



**STARCORE**

INTERNATIONAL  
MINES LTD.

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**OUR FOCUS IS STEADFAST**

2016 ANNUAL REPORT

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**TSX:SAM**  
starcore.com



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# TSX:SAM

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## MISSION STATEMENT

To remain a leader in the Mexican mining community and by combining an unwavering commitment to social and environmental stewardship with a proven mineral production and exploration model, in order to build a strong platform of growth.

Starcore International Mines Ltd. is engaged in the acquisition, exploration, development and production of mineral resources in North America, with our precious metals operations focused on Mexico. With a combined total of over 100 years of experience, we have assembled a strategic blend of experienced professionals and seasoned veterans in fields such as: Corporate Finance, International Law, Engineering and Geology. Our focus on corporate transparency and open dialogue has attracted a wealth of experience and expertise to our technical advisory board.

Starcore has relied on the fundamental aspects of our proven exploration and production model at the San Martin gold mine to build a portfolio that will act as our platform for growth. The company now owns a precious metals toll processing business in Matehuala, Mexico, and several low risk/high reward exploration properties throughout North America. Our unwavering commitment to remain a leader in operational excellence is tied closely with our commitment to social and environmental stewardship. Our goal is shareholder value – our focus is steadfast.

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# LETTER FROM THE PRESIDENT AND CEO

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## DEAR SHAREHOLDERS,

**In many respects, 2016 was a building year for Starcore. We remained committed to integrating our new acquisitions of precious metal producers and low/risk high reward exploration properties to set the company up for growth on behalf of our shareholders. Looking in the rearview mirror, we are pleased to share these highlights:**

- We commenced pre-commercial production at the Altiplano processing facility.
- We are nearing completion of the CIL plant at the San Martin Mine.
- We initiated a US\$1 million drill program at the Toiyabe Gold Project in Nevada.
- We entered into a US\$7 million Sale Agreement for San Pedrito.

Despite the uncertain conditions that we currently face, the long-term outlook for our sector remains positive. The current negative interest rate environment and quantitative easing are factors that will drive demand for the metals that we produce. As we approach our fiscal year 2017, we look forward to:

- Completing the CIL plant and mining our carbonaceous ore;
- Continuing to develop our concentrate processing business at Altiplano;
- Expanding our underground exploration at the San Martin Mine to find the source of the mineralization; and
- Packaging the data for the significant El Creston Molybdenum Project for eventual sale.

I would like to congratulate our diverse team of talented employees around the world. Without their enthusiasm and commitment to integrity, we would not be the strong value-driven company we are. On behalf of the board, thank you for your continued support.



**Robert Eadie**  
President & CEO

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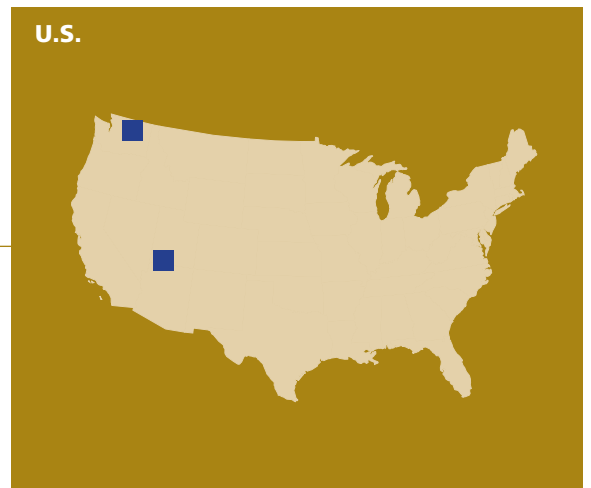
**“This has been a trying year for the industry; however, we have continued to perform at the mine, reporting net income overall and operating cash flow for the year while also making significant corporate acquisitions that have expanded our base of exploration properties and furthered our resources.”**

**Robert Eadie**  
President & CEO

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# PROPERTY LOCATIONS

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- Exploration
- ▲ Processing
- Operating mine





