

Keith Neumeyer: How to Build a Major Silver Producer

By Ron Hera

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The [Hera Research Newsletter](#) (HRN) is pleased to present an informative interview with Keith Neumeyer, Chief Executive Officer, President and Director of [First Majestic Silver Corp. \(TSX:FR / NYSE:AG\)](#). Mr. Neumeyer began his career at the Vancouver Stock Exchange and worked in the investment community for 26 years beginning his career in a series of Canadian national brokerage firms including McLeod Young Weir (now Scotia McLeod), then Richardson Greenshields and then Walwyn Stogell McCuthchen (which became Midland Walwyn).

Mr. Neumeyer moved on to work with several publically traded companies in the natural resource and high technology sectors. His

roles have included senior management positions and directorships in the areas of finance, business development, strategic planning and corporate restructuring. Mr. Neumeyer, who has listed a number of companies on the Toronto Stock Exchange, has extensive experience dealing with financial, regulatory, legal and accounting issues.

Hera Research Newsletter (HRN): Thank you for joining us again. Let's talk about First Majestic Silver. I understand your silver production has increased substantially in the past year.

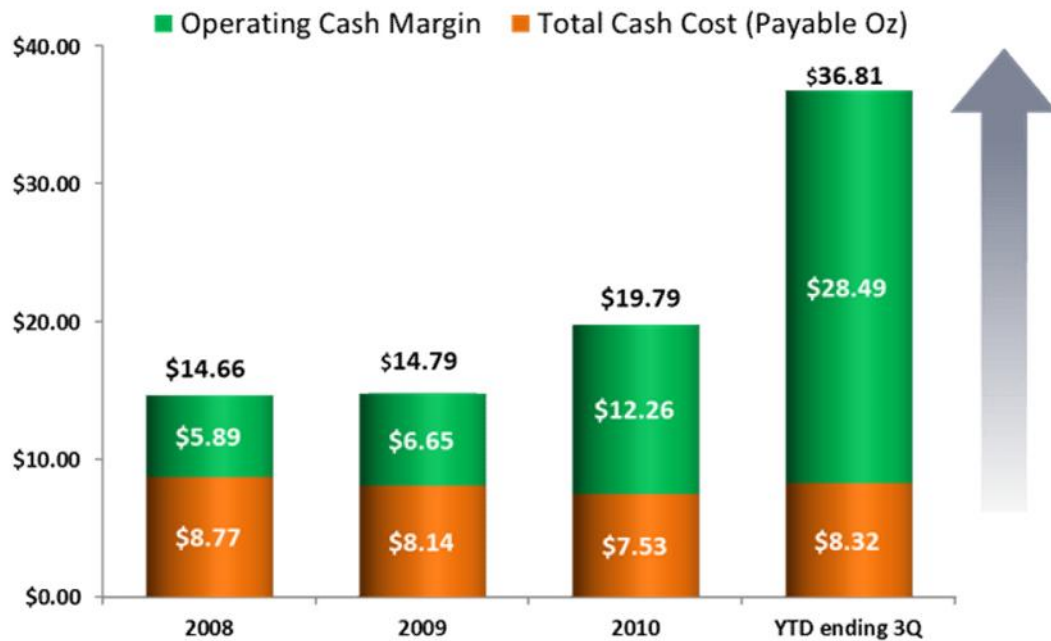
Keith Neumeyer: We've grown a lot in the last 12 to 14 months. We've had, basically, a 50% increase in production due to the fact that we built a new facility at the La Encantada Silver Mine, which is now operating at over 4,000 tonnes per day. Now, we're going to leapfrog ahead again with the La Parrilla Silver Mine, which we're coming to the final stages of completion of a major expansion project there. That operation is doubling in size for 2012.

HRN: How much silver will La Parrilla produce now?

