



**NOTICE OF MEETING  
AND  
MANAGEMENT INFORMATION CIRCULAR  
RELATING TO  
THE SPECIAL MEETING OF  
THE SHAREHOLDERS AND OPTIONHOLDERS  
OF  
ORKO SILVER CORP.  
ON FEBRUARY 20, 2013**

**These materials are important and require your immediate attention. The securityholders of Orko Silver Corp. are required to make important decisions. If you have questions as to how to deal with these documents or the matters to which they refer, please contact your financial, legal or other professional advisor.**

**THE ARRANGEMENT AND THE RELATED SECURITIES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED WITH, RECOMMENDED BY, OR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY U.S. STATE OR CANADIAN PROVINCE OR TERRITORY NOR HAS ANY OF THEM PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**January 18, 2013**



## ORKO SILVER CORP.

January 18, 2013

Dear Securityholder:

You are invited to attend a special meeting (the "**Meeting**") of the shareholders and optionholders of Orko Silver Corp. ("**Orko**") to be held at the Fairmont Pacific Rim, Pearl Room, 1038 Canada Place, Vancouver, British Columbia, V6C 0B9 on February 20, 2013 at 10:00 a.m. (Vancouver time).

At the Meeting, you will be asked to consider and vote upon a proposed arrangement (the "**Arrangement**") with First Majestic Silver Corp. ("**First Majestic**"), under which First Majestic will acquire all of the issued and outstanding common shares of Orko. Under the Arrangement, each common share of Orko (an "**Orko Share**") will be exchanged for 0.1202 of a common share of First Majestic (each whole common share, a "**First Majestic Share**") and \$0.0001 in cash. All unexercised options of Orko (the "**Orko Options**"), if any, will be cancelled for no consideration. On completion of the Arrangement, Orko will be a wholly-owned direct or indirect subsidiary of First Majestic.

At the Meeting, holders of Orko Shares (the "**Orko Shareholders**") and Orko Options (the "**Orko Optionholders**") and together with the Orko Shareholders, the "**Orko Securityholders**") will vote together as a single class. In order to become effective, the Arrangement must be approved by a resolution passed by (i) not less than two-thirds of the votes cast by the Orko Securityholders present in person or represented by proxy at the Meeting voting as a single class, and (ii) at least a simple majority of the votes cast by the Orko Shareholders present in person or represented by proxy at the Meeting, with the votes attached to the Orko Shares held by Gary Cope (Orko's President and Chief Executive Officer) and by Minaz Devji (Orko's Executive Vice President), being excluded from such vote. In addition to those approvals, completion of the Arrangement is subject to receipt of required regulatory approvals, including the approval of the TSX Venture Exchange, Toronto Stock Exchange, the New York Stock Exchange and the Supreme Court of British Columbia (the "**Court**"), and other customary closing conditions, all of which are described in more detail in the attached Management Information Circular.

On December 16, 2012, First Majestic entered into lock-up agreements (the "**Lock-Up Agreements**") with each of the directors and officers of Orko. The Lock-Up Agreements set forth, among other things, the agreement of the directors and officers to vote their Orko Shares and Orko Options in favour of the Arrangement. As of December 16, 2012 (the date on which the Arrangement Agreement was executed), approximately 5.4% of the outstanding Orko Shares and approximately 73.2% of the Orko Options were subject to the Lock-Up Agreements.

After taking into consideration, among other things, the fairness opinions of BMO Nesbitt Burns Inc. and GMP Securities L.P. delivered on December 16, 2012, the Orko board of directors (the "**Orko Board**") has unanimously concluded that the Arrangement is in the best interests of Orko and is fair to the Orko Securityholders and has approved the Arrangement and authorized its submission to the Orko Securityholders and to the Court for approval. **Accordingly, the Orko Board unanimously recommends that the Orko Securityholders vote FOR the Arrangement.**

The attached Notice of Meeting and Management Information Circular contain a detailed description of the Arrangement and include certain other information to assist you in considering the matters to be voted upon. You are urged to carefully consider all of the information in the accompanying Management Information Circular, including the documents incorporated by reference therein. If you require assistance, you should consult your financial, legal, or other professional advisor.

### *Voting*

Your vote is important regardless of the number of Orko Shares or Orko Options that you own. If you are a registered Orko Shareholder or an Orko Optionholder, and are unable to be present in person at the Meeting, we encourage you to vote by completing the enclosed form of proxy. Alternatively, you may submit your vote via the internet at [www.investorvote.com](http://www.investorvote.com), or by telephone at 1-866-732-8683 (toll free in North America). You should specify your choice by marking the box on the enclosed form of proxy and by dating, signing and returning your proxy in the enclosed return envelope addressed to Computershare Trust Company of Canada, at its offices at P.O. Box 7021, 31 Adelaide Street East, Toronto, ON, M5C 3H2, or by toll free North American fax number 1-866-249-7775, or by international fax number 1-416-263-9524, at least 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting. Please do this as soon as possible. Voting by proxy will not prevent you from voting in person if you attend the Meeting and revoke your proxy, but will ensure that your vote will be counted if you are unable to attend.

If you are not registered as the holder of your Orko Shares but hold your Orko Shares through a broker or other intermediary, you should follow the instructions provided by your broker or other intermediary to vote your Orko Shares. See the section in the accompanying Management Information Circular entitled "*General Proxy Information – Non-Registered Holders*" for further information on how to vote your Orko Shares.

### *Letters of Transmittal*

If you are a registered Orko Shareholder, we also encourage you to complete and return the enclosed letter of transmittal together with the certificate(s) representing your Orko Shares and any other required documents and instruments, to the depositary, Computershare Trust Company of Canada, in the enclosed return envelope in accordance with the instructions set out in the letter of transmittal so that if the Arrangement is approved, the First Majestic Shares issuable and cash consideration payable in exchange for your Orko Shares can be sent to you as soon as possible after the Arrangement becomes effective. The letter of transmittal contains other procedural information related to the Arrangement and should be reviewed carefully.

If you hold your Orko Shares through a broker or other person please contact that broker or other person for instructions and assistance in receiving First Majestic Shares issuable and cash consideration payable in exchange for your Orko Shares.

Eligible Holders (as such term is defined in the attached Management Information Circular) may make a joint election under the *Income Tax Act* (Canada) with First Majestic in order to obtain a full or partial tax-deferred rollover for Canadian income tax purposes on the exchange of Orko Shares for First Majestic Shares under the Arrangement. Orko Shareholders should carefully review the letter of transmittal and the attached Management Information Circular and are urged to consult their financial, legal or other professional advisor.

While certain matters, such as the timing of the receipt of Court approval, are beyond the control of Orko, if the resolution approving the Arrangement is passed by the requisite majorities at the Meeting, and the other conditions to closing are satisfied, it is anticipated that the Arrangement will be completed and become effective on or about February 26, 2013.

On behalf of Orko, we would like to thank you for your continued support as we proceed with this important transaction.

Sincerely,

*"Gary Cope"*  
President and CEO  
Orko Silver Corp.

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that a special meeting (the "**Meeting**") of the holders of common shares and options ("**Orko Securityholders**") of Orko Silver Corp. ("**Orko**") will be held at the Fairmont Pacific Rim, Pearl Room, 1038 Canada Place, Vancouver, British Columbia, V6C 0B9 on February 20, 2013 at 10:00 a.m. (Vancouver time) for the following purpose:

1. to consider, pursuant to an interim order of the Supreme Court of British Columbia dated January 18, 2013 (the "**Interim Order**") and, if thought advisable, to pass, with or without amendment, a special resolution (the "**Arrangement Resolution**") approving an arrangement (the "**Arrangement**") under Section 288 of the Business Corporations Act (British Columbia) (the "**Business Corporations Act**"), the full text of which is set forth in Appendix A to the accompanying Management Information Circular (the "**Circular**"); and
2. to transact such further or other business as may properly come before the Meeting or any adjournment or postponement thereof.

The accompanying Circular contains the full text of the Arrangement Resolution and provides additional information relating to the subject matter of the Meeting, including the Arrangement, and is deemed to form part of this Notice of Meeting.

Orko Securityholders are entitled to vote at the Meeting either in person or by proxy. Registered Orko shareholders ("**Orko Shareholders**") and Orko optionholders ("**Orko Optionholders**") who are unable to attend the Meeting in person are encouraged to read, complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Circular. Alternatively, votes may be submitted via the internet at [www.investorvote.com](http://www.investorvote.com), or by telephone at 1-866-732-8683 (toll free in North America). In order to be valid for use at the Meeting, proxies must be received by Computershare Trust Company of Canada, at its office at P.O. Box 7021, 31 Adelaide Street East, Toronto, ON, M5C 3H2, or by toll free North American fax number 1-866-249-7775, or by international fax number 1-416-263-9524, at least 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting. Please advise Orko of any change in your mailing address.

If you are not a registered Orko Shareholder, please refer to the section in the Circular entitled "*General Proxy Information - Non-Registered Holders*" for information on how to vote your Orko shares.

Registered Orko Shareholders who validly dissent from the Plan of Arrangement will be entitled to be paid the fair value of their shares, subject to strict compliance with Sections 237 to 247 of the Business Corporations Act, as modified by the provisions of the Interim Order, the proposed final order and the plan of arrangement. The right to dissent is described in the section in the Circular entitled "*Dissent Rights*" and the text of the Interim Order is set forth in Appendix D to the Circular. **Failure to comply strictly with the requirements set forth in Sections 237 to 247 of the Business Corporations Act, as modified, may result in the loss of any right of dissent.**

DATED at Vancouver, British Columbia this 18<sup>th</sup> day of January, 2013.

BY ORDER OF THE BOARD OF DIRECTORS OF  
ORKO SILVER CORP.

"Gary Cope"  
President and CEO

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## INFORMATION CONTAINED IN THIS INFORMATION CIRCULAR

The information contained in this Circular, unless otherwise indicated, is given as of January 18, 2013.

No Person has been authorized to give any information or to make any representation in connection with the matters being considered herein other than those contained in this Circular and, if given or made, such information or representation should not be considered or relied upon as having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any Person in any jurisdiction in which such an offer or solicitation is not authorized or permitted or in which the Person making such offer or solicitation is not qualified to do so or to any Person to whom it is unlawful to make such an offer or proxy solicitation. Neither the delivery of this Circular nor any distribution of securities referred to herein should, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Circular.

Information contained in this Circular should not be construed as legal, tax or financial advice and Orko Securityholders are urged to consult their own professional advisors in connection with the matters considered in this Circular.

**THE ARRANGEMENT AND THE RELATED SECURITIES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED WITH, RECOMMENDED BY, OR APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY U.S. STATE OR CANADIAN PROVINCE OR TERRITORY NOR HAS ANY OF THEM PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

### **Information Contained in this Circular regarding First Majestic**

The information concerning First Majestic, its affiliates and the First Majestic Shares contained in this Circular and all First Majestic documents filed by First Majestic with a Securities Authority in the provinces of Canada that are incorporated by reference herein have been provided by First Majestic for inclusion in this Circular. In the Arrangement Agreement, First Majestic provided a covenant to Orko that it would ensure that the information provided by it for the preparation of this Circular would be complete and accurate in all material respects, would comply with applicable Laws and, without limiting the generality of the foregoing, would not include any misrepresentation concerning First Majestic, its affiliates or the First Majestic Shares. Although Orko has no knowledge that would indicate any statements contained herein relating to First Majestic, its affiliates or the First Majestic Shares taken from or based upon such information provided by First Majestic are untrue or incomplete, neither Orko nor any of its officers or directors assumes any responsibility for the accuracy or completeness of the information relating to First Majestic, its affiliates or the First Majestic Shares, or for any failure by First Majestic to disclose facts or events that may have occurred or may affect the significance or accuracy of any such information but which are unknown to Orko.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISKS**

This Circular and the documents incorporated into this Circular by reference, contain "forward-looking statements" intended to comply with the so-called "bespeaks caution doctrine" in the United States and "forward-looking information" within the meaning of the applicable Canadian Securities Laws (forward-looking information and forward-looking statements being collectively herein after referred to as "forward-looking statements") that are based on expectations, estimates and projections as at the date of this Circular or the dates of the documents incorporated herein by reference, as applicable. These forward-looking statements include but are not limited to statements and

information concerning: the Arrangement; covenants of Orko and First Majestic; the timing for the implementation of the Arrangement and the potential benefits of the Arrangement; the likelihood of the Arrangement being completed; principal steps of the Arrangement; statements made in, and based upon, the Fairness Opinions; statements relating to the business and future activities of, and developments related, to Orko and First Majestic after the date of this Circular and before the Effective Time and to and of First Majestic after the Effective Time, including information contained under the heading "*Information Concerning the Resulting Issuer*"; Orko Securityholder approval and Court approval of the Arrangement; regulatory approval of the Arrangement; the market position and future financial or operating performance of First Majestic, Orko or the Resulting Issuer; the liquidity of First Majestic Shares following the Effective Time; and statements based on the unaudited pro forma condensed consolidated financial statements attached as Appendix E. Statements concerning proven and probable mineral reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered as and if a property is developed, and in the case of mineral resources or proven and probable mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements, which include statements relating to, among other things, the ability of Orko or First Majestic to continue to successfully compete in the market.

These forward-looking statements are based on the beliefs of the management of Orko or First Majestic, as the case may be, as well as on assumptions which such management believes to be reasonable, based on information currently available at the time such statements were made. However, there can be no assurance that forward-looking statements will prove to be accurate. Such assumptions and factors include, among other things, the satisfaction of the terms and conditions of the Arrangement, including the approval of the Arrangement by Orko Securityholders, and the approval of the Arrangement and its fairness by the Court; the receipt of the required governmental and regulatory approvals and consents, and the timing of the receipt thereof; general business and economic conditions; that Orko and First Majestic will successfully integrate and the anticipated benefits of the Arrangement will be achieved; market competition; and tax benefits and tax rates.

By their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Orko or First Majestic to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation: the Arrangement Agreement may be terminated in certain circumstances; general business, economic, competitive, political, regulatory and social uncertainties; risks associated with a fixed exchange ratio; mineral and gold price volatility; risks related to competition; risks related to factors beyond the control of Orko, First Majestic, or the Resulting Issuer; risks and uncertainties associated with exploration, development and mining operations; title risks; environmental risks and risks relating to environmental permitting and licenses; risks related to directors and officers of Orko possibly having interests in the Arrangement that are different from

other Orko Securityholders; risks relating to the possibility that more than 5% of Orko Shareholders may exercise their Dissent Rights; dependence on key management, employees, consultants, and skilled personnel; the global economic climate; the execution of strategic growth plans; risks inherent to operating in Mexico through foreign subsidiaries; risks relating to the lack of hedging policies; dilution; market reaction to the Arrangement; risks relating to the integration of Orko and First Majestic's operations; insurance risks; litigation; the exchange of Orko Shares for First Majestic Shares by an Orko Shareholder may be subject to Canadian income taxes; the exchange of Orko Shares for First Majestic Shares by a U.S. Holder may be a taxable transaction for U.S. federal income tax purposes; and risks relating to the ability to complete acquisitions.

This list is not exhaustive of the factors that may affect any of the forward-looking statements of Orko or First Majestic. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this Circular generally and certain economic and business factors, some of which may be beyond the control of Orko and First Majestic. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the headings "*The Arrangement – Risk Associated with the Arrangement*", "*Information Concerning Orko – Risk Factors*" and "*Information Concerning First Majestic – Risk Factors*". Orko and First Majestic do not intend, and do not assume, any obligation to update any forward-looking statements, other than as required by applicable Law. For all of these reasons, Orko Securityholders should not place undue reliance on forward-looking statements.

#### **NOTE TO UNITED STATES SECURITYHOLDERS**

**THE ARRANGEMENT AND THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN REGISTERED WITH, RECOMMENDED BY, OR APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY IN ANY STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The First Majestic Shares to be issued and distributed to Orko Shareholders pursuant to the Arrangement have not been registered under the U.S. Securities Act or applicable state Securities Laws, and are being issued in reliance on the exemption from the registration requirements of the U.S. Securities Act set forth in Section 3(a)(10) thereof on the basis of the approval of the Court, which will consider, among other things, the fairness of the Arrangement to Orko Securityholders as further described in this Circular under the heading "*The Arrangement – Regulatory Law Matters and Securities Law Matters – United States Securities Law Matters*", and in reliance on exemptions from registration under applicable state Securities Laws.

The solicitation of proxies made pursuant to this Circular is not subject to the requirements of Section 14(a) of the Exchange Act. Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate Laws and Securities Laws. Orko Securityholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and to proxy statements under the Exchange Act.

The financial statements and information included or incorporated by reference in this Circular have been prepared in accordance with GAAP in Canada and are subject to Canadian auditing and auditor

independence standards and thus may not be comparable to financial statements prepared in accordance with United States standards.

Likewise, information concerning the properties and operations of Orko and First Majestic has been prepared in accordance with Canadian standards, and may not be comparable to similar information prepared in accordance with United States standards. In particular, disclosure of scientific or technical information in this Circular has been made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Institute of Mining, Metallurgy and Petroleum and incorporated into a national instrument issued by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. The terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" are used in this Circular to comply with the reporting standards in Canada. There is a great amount of uncertainty as to the existence of "measured mineral resources", "indicated mineral resources" and "inferred mineral resources", and great uncertainty as to their economic and legal feasibility. While "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" are recognized and required by Canadian regulations, these terms are not recognized under standards established by the SEC. **Orko Securityholders are cautioned not to assume that all or any part of "measured mineral resources" or "indicated mineral resources" will ever be converted into mineral reserves or that all or any part of an "inferred mineral resource" exists or is economically or legally mineable.** Orko Securityholders are also cautioned not to assume that all or any part of "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies. In addition, the definitions of "proven" and "probable" mineral reserves used in NI 43-101 differ from SEC standards as set forth in SEC Industry Guide 7, and while disclosure of "contained ounces" in a resource is permitted under Canadian regulations, disclosure of units of production to report mineralization or "mineralized material" that does not constitute "reserves" under SEC standards is not permitted, except in limited circumstances, under the SEC's regulations - the SEC generally only permits issuers to report mineralization or "mineralized material" that does not constitute "reserves" under SEC standards as in-place tonnage and grade without reference to unit of production measures. Accordingly, information contained in this Circular containing descriptions of Orko's and First Majestic's respective mineral properties may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

Orko Securityholders who are resident in, or citizens of, the United States are advised to review the summary contained in this Circular under the heading "*Certain United States Federal Income Tax Considerations*" and to consult their own tax advisors to determine the particular United States tax consequences to them of the Arrangement in light of their particular situation, as well as any tax consequences that may arise under the Laws of any other relevant foreign, state, local, or other taxing jurisdiction.

The enforcement by Orko Securityholders of civil liabilities under United States Securities Laws may be affected adversely by the fact that each of Orko and First Majestic is incorporated or organized outside the United States, and that some or all of their respective officers and directors and the experts named herein are residents of a foreign country. As a result, it may be difficult or impossible for U.S. Holders to effect service of process within the United States upon Orko or First Majestic, their respective officers or directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal Securities Laws of the United States or "blue sky" laws of any state within the United States. In addition, U.S. Holders should not assume that the courts of Canada (a) would allow them to sue Orko or First

Majestic, or their officers or directors, in the courts of Canada, (b) would enforce judgments of United States courts obtained in actions against such Persons predicated upon civil liabilities under the federal Securities Laws of the United States or "blue sky" laws of any state within the United States, or (c) would enforce, in original actions, liabilities against such Persons predicated upon civil liabilities under the federal Securities Laws of the United States or "blue sky" laws of any state within the United States.

## CURRENCY AND EXCHANGE RATES

Unless otherwise indicated herein, references to "\$", "C\$" or "Canadian dollars" are to Canadian dollars, and references to "US\$" or "U.S. dollars" are to United States dollars.

## REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

The historical financial statements of Orko and First Majestic incorporated by reference in this Circular are reported in Canadian dollars and have been prepared in accordance with GAAP.

## GLOSSARY OF TERMS

In this Circular and accompanying Notice of Meeting, unless otherwise defined herein or unless there is something in the subject matter inconsistent therewith, the following terms have the respective meanings set out below, words importing the singular number include the plural and vice versa and words importing any gender include all genders.

**"Acquisition Proposal"** means any proposal or offer made by any Person, whether written or oral, other than First Majestic (or any affiliate of First Majestic or any Person acting in concert with First Majestic or any affiliate of First Majestic) with respect to:

- (a) the acquisition or purchase by any Person or group of Persons acting jointly or in concert of any capital stock or other voting securities, or securities convertible into or exercisable or exchangeable for any capital stock or other voting securities of Orko or any of its subsidiaries representing 20% or more of the outstanding voting securities of Orko or such subsidiary, on a fully diluted basis;
- (b) the acquisition or purchase by any Person or group of Persons acting jointly or in concert of 20% or more of the consolidated assets of Orko and the Orko Subsidiaries, taken as a whole (or any lease, license, joint venture or other arrangement having the same economic effect as an acquisition or purchase);
- (c) a merger, amalgamation, recapitalization, reorganization, joint venture or other business combination (including by way of plan of arrangement) involving Orko or any of its affiliates; or
- (d) any other transaction the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay the transactions contemplated by the Arrangement Agreement,

or any public announcement of an intention to do any of the foregoing.

<b>"affiliate"</b>	has the meaning ascribed thereto in the Business Corporations Act.
<b>"Antitrust Clearance"</b>	means all applicable approvals or clearances have been received from the appropriate Governmental Entities and all applicable waiting periods have expired or been terminated or waived by the appropriate Governmental Entities relating to notice made under the Mexican Antitrust Act ( <i>Ley Federal de Competencia Economica</i> ).
<b>"Arrangement"</b>	means an arrangement under the provisions of Division 5 of Part 9 of the Business Corporations Act, on the terms set forth in the Plan of Arrangement, subject to any amendment or supplement thereto in accordance with the Arrangement Agreement and the Plan of Arrangement or made at the direction of the Court in the Final Order.
<b>"Arrangement Agreement"</b>	means the arrangement agreement dated December 16, 2012 between Orko, First Majestic and Subco.
<b>"Arrangement Resolution"</b>	means the resolution to be approved by the Orko Securityholders, substantially in the form and content set out in Appendix A to this Circular.
<b>"BMO Capital Markets"</b>	means BMO Nesbitt Burns Inc.
<b>"Business Corporations Act"</b>	means the Business Corporations Act (British Columbia), as amended.
<b>"Business Day"</b>	means any day other than a Saturday, a Sunday or a day observed as a holiday in Vancouver, British Columbia under the Laws of the Province of British Columbia or the federal Laws of Canada.
<b>"Circular"</b>	means collectively, the Notice of Meeting and this Management Information Circular of Orko, including all appendices hereto, sent to Orko Securityholders in connection with the Meeting.
<b>"Code"</b>	means the United States Internal Revenue Code of 1986, as amended.
<b>"Confidentiality Agreements"</b>	means the confidentiality agreements entered into between First Majestic and Orko dated June 2, 2012 and December 5, 2012.
<b>"Court"</b>	means the British Columbia Supreme Court.
<b>"Depository"</b>	means Computershare Trust Company of Canada, at such offices as are set out in the Letter of Transmittal.
<b>"Dissent Procedures"</b>	has the meaning ascribed thereto in " <i>Dissent Rights</i> ".
<b>"Dissent Rights"</b>	means the rights of dissent of Registered Orko Shareholders in respect of the Arrangement as described in the Plan of Arrangement.
<b>"Dissenting Shareholder"</b>	means a Registered Orko Shareholder who dissents in respect of the Arrangement in strict compliance with the Dissent Procedures.
<b>"Dissenting Shares"</b>	means the Orko Shares with respect to which Registered Orko Shareholders have exercised Dissent Rights.
<b>"DRS Advice Statement"</b>	means a statement prepared by Computershare Trust Company of Canada pursuant to its direct registration system.
<b>"Effective Date"</b>	means the date the Arrangement completes, as determined in accordance with of the Arrangement Agreement.

<b>"Effective Time"</b>	means the time when the transactions contemplated herein will be deemed to have been completed, which will be 12:01 a.m. on the Effective Date or such other time as the Parties agree to in writing before the Effective Date.
<b>"Eligible Holder"</b>	means a beneficial holder of Orko Shares that is (i) a resident of Canada for the purposes of the Tax Act and not exempt under Part I of the Tax Act, or (ii) a partnership, any member of which is resident in Canada for the purposes of the Tax Act (other than a partnership, all members of which are residents of Canada that are exempt from tax under Part I of the Tax Act).
<b>"Exchange Ratio"</b>	means 0.1202.
<b>"Fairness Opinions"</b>	means the written opinions dated December 16, 2012 from each of the Financial Advisors delivered to the Orko Board in connection with the Arrangement, copies of which are attached as Appendix C to this Circular.
<b>"Financial Advisors"</b>	means BMO Capital Markets and GMP.
<b>"Final Order"</b>	means the final order of the Court approving the Arrangement as such order may be amended at any time before the Effective Date or, if appealed, then, unless such appeal is abandoned or denied, as affirmed.
<b>"First Majestic"</b>	means First Majestic Silver Corp., a company existing under the laws of British Columbia.
<b>"First Majestic Shares"</b>	means the common shares in the authorized share structure of First Majestic.
<b>"First Majestic Material Subsidiaries"</b>	means Corporacion First Majestic S.A. de C.V., First Majestic Plata S.A. de C.V., Minera El Pilon S.A. de C.V., Minera La Encantada S.A. de C.V., First Majestic Del Toro, S.A. de C.V., Minera Real Bonanza S.A. de C.V., Silvermex Resources Inc. and La Guitarra Compania Minera, S.A. de C.V.
<b>"GAAP"</b>	means, in relation to any financial year beginning on or before December 31, 2010, generally accepted accounting principles in Canada as then set out in the Canadian Institute Chartered Accountants Handbook, and, in relation to any financial year beginning after December 31, 2010, generally accepted accounting principles set out in the Canadian Institute for Chartered Accountants Handbook for an entity that prepares its financial statements in accordance with IFRS.
<b>"GMP"</b>	means GMP Securities L.P.
<b>"Governmental Entity"</b>	means any (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank or Tribunal, (b) subdivision, agent, commission, board, or authority of any of the foregoing, or (c) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

<b>"IFRS"</b>	means International Financial Reporting Standards.
<b>"Interim Order"</b>	means the interim order of the Court granted January 18, 2013, providing for, among other things, the calling and holding of the Meeting and related matters, as such order may be amended, supplemented or varied by the Court.
<b>"Laws"</b>	means any and all laws (statutory, common or otherwise), statutes, regulations, statutory rules, regulatory instruments, principles of law, orders, injunctions, judgments, published policies and guidelines (to the extent that they have the force of law), and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, statutory body or self-regulatory authority, and the term "applicable" with respect to such Laws and in the context that refers to one or more Persons means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities.
<b>"Letter of Transmittal"</b>	means the letter of transmittal sent by Orko to Registered Orko Shareholders providing for the delivery of certificates representing their Orko Shares to the Depository.
<b>"Lock-up Agreements"</b>	means the lock-up agreements between First Majestic and each of the directors and officers of Orko entered into on December 16, 2012.
<b>"Material Adverse Change"</b>	<p>when used in connection with First Majestic or Orko, means any change, effect, development, event or occurrence that, individually or in the aggregate, is or would reasonably be expected to be material and adverse to the business, properties, assets, operations, condition, affairs, liabilities (contingent or otherwise) or obligations (whether absolute, conditional or otherwise) of such Party and its subsidiaries taken as a whole, other than any change, effect, event or occurrence:</p> <ul style="list-style-type: none"> <li>(a) relating to the announcement of the execution of the Arrangement Agreement or relating to the Arrangement or other transactions contemplated by the Arrangement Agreement;</li> <li>(b) relating to a decrease in the market price of such Party's common shares on any stock exchange (it being understood that, if the cause or causes of any decrease, in and of itself or themselves, is otherwise a Material Adverse Change, then such decrease may be taken into consideration when determining whether a Material Adverse Change has occurred);</li> <li>(c) relating to the Canadian or international economy or securities markets in general;</li> <li>(d) affecting the worldwide silver mining industry in general;</li> <li>(e) relating to any effect resulting from an act of terrorism or any outbreak of hostilities or war (or any escalation or worsening thereof);</li> <li>(f) relating to any natural disaster;</li> <li>(g) relating to any generally applicable change in applicable Laws</li> </ul>

(other than orders, judgments or decrees against a Party or a subsidiary of a Party) or in GAAP, in each case, to the extent necessary; or

(h) relating to any action taken by First Majestic or Orko that is required or contemplated by the Arrangement Agreement;

provided, however, that the effect referred to in clauses (c), (d), (e) (f) or (g) above does not primarily relate to (or have the effect of primarily relating to) the Party or the Party's subsidiaries, taken as a whole, or disproportionately adversely affect the Party and the Party's subsidiaries, taken as a whole, compared with other companies of a similar size operating in the industry and jurisdiction in which that Party and that Party's subsidiaries operate.

**"material fact" and  
"material change"**

have the meanings ascribed thereto in the Securities Act.

**"Meeting"**

means the special meeting of Orko Securityholders to be held to consider the Arrangement Resolution, including any adjournment or adjournments thereof.

**"Meeting Deadline"**

means, subject to terms of the Arrangement Agreement, February 28, 2013, unless otherwise agreed by the Parties.

**"Meeting Materials"**

means this Circular, the form of proxy and the Letter of Transmittal.

**"MI 61-101"**

means Multilateral Instrument 61-101 - *Protection of Minority Shareholders in Special Transactions*.

**"misrepresentation"**

has the meaning ascribed thereto in the Securities Act.

**"NI 43-101"**

means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

**"NI 45-102"**

means National Instrument 45-102 - *Resale of Securities*.

**"Non-Registered Holder"**

has the meaning ascribed thereto in "*General Proxy Information - Non-Registered Holders*".

**"NYSE"**

means the New York Stock Exchange.

**"Orko"**

means Orko Silver Corp., a company existing under the laws of British Columbia.

**"Orko Board"**

means the board of directors of Orko.

**"Orko Option"**

means an option to purchase Orko Shares.

**"Orko Optionholder"**

means a holder of an Orko Option.

**"Orko Option Plan"**

means Orko's 2007 Stock Option Plan effective March 8, 2007 and amended on January 21, 2008 and April 2, 2009.

**"Orko Securities"**

means, together, the Orko Shares and the Orko Options.

**"Orko Securityholders"**

means, together, the Orko Shareholders and the Orko Optionholders.

**"Orko Shares"**

means the common shares in the authorized share structure of Orko.

**"Orko Shareholder"**

means a holder of Orko Shares.

**"Orko Subsidiaries"**

means, collectively, Proyectos Mineros La Preciosa S.A. de C.V. and

La Preciosa Silver S.A. de C.V.

<b>"Outside Date"</b>	means, subject to the terms of the Arrangement Agreement, April 15, 2013 or such later date as may be agreed upon by the Parties.
<b>"Parties"</b>	means First Majestic, Subco and Orko and <b>"Party"</b> means any one of them.
<b>"Person"</b>	includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, company, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status.
<b>"PFIC"</b>	means a passive foreign investment company.
<b>"Plan of Arrangement"</b>	means the plan of arrangement in the form and content set out in Appendix B to this Circular, and any amendment thereto or variation thereof made in accordance with the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order.
<b>"Professional Advisors"</b>	means the Financial Advisors and the legal advisor to Orko, Stikeman Elliott LLP.
<b>"Record Date"</b>	means January 14, 2013.
<b>"Registered Orko Shareholder"</b>	means a registered holder of Orko Shares.
<b>"Resulting Issuer"</b>	means First Majestic following completion of the Arrangement.
<b>"SEC"</b>	means the United States Securities and Exchange Commission.
<b>"Section 3(a)(10) Exemption"</b>	means the exemption from the registration requirements of the U.S. Securities Act provided under Section 3(a)(10) thereof.
<b>"Section 85 Election"</b>	means an income tax election pursuant to Section 85 of the Tax Act (and any analogous provision of provincial income tax law).
<b>"Securities Act"</b>	means the <i>Securities Act</i> (British Columbia) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time.
<b>"Securities Authority"</b>	means the British Columbia Securities Commission and any other applicable securities commission or securities regulatory authority of a province or territory of Canada.
<b>"Securities Laws"</b>	means the securities legislation of each of the provinces and territories of Canada, the policies and instruments of the Securities Authority, the policies and regulations of any stock exchange on which the applicable Party's securities are listed and posted for trading, the U.S. Securities Act and the U.S. Exchange Act, the "blue sky" or securities laws of the states of the United States, and all other applicable state, federal and provincial securities Laws, rules, rulings, orders, instruments, regulations and published policies thereunder, as now in effect and as they may be promulgated or amended from time to time.
<b>"SEDAR"</b>	means the System for Electronic Disclosure Analysis and Retrieval.

<b>"Share Consideration"</b>	means the consideration to be received by each Orko Shareholder pursuant to the Plan of Arrangement in exchange for each Orko Share held by such Orko Shareholder, consisting of an indivisible mixture of such number of First Majestic Shares as is equal to the Exchange Ratio and \$0.0001 in cash.
<b>"Shareholder Rights Plan"</b>	means the shareholder rights plan agreement dated as of December 4, 2007 between Orko and Computershare Trust Company of Canada, as rights agent.
<b>"Subco"</b>	means 0957445 B.C. Ltd., a company existing under the laws of British Columbia and a wholly-owned, direct subsidiary of First Majestic.
<b>"subsidiary"</b>	has the meaning ascribed thereto in the Business Corporations Act and includes, for greater certainty, an indirect subsidiary.
<b>"Superior Proposal"</b>	<p>means an unsolicited <i>bona fide</i> written Acquisition Proposal made by a third party to Orko to purchase or otherwise acquire, directly or indirectly, all of the Orko Shares or all or substantially all of the assets of Orko which did not result from a breach of Section 4.4 of the Arrangement Agreement and that:</p> <ul style="list-style-type: none"> <li>(a) in respect of which any required financing to complete such Acquisition Proposal has been obtained or demonstrated to the satisfaction of the Orko Board acting in good faith (after receipt of advice from its Professional Advisors) to be reasonably likely to be obtained without undue delay;</li> <li>(b) is not subject to a due diligence condition and/or access condition;</li> <li>(c) is made available to all Orko Shareholders on the same terms and conditions; and</li> <li>(d) in the good faith determination of the Orko Board, after consultation with its Professional Advisors: <ul style="list-style-type: none"> <li>(i) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the Person making such proposal; and</li> <li>(ii) would, if consummated and taking into account all of the terms and conditions of such Acquisition Proposal (but not assuming away the risk of non-completion), result in a transaction more favourable to the Orko Shareholders from a financial point of view than the Arrangement (including any adjustment to the terms and conditions of the Arrangement proposed by First Majestic pursuant to Section 4.5 of the Arrangement Agreement).</li> </ul> </li> </ul>
<b>"Tax Act"</b>	means the <i>Income Tax Act</i> (Canada), as amended.
<b>"Termination Payment"</b>	means an amount equal to \$11,600,000 payable by Orko to First Majestic in certain circumstances in accordance with the Arrangement Agreement.
<b>"Tribunal"</b>	means (a) any court (including a court of equity), (b) any federal,

provincial, state, county, municipal or other government or governmental department, ministry, commission, board, bureau, agency or instrumentality, (c) any securities commission, stock exchange or other regulatory or self-regulatory body, (d) any arbitrator or arbitration tribunal, and (e) any other tribunal.

- "TSX"** means the Toronto Stock Exchange.
- "TSX-V"** means the TSX Venture Exchange.
- "United States"** means the United States of America, its territories and possessions.
- "U.S. Exchange Act"** means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder from time to time.
- "U.S. Holder"** has the meaning ascribed thereto in "*Certain United States Federal Income Tax Considerations*".
- "U.S. Securities Act"** means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder from time to time.

## SUMMARY

*This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, including the Appendices which are incorporated into and form part of this Circular. Terms with initial capital letters in this summary are defined in the Glossary of Terms immediately preceding this summary.*

### **The Meeting**

The Meeting will be held at the Fairmont Pacific Rim, Pearl Room, 1038 Canada Place, Vancouver, British Columbia, V6C 0B9 on February 20, 2013 at 10:00 a.m. (Vancouver time).

### **Record Date**

Only Orko Securityholders of record as at 5:00 p.m. (Vancouver time) on January 14, 2013 will be entitled to receive notice of and vote at the Meeting, or any adjournment or postponement thereof.

### **Purpose of the Meeting**

The Meeting is a special meeting of Orko Securityholders. At the Meeting, Orko Securityholders will be asked to consider and, if deemed advisable, to pass, the Arrangement Resolution approving the Arrangement. The full text of the Arrangement Resolution is set out in Appendix A to this Circular. In order to implement the Arrangement, the Arrangement Resolution must be approved, with or without amendment, by (i) at least two-thirds of the votes cast in respect of the Arrangement Resolution by Orko Securityholders (voting together as a single class) present in person or represented by proxy at the Meeting, and (ii) at least a simple majority of the votes cast by the Orko Shareholders present in person or represented by proxy at the Meeting, with the votes attached to the Orko Shares held by Gary Cope, Orko's President and Chief Executive Officer, and by Minaz Devji, Orko's Executive Vice President, being excluded from such vote. See "*The Arrangement – Approval of Arrangement Resolution*" and "*The Arrangement – Regulatory Law Matters and Securities Law Matters – Canadian Securities Law Matters – MI 61-101*".

### **The Arrangement**

Orko and First Majestic have agreed, subject to the satisfaction of certain conditions, to the acquisition by First Majestic of all of the Orko Shares. The acquisition will be effected by way of a court-approved Plan of Arrangement under the Business Corporations Act pursuant to which Orko Shareholders will receive the Share Consideration in exchange for their Orko Shares. All unexercised Orko Options, if any, will be cancelled for no consideration.

A copy of the Plan of Arrangement is attached as Appendix B and forms an integral part of this Circular. Orko Securityholders are encouraged to read the Arrangement Agreement as it is the principal agreement that governs the Arrangement. The Arrangement Agreement may be found under Orko's company profile on SEDAR at [www.sedar.com](http://www.sedar.com). For a summary of the principal provisions of the Arrangement Agreement, see "*The Arrangement - The Arrangement Agreement*".

### **Background to the Arrangement**

The provisions of the Arrangement Agreement are the result of arm's length negotiations between representatives of Orko and First Majestic and their respective financial and legal advisors. See "*The Arrangement – Background to the Arrangement*" for a description of the background to the Arrangement.

### **Recommendation of the Orko Board**

After careful consideration of a number of factors, including the Fairness Opinions, as described under the headings "*The Arrangement – Reasons for the Arrangement*" and "*The Arrangement – Fairness Opinions*", the Orko Board has unanimously determined that the Plan of Arrangement is fair to Orko

Securityholders and is in the best interests of Orko. **Accordingly, the Orko Board unanimously recommends that Orko Securityholders vote FOR the Arrangement Resolution.**

### **Reasons for the Arrangement**

The following is a summary of the principal reasons for the unanimous recommendation of the Orko Board that Orko Securityholders vote **FOR** the Arrangement Resolution:

- *Premium to Orko Shareholders.* First Majestic has offered Orko Shareholders a premium to the Orko Share price. The Arrangement values Orko at \$2.72 per Orko Share, which represents a premium of approximately 72% based on Orko's and First Majestic's closing share price on the TSX-V and the TSX, respectively, on December 14, 2012, the last trading day before Orko entered into the Arrangement Agreement, and a premium of approximately 69% to Orko's 30-day volume-weighted average price for the period ended December 14, 2012.
- *Fairness Opinions.* Orko's Financial Advisors have each provided an opinion that, as at December 16, 2012, subject to the assumptions, limitations and qualifications set out therein, the consideration to be received under the Arrangement is fair, from a financial point of view, to the Orko Shareholders.
- *Strengths of First Majestic.* First Majestic has better access to capital, and solid executive, finance, geological and operations management capabilities. Its management team is experienced in all aspects of mine development and production, including finance, permitting, and operations. If the Arrangement is completed, it is expected that Orko Shareholders will benefit from First Majestic's portfolio of high quality assets, increased geographic and asset diversification, First Majestic's track record of development and operational success, First Majestic's financing capability, enhanced market presence and continued exposure to future upside at the La Preciosa Project.
- *Approval of Orko Securityholders and the Court are Required.* The Arrangement Resolution must be approved by (i) no less than two-thirds of the votes cast in respect of the Arrangement Resolution by Orko Securityholders present in person or represented by proxy at the Meeting voting together as a single class, and (ii) at least a simple majority of the votes cast by the Orko Shareholders present in person or represented by proxy at the Meeting, with the votes attached to the Orko Shares held by Gary Cope, Orko's President and Chief Executive Officer, and by Minaz Devji, Orko's Executive Vice President, being excluded from such vote. The Arrangement must also be sanctioned by the Court, which will consider, among other things, the fairness of the Arrangement to Orko Securityholders.
- *Superior Proposals.* The Arrangement Agreement allows the Orko Board, in the exercise of its fiduciary duties, to respond to certain unsolicited Acquisition Proposals, before the Meeting, which may be superior to the Arrangement. The Orko Board received advice from its Professional Advisors that the deal protection terms, including the Termination Payment, and circumstances for payment of the Termination Payment, are within the ranges typical in the market for similar transactions and are not a significant deterrent to potential Superior Proposals.

See "Cautionary Note Regarding Forward-Looking Statements and Risks" and "The Arrangement – Reasons for the Arrangement".

## **Fairness Opinions**

In connection with the Arrangement, the Orko Board received written opinions dated December 16, 2012 from each of the Financial Advisors which state that, as of December 16, 2012, and subject to the assumptions, limitations and qualifications set out therein, the consideration offered pursuant to the Arrangement to the Orko Shareholders is fair, from a financial point of view, to the Orko Shareholders. The full text of the Fairness Opinions, each of which sets forth certain assumptions made, matters considered and limitations on the review undertaken in connection with such opinion, is attached as Appendix C to this Circular. Orko Shareholders are urged to, and should, read the Fairness Opinions in their entirety. See "*The Arrangement – Fairness Opinions*".

**Subject to the terms of their respective engagements, the Financial Advisors have each consented to the inclusion in this Circular of its Fairness Opinion in its entirety, together with the summary herein and other information relating to the Financial Advisor and its Fairness Opinion. The Fairness Opinions address only the fairness of the consideration offered to the Orko Shareholders under the Arrangement from a financial point of view and do not and should not be construed as a valuation of Orko or First Majestic or their respective assets, liabilities or securities or as recommendations to any Orko Securityholder as to how to vote at the Meeting.**

## **Lock-Up Agreements**

On December 16, 2012, First Majestic entered into the Lock-Up Agreements with each of the directors and officers of Orko. The Lock-Up Agreements set forth, among other things, the agreement of such directors and officers to vote their Orko Shares and Orko Options in favour of the Arrangement. As of December 16, 2012 (the date on which the Arrangement Agreement was executed), approximately 5.39% of the outstanding Orko Shares and approximately 73.24% of the outstanding Orko Options were subject to the Lock-Up Agreements. As of the Record Date, approximately 6.52% of the outstanding Orko Shares and approximately 71.08% of the outstanding Orko Options continue to be subject to Lock-Up Agreements.

## **First Majestic after the Arrangement**

On completion of the Arrangement, First Majestic will own, directly or indirectly, all of the outstanding Orko Shares and it is expected that the business and operations of Orko will be managed and operated as a subsidiary of First Majestic. It is expected that the management of the business and operations of Orko and First Majestic will be consolidated at First Majestic's current principal executive offices. See information under the heading "*Information Concerning the Resulting Issuer*".

## **Court Approval**

The Arrangement requires Court approval under the Business Corporations Act. In addition to this approval, the Court will be asked for a declaration following a Court hearing that the Arrangement is fair to the Orko Securityholders, which will, in part, serve as the basis for the Section 3(a)(10) Exemption. Before the mailing of this Circular, Orko obtained the Interim Order providing for the calling and holding of the Meeting, the Dissent Rights and certain other procedural matters. If the Arrangement Resolution is passed at the Meeting as provided for in the Interim Order, Orko intends to make an application to the Court for the Final Order at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, on February 22, 2013 at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct. The Final Order is required for the Arrangement to become effective, and before the hearing of the Final Order, the Court will be informed that the Final Order will also constitute the basis for the Section 3(a)(10) Exemption under the U.S. Securities Act with respect to the First Majestic Shares to be issued pursuant to the Arrangement. Although the Court's authority under the Business Corporations Act is very broad, Stikeman Elliott LLP, counsel to Orko, has advised that, in deciding whether to grant the Final Order, the Court will consider, among other things, the fairness of the Arrangement to Orko

Securityholders. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, and subject to compliance with such terms and conditions, if any, as the Court sees fit.

Any Orko Securityholder who wishes to appear or be represented and to present evidence or arguments at that hearing must file and serve a response to petition no later than 4:00 p.m. (Vancouver time) on February 19, 2013 along with any other documents required, all as set out in the Interim Order and Notice of Hearing of Petition for Final Order, the texts of which are set out in Appendix D to this Circular, and satisfy any other requirements of the Court. **Such Persons should consult with their legal advisors with respect to the legal rights available to them in relation to the Arrangement and as to the necessary requirements to assert any such rights.** See "*The Arrangement - Court Approval of the Arrangement*".

### **Non-Solicitation and Superior Proposals**

Pursuant to the Arrangement Agreement, Orko has agreed not to solicit, initiate or encourage any Acquisition Proposals. However, the Orko Board has the right to consider and accept a Superior Proposal under certain conditions and First Majestic has the right to match the Superior Proposal. If Orko accepts a Superior Proposal and terminates the Arrangement Agreement, Orko must pay First Majestic the Termination Payment. Orko can only consider and accept a Superior Proposal before the Meeting.

See "*The Arrangement - The Arrangement Agreement - Non-Solicitation Covenants and Rights to Accept a Superior Proposal*" and "*The Arrangement - The Arrangement Agreement - First Majestic Right to Match*".

### **Termination of the Arrangement Agreement**

The Arrangement Agreement may be terminated before the Effective Time in certain circumstances. Such termination may, in certain circumstances, result in the payment by Orko to First Majestic of the Termination Payment or an expense reimbursement fee of \$1,500,000, or payment by First Majestic to Orko of an expense reimbursement fee of \$1,500,000. See "*The Arrangement - The Arrangement Agreement - Termination*" and "*The Arrangement - The Arrangement Agreement - Termination Payment*".

### **Procedure for Exchange of Orko Shares**

Computershare Trust Company of Canada is acting as Depositary under the Arrangement. The Depositary will receive deposits of certificates or DRS Advice Statements representing Orko Shares and an accompanying Letter of Transmittal at the office specified in the Letter of Transmittal and will be responsible for delivering DRS Advice Statements representing First Majestic Shares and cheques representing the cash consideration to which Orko Shareholders are entitled under the Arrangement.

At the time of sending this Circular to each Orko Securityholder, Orko is also sending to each Registered Orko Shareholder the Letter of Transmittal. The Letter of Transmittal is for use by Registered Orko Shareholders only and is not to be used by Non-Registered Holders. Each Non-Registered Holder should contact their broker or other intermediary for instructions and assistance in receiving the First Majestic Shares and cash consideration in respect of their Orko Shares.

Following the Effective Date, upon return by an Orko Shareholder of a properly completed Letter of Transmittal, together with the share certificate(s) or DRS Advice Statement(s) representing Orko Shares and such other documents as the Depositary may require, the DRS Advice Statement(s) for the appropriate number of First Majestic Shares and a cheque representing the cash consideration to which the Orko Shareholder is entitled under the Arrangement will be delivered.

A Registered Orko Shareholder must deliver to the Depository at the office listed in the Letter of Transmittal:

- the certificate(s) or DRS Advice Statement(s) representing their Orko Shares;
- the Letter of Transmittal, properly completed and duly executed as required by the instructions set out in the Letter of Transmittal; and
- any other relevant documents required by the instructions set out in the Letter of Transmittal.

Except as otherwise provided in the instructions set out in the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution (as defined in the Letter of Transmittal). If a Letter of Transmittal is executed by a Person other than the registered holder of the share certificate(s) or DRS Advice Statement(s) deposited therewith, or if a DRS Advice Statement issuable is to be delivered to a Person other than such registered holder, the share certificate(s) or DRS Advice Statement(s) must be endorsed or be accompanied by an appropriate power of attorney duly and properly completed by the registered holder, signed exactly as the name of the registered holder appears on such share certificate(s) or DRS Advice Statement(s), with the signature on the share certificate(s) or power of attorney guaranteed by an Eligible Institution.

No fractional First Majestic Shares will be issued, nor any fractional cash consideration paid, to any Orko Shareholder. The number of First Majestic Shares to be issued to an Orko Shareholder will be rounded down to the nearest whole First Majestic Share. Any cash consideration to be paid to an Orko Shareholder will be rounded down to the nearest whole cent.

See "*The Arrangement – Procedure for Exchange of Orko Shares*".

#### **Dissent Rights**

The Plan of Arrangement provides that Dissenting Shares held by Registered Orko Shareholders who validly exercise Dissent Rights and who are ultimately entitled to be paid the fair value, in cash, for those Dissenting Shares will be deemed to be transferred to First Majestic as of the Effective Time, in consideration for the payment by First Majestic of the fair value thereof, in cash. First Majestic is not obligated to complete the Arrangement and acquire any of the Orko Shares if holders of more than an aggregate of 5% of the outstanding Orko Shares exercise Dissent Rights. Orko Shareholders who wish to dissent should take note that strict compliance with the dissent procedures is required.

Any Dissenting Shareholder who ultimately is not entitled to be paid the fair value, in cash, of his, her or its Orko Shares will be deemed to have participated in the Arrangement on the same basis as non-Dissenting Shareholders, and each Orko Share held by such Dissenting Shareholder will be deemed to be transferred to First Majestic in exchange for the Share Consideration. In no case, however, will Orko, First Majestic or any other Person be required to recognize such Dissenting Shareholder as a holder of Orko Shares after the Effective Time, and the name of such Dissenting Shareholder will be deleted from the registers of holders of Orko Shares at the Effective Time.

See "*Dissent Rights*".

## Income Tax Considerations

### *Canadian Income Tax Matters*

**The following summary is qualified in its entirety by the more detailed discussion and the assumptions under the heading "*Certain Canadian Federal Income Tax Considerations*". All Orko Shareholders should consult with their own tax advisors.**

Orko Shareholders who are residents of Canada for purposes of the Tax Act, other than Eligible Holders who make a valid joint tax election with First Majestic under the Tax Act, will realize a taxable disposition of their Orko Shares under the Arrangement. Eligible Holders who are residents of Canada for purposes of the Tax Act may be entitled to make a joint tax election with First Majestic under the Tax Act that may, depending on the circumstances, allow the full or partial deferral of taxable capital gains. The requirements under the Tax Act and under the Arrangement in respect of any such joint tax election are complex, and Eligible Holders are advised to consult with their own tax advisors in this regard on a timely basis.

Orko Shareholders who are not residents of Canada for purposes of the Tax Act and whose Orko Shares are not "taxable Canadian property" will not be subject to tax under the Tax Act on the disposition of their Orko Shares under the Arrangement. If such shares are held as "taxable Canadian property", then such holders will realize a taxable disposition of their Orko Shares under the Arrangement, subject to the provisions of any applicable tax convention. Orko Shareholders who are not residents of Canada for purposes of the Tax Act will not be eligible under the Arrangement to make a joint tax election with First Majestic to permit any deferral of taxable capital gains.

The tax treatment of Orko Optionholders (wherever resident) is not discussed in this summary or elsewhere in the Circular, and affected holders should consult with their own tax advisors in this regard.

All Orko Shareholders should review the more detailed information under "*Certain Canadian Federal Income Tax Considerations*".

### *U.S. Income Tax Matters*

Although the matter is not free from doubt, the Arrangement should qualify as a tax-deferred "reorganization" within the meaning of Section 368(a) of the Code. Assuming the Arrangement so qualifies, then, subject to the U.S. tax rules relating to PFICs (a) U.S. Holders who receive First Majestic Shares and cash will recognize gain (but not loss) to the extent of the lesser of (1) the excess of the fair market value of the First Majestic Shares and the U.S. dollar amount of the Canadian dollars received on the date of receipt over the adjusted tax basis of the Orko Shares surrendered and, (2) the U.S. dollar amount of the Canadian dollars on the date of receipt, (b) a U.S. Holder's aggregate tax basis in the First Majestic Shares received will equal the U.S. Holder's aggregate tax basis in the Orko Shares surrendered, increased by the gain recognized and decreased by the U.S. dollar amount of the Canadian dollars on the date of receipt, and (c) a U.S. Holder's holding period for the First Majestic Shares received will include the U.S. Holder's holding period for the Orko Shares surrendered.

If the Arrangement does not qualify as a tax-deferred reorganization, then the Arrangement will be fully taxable with respect to a U.S. Holder for U.S. federal income tax purposes. In that case, (a) the U.S. Holder will recognize gain or loss with respect to the Orko Shares surrendered equal to the difference between (1) the fair market value of the First Majestic Shares and U.S. dollar amount of the Canadian dollars received in the Arrangement and, (2) the U.S. Holder's adjusted tax basis in the Orko Shares surrendered, (b) the U.S. Holder's aggregate tax basis in the First Majestic Shares

received will equal the fair market value of those shares on the date of receipt, and (c) the U.S. Holder's holding period for the First Majestic Shares will begin on the day after the date of receipt.

A U.S. Holder that exercises Dissent Rights in the Arrangement and is paid cash in exchange for the U.S. Holder's Orko Shares will recognize gain or loss equal to the difference between the U.S. dollar amount of the Canadian dollars received and the U.S. Holder's adjusted tax basis in the Orko Shares surrendered.

Notwithstanding the foregoing, the U.S. tax rules relating to PFICs may adversely affect the tax consequences to U.S. Holders, including by causing all gains realized with respect to a U.S. Holder's Orko Shares to be currently taxable, even if the Arrangement otherwise qualifies as a tax-deferred reorganization, and by generally taxing all such gains at ordinary-income rates and subjecting the tax so computed to an interest charge.

The foregoing description of U.S. federal income tax considerations of the Arrangement to U.S. Holders is qualified in its entirety by the longer form discussion under "*Certain United States Federal Income Tax Considerations*", and neither this description nor the longer form discussion is intended to be legal or tax advice to any particular U.S. Holder. Neither Orko nor First Majestic has sought or obtained either a ruling from the U.S. Internal Revenue Service (the "IRS") or an opinion of counsel regarding any of the tax consequences of the Arrangement. Accordingly, there can be no assurance that the IRS will not challenge such tax treatment of the Arrangement or that the U.S. courts will uphold such tax treatment in the event of an IRS challenge. **U.S. Holders are strongly urged to consult their own tax advisors with respect to their particular circumstances.**

## **Regulatory Law Matters and Securities Law Matters**

### *Canadian Securities Law Matters*

Orko is a reporting issuer in British Columbia and Alberta. The Orko Shares currently trade on the TSX-V. After the Arrangement, Orko will be a direct or indirect wholly-owned subsidiary of First Majestic, the Orko Shares will be delisted from the TSX-V on or promptly following the Effective Date, and First Majestic expects to apply to the applicable Securities Authorities to have Orko cease to be a reporting issuer.

The distribution of the First Majestic Shares pursuant to the Arrangement will constitute a distribution of securities which is exempt from the prospectus requirements of Canadian Securities Laws. The First Majestic Shares received pursuant to the Arrangement will not be legended and may be resold through registered dealers in each of the provinces of Canada provided that (a) the trade is not a "control distribution" as defined in NI 45-102, (b) no unusual effort is made to prepare the market or to create a demand for the First Majestic Shares, (c) no extraordinary commission or consideration is paid to a Person in respect of such sale, and (d) if the selling securityholder is an insider or officer of First Majestic the selling securityholder has no reasonable grounds to believe that First Majestic is in default of applicable Securities Laws.

Each Orko Shareholder is urged to consult his, her or its professional advisors to determine the Canadian conditions and restrictions applicable to trades in First Majestic Shares.

See "*The Arrangement – Regulatory Law Matters and Securities Law Matters – Canadian Securities Law Matters*".

#### *United States Securities Law Matters*

**The following discussion is a general overview of certain requirements of U.S. federal Securities Laws that may be applicable to Orko Securityholders in the United States. The issuance of the First Majestic Shares and subsequent resale of these securities held by Orko Shareholders in the United States will be subject to U.S. Securities Laws, including, but not limited to, the U.S. Securities Act. Orko Shareholders in the United States are urged to consult their professional advisors to determine the impact and applicability of U.S. Securities Laws to resales or transfers of First Majestic Shares. Further information applicable to Orko Securityholders in the United States is disclosed under the headings "Note to United States Securityholders" and "The Arrangement - Regulatory Law Matters and Securities Laws Matters - United States Securities Laws Matters."**

The following discussion does not address the Canadian Securities Laws that will apply to the issuance of the First Majestic Shares or the resale of these securities by Orko Shareholders within Canada. Orko Shareholders who are U.S. Persons reselling their First Majestic Shares in Canada must comply with Canadian Securities Laws, as outlined elsewhere in this Circular.

