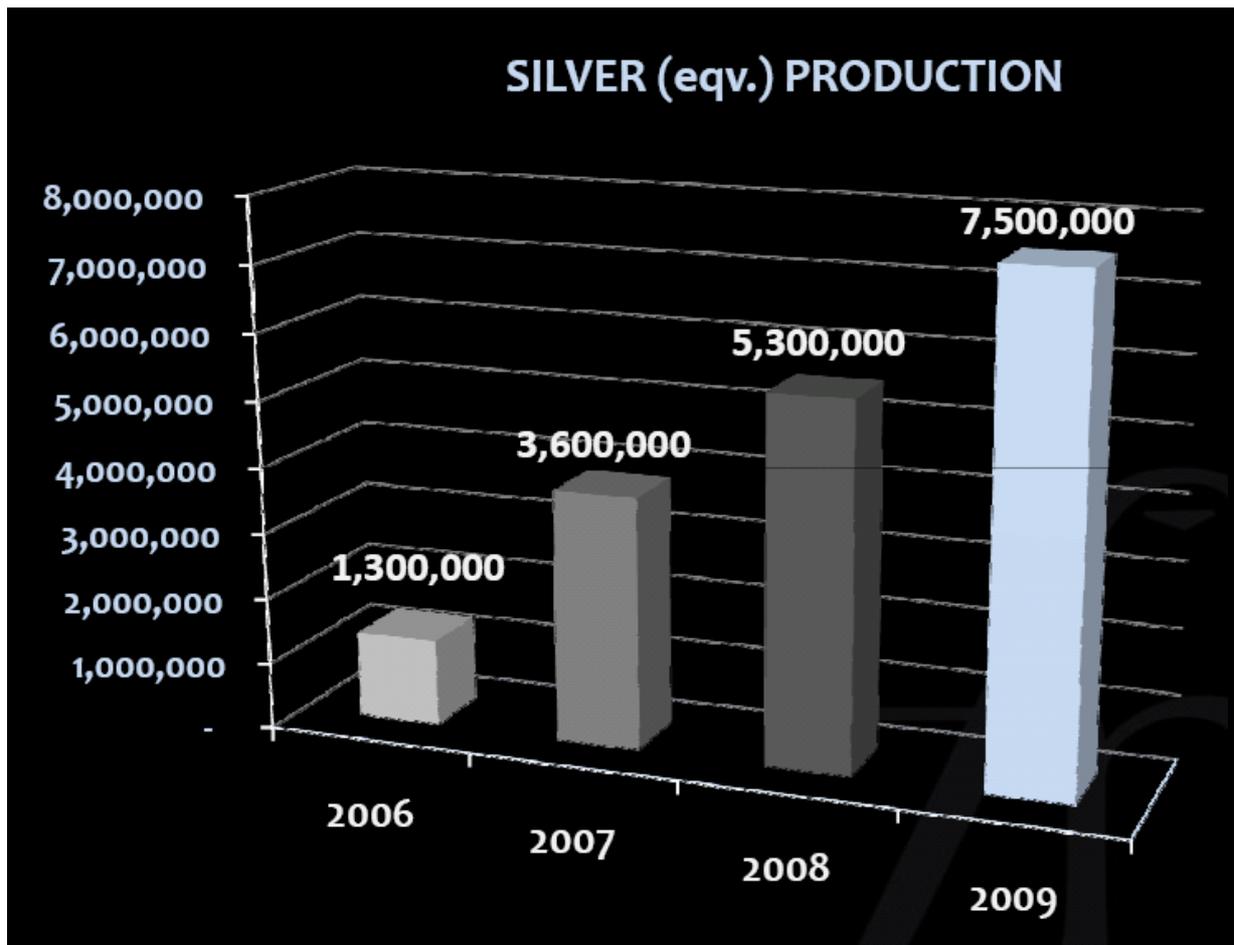
Remember the Uses of Silver

- **Pharmaceuticals**
- **Electrical**
- **Chemical Catalyst**
- **Reflectants**
- **Industrial**
- **Printed Circuitry**
- **Superconductors**
- **Electroplating**
- **Brazing & Soldering**
- **Coins**
- **Photography**
- **Silverware & Jewelry**
- **Mirrors & Coatings**
- **Solar Energy**
- **Water Purification**

Why Mexico?