Keith Neumeyer: La Parrilla was operating at 850 tonnes per day. It will be 2,000 tonnes per day by the end of the year and it will be a 3 million ounce producer, plus a substantial amount of lead and zinc. The cost per ounce will come down on a byproduct basis and the production almost doubles.

HRN: So, you expect your margins to increase, even without higher silver prices?

Keith Neumeyer: Yes. We should have a good 4th quarter and an even better 1st quarter.



HRN: What will the production numbers look like?

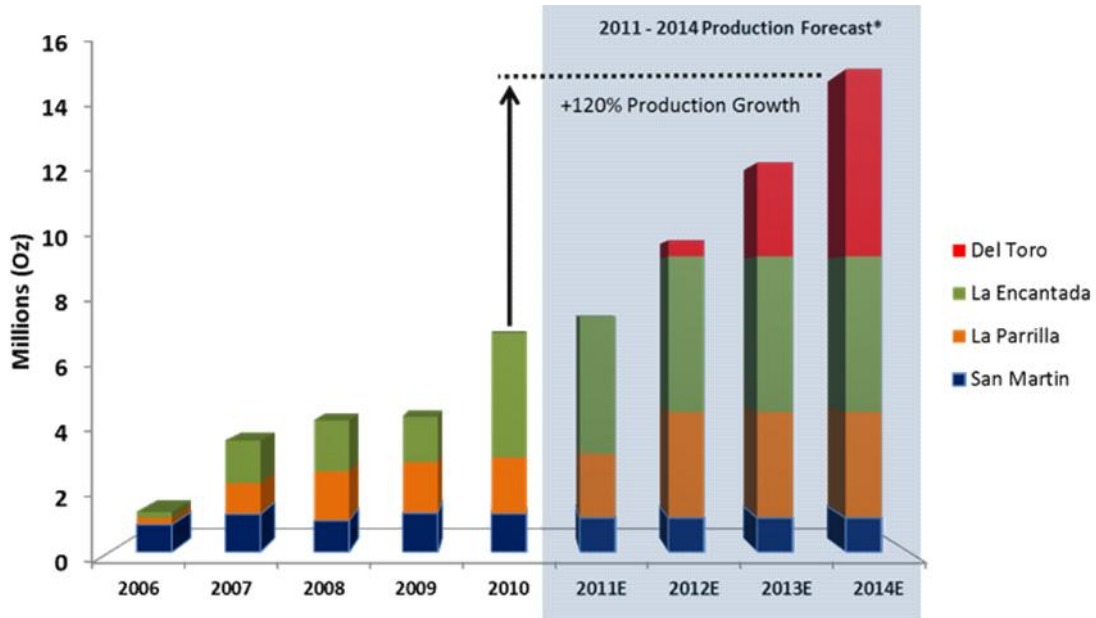
Keith Neumeyer: We have 3 mines in production now: La Encantada, La Parrilla and San Martin. We expect to go up to 10 million ounces production next year from about 7 1/2 million ounces this year.

HRN: A 25% increase in production in the next year?

Keith Neumeyer: We also have another mine, Del Toro, coming online. We've got a feasibility study coming out in January, which will discuss all the numbers. Del Toro will ultimately become First Majestic's largest mine. We're expecting to see some small production from Del Toro in the 4th quarter of 2012, but the largest increases in production will be in 2013 and 2014.

HRN: How much silver will you be producing?

Keith Neumeyer: In 2014 we expect to be producing over 16 million ounces silver equivalent (90% silver).



HRN: So, a 100% increase in the next 2 years. Do you still classify First Majestic Silver as a junior producer?

Keith Neumeier: In the gold market they call a 100,000 ounce producer mid-tier and 500,000 ounces is senior. 500,000 ounces at today's gold-silver ratio is roughly 25 million ounces of silver. There are not that many 25 million ounce silver producers. I think there are 2. So, I would call First Majestic Silver a mid-tier producer right now.

HRN: How does First Majestic Silver grow so consistently, year after year? What's your success formula?