#### Status under U.S. Securities Laws

Each of First Majestic and Orko are "foreign private issuers" as defined in Rule 405 of the U.S. Securities Act. Each of First Majestic and the Resulting Issuer is expected to remain a foreign private issuer for the foreseeable future following the completion of the Arrangement.

The Orko Shares have not been registered with the SEC and Orko is not subject to reporting requirements under U.S. federal or state Securities Laws. The Orko Shares are not listed for trading on a U.S. securities exchange. First Majestic Shares currently are listed for trading on both the NYSE and TSX and it is a condition to completion of the Arrangement that the First Majestic Shares issuable pursuant to the Arrangement will be authorized for listing on the TSX and the NYSE at the Effective Time. There can be no assurance, however, that the First Majestic Shares will be so listed at the Effective Time or that the First Majestic Shares will continue to be so listed at any time in the future.

#### Exemption from Registration Requirements of the U.S. Securities Act

The First Majestic Shares to be issued pursuant to the Arrangement will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued in reliance upon applicable exemptions to the registration requirements under the U.S. Securities Laws, including the Section 3(a)(10) Exemption and exemptions provided under the Securities Laws of each state of the United States in which Orko Shareholders may reside.

#### Distribution and Resale of First Majestic Shares under U.S. Securities Laws

The First Majestic Shares to be issued pursuant to the Arrangement will, by virtue of the Section 3(a)(10) Exemption or another applicable exemption from registration under the U.S. Securities Act, not be subject to resale restrictions under the U.S. Securities Act unless Orko Shareholders in the U.S. are deemed to be affiliates (as defined in Rule 405 of the U.S. Securities Act) of First Majestic following the Effective Date.

Any First Majestic Shares held by an affiliate of First Majestic (or Person who has been an affiliate of First Majestic within three months prior to the proposed sale) may be subject to restrictions on transfer under the U.S. Securities Act, absent an exemption therefrom. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that directly or indirectly through one or more intermediaries control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer, as well as principal shareholders of the issuer. Each such

affiliate holder is urged to consult his or her professional advisors to determine the impact and applicability of U.S. Securities Laws to sales or transfers of First Majestic Shares.

**NONE OF THE FIRST MAJESTIC SHARES TO WHICH ORKO SHAREHOLDERS WILL BE ENTITLED PURSUANT TO THE ARRANGEMENT HAVE BEEN REGISTERED WITH, RECOMMENDED BY, APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY IN ANY STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

See "*The Arrangement – Regulatory Law Matters and Securities Law Matters - United States Securities Laws Matters*".

### **Risk Factors**

Orko Securityholders should carefully consider the risk factors relating to the Arrangement. Some of these risks include, but are not limited to: the Arrangement Agreement may be terminated in certain circumstances, including the occurrence of a Material Adverse Change relating to Orko; there can be no certainty that all conditions precedent to the Arrangement will be satisfied and the market price for Orko Shares may decline if the Arrangement is not completed; Orko will incur costs even if the Arrangement is not completed, and may also be required to pay the Termination Payment to First Majestic; Orko Shareholders will receive a fixed number of First Majestic Shares based on the Exchange Ratio, and therefore the First Majestic Shares received by Orko Shareholders under the Arrangement may have a lower market value than expected; directors and executive officers of Orko may have interests in the Arrangement that are different from those of the other Orko Securityholders; the issue of First Majestic Shares under the Arrangement and their subsequent sale may cause the market price of First Majestic Shares to decline; the exchange of Orko Shares for First Majestic Shares by an Orko Shareholder may be subject to Canadian income taxes, the exchange of Orko Shares for First Majestic Shares by a U.S. Holder may be a taxable transaction for U.S. federal income tax purposes; and the Arrangement may have adverse U.S. federal income tax consequences to U.S. Holders under the PFIC rules. For more information see "*The Arrangement - Risks Associated with the Arrangement*".

Additional risks and uncertainties, including those currently unknown or considered immaterial by Orko, may also adversely affect the Orko Shares, the First Majestic Shares or the business of Orko or First Majestic following the Arrangement. In addition to the risk factors relating to the Arrangement set out in this Circular, Orko Securityholders should also carefully consider the risk factors associated with the businesses of Orko and First Majestic included in this Circular, including the documents incorporated by reference therein. See "*Information Concerning Orko – Risk Factors*" and "*Information Concerning First Majestic - Risk Factors*".

## **GENERAL PROXY INFORMATION**

### **Solicitation of Proxies**

This Circular is furnished in connection with the solicitation of proxies by the management of Orko for use at the Meeting, to be held on February 20, 2013, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the directors and regular employees of Orko at nominal cost. All costs of solicitation by management will be borne by Orko.

### **Appointment and Revocation of Proxies**

The individuals named in the accompanying form of proxy are Gary Cope and N. Ross Wilmot, the President and Chief Executive Officer and Chief Financial Officer, respectively, of Orko. AN ORKO SECURITYHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SECURITYHOLDER) TO REPRESENT HIM, HER OR IT AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY STRIKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY AND INSERTING THE DESIRED PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY. A proxy will not be valid unless the completed form of proxy is received by Computershare Trust Company of Canada, P.O. Box 7021, 31 Adelaide Street East, Toronto, ON, M5C 3H2, or by toll free North American fax number 1-866-249-7775, or by international fax number 1-416-263-9529, not less than 48 hours (Saturdays, Sundays, and holidays excepted) before the scheduled time of the Meeting or any adjournment thereof.

A Registered Orko Shareholder or Orko Optionholder who has given a proxy may revoke it by an instrument in writing executed by the securityholder or by his or her attorney authorized in writing or, where the Registered Orko Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered to Orko's head office, at any time up to and including the last Business Day preceding the day of the Meeting, or if adjourned, any reconvening thereof, or to the Chairman of the Meeting on the day of the Meeting or, if adjourned, any reconvening thereof or in any other manner provided by Law. A revocation of a proxy does not affect any matter on which a vote has been taken before the revocation.

### **Non-Registered Holders**

Only Registered Orko Shareholders, Orko Optionholders, or duly appointed proxyholders of such Persons, are permitted to vote at the Meeting. Most Orko Shareholders are "non-registered" shareholders because the Orko Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Orko Shares. A Person is not a Registered Orko Shareholder (a "**Non-Registered Holder**") in respect of Orko Shares which are held either (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESPs and similar plans), or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("**CDS**"), or its nominee, of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, Orko has distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders other than Non-Registered Holders that have waived the right to receive them.

Intermediaries will frequently use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Orko Shares beneficially owned by the Non-Registered Holder and is to be completed, but not signed, by the Non-Registered Holder and deposited with Computershare Trust Company of Canada; or

- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Orko Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders named in the form and insert the Non-Registered Holder's name in the blank space provided. Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.

### **Voting of Proxies**

ORKO SHARES AND ORKO OPTIONS REPRESENTED BY PROPERLY EXECUTED PROXIES IN FAVOUR OF PERSONS DESIGNATED IN THE ENCLOSED FORM OF PROXY WILL, WHERE A CHOICE WITH RESPECT TO ANY MATTER TO BE ACTED UPON HAS BEEN SPECIFIED IN THE FORM OF PROXY, BE VOTED IN ACCORDANCE WITH THE SPECIFICATION MADE. SUCH SECURITIES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED BY THE ORKO SECURITYHOLDER. Therefore, unless you give contrary instructions, the Persons designated will vote your Orko Securities at the Meeting as follows:

- ✓ **FOR the Arrangement Resolution.**

The enclosed form of proxy when properly completed and delivered and not revoked, confers discretionary authority upon the Person appointed proxy thereunder to vote with respect to any amendment to or variation of a matter identified in the Notice of Meeting, and with respect to any other matters which may properly come before the Meeting. If an amendment to or variation of a matter identified in the Notice of Meeting is properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the Persons designated in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Circular, the management of Orko knows of no such amendment, variation or other matter which may be presented to the Meeting.

### **Voting Shares and Principal Holders Thereof**

The authorized share structure of Orko consists of an unlimited number of Orko Shares without par value. Generally, only Registered Orko Shareholders are entitled to receive notice of or to attend and vote at any meetings of Orko Shareholders. At the upcoming Meeting, Orko Shareholders will be voting as a single class together with Orko Optionholders. As at the Record Date, there were 138,868,979 Orko Shares issued and outstanding and Orko Options to acquire 3,250,000 Orko Shares outstanding. Each Orko Share will entitle the holder thereof to one vote on the Arrangement Resolution and each Orko Option will entitle the holder to one vote on the Arrangement Resolution in respect of each Orko Share issuable upon exercise thereof.

Orko Shareholders and Orko Optionholders of record as at 5:00 p.m. (Vancouver time) on the Record Date who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Orko Shares and Orko Options voted at the Meeting.

To the knowledge of the directors and senior officers of Orko, as of the Record Date, there are no persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, Orko Shares carrying more than 10% of the voting rights attached to all Orko Shares. To the

knowledge of the directors and senior officers of Orko, as of the Record Date, no persons or companies beneficially own, directly or indirectly, or exercise control or direction over, Orko Options carrying more than 10% of the voting rights attached to all Orko Options that may be voted by Orko Optionholders at the Meeting, except the following:

Name	No. of Orko Options Owned, Controlled or Directed	Percentage of Outstanding Orko Options
Minaz Devji	1,505,000	46.31%

First Majestic has confirmed to Orko that neither First Majestic nor any of its affiliates held any Orko Shares (or securities convertible into Orko Shares) as at either the Record Date or the date of this Circular.

### THE ARRANGEMENT

At the Meeting, Orko Securityholders will be asked to consider and, if thought advisable, to pass, the Arrangement Resolution to approve the Arrangement under the Business Corporations Act pursuant to the terms of the Interim Order, the Arrangement Agreement and the Plan of Arrangement. The Arrangement, the Plan of Arrangement and the terms of the Arrangement Agreement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which has been filed by Orko under its profile on SEDAR at [www.sedar.com](http://www.sedar.com) on December 17, 2012, and the Plan of Arrangement, which is attached as Appendix B to this Circular.

In order to implement the Arrangement, the Arrangement Resolution must be approved by (i) not less than two-thirds of the votes cast by the Orko Securityholders present in person or represented by proxy at the Meeting, voting together as a single class, and (ii) at least a simple majority of the votes cast by the Orko Shareholders present in person or represented by proxy at the Meeting, with the votes attached to the Orko Shares held by Gary Cope, Orko's President and Chief Executive Officer, and by Minaz Devji, Orko's Executive Vice President, being excluded from such vote. See "*The Arrangement – Regulatory Law Matters and Securities Law Matters – Canadian Securities Law Matters – MI 61-101*". Each Orko Share will entitle the holder thereof to one vote on the Arrangement Resolution and each Orko Option will entitle the holder to one vote on the Arrangement Resolution in respect of each Orko Share issuable upon exercise thereof.

A copy of the Arrangement Resolution is set out in Appendix A to this Circular.

Unless otherwise directed, it is management's intention to vote **FOR** the Arrangement Resolution. If you do not specify how you want your Orko Shares or Orko Options voted, or if both choices are specified, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting **FOR** the Arrangement Resolution.

First Majestic has entered into the Lock-Up Agreements with each of the directors and officers of Orko pursuant to which the directors and officers have agreed to vote their Orko Shares and Orko Options in favour of the Arrangement.

If the Arrangement Resolution is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court and the applicable conditions to the completion of the Arrangement are satisfied or waived, the Arrangement will take effect at the Effective Time (which

will be at 12:01 a.m. (Vancouver time) or such other time as the Parties agree in writing) on the Effective Date (which is expected to be on or about February 26, 2013).

### **Principal Steps of the Arrangement**

Following is a brief description of the principal steps of the Arrangement set out in the order they will occur:

#### *Termination of Shareholder Rights Plan*

The Shareholder Rights Plan will be cancelled and will have no further force or effect and each of the rights thereunder will be deemed to be cancelled for no consideration.

#### *Cancellation of Orko Options*

The outstanding Orko Options, if any, will be cancelled for no consideration and the Orko Option Plan will be terminated.

#### *Dissent Shares*

Each Orko Share held by a Dissenting Shareholder in respect of which the Orko Shareholder has validly exercised his, her or its Dissent Rights in strict compliance with the Dissent Procedures will be transferred to First Majestic, free and clear of any liens, charges and encumbrances, and each Dissenting Shareholder will have the right to be paid the fair value in cash of his, her or its Dissent Shares in accordance with Section 4.1 of the Plan of Arrangement.

#### *Exchange of Orko Shares for First Majestic Shares*

Each issued and outstanding Orko Share (other than any Orko Share held by a Dissenting Shareholder) will be transferred to First Majestic, free and clear of any liens, charges and encumbrances, in exchange for the Share Consideration.

#### *Orko and Subco Merger*

Orko and Subco will merge to form one corporate entity ("**Amalco**") with the same effect as if they had amalgamated under Section 269 of the Business Corporations Act, except that the legal existence of Orko will not cease and Orko will survive the merger as Amalco.

### **Background to the Arrangement**

The provisions of the Arrangement Agreement are the result of arm's length negotiations between representatives of Orko and First Majestic and their respective financial and legal advisors. The following is a summary of the activities and discussions leading to the execution and public announcement of the Arrangement Agreement.

Pursuant to a shareholders' agreement dated October 23, 2009 (the "**Shareholders' Agreement**"), Orko and Pan American Silver Corp. ("**Pan American**") formed a joint venture to develop the La Preciosa Project whereby Pan American would contribute 100% of the funds necessary to develop and construct an operating mine in consideration for a 55% interest in the joint venture. To acquire its interest in the joint venture, Pan American agreed to spend an estimated US\$16,000,000 to conduct resource definition drilling, acquire necessary surface rights, obtain permits, and ultimately prepare and deliver a feasibility study within 36 months from April 13, 2009.

On August 11, 2011, Orko and Pan American released the results of a Preliminary Economic Assessment (the "**PEA**") that contemplated conventional surface and underground mining operations with a 5,000 tonnes per day (tpd) conventional mill and cyanide leaching plant producing a silver-gold doré.

On April 4, 2012, Pan American provided notice to Orko that it had elected not to deliver a feasibility study before April 13, 2012, as required under the terms of the Shareholders' Agreement, and as a result relinquished its right to earn a 55% interest in the La Preciosa Project.

Having retained a 100% interest in the La Preciosa Project and without Pan American as a partner, the Orko Board determined that it would be advantageous for Orko to consider combining with another mineral exploration company or a silver producer in order to advance the La Preciosa Project toward the ultimate goal of developing a mine. Concurrently, Orko began to focus on developing a new PEA with AMEC Americas Limited ("**AMEC**") which would incorporate the new resource estimate (released September 20, 2012) and would contemplate both open-pit and underground mining.

Throughout 2012, Orko entered into discussions with third parties to evaluate possible business combinations. Orko entered into a number of confidentiality agreements with various mineral exploration companies and silver producers who expressed interest in considering a possible business combination with Orko. Orko provided confidential access to an electronic datasite to allow these parties to conduct due diligence. As part of this process, on June 2, 2012, Orko entered into a confidentiality agreement with First Majestic, and on June 2, 2012, First Majestic was granted access to the electronic datasite.

Through this process, Orko received two offers from a company other than First Majestic (the "**Third Party**") to purchase all the outstanding Orko Shares.

On December 3, 2012, Orko received a written, non-binding proposal from First Majestic to purchase all the outstanding Orko Shares. The Orko Board discussed and considered this proposal, determined that it was insufficient and requested that First Majestic reconsider its proposal. First Majestic improved its proposal to 0.1202 of a First Majestic Share and \$0.0001 in cash (the "**Revised Offer**") for each Orko Share. The Revised Offer was deemed superior to the second offer received from the Third Party and the Third Party elected not to further improve its offer. As a result, and after considering the advice of its Professional Advisors, the Orko Board decided to enter into exclusive negotiations with First Majestic with respect to the Arrangement.

On December 3, 2012, Orko and First Majestic entered into a letter of intent, under which the parties proposed that First Majestic would acquire all of the issued and outstanding Orko Shares in exchange for the Share Consideration, subject to, among other things, completion of due diligence, receipt of regulatory approvals, signing of definitive documentation and other conditions.

On December 5, 2012, Orko and First Majestic entered into a confidentiality agreement to allow Orko to conduct due diligence on First Majestic.

On December 16, 2012, Orko and First Majestic entered into and announced the Arrangement Agreement.

#### **Recommendation of the Orko Board**

The Orko Board, after consultation with its Professional Advisors, has unanimously determined that the Arrangement is in the best interests of Orko and is fair to the Orko Securityholders. **Accordingly, the Orko Board unanimously recommends that Orko Securityholders vote FOR the Arrangement Resolution.**

Each member of the Orko Board intends to vote all of his Orko Securities in favour of the Arrangement Resolution.

## Reasons for the Arrangement

The Orko Board has reviewed and considered a significant amount of information and considered a number of factors relating to the Arrangement with the benefit of advice from Orko's senior management and its Professional Advisors. The following is a summary of the principal reasons for the unanimous recommendation of the Orko Board that Orko Securityholders vote **FOR** the Arrangement Resolution:

- *Premium to Orko Shareholders.* First Majestic has offered Orko Shareholders a premium to the Orko Share price. The Arrangement values Orko at \$2.72 per Orko Share, which represents a premium of approximately 72% based on Orko's and First Majestic's closing share price on the TSX-V and the TSX, respectively, on December 14, 2012, the last trading day before Orko entered into the Arrangement Agreement, and a premium of approximately 69% to Orko's 30-day volume-weighted average price for the period ended December 14, 2012.
- *Fairness Opinions.* Orko's Financial Advisors have each provided an opinion that, as at December 16, 2012, subject to the assumptions, limitations and qualifications set out therein, the consideration to be received under the Arrangement is fair, from a financial point of view, to Orko Shareholders.
- *Strengths of First Majestic.* First Majestic has better access to capital, and solid executive, finance, geological and operations management capabilities. Its management team is experienced in all aspects of mine development and production, including finance, permitting, and operations. If the Arrangement is completed, Orko Shareholders could expect to benefit from the following strengths of First Majestic:
  - Exposure to First Majestic's Portfolio of High Quality Assets. Orko Shareholders would gain exposure to First Majestic's portfolio of currently-producing mines and development projects;
  - Increased Geographic and Asset Diversification. Orko Shareholders would gain exposure to an expanded operating footprint and a diversified profile of assets with the addition of near-term development projects and producing mines;
  - First Majestic's Track Record of Development and Operational Success. Orko Shareholders could expect to benefit from First Majestic's track record of project development and mine operatorship;
  - First Majestic's Financing Capability. First Majestic has historically been a positive cash flow generator and has significant cash at hand that could be used to provide financing for Orko's development assets;
  - Enhanced Market Presence. Orko Shareholders would hold shares in a company with significantly greater analyst coverage, investor attention and share liquidity than currently enjoyed by Orko; and
  - Continued Exposure to Future Upside at the La Preciosa Project. The transaction provides Orko Shareholders, through their ownership of First Majestic Shares, with continuing exposure to the advancement of the La Preciosa Project.
- *Approval of Orko Securityholders and the Court are Required.* The Arrangement Resolution must be approved by (i) no less than two-thirds of the votes cast in respect of the Arrangement Resolution by Orko Securityholders present in person or represented by proxy at the Meeting

voting together as a single class, and (ii) at least a simple majority of the votes cast by the Orko Shareholders present in person or represented by proxy at the Meeting, with the votes attached to the Orko Shares held by Gary Cope, Orko's President and Chief Executive Officer, and by Minaz Devji, Orko's Executive Vice President, being excluded from such vote. The Arrangement must also be sanctioned by the Court, which will consider, among other things, the fairness of the Arrangement to Orko Securityholders.

- *Superior Proposals.* The Arrangement Agreement allows the Orko Board, in the exercise of its fiduciary duties, to respond to certain unsolicited Acquisition Proposals, before the Meeting, which may be superior to the Arrangement. The Orko Board received advice from its Professional Advisors that the deal protection terms, including the Termination Payment, and circumstances for payment of the Termination Payment, are within the ranges typical in the market for similar transactions and are not a significant deterrent to potential Superior Proposals.

See also "*Cautionary Note Regarding Forward-Looking Statements and Risks*".

In view of the wide variety of factors and information considered in connection with its evaluation of the Arrangement, the Orko Board did not find it practicable to, and therefore did not, quantify or otherwise attempt to assign any relative weight to each specific factor or item of information considered in reaching its conclusions and recommendations. In addition, individual members of the Orko Board may have given different weights to different factors or items of information.

### **Fairness Opinions**

Each of the Financial Advisors was engaged by Orko on February 14, 2012 to act as financial advisors to the Orko Board in connection with a potential transaction.

Subsequently, the Orko Board requested that each of the Financial Advisors evaluate the fairness, from a financial point of view, of the consideration offered pursuant to the Arrangement to the Orko Shareholders. On December 16, 2012, at a meeting of the Orko Board held to evaluate the Arrangement, each of the Financial Advisors delivered an oral opinion, which was subsequently confirmed by delivery of the written Fairness Opinions. The Fairness Opinions provide that, as of December 16, 2012, and subject to the assumptions, limitations and qualifications set out therein, the consideration offered pursuant to the Arrangement to the Orko Shareholders is fair, from a financial point of view, to the Orko Shareholders. **The full text of the Fairness Opinions, each of which sets forth certain assumptions made, matters considered and limitations on the review undertaken in connection with such opinion, is attached as Appendix C to this Circular. Orko Shareholders are urged to, and should, read the Fairness Opinions in their entirety.**

Under the terms of their respective engagements, each of the Financial Advisors will be paid (a) an opinion fee for delivery of the Fairness Opinion, which will be credited against the completion fee payable, and (b) a completion fee, payable upon completion of the Arrangement. In addition, Orko has agreed to reimburse each of the Financial Advisors for their reasonable out-of-pocket expenses and to indemnify each of the Financial Advisors and their respective affiliates against certain potential liabilities arising from their engagements.

BMO Capital Markets is one of North America's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions. The Fairness Opinion delivered by BMO Capital Markets represents the opinion of

BMO Capital Markets, the form and content of which have been approved for release by a committee of its officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

GMP is a wholly-owned subsidiary of GMP Capital Inc., which is a publicly traded investment banking firm listed on the Toronto Stock Exchange with offices in Toronto, Calgary and Montreal, Canada, in New York, Miami and Dallas, USA, in London, England and in Sydney and Perth, Australia. GMP is a leading independent Canadian investment dealer focused on investment banking and institutional equities for corporate clients and institutional investors. As part of its investment banking activities, GMP is regularly engaged in the valuation of securities and the preparation of fairness opinions in connection with mergers and acquisitions, public offerings and private placements of listed and unlisted securities and regularly engaged in market making, underwriting and secondary trading of securities in connection with a variety of transactions. GMP is not in the business of providing auditing services and is not controlled by a financial institution. The Fairness Opinion delivered by GMP represents the opinion of GMP and the form and content hereof have been approved for release by a group of professionals of GMP, each of whom is experienced in merger, acquisition, divestiture, restructurings, valuation and fairness opinion matters.

Subject to the terms of their respective engagements, each of the Financial Advisors has consented to the inclusion in this Circular of its Fairness Opinion in its entirety, together with the summary herein and other information relating to it and its Fairness Opinion. Each Fairness Opinion was provided to the Orko Board for its exclusive use only in considering the Arrangement and may not be relied upon by any other Person, used for any other purpose or published or disclosed to any other Person without the express written consent of the relevant Financial Advisor. Each Fairness Opinion addresses only the fairness of the consideration offered to the Orko Shareholders under the Arrangement from a financial point of view and does not and should not be construed as a valuation of Orko or First Majestic or their respective assets, liabilities or securities or as a recommendation to any Orko Securityholder as to how to vote at the Meeting.

**The summary in this section is qualified by the full text of the Fairness Opinions, attached as Appendix C to this Circular. Orko Shareholders are urged to, and should, read the Fairness Opinions in their entirety.**

### **Lock-Up Agreements**

On December 16, 2012, First Majestic entered into the Lock-Up Agreements with each of the directors and officers of Orko. The Lock-Up Agreements set forth, among other things, the agreement of the directors and officers to vote their Orko Shares and Orko Options in favour of the Arrangement. As of December 16, 2012 (the date on which the Arrangement Agreement was executed), approximately 5.39% of the outstanding Orko Shares and approximately 73.24% of the outstanding Orko Options were subject to the Lock-Up Agreements. As of the Record Date, approximately 6.52% of the outstanding Orko Shares and approximately 71.08% of the outstanding Orko Options continue to be subject to Lock-Up Agreements.

The Lock-Up Agreements require voting support, and prohibit solicitation of Acquisition Proposals. Each director and officer has agreed to vote his directly or indirectly owned Orko Securities, to the extent he is so entitled, in favour of the Arrangement and against any other matter that could reasonably be expected to impede, interfere with or delay the completion of the Arrangement.

The Lock-Up Agreements terminate upon the earlier of: (a) First Majestic providing written notice of termination; (b) the termination of the Arrangement Agreement in accordance with its terms; (c) the

Effective Time; and (d) as agreed by First Majestic and Orko in accordance with the terms of the Arrangement Agreement.

The foregoing will not prevent any director or officer of Orko, solely in his capacity as a director or officer of Orko, from acting in accordance with the exercise of his fiduciary duties or other legal obligations to act in the best interests of Orko, if such action is required in order for the director or officer to fulfill his fiduciary duty as a director or officer.

### **Approval of Arrangement Resolution**

At the Meeting, the Orko Securityholders will be asked to approve the Arrangement Resolution, the full text of which is set out in Appendix A to this Circular. In order for the Arrangement to become effective, as provided in the Interim Order and by the Business Corporations Act, the Arrangement Resolution must be approved by (i) at least two-thirds of the votes cast on the Arrangement Resolution by Orko Securityholders present in person or represented by proxy at the Meeting voting together as a single class, and (ii) at least a simple majority of the votes cast by the Orko Shareholders present in person or represented by proxy at the Meeting, with the votes attached to the Orko Shares held by Gary Cope, Orko's President and Chief Executive Officer, and by Minaz Devji, Orko's Executive Vice President, being excluded from such vote. See "*The Arrangement – Regulatory Law Matters and Securities Law Matters – Canadian Securities Law Matters – MI 61-101*". Each Orko Share will entitle the holder thereof to one vote on the Arrangement Resolution and each Orko Option will entitle the holder to one vote on the Arrangement Resolution in respect of each Orko Share issuable upon exercise thereof. Should the Orko Securityholders fail to approve the Arrangement Resolution by the requisite majorities, the Arrangement will not be completed.

**The Orko Board has approved the terms of the Arrangement Agreement and the Plan of Arrangement and recommends that the Orko Securityholders vote FOR the Arrangement Resolution.** See "*The Arrangement – Recommendation of the Orko Board*".

### **Court Approval of the Arrangement**

An arrangement under the Business Corporations Act requires approval of the Court.

#### *Interim Order*

On January 18, 2013, Orko obtained the Interim Order providing for the calling and holding of the Meeting, the Dissent Rights and certain other procedural matters. The text of the Interim Order is set out in Appendix D to this Circular.

#### *Final Order*

Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Orko Securityholders at the Meeting in the manner required by the Interim Order, Orko intends to make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is currently scheduled for February 22, 2013 at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct. Any Orko Securityholder who wishes to appear or be represented and to present evidence or arguments at that hearing must file and serve a response to petition no later than 4:00 p.m. (Vancouver time) on February 19, 2013 along with any other documents required, all as set out in the Interim Order and Notice of Hearing of Petition for Final Order, the texts of which are set out in Appendix D to this Circular, and satisfy any other requirements of the Court. Such Persons should consult with their legal advisors as to the necessary requirements. If the hearing is adjourned

then, subject to further order of the Court, only those Persons having previously filed and served a response to petition will be given notice of the adjournment.

Orko has been advised by its counsel, Stikeman Elliott LLP, that the Court has broad discretion under the Business Corporations Act when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, Orko may determine not to proceed with the Arrangement.

The First Majestic Shares to be issued to Orko Shareholders pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption of the U.S. Securities Act and other exemptions provided under the Securities Laws of each state of the United States in which Orko Shareholders reside. Section 3(a)(10) of the U.S. Securities Act exempts from registration a security that is issued in exchange for outstanding securities, claims or property interests, where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval. The Court will be advised at the hearing of the application for the Final Order that if the terms and conditions of the Arrangement, and the fairness thereof, are approved by the Court, the Final Order will be relied upon to constitute the basis for the Section 3(a)(10) Exemption under the U.S. Securities Act with respect to the First Majestic Shares to be issued pursuant to the Arrangement. Accordingly, the Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the issuance of the First Majestic Shares by First Majestic to Orko Shareholders in connection with the Arrangement. See "*The Arrangement - Regulatory Law Matters and Securities Law Matters - United States Securities Law Matters*" below.

For further information regarding the Court hearing and your rights in connection with the Court hearing, see the form of Notice of Hearing of Petition attached at Appendix D to this Circular. The Notice of Hearing of Petition constitutes notice of the Court hearing of the application for the Final Order and is your only notice of the Court hearing.

### **Regulatory Approvals**

The Orko Shares are listed and posted for trading on the TSX-V and the First Majestic Shares are listed and posted for trading on the TSX and the NYSE and are also quoted on the Frankfurt, Berlin, Munich and Stuttgart Stock Exchanges. Completion of the Arrangement is subject to the conditions that: (a) Orko has received any required approval of the TSX-V to the Arrangement; (b) the First Majestic Shares issuable pursuant to the Arrangement have been authorized for listing on the TSX and the NYSE; and (c) all regulatory approvals, including the Antitrust Clearance, have been obtained. Orko has notified the TSX-V of the Arrangement and will apply to delist the Orko Shares from the TSX-V on or promptly following the Effective Date. First Majestic has applied to list the First Majestic Shares issuable by First Majestic under the Arrangement on the TSX and NYSE. Listing will be subject to fulfilling all the requirements of the TSX and NYSE.

### **Completion of the Arrangement**

The Arrangement will become effective at the Effective Time on the Effective Date. The Effective Date is expected to be on or about February 26, 2013. However, it is possible that completion may be delayed beyond this date if the conditions to completion of the Arrangement cannot be met on a timely basis, but in no event will completion of the Arrangement occur later than April 15, 2013,

unless extended by mutual agreement between Orko and First Majestic in accordance with the terms of the Arrangement Agreement.

### **The Arrangement Agreement**

**The following is a summary description of certain material provisions of the Arrangement Agreement, is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, which is available under Orko's profile at [www.sedar.com](http://www.sedar.com). Capitalized terms used but not otherwise defined herein have the meanings set out in the Arrangement Agreement and the Plan of Arrangement attached as Appendix B to this Circular.**

#### *The Arrangement*

The Arrangement Agreement provides that First Majestic will acquire all of the issued and outstanding Orko Shares by way of the Arrangement under the Business Corporations Act. For more information regarding the Arrangement, see "*The Arrangement - Principal Steps of the Arrangement*".

#### *Representations, Warranties and Covenants of Orko*

The Arrangement Agreement contains customary representations and warranties for transactions of this nature on the part of Orko in respect of matters pertaining to, among other things: its incorporation and organization (and that of each of the Orko Subsidiaries); its capitalization; its authority to enter into and to perform its obligations under the Arrangement Agreement; the entering into by it and the performance of its obligations under the Arrangement Agreement not violating its constating documents or applicable Laws; the ownership of the Orko Subsidiaries; its status as a "reporting issuer" in the applicable jurisdictions; its public record of disclosure documents; the absence of cease trade orders; its status as a "foreign private issuer" under U.S. Securities Laws; its financial statements; its conduct of business in the ordinary course since October 31, 2011; its minute books; its financial books and records; its employees and employee benefits; its obligations with respect to debt instruments; its interests in real property; its insurance policies; its material agreements and the absence of any breach thereof; the absence of undisclosed litigation matters; certain tax matters; its compliance with applicable Laws; the absence of restrictions on its business practices; the absence of any undisclosed material liabilities; the condition and sufficiency of its assets; certain environmental matters; its mineral rights; its mineral resources; its third party expenses; its making of full disclosure to First Majestic; and the absence of any other negotiations.

The Arrangement Agreement, includes, among other things, negative and affirmative covenants of Orko customary for transactions of this nature, relating to among other things: the continuation of conduct of its business and corporate matters; maintenance and preservation of the goodwill of Orko and the Orko Subsidiaries; the maintenance and preservation of its mineral rights and licences; its capitalization and corporate structure; production of documents and information; the provision of access to the properties and personnel of Orko and the Orko Subsidiaries'; modification of material obligations; maintenance of representations and warranties; notification being made to First Majestic upon the occurrence of certain events; certain tax matters; and the performance of acts, maintenance of representations and warranties, and other things necessary or desirable in order to consummate and make effective the transactions contemplated under the Arrangement Agreement.

#### *Representations, Warranties and Covenants of First Majestic*

The Arrangement Agreement contains customary representations and warranties for transactions of this nature on the part of First Majestic in respect of matters pertaining to, among other things; its incorporation and organization (and that of Subco); its authority to enter into and to perform its obligations under the Arrangement Agreement; the entering into by it and the performance of its obligations under the Arrangement Agreement not violating its constating documents or applicable Laws; the ownership of the First Majestic Material Subsidiaries; its status as a "reporting issuer" in the

applicable jurisdictions; its conduct of business in the ordinary course since December 31, 2011; its compliance with applicable Laws; the absence of undisclosed litigation matters; the absence of any breach of its material agreements; its making of full disclosure to Orko; and the absence of any other negotiations.

The Arrangement Agreement includes, among other things, negative and affirmative covenants of First Majestic customary for transactions of this nature, relating to among other things: its efforts to obtain all required regulatory approvals; the reservation of a sufficient number of First Majestic Shares necessary to complete the Arrangement; indemnification of Orko directors and officers; the entering into of a reorganization, amalgamation, merger or consolidation that would reasonably be expected to materially delay the Arrangement; notification being made to Orko upon the occurrence of certain events; maintenance of representations and warranties, compliance with applicable Laws and the terms of the Interim Order and Final Order and other things necessary or desirable in order to consummate and make effective the transactions contemplated under the Arrangement Agreement.

*Conditions to the Arrangement*

The obligations of Orko and First Majestic to consummate the Arrangement are subject to the satisfaction of certain mutual conditions relating to, among other things:

- (a) approval of the Arrangement Resolution at the Meeting;
- (b) the receipt of the Interim Order and the Final Order;
- (c) the absence of any order or decree or proceeding restraining or enjoining or that would, if successful, restrain or enjoin the consummation of the transactions contemplated by the Arrangement Agreement or that would otherwise be inconsistent with the Regulatory Approvals obtained;
- (d) the Arrangement Agreement not having been terminated in accordance with its terms;
- (e) Orko having received any required approval of the TSX-V;
- (f) the authorization for listing of the First Majestic Shares issuable under the terms of the Plan of Arrangement on the TSX and the NYSE;
- (g) the distribution of the First Majestic Shares being exempt from prospectus requirements of applicable Securities Laws in Canada and exempt from registration requirements under the U.S. Securities Act;
- (h) the Antitrust Clearance having been obtained on terms and conditions satisfactory to each of First Majestic and Orko acting reasonably; and
- (i) the receipt of all other required material consents, waivers, permits, order and approvals.

The obligations of First Majestic to consummate the Arrangement are subject to the satisfaction of certain additional conditions relating to, among other things: the performance of all of Orko's covenants; the accuracy of each of Orko's representations and warranties; the absence of any Material Adverse Change to Orko; all necessary corporate action having been taken by the Orko Board to permit consummation of the Arrangement; holders of no more than 5% of the outstanding Orko Shares having exercised Dissent Rights; the absence of any pending or threatened suit or action by any Governmental Entity, that has a reasonable likelihood of success, seeking to restrain or prohibit

the consummation of Arrangement or seeking to prohibit or materially limit the ownership or operation by First Majestic or any of the First Majestic Material Subsidiaries of any material portion of the business or assets of Orko or any Orko Subsidiary; receipt by First Majestic of all consents, approvals, authorizations and waivers of any Persons (other than Governmental Entities) which are required, necessary or desirable for the completion of the Arrangement on terms acceptable to First Majestic; and the provision by Orko to First Majestic, on or before the Effective Date, of written resignations from all directors and officers of Orko and the Orko Subsidiaries.

The obligations of Orko to consummate the Arrangement are subject to the satisfaction of certain additional conditions relating to, among other things: the performance of all of First Majestic's covenants; the accuracy of each of First Majestic's representations and warranties; the absence of any Material Adverse Change to First Majestic; and all necessary corporate action having been taken by First Majestic's board of directors to permit consummation of the Arrangement.

*Non-Solicitation Covenants and Rights to Accept a Superior Proposal*

From the date of the Arrangement Agreement until the earlier of the Effective Time or the time at which the Arrangement Agreement is terminated in accordance with its terms, Orko has agreed to certain non-solicitation covenants which provide, among other things, that it (and its or any of the Orko Subsidiaries' officers, directors, employees, representatives, or agents) will not:

- (a) solicit, initiate or encourage (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) the initiation of any inquiries or proposals regarding an Acquisition Proposal;
- (b) participate in any discussions or negotiations regarding any Acquisition Proposal;
- (c) withdraw, modify or qualify or propose publicly to withdraw, modify or qualify in a manner adverse to First Majestic the approval of the Orko Board or any committee thereof of the transactions contemplated under the Arrangement Agreement;
- (d) approve or recommend or propose publicly to approve or recommend any Acquisition Proposal or remain neutral with respect to an Acquisition Proposal which has been publicly announced; or
- (e) enter into any letter of intent, agreement in principle, agreement, arrangement or understanding related to any Acquisition Proposal (except as permitted under the Arrangement Agreement).

Notwithstanding the above, nothing will prevent the Orko Board, before the Meeting, from considering, participating in any discussions or negotiations, or entering into a confidentiality agreement and providing information in accordance with the terms of the Arrangement Agreement, regarding an unsolicited *bona fide* written Acquisition Proposal that did not otherwise result from a breach of the Arrangement Agreement and that the Orko Board determines in good faith, after consultation with financial advisors and outside legal counsel, is reasonably likely to constitute or lead to a Superior Proposal. Orko cannot consider, negotiate, accept or recommend an Acquisition Proposal after the date of the Meeting.

Orko must, and must cause its officers, directors and employees and any advisors, representatives or agents retained by it, to cease all discussions and negotiations regarding any proposal that constitutes, or may reasonably be expected to lead to, an Acquisition Proposal. Orko must, other than with respect to First Majestic and its advisors, employees and agents (i) deny access to all parties to any and all data rooms which may have been opened, and (ii) immediately request the return of all

confidential non-public information provided to any third party who has entered into a confidentiality agreement with Orko relating to a potential Acquisition Proposal, and must use all reasonable efforts to ensure that such requests are honoured and must immediately advise First Majestic orally and in writing of any responses or action (actual or threatened) by any recipient of such request which could hinder, prevent, delay or otherwise adversely affect the completion of the Arrangement. Orko may only amend, modify, waive or fail to enforce any obligation under a confidentiality or standstill agreement between Orko and a third party in order to allow that party to propose to the Orko Board an unsolicited written Acquisition Proposal (that did not result from a breach of the Arrangement Agreement) that the Orko Board determines, after consultation with its legal and financial advisors, constitutes or is reasonably likely to constitute or lead to a Superior Proposal.

Orko must promptly notify First Majestic, at first orally and then in writing, of any Acquisition Proposal and any enquiry that may reasonably be expected to lead to an Acquisition Proposal. Such notice must include a description of the material terms and conditions of any Acquisition Proposal, the identity of the Person making such proposal or enquiry, a copy of any written form of Acquisition Proposal and any other documents representing the Acquisition Proposal. In addition, Orko must keep First Majestic fully informed with respect to the status of any Acquisition Proposal or enquiry, and provide to First Majestic copies of all correspondence and other written material sent or provided to or by Orko in connection with any Acquisition Proposal. If Orko provides confidential non-public information to a third party who has made an unsolicited *bona fide* written Acquisition Proposal, Orko must obtain a confidentiality agreement from the third party that is substantially similar to the Confidentiality Agreements. Orko must also send a copy of any such confidentiality agreement to First Majestic and concurrently provide First Majestic with a list or copies of the information provided to the third party and access to similar information if not already provided.

Orko must not, except with the prior written consent of First Majestic or upon the passing of the Effective Time or termination of the Arrangement Agreement, take any action to terminate, amend, or extend the "Separation Time" under or waive the Shareholder Rights Plan or its application to any Acquisition Proposal, or any Person making an Acquisition Proposal, not subject to the Shareholder Rights Plan (including redemption of any rights created under the Shareholder Right Plan) unless the Acquisition Proposal constitutes a Superior Proposal and Orko has complied with the terms of the Arrangement Agreement, and provided further that any such termination, amendment, extension, waiver or redemption will not be effective until after the Meeting. If any Person requests any Governmental Entity to invalidate or cease trade the Shareholder Rights Plan, Orko must oppose any such application unless the Orko Board determines, after consultation with outside legal counsel, that to do so is not consistent with its fiduciary duties. Orko must also ensure that its officers, directors and employees and any advisors, representatives or agents retained by it are aware of the terms of the non-solicitation provisions.

Provided Orko has complied with the foregoing, Orko may, before the Meeting, accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal if the following conditions are met:

- (a) Orko has provided First Majestic with
  - i. a copy of the Superior Proposal document and any other documents representing the Superior Proposal;
  - ii. written notice advising First Majestic of the determination of the Orko Board that the Acquisition Proposal is a Superior Proposal and that the Orko Board has resolved, subject to compliance with the terms of the Arrangement Agreement and the termination of the Arrangement Agreement, to accept, approve, recommend or enter

into an agreement in respect of the Superior Proposal, specifying the terms and conditions of the Superior Proposal and identifying the Person making the Superior Proposal; and

- iii. written notice from the Orko Board regarding the value or range of values in financial terms that the Orko Board has, in consultation with its financial advisors, determined should be ascribed to any non-cash consideration offered under the Superior Proposal;
- (b) five Business Days have elapsed since the date First Majestic received the documentation set out in paragraph (a) above (the "**Match Period**"); and
- (c) Orko has previously or concurrently paid to First Majestic the Termination Payment, if any, payable under the Arrangement Agreement, and terminated the Arrangement Agreement in accordance with its terms.

*First Majestic Right to Match*

During the Match Period, First Majestic has the right to offer to amend the terms of the Arrangement Agreement, and Orko must co-operate with First Majestic with respect thereto, including negotiating in good faith with First Majestic during the Match Period. The Orko Board must review any offer by First Majestic to amend the terms of the Arrangement Agreement in order to determine, in good faith, whether First Majestic's offer, upon acceptance by Orko, would result in an Acquisition Proposal ceasing to be a Superior Proposal. If the Orko Board so determines, it must enter into an amended agreement with First Majestic reflecting First Majestic's amended proposal. If the Orko Board continues to believe, in good faith and after consultations with financial advisors and outside legal counsel, that such Acquisition Proposal remains a Superior Proposal and therefore rejects First Majestic's amended proposal, Orko may terminate the Arrangement Agreement, provided that Orko concurrently pays to First Majestic the Termination Payment, if any, payable under the terms of the Arrangement Agreement and before or concurrently with such termination Orko enters into a binding agreement, understanding or arrangement with respect to the Acquisition Proposal.

The Orko Board will promptly reaffirm its recommendation of the Arrangement by press release (i) after any Acquisition Proposal (which is determined not to be a Superior Proposal) is publicly announced or made, (ii) after the Orko Board determines that a proposed amendment to the provisions of the Arrangement Agreement would result in the Acquisition Proposal not being a Superior Proposal, or (iii) as soon as practicable after receipt of any reasonable request from First Majestic to do so. Such press release will state that the Orko Board has determined that such Acquisition Proposal is not a Superior Proposal.

If, less than six Business Days before the Meeting, Orko has provided First Majestic with a notice of a Superior Proposal, an Acquisition Proposal has been publicly disclosed or announced and the Match Period has not elapsed, then, subject to applicable Laws, at First Majestic's request, Orko must postpone or adjourn the Meeting to a date acceptable to First Majestic and Orko, acting reasonably, which cannot be less than five Business Days or more than 10 Business Days after the scheduled date of the Meeting and must, if First Majestic and Orko amend the terms of the Arrangement Agreement, ensure that the details of the amended Arrangement Agreement are communicated to the Orko Securityholders at or before the resumption of the adjourned Meeting.

Orko has acknowledged and agreed that each successive modification to any material term or condition of an Acquisition Proposal or that results in an increase in or modification of the consideration (or value of such consideration) to be received by Orko or the Orko Shareholders or which otherwise results in the Orko Board determining that an Acquisition Proposal is a Superior

Proposal will constitute a new Acquisition Proposal for purposes of the Match Period provisions under the Arrangement Agreement and will initiate an additional five Business Day notice period.

Nothing contained in the Superior Proposal provisions of the Arrangement Agreement will prohibit the Orko Board from (i) responding through a directors' circular or otherwise as required by Law to an Acquisition Proposal that it determines is not a Superior Proposal, provided that such circular or other disclosure recommends that Orko Shareholders reject the Acquisition Proposal, or (ii) calling and/or holding a meeting of Orko Shareholders requisitioned by Orko Shareholders in accordance with the Business Corporations Act, provided that any information circular or other document required in connection with such meeting recommends that Orko Shareholders vote against any proposed resolution in favour of or necessary to complete the Acquisition Proposal.

#### *Termination*

The Arrangement Agreement may be terminated at any time before the Effective Date, whether before or after the holding of the Meeting:

- (a) by the mutual agreement of Orko and First Majestic;
- (b) by either First Majestic or Orko if:
  - i. the transactions contemplated under the Arrangement are illegal or otherwise prohibited with respect to any Law or are contrary to any injunction order, decree or ruling of a Governmental Entity that is final and non-appealable;
  - ii. subject to compliance with the notice and cure provisions of the Arrangement Agreement,
    - A. the other Party is in default of a covenant or obligation such that the conditions related to same would be incapable of satisfaction, or
    - B. any representation or warranty of the other Party under the Arrangement Agreement is untrue or incorrect and will have become untrue or incorrect such that the condition requiring the accuracy of the other Party's representations and warranties would be incapable of satisfaction, provided that the Party seeking to terminate the Arrangement Agreement is not then in breach of the Arrangement Agreement so as to cause any condition in favour of both Parties or in favour of the other Party not to be satisfied; or
  - iii. the Effective Time does not occur on or before the Outside Date, provided that a Party may not terminate the Arrangement Agreement if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Agreement;
- (c) by First Majestic if:
  - i. Orko fails to recommend or has withdrawn, qualified, modified or changed in a manner adverse to First Majestic its approval or recommendation of the Arrangement or has recommended or approved an Acquisition Proposal;
  - ii. through no fault of First Majestic the Arrangement has not been submitted for the approval of the Orko Securityholders on or before the Meeting Deadline in the manner provided for under the terms of the Arrangement Agreement and in the Interim Order; or

- iii. the Orko Board fails to reaffirm its recommendation of the Arrangement and the Arrangement Agreement as promptly as practicable after receipt of any reasonable request from First Majestic to do so and in any event within five Business Days after a public announcement of any Acquisition Proposal;
- (d) by Orko in order to enter into a definitive written agreement with respect to a Superior Proposal, subject to compliance with the terms of the Arrangement Agreement and the payment of the Termination Payment; or
- (e) by either Orko or First Majestic if the Arrangement is not approved by the Orko Securityholders on or before the Meeting Deadline in the manner provided for in the terms of the Arrangement Agreement and the Interim Order.

*Termination Payment*

Under the Arrangement Agreement, Orko is obligated to pay to First Majestic the Termination Payment as liquidated damages if the Arrangement Agreement is terminated by:

- (a) Orko in order to enter into a definitive written agreement with respect to a Superior Proposal;
- (b) First Majestic if:
  - i. Orko fails to recommend or has withdrawn, qualified, modified or changed in a manner adverse to First Majestic its approval or recommendation of the Arrangement or has recommended or approved an Acquisition Proposal; or
  - ii. the Orko Board has failed to reaffirm its recommendation of the Arrangement and the Arrangement Agreement as promptly as practicable after receipt of any reasonable request from First Majestic to do so and in any event within five Business Days after a public announcement of any Acquisition Proposal;
- (c) by either Orko or First Majestic where the Arrangement has not been approved by the Orko Securityholders on or before the Meeting Deadline in the manner provided for under the terms of the Arrangement Agreement and in the Interim Order where:
  - i. an Acquisition Proposal is publicly announced or made to the Orko Shareholders and is not publicly withdrawn before the Meeting;
  - ii. the Arrangement Resolution is not approved at the Meeting; and
  - iii. an Acquisition Proposal is consummated within nine months of such termination.

In addition, each Party is obligated to pay to the other Party an expense reimbursement fee of \$1,500,000 if the Arrangement Agreement is terminated by a Party because:

- i. subject to compliance with the notice and cure provisions of the Arrangement Agreement, the other Party is in default of a covenant or obligation under the Arrangement Agreement so as to cause any condition in favour of the other Party not to be satisfied, provided the Party seeking to terminate the Arrangement Agreement is not in default of a covenant or obligation under the Arrangement Agreement so as to cause any condition in favour of both Parties or in favour of the other Party not to be satisfied; or

- ii. the Effective Time does not occur on or before the Outside Date, provided that a Party may not terminate the Arrangement Agreement if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement.

The Parties have agreed that the Termination Payment or the expense reimbursement fee, as applicable, is the sole monetary remedy as a result of the occurrence of the events set out in Section 6.3 of the Arrangement Agreement and described above. Subject to this limitation, neither Party is precluded from seeking damages in respect of losses incurred or suffered by such Party as a result of any breach of the Arrangement Agreement by the other Party, seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in the Arrangement Agreement or the Confidentiality Agreements or otherwise, or seeking specific performance of any of such covenants or agreements, without the necessity of posting bond or security in connection therewith.

#### **Procedure for Exchange of Orko Shares**

Computershare Trust Company of Canada is acting as Depositary under the Arrangement. The Depositary will receive deposits of certificates representing Orko Shares and an accompanying Letter of Transmittal at the office specified in the Letter of Transmittal and will be responsible for delivering share certificates or DRS Advice Statement(s) representing First Majestic Shares and cheques representing the cash consideration to which Orko Shareholders are entitled under the Arrangement.

At the time of sending this Circular to each Orko Securityholder, Orko is also sending to each Registered Orko Shareholder the Letter of Transmittal. The Letter of Transmittal is for use by Registered Orko Shareholders only and is not to be used by Non-Registered Holders. Non-Registered Holders should contact their broker or other Intermediary for instructions and assistance in receiving the First Majestic Shares in respect of their Orko Shares.

Registered Orko Shareholders are requested to tender to the Depositary any share certificate(s) representing their Orko Shares, along with a duly completed Letter of Transmittal. As soon as practicable following the later of the Effective Date and the date of deposit with the Depositary of a duly completed Letter of Transmittal and the certificate(s), the Depositary will forward to each Registered Orko Shareholder that submitted an effective Letter of Transmittal to the Depositary, together with the certificate(s) representing the Orko Shares held by such Registered Orko Shareholder immediately before the Effective Date, the certificate(s) or DRS Advice Statement(s) representing the First Majestic Shares and a cheque representing the cash consideration to which the Registered Orko Shareholder is entitled under the Arrangement, to be either (a) delivered to the address or addresses as such Registered Orko Shareholder directed in their Letter of Transmittal, (b) made available for pick-up at the offices of the Depositary, in accordance with the instructions of the Registered Orko Shareholder in the Letter of Transmittal, or (c) if the Letter of Transmittal neither specifies an address nor contains instructions for pick-up, forwarded to the Registered Orko Shareholder at the address of such holder as shown on the share register of Orko.

A Registered Orko Shareholder that did not submit an effective Letter of Transmittal before the Effective Date may take delivery of the certificate(s) or DRS Advice Statement(s) representing the First Majestic Shares and the cheque representing the cash consideration to which such Registered Orko Shareholder is entitled pursuant to the Arrangement, by delivering the certificate(s) representing Orko Shares formerly held by them to the Depositary at the office indicated in the Letter of Transmittal at any time before the third anniversary of the Effective Date. Such certificates must be accompanied by a duly completed Letter of Transmittal, together with such other documents as the Depositary may require. Certificate(s) or DRS Advice Statement(s) representing the First Majestic

Shares and the cheque representing the cash consideration to which such Registered Orko Shareholder is entitled pursuant to the Arrangement will be either (a) delivered to the address or addresses as such Registered Orko Shareholder directed in their Letter of Transmittal, (b) made available for pick-up at the offices of the Depository in accordance with the instructions of the Registered Orko Shareholder in the Letter of Transmittal, or (c) if the Letter of Transmittal neither specifies an address nor contains instructions for pick-up, forwarded to the Registered Orko Shareholder at the address of such holder as shown on the share register of Orko.

Each former Orko Shareholder entitled to receive First Majestic Shares will be deemed to be the registered holder for all purposes as of the Effective Date of the number of First Majestic Shares to which such former Orko Shareholder is entitled. All dividends paid or other distributions made on or after the Effective Date on or in respect of any First Majestic Shares which a former Orko Shareholder is entitled to receive pursuant to the Arrangement, but for which a certificate or DRS Advice Statement(s) have not yet been delivered to such former Orko Shareholder, will be paid or made to such former Orko Shareholder when such DRS Advice Statement(s) is delivered.

If any certificate which before the Effective Date represented outstanding Orko Shares which were exchanged has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depository will issue in exchange for such lost, stolen or destroyed certificate, Advice Statement(s) representing First Majestic Shares deliverable in respect thereof. When seeking DRS Advice Statement(s) in exchange for any lost, stolen or destroyed certificate, the Person to whom DRS Advice Statement(s) representing First Majestic Shares are to be issued must, as a condition precedent to the issuance thereof, give a bond satisfactory to First Majestic and its transfer agent, in such sum as First Majestic may direct or otherwise indemnify First Majestic and its transfer agent in a manner satisfactory to First Majestic and its transfer agent against any claim that may be made against First Majestic or its transfer agent with respect to the certificate alleged to have been lost, stolen or destroyed. The Depository will also issue a cheque representing the cash consideration to which such Person is entitled.

A Registered Orko Shareholder must deliver to the Depository at the office listed in the Letter of Transmittal:

- the certificate(s) or DRS Advice Statement(s) representing their Orko Shares;
- the Letter of Transmittal, properly completed and duly executed as required by the instructions set out in the Letter of Transmittal; and
- any other relevant documents required by the instructions set out in the Letter of Transmittal.

Except as otherwise provided in the instructions set out in the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution (as defined in the Letter of Transmittal). If a Letter of Transmittal is executed by a Person other than the registered holder of the share certificate(s) or DRS Advice Statement(s) deposited therewith or if a DRS Advice Statement issuable is to be delivered, the share certificate(s) or DRS Advice Statement(s) must be endorsed or be accompanied by an appropriate power of attorney duly and properly completed by the registered holder, signed exactly as the name of the registered holder appears on such share certificate(s) or DRS Advice Statement(s), with the signature on the share certificate(s) or power of attorney guaranteed by an Eligible Institution.

No fractional First Majestic Shares will be issued to any Orko Shareholder nor any fractional cash consideration paid. The number of First Majestic Shares to be issued to an Orko Shareholder will be

rounded down to the nearest whole First Majestic Share. Any cash consideration to be paid to an Orko Shareholder will be rounded down to the nearest whole cent.

#### *Illegality of Delivery of First Majestic Shares*

Notwithstanding the foregoing, if it appears to First Majestic that it would be contrary to applicable Law to issue First Majestic Shares pursuant to the Arrangement to a Person that is not a resident of Canada, the First Majestic Shares that otherwise would be issued to that Person will be issued and delivered to the Depositary for sale by the Depositary on behalf of that Person. The First Majestic Shares delivered to the Depositary will be pooled and sold as soon as practicable after the Effective Date, on such dates and at such prices as the Depositary determines in its sole discretion. The Depositary will not be obligated to seek or obtain a minimum price for any of the First Majestic Shares sold by it. Each such Person will receive a pro rata share of the cash proceeds from the sale of the First Majestic Shares sold by the Depositary (less commissions, other reasonable expenses incurred in connection with the sale and any amount withheld in respect of Canadian taxes) in lieu of the First Majestic Shares. The net proceeds will be remitted in the same manner as set forth above. None of Orko, First Majestic or the Depositary will be liable for any loss arising out of any such sales.