COMPETITIVE ADVANTAGES TO BUSINESS IN MEXICO

- **Free trade agreements with major economies (U.S., Canada, Europe, among others)**
- **Political and financial stability**
- **North American style Legal & Accounting system**
- **100% Foreign Capital Allowed**
- **Wide and modern communications and transportation infrastructure**
- **Highly qualified human resources**
- **Strategic geographical location**



First Majestic believes to be in a position to produce 7.5 million ounces of silver in 2009, 40% more than in 2008. With what market capitalization should the market value this production?

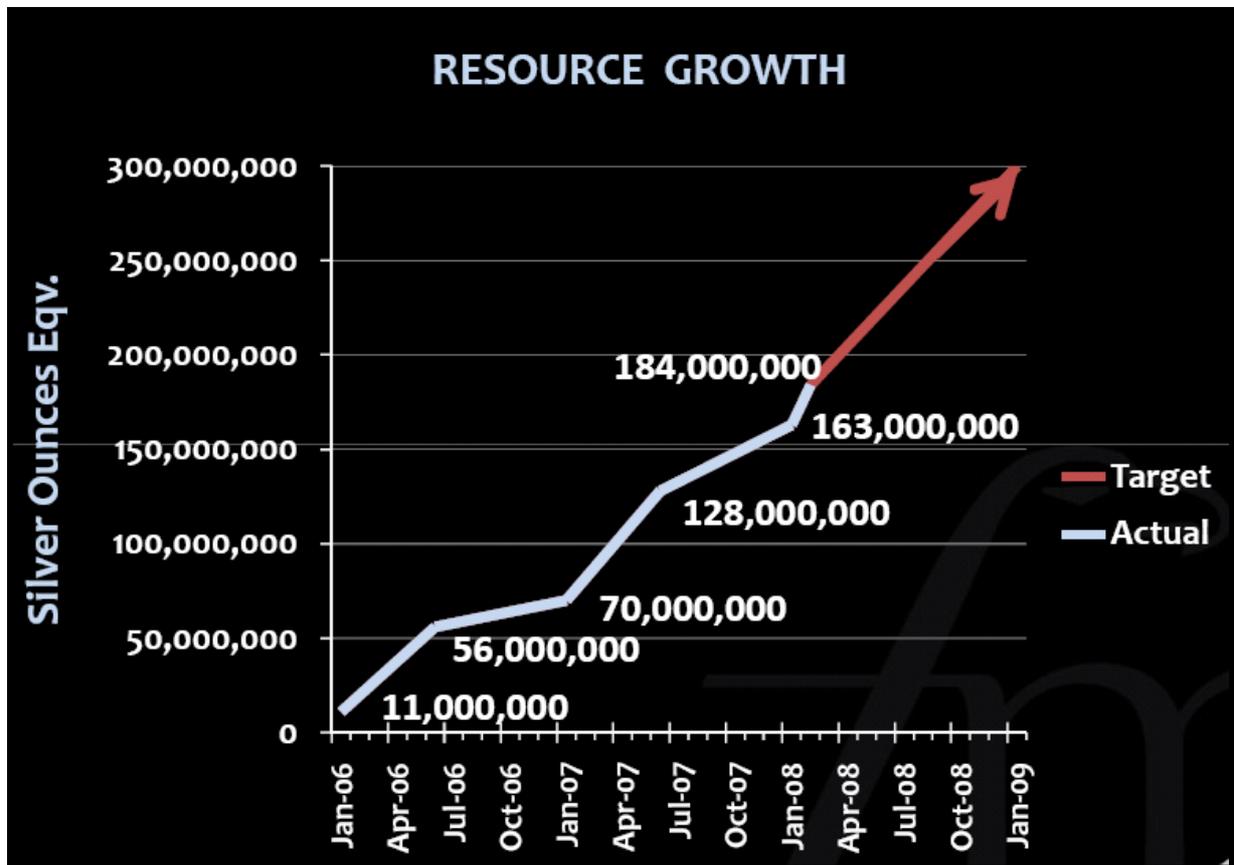
In comparison: Pan American Silver is estimated to produce 21 million ounces in 2009, an increase of 12% over 2008. The market capitalization of Pan American Silver is \$ 1.3 billion or \$ 62 per ounce of silver produced, down from \$ 170 from its high.