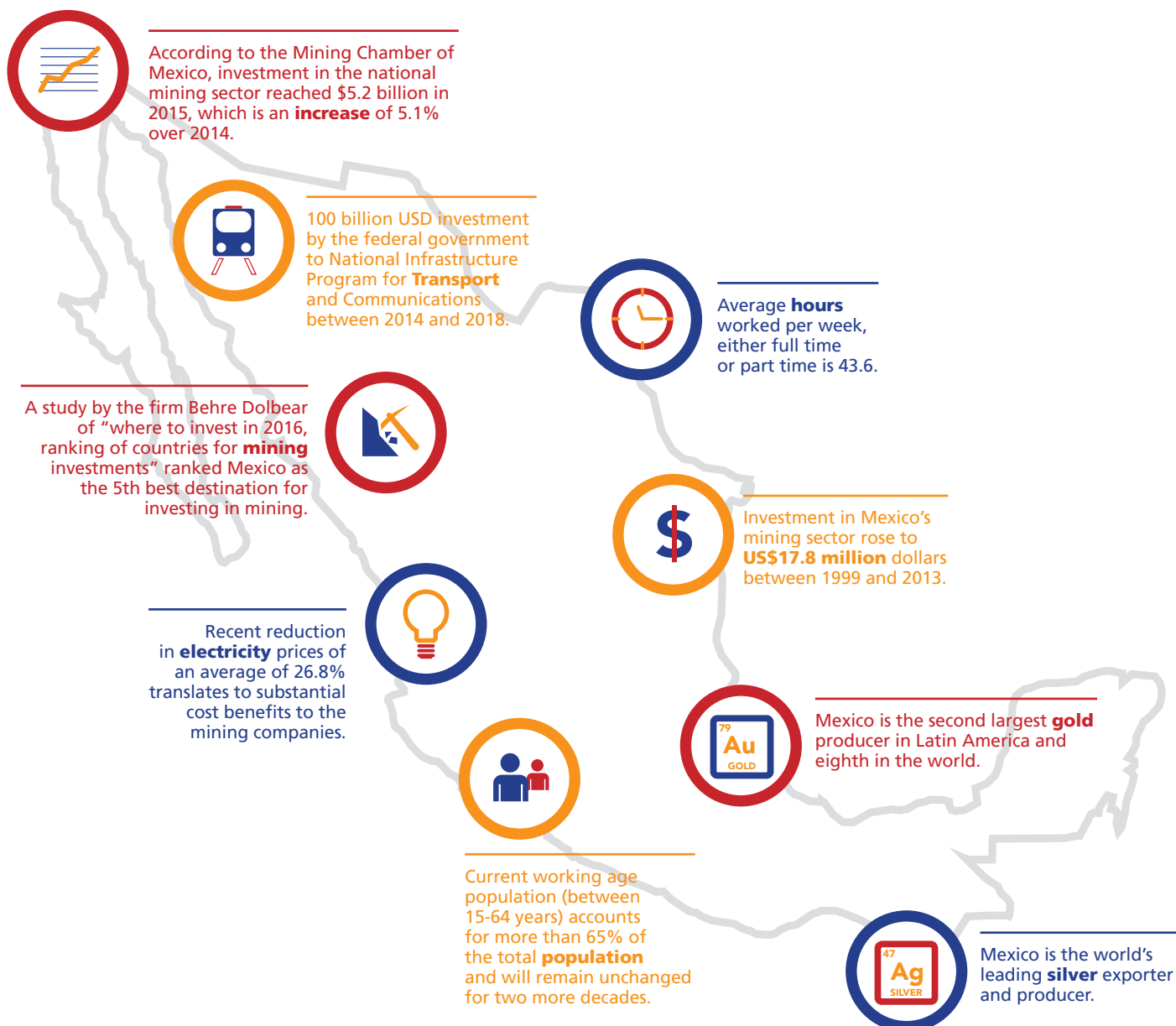


# BY THE NUMBERS


<p>Cash and short-term investments on hand is</p> <p><b>\$10 MILLION</b></p> <p>at April 30, 2016</p>	<p>Gold and silver sales of</p> <p><b>\$20.3 MILLION</b></p> <p>for the nine months ended April 30, 2016</p>	<p>Net income of</p> <p><b>\$0.2 MILLION</b></p> <p>for the nine months ended April 30, 2016</p>	<p>Starcore Produces</p> <p><b>5,196</b></p> <p>equivalent gold ounces in fiscal Q1</p>	<p>Mine operating cash cost is</p> <p><b>US\$846/EqOz</b></p> <p>and <b>\$49/TON</b></p> <p>for the nine months ended April 30, 2016</p>
<p>Completes</p> <p><b>\$4.5 MILLION</b></p> <p>bond offering</p>	<p>EBITDA<sup>(1)</sup> of</p> <p><b>\$2,747</b></p> <p>for the period</p>	<p><b>US\$7 MILLION</b></p> <p>potentially from the sale of the San Pedrito Property</p>	<p>Starcore drills</p> <p><b>10.25 METRES</b></p> <p>of 65.17 g/t Au and 128.26 g/t Ag</p>	<p><b>40.16 KG</b></p> <p>of metal doré bars, which included 2.01kg of gold and 38.15kg of silver. Produced from Altiplano gold/silver processing facility</p>
<p>All-in sustaining costs of</p> <p><b>US\$1,169/EqOz</b></p> <p>for the nine months ended April 30, 2016</p>	<p>Produces</p> <p><b>4,543</b></p> <p>equivalent gold ounces in fiscal Q2</p>	<p>Processed over</p> <p><b>90 TONNES</b></p> <p>of concentrate purchased from 3 different suppliers</p>	<p>Equivalent gold production of</p> <p><b>13,215 OUNCES</b></p> <p>in nine months ended April 30, 2016</p>	<p>Exploration drilling intersects</p> <p><b>40 METRES</b></p> <p>averaging 1.30 g/t Au at Toiyabe Gold Project, Nevada</p>