#### *Withholding Rights*

Orko, First Majestic and the Depositary will be entitled to deduct and withhold from any consideration deliverable or otherwise payable to any Orko Shareholder such amounts as Orko, First Majestic or the Depositary is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the Code or any provision of any applicable federal, provincial, state, local or foreign tax Law or treaty, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes hereof as having been paid to the Orko Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

To the extent that the amount so required or permitted to be deducted or withheld from any consideration deliverable or otherwise payable to an Orko Shareholder exceeds the cash portion of such consideration, Orko, First Majestic and the Depositary may sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Orko, First Majestic or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement. Orko, First Majestic or the Depositary will remit to such holder any unapplied balance of the net proceeds of such sale in excess of the applicable deduction or withholding.

#### **Cancellation of Rights after Three Years**

Any certificate or DRS Advice Statement which immediately before the Effective Time represented outstanding Orko Shares and which has not been surrendered with a duly completed Letter of Transmittal and all other documents required by the Depositary on or before the date that is three years after the Effective Date, will cease to represent any claim for First Majestic Shares or any other claim against or interest of any kind or nature in Orko or First Majestic. Accordingly, a former Orko Shareholder who does not deposit with the Depositary a duly completed Letter of Transmittal and certificate(s) or DRS Advice Statement(s) representing his, her or its Orko Shares on or before the date that is three years after the Effective Date will not receive First Majestic Shares or any other consideration in exchange therefor and will not own any interest in Orko or First Majestic and such former Orko Shareholder will not be paid any other compensation.

#### **Effects of the Arrangement on Orko Shareholders' Rights**

Orko Shareholders receiving First Majestic Shares under the Arrangement will become shareholders of First Majestic. First Majestic is a British Columbia corporation governed by the Business Corporations Act.

### Expenses of the Arrangement

Except as provided in Section 6.3 of the Arrangement Agreement, all expenses incurred in connection with the Arrangement and the transactions contemplated thereby must be paid by the Party incurring such expenses.

### Interests of Certain Persons in the Arrangement

In considering the recommendation of the Orko Board with respect to the Arrangement, Orko Securityholders should be aware that certain members of Orko's senior management and the Orko Board have certain interests in connection with the Arrangement that may present them with actual or potential conflicts of interest in connection with the Arrangement.

#### *Directors*

The directors of Orko (other than directors who are also executive officers) hold, in the aggregate, 505,000 Orko Shares and Orko Options to acquire 430,000 Orko Shares, representing approximately 0.36% of the Orko Shares, 13.23% of the Orko Options and 0.66% of the Orko Securities outstanding on the Record Date. All of the Orko Shares and Orko Options held by Orko's directors will be treated in the same fashion under the Arrangement as Orko Shares and Orko Options held by every other Orko Shareholder and Orko Optionholder.

Consistent with standard practice in similar transactions, in order to ensure that the directors and officers of Orko do not lose or forfeit their protection under liability insurance policies maintained by Orko, the Arrangement Agreement provides for the maintenance of such protection for six years. See "*The Arrangement – Interests of Certain Persons in the Arrangement - Indemnification and Insurance*" below.

#### *Executive Officers*

The current responsibility for the general management of Orko is held and discharged by a group of four executive officers, led by Gary Cope, Orko's President and Chief Executive Officer.

The executive officers of Orko are as follows:

Name	Position	Orko Shares as at the Record Date	Orko Options as at the Record Date
Gary Cope	President, Chief Executive Officer	3,782,000	Nil
N. Ross Wilmot	Chief Financial Officer	900,000	Nil
George Cavey	Vice President Exploration	810,000	200,000
Minaz Devji	Executive Vice President	3,064,189	1,505,000

The executive officers of Orko hold, in the aggregate, 8,556,189 Orko Shares and Orko Options to acquire 1,705,000 Orko Shares, representing 6.16% of the Orko Shares, 52.46% of the Orko Options and 7.22% of the Orko Securities outstanding on the Record Date. All of the Orko Shares and Orko Options held by the executive officers of Orko will be treated in the same fashion under or in connection with the Arrangement as Orko Shares and Orko Options held by every other Orko Shareholder or Orko Optionholder.

#### *Termination Payments and Bonuses*

Orko has entered into consulting agreements (the "**Consulting Agreements**") with 683192 B.C. Ltd. ("**683**"), a company wholly-owned by Gary Cope, Cedarwoods Group ("**Cedarwoods**"), a company wholly-owned by N. Ross Wilmot, 669581 B.C. Ltd. ("**669**"), a company wholly-owned by Minaz Devji, Orequest Consultants Ltd. ("**Orequest**"), a company wholly-owned by George Cavey, and

Melissa Martensen (collectively, the "**Consultants**"). Pursuant to the Consulting Agreements, each of the Consultants is entitled to receive from Orko an amount equal to 24 times, in the case of 683 and 669, or 12 times, in the case of Cedarwoods, Orequest and Ms. Martensen, the sum of the annual Consulting Fee in the applicable Consulting Agreement if the Consulting Agreement is terminated in the 12-month period following the date of any Change of Control (as defined in the applicable Consulting Agreement). The Arrangement will constitute a Change of Control and the Consultants will be entitled to receive the amounts set forth in the table below as a result of the completion of the Arrangement upon termination of their respective Consulting Agreement as a result of the completion of the Arrangement. In addition, each Consultant will be entitled to receive the cash bonus set forth in the table below as a result of the completion of the Agreement.

<b>Consultant</b>	<b>Termination Payment</b>	<b>Cash Bonus</b>
683192 B.C. Ltd.	\$458,400	\$160,000
669581 B.C. Ltd.	\$458,400	\$160,000
Cedarwoods Group	\$192,000	\$120,000
Orequest	\$152,400	\$80,000
Melissa Martensen	\$51,600	\$75,000

Additional cash bonuses in the aggregate of \$405,000 were approved by the Orko Board for payment to certain other consultants in Canada and certain employees and consultants in Mexico, as a result of the completion of the Arrangement.

#### *Indemnification and Insurance*

Pursuant to the Arrangement Agreement, First Majestic has agreed that the directors' and officers' liability insurance in favour of the current and former directors and officers of Orko will continue in full force and effect for a period of not less than six years following completion of the Arrangement on a "trailing" (or "run-off") basis. Further, First Majestic has agreed that it will cause Orko to honour all rights to indemnification or exculpation now existing in the articles of Orko or indemnification agreements entered into by Orko, or which are entered into before the Effective Date, in favour of present or former officers and directors of Orko and acknowledges that such rights will survive the completion of the Arrangement and will continue in full force and effect for a period of not less than six years from the Effective Date. First Majestic and Orko have also agreed to use all commercially reasonable efforts to enter into a mutual release, on or before the Effective Date, with each director and officer of Orko.

#### **Regulatory Law Matters and Securities Law Matters**

Other than the Final Order, the Antitrust Clearance and the approvals of the TSX-V, TSX and NYSE, Orko is not aware of any material approval, consent or other action by any federal, provincial, state or foreign government or any administrative or regulatory agency that would be required to be obtained in order to complete the Arrangement. If any such approval or consent is determined to be required, such approval or consent will be sought, although any such additional requirements could delay the Effective Date or prevent the completion of the Arrangement. While there can be no assurance that any regulatory consents or approvals that are determined to be required will be obtained, Orko currently anticipates that any such consents and approvals that are determined to be required will have been obtained or otherwise resolved by the Effective Date, which, subject to receipt of the approval of Orko Securityholders at the Meeting, receipt of the Final Order and the

satisfaction or waiver of all other conditions specified in the Arrangement Agreement, is expected to be on or about February 26, 2013.

#### *Canadian Securities Law Matters*

##### Status under Canadian Securities Laws

Orko is a reporting issuer in British Columbia and Alberta. The Orko Shares currently trade on the TSX-V. After the Arrangement, Orko will be a direct or indirect wholly-owned subsidiary of First Majestic, the Orko Shares will be delisted from the TSX-V on or promptly following the Effective Date and First Majestic expects to apply to the applicable Securities Authorities to have Orko cease to be a reporting issuer.

##### Distribution and Resale of First Majestic Shares under Canadian Securities Laws

The distribution of the First Majestic Shares pursuant to the Arrangement will constitute a distribution of securities that is exempt from the prospectus requirements of applicable Canadian Securities Laws. The First Majestic Shares received pursuant to the Arrangement will not be legended and may be resold through registered dealers in each of the provinces of Canada provided that (a) the trade is not a "control distribution" as defined in NI 45-102, (b) no unusual effort is made to prepare the market or to create a demand for the First Majestic Shares, (c) no extraordinary commission or consideration is paid to a Person in respect of such sale, and (d) if the selling securityholder is an insider or officer of First Majestic, the selling securityholder has no reasonable grounds to believe that First Majestic is in default of applicable Canadian Securities Laws.

Each Orko Shareholder is urged to consult his, her or its professional advisors to determine the conditions and restrictions applicable under Canadian Securities Laws to trades in First Majestic Shares he, she or it is entitled to receive under the Arrangement in exchange for his, her or its Orko Shares.

##### MI 61-101

MI 61-101 governs transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations. MI 61-101 has been adopted by the TSX-V pursuant to the TSX-V's Policy 5.9 - *Protection of Minority Security Holders in Special Transactions*.

The Arrangement does not constitute an issuer bid, an insider bid or a related party transaction for the purposes of MI 61-101. The Arrangement is a business combination under MI 61-101 since, as described below, Gary Cope, Orko's President and Chief Executive Officer, and Minaz Devji, Orko's Executive Vice President, are related parties of Orko and are entitled to receive a "collateral benefit" as a consequence of the Arrangement. A "collateral benefit", as defined under MI 61-101, includes any benefit that a "related party" of Orko (which includes the directors and senior officers of Orko and the Orko Subsidiaries) is entitled to receive as a consequence of the Arrangement, including a lump sum payment or an enhancement in benefits related to past or future services as an employee, director or consultant of Orko, unless certain conditions are satisfied.

MI 61-101 requires that, in addition to any other required securityholder approval, a business combination is subject to "minority approval" (as defined in MI 61-101). In relation to the Arrangement and for purposes of the required Orko Securityholder approval for the Arrangement, the "minority" shareholders of Orko are all Orko Shareholders other than (i) Orko, (ii) any interested party to the Arrangement within the meaning of MI 61-101, (iii) any related party to such interested party within the meaning of MI 61-101 (subject to the exceptions set out therein), and (iv) any person that is a joint actor with a person referred to in the foregoing clauses (ii) or (iii) for the purposes of MI 61-101.

As described below, Messrs. Cope and Devji are interested parties in connection with the Arrangement and are entitled to receive a "collateral benefit" such that any Orko Shares beneficially owned, or over which control or direction is exercised by Messrs. Cope and Devji or any of their joint actors must be excluded for purposes of determining whether minority approval has been obtained.

To the knowledge of the directors and executive officers of Orko, after reasonable inquiry, Orko has determined that:

- As of the Record Date, Mr. Cope owned beneficially or exercised control or direction over 3,782,000 Orko Shares, which represent approximately 2.72% of the issued and outstanding Orko Shares as of the Record Date. In accordance with the terms of his Lock-Up Agreement, Mr. Cope is obligated to vote these Orko Shares in favour of the Arrangement Resolution. However, the votes attached to the 3,782,000 Orko Shares held by Mr. Cope will be excluded for the purposes of determining whether minority approval of the Arrangement Resolution has been obtained.
- As of the Record Date, Mr. Devji owned beneficially or exercised control or direction over 3,064,189 Orko Shares and Orko Options to acquire 1,505,000 Orko Shares, which together represent approximately 3.26% of the issued and outstanding Orko Shares as of the Record Date (assuming that such Orko Options, and no other Orko Options, have been exercised). In accordance with the terms of his Lock-Up Agreement, Mr. Devji is obligated to vote these Orko Shares and Orko Options in favour of the Arrangement Resolution. However, the votes attached to the 3,064,189 Orko Shares held by Mr. Devji will be excluded for the purposes of determining whether minority approval of the Arrangement Resolution has been obtained.

For the purposes of MI 61-101, each of Messrs. Cope and Devji is considered to beneficially own more than 1% of the Orko Shares and Orko Options. Orko has determined that the value of the change of control payments and cash bonuses to be received by each of Messrs. Cope and Devji as a result of the Arrangement, as described under "*The Arrangement – Interests of Certain Persons in the Arrangement – Termination Payments and Bonuses*", net of any offsetting costs, is more than 5% of the amount of the consideration that each of Messrs. Cope and Devji expects to be beneficially entitled to receive under the terms of the Arrangement in exchange for the Orko Shares that he beneficially owns. Accordingly, the change of control payments and cash bonuses that each of Messrs. Cope and Devji may receive as a result of the completion of the Arrangement constitute a collateral benefit under MI 61-101. Accordingly, any Orko Shares beneficially owned, or over which control or direction is exercised by either of Messrs. Cope or Devji will be excluded for the purposes of determining whether minority approval of the Arrangement Resolution has been obtained.

#### *United States Securities Law Matters*

**The following discussion is a general overview of certain requirements of U.S. federal Securities Laws that may be applicable to Orko Securityholders in the U.S. The issuance of the First Majestic Shares and subsequent resale of these securities held by Orko Shareholders in the U.S. will be subject to U.S. Securities Laws, including, but not limited to, the U.S. Securities Act. Orko Shareholders in the U.S. are urged to consult their professional advisors to determine the impact and applicability of U.S. Securities Laws to resales or transfers of First Majestic Shares. Further information applicable to Orko Securityholders in the U.S. is disclosed under the heading "*Note to United States Securityholders*".**

The following discussion does not address the Canadian Securities Laws that will apply to the issuance of the First Majestic Shares or the resale of these securities by Orko Shareholders within Canada. Orko Shareholders within the U.S. reselling their First Majestic Shares in Canada must comply with Canadian Securities Laws, as outlined elsewhere in this Circular.

#### Status under U.S. Securities Laws

Each of First Majestic and Orko are "foreign private issuers" as defined in Rule 405 of the U.S. Securities Act. Each of First Majestic and the Resulting Issuer is expected to remain a foreign private issuer for the foreseeable future following the completion of the Arrangement.

The Orko Shares have not been registered with the SEC and Orko is not subject to reporting requirements under U.S. federal or state Securities Laws. The Orko Shares are not listed for trading on a U.S. securities exchange. First Majestic Shares currently are listed for trading on both the NYSE and TSX and it is a condition to completion of the Arrangement that the First Majestic Shares issuable pursuant to the Arrangement will be authorized for listing on the NYSE and the TSX at the Effective Time. The First Majestic Shares to be issued in the Arrangement are therefore anticipated to be "covered securities" under the *National Securities Market Improvement Act of 1996*, and therefore generally exempt from the several U.S. state "blue sky" laws, except with respect to the notice provisions thereof. There can be no assurance, however, that the First Majestic Shares will be so listed at the Effective Time or that the First Majestic Shares will continue to be so listed at any time in the future.

#### Exemption from the Registration Requirements of the U.S. Securities Act

The First Majestic Shares to be issued pursuant to the Arrangement will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued in reliance upon applicable exemptions under the U.S. Securities Laws, including the Section 3(a)(10) Exemption and exemptions provided under the Securities Laws of each state of the United States in which Orko Securityholders may reside. Section 3(a)(10) of the U.S. Securities Act exempts from registration the distribution of a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval. Accordingly, the Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the First Majestic Shares issued in connection with the Arrangement.

#### Distribution and Resale of First Majestic Shares under U.S. Securities Laws

The First Majestic Shares to be issued pursuant to the Arrangement, by virtue of the Section 3(a)(10) Exemption or another applicable exemption from registration under the U.S. Securities Act, will not be subject to resale restrictions under the U.S. Securities Act unless Orko Shareholders in the U.S. are deemed to be affiliates (as defined in Rule 405 of the U.S. Securities Act) of First Majestic following the Effective Date (or within three months prior to the Effective Date).

#### Resales of First Majestic Shares within the United States after the Completion of the Arrangement

The following discussion is limited to the resale of First Majestic Shares within the United States. U.S. shareholders may also resell their shares in limited circumstances outside of the United States in accordance with Regulation S. The availability of Regulation S for non-United States resales is discussed below under "*Resales of First Majestic Shares outside the United States after the Completion of the Arrangement*".

First Majestic Shares received by a holder who is or will be an "affiliate" of First Majestic after the Arrangement or who was an affiliate of First Majestic within three months prior to the consummation of the Arrangement will be subject to certain restrictions on resale imposed by the U.S. Securities Act. As defined in Rule 144 under the U.S. Securities Act, an "affiliate" of an issuer is a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the issuer and may include officers and directors of such issuer as well as

principal shareholders of such issuer. For these purposes, the term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

Persons who are not affiliates of First Majestic after the Arrangement (and who have not been affiliates during the three months prior to the Effective Time) may resell the First Majestic Shares that they receive in connection with the Arrangement in the United States without restriction under the U.S. Securities Act. Persons who are affiliates of First Majestic after the Arrangement may not sell their First Majestic Shares that they receive in connection with the Arrangement in the absence of registration under the U.S. Securities Act, unless an exemption from registration is available, such as the exemption contained in Rule 144 under the U.S. Securities Act.

In general, under Rule 144, Persons who are affiliates of First Majestic after the Arrangement or Persons who were affiliates of First Majestic within three months prior to the consummation of the Arrangement will be entitled to sell in the United States, during any three-month period, a portion of the First Majestic Shares that they receive in connection with the Arrangement, provided that the number of such shares sold does not exceed the greater of 1% of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange, the average weekly trading volume of such securities during the four-week period preceding the date of sale, subject to specified restrictions on manner of sale, notice requirements, aggregation rules and the availability of current public information about First Majestic. Persons who are affiliates of First Majestic after the Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of First Majestic.

#### Resale of First Majestic Shares outside the United States after the Completion of the Arrangement

In general, under Regulation S, Persons who are affiliates of First Majestic solely by virtue of their status as an officer or director of First Majestic may sell their First Majestic Shares outside the United States in an "offshore transaction" if, among other things, neither the seller nor any Person acting on its behalf engages in "directed selling efforts" in the United States. An "offshore transaction" includes a transaction executed using the facilities of a designated offshore securities exchange, such as the TSX in the case of First Majestic, provided the offer of the securities is not made to a Person in the United States and neither seller nor any Person acting on the seller's behalf knows the transaction has been prearranged with a buyer in the United States. In the case of a sale of First Majestic Shares by an officer or director who is an affiliate of First Majestic solely by virtue of holding such position, there would be an additional requirement that no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker's commission. For purposes of Regulation S, "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered" in the sale transaction. Certain additional restrictions are applicable to a holder of First Majestic Shares who is an affiliate of First Majestic after the Arrangement other than by virtue of his or her status as an officer or director of First Majestic.

The foregoing discussion is only a general overview of certain requirements of U.S. Securities Laws applicable to the securities received upon completion of the Arrangement. Orko Shareholders who receive First Majestic Shares in the Arrangement may be subject to additional restrictions, including, but not limited to, restrictions under written contracts, agreements or instruments to which they are parties or are otherwise subject, and restrictions under applicable U.S. state Securities Laws. All such Persons are urged to consult with counsel to ensure that the resale of the securities issued pursuant to the arrangement complies with applicable Securities Laws.

**NONE OF THE FIRST MAJESTIC SHARES TO WHICH ORKO SHAREHOLDERS WILL BE ENTITLED PURSUANT TO THE ARRANGEMENT HAVE BEEN REGISTERED WITH, RECOMMENDED BY, APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES AUTHORITY IN ANY STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

### **Risks Associated with the Arrangement**

In evaluating the Arrangement, Orko Securityholders should carefully consider the following risk factors relating to the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement. Additional risks and uncertainties, including those currently unknown or considered immaterial by Orko, may also adversely affect the Orko Shares, the First Majestic Shares, and/or the businesses of Orko and First Majestic following the Arrangement. In addition to the risk factors relating to the Arrangement set out below, Orko Securityholders should also carefully consider the risk factors associated with the business of First Majestic included in this Circular and in the documents incorporated by reference herein. See "*Information Concerning First Majestic - Risk Factors*". If any of the risk factors materialize, the predictions based on them may need to be re-evaluated. The risks associated with the Arrangement include, without limitation:

*The Arrangement Agreement may be terminated in certain circumstances, including in the event of a change having a Material Adverse Change to Orko.*

Each of Orko and First Majestic has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can Orko provide any assurance, that the Arrangement Agreement will not be terminated by either Orko or First Majestic before the completion of the Arrangement. For example, First Majestic has the right, in certain circumstances, to terminate the Arrangement Agreement if any change occurs that, individually or in the aggregate, has a Material Adverse Change to Orko. Although a Material Adverse Change excludes certain events that are beyond the control of Orko (such as general changes in the international economy or changes that affect the worldwide silver mining industry generally and which do not have a materially disproportionate effect on Orko), there is no assurance that a Material Adverse Change to Orko will not occur before the Effective Date, in which case First Majestic could elect to terminate the Arrangement Agreement and the Arrangement would not proceed.

*There can be no certainty that all conditions precedent to the Arrangement will be satisfied and the market price for the Orko Shares may decline if the Arrangement is not completed.*

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Orko, including the absence of a Material Adverse Change to First Majestic and receipt of the Final Order. There can be no certainty, nor can Orko provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the market price of the Orko Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Orko Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Arrangement. Orko will also remain obligated to pay certain costs.

*Orko will incur costs and may have to pay the Termination Payment or an expense reimbursement fee.*

Certain costs related to the Arrangement, such as legal, accounting and financial advisor fees, must be paid by Orko even if the Arrangement is not completed. In addition, if the Arrangement is not completed, Orko may be required to pay First Majestic the Termination Payment or pay First Majestic

\$1,500,000 as an expense reimbursement fee. See "*The Arrangement – The Arrangement Agreement – Termination Payment*".

*Risks associated with a fixed Exchange Ratio.*

Under the Arrangement, Orko Shareholders will receive a fixed number of First Majestic Shares for each Orko Share, rather than First Majestic Shares with a fixed market value. Because the number of First Majestic Shares to be received in respect of each Orko Share under the Arrangement will not be adjusted to reflect any change in the market value of the First Majestic Shares, the value of First Majestic Shares received under the Arrangement may vary significantly from the value at the dates referenced in this Circular. If the market price of the First Majestic Shares increases or decreases, the value of the consideration that Orko Shareholders receive pursuant to the Arrangement will correspondingly increase or decrease. There can be no assurance that the market price of the First Majestic Shares on the Effective Date will not be lower than the market price of such shares on the date of the Meeting. Many of the factors that affect the market price of the First Majestic Shares and the Orko Shares are beyond the control of First Majestic and Orko, respectively. These factors include fluctuations in commodity prices, fluctuations in currency exchange rates, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

*Orko directors and executive officers may have interests in the Arrangement that are different from those of the Orko Securityholders.*

In considering the recommendation of the Orko Board to vote in favour of the Arrangement Resolution, Orko Securityholders should be aware that certain members of the Orko Board and management have agreements or arrangements that provide them with interests in the Arrangement that differ from, or are in addition to, those of Orko Securityholders generally. See "*The Arrangement – Interests of Certain Persons in the Arrangement*".

*The issue of First Majestic Shares under the Arrangement and their subsequent sale may cause the market price of First Majestic Shares to decline.*

As of January 18, 2013, 116,756,840 First Majestic Shares were outstanding and an aggregate of 6,347,897 First Majestic Shares were subject to outstanding options or warrants to purchase or acquire First Majestic Shares. Up to 17,082,701 First Majestic Shares may be issued or issuable in connection with the Arrangement. The issue of these new First Majestic Shares and their sale and the sale of additional First Majestic Shares that may become eligible for sale in the public market from time to time could depress the market price for First Majestic Shares.

*Following the Arrangement, First Majestic will be subject to ongoing capital requirements.*

First Majestic's ongoing capital requirements may increase as its operations and portfolio of development properties increases. There is no guarantee that following successful completion of the Arrangement, the Resulting Issuer will meet key production and cost estimates.

*The exchange of Orko Shares for First Majestic Shares by an Orko Shareholder may be subject to Canadian income taxes.*

The disposition of the Orko Shares by Orko Shareholders under the Arrangement may result in Canadian federal income taxes. Orko Shareholders should review the more detailed information under "*Certain Canadian Federal Income Tax Considerations*".

*The exchange of Orko Shares for First Majestic Shares by a U.S. Holder may be a taxable transaction for U.S. federal income tax purposes.*

U.S. Holders should be aware that, while the Arrangement has been structured to qualify as a tax-deferred reorganization under the Code, because the Arrangement will be effected pursuant to applicable provisions of Canadian corporate Law that are not identical to analogous provisions of U.S. corporate Law, and because there are no authorities considering whether such a transaction effected pursuant to a court order is treated as a statutory merger within the meaning of the Code, there can be no assurances that the IRS or a U.S. court would not take a contrary view of the Arrangement. It is therefore possible that the Arrangement will be treated as a taxable transaction for U.S. federal income tax purposes.

*Even if the Arrangement qualifies as a tax-deferred reorganization, the Arrangement may still be taxable to U.S. Holders and any gains recognized subject to taxation under the onerous PFIC rules.*

Even if the Arrangement otherwise qualifies as a tax-deferred reorganization, the Arrangement may nevertheless be fully taxable to U.S. Holders and subject to a special adverse tax regime imposed on gains from the sale or other disposition of shares of a PFIC if (a) Orko or the Orko Subsidiaries were or are PFICs for any taxable year during the U.S. Holder's holding period for the Orko Shares, and (b) First Majestic is not a PFIC for its taxable year that includes the day after the Effective Date. Orko believes that it and the Orko Subsidiaries were PFICs for their most recent taxable years and that they will be PFICs for their current taxable years that include the Effective Date. First Majestic does not believe that it will be a PFIC for its current taxable year that includes the Effective Date.

If the PFIC rules apply to a U.S. Holder's disposition of Orko Shares in the Arrangement, then the gain recognized by the U.S. Holder in the Arrangement will be allocated ratably over the U.S. Holder's holding period for the shares. The portion of the gain allocated to the current year and to years before Orko or the Orko Subsidiaries were PFICs will be taxed in the current year at ordinary income rates. The portion of the gain allocated to every other year will be taxed at the highest marginal rate applicable to ordinary income for that year (regardless of the U.S. Holder's actual marginal rate for the year and without reduction by any losses or loss carryforwards) and the tax so determined would be subjected to an interest charge to reflect the value of the U.S. income tax deferral.

U.S. Holders should carefully read the information in this Circular under the heading "*Certain United States Federal Income Tax Considerations*" and are strongly urged to consult with their own tax advisors about the impact of the PFIC rules on their investment in Orko Shares, the Arrangement, and the resulting receipt of First Majestic Shares, including, without limitation, whether a "QEF" election, "deemed sale" election or "mark-to-market" election may be used to reduce the significant adverse U.S. federal income tax consequences of the PFIC rules.

*First Majestic may be or become a PFIC for U.S. federal income tax purposes, which could have negative tax consequences to U.S. Holders of First Majestic Shares.*

Although First Majestic believes that it will not be a PFIC for its current taxable year that includes the Effective Date, and that it will not be a PFIC in subsequent taxable years, these assumptions could prove incorrect. The determination of whether First Majestic is or will be a PFIC for any taxable year is made on an annual basis and is based on the types of income earned and the types and value of First Majestic's assets from time to time, all of which are subject to change. In addition, this analysis depends, in part, on the application of complex United States federal income tax rules, which are subject to differing interpretations. As a result, whether First Majestic is or will be a PFIC for the current or any subsequent taxable year cannot be predicted with certainty, and there can be no assurance that the IRS will not challenge any determination made by First Majestic concerning its PFIC status.

A U.S. Holder whose holding period for First Majestic Shares includes part of any year in which First Majestic is a PFIC may be subject to a special adverse tax regime imposed on gains on the sale or other disposition of shares of a PFIC and on "excess distributions" from a PFIC. U.S. Holders should carefully read the information in this Circular under the heading "*Certain United States Federal Income Tax Considerations*" and are strongly urged to consult their own tax advisors about the impact of the PFIC rules on their acquisition, ownership, and disposition of First Majestic Shares received pursuant to the Arrangement, including, without limitation, whether a "QEF" election, "deemed sale" election or "mark-to-market" election may be used to reduce the potentially significant adverse U.S. federal income tax consequences of the PFIC rules, if First Majestic is or becomes a PFIC.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following fairly summarizes the principal Canadian federal income tax considerations relating to the Arrangement generally applicable to Orko Shareholders who, at all relevant times, for the purposes of the Tax Act (a) deal at arm's length with Orko and First Majestic, (b) are not affiliated with Orko or First Majestic, and (c) hold Orko Shares, and will hold all First Majestic Shares acquired on the Arrangement, as capital property (each such holder in this section, a "**Holder**"). Certain Orko Shareholders whose Orko Shares or First Majestic Shares might not otherwise qualify as capital property may, in certain circumstances, treat such Orko Shares as capital property by making an irrevocable election as provided by subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act, the regulations thereunder and the current published administrative practices and policies of the Canada Revenue Agency (the "**CRA**") publicly available before the date hereof. This summary also takes into account all specific proposals to amend the Tax Act and the regulations announced by or on behalf of the Minister of Finance (Canada) before the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed, although no assurances can be given in this regard. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in Law, whether by legislative, governmental, regulatory, or judicial action or decision, or changes in the administrative practices of the CRA, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

The tax treatment applicable in respect of Orko Options under the Arrangement is not addressed in this summary, and all affected holders should consult with their own tax advisors in this regard.

This summary is not applicable to a Holder that is a "financial institution" as defined in the Tax Act for the purposes of the "mark-to-market property" rules or a "specified financial institution" as defined in the Tax Act, nor does it apply to a Holder an interest in which is a "tax shelter investment" as defined in the Tax Act, a Holder that is exempt from tax under Part I of the Tax Act, a Holder that has made a functional currency reporting election for purposes of the Tax Act, or a Holder that is otherwise in special circumstances. In addition, this summary does not address all issues relevant to Holders who acquired their Orko Shares on the exercise of an Orko Option. All such Holders should consult their own tax advisors.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not, and should not be construed as, legal, business or tax advice to any particular Holder and no representations with respect to the tax consequences to any particular Holder are made. Accordingly, all Holders should consult their own tax advisors regarding the Canadian federal income tax consequences of the Arrangement applicable to their particular circumstances.**

## Holders Resident in Canada

This portion of the summary applies to a Holder (as defined above) who, at all relevant times, is or is deemed to be resident in Canada for purposes of the Tax Act (a "**Resident Holder**").

### *Exchange of Shares under the Arrangement – No Section 85 Election*

A Resident Holder whose Orko Shares are exchanged for First Majestic Shares and cash under the Arrangement, and who does not make a joint Section 85 Election with First Majestic (as discussed below under "*Exchange of Orko Shares under the Arrangement – With a Section 85 Election*"), will be considered to have disposed of the Orko Shares for proceeds of disposition equal to the aggregate of the fair market value at the Effective Time of the First Majestic Shares and the cash consideration received on the exchange. As a result, such Resident Holder will realize a capital gain (or a capital loss) to the extent that such proceeds of disposition exceed (or are less than) the aggregate of the Resident Holder's adjusted cost base of the Orko Shares immediately before the exchange and any reasonable costs of disposition. See "*Taxation of Capital Gains and Capital Losses*" below.

The cost to the Resident Holder of the First Majestic Shares acquired on such exchange will equal the fair market value of those shares at the Effective Time and will, for the purpose of determining the Resident Holder's adjusted cost base of those shares, be averaged with the adjusted cost base to the Resident Holder of any other First Majestic Shares held at the Effective Time as capital property.

### *Exchange of Orko Shares under the Arrangement – With a Section 85 Election*

A Resident Holder who is an Eligible Holder is entitled to make a Section 85 Election jointly with First Majestic and may thereby obtain a full or partial tax deferral for purposes of the Tax Act in respect of the capital gain that would otherwise be realized on the exchange of Orko Shares for First Majestic Shares and cash under the Arrangement, depending on the Elected Amount (as defined below), the Holder's adjusted cost base of the Orko Shares at the time of the exchange, and subject to the Section 85 Election requirements being met under the Tax Act.

An Eligible Holder making a Section 85 Election will be required to designate an amount (the "**Elected Amount**") in the election form that will be deemed to be the proceeds of disposition of the Eligible Holder's Orko Shares. By designating an appropriate Elected Amount in a valid Section 85 Election filed on a timely basis in accordance with all requirements under the Tax Act, an Eligible Holder may, for purposes of the Tax Act, defer realizing all or any portion of the capital gain that the Eligible Holder would otherwise realize on the exchange.

In general, the Elected Amount may not be:

- (a) less than the amount of cash received by the Eligible Holder on the exchange;
- (b) less than the lesser of (i) the Eligible Holder's adjusted cost base of the Orko Shares, and (ii) the fair market value of the Orko Shares, in each case determined at the time of the exchange; or
- (c) greater than the fair market value of the Orko Shares at the time of the exchange.

The Canadian federal tax treatment to an Eligible Holder who properly makes a valid Section 85 Election jointly with First Majestic generally will be as follows:

- (a) the Eligible Holder will be deemed to have disposed of the Eligible Holder's Orko Shares for proceeds of disposition equal to the Elected Amount;

- (b) the Eligible Holder will not realize any capital gain or capital loss if the Elected Amount (subject to the limitations described above and set out in the Tax Act) equals the aggregate of the Eligible Holder's adjusted cost base of the Orko Shares determined immediately before the exchange and any reasonable costs of disposition;
- (c) the Eligible Holder will realize a capital gain (or a capital loss) to the extent that the Elected Amount exceeds (or is less than) the aggregate of the Eligible Holder's adjusted cost base of the Orko Shares and any reasonable costs of disposition; and
- (d) the aggregate cost to the Eligible Holder of the First Majestic Shares acquired on the exchange will equal the amount, if any, by which the Elected Amount exceeds the cash received by the Eligible Holder, and for the purpose of determining the Eligible Holder's adjusted cost base of those shares, such cost will be averaged with the Eligible Holder's adjusted cost base of any other First Majestic Shares held at the Effective Time by the Eligible Holder as capital property.

**An Eligible Holder who intends to make a Section 85 Election should indicate that intention by checking the appropriate box in the Letter of Transmittal. A tax instruction letter, together with the relevant tax election forms, will be sent to the Eligible Holder within the later of 10 Business Days after the Effective Date and 10 Business Days after the Eligible Holder completes and returns the Letter of Transmittal to the Depository.**

The relevant federal tax election form is CRA form T2057 (or, if the Eligible Holder is a partnership, CRA form T2058). Certain other provincial jurisdictions require that a separate joint election be filed for provincial income tax purposes. Eligible Holders should consult their own tax advisors to determine whether they must file separate election forms with any provincial taxing jurisdiction. It is the responsibility of each Eligible Holder who wishes to make an election for provincial income tax purposes to obtain any other necessary provincial election forms. In addition, special compliance rules apply where the Orko Shares are held in joint ownership or are held as partnership property, and affected Eligible Holders should consult their own tax advisors to determine all relevant filing requirements and procedures (including under provincial legislation) applicable in their particular circumstances.

To make a Section 85 Election, an Eligible Holder must ensure that two signed copies of the necessary election forms are returned to First Majestic in accordance with the procedures set out in the tax instruction letter on or before 90 days after the Effective Date (although, as discussed below, an Eligible Holder may be required to return the forms to First Majestic by an earlier date), duly completed with the details of the number of Orko Shares exchanged, the cash and number of First Majestic Shares received, and the applicable Elected Amount. In accordance with the terms of the Arrangement and subject to the election forms being correct and complete and complying with the provisions of the Tax Act (and of any applicable provincial income tax Law), one copy of such forms will be signed by First Majestic and returned to the Eligible Holder for filing by the Eligible Holder with the CRA (or applicable provincial tax authority).

Under the Arrangement Agreement, First Majestic has agreed to make a Section 85 Election (and any corresponding election under any applicable provincial tax legislation) only with an Eligible Holder, and only at the Elected Amount selected by the Eligible Holder (subject to the limitations set out in the Tax Act and any applicable provincial tax legislation). None of Orko, First Majestic, any successor corporation or the Depository will be responsible for the proper completion or filing of any Section 85 Election or for the payment of any late filing penalty, and the Eligible Holder will be solely responsible in respect thereof. First Majestic has agreed only to execute properly completed Section

85 Election forms which it receives and to return the forms to the Eligible Holder (at the address of the Eligible Holder as indicated in the Section 85 Election). **With the exception of First Majestic's execution and return of the Section 85 Election, each Eligible Holder will be solely responsible for complying with all applicable requirements relating to the making and filing of the Holder's Section 85 Election and any relevant corresponding provincial election, and all related tax consequences.** Accordingly, none of Orko, First Majestic, any successor corporation or the Depositary will be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to deliver a Section 85 Election in accordance with the procedures set out in the tax instruction letter, nor for the proper completion or filing of any Section 85 Election within the time and in the form prescribed under the Tax Act (or the corresponding provisions of any applicable provincial tax legislation), nor will any party be liable for the non-receipt of things mailed.

To avoid late filing penalties imposed under the Tax Act, each Eligible Holder who wishes to make a Section 85 Election must ensure that the Eligible Holder's Section 85 Election is received by the appropriate tax authorities on or before the earliest day on which either First Majestic or the Eligible Holder is required to file an income tax return for the taxation year in which the exchange occurs. First Majestic's 2013 taxation year is scheduled to end on the Effective Date. Each Eligible Holder is urged to consult the Eligible Holder's own advisors as soon as possible respecting the deadlines applicable to the Eligible Holder's particular circumstances. **Regardless of such deadlines, First Majestic must receive the tax election forms of an Eligible Holder in accordance with the procedures set out in the tax instruction letter no later than 90 days after the Effective Date.** First Majestic has agreed to execute and return a Section 85 Election to the Eligible Holder making the election within 90 days after First Majestic receives the election in accordance with the procedures set out in the tax instruction letter, however, Eligible Holders may be required to forward their tax election forms to First Majestic earlier than 90 days after the Effective Date in order to avoid late filing penalties. Furthermore, while First Majestic may choose, in its sole discretion, to sign a Section 85 Election received by it more than 90 days after the Effective Date, it has no obligation to do so.

First Majestic has agreed to execute and return an income tax election to the Eligible Holder who has submitted the election information on or before 90 calendar days after the Effective Date. To make an income tax election an Orko Shareholder must either complete and provide two signed copies of the required election form containing all necessary information or submit their election information through a designated website, all in accordance with the procedures of the tax instruction letter. Accordingly, all Eligible Holders who wish to make a Section 85 Election should give immediate attention to this matter and in particular should consult their own tax advisors without delay. The instructions for requesting a tax instruction letter will be set out in the Letter of Transmittal.

Eligible Holders are referred to CRA Information Circular 76-19R3 and CRA Interpretation Bulletin IT-291R3 for further information respecting the Section 85 Election. Eligible Holders wishing to make the election should consult their own tax advisors. The comments herein with respect to such elections are provided for general assistance only. The law in this area is complex and contains numerous technical requirements, not addressed in this summary.

### *Taxation of Capital Gains and Capital Losses*

Generally, a Resident Holder will be required to include in computing its income for a taxation year one half of the amount of any capital gain (a "**taxable capital gain**") realized by it in that year. A Resident Holder will generally be entitled to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, subject to the detailed rules contained in the Tax Act.

A capital loss realized by a Resident Holder that is a corporation may, to the extent and under the circumstances specified by the Tax Act, be reduced by the amount of dividends received or deemed to have been received by the corporation on such shares (or on a share for which such share is substituted or exchanged). Similar rules may apply where shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own advisors.

Resident Holders should also note the comments below under "*Alternative Minimum Tax*" and "*Additional Refundable Tax on Canadian-Controlled Private Corporations*".

### *Dissenting Resident Holders*

A Resident Holder who validly exercises Dissent Rights (a "**Resident Dissenter**") and consequently is deemed to have transferred Orko Shares to First Majestic and is paid the fair value of the Resident Dissenter's Orko Shares by First Majestic in accordance with the Arrangement will realize a capital gain (or a capital loss) equal to the amount by which the payment (other than interest) exceeds (or is exceeded by) the aggregate of the Resident Holder's adjusted cost base of the Orko Shares determined immediately before the Effective Time and any reasonable costs of disposition. The Resident Dissenter will be required to include any resulting taxable capital gain in income, or be entitled to deduct any resulting allowable capital loss, in accordance with the usual rules applicable to capital gains and losses. See "*Taxation of Capital Gains and Capital Losses*" above.

A Resident Dissenter must include in computing its income any interest awarded to it by a court.

### *Dividends on First Majestic Shares*

A Resident Holder who is an individual will be required to include in income any dividends received or deemed to be received on First Majestic Shares, and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by First Majestic as "eligible dividends" as defined in the Tax Act. There may be certain restrictions on First Majestic's ability to designate any dividends as "eligible dividends", and First Majestic has made no commitments in this regard.

A Resident Holder that is a corporation will be required to include in income any dividend received or deemed to be received on First Majestic Shares, and generally will be entitled to deduct an equivalent amount in computing its taxable income, subject to all applicable restrictions under the Tax Act. A "private corporation" or a "subject corporation" (as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a special tax (refundable in certain circumstances) of 33 $\frac{1}{3}$ % on any dividend that it receives or is deemed to receive on First Majestic Shares to the extent that the dividend is deductible in computing the corporation's taxable income.

#### *Disposition of First Majestic Shares*

A Resident Holder that disposes or is deemed to dispose of a First Majestic Share in a taxation year will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the First Majestic Share exceed (or are exceeded by) the aggregate of the Resident Holder's adjusted cost base of such First Majestic Share, determined immediately before the disposition, and any reasonable costs of disposition. The Resident Holder will be required to include any resulting taxable capital gain in income, or be entitled to deduct any resulting allowable capital loss, in accordance with the usual rules applicable to capital gains and capital losses. See "*Taxation of Capital Gains and Capital Losses*".

#### *Alternative Minimum Tax*

A capital gain realized, or a dividend received, by a Resident Holder who is an individual (including certain trusts) may give rise to liability for alternative minimum tax under the Tax Act.

#### *Additional Refundable Tax on Canadian-Controlled Private Corporations*

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be required to pay an additional 6 $\frac{2}{3}$ % tax (refundable in certain circumstances) on certain investment income, which includes taxable capital gains and dividends or deemed dividends not deductible in computing taxable income.

#### **Holders Not Resident in Canada**

This portion of the summary applies to a Holder (as defined above) who, at all relevant times, for the purposes of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, Orko Shares or First Majestic Shares in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Holder that is an insurer carrying on business in Canada and elsewhere.

#### *Exchange of Orko Shares under the Arrangement and Subsequent Disposition of First Majestic Shares*

A Non-Resident Holder whose Orko Shares are exchanged for First Majestic Shares and cash under the Arrangement will not be subject to tax under the Tax Act on any capital gain realized on such exchange unless the Orko Shares are "taxable Canadian property" to the Non-Resident Holder at the Effective Time and the Orko Shares are not "treaty-protected property" (as defined in the Tax Act) of the Non-Resident Holder at the time of the exchange. Similarly, any capital gain realized by a Non-Resident Holder on a disposition or deemed disposition of First Majestic Shares acquired under the Arrangement will not be subject to tax under the Tax Act unless the First Majestic Shares are "taxable Canadian property" to the Non-Resident Holder at the time of the disposition and the shares are not "treaty-protected property" of the Non-Resident Holder at the time of disposition.

Generally speaking, an Orko Share or a First Majestic Share, as the case may be, will not be "taxable Canadian property" to a Non-Resident Holder at a particular time provided that such share is listed on a "designated stock exchange" (which includes the TSX-V and the TSX) as defined in the Tax Act unless, at any time during the 60-month period immediately preceding the disposition (i) the Non-Resident Holder, Persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder together with all such Persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of Orko or First Majestic, respectively, and (ii) more than 50% of the fair market value of the particular share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such properties (whether or not such property exists).

Even if an Orko Share or a First Majestic Share is taxable Canadian property to a Non-Resident Holder, such share may be "treaty-protected property" of the Non-Resident Holder at the time of disposition (which time includes an exchange of an Orko Share under the Arrangement) for purposes of the Tax Act, if the capital gain from the disposition of that share would, because of an applicable income tax convention to which Canada is a signatory, be exempt from tax under the Tax Act. Non-Resident Holders should consult their own tax advisors in this regard.

If an Orko Share or a First Majestic Share, as the case may be, is taxable Canadian property to a Non-Resident Holder at the time of disposition and is not treaty-protected property of the Non-Resident Holder at that time, the tax consequences to the Non-Resident Holder of the disposition of the Orko Share or First Majestic Share will be similar to those of a Resident Holder as described above under "*Holders Resident in Canada - Exchange of Shares under the Arrangement - No Section 85 Election*", and the taxation of any capital gain then realized will generally be as described above under "*Holders Resident in Canada - Taxation of Capital Gains and Capital Losses*".

In general terms, the Arrangement does not permit a Non-Resident Holder to file a Section 85 Election.

#### *Dividends on First Majestic Shares*

Dividends paid or credited on First Majestic Shares to a Non-Resident Holder generally will be subject to Canadian withholding tax at a rate of 25% of the gross amount of the dividend, unless the rate is reduced under the provisions of an applicable income tax treaty. First Majestic will be required to withhold the required amount of withholding tax from the dividend, and to remit it to CRA for the account of the Non-Resident Holder.

#### *Dissenting Non-Resident Holders*

A Non-Resident Holder that validly exercises Dissent Rights (a "**Non-Resident Dissenter**") and consequently is deemed to have transferred Orko Shares to First Majestic and is paid the fair value for the Non-Resident Dissenter's Orko Shares by First Majestic may realize a capital gain or capital loss generally as discussed above under "*Holders Resident in Canada - Dissenting Resident Holders*". As discussed above under "*Holders Not Resident in Canada - Exchange of Orko Shares under the Arrangement and Subsequent Disposition of First Majestic Shares*", any resulting capital gain would only be subject to tax under the Tax Act if the Orko Shares are taxable Canadian property to the Non-Resident Holder at the Effective Time and are not treaty-protected property of the Non-Resident Holder at that time.

An amount paid in respect of interest awarded by the court to a Non-Resident Dissenter will not be subject to Canadian withholding tax.

### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following is a general summary of certain U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) with respect to the Arrangement and the ownership and disposition of First Majestic Shares received pursuant to the Arrangement. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement or as a result of the ownership and disposition of First Majestic Shares received pursuant to the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax

consequences to U.S. Holders of the Arrangement or the acquisition, ownership, and disposition of Orko Shares or First Majestic Shares. Each U.S. Holder should consult its own tax advisor regarding the tax consequences of the Arrangement, including the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences of the acquisition, ownership, and disposition of Orko Shares and First Majestic Shares.

No legal opinion from U.S. legal counsel or ruling from the IRS has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of First Majestic Shares received pursuant to the Arrangement. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

**NOTICE PURSUANT TO IRS CIRCULAR 230: NOTHING CONTAINED IN THIS SUMMARY CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY A U.S. HOLDER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE CODE. THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS CIRCULAR. EACH U.S. HOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.**

### **Scope of This Disclosure**

#### *Authorities*

This summary is based on the Code, U.S. Treasury regulations (whether final, temporary, or proposed) (the "**U.S. Treasury Regulations**"), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**Canada-U.S. Tax Convention**"), and U.S. court decisions and, in each case, as in effect and available, as of the date of this Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

#### *U.S. Holders*

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Orko Shares (or after the Arrangement, First Majestic Shares), including holders who acquire Orko Shares upon exercise of an Orko Option prior to the Effective Time, participating in the Arrangement or exercising Dissent Rights pursuant to the Arrangement that is for U.S. federal income tax purposes:

- a citizen or individual resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or

- a trust that (a) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions, or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

#### *Non-U.S. Holders*

For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of Orko Shares participating in the Arrangement or exercising Dissent Rights that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences applicable to non-U.S. Holders arising from the Arrangement or the ownership and disposition of First Majestic Shares received pursuant to the Arrangement. Accordingly, a non-U.S. Holder should consult his, her or its own tax advisor regarding the tax consequences (including the potential application of and operation of any income tax treaties) relating to the Arrangement and the ownership and disposition of First Majestic Shares received pursuant to the Arrangement.

#### *Transactions Not Addressed*

This summary does not address the U.S. federal income tax consequences of transactions effected prior or subsequent to, or concurrently with, the Arrangement (whether or not any such transactions are undertaken in connection with the Arrangement), including, without limitation, the following:

- any conversion into Orko Shares or First Majestic Shares of any notes, debentures or other debt instruments;
- any vesting, conversion, assumption, disposition, exercise, exchange, or other transaction involving any rights to acquire Orko Shares or First Majestic Shares, including the Orko Options; and
- any transaction, other than the Arrangement, in which Orko Shares or First Majestic Shares are acquired.

#### *U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed*

This summary does not address the U.S. federal income tax considerations of the Arrangement to U.S. Holders that are subject to special provisions under the Code, including U.S. Holders that (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts, (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies, (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method, (d) have a "functional currency" other than the U.S. dollar, (e) own Orko Shares (or after the Arrangement, First Majestic Shares) as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position, (f) acquired Orko Shares (or after the Arrangement, First Majestic Shares) in connection with the exercise of Orko Options or otherwise as compensation for services, (g) hold Orko Shares (or after the Arrangement, First Majestic Shares) other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes), (h) are partnerships or are treated as partnerships for U.S. federal income tax purposes, (i) are corporations subject to Subchapter S of the Code, or (j) own, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding Orko Shares (or after the Arrangement, First Majestic Shares). This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are (a) U.S. expatriates or former long-term residents of the U.S., (b) Persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act, (c) Persons that use or hold, will use or hold, or that are or will be deemed to use or hold Orko Shares (or after the Arrangement, First Majestic Shares) in connection with carrying on a business in Canada, (d) Persons whose Orko Shares (or after the Arrangement,

First Majestic Shares) constitute "taxable Canadian property" under the Tax Act, or (e) Persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences relating to the Arrangement and the ownership and disposition of First Majestic Shares received pursuant to the Arrangement.

If an entity that is classified as a partnership or other pass-through entity (a "**pass-through entity**") for U.S. federal income tax purposes holds Orko Shares (or after the Arrangement, First Majestic Shares), the U.S. federal income tax consequences to such pass-through entity and the owners of such pass-through entity of participating in the Arrangement and the ownership of First Majestic Shares received pursuant to the Arrangement generally will depend in part on the activities of the pass-through entity and the status of such owners. Owners of pass-through entities, including those classified as partnerships for U.S. federal income tax purposes, should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of First Majestic Shares received pursuant to the Arrangement.

### **Certain U.S. Federal Income Tax Consequences of the Arrangement**

#### *Characterization of the Arrangement*

Pursuant to the Plan of Arrangement (a) the U.S. Holders will exchange Orko Shares and receive First Majestic Shares and cash, (b) First Majestic will then contribute the Orko Shares to Subco, and (c) Subco and Orko will then merge to form one corporate entity with the same effect as if they had amalgamated, except that Orko will survive the merger (the "**Arrangement Transactions**"). This summary assumes that the Arrangement Transactions will be treated for U.S. federal income tax purposes as if Subco and Orko merged with Orko surviving the merger and Subco ceasing to exist as a separate legal entity, as specified in the Plan of Arrangement. Although there are no authorities addressing facts identical to the Arrangement and therefore the matter is not free from doubt, the Arrangement Transactions should be treated as a single integrated transaction for U.S. federal income tax purposes. This summary assumes that the Arrangement Transactions will be treated as a single integrated transaction for U.S. federal income tax purposes.

The Arrangement should qualify as a tax-deferred "reorganization" within the meaning of Section 368(a) of the Code (a "**Reorganization**"). However, because the Arrangement will be effected pursuant to applicable provisions of Canadian corporate Law that are not identical to analogous provisions of U.S. corporate Law, and there are no authorities which consider whether an amalgamation pursuant to a court order is treated as a statutory merger within the meaning of Section 368(a) of the Code, there can be no assurance that the IRS or a U.S. court would not take a contrary view of the Arrangement Transactions. Neither Orko nor First Majestic has sought or obtained either a ruling from the IRS or an opinion of counsel regarding any of the tax consequences of the Arrangement. Accordingly, there can be no assurance that the IRS will not challenge the status of the Arrangement as a Reorganization or that the U.S. courts will uphold the status of the Arrangement as a Reorganization in the event of an IRS challenge. The tax consequences of the Arrangement qualifying as a Reorganization or as a taxable transaction are discussed below. U.S. Holders should consult their own U.S. tax advisors regarding the proper tax reporting of the Arrangement.

#### *Tax Consequences if the Arrangement Qualifies as a Reorganization*

If the Arrangement qualifies as a Reorganization, and the PFIC rules discussed below do not apply, then the following U.S. federal income tax consequences will result for U.S. Holders:

- (i) a U.S. Holder who exchanges Orko Shares for First Majestic Shares and Canadian dollars will recognize gain (but not loss) to the extent of the lesser of (a) the excess of the fair market value of the First Majestic Shares and the U.S. dollar amount of the Canadian dollars on the date of receipt over the adjusted tax basis of the Orko Shares surrendered, and (b) the U.S. dollar value of the Canadian dollars on the date of receipt;
- (ii) a U.S. Holder's aggregate tax basis in the First Majestic Shares received in the Arrangement will equal the U.S. Holder's aggregate tax basis in the Orko Shares surrendered, increased by the amount of gain recognized and decreased by the U.S. dollar amount of the Canadian dollars on the date of receipt;
- (iii) a U.S. Holder's holding period for the First Majestic Shares received in the Arrangement will include the U.S. Holder's holding period for the Orko Shares surrendered; and
- (iv) U.S. Holders that own 5% or more of First Majestic after the Arrangement should consult their tax advisors as to the treatment of the Arrangement to them, including the requirement that they enter into a "gain recognition agreement" with the IRS under Section 367 of the Code and the U.S. Treasury Regulations thereunder, as well other information reporting requirements.

Subject to the PFIC rules discussed below, any gain recognized as described above will generally be capital gain, and will generally be long-term capital gain if the Orko Shares have been held for more than one year on the Effective Date of the Arrangement. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation.

*Treatment of the Arrangement as a Taxable Transaction*

If the Arrangement does not qualify as a Reorganization, then, subject to the PFIC rules discussed below, the following U.S. federal income tax consequences will result for U.S. Holders:

- (i) a U.S. Holder will recognize gain or loss in an amount equal to the difference, if any, between (a) the fair market value of the First Majestic Shares and the U.S. dollar amount of the Canadian dollars received in exchange for Orko Shares pursuant to the Arrangement, and (b) the U.S. Holder's adjusted tax basis in the Orko Shares surrendered;
- (ii) the U.S. Holder's tax basis in the First Majestic Shares received in exchange for Orko Shares will equal the fair market value of the First Majestic Shares on the date of receipt; and
- (iii) the U.S. Holder's holding period for the First Majestic Shares will begin on the day after the date of receipt.

Subject to the PFIC rules discussed below, any gain or loss described in clause (i) immediately above will generally be capital gain or loss, which will be long-term capital gain or loss if the Orko Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

### *U.S. Holders Exercising Dissent Rights*

A U.S. Holder that exercises Dissent Rights in the Arrangement and is paid cash in exchange for all of the U.S. Holder's Orko Shares will generally recognize gain or loss in an amount equal to the difference, if any, between (a) the U.S. dollar amount of Canadian dollars received by the U.S. Holder in exchange for Orko Shares and, (b) the U.S. Holder's tax basis in the Orko Shares surrendered. Subject to the PFIC rules discussed below, the gain or loss will generally be capital gain or loss, which will be long-term capital gain or loss if the Orko Shares have been held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

### *PFIC Rules*

#### In General

U.S. tax law contains rules that classify certain non-U.S. corporations as PFICs. If 75% or more of a non-U.S. corporation's gross income consists of certain types of passive income (as defined for U.S. federal income tax purposes), or if 50% or more of the average value of all assets held by the corporation during the taxable year consists of passive assets (generally, assets that generate passive income), the PFIC rules apply to each U.S. shareholder who held shares of the corporation held during that taxable year.

Orko believes that it, and the Orko Subsidiaries, were classified as PFICs for their most recent taxable years and that Orko and the Orko Subsidiaries will be classified as PFICs for their current taxable years that include the Effective Date. First Majestic believes that it will not be classified as a PFIC for the current taxable year that includes the day after the Effective Date, or for any subsequent year. However, the determination of whether a corporation is a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether a corporation is a PFIC for its current taxable year depends on the assets and income of the corporation over the course of the year and, as a result, cannot be predicted with certainty for taxable years that have not ended as of the date of this summary. Accordingly, there can be no assurance that the IRS will not challenge any determination concerning a corporation's status as a PFIC during any taxable year.