First Majestic Silver's market capitalisation is presently \$ 20 per ounce of silver to be produced or one third of the market capitalisation of Pan American Silver. Before the market crash, First Majestic had a market capitalization of \$ 60 per ounce of silver to be produced.

The share price of First Majestic does not only have the potential to triple but to go much higher once the silver price starts to move up again.

Reserves and Resource

How should the market value a silver equivalent resource of 300 million ounces?



Pan American Silver had proven and probable silver reserves of 228 million ounces at the end of 2007 and a market capitalisation of \$ 1.3 billion at present or \$ 5.70 per ounce of silver.

Should First Majestic reach its target of having 300 million ounces of silver resource, its market capitalization would fall to \$ 0.50 per ounce of silver.

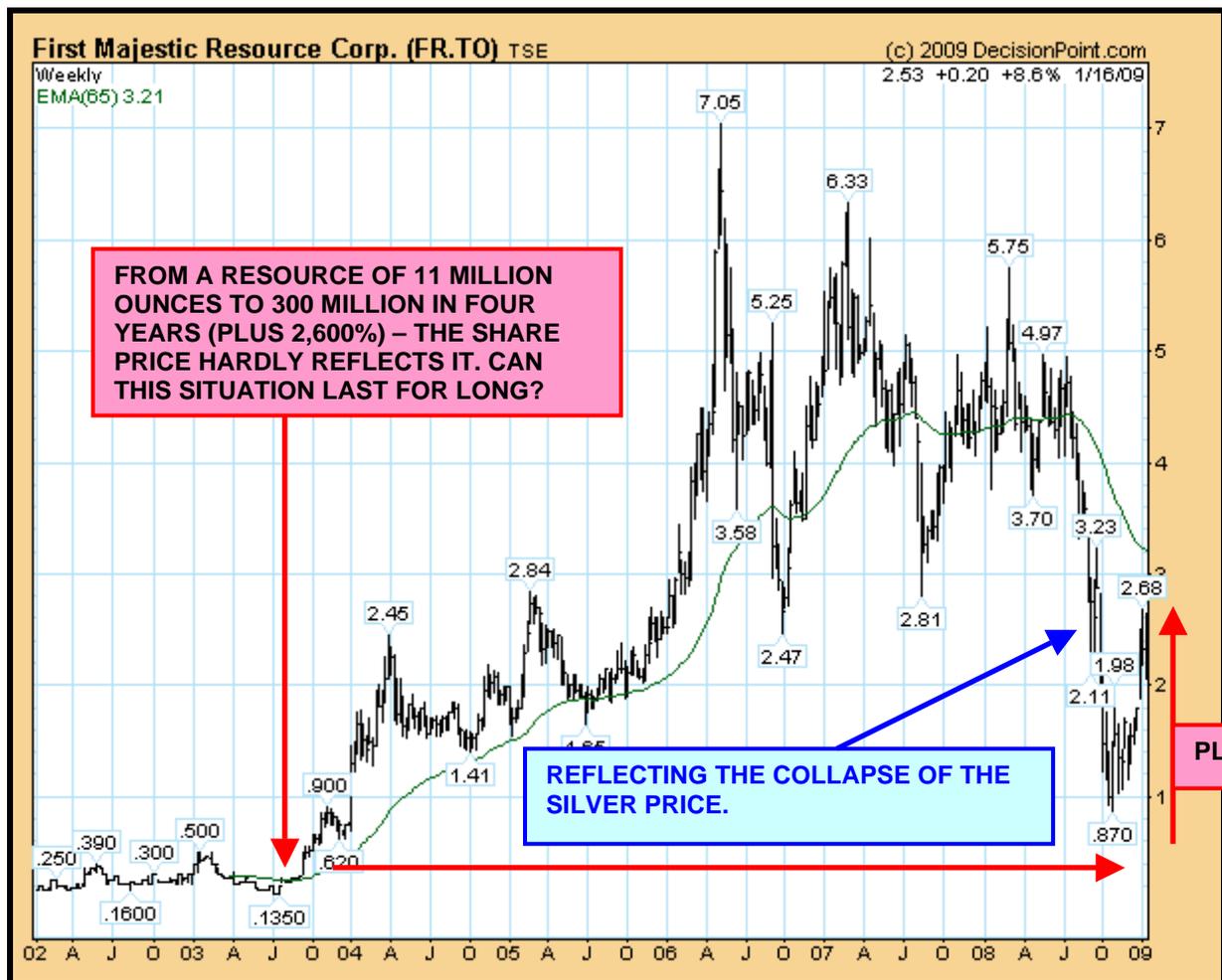
Earnings estimates

According to some sources, 10 analysts recommend Pan American Silver but only 1 recommends First Majestic. It is therefore little surprising that Pan American has an estimated PE of 22 on 2010 earnings while the one for First Majestic is 5.

Some of the 10 analysts may indeed come to the conclusion that First Majestic is the more promising company to own.

Technical Considerations





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Disclosure: The author has not been paid to write this article nor has he received any other inducement to do so. The author is a shareholder in the company and will benefit from any increase in the company's share price.