# WHY MEXICO: THE UPWARD TREND OF MEXICAN MINING

A land with only approximately 27% of its mineral wealth explored, Mexico remains an untapped resource and a major investment magnet.












A photograph showing the silhouettes of several people playing soccer on a field. The scene is set against a bright, low sun, likely at sunset or sunrise, which creates a strong backlighting effect. The players are in various positions, with one player in the foreground on the left about to kick the ball. The background features a large, leafless tree and a distant horizon line. The overall mood is active and energetic.

Rich in mineral endowment and superlative geology, the majority of Mexico remains underexplored, and all that amounts to an investment opportunity. It is not surprising that foreign direct investment reached almost 30 billion dollars in 2015.





**VIVERO PRODUCTION**

<b>239</b> PIECES	<b>256</b> KG	<b>30</b> KG	<b>26</b> KG	<b>92</b> PIECES	<b>25</b> KG	<b>19</b> KG
						
Lettuce	Tomatoes	Chili	Chard	Cabbage	Cherry tomatoes	Cucumber



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# CORPORATE SOCIAL RESPONSIBILITY

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Starcore's management team is committed to driving and developing our companies towards our growth and valuation objectives while maintaining an unwavering commitment to social and environmental stewardship.

## MINERA PEÑA DE BERNAL

Within the past year, an effort to improve the relations between the mine and the San Martin community has been made.

In March, a community relations manager was hired by the company in order to establish a new link between community and mine.

The first objective was to produce a census of the community's population, for this, an assembly was held in which the leaders explained that they had a bad experience with census because in the past this was used for incorrect objectives.

In the assembly the people expressed some of their needs and requests for the community, the main ones were:

1. Drain for the nearby water dam because in recent years the village had suffered from floods.
2. A Soccer field.
3. A Park (next to the Church)

With the mine's management team, the park proposal was approved and a budget of US\$19,000. In order to involve the community in the process, a contest will be held on late November for the park's design.

Recently the community leaders invited Cokis, the CSR manager, on site for lunch where a renewed commitment to community relations was developed.

The objectives for the rest of the year are to hold the contest for the design of the park, complete construction of the park and get the confidence to construct the base line study of community relations at the beginning of 2017.

**A budget of**

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**US\$ 19,000**

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was approved

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# OPERATIONAL REVIEW

## SAN MARTIN 2016

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The San Martin mine has completed nearly another year of production. As of September 30, 2016 the mill has processed 215,000 tons at a head grade of 1.9 g/t gold and 16 g/t silver. During 2016, recoveries have averaged 85% for gold and 47% for silver. The mine has produced 11,900 gold equivalent ounces in the first 9 months of 2016.

Since Luismin began operations in 1993, the mine has processed roughly 6 million tons and recovered approximately 620,000 gold equivalent ounces.

A total of 11,000 metres of diamond drilling have been completed underground in nine months this year. This is a significant increase in exploration drilling as we try to augment our reserves and resources. The drilling is used primarily to guide exploration tunnels to targets of interest. The mine also uses production equipment to drill percussion holes to test for small displacements of known structures.

Once again the year was highlighted by the discovery of a section of manto ore in area 31 that was previously unknown. Several small fault offset pieces of manto mineralization have been found and mined which enhance the average mill head grade. In areas 30 and 31, work around old stopes has also located economic mineralization.

Complex structural geology combined with limited access and depths below surface have made the discovery of these relatively small orebodies difficult but not impossible. The result is that we continue to explore with drilling and drifting to define ore blocks that were missed by the previous operators.

In addition to area 30, we have developed some reserves in the Guadalupe vein at an elevation above where we previously thought that the vein was no longer economic. We do not know where the upper limit of Guadalupe is and continue to define the limits of this vein. The continued strong US dollar helps our operation to remain profitable. Our costs are almost entirely based in pesos and Canadian dollars. During 2016, total cost and Capex have averaged US\$995 per equivalent gold ounce produced or US\$55 per tonne milled.