#### Impact of PFIC Rules - Excess Distribution Regime

The U.S. federal income tax consequences to a U.S. Holder who owns shares of a PFIC depend on whether the U.S. Holder has made a "qualified electing fund" ("QEF") election or a mark-to-market election. Both elections are made on IRS Form 8621. A U.S. Holder who has made a timely QEF election (i.e., a QEF election with respect to the first taxable year of the U.S. Holder's holding period in which the foreign corporation is a PFIC) is referred to in this summary as an "Electing Shareholder". A U.S. Holder who has not made a timely QEF election is referred to as a "Non-Electing Shareholder". A U.S. Holder's ability to make a QEF Election with respect to a PFIC is conditional upon, among other things, the PFIC providing the U.S. Holder, on an annual basis, with a "PFIC Annual Information Statement". Both Orko and First Majestic have agreed to provide these statements upon request to permit U.S. Holders to make QEF elections with respect to Orko, the Orko Subsidiaries, or First Majestic.

The impact of the PFIC rules on a U.S. Holder of Orko Shares may also depend on whether the U.S. Holder has made a mark-to-market election under Section 1296 of the Code (see discussion under the heading "*Mark-to-Market Election*" below).

Under Section 1291 of the Code, PFIC treatment without a QEF election generally results in a loss of preferential capital gain treatment on dispositions of shares in the PFIC and on dividends, as well as an increased liability on gains and certain "excess distributions" due to an interest charge on the tax (to reflect the deferral of U.S. tax as earnings or appreciation arose with respect to the shares). Excess distributions are amounts received by a U.S. Holder with respect to its shares in any taxable year that exceed 125% of the average distributions received by the U.S. Holder in the shorter of either the three previous years or the U.S. Holder's holding period for the shares before the current taxable year.

To compute the tax under this "excess distribution regime", both gains (which are treated for purposes of the PFIC rules as excess distributions) and excess distributions are allocated ratably to each day that the U.S. Holder held the shares. Amounts allocated to the current taxable year and to years before the non-U.S. corporation became a PFIC are taxed as ordinary income in the current year. Amounts allocated to every other taxable year, beginning with the year the non-U.S. corporation first became a PFIC, are taxed at the highest marginal rate in effect for that year on ordinary income (regardless of the U.S. Holder's actual marginal rate for the year and without reduction by any losses or loss carryforwards) and the tax so determined is then subjected to an interest charge at the rate applicable to underpayments of income tax. These computations are made on IRS Form 8621.

#### Qualifying Electing Fund

A QEF election results in current U.S. taxation of a shareholder's pro rata portion of the corporation's income and gain, whether or not the corporation makes distributions. To make and maintain a QEF election, a U.S. Holder must receive certain annual statements from the non-U.S. corporation that either (a) state the U.S. Holder's pro rata shares of the ordinary earnings and net capital gain of the corporation, (b) provide sufficient information to enable the U.S. Holder to calculate its pro rata shares of the corporation's ordinary earnings and net capital gain, or (c) state that the corporation has permitted the U.S. Holder to examine the books of account, records, and other documents of the corporation to enable the U.S. Holder to calculate the corporation's ordinary earnings and net capital gain and the U.S. Holder's pro rata shares of such earnings and gain. Orko and First Majestic have agreed to provide these statements to U.S. Holders upon request to permit U.S. Holders to make QEF elections with respect to Orko, the Orko Subsidiaries, or First Majestic.

Proposed U.S. Treasury Regulations (the "**Proposed Regulations**") provide that an Electing Shareholder does not recognize gain under the PFIC rules in a transaction that otherwise qualifies as a Reorganization. Thus, assuming the Arrangement qualifies as a Reorganization, a U.S. Holder who is an Electing Shareholder should not recognize gain under the PFIC rules as a result of the Arrangement.

#### Non-Electing Shareholders

Proposed Regulations provide that a Non-Electing Shareholder is required to recognize gain on a disposition of PFIC shares in a transaction that otherwise qualifies as a Reorganization unless the Non-Electing Shareholder receives in the exchange shares of another corporation that is classified as a PFIC for the taxable year that includes the day after the Effective Date. This nonrecognition treatment is subject to the Non-Electing Shareholder satisfying certain requirements described in the Proposed Regulations.

As noted above, Orko believes that it and the Orko Subsidiaries were PFICs for their most recent taxable years and that they will be PFICs for their current taxable years that include the Effective Date, and First Majestic believes that it will not be a PFIC for its current taxable year that include the day after the Effective Date.

If (a) Orko and the Orko Subsidiaries are or have been PFICs, and (b) First Majestic is not a PFIC for its taxable year that includes the day after the Effective Date, then under the foregoing rules set forth in the Proposed Regulations, a Non-Electing Shareholder of Orko will be required to recognize gain (but not loss) as a result of the Arrangement, regardless of whether the Arrangement qualifies as a Reorganization, in an amount equal to the difference between (1) the fair market value of the First Majestic Shares and the U.S. dollar amount of the Canadian dollars received by the U.S. Holder, and (2) the U.S. Holder's adjusted tax basis in the Orko Shares surrendered. Under the PFIC rules, the gains will be subject to tax and an interest charge under the excess distribution regime previously described. The U.S. Holder's basis in the First Majestic Shares received will be adjusted to reflect any gain recognized. If gain is recognized, the U.S. Holder's holding period in the First Majestic Shares received will begin on the day after the exchange. If the Arrangement qualifies as a Reorganization, a U.S. Holder generally will not be permitted to recognize a loss on the exchange of Orko Shares for First Majestic Shares under the Arrangement. In such case, the U.S. Holder's holding period in the First Majestic Shares received will begin on the day after the exchange, but only for purposes of applying the PFIC rules.

If (a) Orko and the Orko Subsidiaries are or have been PFICs, (b) contrary to expectations, First Majestic is also a PFIC for its current taxable year that includes the day after the Effective Date, and (c) the Arrangement qualifies as a Reorganization, the Proposed Regulations generally provide for tax-deferred treatment. A U.S. Holder in these circumstances must report certain information to the IRS on IRS Form 8621 filed with the U.S. Holder's U.S. federal income tax return for the taxable year in which the Arrangement occurs.

#### Mark-to-Market Election

U.S. Holders who own marketable shares of a PFIC that is regularly traded on a qualified exchange may elect to mark the shares to market annually (a "**mark-to-market election**"). This election is made on IRS Form 8621. A U.S. Holder who makes a mark-to-market election is required to include in income each year as ordinary income an amount equal to the increase in value of the shares for that year or to claim a deduction for any decrease in value (but only to the extent of previous mark-to-market gains). Orko is traded on the TSX-V which should be treated as a qualified exchange for purposes of these rules; to qualify for the mark-to-market election, however, the shares must still be considered "regularly traded". If such an election is available and timely made, the U.S. Holder will generally not be subject to the excess distribution regime discussed above for Non-Electing Shareholders and, if the Arrangement qualifies as a Reorganization, would generally be taxed as described above under the heading "*Tax Consequences if the Arrangement Qualifies as a Reorganization*". If the mark-to-market election is made by a Non-Electing Shareholder after the beginning of the holding period for the PFIC shares, the excess distribution regime described above will apply to certain dispositions of, distributions on, and other amounts taxable with respect to, the PFIC shares.

#### Deemed Sale Election

A U.S. Holder who has not made a timely QEF election may qualify as an Electing Shareholder by making a QEF election and filing a deemed sale election. These elections are made on IRS Form 8621. A U.S. Holder who makes a deemed sale election is required to recognize any gain that the U.S. Holder would otherwise recognize if the U.S. Holder had sold the shares on the first day of the corporation's first taxable year for which it is a QEF with respect to the U.S. Holder. This gain is taxable to the U.S. Holder under the excess distribution regime described above.

#### Lower-Tier PFICs

If Orko is a PFIC and owns shares in another PFIC (a "**lower-tier PFIC**"), a U.S. Holder of Orko Shares will also be subject to the excess distribution regime previously described with respect to its indirect ownership of the lower-tier PFIC. The mark-to-market election would not be available for

any indirect ownership of a lower-tier PFIC. A QEF election can be made for a lower-tier PFIC, but only if Orko provides the U.S. Holder with the financial information necessary to make such an election. Orko and First Majestic have agreed to provide this information upon request. A U.S. Holder of Orko Shares may be subject to taxation on an "indirect disposition" of shares of any lower-tier PFIC in which Orko owns shares by virtue of disposing of Orko Shares in the Arrangement, unless the U.S. Holder is an Electing Shareholder with respect to such lower-tier PFIC.

#### Status of Proposed Regulations

The Proposed Regulations applicable to PFICs state that they are to be effective for transactions occurring on or after April 11, 1992. If these Proposed Regulations are adopted in their current form, the tax consequences to a U.S. Holder of Orko Shares should be as set forth in the preceding paragraphs. However, because the Proposed Regulations have not yet been adopted in final form, they are not currently effective and there is no assurance that they will be finally adopted in the form and with the effective date proposed. Nevertheless, the IRS has announced that, in the absence of final U.S. Treasury Regulations, taxpayers must apply reasonable interpretations of Code provisions applicable to PFICs and that the IRS and U.S. Department of the Treasury consider the rules set forth in the Proposed Regulations to be reasonable interpretations of those Code provisions.

The PFIC rules are complex and the implementation of certain aspects of the PFIC rules requires the issuance of U.S. Treasury Regulations, which in many instances have not been promulgated and which may be promulgated in the future, potentially with retroactive effect. There can be no assurance that any of these proposals will be enacted or promulgated and, if they are, no certainty about the form they will take or the effect they may have on this summary.

**Due to the complexity of the PFIC rules, U.S. Holders are strongly urged to consult with their own tax advisors about the impact of these rules on their investment in Orko Shares, the Arrangement and the resulting receipt of First Majestic Shares including, without limitation, whether a QEF election, "deemed sale" election or "mark-to-market" election may be used to reduce the significant adverse U.S. federal income tax consequences of the PFIC rules.**

#### **Ownership and Disposition of First Majestic Shares**

The following discussion is subject to the rules described above under the heading "*PFIC Rules*" in the event First Majestic is a PFIC for its current taxable year including the day after the Effective Date or for any taxable year thereafter.

#### *Taxation of Distributions*

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to First Majestic Shares will be required to include the amount of the distribution in gross income as a dividend (without reduction for any foreign income tax withheld from the distribution) to the extent of First Majestic's current or accumulated "earnings and profits", as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds First Majestic's current and accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the First Majestic Shares and thereafter as gain from the sale or exchange of the First Majestic Shares (see "*Sale or Other Taxable Disposition of First Majestic Shares*" below). First Majestic, however, may not calculate its earnings and profits in accordance with U.S. federal income tax principles. As a result, each U.S. Holder should assume that any distribution by First Majestic with respect to the First Majestic Shares will constitute ordinary dividend income. Dividends received on First Majestic Shares generally will not be eligible for the dividends received deduction.

A dividend paid by First Majestic to a U.S. Holder that is an individual, estate, or trust will generally be taxed at the preferential tax rates applicable to long-term capital gains if First Majestic is a

"qualified foreign corporation" ("QFC") and certain holding period requirements for the First Majestic Shares are met. First Majestic generally will be a QFC, as defined under Section 1(h)(11) of the Code, if First Majestic is eligible for the benefits of the Canada-U.S. Tax Convention or the First Majestic Shares are readily tradable on an established securities market in the U.S. However, even if First Majestic satisfies one or more of these requirements, First Majestic will not be treated as a QFC if First Majestic is a PFIC for the tax year during which it pays a dividend or for the preceding tax year.

If a U.S. Holder is not eligible for the preferential tax rates discussed above, a dividend paid by First Majestic to a U.S. Holder will, subject to the PFIC rules discussed above, be taxed at ordinary income tax rates, rather than the preferential tax rates applicable to long-term capital gains. The dividend rules are complex, and each U.S. Holder should consult with his, her or its own tax advisor regarding the application of these rules.

#### *Sale or Other Taxable Disposition of First Majestic Shares*

Subject to the PFIC rules described above, a U.S. Holder will recognize gain or loss on the sale or other taxable disposition of First Majestic Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received, and (b) the U.S. Holder's tax basis in the First Majestic Shares sold or otherwise disposed of. Any such gain or loss will generally be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, the First Majestic Shares were held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

### **Additional Considerations**

#### *Additional Tax on Passive Income*

Certain individuals, estates, and trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on "net investment income" including, among other things, dividends and net gain from dispositions of property (other than property held in a trade or business). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on any gain recognized as a result of the Arrangement or their ownership and disposition of First Majestic Shares.

#### *Foreign Tax Credit*

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of First Majestic Shares may elect to either deduct or credit the Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that the U.S. Holder's "foreign source" taxable income bears to the U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a non-U.S. corporation should be treated as foreign source for this purpose, and gains recognized on the sale of shares of a non-U.S. corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. In addition, this limitation is calculated separately with respect to

specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult his, her or its own U.S. tax advisor regarding the foreign tax credit rules.

#### *Receipt of Foreign Currency*

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of First Majestic Shares, or on the sale, exchange or other taxable disposition of First Majestic Shares, or any Canadian dollars received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the Arrangement), will generally be included in the gross income of a U.S. Holder as translated into U.S. dollars by reference to the exchange rate prevailing on the date of actual or constructive receipt of such amount, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss. Such gain or loss will generally be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Holder should consult his, her or its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

#### *Information Reporting*

Certain U.S. Holders are required to report their ownership of First Majestic Shares, subject to exceptions (including an exception for common shares held in accounts maintained by certain financial institutions), by including a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they own First Majestic Shares. U.S. Holders are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of First Majestic Shares.

In addition, in any year in which First Majestic is classified as a PFIC, U.S. Holders would be required to file an annual report with the IRS containing such information as U.S. Treasury Regulations or other IRS guidance may require. This new filing requirement is in addition to any pre-existing PFIC reporting obligations a U.S. Holder may have with respect to First Majestic. Pursuant to recent IRS guidance, this new filing requirement has been temporarily suspended pending release of revised IRS Form 8621. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file a revised IRS Form 8621 (after such form is released) for prior taxable years in which the obligation to file the form was suspended.

#### *Backup Withholding Tax*

Payments made within the U.S. or by a U.S. payor or U.S. middleman of (a) distributions on the First Majestic Shares, (b) proceeds arising from the sale or other taxable disposition of First Majestic Shares, or (c) any payments received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the Arrangement) may generally be subject to information reporting and backup withholding (currently at a rate of 28%) if a U.S. Holder (a) fails to furnish its correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that the U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that the U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified the U.S. Holder that it is subject to backup withholding tax. Certain Persons are exempt from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax

rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if the U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult his, her or its own tax advisor regarding the information reporting and backup withholding rules in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding.

## DISSENT RIGHTS

Orko Shareholders who wish to dissent should take note that strict compliance with the dissent procedures set out in the Business Corporations Act, as modified by the Interim Order, the proposed Final Order and the Plan of Arrangement ("**Dissent Procedures**") is required.

Each Registered Orko Shareholder is entitled to be paid the fair value, in cash, of the holder's Orko Shares, provided that the holder validly dissents to the Arrangement and the Arrangement becomes effective. Each Non-Registered Holder of Orko Shares who wishes to exercise Dissent Rights must do so through his, her or its intermediary.

The Dissent Rights are those rights pertaining to the right to dissent from the Arrangement Resolution that are contained in Sections 237 to 247 of the Business Corporations Act, as modified by the Interim Order, the proposed Final Order and the Plan of Arrangement. An Orko Shareholder is not entitled to exercise Dissent Rights if the holder votes any Orko Shares in favour of the Arrangement Resolution. In addition, Orko Optionholders are not entitled to exercise Dissent Rights.

The Plan of Arrangement provides that the Orko Shares (the "**Dissenting Shares**") of Registered Orko Shareholders who validly exercise Dissent Rights and who are ultimately entitled to be paid the fair value, in cash, for those Dissenting Shares will be deemed to be transferred to First Majestic as of the Effective Time, in consideration for the payment by First Majestic of the fair value thereof, in cash. First Majestic is not obligated to complete the Arrangement if holders of more than 5% of the issued and outstanding Orko Shares exercise the Dissent Rights in respect of the Arrangement.

Any Dissenting Shareholder who ultimately is not entitled to be paid the fair value, in cash, of his, her or its Orko Shares will be deemed to have participated in the Arrangement on the same basis as non-Dissenting Shareholders, and each Orko Share held by such Dissenting Shareholder will be deemed to be transferred to First Majestic in exchange for the Share Consideration. In no case, however, will Orko, First Majestic or any other Person be required to recognize such Persons as holders of Orko Shares after the Effective Time, and the names of such Persons will be deleted from the registers of holders of Orko Shares at the Effective Time.

A brief summary of the Dissent Procedures is set out below.

This summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of the Orko Shares held and is qualified in its entirety by reference to Sections 237 to 247 of the Business Corporations Act, as modified by the Interim Order, the proposed Final Order and the Plan of Arrangement. A copy of the Interim Order is reproduced in Appendix D to this Circular. Sections 237 to 247 of the Business Corporations Act are reproduced in Appendix F to this Circular. The Dissent Procedures must be strictly adhered to and any failure by an Orko Shareholder to do so may result in the loss of that holder's Dissent Rights. Accordingly, each Orko Shareholder who wishes to exercise Dissent Rights should carefully consider and comply with the Dissent Procedures and consult the holder's legal advisors.

Written notice of dissent from the Arrangement Resolution must be received by Orko not later than 5:00 p.m. (Vancouver time) on the Business Day that is two Business Days before the date of the Meeting or any date to which the Meeting may be postponed or adjourned. The notice of dissent should be delivered by registered mail to Orko at the address for notice described below. After the Arrangement Resolution is approved by Orko Securityholders and within one month after Orko notifies the Dissenting Shareholder of Orko's intention to act upon the Arrangement Resolution pursuant to Section 243 of the Business Corporations Act, the Dissenting Shareholder must send to Orko a written notice that the holder requires the purchase of all of the Orko Shares in respect of which the holder has given notice of dissent, together with the share certificate or certificates representing those Orko Shares (including a written statement prepared in accordance with Section 244(2) of the Business Corporations Act, if the dissent is being exercised by the Orko Shareholder on behalf of a beneficial Orko Shareholder). A Dissenting Shareholder who does not strictly comply with the Dissent Procedures or, for any other reason, is not entitled to be paid fair value, in cash, for his, her or its Dissenting Shares will be deemed to have participated in the Arrangement on the same basis as non-dissenting Orko Shareholders.

Any Dissenting Shareholder who has duly complied with Section 244(1) of the Business Corporations Act, or Orko, may apply to the Court, and the Court may determine the fair value of the Dissenting Shares and make consequential orders and give directions as the Court considers appropriate. There is no obligation on Orko to apply to the Court. The Dissenting Shareholder will be entitled to receive the fair value, in cash, of the Dissenting Shares immediately before the passing of the Arrangement Resolution.

All notices of dissent to the Arrangement pursuant to Section 242 of the Business Corporations Act should be sent to:

Stikeman Elliott LLP  
Suite 1700, 666 Burrard Street  
Vancouver, BC, V6C 2X8  
Fax: (604) 681-1825

## INFORMATION CONCERNING ORKO

### Overview

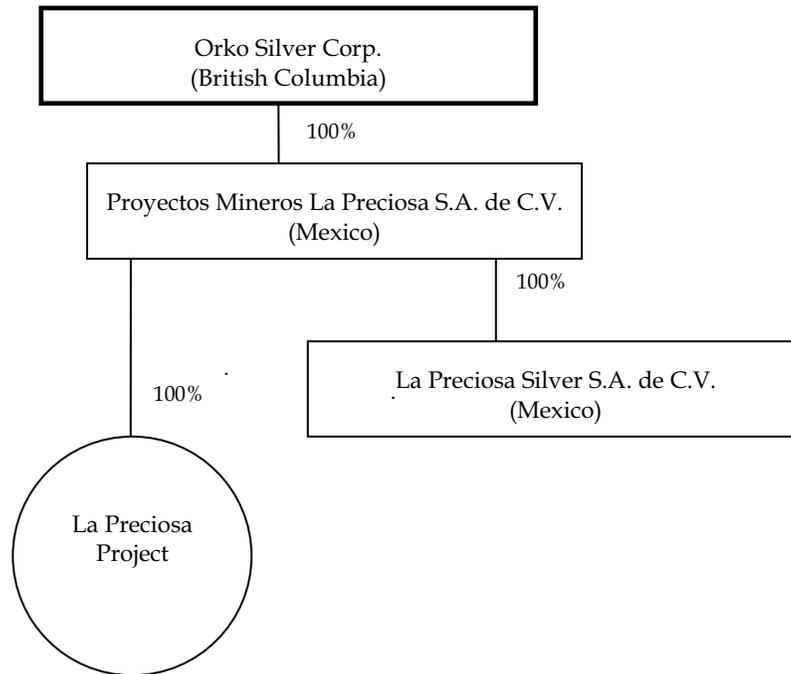
Orko is a mineral resource exploration and development company. Orko's principal property is the La Preciosa Project, one of the world's largest primary silver resources, located in Durango State, México. Orko does not own any producing properties, and consequently has no current operating income or cash flow from the properties it holds, nor has it had any income from operations in the past three financial years.

### Corporate Structure

Orko was incorporated under the Business Corporations Act on August 5, 1983. Orko's head office is located at Suite 1180, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2. Orko's registered office is located at Suite 1700, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

## Intercorporate Relationships

As of the date of this Circular, the corporate structure of Orko was as follows:



## Description of the Business

Orko's business is the acquisition, exploration and development of precious metals resource properties in Mexico. Operating through its wholly-owned subsidiary, Proyectos Mineros La Preciosa S.A. de C.V. ("**Proyectos**"), Orko's principal mineral property is the La Preciosa Project, located approximately 84 kilometres (km) by road northeast of the city of Durango, in Durango State, México. The La Preciosa Project is surrounded by the Santa Monica and the San Juan properties, which are also owned by Orko through Proyectos.

Orko does not own any producing properties, and consequently has no current operating income or cash flow from the properties it holds, nor has it had any income from operations in the past three financial years. As a consequence, operations of Orko are primarily funded by equity subscriptions.

The progress on and results of work programs on the La Preciosa Project are set out in the "*Mineral Properties*" section of this Circular. At this time, based on the exploration results to-date, Orko cannot project significant mineral production from any of its existing properties.

### *Specialized Skills*

Orko's business requires specialized skills and knowledge in the areas of geology, drilling, planning, implementation of exploration programs, and compliance. To date, Orko has been able to locate and retain such professionals in Canada and Mexico, and believes it will be able to continue to do so.

### *Competitive Conditions*

Orko operates in a very competitive industry, and competes with other companies, many of which have greater technical and financial facilities for the acquisition and development of mineral properties, as well as for the recruitment and retention of qualified employees and consultants.

### *Business Cycles*

Late in 2008, the credit crisis in the U.S. sent many economies into a recession. Since then, some of the markets have recovered, however the economies of certain countries within the European Union have declined and the commodity market has remained volatile.

In addition to commodity price cycles and recessionary periods, exploration activity may also be affected by seasonal and irregular weather conditions in Mexico.

### *Change to Contracts*

In 2009, Pan American and Orko signed the Shareholders' Agreement for the joint development of the La Preciosa Project through Proyectos. See "*Three Year History – Fiscal 2009 - Year Ended October 31, 2009*". On April 4, 2012, Pan American provided notice to Orko that it would not meet its obligations under the Shareholders' Agreement to deliver a feasibility study before the April 13, 2012 deadline and consequently, would withdraw from the Shareholders' Agreement, effective May 4, 2012, and surrender its shares in Proyectos. Following receipt of this notice from Pan American, Orko formulated a strategy to continue to advance the La Preciosa Project toward an ultimate goal of developing a mine. On July 25, 2012, Orko, Proyectos and Pan American entered into a transition and termination agreement to govern the terms and conditions of the surrender of Pan American's interest in the La Preciosa Project, the transition arrangements, and certain obligations and liabilities of the parties arising from the termination.

### *Environmental Protection Requirements*

Orko's operations are subject to environmental regulations declared by Governmental Entities from time to time. Environmental Laws provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, and the use of cyanide which would result in environmental pollution. A breach of such Laws may result in the imposition of fines and other penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental Laws are evolving in a manner which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental impact assessments of proposed projects carry a heightened degree of responsibility for companies, including their directors, officers and employees.

The cost of compliance with changes in governmental regulations has the potential to reduce the future potential profitability of operations.

### *Employees*

As of the date of the Circular, Orko had no employees in Canada, and approximately 48 geological, exploration and administrative staff in Mexico. Orko relies on and engages consultants on a contract basis to provide services, management and personnel, to carry on its administrative or exploration activities either in Canada or Mexico.

### *Foreign Operations*

Mineral exploration and mining activities in Mexico may be affected in varying degrees by political instability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions may adversely affect Orko's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

### *Bankruptcy, Lending and Reorganizations*

Orko is not subject to any bankruptcy, receivership, or similar proceedings. Orko is also not subject to any lending restrictions. Apart from the Proyectos shares held in escrow by Pan American that were cancelled in May of 2012, there has been no material reorganization of Orko or any Orko Subsidiary.

### *Social or Environmental Policies*

As a part of Orko's ongoing community relations program, Orko is embarking on a "Campaña de Reforestacion-Proyecto La Preciosa" (Reforestation Campaign - La Preciosa Project). This project involves working with the local communities in six of the villages around the La Preciosa Project to plant trees in their central squares and children's playgrounds. This part of Durango State is semi-arid, so drought resistant tree species have been chosen. Children from the community participate in the planting.

The Orko Board also has in place a Code of Ethical Conduct, which requires the monitoring of the ethical conduct of Orko and ensures that the Orko Board complies with applicable legal and regulatory requirements, such as those of relevant Securities Authorities and stock exchanges.

### **Three Year History**

#### *Fiscal 2009 – Year Ended October 31, 2009*

On March 27, 2009, Orko entered into an agreement with a subsidiary of Silver Standard Resources Inc. to acquire the remaining 25% interest in the San Juan property in exchange for 306,263 Orko Shares, valued at \$226,635, which were issued on June 16, 2009.

On April 13, 2009, Orko signed a binding letter of intent and on October 23, 2009, the Shareholders' Agreement with Pan American, for the joint development of the La Preciosa Project. The terms of the Shareholders' Agreement allowed Pan American to earn a 55% equity interest in Proyectos, and thus, the La Preciosa Project, by contributing 100% of the funds necessary to develop and construct an operating mine.

Upon signing of the Shareholders' Agreement, Proyectos issued additional common shares to Pan American with the effect of diluting Orko's percentage ownership to 45%. The shares of Proyectos held by Pan American were placed in escrow pending completion of Phase I and Phase II as described below.

To complete Phase I, Pan American was required to spend a minimum of US\$5,000,000 before April 13, 2010, of which a minimum of US\$2,500,000 was to be spent on further exploration outside of the known resource zone. Furthermore, Pan American was required to spend an estimated additional US\$11,000,000 on the La Preciosa Project before April 13, 2012 to conduct resource definition drilling, acquire necessary surface rights, obtain permits, and ultimately prepare and deliver a feasibility study.

To complete Phase II, Pan American was required to incur 100% of the expenditures estimated by the feasibility study for practical completion of a mine on one or more of the properties comprising the La Preciosa Project. Following completion of Phase I and Phase II, Orko and Pan American would fund their proportionate share of all costs, expenses and liabilities incurred by Proyectos.

Coincident with the formation of the La Preciosa Project joint venture, on April 21, 2009, Orko issued 4,000,000 Orko Shares to Pan American at \$1.25 per Orko Share for gross proceeds of \$5,000,000 under a non-brokered private placement.

In June 2009, Orko and Pan American commenced a comprehensive exploration and delineation drilling program on the La Preciosa Project. The initial delineation drilling was specifically designed to upgrade Martha Vein inferred resources to measured and indicated status, while the exploration drilling focused on several untested prominent vein structures within the La Preciosa Project that had been previously discovered by Orko.

*Fiscal 2010 – Year Ended October 31, 2010*

Pan American satisfied both of its spending requirements for Phase I of the La Preciosa Project during the 2010 fiscal year.

During fiscal 2010, but also including the remainder of calendar year 2010, Pan American drilled 363 holes at the La Preciosa Project, including 57 holes on exploration targets outside the resource area, for a total of over 91,096 m. Delineation and geotechnical drilling were undertaken in the central area of the La Preciosa Project and consisted of 269 holes. Drilling around the periphery of the La Preciosa Project included 37 holes from the south and east areas on the Martha Vein. The results of the exploration drilling from Baritina, Baritina Norte and El Vaquero, which are targets outside of the Martha Vein resource, were inconclusive. The results of drilling in the El Orito Norte and Nancy areas were positive and these areas merited further exploration.

In addition to the drilling, Pan American completed 57 trenches on regional exploration targets with the resultant collection of 557 samples. As well, a ground magnetometer survey was conducted along a northwestward projection of the main resource area, with east-west oriented lines totaling 70 line-kilometres. A petrological report was completed.

On September 21, 2010, Orko closed a private placement offering of 8,500,000 Orko Shares at an issue price of \$1.65 per Orko Share (the "**Issue Price**") for gross proceeds of \$14,025,000. A syndicate of agents led by GMP and Byron Securities Limited (collectively, the "**2010 Agents**"), acted as agents in connection with the offering and received a commission equal to 6.0% of the gross proceeds of the offering. As additional consideration for their services, the 2010 Agents were issued 510,000 broker warrants. Each broker warrant entitled the holder to acquire one Orko Share at the Issue Price for a period of two years from the closing date.

On September 21, 2010, Orko also closed a non-brokered private placement of 700,000 Orko Shares at the Issue Price for gross proceeds of \$1,155,000. Finder's fees in the aggregate amount of \$69,300 were paid by Orko in connection with the non-brokered placement.

*Fiscal 2011 – Year ended October 31, 2011*

On August 11, 2011, Orko and Pan American jointly announced the results of the PEA for the La Preciosa Project. The PEA was prepared by Anthony Finch, P.Eng., M.AusIMM, of Snowden Mining Industry Consultants Inc., Michael Stewart, M.AIG of Quantitative Geoscience Pty. Ltd. Joshua Snider, P.E. and Thomas Drielick, P.E. both of M3 Engineering and Technology Corp., and Gary Hawthorn, P.Eng. of Westcoast Mineral Testing, Inc. The PEA is no longer current and should not be relied upon.

*Fiscal 2012 – Year ended October 31, 2012 and Recent Developments*

Orko retained the services of AMEC in December 2010 to provide an independent technical review of the PEA commissioned by Pan American. AMEC's review of the PEA suggested that there could be opportunities to improve the La Preciosa Project's economics. As a consequence, on November 15, 2011, Orko contracted AMEC to complete a new independent Preliminary Economic Assessment (the "**New PEA**"), to be delivered later in 2013.

By the end of April 2012, Pan American had spent a total of US\$17,900,000 on exploration at the La Preciosa Project.

On April 4, 2012, Pan American provided notice to Orko that it would not meet its obligations under the Shareholders' Agreement to deliver a feasibility study before the April 13, 2012 deadline and consequently, would withdraw from the Shareholders' Agreement, effective May 4, 2012, and surrender its shares in Proyectos. Following receipt of this notice from Pan American, Orko formulated a strategy to continue to advance the La Preciosa Project toward an ultimate goal of developing a mine. On July 25, 2012, Orko, Proyectos and Pan American entered into a transition and termination agreement to govern the terms and conditions of the surrender of Pan America's interest in the La Preciosa Project, the transition arrangements, and certain obligations and liabilities of the parties arising from the termination.

On May 2, 2012, Orko released the results of the Preliminary Mineability Assessment ("**PMA**") of the La Preciosa Project, completed by AMEC. The PMA provided preliminary insight into details such as mine access, open pit slope configurations, stopping strategies, layouts and support systems.

On September 20, 2012, Orko released the results of the updated resource estimate performed by Mining Plus (Canada) Ltd. ("**Mining Plus**"), an international mining consulting firm. On November 8, 2012, Orko filed a NI 43-101 compliant technical report prepared by Mining Plus entitled "La Preciosa Silver Deposit, Updated Mineral Resource Estimate Statement, Durango, Mexico" dated November 5, 2012 (the "**Updated Resource Estimate**").

### **Mineral Properties**

Technical information in this section relating to the La Preciosa Project is an extraction of the "Summary" section from the Updated Resource Estimate. Reference should be made to the full text of the Updated Resource Estimate, which is available for review under Orko's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Updated Resource Estimate is incorporated herein by reference.

#### *Property Description, Location, Ownership and History*

The La Preciosa Project is located approximately 50 km northeast of the city of Durango, in the municipality of Panuco de Coronado, within Durango State, México. The center of the mineral resource is at 2,702,000 North, 555,400 East Universal Transverse Mercator (UTM), in Zone 13R of the North American Datum of 1927 (NAD 27).

The La Preciosa Project comprises eight mineral concessions totaling 1,134.1 hectares (ha). The corners of all concessions have been surveyed with respect to the locations of claim monuments by a licensed surveyor. Surrounding the property are the Santa Monica and San Juan properties, also controlled by Orko. The Santa Monica concessions were acquired in 2008 (100% ownership) and the San Juan concessions were subject to a joint venture agreement with Silver Standard Resources signed in 2006 and subsequently terminated in 2009. The joint venture agreement resulted in a 0.25% net smelter return ("**NSR**") royalty which is retained by La Cuesta International Inc. (the "**La Cuesta Royalty**"). During the exploration stage, the La Cuesta Royalty will be a semi-annual payment of the greater of \$5,000 or 2% of exploration costs. The La Preciosa, Lupita, Fraccion la Preciosa, San Patricio, El Choque Tres and La B claims are also subject to a 3% NSR royalty to Corporacion Turistica Sanluis SA de CV, which runs with the properties. Orko first acquired an interest in the La Preciosa Project from a subsidiary of Goldcorp Inc. (formerly Wheaton River Minerals Ltd.) in 2006. Registration and beneficial title of the property is 100% owned by Orko through Proyectos, its wholly-owned subsidiary. Figure 4.1 in the Updated Resource Estimate shows the location of the claims and Table 4.1 lists the details of the concessions that comprise the La Preciosa Project.

Figure 4.1

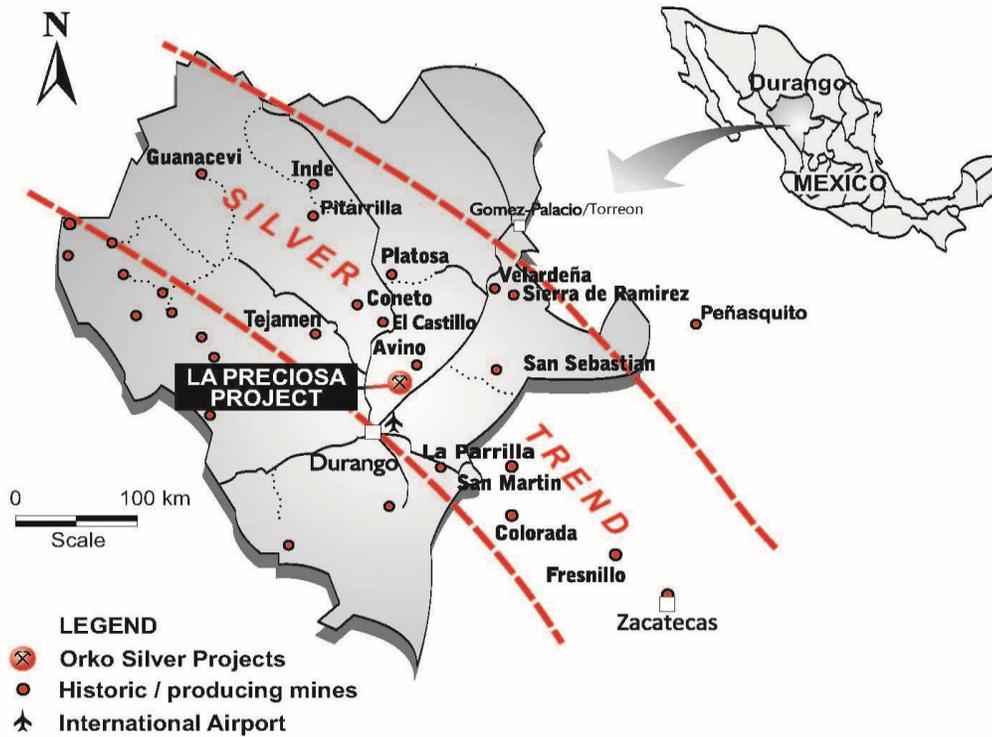


Table 4-1 La Preciosa Concession Details

Claim	Record	Status	Title	Issue Date	Expiry Date	Area (ha)	Cost/ ha		Total Fees
							\$MXN*	\$MXN**	
La Preciosa	321.1-2/398	Exploitation	182517	07/15/1988	07/14/2038	143.6119	111.27	15,980	
Lupita	321.1/9-303	Exploitation	182584	08/12/1988	08/11/2038	27.1878	111.27	3,025	
Fraccion La Preciosa	321.1/2-399	Exploitation	185128	12/14/1989	12/13/2039	2.5249	111.27	281	
San Patricio	321.42/919	Exploitation	189616	12/05/1990	12/04/2040	29.474	111.27	3,280	
La B	2/1.3/01962	Exploitation	214232	09/06/2001	09/05/2051	28.2006	111.27	3,138	
El Choque Tres	2/1/02251	Exploitation	218953	01/28/2003	01/27/2053	10	63.22	632	
El Choque Cuatro	025/30812	Exploration	220251	07/02/2003	07/01/2053	644.1296	31.62	20,367	
El Choque Seis	025/31144	Exploration	220583	09/02/2003	09/01/2053	249	31.62	7,873	
Total "LA PRECIOSA PROJECT" Area						1134.1288		54,576	

### *Geology and Mineralization*

The La Preciosa Project comprises a block of mineral exploitation concessions covering an area of approximately 1,134 ha located on the eastern flank of the Sierra Madre Occidental mountain range. Conglomerate and andesitic rocks are the main hosts of epithermal quartz veins containing economic levels of silver and gold mineralization, as well as barite and lesser quantities of base metals, primarily zinc and lead. Two major vein and vein breccia systems are exposed on hills and ridges on either side of an approximately 800 metre (m) wide valley. The dominant geological feature on the property is the northwest-trending La Preciosa Ridge which hosts the dominantly north-striking and westward-dipping main vein system, which includes the Martha, Abundancia, Gloria, Pica, Luz Elena, Sur, and Nueva veins. These veins are cross-cut by east-striking, south-dipping Transversal veins. The major vein breccia system to the east of La Preciosa Ridge on the eastern side of the valley floor includes the northwest striking Zona Oriente and Zona Oriente Extension, which are believed to be the surface expression of the Martha vein.

### *Status of Exploration, Development and Operations*

The La Preciosa Project is an exploration stage project. Drilling has resulted in the development of a significant indicated resource; see Table 1-1 below. At the date of the Updated Resource Estimate a total of 726 diamond drill core holes totaling 238,864 m have been completed on the La Preciosa Project. All holes were drilled by Compañía Mineras Minas San Luis, Orko or Pan American and further details are summarized in Table 10.1 in the Updated Resource Estimate. Most holes are oriented from west to east, at varying dips, to optimise the drillhole intersection and approximate, as closely as possible, the true thickness of the target veins. Of the total, 18 of the holes were drilled vertically.

Metallurgical studies have been effected by both Orko and Pan American. These studies have looked at grinding optimisation, cyanide consumption, leach times and silver and gold recovery. The deportment of gold and silver in the various flotation and cyanidation tests suggests the following:

- The vast majority of the silver is present as argentite (acanthite) that is mainly relatively fine, but sufficiently exposed for cyanide leaching to be effective.
- The combination of floatation concentration and floatation tailing cyanide leaching reported about 6% higher extractions of both gold and silver compared to whole ore leaching.
- In the case of the Martha sulfide mineralization, there is increased gold encapsulation compared to oxide mineralization.

At this stage of the La Preciosa Project, without any detailed optimisation of grind size, cyanide concentration, pH, and retention time, whole ore agitation cyanidation has been demonstrated to achieve essentially 85% to 90% silver extraction on feed grading above 200 g/t Ag, decreasing by about 4% at the nominal 100 g/t Ag resource grade reported in the Updated Resource Estimate. At 2 g/l cyanide concentration, gold extraction will be approximately 45% from the Martha sulfide and approximately 81% from oxide ores.

## Mineral Resource Estimate

The following table summarizes the Mineral Resource estimate for the La Preciosa Project:

**Table 1-1**

La Preciosa Mineral Resources Estimate – effective October 25, 2012*									
Mining Method	Classification	Cut-off grade	Tonnes (millions)	Silver (g/t)	Silver (million ounces)	Gold (g/t)	Gold (000's ounces)	Silver equivalent (g/t)	Silver equivalent
Open Pit	Indicated	25	29.6	104	99	0.20	190	115	110
Open Pit	Inferred	25	47.7	86	132	0.16	245	95	146
Underground	Indicated	60	0.1	99	0	0.16	0	108	0.2
Underground	Inferred	60	1.9	124	8	0.21	13	136	8
Total	Indicated		29.7	104	99	0.20	191	115	110
	Inferred		49.6	87	140	0.16	259	97	154

### Notes:

1. Open pit resources stated are contained within a potentially economically mineable pit shell. Pit optimisation is based on assumed silver and gold prices of US\$25.90/oz and US\$1,465/oz respectively and mill recoveries of 88% and 78% respectively, mining costs of US\$1.45/t, processing costs of US\$17.25/t and G&A costs of US\$4.35/t. Break-even cut-off grades used were 25 g/t Ag for open pit mill material and 60 g/t Ag for underground material.
2. Silver equivalency is based on unit values calculated from the above metal prices, and assumes 100% recovery of all metals.
3. Mineral Resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and sums may not total due to rounding.
4. The underground indicated resource and inferred resources do not account for mining method and the probability that mine plan design could significantly change these resources.

### Proposed Mining Methods and Project Infrastructure

Mineralization at the La Preciosa Project may be exploited using both open pit and underground mining methods. Open pit mining may be undertaken using conventional truck and shovel techniques. The veins at the property vary widely in both width and dip to an extent that the choice of a single underground mining technique will not be appropriate for all veins. Shrinkage stoping was identified as the most appropriate method for steeply dipping veins (greater than 70°) and room and pillar (with backfill where the width requires it) was considered appropriate for shallow dipping veins (less than 35°).

The La Preciosa Project site is not yet connected to the commercial electrical grid but a nearby village and a town are serviced by the commercial electrical grid. The property is presently supplied electrical power by one 65 kilowatt (kW) diesel generator and two smaller 5.5 kilowatt (kW) diesel generators. The main power grid for Durango follows a paved federal highway and a power connection is available for the La Preciosa Project from a substation located in the city of Canatlán, Durango, 41 km northwest of the La Preciosa Project site.

A nearby town has a gas station and the services of metal fabricators and mechanic shops. A railway line is present near the south boundary of the property and the railway has a direct line to Torreon, the site of the nearest metal smelter.

The water for drilling and services is obtained from a water reservoir in a nearby village. Water for mining production is proposed to be supplied from an underground source in the thick gravels on the plain to the east of the La Preciosa Project site, accessed by drilling a 200 m deep water well 7.2 km to the east of the La Preciosa Project site.

Presently the La Preciosa Project site has six core storage sheds, an office, lunch room, washrooms, small warehouse, flammable substances storage area, drilling company workshop, night watchman's accommodation, and a generator/core cutting shed.

The proposed main processing facilities for the La Preciosa Project will include primary crushing, grinding, leaching, counter current decantation, tailings detoxification, silver and gold precipitation, refining, and tailings disposal facilities. In addition to the main process facilities, it is proposed that several surface buildings be constructed to support the mining and process operations. These facilities would include administration, security, warehouse, change house, explosives storage, and truck shop buildings, and truck wash and mill maintenance facilities.

#### *Mineral Processing, Metallurgical Testing, and Recovery Methods*

In the period from 2007 to 2010, a total of 865 samples from diamond drill core were used to prepare 44 metallurgical composites, including 28 variability composites. They were studied at two independent commercial laboratories to evaluate the response to gravity and flotation concentration and agitation cyanidation.

Whole ore agitation cyanidation was determined to be the most favourable processing option. At the currently estimated global plant feed grade of approximately 137 ppm silver (Ag), the data forecasts a laboratory silver extraction of 86%. Gold extraction is affected by oxidation with a nominal 70% extraction in the sulphide zones increasing to 90% in some of the oxidised zones, with an overall forecast of 78% gold extraction.

The consumption of cyanide has been quite variable. Although the majority of the test work reported consumption of less than 1.3 kilograms per tonne (kg/t), some tests were as high as 6 kg/t (which is considered to be a high rate of cyanide consumption), where favourable metallurgical results were reported. Additional testing will be required to better understand the reported high cyanide consumptions. It is anticipated that to the extent that elevated cyanide consumption is encountered in operation, the cyanide concentration in the plant solutions will be permitted to decrease below the optimum of 2 grams per litre (g/l), incurring a few percent loss in silver extraction but a net gain as a result of lower cyanide costs.

The deposit benefits from fine grinding to at least P80 = 74 microns (80% passing 200 mesh) with a leaching time that is expected to be in the range of three to four days. Small quantities of copper and zinc are leached in the process and report to the pregnant solution as cyanides. They can be destroyed in an operating plant cyanide destruction circuit.

The Updated Resource Estimate recommended a two-stage laboratory test programme in which the first stage would determine the role of pH. The second stage would comprise another variability testing programme to confirm the silver and gold tailings grades by ore type, establish crushing and grinding work indices including JK drop-weight, and cyanide destruction. The results of this programme may alter the feasibility study stage design criteria and therefore impact the capital and operating costs, particularly so in the grinding circuit.

#### *Environmental Studies, Permitting, and Social and Community Impact*

Reporting of the environmental baseline data collected for a full year between 2010 and 2011 has been completed for the La Preciosa Project. The baseline data may be used to compile the environmental impact statement ("MIA"), to be submitted to the Mexican government for approval prior to the issuing of construction and operation permits. The most likely significant environmental issues that may be related to the permitting of the La Preciosa Project include long-term water quality and quantity management, securing water rights, protracted approval and permitting processes, long-term management of metal leaching and acid rock drainage ("MLARD"), construction and operation of the access road, social issues, securing surface rights, and management and liner considerations for the tailings impoundment facility. The main documents to be prepared and submitted to obtain construction and operation permits are the MIA, a forest land use modification, a risk analysis, and an archaeological study report.

Likely social concerns surrounding the development of the La Preciosa Project include acquisition of surface land, water use, perceptions of the cyanide facility and the use of cyanide, operation of the access road, potential imposition of access restrictions to the area, and the expectations that the La Preciosa Project development may generate in surrounding communities with respect to employment and quality of life.

The Updated Resource Estimate recommended that a program be commenced to acquire rights to the land in the area of the La Preciosa Project which will allow the infrastructure to be commissioned on the property. The access rights will include the area for the well, transmission corridors, mine and mill areas, tailings storage facility, buffer zone, etc. As water supply is critical to the success of the La Preciosa Project, the Updated Resource Estimate recommended that water rights required for the facility also be acquired and an extensive community engagement process be immediately established.

The Updated Resource Estimate provided that consideration should be given to continue to collect environmental data beyond the baseline data required for the MIA. The activities to be considered include:

- The installation of a weather station for meteorological data collection.
- The installation of monitoring wells and piezometers for open pit areas as well as upstream and downstream from the tailings storage facilities and process plant to monitor ground water characteristics.
- Design and implementation of an environmental monitoring programme.
- Dust monitoring.
- Complete static and kinetic testing for MLARD which will be coupled with an ongoing monitoring programme for waste rock and tailings.

#### *Conclusions and Recommendations*

On the basis of the results of the Updated Mineral Resource Estimate, the authors recommended proceeding with the New PEA. The expected cost of completing the New PEA has been estimated at \$400,000 (excluding the acquisition costs of land and water rights).

#### **Dividends or Distributions**

Orko has not paid any dividends on the Orko Shares since incorporation. The declaration of dividends on Orko Shares remains within the discretion of the Orko Board and will depend on a variety of factors, including future earnings, capital requirements, operating and financial condition and a number of other factors that the Orko Board considers to be appropriate.

## Directors and Officers

Name, Jurisdiction of Residence and Present Office Held	Director Since	Number of Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised	Principal Occupation During the Past Five Years
Gary Cope <sup>(1)</sup> B.C., Canada Chief Executive Officer, President and Director	September 9, 2003	2,572,500 Indirect: 1,209,500 <sup>(2)</sup>	Mining Executive, President of Orko Silver Corp. and Orex Minerals Inc.
N. Ross Wilmot B.C., Canada Director and Chief Financial Officer	April 30, 1997	900,000	Financial Consultant; Director and officer of several listed companies
George Cavey B.C., Canada Director and Vice President Exploration	December 4, 2003	810,000	Consulting Geologist, Orequest Consultants Ltd.
Minaz Devji B.C., Canada Director and Executive Vice President	April 23, 2007	Indirect: 3,064,189 <sup>(3)</sup>	Business Consultant for several listed companies
Cyrus Driver <sup>(1)</sup> B.C., Canada Director	April 23, 2007	475,000	Chartered Accountant, Partner in Davidson & Company LLP; Director and officer of several listed companies
Rick Sayers <sup>(1)</sup> B.C., Canada Director	June 13, 2008	30,000	Chartered Accountant, financial controller of Lordco Parts Ltd. since 1995

(1) Denotes a member of the audit, governance, and compensation committees.

(2) 1,209,500 shares are held by 683192 B.C. Ltd., a company wholly-owned by Gary Cope.

(3) 2,914,289 shares are held by 0709037 B.C. Ltd., a company wholly-owned by Minaz Devji, and 149,900 are held in an RRSP.

## Cease Trade Orders, Bankruptcies, Penalties and Sanctions

To the knowledge of management, no director or executive officer of Orko is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days except as follows:

- On June 10, 2003, while N. Ross Wilmot was a director and officer of CTF Technologies Inc. ("CTF"), CTF was subject to a "management" cease trade order in British Columbia for failure to file its financial statements for the year ended December 31, 2002, and for the first quarter ended March 31, 2003, due to CTF's determination in late 2002 that an accounting change to the manner in which it accounted for some of its revenues would be appropriate. The financial statements were filed and the management cease trade order was revoked on April 4, 2008.
- On May 27, 2004, while N. Ross Wilmot was a director and/or officer of Verb Exchange Inc. ("Verb Exchange") he, together with the other directors and senior management of Verb Exchange, voluntarily agreed to and became subject to a "management" cease trade order in British Columbia in respect of Verb Exchange's failure to file its financial statements. The financial statements were filed and the management cease trade order was revoked on June 29, 2004.

- On May 3, 2005, while N. Ross Wilmot was a director and/or officer of Verb Exchange, he together with the other directors and senior management of Verb Exchange, voluntarily agreed to and became subject to a "management" cease trade order in British Columbia in respect of Verb Exchange's failure to file its financial statements. The financial statements were filed and the management cease trade order was revoked on June 20, 2005.
- On September 7, 2007, while N. Ross Wilmot was a director of Biotech Holdings Ltd., ("**Biotech**"), a company listed on the TSX-V, the TSX-V notified Biotech that it had initiated a review of the filings of Biotech. Following review by the TSX-V in respect of certain compliance matters and direct discussions with the TSX-V, Biotech's management decided to apply to delist the shares of Biotech from the TSX-V. N. Ross Wilmot resigned as a director of Biotech on October 15, 2007.

To the knowledge of management, no director or executive officer of Orko is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity was the subject of an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

To the knowledge of management, no director or executive officer, or a shareholder holding a sufficient number of securities of Orko to materially affect control of Orko is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold its assets.

To the knowledge of management, no director or executive officer, or a shareholder holding a sufficient number of securities of Orko to materially affect control of Orko has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of management, no director or executive officer of Orko, or shareholder holding a sufficient number of securities to affect materially the control of Orko, has been subject to any penalties or sanctions imposed by a court relating to Securities Law or by a Securities Authority or has entered into a settlement agreement with a Securities Authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Consolidated Capitalization**

Orko is authorized to issue an unlimited number of Orko Shares. As of the Record Date, there were 138,868,979 Orko Shares issued and outstanding and Orko Options to acquire 3,250,000 Orko Shares outstanding, with a weighted average strike price per Orko Share of \$0.55 and a weighted average remaining life of 0.33 years outstanding. All the issued Orko Shares are fully paid and are not subject to any future call or assessment. All of the issued Orko Shares rank equally as to voting rights, participation on a distribution of Orko's assets on liquidation, dissolution or winding-up and the entitlement to dividends. Holders of Orko Shares are entitled to receive notice of, attend and vote at all meetings of Orko Shareholders. Each Orko Share carries one vote at such meetings. Holders of

Orko Shares are entitled to dividends if and when declared by the Orko Board and, upon liquidation, to receive such portion of the assets of Orko as may be distributable to such holders. There are currently no other series or class of shares which rank senior, in priority to, or *pari passu* with the Orko Shares. The Orko Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

The following table sets forth Orko's consolidated capitalization as at the dates indicated. This table should be read in conjunction with Orko's unaudited condensed consolidated interim financial statements for the three and nine months ended July 31, 2012 and 2011 and the management's discussion and analysis thereof, which are incorporated by reference into this Circular.

	<u>As at July 31, 2012</u>	<u>As at September 28, 2012</u>	<u>As at January 18, 2013</u>
Orko Share Capital	\$76,700,717	\$82,314,108 <sup>(1)</sup>	\$85,565,986 <sup>(2)</sup>
Orko Shares	132,243,979	136,643,979 <sup>(1)</sup>	138,868,979 <sup>(2)</sup>

(1) Adjusted for the issue of shares on the exercise of options subsequent to July 31, 2012.

(2) Adjusted for the issue of shares on the exercise of options subsequent to September 28, 2012.

### Prior Sales

During the 12 months before the date of this Circular, Orko issued the following securities:

Date of Grant/Issuance	Price per Security (\$)	Number of Securities Issued/Granted
<i>Orko Shares issued on the exercise of Orko Options:</i>		
1/31/2012	\$0.58	200,000
2/16/2012	\$0.45	25,000
2/16/2012	\$0.60	25,000
2/16/2012	\$0.45	50,000
2/16/2012	\$0.60	50,000
2/17/2012	\$0.45	87,500
2/17/2012	\$0.60	87,500
2/17/2012	\$0.45	25,000
2/17/2012	\$0.60	25,000
2/17/2012	\$0.45	20,000
2/17/2012	\$0.60	20,000
2/17/2012	\$0.45	161,250
2/17/2012	\$0.60	161,250
2/17/2012	\$0.45	137,500
2/17/2012	\$0.60	137,500
2/17/2012	\$0.45	25,000
2/17/2012	\$0.60	125,000
2/17/2012	\$0.45	50,000
2/17/2012	\$0.60	50,000
2/24/2012	\$0.45	161,250
2/24/2012	\$0.60	161,250
3/1/2012	\$0.45	125,000
3/1/2012	\$0.60	125,000
3/26/2012	\$1.75	37,500
5/10/2012	\$0.45	12,500
5/10/2012	\$0.60	12,500
6/6/2012	\$0.60	25,000

Date of Grant/Issuance	Price per Security (\$)	Number of Securities Issued/Granted
6/6/2012	\$0.60	25,000
7/12/2012	\$0.45	137,500
7/12/2012	\$0.60	137,500
7/12/2012	\$0.45	100,000
7/12/2012	\$0.60	100,000
8/16/2012	\$0.45	100,000
8/16/2012	\$0.60	100,000
8/16/2012	\$0.45	200,000
8/16/2012	\$0.60	200,000
8/16/2012	\$0.45	200,000
8/16/2012	\$0.60	200,000
8/17/2012	\$0.45	100,000
8/17/2012	\$0.60	100,000
8/23/2012	\$0.45	25,000
8/23/2012	\$0.60	25,000
8/23/2012	\$0.45	100,000
8/23/2012	\$0.60	100,000
8/31/2012	\$0.45	725,000
8/31/2012	\$0.60	725,000
8/31/2012	\$0.45	700,000
8/31/2012	\$0.60	700,000
9/14/2012	\$0.60	100,000
12/20/2012	\$0.45	188,000
1/3/2013	\$0.45	62,000
1/8/2013	\$0.45	50,000
1/8/2013	\$0.60	50,000
1/8/2013	\$1.48	133,100
1/11/2013	\$1.48	41,900
1/11/2013	\$0.45	100,000
1/11/2013	\$0.60	100,000
1/14/2013	\$0.45	743,750
1/14/2013	\$0.60	743,750
1/14/2013	\$0.45	6,250
1/14/2013	\$0.60	6,250

### Market Prices of Orko Shares

The Orko Shares are listed on the TSX-V under the symbol "OK". The following table sets forth, for the periods indicated, the daily high and low trading price and the aggregate trading volume of Orko Shares on the TSX-V.