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PLEASE SCROLL DOWN FOR THE

MANAGER'S REPORT FOR THE YEAR 2008

SIERRA MADRE GOLD & SILVER VENTURE CAPITAL FUND

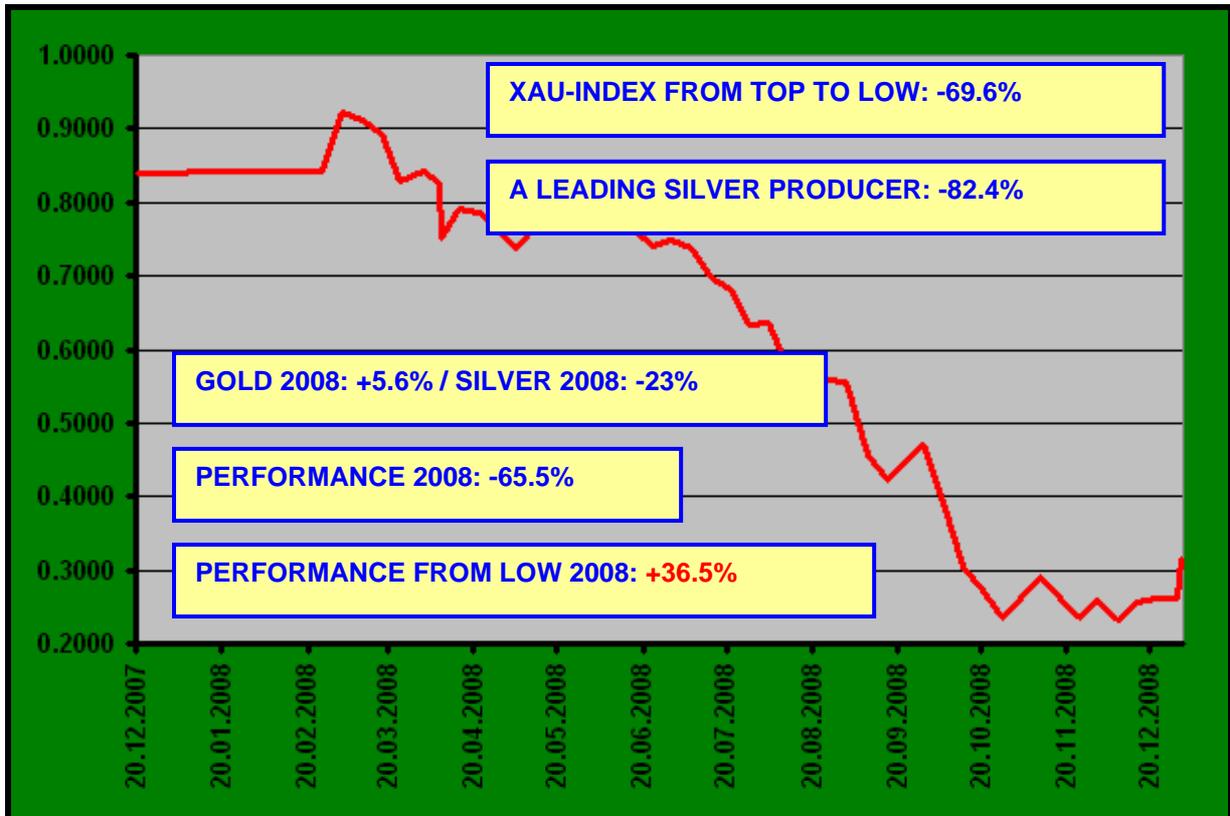


Sierra Madre Gold and Silver
Venture Capital Fund

MANAGER'S REPORT FOR THE YEAR 2008

PERFORMANCE

<u>% CHANGE</u>	<u>PRICE DEC 31</u>	<u>12 MONTHS</u>
THE SIERRA MADRE GOLD & SILVER VENTURE FD	0.315	-65.50%
GOLD	881.4	5.60%
SILVER	11.4	-23.00%
PLATINUM	910	-40.30%
PALLADIUM	181	-50.60%
GOLD & SILVER INDEX - PHILADELPHIA (\$XAU)	123.85	-28.50%
AMEX GOLD BUGS INDEX (\$HUI)	302.41	-26.10%
GOLD MINERS INDEX - AMEX (\$GDM)	927.39	-26.80%



The year 2008 was marked by the subprime mortgage crisis, an ongoing financial crisis which has triggered a dramatic rise in mortgage delinquencies and foreclosures in the United States, with major adverse consequences for banks and financial markets around the globe.

The crisis, which has its roots in the closing years of the 20th century, became apparent in 2007 and has exposed pervasive weaknesses in financial industry regulation and the global financial system.

Rising interest rates and falling real estate prices forced banks to write off billions of dollars and made people aware that our financial system is at risk to collapse.

Gold reacted the way it has been expected to perform in times of crisis: it moved up! Gold actually made a new all-time high at \$ 1005.5 in March to give up all it had gained since the beginning of the year. At the beginning of May, the gold price was down to the level where it started off the year.