Keith Neumeier: Well, first of all, it comes down to the people. I formed First Quantum Minerals back in 1992. It's one of the top 5 copper producers in the world with a \$10 billion market cap. I learned a lot at First Quantum. The team and the on-the-ground skill set in the country you're active in is extremely important.

HRN: I read that your background is in finance, not mining.

Keith Neumeier: I came from the brokerage side of the business. I was on the financial side for a number of years and I got a lot of business experience. I developed good connections in the financial community, with analysts and brokers, so I can raise money when needed for good projects.

HRN: How does that help you run a mining company?

Keith Neumeier: Well, you put all these things together. It's common sense. We've created a great skill set right across the board. Our Chief Operating Officer, Ramon Davilla, has done a heck of a job in Mexico. He came from Pan American Silver and was with Industrias Penoles and with Luismin before that. Our CFO, Raymond Polman, is very experienced in the financial markets. When you look at all the senior managers we have in Mexico, you can see how deep we

are in terms of experience. The top 40 executives have over 600 years of mining experience in Mexico.

HRN: How did you recruit a team with so much experience?

Keith Neumeyer: It hasn't always been easy, believe me. There have been a lot of challenges along the way but the results are there. First Majestic is very well respected. When people become available in this sector they come to our front door for a job first. It's a real compliment. Often we create positions for 30 year veterans who bring experience to the table. We've done that for the last 5 years and it's created a kind of snow ball that we know as First Majestic today. It's a group of very dedicated people that are looking in the same direction, focusing on the same targets.

HRN: What is the direction?

Keith Neumeyer: We're looking ahead to become a much larger company. We can see that happening now. We've got the team in place and the assets to accomplish it.

HRN: Why do you think most other mining companies don't grow significantly?

Keith Neumeyer: Many companies that would like to grow just can't because they don't have the skill set. I just got back from a 3-day mining conference in Acapulco, a technical conference. We had 25 of our own senior managers there. We had a number of speeches and presentations there and I met with a lot of CEOs of mining companies that are active in Mexico and elsewhere. They're clamoring for people and there just aren't enough experienced people. They look at us as being quite special because of the people we have in place and our attrition level is virtually zero in our senior management team. The people we put in place 5 years ago are virtually the same people today and they're going to be there in the years to come.

HRN: So, they find it difficult to attract the best people and you don't?

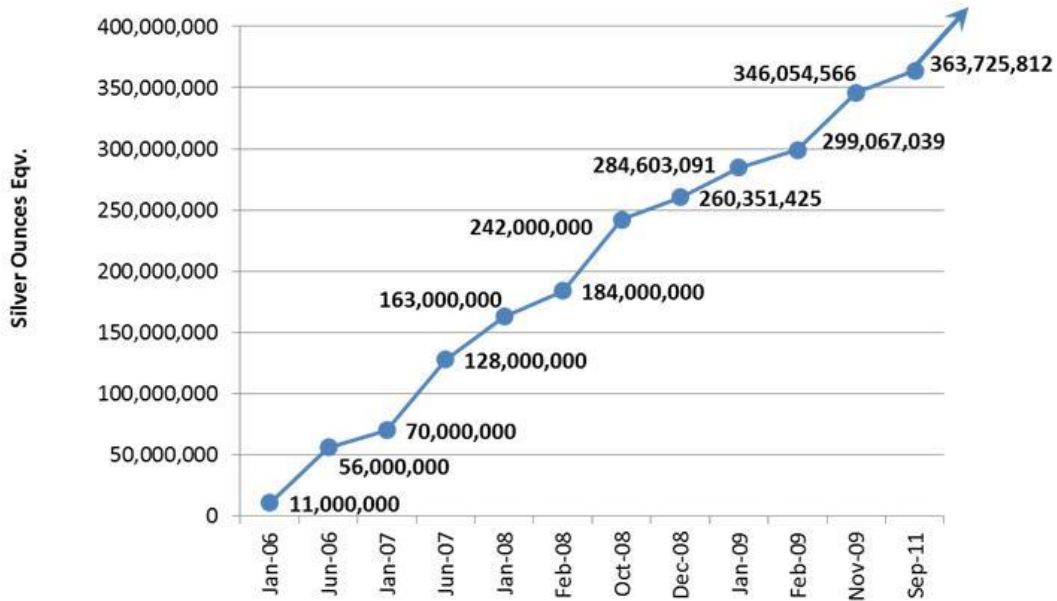
Keith Neumeyer: Just in the last 2 months, we had two very senior people join us. I won't name the companies they came from, but, no, we don't have any difficulty. It's a continual process. I can name several events in the last five years that have caused 20 people to show up on our doorstep with resumes and we grabbed 8 or 10 of them. It's happened a number of times. As I said, First Majestic has proven to be a very attractive place to work and with our growth, people want to be part of that.