Month	Price Range <sup>(1)</sup>		Trading Volume <sup>(2)</sup>
	High	Low	
January 1-18, 2013	\$2.49	\$2.25	9,890,433
December 2012	\$2.55	\$1.51	29,832,583
November 2012	\$1.71	\$1.42	4,407,688
October 2012	\$1.78	\$1.37	6,056,215
September 2012	\$2.00	\$1.57	12,117,291
August 2012	\$1.60	\$1.12	4,617,619
July 2012	\$1.28	\$1.02	3,039,175

Month	Price Range <sup>(1)</sup>		Trading Volume <sup>(2)</sup>
	High	Low	
June 2012	\$1.54	\$1.06	4,700,618
May 2012	\$1.96	\$1.10	6,073,449
April 2012	\$2.53	\$1.04	26,403,283
March 2012	\$2.64	\$2.01	8,973,136
February 2012	\$2.25	\$1.61	6,280,098

Source: *TMX Money*

(1) Includes intra-day lows and highs.

(2) Total volume traded in the month.

## Risk Factors

*Orko's exploration programs may not be successful, are highly speculative in nature, and may not ever result in the development of a producing mine.*

There is no assurance given by Orko that its exploration programs will result in the discovery, development or production of a commercially viable mine. The business of exploration for silver and other precious minerals involves a high degree of risk and is highly speculative in nature. Few properties that are explored are ultimately developed into producing mines. Orko's exploration activities in Mexico involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and the availability of exploration capital.

Orko's mineral properties are in the exploration stage. The economics of exploring and developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Development of the La Preciosa Project or of any other project will only follow upon obtaining satisfactory exploration results and the completion of feasibility or other economic studies. Whether developing a producing mine is economically feasible will depend upon numerous factors, most of which are beyond the control of Orko, including: the availability and cost of required development capital, movement in the price of commodities, securing and maintaining title to mining tenements as well as obtaining all necessary consents, permits and approvals for the development of the mine. Should a producing mine be developed at the La Preciosa Project or any other project, for which Orko can provide no assurance, other factors will ultimately impact whether mineral extraction and processing can be conducted economically, including actual mineralization, consistency and reliability of ore grades and future commodity prices, as well as the effective design, construction and operation of processing facilities. Orko's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added.

*Orko is dependent on the La Preciosa Project.*

Orko is primarily focused on the exploration of the La Preciosa Project. The La Preciosa Project does not have identified proven mineral resources, which will be required as a basis for determining if the property has bodies of commercial mineralization. Unless Orko acquires additional property interests, any adverse developments affecting the La Preciosa Project could have a material adverse effect upon Orko and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of Orko.

*Silver price volatility may adversely affect Orko.*

If Orko commences production, profitability will be dependent upon the market price of silver. Silver prices historically have fluctuated widely and are affected by numerous external factors beyond

Orko's control, including industrial and retail demand, central bank lending, sales and purchases of silver, forward sales of silver by producers and speculators, levels of silver production, short-term changes in supply and demand because of speculative hedging activities, confidence in the global monetary system, expectations of the future rate of inflation, the strength of the U.S. dollar (the currency in which the price of silver is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events.

*Orko will require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to Orko.*

Orko will have further capital requirements and exploration expenditures as it proceeds to expand exploration activities at any of its properties, develop any such properties, or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it. The continued exploration and future development of Orko's properties may therefore depend on Orko's ability to obtain additional required financing. In particular, any potential development of the La Preciosa Project requires substantial capital commitments which Orko cannot currently quantify and does not currently have in place. Orko can provide no assurance that it will be able to obtain financing on favourable terms or at all. Where Orko issues shares in the future, such issuance will result in the then existing shareholders of Orko sustaining dilution to their relative proportion of the equity in Orko. Orko may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, Securities Laws compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the silver industry in particular), Orko's status as a new enterprise with a limited history, the location of the La Preciosa Project in Mexico and the price of silver on the commodities markets (which will impact the amount of asset-based financing available) and/or the loss of key management personnel. Further, if the price of silver on the commodities markets decreases, then potential revenues from the La Preciosa Project will likely decrease and such decreased revenues may increase the requirements for capital. If Orko is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties, incur financial penalties or reduce or terminate its operations.

*Orko relies on its management team and outside contractors and the loss of one or more of these persons may adversely affect Orko.*

Orko is dependent upon the continued support and involvement of a number of key management personnel and outside contractors. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors. Orko does not have in place formal programs for succession and training of management. The loss of one or more of these key employees or contractors, if not replaced, could adversely affect Orko's business, results of operations and financial condition.

*Orko may have difficulty recruiting and retaining employees.*

Recruiting and retaining qualified personnel will be critical to Orko's success. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Orko's business activity grows, Orko will require additional key financial, administrative, geologic and mining personnel as well as additional operations staff. There is no assurance that Orko will be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If Orko is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on its results of operations and financial condition.

*Certain directors and officers may have conflicts of interest.*

Certain of the directors and officers of Orko are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of Orko may become subject to conflicts of interest. The Business Corporations Act provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director must disclose his interest in such contract or agreement and must refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the Business Corporations Act. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the Business Corporations Act.

*Orko has negative operating cash flow.*

Orko currently has negative operating cash flow and may continue to have negative operating cash flow for the foreseeable future. The failure of Orko to achieve profitability and positive operating cash flows could have a material adverse effect on Orko's financial position and financial performance.

*Orko's operations are subject to operational risks and hazards inherent in the mining industry.*

The ownership, exploration, development and operation of a mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks are inherent in the mineral exploitation and extraction industry, and include but are not limited to, variations in grade, unusual or unexpected formations, formation pressures, deposit size, density, and other geological problems, environmental hazards, earthquakes and other acts of God, hydrological conditions (including a shortage of water), availability of power and hydroelectric sources, fires, power failures, flooding, cave-ins, landslides, metallurgical and other processing problems, mechanical equipment performance problems, industrial accidents, drill rig shortages, the unavailability of materials and equipment including fuel, labour force disruptions, unanticipated transportation costs, unanticipated regulatory changes, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, labour, and adverse weather conditions and unexpected inflationary changes in Mexico as a result of the development and operation of other mineral properties in the country. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may have a material adverse effect on Orko's financial condition, results of operation and future cash flows.

*Orko has no history of mineral production.*

Orko currently has no advanced exploration or development projects other than the La Preciosa Project. The La Preciosa Project has no operating history upon which to base estimates of future operating costs, future capital spending requirements or future site remediation costs or asset retirement obligations. Orko has no experience with development stage mining operations and Orko can provide no assurance that the necessary expertise will be available if and when it seeks to place any of its mineral properties into development, including the La Preciosa Project. Orko has no experience in placing mineral properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with major mining companies that can provide such expertise. There can be no assurance that Orko will have available to it the necessary expertise if and when it places any of its mineral properties into production, including the La Preciosa Project.

*There is no assurance that title to mineral properties will not be challenged.*

Title to, and the area of, mineral concessions may be disputed. Orko has diligently investigated and believes it has taken reasonable measures to ensure proper title to the mineral concessions and claims underlying the projects, however, there is no guarantee that title to any such of its properties will not

be challenged or impaired. While Orko intends to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that Orko will be successful in extending or renewing mineral rights on or prior to expiration of their term or that the title to any such properties will not be affected by an unknown title defect.

*Orko is subject to a number of inherent exploration risks.*

Orko is engaged in mineral exploration and development, which is highly speculative in nature and involves many risks and is frequently not economically successful. Developing mineral resources depends on a number of factors including, among others, the quality of Orko's management and their geological and technical expertise, and the quality of land available for exploration. Once mineralization is discovered, it may take several years of additional exploration and development until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling or drifting, to determine the optimal metallurgical process and to finance and construct mining and processing facilities. At each stage of exploration, development, construction and mine operation, various permits and authorizations are required. Applications for many permits require significant amounts of management time and the expenditure of substantial amounts for engineering, legal, environmental, social and other activities. At each stage of a project's life, delays may be encountered because of permitting difficulties. Such delays add to the overall cost of a project and may reduce its economic viability. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond Orko's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. As a result of these uncertainties, there can be no assurance that mineral exploration and development programs will ultimately result in the profitable commercial production of metals or minerals.

*Government regulations may have an adverse effect on Orko's exploration and development activities, and future operations.*

The mineral exploration activities of Orko are subject to various Laws and regulations governing health and worker safety, labour standards, toxic substances, waste disposal, protection of the environment, use of water, mine development and protection of endangered and protected species, treatment of indigenous peoples and other matters. Although Orko believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied or amended in a manner that could have a material and adverse effect on the business, financial condition and results of operations of Orko. Where required, obtaining necessary permits can be a complex, time-consuming process and Orko cannot provide assurance whether any necessary permits will be obtainable on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable Laws and regulations could stop or materially delay or restrict Orko from proceeding with the development of an exploration project. Any failure to comply with applicable Laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities. In addition, Orko is subject to changes to the royalty regimes in the jurisdictions in which it operates.

*Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure.*

Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Orko's inability to secure adequate water and power resources, as well as other events such as unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Orko's operations, financial condition and results of operations.

*Orko's insurance coverage does not cover all of its potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable.*

The mineral exploration and mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, increased production costs, asset write downs and monetary losses and possible legal liability.

Orko does not carry insurance to protect against certain risks. Risks not insured against include environmental liability, earthquake damage, mine flooding or other hazards against which Orko, and in general, mining exploration companies, cannot insure or against which Orko may elect not to insure because of high premium costs or other reasons. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on Orko's business, financial condition and results of operations.

*Environmental and other regulatory requirements may adversely affect Orko.*

All phases of Orko's operations are subject to environmental regulation. Environmental regulation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect Orko's business, financial condition and results of operations. Environmental hazards may exist on the properties on which Orko holds interests which are unknown to Orko at present and which have been caused by previous or existing owners or operators of the properties.

The exploration operations of Orko and development and commencement of production on its properties, do and will require permits from various local governmental authorities and such operations are and will be governed by Laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety, treatment of indigenous groups and other matters.

Failure to comply with applicable Laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration or mining operations may be required to compensate those suffering loss or damage by reason of the exploration or mining activities and may have civil or criminal fines or penalties imposed for violations of applicable Laws or regulations and, in particular, environmental laws. Amendments to current Laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Orko and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

*Orko faces significant competition for attractive mineral properties.*

There is significant competition in the precious metals mining industry for mineral rich properties that can be developed and produced economically, the technical expertise to find, develop, and operate such properties, the labour to operate the properties and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Orko, Orko may be unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its projects. Existing or future competition in the mining industry could materially adversely affect Orko's prospects for mineral exploration and success in the future. Increased competition can result in increased costs and lower prices for metal and minerals produced and reduced profitability. Consequently, the revenues of Orko, its operations and financial condition could be materially adversely affected.

*Orko is subject to foreign currency risk.*

Orko incurs expenditures in foreign currencies and consequently is exposed to foreign exchange risks due to changes in the value of the Canadian dollar with respect to these foreign currencies. A weakening of the Canadian dollar with respect to these foreign currencies would increase the costs of Orko's activities in these foreign jurisdictions. Orko does not hedge its exposures to movements in the exchange rates at this time.

*Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions.*

Orko conducts exploration activities entirely in Mexico. There is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources in Mexico. Changes, even if minor in nature, may adversely affect Orko's operations. Further, Orko's Mexican mining investments are subject to the risks normally associated with the conduct of business in foreign countries. The occurrence of one or more of these risks could have a material and adverse effect on Orko's cash flows, earnings, results of operations and financial condition. These risks and uncertainties vary from time to time and include, but are not limited to: labour disputes, invalidation of governmental orders and permits, uncertain political and economic environments, high risk of inflation, sovereign risk, war (including in neighbouring states), military repression, civil disturbances and terrorist actions, arbitrary changes in Laws or policies of particular countries, the failure of foreign parties or governments to honour contractual relations, consents, rejections or waivers granted, corruption, arbitrary foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits (including export and/or customs approvals), opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on silver or other metals exports, difficulty obtaining key equipment and components for equipment and inadequate infrastructure. These risks may limit or disrupt Orko's operations and exploration activities, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

#### **INFORMATION CONCERNING FIRST MAJESTIC**

Upon completion of the Arrangement, each Orko Shareholder that is not a Dissenting Shareholder will become a shareholder of First Majestic.

### **Documents Incorporated by Reference**

Information has been incorporated by reference in this Circular from documents filed with Securities Authorities in each of the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of First Majestic at 925 W. Georgia Street, Suite 1805, Vancouver, British Columbia, V6C 3L2 (telephone: (604) 688-3033). Copies of these documents are also available on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com) under First Majestic's profile.

The following documents of First Majestic, which have been filed with Securities Authorities in each of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of, this Circular:

- (a) the annual information form of First Majestic dated March 30, 2012 for the year ended December 31, 2011 (the "AIF") (other than the section entitled "*Mineral Projects - Del Toro Silver Mine*");
- (b) the annual audited consolidated financial statements of First Majestic as at and for the year ended December 31, 2011, together with notes thereto and the report of the independent registered chartered accountants thereon;
- (c) the management's discussion and analysis of financial condition and results of operations of First Majestic for the year ended December 31, 2011;
- (d) the material change report of First Majestic dated January 12, 2012 with respect to First Majestic's fourth quarter and full year 2011 production results;
- (e) the material change report of First Majestic dated January 24, 2012 with respect to the inauguration of First Majestic's new La Parrilla Silver Mine flotation/cyanidation plant;
- (f) the material change report of First Majestic dated March 5, 2012 with respect to First Majestic's audited financial results for the interim period and year ended December 31, 2011;
- (g) the management information circular dated as of April 2, 2012 with respect to First Majestic's annual general meeting of shareholders held on May 24, 2012;
- (h) the material change report of First Majestic dated April 3, 2012 with respect to the acquisition of Silvermex Resources Inc. ("**Silvermex**");
- (i) the material change report of First Majestic dated April 16, 2012 with respect to production at three of its mines in Mexico for the interim period ending March 31, 2012;
- (j) the material change report of First Majestic dated May 10, 2012 with respect to the unaudited condensed interim consolidated financial results of First Majestic for the period ending March 31, 2012;
- (k) the material change report of First Majestic dated May 22, 2012 with respect to the filing by First Majestic of the technical report titled "Technical Report for the Del Toro Silver Mine, Zacatecas State, Mexico" prepared by Leonel Lopez, C.P.G. of Pincock, Allen & Holt and dated May 18, 2012;

- (l) the material change report of First Majestic dated June 26, 2012 with respect to the results of the Silvermex annual general and special meeting where, among other things, the Silvermex shareholders approved the plan of arrangement between First Majestic and Silvermex (the "**Silvermex Arrangement**");
- (m) the material change report of First Majestic dated July 3, 2012 with respect to the completion of the Silvermex Arrangement;
- (n) the material change report of First Majestic dated August 14, 2012 with respect to First Majestic's unaudited condensed interim consolidated financial results for the period ended June 30, 2012;
- (o) the material change report of First Majestic dated August 21, 2012 with respect to the filing by First Majestic of the updated and restated technical report titled "Technical Report for the Del Toro Silver Mine, Zacatecas State, Mexico" prepared by Leonel Lopez, C.P.G. of Pincock, Allen & Holt and dated August 20, 2012 (the "**Del Toro Technical Report**");
- (p) the business acquisition report dated September 14, 2012 with respect to the acquisition of all of the issued and outstanding securities of Silvermex pursuant to the Silvermex Arrangement;
- (q) the material change report of First Majestic dated October 10, 2012 with respect to First Majestic's production at its four operating mines for the interim period ended September 30, 2012;
- (r) the material change report of First Majestic dated November 14, 2012 with respect to First Majestic's unaudited condensed interim consolidated financial results for the period ended September 30, 2012;
- (s) the unaudited condensed interim consolidated financial report of First Majestic as at and for the period ended September 30, 2012, together with notes thereto;
- (t) the management's discussion and analysis of financial condition and results of operations of First Majestic for the period ended September 30, 2012;
- (u) the material change report of First Majestic dated December 16, 2012 with respect to the Arrangement;
- (v) the material change report of First Majestic dated December 19, 2012 with respect to First Majestic's forward sale contract with Bank of America Merrill Lynch for a portion of First Majestic's future lead and zinc production; and
- (w) the material change report of First Majestic dated January 9, 2013 with respect to First Majestic's production results for its fourth quarter of 2012 and the full 2012 production results.

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus Distributions* filed by First Majestic with any Securities Authorities in Canada subsequent to the date of this Circular and prior to the Effective Date will be deemed to be incorporated by reference into this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Circular.

Information contained in or otherwise accessed through First Majestic's website ([www.firstmajestic.com](http://www.firstmajestic.com)), or any other website, does not form part of this Circular.

### **Overview**

First Majestic is in the business of the production, development, exploration and acquisition of mineral properties with a focus on silver in Mexico. The First Majestic Shares trade on the TSX under the symbol "FR" and on the NYSE under the symbol "AG". The First Majestic Shares are also quoted on the Frankfurt, Berlin, Munich and Stuttgart Stock Exchanges under the symbol "FMV".

First Majestic has ownership of five producing mines in Mexico: the La Encantada silver mine in Coahuila State (the "**La Encantada Silver Mine**"), the La Parrilla silver mine in Durango State (the "**La Parrilla Silver Mine**"), the San Martin silver mine in Jalisco State (the "**San Martin Silver Mine**"), the La Guitarra silver mine in Mexico State (the "**La Guitarra Silver Mine**") and the Del Toro silver mine in the State of Zacatecas (the "**Del Toro Silver Mine**"). First Majestic also owns one advanced-stage development silver project, the La Luz silver project in San Luis Potosi State (the "**La Luz Silver Project**"). First Majestic also has an interest in a number of exploration properties in Mexico.

Further information regarding the business of First Majestic can be found in First Majestic's AIF and the other materials incorporated by reference in this Circular. See "*Information Concerning First Majestic - Documents Incorporated by Reference*". First Majestic filed the Del Toro Technical Report subsequent to the filing of First Majestic's AIF. As a result, the information respecting the Del Toro Silver Mine contained in First Majestic's AIF is no longer current. Accordingly, a comprehensive summary of the Del Toro Technical Report is provided below, which summary supersedes and replaces in full the information respecting the Del Toro Silver Mine contained in First Majestic's AIF. In addition, First Majestic acquired the La Guitarra Silver Mine as a result of the Silvermex Arrangement, which was completed subsequent to the date of First Majestic's AIF. Accordingly, a comprehensive description of the La Guitarra Silver Mine is provided below. NI 43-101 technical reports have previously been published by Silvermex and its predecessors relating to the La Guitarra Silver Mine; however, these technical reports have not been approved by First Majestic and First Majestic did not rely on these reports in making its decision to acquire Silvermex and, indirectly, the La Guitarra Silver Mine. The reports are currently under review by management of First Majestic and its Qualified Persons (as such term is defined in NI 43-101), particularly with respect to the assumptions and the risks regarding those assumptions used in the previous mining studies. The results of this review may result in a revised mine plan which may necessitate the filing of a new technical report. Accordingly, readers are cautioned against relying on the previously filed technical reports relating to the La Guitarra Silver Mine and the resource and reserve calculations therein.

## Mineral Properties

### *La Encantada Silver Mine*

La Encantada Silver Mine is an underground producing silver mine and processing facility located in the state of Coahuila, Mexico. The mine is wholly-owned and operated by Minera La Encantada, S.A. de C.V., a wholly-owned indirect subsidiary of First Majestic. The La Encantada Silver Mine consists of two main silver / lead underground mines: the La Encantada and the El Plomo mines which have been consolidated into one operation and an industrial complex that includes a 4,000 tonnes per day (tpd) cyanidation mill and a 1,000 tpd flotation plant (currently in care-and-maintenance except for the crushing and grinding areas which remains in operation), all necessary buildings and mine infrastructure, three schools, recreational facilities, mess hall, church, hospital, housing facilities, water wells and pipeline and air strip, all of which is located in the municipality of Ocampo, Coahuila State, Mexico.

La Encantada Silver Mine consists of 22 mining concessions, which provide mineral rights over an area of 4,076 ha (10,072 acres). Certain mineral rights expire for the earliest titled concessions in 2015 (Encantada claim), and most other claims have expiration dates to 2050; these however, may be renewed for another 50 years. First Majestic has purchased the land surface rights under expropriation procedures from Ejido Tenochtitlán, where the camp, water wells, mine and plant installations are located to better manage the property.

First Majestic uses conventional, manual methods, assisted by computer databases, to calculate the tonnage and average grades of the mineral resources and reserves at La Encantada Silver Mine. First Majestic has compiled all data into a database and created a geologic model in SURPAC and GIS software. First Majestic has reviewed and calculated resources and reserves for La Encantada to assess the current status of the property and to use it as a basis for future updated estimates.

Estimated proven and probable reserves and measured and indicated resources for La Encantada, as of September 30, 2008, are presented in Table 1 below as reported in the technical report entitled "Technical Report for the Encantada Silver Mine, Coahuila State, Mexico" prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock Allen & Holt and dated January 12, 2009, as amended and restated on February 26, 2009 and filed on SEDAR (the "**La Encantada Technical Report**"). No further external resource or reserve calculations have been conducted since such date. The reserve blocks estimated by La Encantada are exclusive of the resource blocks.

**Table 1**  
**Mineral Reserves and Resources as of September 30, 2008<sup>(1)</sup>**

CATEGORY	METRIC TONNES	WIDTH	GRADE			METAL CONTAINED <sup>(2)</sup>	
	Tonnes		Metres	Silver g/tonne	Lead, %	Zinc, % <sup>(4)</sup>	Silver (Only) oz.
<b>Total Reserves Proven plus Probable<sup>(3)</sup></b>							
Proven	683,992	Over 2.00	354	2.23	0.92	7,777,602	8,261,401
Probable	4,511,686	Over 2.00	186	2.45	2.54	26,936,651	27,287,462
<b>Total Reserves Proven + Probable<sup>(3)</sup></b>	<b>5,195,677</b>	<b>Over 2.00</b>	<b>208</b>	<b>2.42</b>	<b>2.33</b>	<b>34,714,253</b>	<b>35,548,863</b>
<b>Total Resources Measured plus Indicated<sup>(3)</sup></b>							
Measured	445,650	Over 2.00	399	4.15	0.65	5,710,055	6,025,271
Indicated <sup>(5)(6)(7)</sup>	4,931,103	Over 2.00	156	1.15	0.87	24,774,263	27,082,017
<b>Total Resources Measured + Indicated<sup>(3)</sup></b>	<b>5,376,753</b>	<b>Over 2.00</b>	<b>176</b>	<b>1.40</b>	<b>0.85</b>	<b>30,484,318</b>	<b>33,107,288</b>
<b>TOTAL PROVEN AND PROBABLE RESERVES PLUS MEASURED AND INDICATED RESOURCES<sup>(8)</sup></b>							
	<b>10,572,000</b>	<b>Over 2.00</b>	<b>192</b>	<b>1.90</b>	<b>1.58</b>	<b>65,199,000</b>	<b>68,700,000</b>
<b>Total Inferred Resources<sup>(1)(2)(3)</sup></b>							
<b>Inferred<sup>(8)</sup></b>	<b>2,557,000</b>	<b>Over 2.00</b>	<b>220</b>	<b>1.00</b>	<b>1.00</b>	<b>18,226,765</b>	<b>20,034,145</b>

(1) Cut-Off Grade estimated as 250 g/tonne Ag eq net of Pb credit. Estimated reserves are exclusive of resources.

(2) Silver equivalent includes Pb credit, at prices US\$12.00/oz-AG, US\$0.75/lb Pb. Pb credit + 22 g/tonne AG.

(3) Mining dilution is not included at over 2.00 m width. Estimates do not include mining recovery.

(4) Zinc is not recovered.

(5) Dump stockpile is considered as a measured resource because the average grade is below Cut-Off Grade- 203 g/tonne Ag only and 186 g/tonne Ag eq., however with pre-screening may be processed. It requires additional testing.

(6) La Morena sulphide deposit requires additional metallurgical testwork to prove its economic recovery. La Encantada mill does not have an operating zinc circuit at this time.

(7) Tailings are included within indicated resources due to required additional testwork and grade below Cut-off Grade - 111 g/tonne Ag.

(8) Rounded figures.

Since the date of the mineral reserve and resource estimate contained in Table 1 to December 31, 2012, approximately 29,555,906 ounces (oz) of contained silver equivalent have been extracted from the La Encantada Silver Mine. Production at La Encantada Silver Mine for the year ended December 31, 2012 amounted to 1,515,794 tonnes of ore of which 1,349,996 tonnes of ore were processed from reserves and 165,798 tonnes of ore were processed from outside of reserves.

From the period of the cut-off date of September 30, 2008 to December 31, 2012, First Majestic mined and processed 4,328,213 tonnes of ore from La Encantada Silver Mine at an average grade of 209 grams per tonne (7.35 oz per tonne) silver, for a total of 29,086,705 contained oz. Production during this period amounted to 4,328,213 tonnes of ore processed at an average grade of 209 grams per tonne silver and 2.99% Pb which resulted in 14,011,937 silver oz being produced and 5,864,928 pounds of lead (after the start-up of the cyanidation plant, lead production was suspended due to the change of process.).

The following table sets out the most recent resource and reserve estimates for the La Encantada Silver Mine prepared by First Majestic's internal Qualified Person, Mr. Florentino Muñoz, as of December 31, 2012.

**Table 2**  
**Mineral Reserves and Resources as of December 31, 2012 (based on internal Qualified Person results)**

	Category	Type	Internal QP Estimates end Dec. 2012					
			Tonnes	Grade			In-situ mineral	
				Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
La Encantada	Proven and Probable	Oxides	7,784,880	155.86	1.77	0.91	39,011,077	39,011,077
La Encantada	Measured & Indicated	Tailings	5,915,671	181.18	1.39	1.77	34,458,567	34,458,567
La Encantada	Inferred	Oxides	2,886,687	232.59	1.25	1.59	21,586,910	21,586,910

(1) Metal prices at \$1,688.63/oz-Au, \$31.96/oz-Ag, \$1.05/lb-Pb, \$0.93/lb-Zn. Cut-Off Grade for UG is 124 g/t Ag, and for the tailings 65 g/t Ag.

*La Parrilla Silver Mine*

La Parrilla Silver Mine is a producing underground silver mine and processing facility in Durango State, Mexico. The mine is wholly-owned and operated by First Majestic Plata, S.A. de C.V., a wholly-owned indirect subsidiary of First Majestic.

In 2012, the La Parrilla Silver Mine operation was expanded from about 850 tpd (425 tpd oxides and 425 tpd sulphides) to 2,000 tpd (1,000 tpd oxides and 1,000 tpd sulphides). The total capital expenditures for the project in 2012 were US\$8,391,000.

La Parrilla Silver Mine consists of 40 contiguous mining concessions in the La Parrilla mining district of Durango State which provides mineral rights which cover an area of 69,460 ha (171,589 acres). All of these mining concessions convey exploitation rights for 50 years from the date of registration. Additionally, First Majestic owns land surface rights through purchase and lease agreements covering a total of 532 ha. Certain of the La Parrilla Silver Mine claims were purchased from Grupo Mexico and include a NSR royalty of 1.5% payable to Grupo Mexico. The royalties payable thereunder are capped at US\$2,500,000. A total of US\$1,285,788 had been paid by the First Majestic under the NSR royalty as of December 31, 2012. There are no other encumbrances on La Parrilla Silver Mine mining concessions.

Table 3 presents a summary of the La Parrilla Silver Mine proven and probable reserves and measured and indicated resources, as at September 8, 2011 in addition to inferred resources at the bottom of the table, all as reported in the technical report prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock Allen & Holt entitled, "Technical Report for the La Parrilla Silver Mine, Durango State, Mexico" dated September 8, 2011 and filed on SEDAR (the "**La Parrilla Technical Report**"). No further external resources or reserve estimates have been conducted since such date.

**Table 3  
Mineral Reserves and Resources as of June 30, 2011**

**UNDERGROUND PROVEN AND PROBABLE RESERVES**

Mineralization	Category	Tonnes	Grade				Recoverable Silver <sup>(1)</sup>	
Type			Gold g/tonne	Silver g/tonne	Lead, %	Zinc, %	Silver Only <sup>(2)</sup>	Silver Equiv <sup>(3)</sup>
Oxides	Proven	241,800	0.00	210.72	0.80	0.11	1,065,000	1,090,200
Oxides	Probable	895,100	0.06	210.16	0.18	0.04	3,931,300	4,024,800
Sulphides	Proven	397,800	0.00	247	1.71	0.96	2,595,000	3,025,000
Sulphides	Probable	3,727,200	0.01	195	1.32	1.87	19,175,700	24,889,100
<b>Oxides+Sulphides</b>	<b>Proven+Probable</b>	<b>5,261,900</b>	<b>0.02</b>	<b>202</b>	<b>1.13</b>	<b>1.41</b>	<b>26,767,000</b>	<b>33,029,100</b>

Notes: Rounded totals

(1) Recoverable Silver = Ag - Recovery (65%-oxides; 82%-sulphides)-S&R charges (Oxides=0.005%; Sulphides=0.05%); Payable Pb=39 g/t-Eq Ag; Zn = 2 g/t-Eq Ag.

(2) Oxides = Silver(Met recov=65%)-Smelter & Ref (0.995) + Payable Gold=5 g/t-Eq Ag.

(3) Sulphides = Recoveries Ag (82%; payable 95%); Payable Pb=39 g/t-Eq Ag; Zn = 2 g/t-Eq Ag (Vacas 97.8 g/t-Eq Ag).

(\*) Reserves are exclusive of resources

**OPEN PIT PROVEN AND PROBABLE RESERVES <sup>(1)</sup>**

Mineralization	Category	Tonnes	Grade				Recoverable Silver <sup>(1)</sup>	
Type			Gold g/tonne	Silver g/tonne	Lead, %	Zinc, %	Silver Only <sup>(1)</sup>	Silver Equiv <sup>(2)</sup>
Oxides	Proven	505,600	0.00	114	0.00	0.00	1,196,200	1,277,400
Oxides	Probable	1,268,600	0.00	98	0.00	0.00	2,583,600	2,787,500
<b>Oxides</b>	<b>Proven + Probable</b>	<b>1,774,200</b>	<b>0.00</b>	<b>102</b>	<b>0.00</b>	<b>0.00</b>	<b>3,779,800</b>	<b>4,064,900</b>

Notes: Rounded totals

(1) Oxides = Silver(Met recov=65%)-Smelter & Ref (0.995) + Payable Gold=5g/t-Eq Ag; Cutoff = 33 g/t-Ag only.

**UNDERGROUND MEASURED AND INDICATED RESOURCES**

Mineralization	Category	Tonnes	Grade				Contained Silver "In Situ" <sup>(1)</sup>	
Type			Gold g/t	Silver g/t	Lead %	Zinc %	Silver Only <sup>(1)</sup>	Silver Equiv <sup>(2)</sup>
Type			Gold g/t	Silver g/t	Lead %	Zinc %	Silver only <sup>(1)</sup>	Silver equiv <sup>(2)</sup>
Oxides	M & I	250,000	0.01	153	1.91	1.49	1,229,000	1,269,100
Sulphides	M & I	837,100	0.03	143	1.88	5.46	3,860,500	6,807,500
<b>TOTAL UNDERGROUND</b>	<b>M &amp; I</b>	<b>1,087,100</b>	<b>0.03</b>	<b>146</b>	<b>1.89</b>	<b>4.54</b>	<b>5,089,500</b>	<b>8,076,600</b>

Notes: Cutoff = Sulphides \$74.12/tonne (Ag only - 124g/t; Pb only - 3.96%; Zn only - 4.16%; Zn Vacas - 6.65%); Oxides Ag only = 87 g/t; Ag + Au = 82 g/t

(1) Contained Silver "In Situ" only. No recoveries are considered in the resources. Rounded totals.

(2) Contained Silver Equivalent "In Situ"= Oxides Ag + Payable Au=5 g/t-Eq Ag. Sulphides = Payable Pb=39 g/t-Eq Ag; Zn = 2 g/t-Eq Ag (Vacas 97.8 g/t-Eq Ag).

### UNDERGROUND INFERRED RESOURCES

Mineralization	Category	Tonnes	Grade				Contained Silver "In Situ" <sup>(1)</sup>	
Type			Gold g/t	Silver g/t	Lead, %	Zinc, %	Silver only <sup>(1)</sup>	Silver equiv <sup>(2)</sup>
Oxides	Inferred	1,605,600	0.04	206	0.31	0.14	10,653,500	10,905,800
Sulphides	Inferred	6,447,600	0.00	170	1.26	1.59	35,105,200	46,033,500
<b>TOTAL UNDERGROUND</b>	<b>Inferred</b>	<b>8,053,200</b>	<b>0.01</b>	<b>177</b>	<b>1.02</b>	<b>1.30</b>	<b>45,758,700</b>	<b>56,939,300</b>

Notes: Inferred resources do not have economic value

(1) Contained Silver "In Situ" only. Rounded totals. No recoveries are considered. Rounded totals.

(2) Contained Silver Equivalent "In Situ"= Oxides Ag + Payable Au=5 g/t-Eq Ag. Sulphides = Payable Pb=39 g/t-Eq Ag; Zn = 2 g/t-Eq Ag (Vacas 97.8 g/t-Eq Ag).

### OPEN PIT INFERRED RESOURCES

Mineralization	Category	Tonnes	Grade				Contained Silver "In Situ" (1)	
Type			Gold g/t	Silver g/t	Lead, %	Zinc, %	Silver only (2)	Silver equiv (3)
Oxides	Inferred	1,293,600	0.00	99	0.00	0.00	4,100,400	4,308,300
<b>TOTAL UNDERGROUND</b>	<b>Inferred</b>	<b>1,293,600</b>	<b>0.00</b>	<b>99</b>	<b>0.00</b>	<b>0.00</b>	<b>4,100,400</b>	<b>4,308,300</b>

Notes: Inferred resources do not have economic value. Rounded figures.

(1) Contained Silver "In Situ" only. Rounded totals.

(2) No recoveries are considered in the resources.

(3) Contained Silver Equivalent "In Situ"= Oxides Ag + Credits Au=5 g/t-Eq Ag. Cutoff grade Ag-33g/t only.

Since the date of the mineral reserve and resource estimate contained in Table 3, approximately 6,425,613 oz of silver equivalent have been produced from the La Parrilla Silver Mine. Production at La Parrilla Silver Mine for the year ended December 31, 2012 amounted to 679,789 tonnes of ore of which 582,184 tonnes of ore were processed from reserves and 97,604 tonnes of ore were processed from outside of reserves.

In 2012, mine and mill production from La Parrilla Silver Mine was about 3,487,392 equivalent oz of silver from mining 679,789 tonnes of ore, of which 317,454 tonnes were oxide and 362,335 tonnes were sulphide ore.

The following table sets out the most recent reserves and resource estimates for the La Parrilla Silver Mine prepared by First Majestic's internal Qualified Person, as of December 31, 2012:

**Table 4**  
**Mineral Reserves and Resources as of December 31, 2012 (based on internal Qualified Person results)**

	Category	Type	Internal QP Estimates end Dec. 2012					
			Tonnes	Grade			In-situ mineral	
				Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
La Parrilla	Proven and Probable	Oxides and Sulphides	5,404,414	174.01	1.18	1.35	30,236,023	39,181,242
La Parrilla	Measured & Indicated	Oxides and Sulphides	3,123,358	176.17	1.29	2.23	17,690,513	23,378,235
La Parrilla	Inferred	Oxides and Sulphides	13,244,531	173.19	0.88	1.08	73,747,258	88,438,098

Notes:

(1) Metal prices at \$1,688.63/oz-Au, \$31.96/oz-Ag, \$1.05/lb-Pb, \$0.93/lb-Zn. Cut -off Grade is 55.8 g/t Ag.

#### *San Martin Silver Mine*

The San Martín Silver Mine consists of a predominantly silver mine and processing plant located near the town of San Martín de Bolaños in Jalisco State, Mexico. The mine is wholly-owned and operated by First Majestic through Minera El Pílon, S.A. de C.V. ("**El Pílon**"), a wholly-owned indirect subsidiary of First Majestic.

First Majestic, through El Pílon, holds 30 contiguous mining concessions in the Bolaños mining district that cover mineral rights for 7,841 ha. Mineral rights for the earliest titled concessions expire in 2035, and most other claims have expiration dates between 2050 and 2060; these however, may be renewed for another 50 years. No royalties or any other encumbrances are due on any of the San Martín Silver Mine mining concessions. The surface rights to the San Martín mine are mostly owned by El Pílon. A portion of the access roads to the mine are located on land owned by private owners. El Pílon has negotiated surface rights agreements with some individual owners for parts of the access road.

First Majestic uses conventional, manual methods, assisted by computer databases, to calculate the tonnage and average grades of the mineable reserves.

Table 5 shows a summary of mineral reserves and resources for the San Martín Silver Mine to September 30, 2008, as reported in the technical report entitled "Technical Report for the San Martín Silver Mine, State of Jalisco, Mexico" prepared by Richard Addison, P.E. and Leonel Lopez, C.P.G. of Pincock, Allen & Holt dated January 15, 2009, as amended and restated on February 26, 2009 (the "**San Martin Technical Report**"). No further external resource estimates have been conducted since this cut-off date. It should be noted that since the cutoff date, 1,198,522 tonnes have been mined from San Martín Silver Mine of which 566,198 tonnes were mined from the reserves and 631,604 tonnes were mined from areas that were not included in any previous NI 43-101 estimates.

**Table 5  
Mineral Reserves and Resources as of September 30, 2008**

CATEGORY	Mineralization	Metric	Width	Ag	Pb	Zn	METAL CONTAINED	
							Proven Reserves	Probable Reserves
Type	Tonnes	m	g/tonne	%	%	Silver (Only) oz.	Silver eq. oz.	
SUBTOTAL - <sup>1</sup>	Oxides	527,373	2.72	273			4,636,211	4,805,765
Proven Reserves								
SUBTOTAL - <sup>2</sup>	Oxides	243,091	2.56	276			2,154,571	2,232,727
Probable Reserves								
Proven and Probable Reserves							6,790,782	
TOTAL	Oxides	770,464	2.67	274			6,790,782	7,038,492
Mineral Resources								
Measured Resources								
SUBTOTAL - <sup>3</sup>	Oxides	122,404	4.95	233			915,774	955,128
SUBTOTAL - <sup>4</sup>	Sulphides	415,771	3.23	97	0.87	2.07	1,292,213	1,292,213
<b>Indicated Resources</b>								
SUBTOTAL - <sup>5</sup>	Oxides	294,361	4.49	288			2,729,201	2,823,840
SUBTOTAL - <sup>6</sup>	Sulphides	670,684	4.95	116	0.94	1.64	2,498,639	2,498,639
Measured and Indicated Resources								
TOTAL	Oxides plus Sulphides	1,503,220	4.38	154	0.91	1.80	7,435,827	7,569,820
<b>Proven and Probable Reserves plus Measured and Indicated Resources.</b>								
TOTAL RESERVES AND RESOURCES	Oxides plus Sulphides	2,273,684	3.80	195	0.91	1.80	14,226,609	14,608,312

- (1) Estimated reserves are exclusive of resources.
- (2) Cut-Off estimates as 146 g/tonne Ag for mined oxides, and 87 g/tonne Ag for dump recovered oxides; Ageq=Au/Pb credits = 10g/tonne Ag.
- (3) Metal prices at \$708/oz-Au, \$12.00/oz-Ag, \$0.75/lb-Pb, \$0.50/lb-Zn.
- (4) Mine dilution is included at a minimum mining width of 2.00m. **Estimates do not include mining recovery.**
- (5) Base metals, Lead and Zinc are not recovered due to low market prices.

Inferred Resources								
TOTAL <sup>(6)</sup>	Oxides plus Sulphides	8,200,000	5.33	185	1.40	1.60	48,900,000	50,000,000

- (1) Estimated reserves are exclusive of resources.
- (2) Inferred resources are speculative in nature and may not become reserves.
- (3) Metal prices at \$708/oz-Au, \$12.00/oz-Ag, \$0.75/lb-Pb, \$0.50/lb-Zn.
- (4) Mine dilution is included at a minimum mining width of 2.00m. **Estimates do not include mining recovery.**
- (5) Base metals, Lead and Zinc are not recovered due to low market prices.
- (6) Rounded figures.

The resource calculations contained in Table 6 are based on projections of the mineralized zones of 50 m beyond the areas of the reserves for the measured resources, and another 50 m beyond the boundaries of the measured resources for the blocks of indicated resources. The grade for these blocks is determined from the grade estimated for the adjacent reserve blocks, and sampling in mine workings and drill holes located within the block area.

First Majestic's estimated resource blocks do not include the estimated reserve blocks since these have been projected at distances that are adjacent and beyond the reserve blocks boundaries. Mineral resources do not include development details for underground mine accessibility and mine planning.

Since the date of the mineral reserve and resource estimate contained in Table 5 to December 31, 2012 approximately 6,122,777 oz of silver equivalent (including gold & lead) have been produced from the San Martin Silver Mine of which 3,956,564 oz were depleted from the reserves/resources set in Table 3. Production at San Martin Silver Mine for the year ended December 31, 2012 amounted to 286,205 tonnes of ore of which 138,156 tonnes of ore were processed from reserves and 148,049 tonnes of ore were processed from outside of reserves.

The San Martín Silver Mine includes underground workings that have opened six main drifts with levels at an approximate 35 m vertical separation. Each one of the drifts has been developed to a maximum extension of approximately 3,000 m, with interconnecting ramps between levels, and all have surface access to the Cerro Colorado hillside. From 1983, when El Pilón initiated operations in the area, to the September 2008 cut-off date, over 4,300,000 tonnes of silver ore were extracted and processed, for sales of approximately 33,600,000 oz of silver, including some gold and lead. Since this cut-off date, to December 31, 2012 an additional 1,198,522 tonnes of ore have been mined with an average grade of 150 grams per tonne Ag, 0.16 grams per tonne Au and 0.08% Pb, resulting in 5,784,182 oz of silver being produced 6,316 oz of gold and 4,463 pounds of lead.

Table 6 sets out the most recent reserves and resource estimates for the San Martin Silver Mine prepared by First Majestic's internal Qualified Person, Mr. Florentino Muñoz, as of December 31, 2012.

**Table 6  
Mineral Reserves and Resources as of December 31, 2012 (based on internal Qualified Person results)**

			Internal QP Estimates end Dec. 2012					
	Category	Type	Tonnes	Grade			In-situ mineral	
				Silver (g/t)	Lead (%)	Zinc (%)	Silver Only (oz)	Silver Equivalents (oz)
San Martin	Proven and Probable	Oxides	1,759,017	185.81	-	-	10,508,374	10,508,374
San Martin	Measured & Indicated	Oxides	1,934,369	159.44	-	-	9,915,519	9,915,519
San Martin	Inferred	Oxides	10,425,364	174.30	-	-	58,422,426	58,422,426

Notes:

(1) Metal prices at \$1.688.63/oz-Au, \$31.96/oz-Ag, \$1.05/lb-Pb, \$0.93/lb-Zn. Cut-Off Grade is 66.7 g/t Ag.

### *Del Toro Silver Mine*

Certain of the information on the Del Toro Silver Mine is based on the Del Toro Technical Report. The author of the Del Toro Technical Report, Mr. Leonel Lopez, is an independent Qualified Person for the purposes of NI 43-101. The Del Toro Technical Report is an update of the previously filed technical report for the Del Toro Silver Mine dated May 18, 2012 and includes results of additional drilling and assays completed to June 30, 2012. The Del Toro Technical Report has been filed with Securities Authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Del Toro Technical Report which is available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

### Property Description and Location

The Del Toro Silver Mine, which has recently entered Phase 1, pre-production, is located near the municipality of Chalchihuites, in the northwestern part of the State of Zacatecas, Mexico. The property is wholly-owned and operated by First Majestic Del Toro, S.A. de C.V. ("**FM Del Toro**"), a wholly-owned, indirect subsidiary of First Majestic.

The Del Toro Silver Mine consists of 24 mining concessions including 21 contiguous concessions, three concessions in a neighboring area, including 5 (five) other concessions that have been acquired by First Majestic and is under registration, covering mineral rights for 438 ha (1082 acres). These mining concessions include exploitation rights. Mexican mining concessions include mineral rights for a renewable period of 50 years from the date of the title. The earliest dates of renewal of First Majestic's concessions at the Del Toro Silver Mine are for the Perseverancia concession which has a renewal date of April 23, 2021. FM Del Toro owns all mineral rights in the concessions. There are no other encumbrances on the Del Toro Silver Mine mining concessions.

At the Del Toro Silver Mine, the access to San Juan, Perseverancia and most other mining prospects is open due to historical works and developments. First Majestic has acquired five parcels of surface rights covering 216.31 ha (534.5 acres) from private owners for plant installations, tailings storage, and other project's requirements. The Del Toro Silver Mine's Environmental Impact Study (EIS) has been approved and permits for change of the use of land have been granted.

The Del Toro Silver Mine includes two main mineral deposits under exploitation, exploration and further development; San Juan and the Perseverancia mineral deposits plus two newer areas of focus, the Dolores and San Nicolas mineral deposits which are currently being defined by drilling and underground development. A dual process 4,000 tpd plant is under construction. All necessary infrastructure for operating at a rate of 1,000 tpd was completed in January 2012 and pre-production commenced on January 15, 2013. A three phase ramp up is planned whereby production is expected to reach 2,000 tpd during the third quarter of 2013 and full production of 4,000 tpd is planned to be reached during the third quarter of 2014.

The Del Toro Technical Report describes First Majestic's exploration results on the San Juan, Perseverancia, Dolores and San Nicolas mineral deposits to June 30, 2012.

### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Del Toro Silver Mine is located in the northwestern part of the state of Zacatecas, about 150 km northwest of the capital city of Zacatecas in the bordering zone between the Sierra Madre Occidental and Mesa Central provinces. It is located at about 40 km southeast of First Majestic's La Parrilla Silver Mine and approximately 120 km southeast of the capital city of Durango. It is located at elevations of 2,300 m to 2,900 m while the adjacent Sierra Negra and Sierra Chalchihuites reach elevations of 3,000 m.

Access to the Del Toro Silver Mine is by highway I-45 from Durango City 120 km to the southeast past the La Parrilla Silver Mine. Driving time from Durango to Chalchihuites is about 2.5 hours. The property boundary is located approximately 1 km to the east of the village of Chalchihuites while the mill is located approximately 3 km away and can be accessed by all-weather dirt roads.

Another route of access to Chalchihuites is from the city of Zacatecas by highway I-45 to the northwest for 170 km; from the city of Sombrerete a 50 km highway leads west to the village of Chalchihuites. Driving time from Zacatecas to Chalchihuites is about 3 hours. The towns of Vicente Guerrero in the state of Durango (21,000 inhabitants at an elevation of 1,960 m) and Sombrerete in the state of Zacatecas (58,000 inhabitants at an elevation of 2,300 m) are located within 50 km from the Del Toro Silver Mine area.

The Chalchihuites region's main economic activities are agriculture, cattle and mining. Electric power is provided by the national grid. Potable water is available to all the towns from water wells. The Gualterio railroad station is located 5 km from Chalchihuites with connections to the rest of the country.

All basic facilities such as hotels, restaurants, telephone, including cellular, banking and postal service are available in most major population communities within the region. Elementary and secondary schools are available in all medium to major cities within the region. Higher education institutions are established in Durango and Zacatecas cities. Airports with service for international flights are available at Durango and Zacatecas cities, at 2.5 hours and 3 hours driving distance respectively from the Del Toro Silver Mine.

Approximately 4,000 inhabitants live in the village of Chalchihuites. Numerous other villages and towns are located within the mining district, such as José María Morelos (about 1,000 inhabitants), San José de Buena Vista (700 inhabitants), El Mineral de La Colorada (500 inhabitants), La Candelaria (500 inhabitants), Piedras Azules (400 inhabitants) and El Hormiguero (300 inhabitants). First Majestic believes that a labor force including miners is readily available from these communities.

The climate of the Del Toro Silver Mine area is moderate with average annual temperatures of 16°C to 18°C and semi-wet with total rainfall of 600 mm to 700 mm. The main rainy season occurs during the months of July to October.

Vegetation in the area consists of xerophile plants in the lower elevations, including cactuses (maguey, nopal and biznaga) and grasslands, while in the higher elevations the predominant vegetation consists of coniferous or evergreen oak forests (pine and oak trees). Most farming (corn, beans, chiles, wheat and some fruit trees such as apples and peaches) in the area takes place in the valleys and lower elevation zones.

### History

The Del Toro Silver Mine is located near the municipality of Chalchihuites, in the northwestern part of the State of Zacatecas, Mexico. According to historical references during the period of 1554 - 1558 the Spanish captains Martín Pérez and Francisco Ibarra carried out expeditions to explore the Sombrerete, Chalchihuites and San Martín mineral zones.

First Majestic initiated investigations in the Chalchihuites area in late 2004 under option agreements. First Majestic has consolidated ownership of a group of properties in the Del Toro Silver Mine area including 21 concessions and land holdings under FM Del Toro. This group of properties includes the San Juan and Perseverancia silver deposits under exploration and development in preparation for

mining. The newly discovered San Nicolás mineralization is located within the Perseverancia group of properties. In addition, the Dolores property which consists of 11.9 ha was purchased in 2011.

Mineral deposits of the Chalchihuites mining district (the "**Chalchihuites District**") consist of underground silver-gold-lead-copper mines. The Chalchihuites District comprises numerous small mine developments located around a regional granodioritic intrusive within metasomatic rocks at the contact with Cretaceous limestones. Mineralized structures include: vein-type, manto replacement, and breccia pipe deposits. Most mine workings within the Chalchihuites District are superficial developments with exceptions at the San Juan silver mine where a 90 m deep shaft was developed to extract some of the high grade silver minerals, and at the Perseverancia silver mine where two shafts were developed following two adjacent breccia pipe deposits to a depth of about 200 m. No official records exist of mineral production from the Chalchihuites mines; however, historical production by surveying volumes of old stopes within the San Juan and Perseverancia mine workings suggest that approximately 4,000,000 oz of silver were extracted from these mines at an estimated grade of about 700 g/t Ag, 10 % to 35% Pb and 2 to 3% Zn. The Perseverancia mine was operated by Mr. Raúl Mazatán for a period of 23 years until 1997 shipping 150 to 300 hand-sorted ore tonnes per month to the Peñoles smelter in Torreón city. The ore was reported to contain 1,500 to 3,000 g/t Ag and 20 to 40% Pb in sulphides.

#### Geological Setting

The Del Toro Silver Mine is located within the Chalchihuites District in the State of Zacatecas, Mexico. The Chalchihuites District consists of multiple mineral occurrences enclosed by skarns which surround a regional intrusive and various satellite stocks of granodioritic composition intruding Cretaceous limestone rocks of the Cuesta del Cura and Indidura Formations.

The Chalchihuites District mineral occurrences generally consist of silver/lead/zinc/copper in oxidized and sulphide mineral concentrations. At present, First Majestic's exploration in the Del Toro Silver Mine area is focused in the San Juan, Perseverancia, Dolores, and San Nicolás mineral deposits. The San Juan deposit comprises three silver/lead/zinc mineral concentrations identified by underground workings and drilling. These mineral concentrations consist of mineralization in sulphides with oxides in the upper parts. The Perseverancia deposit comprises two high grade breccia pipes with silver/lead/zinc in sulphides. The Dolores and San Nicolás consist of vein deposits and are under preliminary exploration investigations.

Regional geology of the Chalchihuites District is dominated by a 15 km-long N60°W anticline. This structure is composed of an uplifted sedimentary calcareous sequence of Cretaceous rocks intruded by a granodiorite intrusive about 7 km by 1 km.

The Del Toro Silver Mine mineral deposit's geology consists of mineralized structures within skarn and granodiorite along the contact zone between the intrusive stock and sedimentary rocks of the Indidura and Cuesta del Cura Formations.

#### Exploration

Since the acquisition of the Del Toro Silver Mine, First Majestic has conducted an exploration and development program that includes ramps construction, drifting and crosscutting into the old working areas of the San Juan, San Nicolás, Perseverancia, and Dolores areas to access the mineralized zones and for preparation of underground workings for drilling sites.

First Majestic developed a significant budget for exploration drilling and geophysical studies for the Del Toro Silver Mine. The budget for 2012 was US\$4,000,000 and included programs of exploration

that have shown positive results by indicating estimated resources and reserves for the San Juan and Perseverancia mines.

First Majestic's exploration, preparation and development program for the Del Toro Silver Mine is focused on the investigation of four main mineral deposits within the Chalchihuites District; San Juan which includes four mineralized areas (Deposits 1, 2, 3 and Zinc), Perseverancia including two mineralized breccia zones, the Dolores vein deposit and San Nicolás, which appears to show evidences of one breccia zone and disseminated mineralization associated with the main vein deposit. Other areas of interest within the project's concessions will be explored in future programs.

First Majestic has carried out geophysical investigations to confirm previous studies within the Del Toro Silver Mine property. These investigations have confirmed the presence of a significant skarn zone with IP, resistivity and magnetic anomalies which will be further investigated by direct methods, such as drilling and underground access where possible.

First Majestic's geochemical exploration program for the Del Toro Silver Mine included investigations to complement exploration by geophysical methods within the Chalchihuites District. This program included a total of 254 rock chip samples to confirm or evaluate some of the areas of interest. The anomalous areas would be further investigated by geophysical methods. The silver geochemical survey shows limited and localized anomalies within the areas of the San Nicolás to Las Cotorras and San Juan area with small showings around the Huitrón and Mina de la Paz areas. Silver values are low from 0 to 28 ppm. Threshold value was defined at about 10 ppm.

The geochemical program included 7 lines at 250m with samples at 50 m intervals along the lines. The lines length was from 2,500m to 1,200m for a total sampled length of 13,000 m. Each sampling site was located by GPS and UTM coordinates. Each sample was collected from an area of 2 m by 2 m and consisted of 3 kg to 5 kg of rock chips. The samples were shipped to GM LACME Labs in Guadalajara for pulp preparation and sent to ACME Analytical Laboratories Ltd. in Vancouver, BC. All geochemical samples were analyzed by ICP including determination of 22 elements in addition to gold/silver by fire assay.

The most significant geochemical anomalies resulting from this survey were defined for lead, zinc, copper and silver.

The zinc anomalies are more localized around the known area of interest. The zinc anomalies appear to outline closer areas near the known mineral deposits of Perseverancia, San Nicolás and Las Cotorras, and in the southern part of the lines in the Perseverancia area. Zinc values reported included assays from 50 ppm to 11,300 ppm with threshold defined at 999 ppm. Low anomalies were determined from above 999 ppm.

The silver geochemical survey shows limited and localized anomalies within the areas of the San Nicolás to Las Cotorras and San Juan area with small showings around the Huitrón and Mina de la Paz areas. Silver values are low from 0 to 28 ppm. Threshold value was defined at about 10 ppm.

The author of the Del Toro Technical Report notes that the geochemical and geophysical anomalies are coincident and show particular strength within the Perseverancia zone. These anomalies also appear to show NE-SW trend at the middle section of the Chalchihuites District, in the areas of San Nicolás to Las Cotorras. The geochemical anomalies are strong at San Juan, while the geophysical anomaly appears to be deep-seated in this area.

### Mineralization

Mineralization at the Chalchihuites District is a typical assemblage of metasomatic deposits and hydrothermal vein deposits with high silver content. These mineral assemblages have been affected by oxidation and secondary enrichment processes. The assemblages mainly consist of pyrite, sphalerite, galena, some chalcopyrite, argentite and other silver sulfosalts associated with calcite and quartz as gangue minerals. Oxidation and secondary enrichment of these sulphides makes up the mineral concentrations in the upper parts of the deposits, such as the Cuerpo Uno at the San Juan deposit, which contains sulfosalts (ceragyrite, pyrargyrite, stephanite) carbonates (cerussite, hydrozincite, hemimorphite, malachite, azurite), sulfates (anglesite, willemite), and iron oxides, hematite, limonite, etc.

Drilling programs at the Del Toro mining district have been limited by past operators, since the best exploration results may have been obtained through underground development. However, First Majestic has obtained positive results by increasing drilling to define the extent of known deposits and to evaluate new mineralized zones, as well as to investigate continuity of ore shoots along strike and to depth for development.

First Majestic initiated a drilling program to explore the various areas of interest within the Del Toro holdings in 2004. The entire program through to June 30, 2012, has consisted of 141 diamond drill holes, for a total drilled depth of 45,143 m distributed for exploration within the following areas: San Juan (61 + 27), Perseverancia (4 + 12), Dolores (0 + 8) and San Nicolas (12 + 14) from underground and surfaces respectively.

In the opinion of the author of the Del Toro Technical Report, First Majestic's exploration programs have established a significant resource/reserve base for the Del Toro Silver Mine. First Majestic has increased the resource/reserve base for projected operations at a ramp up plant capacity from 1,000 to 4,000 tpd for an estimated period of a minimum six and one half years of mine life. These drilling exploration programs with a general average of core recovery estimated in about 93% and underground development programs with 9,850 m to June 30, 2012, including 4,308 m of access ramps, 5,336 m of cross cuts and drifts, and 206 m of raises have been developed according to industry standards.