While gold moved modestly, silver lost 23% and 57% from the March high to the November low.



THE MAIN FOCUS OF THE SIERRA MADRE GOLD & SILVER VENTURE FUND IS SILVER, THEN GOLD AND THOSE METALS WHICH ARE ASSOCIATED WITH SILVER AND GOLD MINING LIKE ZINC, NICKEL AND COPPER.

Due to the unfolding financial crisis and the expected slowdown in the growth rates of the world economies, metal prices have come under heavy selling pressure. Especially silver was also hit hard. Share prices of leading and other silver companies suffered even more as the examples in above chart reveal. Losses of up to 95% have been common.

Compared to these heavy losses, THE SIERRA MADRE GOLD & SILVER VENTURE FUND did in fact quite well – losing “only” 65% of its value.

The share prices of many silver companies have fallen to ridiculous levels, trading at a ratio of only fifteen times annual silver production while the ration was more than 100 before the crisis erupted.

We have little doubt that these aberrations will not prevail and that those who have the courage (and the money) to buy now, will be handsomely rewarded.

Mexico is the world's number two silver producer

Peru has become the world's biggest producer of silver and ranks second in copper production, Mines and Energy Minister Juan Valdivia has said, Spain's EFE. According to the US Geological Survey (USGS), silver production in Peru crossed 109 million fine ounces in 2007, while Mexico and China occupied the second and third place with over 96 million and 86 million fine ounces respectively.