HRN: How can you keep up the same level of growth?

Keith Neumeyer: We bought all of our assets between 2004 and 2006, except for the La Luz Silver Project, which we bought in 2009 when we took over another public company. I can't say they were unknown assets but we had no competition. We went in; we looked at them; we cut a check and we bought them. It surprised me at the time that there weren't other companies out there being as aggressive as we were. We've been very aggressive and today have 5 assets, 3 are producing and are continually being expanded. Each one of those mines has been expanded multiple times since we began operating them and we will continue to expand them for the foreseeable future. There are a lot of ounces in the ground and it's just a matter of developing the underground infrastructure and, when that's completed, expanding the mills again. We'll keep doing that at each of our operations. Del Toro is currently under construction and La Luz is in the permitting process.

HRN: What's the picture in terms of resources? Can you keep growing your resources?

Keith Neumeyer: I'm not a geologist, but I think Mexico is extremely underexplored. It's only been since 1993 that NAFTA was signed and foreign investors had any protection when investing in Mexico. The resource sector began to fall in 1997 and didn't bottom until 2002. So, there had only been a few years of new exploration and that's really not enough time. But in that time, some pretty interesting things have happened. There have been some big discoveries.



HRN: Many new discoveries seem to be less accessible and lower grade.

Keith Neumeyer: All the easy stuff—all the outcrops—have been pretty well discovered. The next stage of the exploration is deeper drilling into geophysical or geochemical anomalies. That's what's happening now. I think there will be a lot of discoveries in Mexico over the next 10 to 20 years in all metals, not just silver. I think there will be discoveries of gold, silver, copper, lead and zinc.

HRN: So, you expect underground deposits to be discovered?

Keith Neumeyer: These deposits are extremely deep. If you have a chance to sit down with a geologist who is very active in Mexico, you should do that. I've done it several times. The Spaniards went in 500 years ago and mined all the easy stuff but they tended to abandon the mines when it became too difficult because they could just go somewhere else. Things have changed. We're able to go much deeper due to higher prices and new technology. We're finding that, what were thought to be 50 or 200 metre structures go 800 to 1000 metres down.

HRN: Thank you for your time once again.

Keith Neumeyer: It's my pleasure.

After Words



Keith Neumeyer, Chief Executive Officer, President and Director of First Majestic Silver Corp. (TSX:FR / NYSE:AG) has led the company on a path of phenomenal growth. One of a small number of primary silver producers, First Majestic has consistently increased its production, cash margins and mineral resources while lowering production costs. With three operating mines and a fourth mine under construction, First Majestic has broken into the mid-tier producer category and is on track to become a major producer. The company is a showcase “growth story” that illustrates virtually everything savvy investors look for in precious metals mining stocks. Down from its 52-week high of \$26.88 on April 26, 2011, the stock is poised to move higher with silver remaining over \$30 per ounce compared to cash costs of \$8.32 per ounce.

Editor's Note: Hera Research, LLC or its Directors are shareholders in First Majestic Silver Corp.

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