First Majestic has developed resources and reserves for a life of mine estimated for the period of 2012 to 2019.

### Drilling

First Majestic has been drilling at the Del Toro Silver Mine since November 2005, shortly after executing an option agreement to acquire the Perseverancia group of properties. First Majestic is currently with seven drill rigs from surface and underground drill sites (one surface and one underground drill rig under contract with Durango, Durango based Servicios de Perforaciones Mexico, S.A. de C.V. (SPM S.A. de C.V.) and one surface drill rigs owned and operated by Tecmin Services, S.A. de C.V. (TECMIN) a Fresnillo city, State of Zacatecas based drilling company).

First Majestic's exploration drilling program at the Del Toro Silver Mine up to June 30, 2012 included a total of 141 holes for a total drilled depth of 45,143 m distributed for exploration within the following areas: San Juan (61 + 27), Perseverancia (4 + 12), Dolores (0 + 8), and San Nicolás (12 + 14) from underground and surface sites respectively. In 2012, First Majestic's program included 28,000 m of additional drilling including 4,000 m for the San Juan underground (45 drill holes), 3,000 m for the Perseverancia underground (28 drill holes) and 1,000 m for the Dolores underground (12 drill holes) in addition to 67 drill holes programmed from surface, making a total of 152 drill holes for 2012.

First Majestic's drill hole database is compiled in electronic format, which contains collar, assay intervals, lithology, and assay information with gold, silver, lead and zinc values. Most of the holes are drilled at an angle to intersect vein or mineralized structures that generally dip at near vertical angles. Based on geologic interpretations, First Majestic has detected no apparent deviations in drill holes. First Majestic has established a surveying procedure which is performed during the drilling due to the fact that most of the holes are now longer than 150 m. Deviation is defined with one survey reading at the bottom for holes of 150 m in depth and 2 survey readings for holes longer than 150 m; one reading at the middle and one reading at the bottom of the hole.

A total of 45,143 m have been drilled in 141 drill holes completed to June 30, 2012. A total of 32,873 m have been measured for core recovery at a total of 30,456 m resulting in about 92.6% core recovery including surface and underground drilling. A total of 15,503 sample intervals have been taken from the core for assaying with a median of 0.85 m per interval. The database includes 15,070 sample assays. The sample database does not include the mine channel samples. From June 30, 2012 to December 31, 2012, a total of 48,430 m were drilled and are in the process of being incorporated into the drill database.

Logging is performed by the Del Toro Silver Mine's geologist in each of the areas being investigated. The geologist also determines the sample intervals. Samples are generally taken according to geologic features generally at less than 1.50 m sample intervals. Trained assistants are in charge of core measuring to determine recoveries, splitting and sampling as per the geologist's indications. All exploration samples are sent for assaying to Inspectorate Laboratories, a U.S. lab located in Reno, Nevada with representation and sampling preparation facilities in Durango City, Mexico ("**Inspectorate Labs**"). The sample preparation usually occurs at the Durango City-based Inspectorate Labs and the pulps are sent to Inspectorate Labs in Reno, Nevada for assaying. Duplicate samples are taken from the remaining half part of the core as one quarter of the core.

Geologic interpretation is carried out by First Majestic geologists on site, based on cross sections at 30 m spacing along the mineralized structures strike for vertical interpretations including drill intercepts and underground mine workings projections. Plan view interpretations are prepared at about 10 m elevation spacing. These sections and plan view maps are the basis for mineral resource estimates.

Resource/reserve grades are based on projected averages from channel samples along drifts and crosscuts in underground workings at projected distances of 15 m from the sampled areas. Drill hole intercepts are applied for geologic continuity interpretations and resource grade estimates.

#### Sampling and Analysis and Security of Samples

The current sampling team at the Del Toro Silver Mine consists of three sampling crews with three employees each for underground and channel sampling, one sampler for drill core, and one sampling supervisor. This process is managed by two project geologists.

All samples are placed in pre-numbered bags which are sealed including sample number inside and outside of the bags. The individual sample bags are collected in bigger bags that contain all the samples of one drill hole or one mine stope.

All the sealed big bags including individual drill hole or mine stope samples are collected by a representative person of the lab. All exploration samples are sent to Inspectorate Labs in Durango City for preparation and the pulps are sent to Reno, Nevada for assaying. Custody of the samples remains with the First Majestic project geologist until delivered to the representative of the external lab.

Exploration sampling for resources delineation at the Del Toro Silver Mine is conducted by drifting, crosscutting and ramps construction for access to the mineralized zones so that channel samples can be taken. Channel samples are the primary means of sampling in the mine workings and are taken perpendicular to the vein structures, across the back of the drift and across the drifts and workings, generally from the footwall towards the hanging wall of the mineralized structure. Sampling crews take channel samples at regular intervals of 2 m to 3 m, typically with several samples along every sampling channel on new openings (drifts, crosscuts, ramps, stopes, etc.). Channel samples are taken in consecutive lengths of less than 1.50 m along the channel, depending on geologic features. Channel samples are taken with chisel and hammer, collected in a canvas tarp and deposited in numbered bags for transportation to the laboratory.

A channel "line" typically consists of two or more individual samples taken to reflect changes in geology and/or mineralogy across the mineralized structural zone. Each sample weighs approximately 4 kg. All channels for sampling are painted by the geologist and numbered on the drift's walls for proper orientation and identification. First Majestic has implemented this channel sampling procedure in all its operations and exploration projects. All Del Toro Silver Mine channel samples are sent for assaying to Inspectorate Labs for assaying.

The Del Toro Silver Mine sampling quality control program consists of checking the assays of one duplicate sample for about every 20 regular samples, including pulp samples. The author of the Del Toro Technical Report has recommended that the sampling procedures include field duplicate samples (for instance, one duplicate for every 20 samples) at the mine workings, and duplicate pulp samples to confirm the sample preparation and assaying methods. The author has recommended that samples be duplicated at about 5% for each case, field duplicates and pulp duplicates.

The Del Toro Silver Mine's channel sampling program for this period included 138 duplicate samples from exploration underground workings and exploration areas within the Del Toro Silver Mine. A total of 110 samples corresponded to the San Juan mine area, 27 samples from the Dolores deposit area, and 1 sample was taken from the Perseverancia mine area.

All samples including duplicate samples are sent to Inspectorate Labs in Reno, Nevada.

First Majestic exploration drilling has been performed by the contractor firms of CAUSA, TECMIN, and Servicios de Perforaciones Mexico, S.A. de C.V. ("**SPM**"). These companies are based in the cities of Gómez Palacio, Durango State, and Durango, Durango, Mexico respectively and currently TECMIN and SPM are operating four drilling rigs at the Del Toro Silver Mine.

Sampling of the drill core is done after the core has been logged by the project geologists. The geologist marks the core on the basis of geologic and mineralization features. Then the sampling crew splits the core with a diamond saw, as indicated by the geologist and one half of the core is placed in a numbered bag and sent to Inspectorate Labs in Durango City. Generally the samples represent core lengths of less than 1.50 m. All the core samples are sent for assaying by Inspectorate Labs in Durango City. The core samples are crushed and pulverized and 250 gram pulp samples are sent to Inspectorate Labs in Reno, Nevada for assaying.

Duplicate core samples are taken by the Del Toro Silver Mine crew from the remaining half of the core, by again splitting the core to a one quarter size. Therefore, one quarter of the core still remains in the box for future reference. Duplicate samples are taken at a rate of approximately one duplicate sample from every 20 regular samples. During this period, 75 duplicate samples were taken from the San Juan drilling core.

Drill hole data is included in the resources calculations, and is generally applied at the Del Toro Silver Mine in the resource projections. Drilling results are applied in the grade calculations giving more weight to the larger-size channel sample data.

No geochemical or channel sampling was done during the authors' site visits in July 15-18, 2008, and November 17-18, 2011.

### Mineral Resources and Reserves

Exploration studies at the Del Toro Silver Mine from 2004 to June 30, 2012, add up to 141 drill holes completed from underground and surface sites with a total drilled depth of 45,143 m; 15 km of geophysical surveying (IP/RA), program covering 2,325,000 square m of aeromagnetic investigations; and 254 rock chip samples for geochemical research taken at a 50 m spacing along 7 lines at 250 m apart, in addition to 9,850 m underground development in ramps of access, drifts and crosscuts, and drilling sites preparation, including 5,046 m at San Juan, 2,088 m at Perseverancia, 551 m at San Nicolás, and 1,959 m at Dolores including 207 m in raises at San Juan (114 m), at Perseverancia (37 m), and at Dolores (51 m) for preparations and ventilation workings.

First Majestic continues with an exploration program in the area with the goal of increasing volume and certainty to the estimated resources. At June 30, 2012, First Majestic had developed at San Juan, Perseverancia, Dolores, and San Nicolás a total of 5,400,000 tonnes in mineral sulphides measured and indicated resources in addition to 3,200,000 tonnes in mineral oxides measured and indicated resources. At the Del Toro Silver Mine, mineral inferred resources including sulphides and oxides have been delineated for about 7,500,000 tonnes for the San Juan Deposits, 2, 3, Perseverancia Dolores, and San Nicolas. These mineral resources have included mining recovery estimated at about 88%. Additionally, First Majestic has estimated 3,100,000 tonnes of inferred resources for the San Juan zinc deposit which has not been included in mine planning nor has been fully tested for metallurgical resources.

Geologic projections of the San Juan deposit have indicated three different mineral concentrations, while drilling at Perseverancia shows continuity to depth of the known two "high-grade" breccia pipes, indicating with these results significant silver/lead/zinc deposits within the Del Toro Silver Mine area may remain open for further development.

During the Perseverancia ramp development a new mineral deposit was discovered in November 2011, the San Nicolás vein deposit whose continuity has been mapped on outcroppings and small old workings for an extension of over 1.0 km. Drifting is now in progress for channel sampling and direct investigation of the mineralized structure.

The Del Toro Silver Mine mineral resource estimates include mineralization within the mine and projected blocks based on mine workings and drill holes information. The mineral blocks' grades are determined by systematic channel sampling in underground workings and on outcroppings of mineralized structures, as well as in assays of drill core intercepts. The mineral resources include only those blocks of mineralized material which average grade is equal or higher than the estimated cutoff grades. For the Del Toro Silver Mine, the estimated cutoff grade is an economic value of US\$70.09 per tonne of mineral resource, which is estimated based on conservative metal prices slightly below the current three-year rolling average at: Ag - US\$25/oz; Pb - US\$0.90/lb; and Zn - US\$0.90/lb, while Au was not considered for cutoff estimates.

For resource estimation, the cross sectional area of mineralization is drawn on each of the blocks using AutoCAD software and the assayed sample lengths. The resource tonnage and grade are based largely on channel samples and by diamond drilling. Resource blocks range in length according to

variable extensions of the ore shoots along the veins and breccia or mineralized zones. The vertical extension of the resource blocks is projected at half distance between contiguous drift levels. Vertical extension is generally projected to 25 m for measured and indicated, and up to 50 m beyond for inferred resources in accordance to geologic projections. Estimates for indicated resources based on drilling are projected at half distance between drill holes up to 25 m from the intercept and up to 50 m beyond this distance for inferred in accordance to geologic and structural projections.

Grade dilution is added by sampling beyond the mineralized structures at distances that may vary from about 0.50 m to 1.00 m or longer depending in access to account for mine dilution. The mine recovery is estimated to average 88% of the mineral resource estimates.

Resource calculations at the Del Toro Silver Mine are based on projections of the mineralized zones in the underground mine workings, 25 m beyond the areas for accessible measured resources, and another 25 m beyond the boundaries of the measured resources for the blocks of indicated resources. Inferred resources are estimated by projecting up to 50 m beyond the indicated resource block boundaries along mineralized structures, and another 25 m beyond the blocks' width according to geologic constrains. The estimated resource blocks may be limited by underground levels and previous mining extraction. Longitudinal projections depend on the drift development along the mineralized zones and ore shoots projections.

The Del Toro Silver Mine mineral resource estimates were applied mostly to accessible underground workings and diamond drilling intercepts, as well as to some adjacent blocks from the estimated resource blocks. Additional sampling is taken beyond the mineralized zones at both walls of the mineralized structures to account for dilution with real low grade. This low grade dilution adds up to about 15 percent to the grade with mine recovery estimated at about 88%.

The grade for these blocks is determined from the grade estimated for the drill hole intercepted grade, from the adjacent resource blocks, sampling results in mine workings, and drill holes located within the block area.

As at June 30, 2012, the measured and indicated resources, including oxides and sulphides mineralization, consist of 8,600,000 tonnes averaging 175 g/t Ag (5.63 oz), for a total content of 48,400,000 oz of silver only and 76,500,000 oz of silver equivalent including gold, lead, and zinc contained. The resource grade has been estimated "in situ," including internal mining dilution but no mine or metallurgical recovery was considered. The silver equivalent content includes considerations of lead and zinc recovery from sulphides mineralization only, while the oxides include small amounts of gold. This estimate is based on the following prices: Au - US\$1,600/oz, Ag - US\$25.00/oz, Pb - US\$0.90/lb and Zn - US\$0.90/lb.

**Table 7**  
**Life of Mine Production Plan**

CATEGORY	YEARS								TOTALS
	2012	2013	2014	2015	2016	2017	2018	2019	
SULPHIDE ORE									
Tonnes Mined by Mine and/or Orebody									

<b>Total Sulphide Tonnes Mined/Milled</b>	82,000	350,000	660,000	660,000	660,000	851,381	971,258	707,417	4,942,056
<b>Average Head Grades</b>									
Silver - gpt	176	184	176	176	185	186	187	175	182
Lead - %	2.87	3.12	2.88	2.88	3.15	3.17	3.19	2.82	3.03
Zinc - %	2.94	3.04	2.94	2.94	3.05	3.06	3.07	2.91	3.00
Gold - gpt	0.11	0.09	0.11	0.11	0.09	0.09	0.09	0.11	0.10
<b>OXIDE ORE</b>									
<b>Tonnes Mined by Mine and/or Orebody</b>									
<b>Total Oxide Tonnes Mined/Milled</b>	0	240,000	660,000	660,000	660,000	468,619	348,742	0	3,037,361
<b>Head Grades</b>									
* Silver - gpt	0	146	141	141	141	144	159	0	144
<b>SULPHIDES + OXIDES</b>									
<b>Total Tonnes Mined &amp; Milled, All Mines</b>	82,000	590,000	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000	707,417	7,979,417
<b>Average Head Grades</b>									
Silver - gpt	176.28	168.47	158.55	158.55	163.11	170.95	179.23	174.57	167.11
** Lead - %	2.87	3.12	2.88	2.88	3.15	3.17	3.19	2.82	3.03
** Zinc - %	2.94	3.04	2.94	2.94	3.05	3.06	3.07	2.91	3.00
** Gold - gpt	0.11	0.09	0.11	0.11	0.09	0.09	0.09	0.11	0.10
<b>*** Annual Production</b>									
Silver ounces	367,584	2,594,381	5,413,197	5,413,197	5,673,006	5,931,452	6,152,833	3,120,243	34,665,892
Pounds of lead	2,857,751	13,571,586	23,012,790	23,012,790	26,011,749	33,776,378	38,849,059	24,068,097	185,160,201
Pounds of zinc	3,128,759	14,208,647	25,189,802	25,189,802	27,053,023	35,034,804	40,163,506	26,625,666	196,594,009
Gold ounces	-	19.6	68.0	68.0	68.0	42.1	7.9	-	274
<b>TOTAL Equivalent Ounces of Silver Produced</b>	<b>583,098</b>	<b>3,595,725</b>	<b>7,152,842</b>	<b>7,152,842</b>	<b>7,587,690</b>	<b>8,411,352</b>	<b>8,997,793</b>	<b>4,945,218</b>	<b>48,426,561</b>

Notes:

\* The technical report author has not reported Pb, Zn grades of oxide ores because no mill recovery of them will be done.

\*\* Average grades for sulphide ore only.

Metal average price assumptions for calculating equivalent ounces: Silver \$25.00/oz, Lead \$0.90/lb, Zinc \$0.90/lb, Gold \$1,600/oz

\*\*\* Assumes metallurgical silver recoveries of 79% in sulphides and 81% in oxides and lead and zinc recoveries from sulphides of 53% and 57%, respectively.

## Mining Operations

In early 2011, based on positive exploration results and robust economic evaluations, First Majestic's management decided to construct a mill and process plant for the Del Toro Silver Mine, consisting of flotation circuits as well as a counter-current decant cyanide circuit, and initiate stope and ancillary underground development at the San Juan, San Nicolás, Perseverancia and Dolores mineralized areas. Excavations for preparation for construction of the mill and plant have commenced. Upon completion of the sulphide recovery circuit for the mill and process plant, First Majestic commenced pre-production in January 2013 and expects to mill approximately 350,000 tonnes of ore in 2013, gradually increasing to a rate of 1,320,000 tonnes (4,000 tpd) by the third quarter of 2014. The start-up of the counter-current decant cyanide recovery circuit for oxidized silver and gold ore is scheduled to start in the third quarter 2013 at a rate of 2,000 tpd; 1,000 tpd through flotation and 1,000 tpd through cyanidation. At full capacity, which is expected to be reached in the third quarter of 2014, 4,000 tpd is expected to be milled consisting of 2,000 tpd through flotation and 2,000 tpd through cyanidation. The current LOM is estimated at about 6.5 years.

The Del Toro Silver Mine operations are expected to include production from three different underground areas, each of which is or will be developed as an independent operation. These operations will be San Juan, Perseverancia/San Nicolás and Dolores. All mines will produce primary sulphide ore, but a significant amount of oxide ore has been identified and developed in the San Juan area, which prompted the decision to add a cyanide leaching circuit to the mill and process plant.

Major mine development activities are currently underway at all four areas within the Del Toro Silver Mine. The activities are focused on commencing formal production of sulphide ores in early 2013, when start-up of the mill and flotation process plant is scheduled. Oxide production is expected to commence during the third quarter of 2013, which is the date on which the circuit for the counter-current decant cyanide process is planned to start up.

The major part of the Del Toro Silver Mine reserves and resources are located within the San Juan area, which contains all the oxide ore and the bulk of the sulphide ore. The principal access to the San Juan area is a decline, driven from the surface during the exploration phase of the project, and which is being continued as the principal access for orebody development as well as for use as an ancillary haulageway and service facility. This decline has been driven at a cross-section of 4.5 X 4.5 m at a maximum gradient of 12%. It has been extended to the 9 Level (2,220 m above sea level), and the total length driven to date is about 5,160 m. This decline, which will mainly be used for personnel, equipment and supplies transport once the ore hoisting shaft is completed, is expected to be extended to the bottom of the No. 3 orebody as the mine is deepened.

A major access decline has also been driven into the Perseverancia and San Nicolas ore zones and another in the Dolores area. Each of these has also been driven at a 12% gradient, and the lengths (through June 30, 2012) are about 2,125 m and 550 m, and 2,015 m respectively. These three workings were also commenced during the exploration phase of the project and are being continued for stope development accesses and ore haulage.

One of the major mine development projects for the San Juan mine during the pre-production phase (which is currently in progress) is a vertical production shaft, the San Francisco, for ore only. Development of the shaft, which will be located in the footwall of the main San Juan orebodies, will be done by a Mexican shaft construction contractor, Necaxa. The concept for the vertical shaft construction relies on bored 3 m diameter pilot raises, which will be stripped to final rectangular dimensions of 2.80 m X 6.80 m. During the stripping operation, the shaft walls will be secured with rock bolts and wire mesh where needed, and with shotcrete in areas of poor ground. The shaft furnishings will consist of steel buntons and ladder way and shaft guides will be locked-coil cables.

The ore hoist is a conventional 2 drum hoist, which has already been purchased. The payload of the bottom-dump skips for the facility will be approximately 10 tonnes. The development of the shaft and ancillary construction are scheduled for completion early in 2014, at which time the shaft will be inaugurated.

The stoping method selected for mining the near-vertical veins and orebodies of the De Toro Silver Mine is open cut and fill stoping, with or without in-situ support (post) pillars, with delayed backfill. Pillar support will be required in both the San Juan and Perseverancia ore zones because of the fair to poor ground conditions within the ore zones in these areas. The minimum mining width for all the cut and fill operations will be 2.0 m.

First Majestic has produced LOM production and development plans for the Del Toro Silver Mine. The basis for these plans are the estimated mineral reserves which were developed from the measured and indicated resources for both ore types resulting in 5,400,000 tonnes of sulphide ore at average grades of 189 g/t Ag, 3.15% Pb, 3.14 % Zn and 0.11 g/t of Au; and 3,200,000 tonnes of oxide ore at an average grade of 151 g/t Ag. The technical report author has not reported the lead or zinc grades contained in the oxide ore inasmuch as these metals will not be recovered in the cyanide process, nor has gold in the oxide mineable reserves been considered as it has negligible value.

Production from San Juan mine oxide orebodies during 2012 has been stockpiled, but the ore cannot be processed until the cyanide counter-current decant and Merrill Crowe circuits have been constructed and are ready for operation, which is scheduled for late 2013. To date, no significant oxide resources have been defined in the Perseverancia, San Nicolás or Dolores Mines.

First Majestic's LOM production plan is based on ramping up sulphide ore production to 660,000 tonnes by the third quarter of 2014. Likewise, oxide production is anticipated to increase from approximately 240,000 tonnes in 2013 to 660,000 tonnes in 2014.

#### Capital Expenditures

Estimated capital expenditures to bring the mines into production, life of mine sustain capital and estimated operating costs for the life of the mine are described in this section. Most of the estimated capital expenditures are based on firm quotes and operating costs are based on actual experience during the exploration phase of the Del Toro Silver Mine and also First Majestic's experience at other First Majestic operations, especially the La Parrilla Silver Mine unit. The total capital expenditure estimated for the mine operations is US\$30,500,000. Mine sustaining capital is estimated at US\$20,100,000 of the LOM for all phases and areas.

The estimated operating costs for the mines are an average of about US\$19.88 per tonne. The largest component of the costs is mining, which is an average of US\$9.29 per tonne. Mining is largely stoping as most mine development work are planned to be capitalized. Mining costs for the San Juan and Perseverancia mines will likely be higher than those for San Nicolás or Dolores due the application of the support pillar design for the San Juan mine stopes. However, the average cost for all mines is expected to be about US\$19.88 per tonne. A summary of the estimated Del Toro Silver Mine unit mine operating costs is shown in the following table.

**Table 8**  
**Summary of Unit Mine Operating Costs**

COST AREA	Cost per Tonne (US)
Mining	\$9.29
Waste Filling	\$1.99

COST AREA	Cost per Tonne (US)
Mucking	\$0.64
Air Compressor	\$0.79
Ventilation	\$0.41
Pumping	\$1.03
Ground Control	\$1.48
Maintenance	\$1.61
Haulage Mine to Plant	\$2.10
Mine General	\$0.54
Total per tonne	\$19.88

### *La Guitarra Silver Mine*

First Majestic acquired indirect ownership of the La Guitarra Silver Mine on July 3, 2012 when it acquired all of the issued and outstanding common shares of Silvermex pursuant to the Silvermex Arrangement. Silvermex and its predecessors published NI 43-101 technical reports relating to the La Guitarra Silver Mine on September 22, 2006, May 15, 2007, June 25, 2008 and a feasibility study dated January 28, 2010. These technical reports have not been approved by First Majestic and First Majestic did not rely on these reports in making its decision to acquire Silvermex and, indirectly, the La Guitarra Silver Mine. The reports are currently under review by management of First Majestic and its Qualified Persons, particularly with respect to the assumptions and the risks regarding those assumptions used in the previous mining studies. In particular, management of First Majestic is not confident that an open pit mine is feasible. Accordingly, the reserve and resource calculations contained in such technical reports will need to be recalculated on the basis of an underground only mine. The results of this review may result in a revised mine plan which may necessitate the filing of a new technical report. Accordingly, readers are cautioned against relying on the previously filed technical reports relating to the La Guitarra Silver Mine and upon the resource and reserve calculations therein.

The technical and scientific information in this Circular relating to the La Guitarra Silver Mine has been approved by Mr. Ramon Davila, who is a "qualified person" as defined in NI 43-101.

### Property Description and Location

The La Guitarra Silver Mine is a production-stage property situated within the Temascaltepec mining district (the "**Temascaltepec District**") in the Municipality of Temascaltepec, State of Mexico, Mexico, approximately 130 km southwest of Mexico City. It is comprised of 44 exploitation concessions covering 44,476.5 ha (109,899.9 acres), which are operated and either owned or leased by La Guitarra Compañía Minera S.A. de C.V. ("**La Guitarra**"), an indirect wholly-owned subsidiary of First Majestic. Some concessions are in the municipalities of Valle de Bravo and San Simón de Guerrero. La Guitarra directly holds title to 39 of the mineral concessions and 5 concessions are leased from a third party, Mario Héctor Gottfried Joy.

All concessions have an annual minimum investment to complete, and an annual mining tax to be paid to keep the concessions in good standing. All concessions are exploitation concessions that have a 50 year life, and can be renewed as long as the mine is active. Of the current concessions, the oldest were granted in 1983 and the most recent in 2007.

Surface rights in the area of the mining concessions are held both privately and through group ownership either as communal lands, or Ejido lands.

La Guitarra currently leases surface rights covering 62 ha from the community of La Albarrada under a Temporary Occupation Agreement in effect for 15 years commencing January 1, 2012. The current areas of operations, the existing mill and the majority of the existing infrastructure are located within these 62 ha. La Guitarra owns 420 ha of surface rights covering the northwest portion of the outcropping Creston bulk tonnage target and the Nazareno area of the property. La Guitarra also owns 34 ha of surface rights in the Municipality of San Simon de Guerrero, which cover part of the Santa Ana Vein.

In order to expand operations, First Majestic may need to purchase additional surface rights or negotiate additional temporary occupation agreements.

There are currently two external royalties in effect over the concessions at La Guitarra:

- *Mario Héctor Gottfried Joy Royalty.* This royalty covers 5 concessions totalling 767.3 ha. The agreement calls for a payment of \$2,000 per month subject to an inflation adjustment after September 2003. The monthly payment is considered as an advance on the royalties. Once the concessions are in production the monthly royalty payment will be reduced by US\$500 if the calculated monthly royalty is US\$3,500 or less; and by US\$1,000 if the royalty is US\$3,501 or more. Royalty payments of 1.5% of the amount received in final payment for the silver and gold produced is payable when the properties are in production. If the price of silver is more than US\$15 per ounce, the royalty increases to 2%. An additional, one-time payment to Mr. Gottfried Joy of US \$200,000 is payable when the production has totalled 30,000 equivalent oz of gold.
- *Luismin Royalty.* La Guitarra must pay to Luismin, S.A. de C.V. ("Luismin SA") a NSR royalty of 1-3% based on the price of gold for production from 7,257 ha of concessions forming a part of the La Guitarra Silver Mine and which includes the concessions that are subject to the Mario Héctor Gottfried Joy Royalty described above. If the price of gold is at least US\$400, but less than US\$450, per ounce, the royalty is 1%. If the price of gold is US\$450, but less than US\$500, the royalty is 2%. If the price of gold is US\$500 or higher, the royalty is 3%. The royalty is payable once production from the concessions starting August 1, 2004 totals 175,000 equivalent oz of gold. All of mine production will be converted to equivalent oz of gold. The amount of the Las Torres Royalty (as described below) and the Mario Héctor Gottfried Joy Royalty payable on minerals mined, produced or otherwise recovered from such properties are to be deducted from the royalty payable by Silvermex to Luismin SA. The Las Torres Royalty is a royalty acquired by Silvermex from a third party in February 2008 which is now payable by La Guitarra to Silvermex, and applies to production from 23 concessions totalling 354.1 ha containing the current areas of production at La Guitarra. The royalty is based on the price of gold. If gold is US\$300 or less, the royalty is 2%. If the price of gold is between US\$300 and US\$350, the royalty is 3%, and if the price of gold is US\$350 or more, the royalty is 3.5%. The current NSR royalty rate is 3.5% of La Guitarra production.

No royalties are payable on production from concessions outside the 7,257 hectare block referred to above.

La Guitarra has all necessary permits for current mining operations. First Majestic is currently in the process of updating and expanding permits for the La Guitarra operations in order to expand operations at La Guitarra Silver Mine with additional tailings capacity. Activities at Nazareno and Coloso are being conducted under an exploration permit. The permitting process has begun to initiate exploration work at Mina de Agua in 2012.

### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Temascaltepec District and La Guitarra Silver Mine are located approximately 150 km southwest of Mexico City, in Mexico State, and approximately 65 km from Toluca. La Guitarra Silver Mine is at an elevation of approximately 2,100 m. The nearest local town is Temascaltepec, which is approximately 6 km from La Guitarra Silver Mine.

International airports are located in both Mexico City and Toluca. Major population centres in the area include Temascaltepec, San Simon de Guerrero and Valle de Bravo. There are paved roads throughout the Temascaltepec District – current areas of operations are situated less than 2 km from paved roads and are easily accessible by two-wheel drive vehicles. Because the Temascaltepec District has a long history of mining, most areas of potential interest are located within a few hundred m of gravel or paved roads.

The climate in the area is moderate in temperature and very humid. The average annual temperature is about 18°C. The warm month average may be as high as 26°C and the cold month average may be in the order of 8°C. The majority of the approximately 1,200 millimetres of rain falls during the summer months from June to September. Evaporation is relatively high and exceeds the precipitation.

The La Guitarra Silver Mine has good access to local infrastructure and services. Telephone and high speed internet connection for the mine site are provided by a link to the town of Temascaltepec. The local communities provide a large labour pool to draw from, and sufficient accommodation to support any current or anticipated levels of staffing from outside the area. The national power grid crosses the property within 700 m of the existing mill and offices. All current and projected production centres are near natural water sources. Medical clinics are located in the communities of Temascaltepec and San Simon de Guerrero, and hospitals are located in Valle de Bravo and Toluca. Proximity to the major industrial centres of Toluca and Mexico City provides access to a large variety of suppliers.

The infrastructure at the mine site consists of an analytical laboratory, drill core facilities, a flotation mill, offices, repair shops, and warehouses. The various locations at the mine site are joined together in a computer network. Water is supplied from the mine workings and surface streams. The mine holds the right to take 192,000 cubic m of water per annum from the Temascaltepec River.

The mine and the plant facilities at La Guitarra Silver Mine are located in rough, hilly terrain. The elevation at the plant is approximately 2,100 m. The topographic relief in the area is 500 m. Much of the area is forest covered with pine trees that are less than 260 centimetres in diameter. In some areas, the underbrush is dense and difficult to pass through. The stream valleys have broad, relatively flat flood plains that are used for agriculture.

### History

Mining in the Temascaltepec area started in the mid-1500s when the Spanish miners first arrived. Old tools, ancient buildings and antiquated mining shafts are found throughout the area. Early Spanish operations were focused in an area 4 km southeast of La Guitarra at a place called Mina de Agua, where much softer rock made it easier to access the underlying silver and gold. Production in the Temascaltepec District has been ongoing since the 1550s.

In the 18th century, the Mina de Agua mine and surrounding area were one of Mexico's largest silver producers, generating roughly 10% of the country's total mineral wealth. The mine was well known for its very high, or 'bonanza'-type, grades of silver and gold, and historical records from the period refer to several kilograms of silver per tonne and several tens of grams of gold per tonne. Historical

documents indicate production was valued in excess of \$100 per tonne, when prices were roughly \$15 per ounce for gold and \$1 per ounce for silver. In fact one of these areas at the Cinco Senores shaft was abandoned due to flooding, while in the midst of mining bonanza grade ore. Two efforts were made to finance the recovery of this mine: one in 1831 by London mine financiers; and another in 1907 by financiers from France. Both efforts were thwarted by financial crisis in those respective countries, and today the mine remains closed.

Mining in the Temascaltepec District came to a halt in the early 19th century for two primary reasons: technology was unable to handle the underground flooding that occurred in several mining shafts; and the 1810 War of Independence in Mexico caused political upheaval in the Temascaltepec District.

Temascaltepec remained more or less idle from 1810 until the early 20th century, when the American Rincon Mining Company began significant mining and smelting operations at Rincon, in the southeast portion of the Temascaltepec District. This operation continued until the mid-1930s, when it closed as a result of inadequate capital reinvestment. Over the life of the Rincon mine, the Temascaltepec District was the third largest silver producer in Mexico.

In 1990, modern mining resumed when the Compañía Minería Arauco returned to where the Spaniards had begun in 1555, conducting exploration and development work on the Guitarra vein with an initial production rate of 30 tpd.

In 1993, Luismin SA acquired the property and began consolidating the Temascaltepec District. Luismin SA expanded the reserve base in La Guitarra Silver Mine and increased the milling capacity to 320 tpd.

In August of 2003, Silvermex purchased the La Guitarra Silver Mine from Luismin SA and gained control over all mineral concessions within the Temascaltepec District.

In July, 2012, First Majestic acquired Silvermex and, indirectly, the La Guitarra Silver Mine.

### Geological Setting

The La Guitarra Silver Mine is in the southeast end of the Mexican Silver Belt. The Sierra Madre Occidental, or the mid-Eocene Ignimbrite Belt, includes large extrusions of rhyolite and andesitic volcanic material. Numerous low sulphidation epithermal Ag-Au deposits are associated with hydrothermal activity during the mid-Eocene period. In the southern part of the belt in the Temascaltepec area, where La Guitarra Silver Mine and a number of other deposits are located, mafic volcanics of the Trans-Mexican volcanic belt overlie the intermediate to felsic Eocene volcanics.

The Jurassic basement rocks of the Temascaltepec were deformed by folding with uplifting prior to the deposition of the early Eocene. After the folding, there were several periods of extensional faulting. The intrusion of the late Eocene to Oligocene granites and out-pouring of volcanics are apparently associated with the faulting. The vein mineralization has a pronounced northwest trend indicating the faulting played a large part in controlling their emplacement. Fault movements have been difficult to determine.

There was a period of volcanism in mid-to-late Eocene time. It is believed that the vein mineralization was emplaced either late in the period of volcanism or immediately after the volcanism. These veins have a pronounced northwest trend indicating the structural control and show evidence of extension during deposition. The structures in the veins and the structures associated with the veins suggest that the movement during vein formation was not intense. These vein structures indicate normal

fault movement. Many veins in the Mina de Agua region and further east also have indications of a left lateral movement.

The Temascaltepec fault started in Miocene time and continued in post-Miocene time. This northwest dipping normal fault has down-dropped La Guitarra Silver Mine area relative to the area to the southeast part of the area, including Mina de Agua, which allowed the preservation of a large area of Miocene basalts in a structural basin west of the fault. The high-level epithermal veins of La Guitarra Silver Mine were preserved by this faulting with only deeper level vein systems preserved to the southeast. The fault strikes northeast and is considered to be at the contact of the metamorphic rocks and the basalt just south of the Town of Temascaltepec.

The mineralized vein systems that are found on the property are classed as polymetallic, low-sulphidation of epithermal origin. There are in excess of 100 epithermal veins traversing the property in four main vein trends called El Coloso/Nazareno, La Guitarra, Mina de Agua and El Rincon. These mineralized veins traverse the property along a strike length of greater than 15 km and a width of greater than 4 km.

The emplacement of the veins is structurally controlled by extensional strike slip faulting. This structural control is typical for the Mexican intermediate to low sulphidation epithermal vein systems. The veins cut across different rock types but are considered to be from the same major hydrothermal system.

The veins vary in width from less than 1 m to over 20 m. The quartz veining consists of well banded, chalcedonic and fine grained crystalline quartz with minor amounts of calcite. The chalcedonic quartz is thought to indicate an upper part of the mineral system suggesting that the depth potential of the mineralization is good. The wall rocks around the veins are altered with advanced argillic mineralization and an outer propylitic halo. This alteration extends from one m to 50 m from the veins.

The sections of the veins that were open or dilatants at the time of the silver and gold mineralization form the ore bodies. These open areas were controlled by the inclination of the veins and the intersections of the different vein sets. The northwest and west-northwest vein sets are the primary intersecting vein sets that control the mineralization. Due to the recurring nature of the vein sets and their intersections, ore zones also occur in a repetitive nature 150 m to 250 m apart.

La Guitarra vein system outcrops along a strike of more than 3.5 km and has been explored in part to a depth of 500 m. In the eastern part, the veins strike generally northwest and in the westerly part change to westerly strike. The dip of the veins is steeply to the south from 70° to 90°.

At La Guitarra, the 1 m to 4 m wide mineralized zones are situated within a large quartz vein that is up to 20 m wide. These brecciated and re-brecciated mineralized zones are very complex, pinching, swelling and bifurcating over short distances.

The silver and gold is contained in silver sulphides, sulphosalts and electrum. The remaining mineralization consists of minor amounts of pyrite and other sulphides such as galena and sphalerite.

The mineralization appears to have occurred over three stages:

- the 1st stage contains most of the base metal mineralization;
- the 2nd stage has repetitive silica banding and precious metal deposition, with the largest volume of silver and gold mineralization; and

- the 3rd stage has the highest silver-gold grades, but does not have significant volume.

Alteration of the wall rocks is only strong in contact with the veins.

#### Exploration & Drilling

Between July 2006 and August 2008, Silvermex conducted a large scale exploration program within the Temascaltepec District. Initial surface mapping and sampling was followed by diamond drilling from surface using both core and reverse circulation ("RC") drilling. A total of 85,645 m of drilling in 452 drill holes consisting of 289 core drill holes, and 163 reverse circulation drill holes was completed. The RC drilling was focused on, but not limited to, testing the Creston target. The core drilling primarily took place at Coloso, Nazareno, Santa Ana, La Guitarra/San Rafael and on the Creston target. Drilling was conducted by BDW Drilling and Silvermex's own personnel. In August 2011, Silvermex resumed exploration activities in the Temascaltepec District drilling 7,623 m of core drilling in the Coloso area.

#### Mineral Resources and Reserves

The previous technical reports commissioned for the La Guitarra Silver Mine property by Silvermex provided detailed calculations of mineral reserves and resources on the property. As discussed above, these reports are currently under review by management of First Majestic and its Qualified Persons. Accordingly, First Majestic does not believe that the reserve and resource calculations in such reports are reliable and is not relying on such calculations. Readers are cautioned against relying on such reports and upon the resource and reserve calculations therein.

#### Mining and Milling

Mining at La Guitarra Silver Mine is from underground stopes. The main mine access is via 4 m x 4 m haulage ramps and related production, and development ramps are driven at +/- 12%. Stope access is via access ramps driven off of ramps and drifts adjacent to the vein, generally on the footwall side. Sill development occurs within the vein. Mining is primarily accomplished using cut and fill, but some long-hole stoping is employed. Rubber tired mobile equipment is used to transport ore and waste underground and to surface. Mined stopes are backfilled with development rock, rock from surface excavations, sand fill or by blasting the walls of the stope to create broken rock for fill. These mining methods recover about 100% of the reserve blocks.

La Guitarra Silver Mine mill is rated at 320 tpd, although it has not always operated at capacity in recent years. In 2011, the production was approximately 327 tonnes per operating day with an annual production of 81,153 tonnes and annual production of 114,454 tonnes in 2012. The mill operated 248 days during 2011 and 346 days in 2012. The ore at La Guitarra Silver Mine is put on a pad beside the jaw crusher. It is then taken to the crusher using a front-end loader. If there are different types of ore on the pad they are blended as they are put to the crusher. The crushing is done with a jaw crusher and a secondary cone crusher. The crushed ore is ground in the three ball mills in parallel. The ground ore passes through three stages of flotation producing a sulphide concentrate. The concentrate is filtered and dried and then trucked to First Majestic's La Parrilla Silver Mine in Durango for further processing into silver dore bars.

Since First Majestic became owner of the La Guitarra Silver Mine, it has commenced a plan to expand this operation to 500 tpd. Underground development in late 2012 was expanded and a spare ball mill from La Parrilla Silver Mine and some spare flotation tanks from the La Encantada Silver Mine were shipped to the La Guitarra Silver Mine. Construction of foundations commenced in the third quarter of 2012 and all equipment for this expansion arrived on site in the fourth quarter of 2012. This expansion is expected to be completed during February 2013.

The La Parrilla Silver Mine mill recovers and refines the silver and gold from the concentrate on a contract basis and La Guitarra is paid for the silver and gold, less the various treatment charges that are applicable. A spot sale of 715 tonnes of concentrate was made in May 2012 to Trafigura. In November and December 2012 400 tonnes of concentrate were shipped to Peñoles in Torreon. Both Trafigura and Penoles charged a treatment charge and paid for a percentage of the gold and silver contained in the concentrates. To date, concentrates continue to be shipped to Peñoles (200 tonnes per month) with the rest of the production going to the La Parrilla Silver Mine mill.

Life of mine average silver recoveries since 1991 have been approximately 84% and the life of mine average gold recoveries have been 83% at the La Guitarra Silver Mine mill.

The table below summarizes metal production at the La Guitarra Silver Mine for the following periods:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Tonnes ore milled	114,454	81,153	39,896
Silver grade (g/t)	258	196	131
Gold grade (g/t)	1.43	1.8	1.13
Silver produced (oz)	945,537	437,953	149,850
Gold produced (oz)	5,248	4,293	1,192

\*Operations at the La Guitarra Silver Mine resumed in May 2010 following a work stoppage.

#### Exploration and Development

Silvermex incurred significant capital expenditures in fiscal 2009, 2010 and 2011 to identify new reserves and resources, upgrade the mining operations and develop new areas for mining.

First Majestic plans to drill approximately 14,000 m of underground core drilling in 2013. This drilling will comprise of approximately 2,000 m of delineation drilling, 2,800 m of development drilling and 9,200 m of exploration drilling. The focus of this drill program is to define and expand resources and identify new resources that could extend the life of the La Guitarra Silver Mine.

#### *La Luz Silver Project*

The La Luz Silver Project property is located approximately 25 km west of the town of Matehuala in the San Luis Potosí state of Mexico which lies about 259 km to the south of the industrial city of Saltillo and about 170 km north of the city of San Luis Potosí.

The property was acquired by First Majestic in November 2009 as a result of the acquisition of Normabec Mining Resources Ltd. The property consists of 36 mining concessions covering 4,976 ha. No current plans exist for exploration or development of this property; however, due to the historic nature of this region, First Majestic's plans will be designed to maintain and improve the area.

Mineral reserve and resource estimates for the La Luz Silver Project are based on an NI 43-101 historical estimate prepared by Micon International Ltd. (William J. Lewis) for Normabec Mining Resources Ltd. in November, 2008. According to this estimate, there is an aggregate of 33,710,173 oz of measured and indicated resources (silver only), and an aggregate of 13,120,457 oz of inferred resources (silver only). First Majestic has not confirmed this estimate.

*Summary of Resources and Reserves*

Following is a summary of mineral resources and reserves on each of First Majestic's material properties. For further details please refer to the summary text above with respect to each property and the description in the documents incorporated by reference herein.

**Table 9**  
**Reserves and Resources**  
**As of December 31, 2012**

**Proven & Probable Reserves**

MINE/ PROJECT	Category	Mineral Type	Tonnes	Ag (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz) in Situ
La Encantada	Proven (UG)	Oxides	919,805	339	3.04	1.43	10,022,782	10,022,782
	Proven (PO-Tailings)	Oxides	6,154,069	111	1.39	0.80	21,864,762	21,864,762
	Probable (UG)	Oxides	711,006	312	3.43	1.23	7,123,533	7,123,533
	<b>Proven + Probable</b>	<b>Oxides</b>	<b>7,784,880</b>	<b>156</b>	<b>1.77</b>	<b>0.91</b>	<b>39,011,077</b>	<b>39,011,077</b>
La Parrilla	Proven (UG)	Oxides	300,632	194	0.61	0.09	1,875,583	1,875,583
	Proven (OP)	Oxides	491,091	84			1,318,652	1,318,652
	Probable (UG)	Oxides	1,110,396	205	0.18	0.04	7,308,567	7,308,567
	Probable (OP)	Oxides	453,416	107			1,561,256	1,561,256
	<b>Proven + Probable</b>	<b>Oxides</b>	<b>2,355,535</b>	<b>159</b>	<b>0.16</b>	<b>0.03</b>	<b>12,064,059</b>	<b>12,064,059</b>
	Proven (UG)	Sulphides	778,950	202	2.49	1.25	5,047,022	7,081,761
	Probable (UG)	Sulphides	2,269,928	180	1.77	2.75	13,124,942	20,035,422
	<b>Proven + Probable</b>	<b>Sulphides</b>	<b>3,048,878</b>	<b>185</b>	<b>1.96</b>	<b>2.36</b>	<b>18,171,964</b>	<b>27,117,183</b>
	<b>Proven + Probable</b>	<b>Oxides + Sulphides</b>	<b>5,404,414</b>	<b>174</b>	<b>1.18</b>	<b>1.35</b>	<b>30,236,023</b>	<b>39,181,242</b>
	<b>Total Proven + Probable Reserves</b>	<b>Oxides + Sulphides</b>	<b>14,948,311</b>	<b>166</b>	<b>1.35</b>	<b>0.96</b>	<b>79,755,474</b>	<b>88,700,693</b>
San Martin	Proven (UG)	Oxides	1,162,031	188			7,010,938	7,010,938
	Probable (UG)	Oxides	596,987	182			3,497,436	3,497,436
	<b>Proven + Probable</b>	<b>Oxides</b>	<b>1,759,017</b>	<b>186</b>	<b>-</b>	<b>-</b>	<b>10,508,374</b>	<b>10,508,374</b>

**Measured & Indicated Resources**

MINE/ PROJECT	Category	Mineral Type	Tonnes	Ag (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz) in Situ
La Encantada	Measured	Oxides	2,745,299	186	1.61	2.12	16,416,991	16,416,991
	Indicated	Oxides	3,170,372	177	1.20	1.46	18,041,576	18,041,576
	<b>Measured + Indicated (UG)</b>	<b>Oxides</b>	<b>5,915,671</b>	<b>181</b>	<b>1.39</b>	<b>1.77</b>	<b>34,458,567</b>	<b>34,458,567</b>

MINE/ PROJECT	Category	Mineral Type	Tonnes	Ag (g/t)	Pb (%)	Zn (%)	Ag (Oz)	AgEq (Oz) in Situ
La Parrilla	Measured + Indicated (UG)	Oxides	1,242,132	159	1.03	0.97	6,363,427	6,363,427
		Sulphides	1,881,226	187	1.46	3.07	11,327,086	17,014,808
	Measured + Indicated (UG)	Oxides + Sulphides	3,123,358	176	1.29	2.23	17,690,513	23,378,235

San Martin	Measured + Indicated (UG)	Oxides	1,934,369	159			9,915,519	9,915,519
		Sulphides					-	-
	Measured + Indicated (UG)	Oxides + Sulphides	1,934,369	159	-	-	9,915,519	9,915,519

Del Toro	Measured + Indicated (UG)	Oxides	3,532,693	153	1.97	2.18	17,411,451	17,411,451
		Sulphides	4,662,452	205	3.53	3.40	30,793,434	52,868,866
	Measured + Indicated (UG)	Oxides + Sulphides	8,195,145	183	2.86	2.87	48,204,885	70,280,317

La Luz	Measured + Indicated (UG + OP)	Oxides	2,656,428	222	-	-	18,938,779	18,938,779
		Oxides (tailings)	1,403,233	90	-	-	4,075,305	4,075,305
		Sulphides	1,052,170	316	-	-	10,675,742	10,675,742
	Measured + Indicated (UG + OP)	Oxides + Sulphides	5,111,831	205	-	-	33,689,825	33,689,825

Total Measured + Indicated (UG)		Oxides + Sulphides	24,280,374	184.4	1.47	1.69	143,959,309	171,722,463
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Total Proven + Probable and Measured + Indicated		Oxides + Sulphides	39,228,685	177	1.42	1.41	223,714,783	260,423,156
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La Encantada	Inferred	Oxides	2,886,687	233	1.25	1.59	21,586,910	21,586,910
La Parrilla	Inferred	Oxides + Sulphides	13,244,531	173	0.88	1.08	73,747,258	88,438,098
San Martin	Inferred	Oxides + Sulphides	10,425,364	174	0	0	58,422,426	58,422,426
Del Toro	Inferred	Oxides + Sulphides	6,160,009	179	3.09	4.55	35,524,460	64,734,258
La Luz	Inferred	Oxides + Sulphides	1,854,964	220	0	0	13,120,462	13,120,462
Total Inferred		Oxides + Sulphides	34,571,555	182	0.99	1.36	202,401,516	246,302,155

(1) For all properties, metal prices are at \$1.688.63/oz-Au, \$31.96/oz-Ag, \$1.05/lb-Pb, \$0.93/lb-Zn.

(2) For the La Luz Silver Project, there have been no changes since the Technical Report dated July 25, 2008, except an update of AgEq according to recent metal prices.

(3) Management of First Majestic is not confident that the open pit mining plan contained in the La Guitarra Silver Mine technical reports is feasible. Accordingly, the reserve and resource calculations contained in the La Guitarra Silver Mine technical reports will need to be recalculated on the basis of an underground only mine. The results of this review may result in a revised mine plan which may necessitate the filing of a new technical report. Accordingly, the resource and reserve calculations contained in the La Guitarra Silver Mine technical reports have not been included in this Table 9. Readers are cautioned against relying on the previously filed technical reports relating to the La Guitarra Silver Mine and upon the resource and reserve calculations therein.

## Share Capital of First Majestic

First Majestic's authorized capital consists of an unlimited number of common shares without par value. First Majestic has no other classes of voting securities. As of the date hereof, First Majestic has 116,756,840 common shares issued and outstanding. As of the Effective Date of the Arrangement, and assuming no further common shares of First Majestic are issued upon the exercise of outstanding warrants or options, First Majestic will have 133,839,541 common shares issued and outstanding. See "*Consolidated Capitalization*".

All of First Majestic's authorized common shares are of the same class and, once issued, rank equally as to dividends, voting powers, and participation in assets. Shareholders are entitled to receive notice of meetings of shareholders and to attend and vote at those meetings. Shareholders are entitled to one vote for each common share held of record on all matters to be acted upon by the shareholders. Shareholders are entitled to receive such dividends as may be declared from time to time by the board of directors of First Majestic, in its discretion, out of funds legally available therefor.

Upon liquidation, dissolution or winding up of First Majestic, shareholders are entitled to receive *pro rata* the assets of First Majestic, if any, remaining after payments of all debts and liabilities. No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption, purchase for cancellation, surrender, or sinking or purchase funds.

Provisions as to the modification, amendment or variation of such shareholder rights or provisions are contained in the Business Corporations Act (British Columbia).

## Consolidated Capitalization

The following table sets forth the consolidated capitalization of First Majestic as at September 30, 2012, both before and after giving effect to the Arrangement, adjusted to give effect to the material changes in the share capital of First Majestic since September 30, 2012. The table should be read in conjunction with the First Majestic condensed interim consolidated financial statements for the period ending September 30, 2012, including the notes thereto, and management's discussion and analysis in respect thereof and other financial information contained in or incorporated by reference in this Circular.

	As at September 30, 2012 (unaudited)	As at September 30, 2012 after giving effect to options subsequently exercised <sup>(1)</sup> (unaudited)	As at September 30, 2012 after giving effect to the Arrangement <sup>(1)(2)</sup> (unaudited)
	(in thousands of dollars, except share amounts)	(in thousands of dollars, except share amounts)	(in thousands of dollars, except share amounts)
Current Liabilities	US\$53,885	US\$53,885	US\$54,009
Long Term Liabilities	US\$108,951	US\$108,951	US\$108,951
Common Shares	US\$419,346	US\$423,938	US\$768,374
Equity Reserves	US\$30,363	US\$29,199	US\$29,199
Retained Earnings	US\$115,998	US\$115,998	US\$115,998
Total Capitalization	US\$728,543	US\$731,971	US\$1,076,531
Convertible Securities	338,295 warrants 4,594,275 options	338,295 warrants 3,893,875 options	338,295 warrants 3,893,875 options

(1) Includes the issuance since September 30, 2012 to December 31, 2012 of an aggregate of 700,400 First Majestic Shares on the exercise of stock options for aggregate proceeds of US\$3,428,000.

- (2) Assuming the issuance of an aggregate of 17,082,701 First Majestic Shares under the Arrangement in exchange for all outstanding Orko Shares and assuming that all Orko Options are exercised prior to the Effective Date.

### Price Range and Trading Volume of First Majestic Shares

The First Majestic Shares are listed and posted for trading on the TSX and NYSE under the symbols "FR" and "AG", respectively. The following table sets forth the daily high and low sale prices and trading volumes for the First Majestic Shares for the previous 12 months (as reported by *TMX Money*).

Month	High (\$)	Low (\$)	Volume
January 1 to 18, 2013	20.91	18.75	6,031,322
December 2012	23.14	19.04	11,319,025
November 2012	24.18	20.45	8,586,167
October 2012	23.25	21.48	8,374,003
September 2012	23.40	19.45	11,373,914
August 2012	19.55	15.62	9,743,826
July 2012	17.12	14.00	8,198,874
June 2012	16.80	14.16	11,881,814
May 2012	15.91	12.26	14,008,618
April 2012	17.16	14.40	10,461,599
March 2012	20.76	15.77	12,769,155
February 2012	21.95	18.77	9,784,217
January 2012	21.16	17.32	9,827,877

### Prior Sales

On July 3, 2012 the Silvermex Arrangement completed. Pursuant to the Silvermex Arrangement, in exchange for all of the securities of Silvermex, First Majestic issued an aggregate of 9,451,654 First Majestic Shares at a deemed price of \$14.70 per share and 338,295 First Majestic warrants.