At the end of 2015, management decided to proceed with plans to adapt the mill to Carbon in Leach (CIL) technology. Work is nearly complete and unit process testing will begin in October. The CIL adaptation will enable the treatment of preg-robbing ore which was previously prone to extremely low recoveries.

*Signed "Dave Gunning"*

**Dave Gunning**  
COO

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### Starcore drills

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**10.25 METRES**

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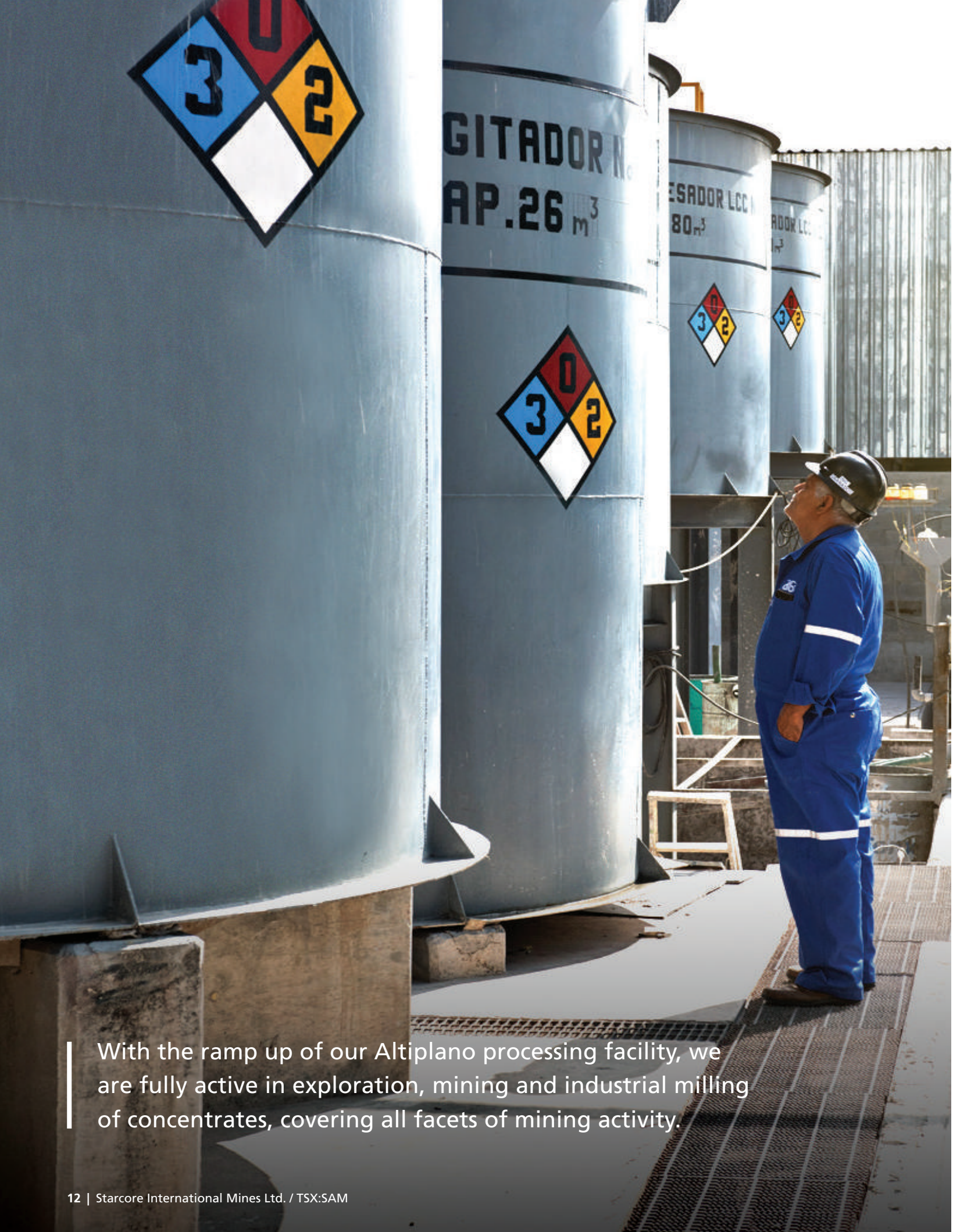
of 65.17 g/t Au and  
128.26 g/t Ag in Area 31





Once completed, the transaction is yet another milestone for Starcore. It will enable the Company to pay its outstanding debt, and still have a healthy budget with additional funds to be allocated for exploration and geology programs at our San Martin mine and our other properties.