The economy of Mexico is 10th to 12th largest in the world. Since the 1994 crisis, administrations have improved the country's macroeconomic fundamentals.

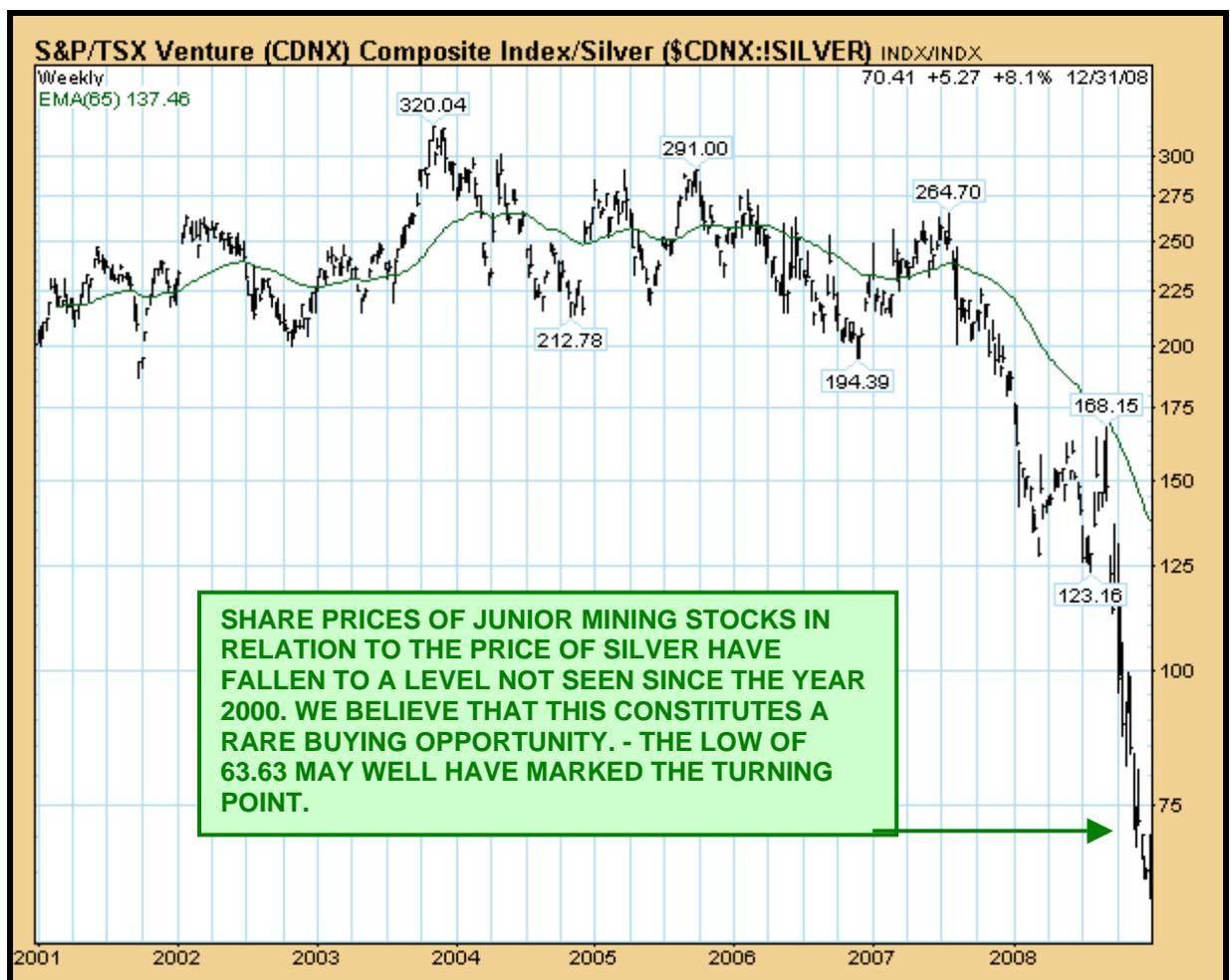
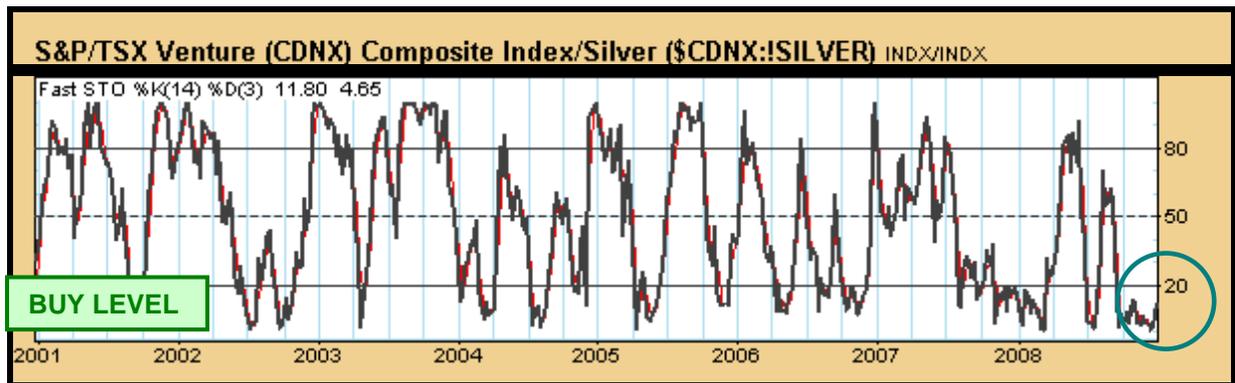
Mexico was not significantly influenced by the recent 2002 South American crisis, and has maintained positive, although low rates of growth after a brief period of stagnation in 2001. Moody's (in March 2000) and Fitch IBCA (in January 2002) issued investment-grade ratings for Mexico's sovereign debt. In spite of its unprecedented macroeconomic stability, which has reduced inflation and interest rates to record lows and has increased per capita income, enormous gaps remain between the urban and the rural population, the northern and southern states, and the rich and the poor. Some of the government's challenges include the upgrade of infrastructure, the modernization of the tax system and labor laws, and the reduction of income inequality.