In addition to the 9,451,654 First Majestic Shares issued pursuant to the Silvermex Arrangement, for the 12-month period prior to the date of this Circular, First Majestic has issued the following First Majestic Shares pursuant to option exercises:

### Share Issuances

Date	Security	Price per Security (\$)	Number of Securities
17-Jan-12	Common Shares	3.98	15,000
17-Jan-12	Common Shares	2.03	23,000
26-Jan-12	Common Shares	4.47	5,000
26-Jan-12	Common Shares	2.03	9,300
26-Jan-12	Common Shares	3.74	10,000
30-Jan-12	Common Shares	12.44	10,125
30-Jan-12	Common Shares	3.70	5,000
30-Jan-12	Common Shares	5.00	65,000
30-Jan-12	Common Shares	2.03	50,000
30-Jan-12	Common Shares	5.00	15,000
31-Jan-12	Common Shares	12.44	2,000
31-Jan-12	Common Shares	5.00	15,000
31-Jan-12	Common Shares	3.70	10,000
1-Feb-12	Common Shares	12.44	7,475

<u>Date</u>	<u>Security</u>	<u>Price per Security (\$)</u>	<u>Number of Securities</u>
2-Feb-12	Common Shares	12.44	1,500
3-Feb-12	Common Shares	4.34	65,900
3-Feb-12	Common Shares	3.52	10,000
3-Feb-12	Common Shares	3.70	5,000
3-Feb-12	Common Shares	12.44	5,625
16-Feb-12	Common Shares	12.44	13,100
17-Feb-12	Common Shares	12.44	1,125
23-Feb-12	Common Shares	3.70	25,000
18-Apr-12	Common Shares	3.70	25,000
20-Apr-12	Common Shares	2.03	25,000
23-Apr-12	Common Shares	12.44	10,000
24-Apr-12	Common Shares	12.44	26,500
26-Apr-12	Common Shares	2.03	175,000
27-Apr-12	Common Shares	12.44	3,500
30-Apr-12	Common Shares	2.03	50,000
18-Jun-12	Common Shares	3.70	1,875
21-Jun-12	Common Shares	12.44	3,750
29-Jun-12	Common Shares	2.96	1,300
3-Jul-12	Common Shares	14.70	9,451,654
24-Jul-12	Common Shares	4.47	7,500
26-Jul-12	Common Shares	12.44	1,875
30-Jul-12	Common Shares	12.44	500
8-Aug-12	Common Shares	12.44	12,500
9-Aug-12	Common Shares	3.74	5,000
16-Aug-12	Common Shares	12.44	500
17-Aug-12	Common Shares	12.44	1,500
20-Aug-12	Common Shares	12.44	7,500
21-Aug-12	Common Shares	3.98	10,000
21-Aug-12	Common Shares	3.70	25,000
23-Aug-12	Common Shares	3.98	35,000
27-Aug-12	Common Shares	4.34	40,000
27-Aug-12	Common Shares	12.44	7,375
28-Aug-12	Common Shares	4.34	100,000
28-Aug-12	Common Shares	12.44	5,000
5-Sep-12	Common Shares	12.44	1,000
6-Sep-12	Common Shares	3.52	12,500
6-Sep-12	Common Shares	4.34	34,100
7-Sep-12	Common Shares	12.44	2,500
11-Sep-12	Common Shares	12.44	6,775
13-Sep-12	Common Shares	12.44	2,500
13-Sep-12	Common Shares	3.94	10,000
14-Sep-12	Common Shares	2.96	3,850
17-Sep-12	Common Shares	12.44	1,000
17-Sep-12	Common Shares	3.70	12,500
17-Sep-12	Common Shares	3.52	100,000
20-Sep-12	Common Shares	3.70	62,500
21-Sep-12	Common Shares	17.80	1,200
21-Sep-12	Common Shares	12.44	2,500
21-Sep-12	Common Shares	3.52	150,000
24-Sep-12	Common Shares	3.52	10,000
24-Sep-12	Common Shares	3.70	7,500
24-Sep-12	Common Shares	12.44	10,000
27-Sep-12	Common Shares	12.44	5,600
28-Sep-12	Common Shares	3.70	25,000
3-Oct-12	Common Shares	12.44	3,750
4-Oct-12	Common Shares	12.44	6,500
10-Oct-12	Common Shares	3.52	10,000
18-Oct-12	Common Shares	12.44	2,000
19-Oct-12	Common Shares	3.70	25,000
31-Oct-12	Common Shares	3.70	25,000

<u>Date</u>	<u>Security</u>	<u>Price per Security (\$)</u>	<u>Number of Securities</u>
1-Nov-12	Common Shares	12.44	11,250
1-Nov-12	Common Shares	3.52	50,000
1-Nov-12	Common Shares	3.70	25,000
1-Nov-12	Common Shares	3.70	5,000
2-Nov-12	Common Shares	12.44	500
2-Nov-12	Common Shares	20.03	2,500
8-Nov-12	Common Shares	15.99	12,500
9-Nov-12	Common Shares	4.34	100,000
13-Nov-12	Common Shares	12.44	6,400
13-Nov-12	Common Shares	3.70	5,000
14-Nov-12	Common Shares	4.34	200,000
15-Nov-12	Common Shares	4.34	100,000
23-Nov-12	Common Shares	12.44	10,000
3-Dec-12	Common Shares	4.34	100,000

For the 12-month period prior to the date of this Circular, First Majestic has issued the following convertible securities:

*Option Grants and Warrant Issuances*

<u>Date</u>	<u>Security</u>	<u>Exercise Price per Security (\$)</u>	<u>Number of Securities</u>
3-Jan-12	Stock Options	17.89	990,000
10-Feb-12	Stock Options	19.29	50,000
13-Mar-12	Stock Options	18.38	5,000
3-July-12	Warrants	20.00	8,918
3-July-12	Warrants	25.36	329,377
11-Jul-12	Stock Options	14.58	65,000
16-Aug-12	Stock Options	17.28	100,000
1-Sep-12	Stock Options	19.45	30,000
18-Sep-12	Stock Options	21.99	20,000
25-Nov-12	Stock Options	21.70	25,000
28-Nov-12	Stock Options	22.45	754,645
2-Jan-13	Stock Options	20.91	1,415,000

**Risk Factors**

Investing in securities of First Majestic involves a significant degree of risk and must be considered speculative due to the high-risk nature of First Majestic's business. Orko Shareholders should carefully consider the information included or incorporated by reference in this Circular and First Majestic's historical consolidated financial statements and related notes thereto before making a decision concerning the Arrangement. There are various risks, including those discussed in First Majestic's AIF, which are incorporated herein by reference, that could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of First Majestic. These risk factors, together with all of the other information included, or incorporated by reference in this Circular, including information contained in the section entitled "Forward-Looking Statements" should be carefully reviewed and considered before a decision to invest in such securities is made.

In addition to the risk factors mentioned above, there are certain risks relating to Silvermex, which First Majestic acquired after the date of First Majestic's AIF, as follows:

*Civil Disobedience*

In recent years, certain mining companies operating in Mexico have been the targets of actions to restrict access to legally-entitled mining concessions or property. Such acts of civil disobedience may occur with no warning and can result in significant direct and indirect costs. In October 2008,

production at La Guitarra Silver Mine was suspended due to an illegal roadblock, which was removed in November 2009. Operations at La Guitarra Silver Mine resumed in May 2010, after all required permits for operations were obtained. First Majestic believes that the roadblock was an isolated incident, but there are no assurances that there will be no further disruptions to site access in the future, which could negatively impact the long-term perception and viability of the project.

#### *La Guitarra Technical Reports*

First Majestic acquired indirect ownership of the La Guitarra Silver Mine on July 3, 2012 when it acquired all of the issued and outstanding common shares of Silvermex pursuant to the Silvermex Arrangement. Silvermex and its predecessors published NI 43-101 technical reports relating to the La Guitarra Silver Mine on September 22, 2006, May 15, 2007, June 25, 2008 and a feasibility study on January 28, 2010. These technical reports have not been approved by First Majestic and First Majestic did not rely on these reports in making its decision to acquire Silvermex and, indirectly, the La Guitarra Silver Mine. The reports are currently under review by management of First Majestic and its Qualified Persons, particularly with respect to the assumptions and the risks regarding those assumptions used in the previous mining studies. In particular, management of First Majestic is not confident that an open pit mine is feasible. Accordingly, the reserve and resource figures contained in such technical reports will need to be recalculated on the basis of an underground only mine. The results of this review may result in a revised mine plan which may necessitate the filing of a new technical report. Accordingly, there can be no assurance that resource and reserve calculations contained in the technical reports relating to the La Guitarra Silver Mine and prepared for Silvermex are accurate or that a new mine plan will be feasible.

Although there are no reliable resource and reserve figures with respect to the La Guitarra Silver Mine, First Majestic is continuing to operate the La Guitarra Silver Mine. First Majestic does not currently have an accurate life of mine estimate and there can be no assurance that there is sufficient economically viable ore within the mine to continue future operations of the La Guitarra Silver Mine. There can be no assurances that First Majestic will be able to maintain production levels at the La Guitarra Silver Mine consistent with past levels of production. First Majestic's continued operation of the La Guitarra Silver Mine is dependent in part upon the identification of reliable resources and reserves calculated on the basis of an economically feasible mine plan.

#### **Auditor, Registrar and Transfer Agent**

The auditor of First Majestic is Deloitte LLP, located at 2800 - 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P4. Deloitte LLP has confirmed that it is independent with respect to First Majestic within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The transfer agent and registrar for First Majestic's common shares is Computershare Trust Company of Canada at its principal office located at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

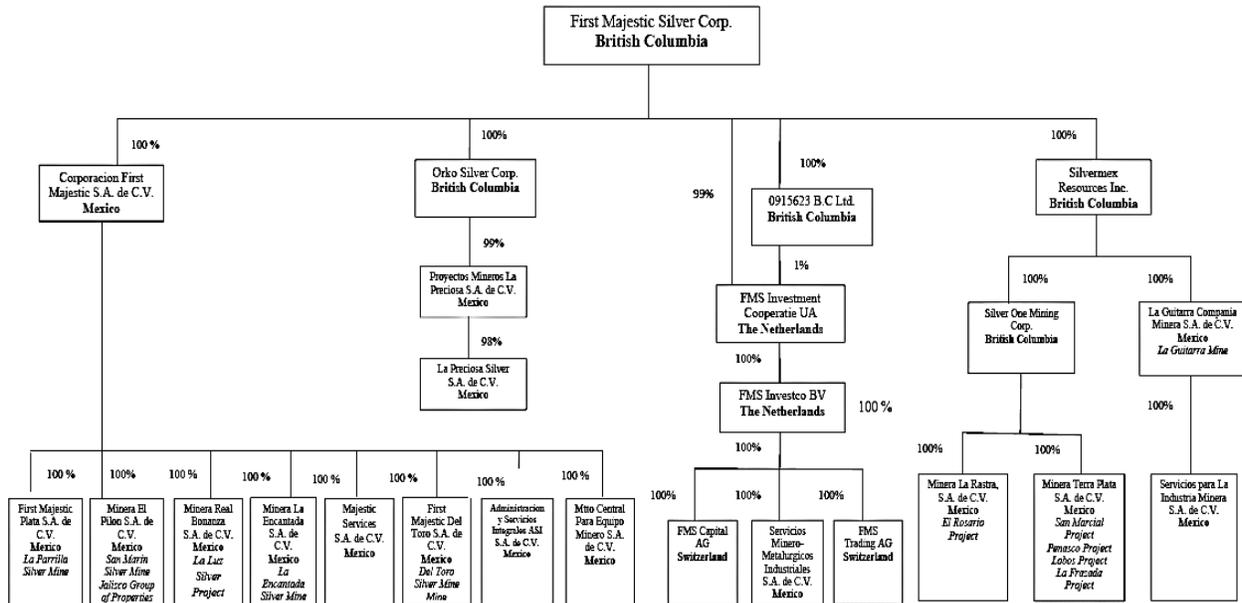
### **INFORMATION CONCERNING THE RESULTING ISSUER**

#### **Overview**

On completion of the Arrangement, First Majestic will continue to be a corporation existing under the Business Corporations Act and the former Orko Shareholders will be shareholders of First Majestic. The business and operations of First Majestic and Orko will be consolidated and the principal executive office of the Resulting Issuer will be located at First Majestic's current head office being 1805 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

## Organization Chart

The following chart shows the corporate relationship between First Majestic and Orko and its material subsidiaries following the completion of the Arrangement:



Information about the current directors and executive officers of First Majestic is as set forth in First Majestic's AIF, which is incorporated by reference into this Circular. Following the Effective Date, it is anticipated that the board of directors of First Majestic will be comprised of seven directors, who are expected to be the current members of the First Majestic board, being Keith Neumeyer, Ramon Davila, Robert A. McCallum, Douglas Penrose, Tony Pezzotti, David Shaw and Robert Young.

## Description of Share Capital

The authorized share capital of First Majestic will remain unchanged as a result of the completion of the Arrangement, other than for the issuance of the First Majestic Shares as part of the Arrangement. For a description of the share capital of First Majestic and the rights attached to the First Majestic Shares, see "*Information Concerning First Majestic - Share Capital of First Majestic*".

## Selected First Majestic Unaudited Pro Forma Consolidated Financial Information

The selected unaudited pro forma consolidated financial information of First Majestic set forth below should be read in conjunction with First Majestic's unaudited pro forma consolidated financial statements and the accompanying notes thereto attached as Appendix E to this Circular. The unaudited pro forma condensed consolidated statement of financial position has been prepared from the unaudited condensed consolidated statements of financial position of First Majestic as at September 30, 2012 and Orko as at July 31, 2012 and gives pro forma effect to the successful completion of the Arrangement as if the transactions occurred on September 30, 2012. The unaudited pro forma consolidated statement of income for the year ended December 31, 2011 has been prepared from the audited statement of income of First Majestic for the year ended December 31, 2011 and the statement of comprehensive loss of Orko for the year ended October 31, 2011 and gives pro forma effect to the successful completion of the Arrangement as if the transactions occurred on January 1, 2011. The unaudited pro forma condensed consolidated statement of income for the nine months

ended September 30, 2012 has been prepared from the unaudited statement of income of First Majestic for the nine months ended September 30, 2012 and the statement of comprehensive loss of Orko for the nine months ended July 31, 2012 and gives pro forma effect to the successful completion of the Arrangement as if the transactions occurred on January 1, 2011.

The summary unaudited pro forma consolidated financial information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the Arrangement will differ from the pro forma information presented below. No attempt has been made to calculate or estimate potential synergies between First Majestic and Orko. The unaudited pro forma consolidated financial statement information set forth below is extracted from and should be read in conjunction with the unaudited pro forma consolidated financial statements of First Majestic and the accompanying notes included in Appendix E to this Circular.

(in thousands of US dollars)	Nine months ended September 30, 2012	Year ended December 31, 2011
<b>Statement of Income data:</b>		
Revenue .....	181,027	262,471
Mine operating earnings .....	102,529	168,573
Operating earnings .....	70,264	132,906
	58,098	97,584
Net earnings .....		
<b>Earnings per First Majestic Share:</b>		
Basic earnings per share.....	0.44	0.75
Diluted earnings per share .....	0.43	0.73
		<b>As at</b>
(in thousands of US dollars)		<b>September 30,</b>
		<b>2012</b>
<b>Statement of Financial Position data:</b>		
Cash and cash equivalents.....		76,842
Total assets.....		1,073,103
Total current liabilities .....		54,009
Total liabilities.....		162,960
		910,143
Shareholders' equity.....		

### Post-Arrangement Shareholdings and Principal Shareholders

Assuming that all Orko Optionholders exercise their Orko Options before completion of the Arrangement, it is expected that pursuant to the Arrangement, Orko Shareholders will receive approximately 17,082,701 First Majestic Shares in exchange for all of the outstanding Orko Shares. Immediately following completion of the Arrangement, current First Majestic shareholders will hold approximately 87% of the First Majestic Shares issued and outstanding, while former Orko Shareholders will hold approximately 13% of the First Majestic Shares issued and outstanding (on a non-diluted basis).

To the knowledge of the directors and executive officers of First Majestic, following completion of the Arrangement, there will be no person or company that beneficially owns, directly or indirectly, or

exercises control or direction over, voting securities of First Majestic carrying 10% or more of the voting rights attached to any class of voting securities of First Majestic.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of Orko's directors or executive officers, or any of their respective associates or affiliates, is or has been indebted to Orko or its subsidiaries at any time since the commencement of Orko's last completed financial year or during the current financial year and no indebtedness remains outstanding as at the date of this Circular, other than routine amounts not exceeding \$50,000 in respect of travel advances.

### INTEREST OF EXPERTS

The following persons and companies have prepared certain sections of this Circular or Appendices attached to this Circular as described below, or are named as having prepared or certified a report, statement or opinion in or incorporated by reference into this Circular:

<u>Name of Expert</u>	<u>Description of Involvement</u>
BMO Nesbitt Burns Inc.	Provided a Fairness Opinion dated December 16, 2012.
GMP Securities L.P.	Provided a Fairness Opinion dated December 16, 2012.
Mining Plus Canada Inc., Darren Head, MAIG and Michael Collins, P.Geo	Prepared the NI 43-101 compliant technical report entitled "La Preciosa Silver Deposit, Updated Mineral Resource Estimate Statement, Durango, Mexico" dated November 5, 2012 in respect of Orko's La Preciosa Project.
Snowden Group, Anthony Finch, P.Eng., Snowden Mining Industry Consultants Inc., Michael Stewart, M.AIG, Quantitative Geoscience Pty Ltd., Joshua Snider, P.E., M3 Engineering and Technology Corp., Thomas L. Drielick, P.E., M3 Engineering and Technology Corp., and Gary Hawthorn, P.Eng., Westcoast Mineral Testing Inc.	Prepared the NI 43-101 compliant technical report entitled "Pan American Silver Corp. and Orko Silver Corp., La Preciosa Silver Property, Durango, México, Preliminary Economic Assessment - Technical Report " dated June 30, 2011 in respect of Orko's La Preciosa Project.
Leonel Lopez, C.P.G. for Pincock Allen & Holt, Inc.	Prepared the NI 43-101 compliant amended and restated technical report entitled "NI 43-101 Technical Report for the Del Toro Silver Mine, Zacatecas State, México", dated August 20, 2012, in respect of First Majestic's Del Toro Silver Mine.
Richard Addison, P.E. and Leonel López, C.P.G. for Pincock Allen & Holt, Inc.	Prepared the NI 43-101 compliant technical report entitled "Technical Report for the La Parrilla Silver Mine, Durango State, México", dated September 8, 2011, in respect of First Majestic's La Parrilla Silver Mine.
Richard Addison, P.E. and Leonel López, C.P.G. for Pincock Allen & Holt, Inc.	Prepared the NI 43-101 compliant technical report entitled "Technical Report for the San Martin Silver Mine, State of Jalisco, México", dated January 15, 2009, as amended and restated on February 26, 2009, in respect of First Majestic's San Martin Silver Mine.
Richard Addison, P.E. and Leonel López, C.P.G. for Pincock Allen & Holt, Inc.	Prepared the NI 43-101 compliant technical report named "Technical Report for the Encantada Silver Mine, Coahuila State, México", dated January 12, 2009, as amended and restated on February 26, 2009, in respect of First Majestic's Encantada Silver Mine.

To the knowledge of Orko, none of the experts so named (or any of the designated professionals thereof) held securities representing more than 1% of all issued and outstanding Orko Shares or First Majestic Shares as of the date of the report, statement or opinion in question or as of the date of this Circular.

To the knowledge of Orko, none of the experts so named (or any of the designated professionals thereof) received or will receive a direct or indirect interest in the property of Orko or First Majestic or of any of their respective associates or affiliates.

#### **INTERESTS OF INFORMED PERSONS AND OTHERS IN MATERIAL TRANSACTIONS**

None of the directors, executive officers or employees of Orko or any Orko Subsidiaries, nor Persons beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all outstanding voting securities of Orko, nor any associate or affiliate of the foregoing Persons has any material interest, direct or indirect, in any transaction since the commencement of Orko's last completed financial year or during the current financial year which has or will materially affect Orko or any Orko subsidiary.

#### **AUDITOR, REGISTRAR AND TRANSFER AGENT**

The auditor of Orko is Smythe Ratcliffe LLP, Suite 700, 355 Burrard Street, Vancouver, BC, V6C 2G8. Smythe Ratcliffe LLP has confirmed that it is independent with respect to Orko within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Orko's Registrar and Transfer Agent is Computershare Trust Company of Canada, P.O. Box 7021, 31 Adelaide Street East, Toronto, ON, M5C 3H2.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Information has been incorporated by reference in this Circular from documents filed with Securities Authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Orko at Suite 1180 - 999 West Hastings Street, Vancouver, British Columbia, Canada V6C 2W2, Telephone: (604) 687-6310. These documents are also available through the Internet on SEDAR, which can be accessed online at [www.sedar.com](http://www.sedar.com).

The following documents, which Orko has filed with Securities Authorities in British Columbia and Alberta are specifically incorporated by reference and form an integral part of this Circular:

1. the unaudited condensed consolidated interim financial statements of Orko for the three and nine months ended July 31, 2012 and 2011, together with the notes thereto;
2. the management's discussion and analysis of financial condition and results of operations of Orko dated September 28, 2012 for the three and nine months ended July 31, 2012 and 2011;
3. the audited financial statements of Orko for the years ended October 31, 2011 and 2010, together with the notes thereto and the auditors' report thereon;
4. the management's discussion and analysis of financial condition and results of operations of Orko dated February 22, 2012 for the years ended October 31, 2011 and 2010; and
5. the technical report entitled "La Preciosa Silver Deposit, Updated Mineral Resource Estimate Statement, Durango, Mexico" dated November 5, 2012 and prepared by Mining Plus.

Any annual information form, annual or interim financial statements and related management's discussion and analysis, material change report (other than a confidential material change report), business acquisition report, information circular or disclosure document filed pursuant to an undertaking to a Canadian securities regulatory authority filed by Orko with any securities

commission or similar regulatory authority in Canada subsequent to the date of this Circular will be deemed to be incorporated by reference into this Circular, as well as any other document so filed by Orko which expressly states to be incorporated by reference into this Circular.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this Circular, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed in its unmodified or superseded form to constitute part of this Circular.**

## ADDITIONAL INFORMATION

Additional information relating to Orko is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Financial information is provided in Orko's comparative annual financial statements and management's discussion and analysis for its most recently completed year, which are filed on SEDAR.

**APPROVAL OF DIRECTORS**

The contents and sending of this Circular, including the Notice of Meeting, have been approved and authorized by the Orko Board.

January 18, 2013

BY ORDER OF THE BOARD OF DIRECTORS

*"Gary Cope"*

President, CEO and Director

**CONSENT OF BMO NESBITT BURNS INC.**

To the Board of Directors of Orko Silver Corp.:

We refer to the written fairness opinion dated December 16, 2012 (the "**Fairness Opinion**"), which we prepared for the board of directors of Orko Silver Corp. ("**Orko**") in connection with the proposed plan of arrangement involving Orko, First Majestic Silver Corp., 0957445 B.C. Ltd. and the securityholders of Orko.

We consent to inclusion of the Fairness Opinion and a summary of the Fairness Opinion in the management information circular of Orko dated January 18, 2013.

*"BMO Nesbitt Burns Inc."*

BMO Nesbitt Burns Inc.  
January 18, 2013

**CONSENT OF GMP SECURITIES L.P.**

To the Board of Directors of Orko Silver Corp.:

We refer to the written fairness opinion dated December 16, 2012 (the "**Fairness Opinion**"), which we prepared for the board of directors of Orko Silver Corp. ("**Orko**") in connection with the proposed plan of arrangement involving Orko, First Majestic Silver Corp., 0957445 B.C. Ltd. and the securityholders of Orko.

We consent to inclusion of the Fairness Opinion and a summary of the Fairness Opinion in the management information circular of Orko dated January 18, 2013.

*"GMP Securities L.P."*

GMP Securities L.P.  
January 18, 2013

**AUDITOR'S CONSENT - SMYTHE RATCLIFFE LLP**

We have read the Notice of Meeting and Management Information Circular of Orko Silver Corp. (the "**Company**") dated January 18, 2013 relating to the proposed plan of arrangement involving the Company, First Majestic Silver Corp. and 0957445 B.C. Ltd. ("**Information Circular**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Information Circular of our report to the shareholders of the Company on the balance sheets of the Company as at October 31, 2011 and 2010, and the statements of operations and comprehensive loss, shareholders' equity and cash flows for the two-year period ended October 31, 2011. Our report is dated February 22, 2012.

*"Smythe Ratcliffe LLP"*

Vancouver, British Columbia  
January 18, 2013

Chartered Accountants

**AUDITOR'S CONSENT - DELOITTE LLP**

**CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS**

We have read the management information circular of Orko Silver Corp. ("Orko") dated January 18, 2013 relating to the arrangement involving First Majestic Silver Corp. ("First Majestic"), 0957445 B.C. Ltd., and Orko. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned circular of our report to the board of directors and shareholders of First Majestic and subsidiaries on the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flow for the years ended December 31, 2011 and December 31, 2010. Our report is dated March 1, 2012/

We also consent to the incorporation by reference in the above-mentioned circular of our report to the shareholders of Silvermex on the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of comprehensive loss, equity and cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated March 26, 2012.

*"Deloitte LLP"*

Independent Registered Chartered Accountants  
Vancouver, British Columbia  
January 18, 2013

**APPENDIX A -  
ARRANGEMENT RESOLUTION**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (the "**Arrangement**") under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (as the Arrangement may be modified or amended), as more particularly described and set forth in the Information Circular (the "**Circular**") of Orko Silver Corp. ("**Orko**") dated January 18, 2013, is hereby authorized, approved and adopted.
2. The plan of arrangement (the "**Plan of Arrangement**"), the full text of which is set out as Exhibit B to the arrangement agreement dated December 16, 2012 between Orko and First Majestic Silver Corp. (the "**Arrangement Agreement**") and all transactions contemplated thereby, is hereby approved and adopted.
3. The Arrangement Agreement, the actions of the directors of Orko in approving the Arrangement Agreement and the actions of the directors and officers of Orko in executing and delivering the Arrangement Agreement and any amendments thereto in accordance with its terms are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of Orko or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of Orko are hereby authorized and empowered (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and (ii) not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Arrangement Agreement).
5. Any officer or director of Orko is hereby authorized and directed for and on behalf of Orko to execute or cause to be executed, under the seal of Orko or otherwise, and to deliver or cause to be delivered, all such documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such authorization to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**APPENDIX B -  
PLAN OF ARRANGEMENT**

**PLAN OF ARRANGEMENT UNDER THE PROVISIONS OF DIVISION 5 OF PART 9 OF  
THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)**

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions.** In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

- (a) "**Amalco**" has the meaning ascribed to such term in Section 2.3(h) hereof;
- (b) "**Arrangement**" means an arrangement under the provisions of Division 5 of Part 9 of the Business Corporations Act, on the terms set forth in this Plan of Arrangement, subject to any amendment or supplement thereto in accordance with the Arrangement Agreement and this Plan of Arrangement or made at the direction of the Court in the Final Order;
- (c) "**Arrangement Agreement**" means the arrangement agreement dated December 17, 2012 among First Majestic, Subco and Orko;
- (d) "**Arrangement Resolution**" means the special resolution approving the Arrangement, to be in substantially the form of Exhibit A to the Arrangement Agreement, to be considered, and if deemed advisable, passed with or without variation, by the Orko Shareholders at the Orko Meeting;
- (e) "**Business Corporations Act**" means the *Business Corporations Act* (British Columbia), as amended;
- (f) "**Court**" means the British Columbia Supreme Court;
- (g) "**Depositary**" means Computershare Investor Services Inc., at such offices as will be set out in the Letter of Transmittal;
- (h) "**Dissent Procedures**" has the meaning set out in Section 3.1;
- (i) "**Dissent Rights**" has the meaning set out in Section 3.1;
- (j) "**Dissenting Shareholder**" means a holder of Orko Shares who dissents in respect of the Arrangement in strict compliance with the Dissent Procedures;
- (k) "**Effective Date**" means the date the Arrangement completes, as determined in accordance with Section 2.12 of the Arrangement Agreement;

- (l) "**Effective Time**" means the time when the transactions contemplated herein will be deemed to have been completed, which shall be 12:01 a.m. on the Effective Date or such other time as the Parties agree to in writing before the Effective Date;
- (m) "**Eligible Holder**" means a beneficial holder of Orko Shares that is: (i) a resident of Canada for the purposes of the ITA and not exempt under Part I of the ITA; or (ii) a partnership, any member of which is resident in Canada for the purposes of the ITA (other than a partnership, all members of which are residents of Canada that are exempt from tax under Part I of the ITA);
- (n) "**Exchange Ratio**" means 0.1202;
- (o) "**Final Order**" means the final order of the Court approving the Arrangement as such order may be amended at any time prior to the Effective Date or, if appealed, then, unless such appeal is abandoned or denied, as affirmed;
- (p) "**First Majestic**" means First Majestic Silver Corp., a company existing under the laws of British Columbia;
- (q) "**First Majestic Shares**" means the common shares in the authorized share structure of First Majestic;
- (r) "**holder**" means, when used with reference to any Orko Securities, the holder of such Orko Securities (in the case of Orko Shares, as shown from time to time on the register of shareholders maintained by or on behalf of Orko in respect of the Orko Shares);
- (s) "**ITA**" means the *Income Tax Act* (Canada);
- (t) "**Letter of Transmittal**" means the Letter of Transmittal for use by holders of Orko Shares in connection with the Plan of Arrangement;
- (u) "**Meeting Date**" means the date of the Orko Meeting;
- (v) "**Orko**" means Orko Silver Corp., a company existing under the laws of British Columbia;
- (w) "**Orko Meeting**" means the special meeting of Orko Shareholders including any adjournment or adjournments thereof, to be called to consider the Arrangement;
- (x) "**Orko Option**" means an option to purchase Orko Shares issued pursuant to the Orko Stock Option Plan;
- (y) "**Orko Optionholder**" means a holder of Orko Options;
- (z) "**Orko Securityholders**" means, together, the Orko Shareholders and Orko Optionholders;

- (aa) "**Orko Share**" means a common share in the authorized share structure of Orko;
- (bb) "**Orko Shareholder**" means a holder of Orko Shares;
- (cc) "**Orko Stock Option Plan**" means Orko's 2007 Stock Option Plan effective March 8, 2007 and amended on January 21, 2008 and April 2, 2009;
- (dd) "**Plan of Arrangement**" means this plan of arrangement and any amendment or variation thereto made in accordance with Article 5 hereto or the Arrangement Agreement or upon the direction of the Court in the Final Order;
- (ee) "**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, company, unincorporated association or organization, governmental entity, syndicate or other entity, whether or not having legal status;
- (ff) "**Section 85 Election**" has the meaning ascribed thereto in Section 2.4(c);
- (gg) "**Share Consideration**" means the consideration to be received by each Orko Shareholder pursuant to this Plan of Arrangement in exchange for each Orko Share held by such Orko Shareholder, consisting of an indivisible mixture of such number of First Majestic Shares as is equal to the Exchange Ratio and \$0.0001 in cash;
- (hh) "**Shareholder Rights Plan**" means the shareholder rights plan agreement dated as of December 4, 2007 between Orko and Computershare Investor Services Inc., as rights agent;
- (ii) "**Subco**" means 0957445 B.C. Ltd., a company existing under the laws of British Columbia;
- (jj) "**Subco Share**" means a common share in the authorized share structure of Subco;
- (kk) "**TSX**" means the Toronto Stock Exchange; and
- (ll) "**TSX-V**" means the TSX Venture Exchange.

**1.2 Interpretation Not Affected by Headings, etc.** The division of this Plan of Arrangement into sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references in this Plan of Arrangement to a "Section" followed by a number and/or a letter refer to the specified section of this Plan of Arrangement. Unless otherwise indicated, the terms "this Plan of Arrangement", "hereof", "herein", "hereunder" and "hereby" and similar expressions refer to this Plan of Arrangement as amended or supplemented from time to time pursuant to the applicable provisions hereof, and not to any particular section or other portion hereof.

**1.3 Currency.** All sums of money referred to in this Plan of Arrangement are expressed in lawful money of Canada.

**1.4 Number, etc.** Unless the context otherwise requires, words importing the singular shall include the plural and vice versa and words importing any gender shall include all genders.

**1.5 Construction.** In this Plan of Arrangement unless otherwise indicated:

- (a) the words "include", "including" or "in particular", when following any general term or statement, shall not be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as permitting the general term or statement to refer to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;
- (b) a reference to a statute means that statute, as amended and in effect as of the date of this Plan of Arrangement, and includes each and every regulation and rule made thereunder and in effect as of the date hereof;
- (c) where a word, term or phrase is defined, its derivatives or other grammatical forms have a corresponding meaning; and
- (d) time is of the essence.

## **ARTICLE 2 ARRANGEMENT**

**2.1 Arrangement Agreement.** This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms a part of the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein.

**2.2 Binding Effect.** This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on:

- (a) Orko;
- (b) the Orko Securityholders;
- (c) Subco; and
- (d) First Majestic.

**2.3 Arrangement.** Commencing at the Effective Time, the following shall occur and shall be deemed to occur in the following order without any further act or formality:

- (a) the Shareholder Rights Plan shall be cancelled and shall have no further force or effect and each of the rights thereunder shall be deemed to be cancelled for no consideration;
- (b) five minutes after the steps contemplated in Section 2.3(a), notwithstanding any vesting or exercise provisions to which an Orko Option might otherwise be subject (whether by contract, the conditions of grant, applicable law or the terms of the Orko Stock Option Plan):
  - (i) the outstanding Orko Options will, without any further action by or on behalf of any holder of such Orko Options, be deemed to be cancelled without any compensation therefor;
  - (ii) with respect to each Orko Option, the holder thereof will cease to be the holder of such Orko Option, will cease to have any rights as a holder in respect of such Orko Option, such holder will be removed from the register of Orko Options, and all option agreements, grants and similar instruments relating thereto will be cancelled; and
  - (iii) the Orko Stock Option Plan shall be terminated;
- (c) five minutes after the steps contemplated in Section 2.3(b), each Orko Share held by a Dissenting Shareholder in respect of which the Orko Shareholder has validly exercised his, her or its Dissent Rights shall be directly transferred and assigned by such Dissenting Shareholder to First Majestic (free and clear of any liens, charges and encumbrances of any nature whatsoever) in accordance with, and for the consideration set forth in, Section 3.1;
- (d) five minutes after the steps contemplated in Section 2.3(c), each Orko Share (other than any Orko Share held by any Dissenting Shareholder) shall be deemed to be transferred to First Majestic (free and clear of any liens, charges and encumbrances of any nature whatsoever) in exchange for the Share Consideration;
- (e) with respect to each Orko Share transferred and assigned in accordance with Section 2.3(c) or Section 2.3(d):
  - (i) the registered holder thereof shall cease to be the registered holder of such Orko Share and the name of such registered holder shall be removed from the register of Orko Shareholders as of the Effective Time;
  - (ii) the registered holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Orko Share; and
  - (iii) First Majestic will be the holder of all of the outstanding Orko Shares and the register of Orko Shareholders shall be revised accordingly;

- (f) five minutes after the steps contemplated in Section 2.3(d) and (e), each outstanding Orko Share will be transferred to Subco in consideration of the issue by Subco to First Majestic of one Subco Share for each Orko Share so transferred, and the amount added to the stated capital of the Subco Shares will be equal to the value of the Orko Shares so transferred;
- (g) concurrent with the step in Section 2.3(f), the stated capital in respect of the Orko Shares shall be reduced to an aggregate of \$1.00 without any repayment of capital in respect thereof;
- (h) five minutes after the steps contemplated in Section 2.3(f) and (g), Orko and Subco shall merge to form one corporate entity ("**Amalco**") with the same effect as if they had amalgamated under Section 269 of the Business Corporations Act, except that the legal existence of Orko shall not cease and Orko shall survive the merger as Amalco;
- (i) without limiting the generality of Section 2.3(h), the separate legal existence of Subco shall cease without Subco being liquidated or wound up and Orko and Subco shall continue as one company and the property of Subco shall become the property of Amalco;
- (j) from and after the Effective Date, at the time of the step contemplated in Section 2.3(h):
  - (i) Amalco will own and hold the property of Orko and Subco and, without limiting the provisions hereof, all rights of creditors or others will be unimpaired by such amalgamation, and all liabilities and obligations of Orko and Subco, whether arising by contract or otherwise, may be enforced against Amalco to the same extent as if such obligations had been incurred or contracted by it;
  - (ii) Amalco will continue to be liable for all of the liabilities and obligations of Orko and Subco;
  - (iii) all rights, contracts, permits and interests of Orko and Subco will continue as rights, contracts, permits and interests of Amalco as if Orko and Subco continued and, for greater certainty, the amalgamation will not constitute a transfer or assignment of the rights or obligations of either of Orko or Subco under any such rights, contracts, permits and interests;
  - (iv) any existing cause of action, claim or liability to prosecution will be unaffected;
  - (v) a civil, criminal or administrative action or proceeding pending by or against either Orko or Subco may be continued by or against Amalco;

- (vi) a conviction against, or ruling, order or judgment in favour of or against either Orko or Subco may be enforced by or against Amalco;
  - (vii) First Majestic as the holder of the Subco Shares shall receive on the amalgamation one common share in the authorised share structure of Amalco in exchange for each Subco Share previously held and all of the issued and outstanding Orko Shares will be cancelled without repayment of capital in respect thereof;
  - (viii) the name of Amalco shall be "Orko Silver Corp.";
  - (ix) Amalco shall be authorised to issue an unlimited number of common shares without par value;
  - (x) the articles and notice of articles of Amalco shall be substantially in the form of the articles and notice of articles of Orko;
  - (xi) the first annual general meeting of Amalco or resolutions in lieu thereof shall be held within 18 months from the Effective Date;
  - (xii) the first directors of Amalco following the amalgamation shall be Keith Neumeyer and Raymond Polman; and
  - (xiii) the stated capital of the common shares of Amalco will be an amount equal to the paid-up capital, as that term is defined in the ITA, attributable to the Subco Shares immediately prior to the amalgamation; and
- (k) the exchanges and cancellations provided for in this Section 2.3 will be deemed to occur on the Effective Date, notwithstanding certain procedures related thereto may not be completed until after the Effective Date.

#### **2.4 Post-Effective Time Procedures.**

- (a) Following receipt of the Final Order and prior to the Effective Date, First Majestic shall deliver or arrange to be delivered to the Depositary the Share Consideration, including certificates representing the First Majestic Shares required to be issued to the Orko Shareholders in accordance with Section 2.3 hereof, which certificates shall be held by the Depositary as agent and nominee for such former Orko Shareholders for distribution to such former Orko Shareholders in accordance with the provisions of Article 4 hereof.
- (b) Subject to the provisions of Article 4 hereof, and upon return of a properly completed Letter of Transmittal by a registered former Orko Shareholder together with certificates, if any, which, immediately prior to the Effective Date, represented Orko Shares and such other documents as the Depositary may require, former Orko Shareholders shall be entitled to receive delivery of the

certificates representing the First Majestic Shares and cheques representing the cash to which they are entitled pursuant to Section 2.3(d).

- (c) An Eligible Holder whose Orko Shares are exchanged for the Share Consideration pursuant to the Arrangement shall be entitled to make an income tax election, pursuant to section 85 of the ITA (and any analogous provision of provincial income tax law) (a "**Section 85 Election**") with respect to the exchange by providing the necessary information in accordance with the procedures set out in the tax instruction letter on or before the date 90 days after the Effective Date. Neither Orko, First Majestic nor any successor corporation shall be responsible for the proper completion of any election form nor, except for the obligation to sign and return duly completed election forms which are received within 90 days of the Effective Date, for any taxes, interest or penalties resulting from the failure of an Eligible Holder to properly complete or file such election forms in the form and manner and within the time prescribed by the ITA (or any applicable provincial legislation). In its sole discretion, First Majestic or any successor corporation may choose to sign and return an election form received by it more than 90 days following the Effective Date, but will have no obligation to do so.
- (d) Upon receipt of a Letter of Transmittal in which an Eligible Holder has indicated that such holder wishes to receive a tax instruction letter, First Majestic will promptly deliver a tax instruction letter to such holder. The tax instruction letter will provide general instructions on how to make the Section 85 Election with First Majestic in order to obtain a full or partial tax deferred rollover for Canadian income tax purposes in respect of the sale of the Eligible Holder's Orko Shares to First Majestic.

**2.5 Entitlement to Cash Consideration.** In any case where the aggregate cash consideration payable to a particular Orko Shareholder under this Arrangement would, but for this provision, include a fraction of a cent, the consideration payable shall be rounded down to the nearest whole cent.

**2.6 No Fractional First Majestic Shares.** In no event shall any holder of Orko Shares be entitled to a fractional First Majestic Share. Where the aggregate number of First Majestic Shares to be issued to a former Orko Shareholder as consideration under this Arrangement would result in a fraction of a First Majestic Share being issuable, the number of First Majestic Shares to be received by such Orko Shareholder shall be rounded down to the nearest whole First Majestic Share.

**2.7 Adjustments to the Exchange Ratio.** The Exchange Ratio shall be adjusted to reflect fully the effect of any stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into First Majestic Shares, other than stock dividends paid in lieu of ordinary course dividends), consolidation, reorganization, recapitalization or other like change with respect to First Majestic Shares occurring after the date of the Arrangement Agreement and prior to the Effective Time.

**ARTICLE 3  
RIGHTS OF DISSENT**

**3.1 Rights of Dissent.**

- (a) Registered holders of Orko Shares may exercise rights of dissent ("**Dissent Rights**") with respect to such shares pursuant to and in the manner set forth in Section 237 to 247 of the Business Corporations Act and this Section 3.1 (the "**Dissent Procedures**") in connection with the Arrangement; provided that, notwithstanding subsection 242(a) of the Business Corporations Act, the written objection to the Arrangement Resolution referred to in subsection 242(a) of the Business Corporations Act must be received by Orko not later than 5:00 p.m. (Vancouver time) on the business day that is two business days before the Meeting Date or any date to which the Orko Meeting may be postponed or adjourned and provided further that Dissenting Shareholders who:
- (i) are ultimately entitled to be paid fair value for their Orko Shares shall be deemed to have transferred such Orko Shares to First Majestic as of the Effective Time without any further act or formality and free and clear of all liens, claims and encumbrances, in consideration for the payment by First Majestic of the fair value thereof, in cash; or
  - (ii) are ultimately not entitled, for any reason, to be paid fair value for their Orko Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Orko Shares and shall receive Share Consideration on the basis determined in accordance with Section 2.3(d);

but in no case shall First Majestic, Orko or any other Person be required to recognize such Persons as holders of Orko Shares after the Effective Time, and the names of such Persons shall be deleted from the registers of holders of Orko Shares at the Effective Time.

- (b) In addition to any other restrictions set forth in the Business Corporations Act, none of the following shall be entitled to exercise Dissent Rights:
- (i) Orko Optionholders; and
  - (ii) Orko Shareholders who vote in favour of the Arrangement Resolution.

**ARTICLE 4  
EXCHANGE OF CERTIFICATES AND DELIVERY OF CASH**

**4.1 Delivery of First Majestic Shares and Cash.**

- (a) Upon surrender to the Depository for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding Orko Shares that were exchanged for the Share Consideration in accordance with

Section 2.3(d) hereof together with such other documents and instruments as would have been required to effect the transfer of the Orko Shares formerly represented by such certificate under the Business Corporations Act and the articles of Orko and such additional documents and instruments as the Depository may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depository shall deliver to such holder following the Effective Time, a certificate representing the First Majestic Shares and a cheque representing the cash that such holder is entitled to receive in accordance with Section 2.3(d) hereof.

- (b) After the Effective Time and until surrendered for cancellation as contemplated by Section 4.1(a) hereof, each certificate that immediately prior to the Effective Time represented one or more Orko Shares shall be deemed at all times to represent only the right to receive in exchange therefor the Share Consideration that the holder of such certificate is entitled to receive in accordance with Section 2.3(d) hereof.

**4.2 Distributions with Respect to Unsurrendered Certificates.** No dividends or other distributions declared or made after the Effective Time with respect to First Majestic Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered certificate which immediately prior to the Effective Time represented outstanding Orko Shares that were exchanged pursuant to Section 2.3 unless and until the holder of record of such certificate shall surrender such certificate in accordance with Section 4.1. Subject to applicable law, at the time of such surrender of any such certificate (or in the case of clause (ii) below, at the appropriate payment date), there shall be paid to the holder of record of the certificates formerly representing whole Orko Shares, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole First Majestic Share and (ii) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole First Majestic Share.

**4.3 Lost Certificates.** In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Orko Shares that were exchanged pursuant to Section 2.3(d) shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depository will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more First Majestic Shares (and any dividends or distributions with respect thereto) deliverable in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom certificates representing First Majestic Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to First Majestic and its transfer agent in such sum as First Majestic may direct or otherwise indemnify First Majestic in a manner satisfactory to First Majestic against any claim that may be made against First Majestic with respect to the certificate alleged to have been lost, stolen or destroyed.

**4.4 Extinction of Rights.** Any certificate which immediately prior to the Effective Time represented outstanding Orko Shares that were exchanged pursuant to Section 2.3(d) and not deposited, with all other instruments required by Section 4.1 on or prior to the third anniversary of the Effective Date shall cease to represent a claim or interest of any kind or nature as a shareholder of First Majestic. On such date, the First Majestic Shares to which the former registered holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered to First Majestic together with all entitlements to dividends, distributions and interest thereon held for such former registered holder. None of First Majestic, Orko or the Depositary shall be liable to any person in respect of any First Majestic Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

**4.5 Withholding and Sale Rights.** Each of First Majestic and the Depositary shall be entitled to deduct and withhold from (i) any First Majestic Shares or other consideration otherwise issuable or payable pursuant to this Plan of Arrangement to any holder of Orko Shares, or (ii) any dividend or consideration otherwise payable to any holder of Orko Shares or First Majestic Shares such amounts as First Majestic or the Depositary, respectively, is required to deduct and withhold with respect to such issuance or payment, as the case may be, under the ITA, the U.S. Internal Revenue Code or any provision of provincial, state, local or foreign tax law, in each case as amended. To the extent that the amount so required to be deducted or withheld from the First Majestic Shares, dividends or consideration otherwise issuable or payable to a holder exceeds the cash portion of the consideration otherwise payable to such holder, each of First Majestic and the Depositary is hereby authorized to sell or otherwise dispose of, at such times and at such prices as it determines, in its sole discretion, such portion of the First Majestic Shares otherwise issuable or payable to such holder as is necessary to provide sufficient funds to First Majestic or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement, and shall notify the holder thereof and remit to such holder any unapplied balance of the net proceeds of such sale or disposition (after deducting applicable sale commissions and any other reasonable expenses relating thereto) in lieu of the First Majestic Shares or other consideration so sold or disposed of. To the extent that amounts are so withheld or First Majestic Shares or other consideration are so sold or disposed of, such withheld amounts, or shares or other consideration so sold or disposed of, shall be treated for all purposes as having been paid to the holder of the shares in respect of which such deduction, withholding, sale or disposition was made, provided that such withheld amounts, or the net proceeds of such sale or disposition, as the case may be, are actually remitted to the appropriate taxing authority. Neither of First Majestic or the Depositary shall be obligated to seek or obtain a minimum price for any of the First Majestic Shares or other consideration sold or disposed of by it hereunder, nor shall any of them be liable for any loss arising out of any such sale or disposition.

**4.6 Paramouncy.** From and after the Effective Time:

- (a) this Plan of Arrangement shall take precedence and priority over any and all Orko Shares and Orko Options issued prior to the Effective Time; and
- (b) the rights and obligations of the Orko Securityholders shall be solely as provided in this Plan of Arrangement.

**ARTICLE 5  
AMENDMENTS**

**5.1** First Majestic and Orko reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be: (i) set out in writing, (ii) agreed to in writing by First Majestic and Orko, (iii) filed with the Court and, if made following the Meeting, approved by the Court, and (iv) communicated to holders of Orko Shares if and as required by the Court.

**5.2** Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Orko at any time prior to the Meeting (provided that First Majestic shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

**5.3** Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if (i) it is consented to in writing by each of Orko and First Majestic, and (ii) if required by the Court, it is consented to by holders of the Orko Shares voting in the manner directed by the Court.

**5.4** Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by First Majestic, provided that it concerns a matter which, in the reasonable opinion of First Majestic, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any holder of Orko Securities.

**ARTICLE 6  
FURTHER ASSURANCES**

**6.1** Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done or executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

**APPENDIX C - FAIRNESS OPINIONS**

December 16, 2012

Board of Directors  
Orko Silver Corp.  
Suite 2610 – 1066 West Hastings Street  
Vancouver, B.C., Canada  
V6E 3X2

To the Board of Directors:

BMO Nesbitt Burns Inc. (“BMO Capital Markets” or “we” or “us”) understands that Orko Silver Corp. (the “Company”) and First Majestic Silver Corp. (the “Acquiror”) propose to enter into an arrangement agreement to be dated as of December 16, 2012 (the “Arrangement Agreement”) pursuant to which, among other things, the Acquiror will acquire all of the outstanding common shares of the Company (“Shares”) and pursuant to which each holder of Shares (collectively, the “Shareholders”) will be entitled to receive, in exchange for each Share held, 0.1202 of a common share of the Acquiror plus \$0.0001 in cash (the “Consideration”). We also understand that the acquisition contemplated by the Arrangement Agreement is proposed to be effected by way of an arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”). The terms and conditions of the Arrangement will be summarized in the Company’s management proxy circular (the “Circular”) to be mailed to holders of Shares (the “Shareholders”) in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Arrangement.

We have been retained to provide financial advice to the Company, including our opinion (the “Opinion”) to the board of directors of the Company (the “Board of Directors”) as to the fairness, from a financial point of view, of the Consideration to be received by the Shareholders pursuant to the Arrangement.

### ***Engagement of BMO Capital Markets***

The Company initially contacted BMO Capital Markets regarding a potential advisory assignment in April 2008. BMO Capital Markets was formally engaged by the Company pursuant to an agreement dated February 14, 2012 (the “Engagement Agreement”). Under the terms of the Engagement Agreement, BMO Capital Markets has agreed to provide the Company and the Board of Directors with various advisory services in connection with the Arrangement including, among other things, the provision of the Opinion.

BMO Capital Markets will receive a fee for rendering the Opinion. We will also receive certain fees for our advisory services under the Engagement Agreement, a substantial portion of which is contingent upon the successful completion of the Arrangement. The Company has also agreed to reimburse us for our reasonable out-of-pocket expenses and to indemnify us against certain liabilities that might arise out of our engagement.

### ***Credentials of BMO Capital Markets***

BMO Capital Markets is one of North America's largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions.

The Opinion represents the opinion of BMO Capital Markets, the form and content of which have been approved for release by a committee of our officers who are collectively experienced in merger and acquisition, divestiture, restructuring, valuation, fairness opinion and capital markets matters.

### ***Independence of BMO Capital Markets***

Neither BMO Capital Markets, nor any of our affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (British Columbia) or the rules made thereunder) of the Company, the Acquiror, or any of their respective associates or affiliates (collectively, the "Interested Parties").

BMO Capital Markets has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than: (i) acting as financial advisor to the Company and the Board of Directors pursuant to the Engagement Agreement and (ii) acting as financial advisor to the Acquiror with respect to its acquisition of Silvermex Resources Inc. which closed on July 3, 2012.

Other than an agreement with the Acquiror regarding a potential future financing, there are no understandings, agreements or commitments between BMO Capital Markets and any of the Interested Parties with respect to future business dealings. BMO Capital Markets may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of the Interested Parties from time to time.

BMO Capital Markets and certain of our affiliates act as traders and dealers, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of one or more of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of one or more Interested Parties for which BMO Capital Markets or such affiliates received or may receive compensation. As investment dealers, BMO Capital Markets and certain of our affiliates conduct research on securities and may, in the ordinary course of business, provide research reports and investment advice to clients on investment matters, including with respect to one or more of the Interested Parties or the Arrangement. In addition, Bank of Montreal ("BMO"), of which BMO Capital Markets is a wholly-owned subsidiary, or one or more affiliates of BMO, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

### *Scope of Review*

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

1. a draft of the Arrangement Agreement dated December 15, 2012;
2. a draft of the voting and support agreements (the “Support Agreements”) dated December 15, 2012, to be entered into between the Acquiror and certain officers and directors of the Company;
3. certain publicly available information relating to the business, operations, financial condition and trading history of the Company and the Acquiror and other selected public companies we considered relevant;
4. certain internal financial, operating, corporate and other information prepared or provided by or on behalf of the Company and the Acquiror relating to the business, operations and financial condition of the Company and the Acquiror;
5. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of the Company;
6. La Preciosa NI43-101 Preliminary Economic Assessment dated June 30, 2011 and La Preciosa NI43-101 Updated Mineral Resource Estimate Statement dated November 5, 2012;
7. discussions with management of the Company relating to the Company’s current business, plan, financial condition and prospects;
8. discussions with management of the Acquiror related to the current business plan, financial condition and prospects of the Acquiror, as well as their plans for the operation and integration of the Company’s assets;
9. public information with respect to selected precedent transactions we considered relevant;
10. various reports published by equity research analysts we considered relevant;
11. a letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by senior officers of the Company; and
12. such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

BMO Capital Markets has not, to the best of its knowledge, been denied access by the Company to any information under the Company’s control requested by BMO Capital Markets.

***Assumptions and Limitations***

We have relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources or provided to us by or on behalf of the Company or otherwise obtained by us in connection with our engagement (the “Information”). The Opinion is conditional upon such completeness, accuracy and fair presentation. We have not been requested to, and have not assumed any obligation to, independently verify the completeness, accuracy or fair presentation of any such Information. We have assumed that forecasts, projections, estimates and budgets provided to us and used in our analyses were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company or the Acquiror, as applicable, having regard to the business plans, financial condition and prospects of the Company and Acquiror, respectively.

Senior officers of the Company have represented to BMO Capital Markets in a letter of representation delivered as of the date hereof, among other things, that: (i) the Information provided to BMO Capital Markets orally by, or in the presence of, an officer or employee of, the Company, or in writing by the Company or any of its subsidiaries (as defined in National Instrument 45-106 – *Prospectus and Registration Exemptions*) or any of its or their representatives in connection with our engagement was, at the date the Information was provided to BMO Capital Markets, and is, as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (British Columbia)); and (ii) since the dates on which the Information was provided to BMO Capital Markets, except as disclosed in writing to BMO Capital Markets, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries, and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Opinion.

In preparing the Opinion, we have assumed that the executed Arrangement Agreement and Support Agreements will not differ in any material respect from the drafts that we reviewed and that the Arrangement will be consummated in accordance with the terms and conditions of the Arrangement Agreement without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of the date hereof and the condition and prospects, financial and otherwise, of the Company and the Acquiror as they are reflected in the Information and as they have been represented to BMO Capital Markets in discussions with management of the Company and its representatives. In our analyses and in preparing the Opinion, BMO Capital Markets made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Arrangement.

The Opinion is provided to the Board of Directors for its exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without our prior written consent. The Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the Company, the Acquiror, or any of their respective affiliates, and the Opinion should not be construed as such. The Opinion is not, and should not be construed as, advice as to the price at which the securities of the Company or the Acquiror may trade at any time. BMO Capital Markets was not engaged to review any legal, tax or regulatory aspects of the Arrangement and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by the Company and its legal advisors with respect to such matters. In addition, the Opinion does not address the relative merits of the Arrangement as compared to any strategic alternatives that may be available to the Company.

The Opinion is rendered as of the date hereof and BMO Capital Markets disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of BMO Capital Markets after the date hereof. Without limiting the foregoing, if we learn that any of the information we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, BMO Capital Markets reserves the right to change or withdraw the Opinion.

### ***Conclusion***

Based upon and subject to the foregoing, BMO Capital Markets is of the opinion that, as of the date hereof, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders.

Yours truly,

*BMO Nesbitt Burns Inc.*

**BMO Nesbitt Burns Inc.**

December 16, 2012

Board of Directors  
Orko Silver Corp.  
Suite 1180 – 999 West Hastings Street  
Vancouver, B.C., Canada  
V6C 2W2

Dear Sirs:

GMP Securities L.P. (“**GMP**” or “**we**” or “**our**”) understands that First Majestic Silver Corp. (“**First Majestic**”) intends to acquire all of the issued and outstanding common shares of Orko Silver Corp. (“**Orko**”) in exchange for common shares of First Majestic by way of a plan of arrangement under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (the “**Arrangement**”).

### ***The Arrangement***

Pursuant to the Arrangement, the holders of common shares of Orko (the “**Shareholders**”) will receive consideration of 0.1202 common shares of First Majestic and \$0.0001 in cash for each Orko common share.

The Arrangement is subject to certain conditions, including, without limitation, approval by at least 66<sup>2</sup>/<sub>3</sub>% of the votes cast in person or by proxy at a meeting of the Shareholders and holders of options to acquire common shares of Orko, voting together as a single class, to approve the Arrangement, court approval and regulatory approval.

The terms and conditions of, and other matters relating to, the Arrangement are set forth in an arrangement agreement to be dated December 16, 2012 and entered into between First Majestic, Orko and 0957445 B.C. Ltd., a subsidiary of First Majestic as such agreement may be amended by mutual agreement of the parties (the “**Arrangement Agreement**”).

### ***GMP’s Engagement***

Orko retained GMP to act as its financial advisor in respect of the Arrangement pursuant to an engagement letter (the “**Engagement Letter**”) dated February 14, 2012 which, among other things, provides that GMP will deliver, at the request of the board of directors of Orko (the “**Board**”) or a special committee thereof, an opinion (the “**Opinion**”) as to whether the consideration to be paid by First Majestic to the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders.

The Engagement Letter provides that GMP will be entitled to receive from Orko, for the services provided by GMP thereunder, a fee that is not contingent on the conclusions reached by GMP in the Opinion, as well as the reimbursement of all reasonable legal and out-of-pocket expenses. GMP shall be entitled to receive an additional fee upon the successful completion of the Arrangement. The fees received by GMP under the terms of the Engagement Letter are not material to GMP. In addition, under the terms of the Engagement Letter, GMP and its affiliates and their respective directors, officers, employees and agents are to be indemnified by Orko under certain circumstances from and against certain potential liabilities arising out of the performance of professional services rendered to Orko.

GMP has not been engaged to prepare, and has not prepared, a valuation or appraisal of Orko or First Majestic, or any of their respective assets, securities or liabilities (whether on a standalone basis or as a combined entity), and the Opinion should not be construed as such. Furthermore, the Opinion is not, and should not be construed as, advice as to the price at which the common shares of First Majestic or Orko (before or after the announcement of the Arrangement) may trade at any future date. GMP was similarly not engaged to review any legal, tax or accounting aspects of the Arrangement and accordingly expresses no view thereon. We have assumed, with your agreement, that the Arrangement is not a “related party transaction” as defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) and, accordingly, the Arrangement is not subject to the valuation requirements under MI 61-101.

### ***Credentials of GMP***

GMP is a wholly-owned subsidiary of GMP Capital Inc., which is a publicly traded investment banking firm listed on the Toronto Stock Exchange with offices in Toronto, Calgary and Montreal, Canada, in New York, Miami and Dallas, USA, in London, England and in Sydney and Perth, Australia. GMP is a leading independent Canadian investment dealer focused on investment banking and institutional equities for corporate clients and institutional investors. As part of GMP’s investment banking activities, we are regularly engaged in the valuation of securities and the preparation of fairness opinions in connection with mergers and acquisitions, public offerings and private placements of listed and unlisted securities and regularly engage in market making, underwriting and secondary trading of securities in connection with a variety of transactions. GMP is not in the business of providing auditing services and is not controlled by a financial institution.

The Opinion expressed herein represents the opinion of GMP and the form and content hereof have been approved for release by a group of professionals of GMP, each of whom is experienced in merger, acquisition, divestiture, restructurings, valuation and fairness opinion matters.

### ***Independence of GMP***

None of GMP, its affiliates or associates is an insider, associate or affiliate (as such terms are defined in the Securities Act (Ontario) or the rules, regulations or policies promulgated thereunder) of Orko or First Majestic or of any of their respective associates or affiliates (collectively, the “**Interested Parties**”). GMP has been retained by Orko to provide financial advisory services pursuant to the terms of the Engagement Letter, which includes the delivery of the Opinion to the Board in respect to the Arrangement. GMP has not been engaged to provide any financial advisory services, nor has it participated in any financings involving the Interested Parties within the past two years, other than acting as a financial advisor to Orko pursuant to the Engagement Letter. In addition to the services discussed above, GMP has from time to time provided advice to Orko on various other transactions that were not completed.

In the ordinary course of its business, GMP acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have, today, or in the future, positions in the securities of Orko and First Majestic and, from time to time, may have executed or may execute transactions on behalf of Orko or First Majestic or other clients for which it received or may receive compensation. In addition, as an investment dealer, GMP conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including research with respect to Orko

or First Majestic or their respective affiliates or associates.

### **Scope of Review**

GMP has acted as financial advisor to Orko in respect of the Arrangement and certain related matters. In this context, and for the purpose of preparing the Opinion, we have analyzed financial, operational and other information relating to Orko and First Majestic, including information derived from meetings and discussions with the management of Orko. GMP did not meet with management of First Majestic. Except as expressly described herein, GMP has not conducted any independent investigations to verify the accuracy and completeness thereof.

In connection with rendering the Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

- a) a review of the Arrangement Agreement as it relates to financial matters;
- b) an analysis of certain publicly available financial, technical and other information of Orko and First Majestic including a review of the most recent audited and unaudited consolidated financial statements and management discussion and analysis of Orko and First Majestic;
- c) a comparison of the multiples implied under the terms of the Arrangement to an analysis of recent comparable precedent transactions involving companies we deemed relevant and the consideration paid for such companies;
- d) a comparison of the multiples implied under the terms of the Arrangement to an analysis of the trading levels of similar companies we deemed relevant under the circumstances;
- e) a comparison of the consideration to be received by the Shareholders and the implied exchange ratio to the recent trading levels of Orko and First Majestic;
- f) a review of the officer's certificates addressed to GMP executed by each of the Chief Executive Officer and the Executive Vice President of Orko dated the date hereof and setting out representations as to certain factual matters and the completeness and accuracy of the information upon which the Opinion is based;
- g) a review of various equity research reports and industry sources regarding Orko and First Majestic;
- h) a review of historical metal commodity prices and considered the impact of various commodity pricing assumptions on the respective business, prospects and financial forecasts;
- i) a comparison of the relative contribution of assets, net asset value, production and reserves/resources by Orko and First Majestic to the relative *pro forma* ownership of Orko and First Majestic if the Arrangement is completed; and
- j) considered such other corporate, industry and financial market information, investigations and analyses as GMP considered necessary or appropriate in the circumstances.

In its assessment, GMP considered several methodologies, analyses and techniques and used a combination of approaches to determine its opinion on the Arrangement. GMP based the Opinion upon a number of quantitative and qualitative factors. In arriving at the Opinion, GMP has attributed greater weight to certain analyses and factors that it deemed appropriate based on GMP's experience in rendering such opinions.

GMP has not, to the best of its knowledge, been denied access by Orko to any information requested. GMP did not meet with the auditors or technical consultants of Orko or First Majestic and has assumed the accuracy and fair presentation of the audited comparative consolidated financial statements of Orko and First Majestic, the reports of the auditors thereon and the technical reports of both entities.

### ***Assumptions and Limitations***

With Orko's approval and as provided for in the Engagement Letter, GMP has relied upon and has assumed the completeness, accuracy and fair representation of all financial and other information, data, advice, opinions and representations obtained by GMP from public sources, including information relating to Orko and First Majestic, or provided to GMP by Orko and First Majestic and their subsidiaries or their respective directors, officers, affiliates, consultants, representatives or advisors or otherwise pursuant to our engagement (collectively referred to as the "**Information**"), and the Opinion is conditional upon such completeness, accuracy and fairness. Subject to the exercise of professional judgment and except as expressly described herein, GMP has not attempted to verify independently the accuracy or completeness of the Information. Senior officers of Orko have represented to GMP, in certificates delivered as at the date hereof, among other things, that the Information was, at the date the Information was provided to GMP, and is as of the date of the certificate, fairly, accurately and reasonably presented and not misleading in light of the circumstances under which they were made or presented and was and is complete, true and correct, and did not and does not contain any untrue statement of a material fact and that, since the date of the Information, there has been no material change, financial or otherwise, in the positions of Orko or First Majestic, or in their respective financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects and there has been no change in any material fact or no new material fact which is of a nature as to render the Information or any part of the Information untrue or misleading in any material respect.

With respect to forecasts, projections, estimates and/or budgets provided to GMP and used in GMP's analysis, we note that projecting future results of any company is inherently subject to uncertainty. We have assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein, which, in the opinion of management of Orko, are, or were at the time and continue to be, reasonable in the circumstances. GMP relied exclusively on Orko management's guidance for projected net asset value and production estimates. GMP expressly disclaims any responsibility for any near or long-term impacts to the related analysis as a result of changes in management's projections or additional future work completed on any of Orko's properties that might impact such valuation.

The Arrangement is subject to a number of conditions outside the control of Orko and First Majestic and GMP has assumed any and all conditions precedent, contractual or otherwise, to the completion of the Arrangement can be satisfied in due course and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualification and that the Arrangement can proceed (legally and otherwise) as currently planned and scheduled and without material additional cost to Orko or First Majestic or liability of Orko or First Majestic to third parties. GMP has further assumed that neither Orko nor

First Majestic will incur any material liability or obligation, or lose any material rights, as a result of the completion of the Arrangement and that the procedures being followed to implement the Arrangement are valid and effective, and in accordance with applicable laws and that the disclosure of Orko, First Majestic and/or the Arrangement in any disclosure documents will be accurate and will comply with the requirements of applicable laws. In rendering the Opinion, GMP expresses no view as to the likelihood that any conditions respecting the Arrangement will be satisfied or waived or that the Arrangement will be implemented on a timely basis.

The Opinion is rendered as of December 16, 2012 on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof, and the condition and prospects, financial and otherwise, of Orko and First Majestic as they were reflected in the Information and as they were represented to GMP in discussions with the management, officers and directors of Orko. In rendering the Opinion, GMP has assumed that there are no undisclosed material facts or misrepresentations relating to Orko or First Majestic, or their respective businesses, operations, capital or future prospects. Any changes therein may affect the Opinion and, although GMP reserves the right to change or withdraw the Opinion in such event, we disclaim any obligation to advise any person of any change that may come to our attention or to update the Opinion after today. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, GMP reserves the right to change, modify or withdraw the Opinion.

The Opinion does not constitute a recommendation to the Board or to any Shareholder as to whether Shareholders should vote in favour of the Arrangement. The Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent, except that we consent to the inclusion in any information circular of the Opinion in its entirety and to any accompanying disclosure that we approve in advance. GMP considered the fairness of the Arrangement from a financial point to the Shareholders and did not consider any other circumstances or views.

GMP believes that the analyses and factors considered in arriving at the Opinion must be considered as a whole and is not amenable to partial analyses or summary description and that selecting portions of the analyses and the factors considered, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In arriving at the Opinion, GMP has not attributed any particular weight to any specific analyses or factor but rather based the Opinion on a number of qualitative and quantitative factors deemed appropriate by GMP based on GMP's experience in rendering such opinions.

In our analyses and in connection with the preparation of the Opinion, GMP has made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. While in the opinion of GMP, the assumptions used in preparing the Opinion are reasonable in the current circumstances, some or all of these assumptions may prove to be incorrect.

### ***Conclusion and Fairness Opinion***

Based upon our analysis and subject to the foregoing and such other matters as we have considered relevant, GMP is of the opinion that, as of the date hereof, the consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Shareholders.

The Opinion has been provided solely for the use of the Board for the purposes of considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without the express prior written consent of GMP.

Yours very truly,

A handwritten signature in blue ink that reads "GMP Securities L.P." in a cursive script.

**GMP SECURITIES L.P.**

**APPENDIX D - INTERIM ORDER AND NOTICE OF PETITION**



S= 130422

No. \_\_\_\_\_  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE BRITISH COLUMBIA BUSINESS CORPORATIONS ACT, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
ORKO SILVER CORP.

ORKO SILVER CORP.

PETITIONER

**ORDER MADE AFTER APPLICATION  
(INTERIM ORDER)**

BEFORE ) ~~THE HONOURABLE JUSTICE~~  
          ) )  
          ) or MASTER SCARTH ) 18/Jan /2013  
          ) )

ON THE APPLICATION of the Petitioner, Orko Silver Corp. ("Orko") for an Interim Order under section 291 of the British Columbia *Business Corporations Act*, S.B.C. 2002, c. 57, as amended (the "BCBCA") in connection with an arrangement with First Majestic Silver Corp. ("First Majestic") and 0957445 B.C. Ltd. ("Subco") under section 288 of the BCBCA

without notice coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on 18/Jan /2013 and on hearing Michael L. Bromm, counsel for Orko and upon reading the Affidavit No. 1 of Ross Wilmot made Jan 18, 2013 (the "Wilmot Affidavit");

THIS COURT ORDERS that:

**DEFINITIONS**

1. As used in this Order, unless otherwise defined, terms beginning with capital letters will have the respective meanings set out in the notice of meeting relating to the special meeting of the shareholders and optionholders of Orko (the "Notice") and accompanying management information circular of Orko (the "Information Circular"), attached as Exhibit "A" to the Wilmot Affidavit.

## SPECIAL MEETING

2. Pursuant to section 291(2)(b)(i) and section 289(1)(a)(i) and (e) of the BCBCA, Orko is authorized and directed to call, hold and conduct a special meeting (the "Meeting") of the holders of Orko Shares ("Orko Shareholders") and the holders of Orko Options (the "Orko Optionholders", with the Orko Shareholders and Orko Optionholders together being the "Orko Securityholders") to be held on February 20, 2013 at 10:00 a.m. (Vancouver local time) at the Fairmont Pacific Rim, Pearl Room, 1038 Canada Place, Vancouver, British Columbia, V6C 0B9 to, *inter alia*, consider and, if deemed advisable, to pass, with or without variation, a special resolution (the "Arrangement Resolution") approving and adopting in accordance with section 289(1)(a)(i) and (e) of the BCBCA an arrangement substantially as contemplated in the Plan of Arrangement (the "Arrangement"), a draft of which special resolution is attached as Appendix "A" to the Information Circular.
3. The Meeting will be called, held and conducted in accordance with the BCBCA, the Notice, the Information Circular, the articles of Orko and applicable securities laws, subject to the terms of this Interim Order and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order, and to the extent of any inconsistency (including any inconsistency between this Interim Order and the terms of any instrument creating or governing or collateral to the Orko Shares or Orko Options) this Interim Order will govern or, if not specified in the Interim Order, the Information Circular will govern.

## AMENDMENTS

4. Orko is authorized to make, in the manner contemplated by and subject to the Arrangement Agreement, such amendments, modifications or supplements to the Arrangement, the Plan of Arrangement, the Arrangement Agreement and the Notice as it may determine without any additional notice to or authorization of the Orko Securityholders or further orders of this Court. The Arrangement, the Plan of Arrangement, the Arrangement Agreement and the Notice as so amended, modified or supplemented, will be the Arrangement, the Plan of Arrangement, the Arrangement Agreement and the Notice to be submitted to Orko Securityholders at the Meeting, as applicable, and the subject of the Arrangement Resolution.

## ADJOURNMENTS AND POSTPONEMENTS

5. Notwithstanding the provisions of the BCBCA and the articles of Orko, the board of directors of Orko (the "Orko Board") by resolution will be entitled to adjourn or postpone the Meeting on one or more occasions without the necessity of first convening the Meeting or first obtaining any vote of the

Orko Securityholders respecting the adjournment or postponement, and without the need for approval of this Court, subject to the Arrangement Agreement. Notice of any such adjournment or postponement will be given by press release, newspaper advertisement or notice sent to the Orko Securityholders by one of the methods specified in paragraph 8 of this Interim Order, as determined to be the most appropriate method of communication by the Orko Board.

#### **RECORD DATE**

6. The record date for determining Orko Securityholders entitled to receive the Notice, the Information Circular and the forms of proxy for use by the Orko Securityholders (collectively, the "Meeting Materials") will be 17:00 Vancouver time on January 14, 2013 (the "Record Date"), as previously approved by the Orko Board and published by Orko.

#### **NOTICE OF SPECIAL MEETING**

7. The Information Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of section 290(1)(a) of the BCBCA, and Orko will not be required to send to the Orko Securityholders any other or additional statement pursuant to section 290(1)(a) of the BCBCA.
8. The Meeting Materials, with such amendments or additional documents as counsel for Orko may advise are necessary or desirable, and as are not inconsistent with the terms of this Interim Order, will be sent:
  - a. to Registered Orko Shareholders and to Orko Optionholders determined as at the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or delivery, by prepaid ordinary mail or by delivery in person or by recognized courier service, addressed to the Registered Orko Shareholder or Orko Optionholder at its address as it appears in Orko's central securities register (in the case of Registered Orko Securityholders) or register of Orko Optionholders (in the case of Orko Optionholders) as at the Record Date;
  - b. to beneficial Orko Shareholders (those whose names do not appear in the central securities register of Orko), by providing, in accordance with National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the requisite number of copies of the Meeting Materials to intermediaries and registered nominees to facilitate the distribution of the Meeting Materials to beneficial Orko Shareholders;

- c. at any time by email or facsimile transmission to any Orko Securityholder who identifies himself or herself to the satisfaction of Orko (acting through its representatives), who requests such email or facsimile transmission and, if required by Orko, agrees to pay the charges related to such transmission; and
- d. to the directors and auditor of Orko by prepaid ordinary mail or by delivery in person or by recognized courier service or by email or facsimile transmission at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing, delivery or transmission;

and substantial compliance with this paragraph will constitute good and sufficient notice of the Meeting.

- 9. The Meeting Materials need not be sent to registered Orko Shareholders or Orko Optionholders where mail previously sent to such holders by Orko or its registrar and transfer agent has been returned to Orko or its registrar and transfer agent on at least two previous consecutive occasions.
- 10. Accidental failure of or omission by Orko to give notice to any one or more Orko Securityholders or the non-receipt of such notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Orko (including, without limitation, any inability to use postal services) will not constitute a breach of this Interim Order or, in relation to notice to Orko Securityholders, a defect in the calling of the Meeting and will not invalidate any resolution passed or proceeding taken at the Meeting, but if any such failure or omission is brought to the attention of Orko, then it will use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

#### **DEEMED RECEIPT OF NOTICE**

- 11. The Meeting Materials and any amendments, modifications, updates or supplements to the Meeting Materials and any notice of adjournment or postponement of the Meeting, will be deemed to have been received,
  - (a) in the case of mailing, at the time specified at section 6 of the BCBCA;
  - (b) in the case of delivery in person, upon receipt thereof at the intended recipient's address or, in the case of delivery by courier, one (1) business day after receipt by the courier;
  - (c) in the case of transmission by email or facsimile, upon the transmission thereof;

- (d) in the case of advertisement, at the time of publication of the advertisement;
- (e) in the case of electronic filing on SEDAR, upon the transmission thereof; and
- (f) in the case of beneficial Orko Shareholders, three (3) days after delivery thereof to intermediaries and registered nominees.

#### **UPDATING MEETING MATERIALS**

12. Notice of any amendments, modifications, updates or supplements to any of the information provided in the Meeting Materials may be communicated, at any time prior to the Meeting, to the Orko Securityholders by press release, news release, newspaper advertisement or by notice sent to the Orko Securityholders by any of the means set forth in paragraph 8, as determined to be the most appropriate method of communication by the Orko Board.

#### **PERMITTED ATTENDEES**

13. The only persons entitled to attend the Meeting will be:
- (a) the Orko Shareholders and the Orko Optionholders as at the close of business on the Record Date, or their respective proxyholders;
  - (b) directors, officers, auditors and advisors of Orko;
  - (d) directors, officers and advisors of First Majestic; and
  - (e) other persons with the prior permission of the Chair of the Meeting;

and the only persons entitled to vote at the Meeting will be the Registered Orko Shareholders and the Orko Optionholders.

#### **SOLICITATION OF PROXIES**

14. Orko is authorized to use forms of proxy in substantially the same form as is attached as Exhibit "C" to the Wilmot Affidavit, subject to Orko's ability to insert dates and other relevant information in the final forms thereof and to make other non-substantive changes and changes legal counsel advise are necessary or appropriate. Orko is authorized, at its expense, to solicit proxies directly and through its officers, directors and employees, and through such agents or representatives as it may retain for that purpose and by mail, telephone or such other form of personal or electronic communication as it may determine.
15. The procedures for the use of proxies at the Meeting and revocation of proxies will be as set out in the Notice and the Information Circular.
16. Orko may in its discretion generally waive the time limits for the deposit of proxies by Orko Securityholders if Orko deems it advisable to do so, such waiver to be endorsed on the proxy by the initials of the Chair of the Meeting.

## QUORUM AND VOTING

17. At the Meeting, votes will be taken on the following bases:
- a. each registered Orko Shareholder whose name is entered on the central securities register of Orko, and each Orko Optionholder, both determined as at 17:00 on the Record Date, is entitled to one (1) vote for each Orko Share registered in his/her/its name or each Orko Share issuable in respect of each Orko Option issued to him/her/it;
  - b. the requisite and sole approvals required to pass the Arrangement Resolution will be the affirmative vote of at least two-thirds of the total votes cast by the Orko Securityholders, voting as a single class, present in person or by proxy and entitled to vote at the Meeting (excluding from the count of total votes cast any spoiled, illegible and/or defective ballots and abstentions); and,
  - (b) a quorum at the Meeting will be one person who is or represents by proxy a shareholder entitled to vote at the meeting, present in person or by proxy provided that, if a quorum is not reached within half an hour of the opening of the Meeting, the Meeting will stand adjourned to be reconvened without further notice on a day in the next week as determined by the Chair of the Meeting at the same time and place.
18. The vote of Orko Securityholders cast in respect of the Arrangement Resolution will also be counted, for the purpose of determining whether the minority approval requirements of Multilateral Instrument 61-101 have been met, by excluding the votes cast by the interested party and all related parties of, and joint actors with, the interested party.

## SCRUTINEER

19. The scrutineer for the Meeting will be Computershare Investor Services Inc. (acting through its representatives for that purpose). The duties of the scrutineer will include:
- (a) reviewing and reporting to the Chair on the deposit and validity of proxies;
  - (b) reporting to the Chair on the quorum of the Meeting;
  - (c) reporting to the Chair on the polls taken or ballots cast, if any, at the Meeting; and
  - (d) providing to Orko and to the Chair written reports on matters related to their duties.

## DISSENT RIGHTS

20. Registered holders of Orko Shares, except those who vote in favour of the Arrangement Resolution, may exercise dissent rights ("Dissent Rights")

pursuant to and in the manner set forth in Section 237 to 247 of the Business Corporations Act and this Section 20 (the "Dissent Procedures") in connection with the Arrangement; provided that, notwithstanding subsection 242(a) of the Business Corporations Act, the written objection to the Arrangement Resolution referred to in subsection 242(a) of the Business Corporations Act must be received by Orko not later than 5:00 p.m. (Vancouver time) on the business day that is two business days before the Meeting Date or any date to which the Orko Meeting may be postponed or adjourned and provided further that Dissenting Shareholders who:

- a. are ultimately entitled to be paid fair value for their Orko Shares will be deemed to have transferred such Orko Shares to First Majestic as of the Effective Time without any further act or formality and free and clear of all liens, claims and encumbrances, in consideration for the payment by First Majestic of the fair value thereof, in cash; or
- b. are ultimately not entitled, for any reason, to be paid fair value for their Orko Shares will be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Orko Shares and will receive consideration for their shares on the same basis as such non-dissenting shareholders;

but in no case will First Majestic, Orko or any other Person be required to recognize such persons as holders of Orko Shares after the Effective Time, and the names of such persons will be deleted from the registers of holders of Orko Shares at the Effective Time.

#### **APPLICATION FOR FINAL ORDER**

21. Orko will include in the Meeting Materials, when sent in accordance with paragraph 8 of this Interim Order, a copy of the Notice of Petition herein, in substantially the form attached as Exhibit "B" to the Wilmot Affidavit, and the text of this Interim Order (collectively, the "Court Materials"), and such Court Materials will be deemed to have been served at the times specified in accordance with paragraph 8 and/or 12 of this Interim Order, whether such persons reside within British Columbia or within another jurisdiction.
22. The persons entitled to appear and be heard at any hearing to sanction and approve the Arrangement, will be only:
  - (a) Orko;
  - (b) First Majestic;
  - (c) Subco; and

- (d) Orko Securityholders and other persons who have served and filed a Response to Petition and have otherwise complied with the Supreme Court Civil Rules and paragraph 23 of this Interim Order.
23. The sending of the Meeting Materials in the manner contemplated by paragraph 8 will constitute good and sufficient service and no other form of service need be effected and no other material need be served on such persons in respect of these proceedings, except with respect to any person who will:
- (a) file a Response to Petition, in the form prescribed by the Supreme Court Civil Rules, together with any evidence or material which is to be presented to the Court at the hearing of the Application; and
  - (b) deliver the filed Response to Petition together with a copy of any evidence or material which is to be presented to the Court at the hearing of the Application, to Orko's counsel at:

Stikeman Elliott LLP  
Barristers and Solicitors  
1700 - 666 Burrard Street  
Vancouver, British Columbia  
V6C 2X8

Attention: Michael L. Bromm

by or before 4:00 p.m. (Vancouver time) on February 19, 2013.

24. Upon the approval by the Orko Securityholders of the Arrangement Resolution, in the manner set forth in this Interim Order, Orko may apply to this Court (the "Application") for an Order:
- (a) pursuant to section 291(4)(a) of the BCBCA approving the Arrangement; and
  - (b) pursuant to section 291(4)(c) of the BCBCA declaring that the Arrangement is fair and reasonable to the Orko Securityholders
- (collectively the "Final Order")

and the hearing of the Application will be held on February 22, 2013 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the Application can be heard or at such other date and time as this Court may direct.

25. In the event that the hearing of the Application is adjourned, then only those persons who filed and delivered a Response to Petition in accordance with paragraph 23, need be served and provided with notice of the adjourned hearing date.

VARIANCE

- 26. Orko will be entitled, at any time, to apply to vary this Interim Order.
- 27. Rules 8-1 and 16-1(8) - (12) will not apply to any further applications in respect of this proceeding, including the application for the Final Order and any application to vary this Interim Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Lawyer for the Petitioner,  
Orko Silver Corp.

Lawyer: Michael L. Bromm



BY THE COURT



Deputy Registrar

No. \_\_\_\_\_  
Vancouver Registry

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**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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IN THE MATTER OF SECTION 288 OF THE BRITISH COLUMBIA BUSINESS  
CORPORATIONS ACT, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
ORKO SILVER CORP.

ORKO SILVER CORP.

PETITIONER

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**ORDER MADE AFTER APPLICATION**

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**STIKEMAN ELLIOTT LLP**

Suite 1700, Park Place  
666 Burrard Street  
Vancouver, BC V6C 2X8  
Telephone (604) 631-1300

Counsel: Michael Bromm  
File No.: 124649.1011

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF SECTION 288 OF THE BRITISH COLUMBIA BUSINESS  
CORPORATIONS ACT, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
ORKO SILVER CORP.

ORKO SILVER CORP.

PETITIONER

**NOTICE OF PETITION**

TO: The Securityholders of Orko Silver Corp. ("Orko").  
AND TO: First Majestic Silver Corp. ("First Majestic")  
AND TO: 0957445 B.C. Ltd. ("Subco")

NOTICE IS HEREBY GIVEN that Orko has filed a Petition to the Court in the Supreme Court of British Columbia for approval, pursuant to section 291 of the *Business Corporations Act*, S.B.C. 2002 c. 57 and amendments thereto, of an arrangement contemplated in an Arrangement Agreement dated as of December 16, 2012 involving Orko, First Majestic and Subco (the "Arrangement").

NOTICE IS FURTHER GIVEN that by Order of Master Scarth, a master of the Supreme Court of British Columbia, dated 18 Jan 2013, the Court has given directions by means of an interim order (the "Interim Order") as to the calling of a meeting (the "Meeting") of the registered holders of common shares of Orko and the registered holders of options to purchase common shares of Orko (together, the "Orko Securityholders") for the purpose of, among other things, considering and voting upon the special resolution to approve the Arrangement.

NOTICE IS FURTHER GIVEN that if the Arrangement is approved at the Meeting, Orko intends to apply to the Supreme Court of British Columbia for a final order (the "Final Order") approving the Arrangement and declaring it to be fair and reasonable to the Orko Securityholders, which application will be heard at the courthouse at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia on February 22, 2013 at 9:45 a.m. (Vancouver local time) or so soon thereafter as counsel may be heard or at such other date and time as the Court may direct.

NOTICE IS FURTHER GIVEN that the Court has been advised that, if granted, the Final Order approving the Arrangement and the declaration that the Arrangement is fair to the Orko Securityholders will constitute the basis for an exemption from the registration requirements under the *United States Securities Act of 1933*, pursuant to section 3(a)(10) thereof, upon which the parties will rely for the issuance and exchange of securities in connection with the Arrangement.

IF YOU WISH TO BE HEARD AT THE HEARING OF THE APPLICATION FOR THE FINAL ORDER OR WISH TO BE NOTIFIED OF ANY FURTHER PROCEEDINGS, YOU MUST GIVE NOTICE OF YOUR INTENTION by filing a form entitled "Response to Petition" together with any evidence or materials which you intend to present to the Court at the Vancouver Registry of the Supreme Court of British Columbia and YOU MUST ALSO DELIVER a copy of the Response to Petition and any other evidence or materials to the Petitioner's address for delivery, which is set out below, on or before 4:00 p.m. (Vancouver time) on February 19, 2013.

YOU OR YOUR SOLICITOR may file the Response to Petition. You may obtain a form of Response to Petition at the Registry. The address of the Registry is 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1.

IF YOU DO NOT FILE A RESPONSE TO PETITION AND ATTEND EITHER IN PERSON OR BY COUNSEL at the time of the hearing of the application for the Final Order, the Court may approve the Arrangement, as presented, or may approve it subject to such terms and conditions as the Court deems fit, all without further notice to you. If the Arrangement is approved, it will affect the rights of Orko Securityholders.

A copy of the Petition to the Court and the other documents that were filed in support of the Interim Order and will be filed in support of the Final Order will be furnished to any Orko Securityholder upon request in writing addressed to the solicitors of Orko at the address for delivery set out below.

The Petitioner's address for delivery is:

Stikeman Elliott LLP  
Barristers and Solicitors  
1700 - 666 Burrard Street  
Vancouver, BC V6C 2X8  
Attention: Michael L. Bromm

DATED this 18<sup>th</sup> day of January, 2013.



Solicitor for the Petitioner

**APPENDIX E - UNAUDITED PRO FORMA FINANCIAL STATEMENTS OF FIRST MAJESTIC**



# First Majestic Silver Corp.

## PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2012

(Unaudited) (tabular amounts are expressed in thousands of United States dollars)

	First Majestic Silver Corp.	Orko Silver Corp.	Note	Pro Forma Adjustments	First Majestic Pro Forma Consolidated
<b>Assets</b>		(Note 8(a))			
<b>Current assets</b>					
Cash and cash equivalents	\$ 72,761	\$ 11,327	5(a) 5(b) 5(c)	\$ (12,656) 5,424 (14)	\$ 76,842
Trade and other receivables	21,084	191		-	21,275
Income taxes receivable	9,095	-		-	9,095
Inventories	24,985	-		-	24,985
Other financial assets	7,293	-		-	7,293
Prepaid expenses and other	2,675	191		-	2,866
<b>Total current assets</b>	<b>137,893</b>	<b>11,709</b>		<b>(7,246)</b>	<b>142,356</b>
Mining interests	344,902	3,019	5(d)	336,699	684,620
Property, plant and equipment	191,114	327		-	191,441
Goodwill	24,591	-		-	24,591
Deferred tax assets	12,115	-		-	12,115
Deposits on long-term assets	17,928	52		-	17,980
<b>Total assets</b>	<b>\$ 728,543</b>	<b>\$ 15,107</b>		<b>\$ 329,453</b>	<b>\$ 1,073,103</b>
<b>Liabilities and Equity</b>					
<b>Current liabilities</b>					
Trade and other payables	\$ 38,610	\$ 124		\$ -	\$ 38,734
Current portion of lease obligations	7,623	-		-	7,623
Debt facilities	512	-		-	512
Income taxes payable	7,140	-		-	7,140
<b>Total current liabilities</b>	<b>53,885</b>	<b>124</b>		<b>-</b>	<b>54,009</b>
Lease obligations	11,719	-		-	11,719
Decommissioning liabilities	9,057	-		-	9,057
Deferred tax liabilities	88,175	-		-	88,175
<b>Total liabilities</b>	<b>162,836</b>	<b>124</b>		<b>-</b>	<b>162,960</b>
<b>Shareholders' equity</b>					
Share capital	419,346	76,594	5(b) 5(e) 5(f)	5,424 (82,018) 344,436	763,782
Equity reserves	30,363	8,861	5(e)	(8,861)	30,363
Retained earnings (accumulated deficit)	115,998	(70,472)	5(a) 5(e)	(10,217) 80,689	115,998
<b>Total equity</b>	<b>565,707</b>	<b>14,983</b>		<b>329,453</b>	<b>910,143</b>
<b>Total liabilities and equity</b>	<b>\$ 728,543</b>	<b>\$ 15,107</b>		<b>\$ 329,453</b>	<b>\$ 1,073,103</b>

The accompanying notes are an integral part of the pro forma condensed consolidated financial statements.

**First Majestic Silver Corp.**  
**PRO FORMA CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

(Unaudited) (amounts are expressed in thousands of United States dollars, except share and per share amounts)

	First Majestic Silver Corp.	Silvermex Resources Inc.	Note	Silvermex Pro Forma Adjustments	Initial First Majestic Pro Forma	Orko Silver Corp.	Note	Orko Pro Forma Adjustments	First Majestic Pro Forma Consolidated
Revenues	\$ 176,170	\$ 4,857		\$ -	\$ 181,027	\$ -		\$ -	\$ 181,027
Cost of sales	56,061	4,674	5(h)	(1,135)	59,600	-		-	59,600
<b>Gross margin</b>	<b>120,109</b>	<b>183</b>		<b>1,135</b>	<b>121,427</b>	-		-	<b>121,427</b>
Depletion, depreciation and amortization	17,544	892	5(i)	462	18,898	-		-	18,898
<b>Mine operating earnings (loss)</b>	<b>102,565</b>	<b>(709)</b>		<b>673</b>	<b>102,529</b>	-		-	<b>102,529</b>
General and administrative expense	14,556	3,600		-	18,156	2,343		-	20,499
Share-based payments	7,776	631		-	8,407	-		-	8,407
Exploration	-	3,383	5(h)	(3,383)	-	1,288	5(g)	(1,288)	-
Acquisition costs	2,611	4,371	5(i)	(4,371)	2,611	-		-	2,611
Accretion of decommissioning liabilities	335	66		-	401	-		-	401
Foreign exchange loss	266	73		-	339	8		-	347
<b>Operating earnings (loss)</b>	<b>77,021</b>	<b>(12,833)</b>		<b>8,427</b>	<b>72,615</b>	<b>(3,639)</b>		<b>1,288</b>	<b>70,264</b>
Investment and other income	7,343	124		-	7,467	115		-	7,582
Finance costs	(1,368)	(22)		-	(1,390)	-		-	(1,390)
Write-downs and other expense	-	(2,118)		-	(2,118)	-		-	(2,118)
<b>Earnings (loss) before income taxes</b>	<b>82,996</b>	<b>(14,849)</b>		<b>8,427</b>	<b>76,574</b>	<b>(3,524)</b>		<b>1,288</b>	<b>74,338</b>
<b>Income taxes</b>									
Current income tax expense	2,808	35		-	2,843	-		-	2,843
Deferred income tax expense (recovery)	13,640	(1,460)	5(k)	1,217	13,397	-		-	13,397
<b>Net earnings (loss) for the period</b>	<b>\$ 66,548</b>	<b>\$ (13,424)</b>		<b>\$ 7,210</b>	<b>\$ 60,334</b>	<b>\$ (3,524)</b>		<b>\$ 1,288</b>	<b>\$ 58,098</b>
<b>Earnings (loss) per common share</b>									
Basic	\$ 0.61								\$ 0.44
Diluted	\$ 0.60								\$ 0.43
<b>Weighted average shares outstanding</b>									
Basic	108,872,377								132,302,165
Diluted	111,004,089								134,433,877

The accompanying notes are an integral part of the pro forma condensed consolidated financial statements.



# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (tabular amounts are expressed in thousands of United States dollars)

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### 1. BASIS OF PREPARATION

The unaudited pro forma condensed consolidated financial statements have been prepared in connection with the proposed acquisition by First Majestic Silver Corp. ("First Majestic") of all of the outstanding shares of Orko Silver Corp. ("Orko"). All amounts are expressed in United States dollars unless otherwise indicated.

The unaudited pro forma condensed consolidated statement of financial position of First Majestic as at September 30, 2012 and the unaudited pro forma condensed consolidated statements of income for the nine months ended September 30, 2012 and for the year ended December 31, 2011 have been prepared, for illustrative purposes only, to give effect to the proposed acquisition of Orko by First Majestic pursuant to the assumptions described in notes 4 and 5 of the unaudited pro forma condensed consolidated financial statements. The unaudited pro forma condensed consolidated statement of income for the nine months ended September 30, 2012 and for the year ended December 31, 2011 also included the financial results of Silvermex Resources Inc. ("Silvermex"), which was acquired by First Majestic on July 3, 2012. The unaudited pro forma condensed consolidated financial statements have been prepared based on financial statements which were in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and have been compiled from the following historical information:

- a) A pro forma condensed consolidated statement of financial position combining:
  - i) The unaudited condensed interim consolidated statement of financial position of First Majestic as at September 30, 2012; and
  - ii) The unaudited condensed consolidated interim statement of financial position of Orko as at July 31, 2012.
- b) A pro forma condensed consolidated statement of income for the nine months ended September 30, 2012 combining:
  - i) The unaudited condensed interim consolidated statement of income of First Majestic for the nine months ended September 30, 2012;
  - ii) The unaudited condensed consolidated interim statement of operations and comprehensive loss of Orko for the nine months ended July 31, 2012; and
  - iii) The unaudited condensed consolidated interim statement of comprehensive loss of Silvermex for the six months ended June 30, 2012.
- c) A pro forma consolidated statement of income for the year ended December 31, 2011 combining:
  - i) The audited consolidated statement of income of First Majestic for the year ended December 31, 2011;
  - ii) The consolidated statement of operations and comprehensive loss of Orko for the year ended October 31, 2011, taking into account the impact of the transition to IFRS as disclosed in note 13 of Orko's unaudited condensed consolidated interim financial statements for the nine months ended July 31, 2012; and
  - iii) The audited consolidated statement of comprehensive loss of Silvermex for the year ended December 31, 2011.

The pro forma condensed consolidated statement of financial position as at September 30, 2012 has been prepared as if the transactions described in notes 4 and 5 had occurred on September 30, 2012. The pro forma condensed consolidated statements of income for the nine months ended September 30, 2012 and for the year ended December 31, 2011 have been prepared as if the transactions described in notes 3, 4 and 5 occurred on January 1, 2011.

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

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### 1. BASIS OF PREPARATION (continued)

The unaudited pro forma condensed consolidated financial statements are not intended to reflect the financial performance or the financial position of First Majestic, which would have actually resulted had the transactions been effected on the dates indicated. Actual amounts recorded upon consummation of the transactions will likely differ from those recorded in the unaudited pro forma condensed consolidated financial statement information. Similarly, the calculation and allocation of the purchase price has been prepared on a preliminary basis and is subject to change between the time such preliminary estimations were made and closing as a result of several factors which could include among others: changes in fair value of assets acquired and liabilities assumed and the market price of the related shares and options. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the transactions have been excluded from the unaudited pro forma financial information. Further, the pro forma financial information is not necessarily indicative of the financial performance that may be obtained in the future.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of First Majestic and Silvermex for the year ended December 31, 2011 and the audited consolidated financial statements of Orko for the year ended October 31, 2011, and notes thereto; as well as the unaudited condensed interim consolidated financial statements of First Majestic for the nine months ended September 30, 2012, the unaudited condensed consolidated interim financial statements of Orko for the nine months ended July 31, 2012, and the unaudited condensed interim consolidated financial statements of Silvermex for the six months ended June 30, 2012.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited pro forma condensed consolidated financial statements are consistent with those set out in First Majestic's audited consolidated financial statements as at December 31, 2011. In preparing the unaudited pro forma condensed consolidated financial statements, a review was undertaken to identify accounting policy differences between First Majestic, Silvermex and Orko where the impact was potentially material. With the exception of items adjusted in note 5(g) and 5(h), the significant accounting policies of Orko conform in all material respects to those of First Majestic.

### 3. ACQUISITION OF SILVERMEX AND PURCHASE PRICE ALLOCATION

In April 2012, First Majestic and Silvermex jointly announced that they have entered into a definitive agreement (the "Silvermex Arrangement Agreement") pursuant to which First Majestic has agreed to acquire all of the issued and outstanding common shares of Silvermex for a consideration of 0.0355 common shares of First Majestic (the "Silvermex Exchange Ratio") and CAD\$0.0001 in cash per common share of Silvermex. Outstanding Silvermex options were deemed to be vested, exercised, and cancelled in exchange for Silvermex shares equal to the in-the-money value of the options and the resulting Silvermex shares will be exchanged for First Majestic shares based on the Silvermex Exchange Ratio. Outstanding Silvermex warrants may be exchanged for equivalent warrants of First Majestic based on the Silvermex Exchange Ratio, at the election of the Silvermex holder. For those Silvermex warrants which are not exchanged, the Silvermex warrants will be deemed vested, exercised, and cancelled in exchange for Silvermex shares equal to the in-the-money value of the warrants and the resulting Silvermex shares will be exchanged for First Majestic shares based on the Silvermex Exchange Ratio.

On July 3, 2012, First Majestic completed the Silvermex Arrangement Agreement to acquire all of the issued and outstanding common shares of Silvermex. The total consideration was valued at \$137.0 million at the acquisition date.

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

### 3. ACQUISITION OF SILVERMEX AND PURCHASE PRICE ALLOCATION (continued)

Total consideration for the acquisition and preliminary purchase price allocation, in accordance with IFRS 3 - *Business Combinations*, are estimated as follows:

Acquisition costs:		
9,451,654 First Majestic common shares	\$	136,317
338,295 First Majestic replacement warrants		646
Cash paid (266.2 million Silvermex shares x CAD\$0.0001 per share)		26
	\$	<b>136,989</b>
Allocation of acquisition costs		
Cash		11,380
Inventories		3,145
Mining interests		118,287
Property, plant and equipment		10,827
Goodwill		24,591
Deposit on long-term assets		482
Other net working capital		(7,665)
Decommissioning liabilities		(1,954)
Deferred tax liabilities, net		(22,104)
	\$	<b>136,989</b>

For the purpose of preparing the consolidated pro forma financial statements, the value of the First Majestic common shares issued was calculated at a price of \$14.42 (CAD\$14.60), based on the five day volume weighted average price of First Majestic's shares at June 29, 2012. The fair value of First Majestic warrants was determined using a Black-Scholes model using the following weighted average assumptions:

Weighted average fair value at grant date (CAD\$)	1.93
Average risk-free interest rate (%)	1.05%
Expected life (years)	1.43
Expected volatility (%)	62%

The transaction was accounted for as a business combination. First Majestic has estimated the fair value of the non-mining interest net assets to be equal to their carrying value, except with respect to adjustments to conform with First Majestic's accounting policy and additional provision of \$2,826,000 related to VAT refund claims and other tax contingencies. The remainder of the purchase price over the estimated fair value of assets acquired and liabilities assumed of \$87,825,000 has been assigned as the increase to the estimated fair value of the acquired mining interests. A deferred income tax liability of \$24,591,000 arising from temporary difference on purchase price allocation is recognized with a corresponding increase in goodwill.

First Majestic will complete a full and detailed valuation of the fair value of the net assets of Silvermex acquired with the assistance of an independent third party. Therefore, it is likely that the fair values of assets and liabilities acquired will vary from those shown above and the differences may be material. The allocation of the purchase price is based upon management's preliminary estimates and certain assumptions with respect to the fair value increment associated with the assets to be acquired and the liabilities to be assumed. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed above in the assumed pro forma purchase price allocation. Consequently, the actual allocation of the purchase price may be different than those in the unaudited pro forma condensed consolidated statement of financial position.

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

### 4. ACQUISITION OF ORKO AND PURCHASE PRICE ALLOCATION

In December 2012, First Majestic and Orko jointly announced that they have entered into a definitive agreement (the "Arrangement Agreement") pursuant to which First Majestic has agreed to acquire all of the issued and outstanding common shares of Orko for a consideration of 0.1202 common shares of First Majestic and CAD\$0.0001 in cash per common share of Orko. No outstanding options and warrants of Orko will be converted to First Majestic options or warrants as part of the transaction.

The transaction will be carried out by way of a court-approved plan of arrangement and will require the approval of at least 66 2/3% of the votes cast by the shareholders and option holders of Orko voting together as a single class at a special meeting of Orko securityholders expected to take place in February 2013. In addition to securityholder and court approvals, the transaction is subject to applicable regulatory approvals and the satisfaction of certain other closing conditions customary in transactions of this nature.

Total consideration for the acquisition and preliminary purchase price allocation are estimated as follows:

Acquisition costs:		
17,082,701 First Majestic common shares	\$	344,436
Cash paid (142.1 million Orko shares x CAD\$0.0001 per share)		14
Transaction costs		2,439
	\$	<b>346,889</b>
Allocation of acquisition costs		
Cash	\$	6,534
Mining interests		339,718
Property, plant and equipment		327
Deposit on long-term assets		52
Other net working capital		258
	\$	<b>346,889</b>

For the purpose of preparing the unaudited consolidated pro forma financial statements, the estimated number of First Majestic common shares to be issued as consideration is based on a total of 136,643,979 Orko common shares outstanding at December 31, 2012 plus 5,475,000 Orko options expected to be exercised prior to the completion of the transaction, converted by the 0.1202 exchange ratio in accordance with the Arrangement Agreement. The value of the First Majestic common shares issued was calculated at a price of \$20.16 (CAD\$20.06), based on the closing price of First Majestic's shares at December 31, 2012.

The transaction will be accounted for as an asset acquisition. First Majestic has estimated the fair value of the non-mining interest net assets to be equal to their carrying value. The remainder of the purchase price over the estimated fair value of assets acquired and liabilities assumed of \$336,699,000 has been assigned as the increase to the estimated fair value of the acquired mining interests.

First Majestic will complete a full and detailed valuation of the fair value of the net assets of Orko acquired with the assistance of an independent third party. Additionally, consideration given by First Majestic will be valued at the date of closing of the transaction and therefore the final consideration may differ from that used in this pro forma information. Therefore, it is likely that the fair values of assets and liabilities acquired will vary from those shown below and the differences may be material. The allocation of the purchase price is based upon management's preliminary estimates and certain assumptions with respect to the fair value increment associated with the assets to be acquired and the liabilities to be assumed. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed above in the assumed pro forma purchase price allocation as further analysis is completed. Consequently, the actual allocation of the purchase price may be different than those in the unaudited pro forma condensed consolidated statement of financial position.

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

### 5. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma condensed consolidated statement of financial position reflects the following adjustments as if the acquisition of Orko had occurred on September 30, 2012.

- a) To record the estimated transaction fees and severance costs to be paid out in relation to the acquisition, of which \$2,439,000 will be incurred by First Majestic and \$10,217,000 will be incurred by Orko. No pro forma adjustment has been made to the statement of income.
- b) To record expected proceeds from exercise of Orko stock options subsequent to July 31, 2012.
- c) To record the \$14,000 cash paid on acquisition based on CAD\$0.0001 per share offered for 142.1 million Orko shares.
- d) To record the excess of the consideration paid over the carrying value of Orko's net assets allocated to mining interests of \$336,699,000.
- e) Elimination of historical equity of Orko on acquisition.
- f) To record the issuance of 17,082,701 First Majestic common shares recorded at a price of \$20.16 (CAD\$20.06) per share being the closing price of First Majestic's shares at December 31, 2012.

The unaudited pro forma condensed consolidated statements of income for the nine months ended September 30, 2012 and year ended December 31, 2011 reflect the following adjustments as if the acquisition had occurred on January 1, 2011.

- g) To capitalize exploration costs expensed by Orko to conform to First Majestic's accounting policies.
- h) To capitalize development and exploration costs expensed by Silvermex to conform to First Majestic's accounting policies.
- i) To record additional depletion, depreciation and amortization as a result of the increased value of mining interests arising from the purchase price allocation of Silvermex.
- j) To exclude transaction fees and severance costs expensed by Silvermex in relation to First Majestic's acquisition.
- k) To record the deferred tax recovery relating to increased depletion, depreciation and amortization costs arising from purchase price allocation of Silvermex.

### 6. PRO FORMA EARNINGS PER SHARE

The weighted average shares outstanding for First Majestic have been adjusted to reflect the additional shares resulting from transactions described in notes 3, 4 and 5 effective January 1, 2011.

	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
Weighted average number of shares on issue - basic	108,872,377	103,276,935
Adjustments for shares issued for acquisition of Silvermex	6,347,087	9,451,641
Adjustments for estimated shares to be issued for acquisition of Orko	17,082,701	17,082,701
Pro forma weighted average number of shares on issue - basic	132,302,165	129,811,277
Weighted average number of shares on issue - diluted	111,004,089	107,368,050
Adjustments for shares issued for acquisition of Silvermex	6,347,087	9,451,641
Adjustments for estimated shares to be issued for acquisition of Orko	17,082,701	17,082,701
Pro forma weighted average number of shares on issue - diluted	134,433,877	133,902,392

Pro forma weighted average number of shares on issue – diluted excludes 338,295 anti-dilutive warrants for the nine months ended September 30, 2012.

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

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### 7. CAPITAL STOCK

First Majestic's issued and outstanding shares, after reflecting the additional shares resulting from transactions described in notes 4 and 5 at September 30, 2012, are as follows:

	Number of shares		Amount
Balance, September 30, 2012	116,061,113	\$	419,346
Share consideration issued for acquisition of Orko	17,082,701		344,436
Pro forma balance, September 30, 2012	133,143,814	\$	763,782

### 8. CONVERSION OF ORKO HISTORICAL FINANCIAL STATEMENTS TO UNITED STATES DOLLARS

The unaudited pro forma condensed consolidated financial statements are presented in United States dollars unless otherwise stated. Accordingly, the financial information of Orko used to construct the pro forma condensed consolidated financial statements, including the unaudited condensed consolidated interim statement of financial position at July 31, 2012, the unaudited condensed consolidated interim statement of comprehensive loss for the nine months ended July 31, 2012 and the audited consolidated statement of comprehensive loss for the year ended December 31, 2011, were converted from Canadian dollars ("CAD\$") to United States dollars using the following exchange rates, which are reflective of the exchange rates for the periods presented:

As at July 31, 2012 – \$1.0014

For the nine months ended July 31, 2012 – \$1.0108

For the year ended October 31, 2011 – \$0.9868

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

### 8. CONVERSION OF ORKO HISTORICAL FINANCIAL STATEMENTS TO UNITED STATES DOLLARS (continued)

#### a) Orko unaudited condensed interim consolidated statement of financial position at July 31, 2012

Assets	July 31, 2012 CAD\$	July 31, 2012 USD\$
<b>Current assets</b>		
Cash and cash equivalents	\$ 11,343	\$ 11,327
Trade and other receivables	191	191
Prepaid expenses and other	191	191
<b>Total current assets</b>	<b>11,725</b>	<b>11,709</b>
<b>Non-current assets</b>		
Mining interests	3,023	3,019
Property, plant and equipment	327	327
Deposits on long-term assets	52	52
<b>Total assets</b>	<b>\$ 15,127</b>	<b>\$ 15,107</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Trade and other payables	\$ 124	\$ 124
<b>Total liabilities</b>	<b>124</b>	<b>124</b>
<b>Equity</b>		
Share capital	76,701	76,594
Equity reserves	8,873	8,861
Accumulated deficit	(70,571)	(70,472)
<b>Total equity</b>	<b>15,003</b>	<b>14,983</b>
<b>Total liabilities and equity</b>	<b>\$ 15,127</b>	<b>\$ 15,107</b>

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

### 8. CONVERSION OF ORKO HISTORICAL FINANCIAL STATEMENTS TO UNITED STATES DOLLARS (continued)

#### b) Orko unaudited condensed interim consolidated statement of operations and comprehensive loss for the nine months ended July 31, 2012

	Nine Months Ended July 31, 2012	
	CAD\$	USD\$
Exploration expenses	1,302	1,288
General and administrative expense	2,368	2,343
Foreign exchange loss	8	8
<b>Operating loss</b>	<b>(3,678)</b>	<b>(3,639)</b>
Investment and other income	116	115
<b>Net loss for the period</b>	<b>\$ (3,562)</b>	<b>\$ (3,524)</b>
<b>Earnings per common share</b>		
Basic and diluted	\$ (0.03)	\$ (0.03)
<b>Weighted average shares outstanding</b>		
Basic and diluted	131,558,000	131,558,000

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

### 8. CONVERSION OF ORKO HISTORICAL FINANCIAL STATEMENTS TO UNITED STATES DOLLARS (continued)

#### c) Orko consolidated statement of operations and comprehensive loss for the year ended October 31, 2011

	Year Ended October 31, 2011	
	CAD\$	USD\$
Exploration expenses	749	759
General and administrative expense	3,449	3,495
Share-based payments	224	227
Foreign exchange loss	3	3
<b>Operating loss</b>	<b>(4,425)</b>	<b>(4,484)</b>
Investment and other loss	171	173
<b>Net loss for the period</b>	<b>\$ (4,254)</b>	<b>\$ (4,311)</b>
<b>Earnings per common share</b>		
<b>Basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>
<b>Weighted average shares outstanding</b>		
<b>Basic and diluted</b>	<b>127,838,000</b>	<b>127,838,000</b>

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

### 9. CONVERSION OF SILVERMEX HISTORICAL FINANCIAL STATEMENTS TO UNITED STATES DOLLARS

The unaudited pro forma condensed consolidated financial statements are presented in United States dollars unless otherwise stated. Accordingly, the financial information of Silvermex used to construct the pro forma condensed consolidated financial statements, including the unaudited condensed consolidated interim statement of comprehensive loss for the six months ended June 30, 2012 and the audited consolidated statement of comprehensive loss for the year ended December 31, 2011, were converted from Canadian dollars ("CAD\$") to United States dollars using the following exchange rates, which are reflective of the exchange rates for the periods presented:

For the six months ended June 30, 2012 – \$1.0057

For the year ended December 31, 2011 – \$1.0110

#### a) Silvermex unaudited condensed interim consolidated statement of comprehensive loss for the six months ended June 30, 2012

	Six Months Ended June 30, 2012	
	CAD\$	USD\$
<b>Revenues</b>	\$ 4,885	\$ 4,857
Cost of sales	4,701	4,674
<b>Gross margin</b>	<b>184</b>	<b>183</b>
Depletion, depreciation and amortization	897	892
<b>Mine operating loss</b>	<b>(713)</b>	<b>(709)</b>
General and administrative expense	8,017	7,971
Share-based payments	635	631
Exploration	3,402	3,383
Accretion of decommissioning liabilities	66	66
Foreign exchange gain	73	73
<b>Operating loss</b>	<b>(12,906)</b>	<b>(12,833)</b>
Investment and other income	125	124
Finance costs	(22)	(22)
Write-downs and other expense	(2,130)	(2,118)
<b>Loss before income taxes</b>	<b>(14,933)</b>	<b>(14,849)</b>
<b>Income taxes</b>		
Current income tax expense	35	35
Deferred income tax recovery	(1,468)	(1,460)
	(1,433)	(1,425)
<b>Net loss for the period</b>	<b>\$ (13,500)</b>	<b>\$ (13,424)</b>
<b>Earnings per common share</b>		
Basic	\$ (0.05)	\$ (0.05)
Diluted	\$ (0.05)	\$ (0.05)
<b>Weighted average shares outstanding</b>		
Basic	249,589,922	249,589,922
Diluted	249,589,922	249,589,922

# First Majestic Silver Corp.

## NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)(tabular amounts are expressed in thousands of United States dollars)

### 9. CONVERSION OF SILVERMEX HISTORICAL FINANCIAL STATEMENTS TO UNITED STATES DOLLARS (continued)

#### b) Silvermex consolidated statement of comprehensive loss for the year ended December 31, 2011

	Year Ended December 31, 2011	
	CAD\$	USD\$
<b>Revenues</b>	\$ 16,772	\$ 16,957
Cost of sales	8,954	9,052
<b>Gross margin</b>	<b>7,818</b>	<b>7,905</b>
Depletion, depreciation and amortization	1,350	1,365
<b>Mine operating earnings</b>	<b>6,468</b>	<b>6,540</b>
General and administrative expense	5,602	5,664
Share-based payments	2,283	2,308
Exploration	2,395	2,422
Accretion of decommissioning liabilities	94	93
Foreign exchange loss	416	420
<b>Operating loss</b>	<b>(4,322)</b>	<b>(4,367)</b>
Investment and other income	1,588	1,605
Finance costs	(66)	(69)
Write-downs and other expense	(8,012)	(8,100)
<b>Loss before income taxes</b>	<b>(10,812)</b>	<b>(10,931)</b>
<b>Income taxes</b>		
Current income tax expense	190	192
Deferred income tax recovery	(7,088)	(7,166)
	(6,898)	(6,974)
<b>Net loss for the period</b>	<b>\$ (3,914)</b>	<b>\$ (3,957)</b>
<b>Earnings per common share</b>		
Basic	\$ (0.02)	\$ (0.02)
Diluted	\$ (0.02)	\$ (0.02)
<b>Weighted average shares outstanding</b>		
Basic	235,680,584	235,680,584
Diluted	235,680,584	235,680,584

**APPENDIX F -  
SECTIONS 237 TO 247 OF THE BUSINESS CORPORATIONS ACT**

**Division 2 – Dissent Proceedings**

**Definitions and application**

**237** (1) In this Division:

**"dissenter"** means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

**"notice shares"** means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

**"payout value"** means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement, or

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

**Right to dissent**

**238** (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles to alter restrictions on the powers of the company or on the business it is permitted to carry on;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

(c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

(d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;

(e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;

(f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;

(g) in respect of any other resolution, if dissent is authorized by the resolution;

(h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

(a) prepare a separate notice of dissent under section 242 for

(i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

#### **Waiver of right to dissent**

**239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that

specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

#### **Notice of resolution**

**240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

- (a) a copy of the proposed resolution, and
- (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

- (a) a copy of the proposed resolution, and
- (b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

- (a) a copy of the resolution,
- (b) a statement advising of the right to send a notice of dissent, and
- (c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

#### **Notice of court orders**

**241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

#### **Notice of dissent**

**242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

(a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

(b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or

(c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of

(i) the date on which the shareholder learns that the resolution was passed, and

(ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

(a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or

(b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

(a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

#### **Notice of intention to proceed**

**243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

- (i) the date on which the company forms the intention to proceed, and
- (ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

(a) be dated not earlier than the date on which the notice is sent,

(b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and

(c) advise the dissenter of the manner in which dissent is to be completed under section 244.

#### **Completion of dissent**

**244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

(a) a written statement that the dissenter requires the company to purchase all of the notice shares,

(b) the certificates, if any, representing the notice shares, and

(c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1) (c) must

(a) be signed by the beneficial owner on whose behalf dissent is being exercised, and

(b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out

- (i) the names of the registered owners of those other shares,
- (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
- (iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

(a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

#### **Payment for notice shares**

**245** (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

(a) the company is insolvent, or

(b) the payment would render the company insolvent.

### **Loss of right to dissent**

**246** The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

(a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;

(b) the resolution in respect of which the notice of dissent was sent does not pass;

(c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;

(d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;

(e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;

(f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;

(g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;

(h) the notice of dissent is withdrawn with the written consent of the company;

(i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

### **Shareholders entitled to return of shares and rights**

**247** If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

(a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,

(b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and

(c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