The economy contains a mixture of modern and outmoded industry and agriculture, both of which are increasingly dominated by the private sector. Recent administrations have expanded competition in ports, railroads, telecommunications, electricity generation, natural gas distribution and airports, with the aim of upgrading infrastructure.

As an export-oriented economy, more than 90% of Mexican trade is under free trade agreements (FTAs) with more than 40 countries, including the European Union, Japan, Israel, and much of Central and South America. The most influential FTA is the North American Free Trade Agreement (NAFTA), which came into effect in 1994, and was signed in 1992 by the governments of the United States, Canada and Mexico.

In 2006, trade with Mexico's two northern partners accounted for almost 90% of its exports and 55% of its imports. Recently, the Congress of the Union approved important tax, pension and judicial reforms, and reform to the oil industry is currently being debated. According to the Forbes Global 2000 list of the world's largest companies in 2008, Mexico had 16 companies in the list.

THE TECHNICAL OUTLOOK FOR JUNIOR MINING COMPANIES





JUNIOR GOLD AND SILVER MINING COMPANIES AT BARGAIN LEVELS!

The average value per ounce of resource of the gold and silver producers – especially the junior companies – have disconnected from the metal prices as a result of the subprime crisis. While the prices of the metals have shown strong gains, share prices of these companies have actually fallen. The market capitalization per ounce of silver or gold resource has dropped to extreme low levels. It will only be a matter of time until this phenomenon will be corrected. The correction of this abnormal situation in fact has already started.

THE SIERRA MADRE GOLD & SILVER VENTURE FUND received the licence as a **PROFESSIONAL INVESTOR FUND** targeting experienced investors from the MALTA FINANCIAL SERVICES AUTHORITY on October 7th, 2006.

December 31, 2008

VISIT OUR WEBSITE AT WWW.SIERRAMADRE-SILVER.COM