With the ramp up of our Altiplano processing facility, we are fully active in exploration, mining and industrial milling of concentrates, covering all facets of mining activity.



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# ADVANCING OUR EXPLORATION

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## TOIYABE DRILL PROGRAM

As a company we are always looking to capitalize on ways to build shareholder value and we were pleased to announce the commencement of drilling on our Toiyabe Project, located 10 kilometers south of the Cortez Hills Mine in northeastern Nevada. We recognize the best way to bring shareholder value to the forefront, is through investment in our assets for organic growth. In saying this, reverse circulation (RC) drilling began on May 24, 2016 and core drilling on June 20th, 2016.

The drilling program at Toiyabe will target Pipeline/Cortez Hills/ Gold Rush style gold mineralization associated with CSMT resistivity highs, extensions of deep gold intercepts on Section 900 North associated with the 805 Fault, extensions of the near surface resource associated with the Courtney A and B faults, and gold anomalies associated with surface sampling or historic drilling. Previous drilling of the 805 Fault included T-0902C which averaged 3.62 g/t over 9.0 meters true width from 267 to 282 meters. Included within this interval is 0.9 meters true width of 16.19 g/t. The 2016 program will consist of 5,486 meters of RC and 1,219 meters of core drilling in 23 holes.

## CONCENTRATING ON CONCENTRATES: UPDATE FROM THE ALTIPLANO FACILITY

Acquiring the Altiplano processing facility in Matehuala set in stone the growth plan for Starcore. With the completion and ramp up of the facility, we now have a value chain of exploration, production and processing assets to deliver value to our shareholders. The company reported its pre-productions results for Altiplano in February 2016 with the pouring of its first doré bar, weighing in at 21.131kg from purchased precipitates. Since that date, the plant has been receiving concentrate deliveries to test the full facilities of the plant and procedures. Overall, we have processed 90 tonnes of concentrate purchased from various

suppliers to produce 40.16 kg of metal doré bars, which include 2.01kg of gold and 39.15kg of silver.

Our final step in processing the concentrates is pouring doré bars, which are shipped to a refinery and sold at spot rates for gold and silver at the time of shipment. At the current time, all proceeds of sales have been capitalized to the development costs of the company, in accordance with accounting standards, until we are receiving a consistent supply of concentrates and achieving consistent operation results. While we are in the early days of processing and surveying the market for the best possible materials and customers, our results are encouraging. We look forward to the year ahead, as the building of Altiplano as a strategic cash flow arm of the company becomes reality.

## EL CRESTON

In February 2015, Starcore International Mines, through its acquisition of Creston Moly Corp., acquired a 100% interest in the El Creston Property. The El Creston Property hosts a 5.5 km long x up to 1.5 km wide trend of hydrothermal alteration in which several zones of molybdenum +/- copper +/- silver mineralization occur. At the El Creston Main/Red Hill Zone a significant resource of molybdenum and copper has been outlined. In addition, there are five other zones, Alejandra, A-37, Red Hill West, Red Hill Deep and the West Copper, with potential to host significant resources of molybdenum and/or copper.

In 2016 the Company moved all core and pulp samples to a storage facility located on the property. In addition, all the data was organized and put in to an electronic format to allow easy access to potential buyers when/if the property is put up for sale. Limited field work was completed in the northwestern portion of the Creston Property in the vicinity of the previously producing San Riccardo Gold Mine.

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**We produced over**

**40 KG**

of metal doré bars at  
the Altiplano Facility

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**The El Creston Deposit is located in a**

**5.5 KM**

trend of mineralization

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# LOW RISK/ HIGH REWARDS

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Starcore's operations are a direct extension of management's commitment to build sustainable, shareholder value for the present and future of the company.

## SAN PEDRITO SALE

The San Pedrito property was part of Starcore's original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for US \$26 million. While the property had an inferred resource at the time and some ore was mined from this site by Goldcorp, management determined that the property would not be a viable mining operation. Given the proximity to the city of Queretaro, management began the process of rezoning the property in 2010 and was successful in obtaining commercial real estate zoning last year. In March 2016, the Company announced an agreement to sell the property to a Mexican buyer for approximately US \$7 million dollars. Closing of the sale is awaiting various confirmations, including compliance with state and municipal regulations and evidence that the property is in good standing before conveyancing can proceed. The sale of San Pedrito illustrates how Starcore's management team works to create shareholder value in projects for the Company's long term profitability.



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# WHY STARCORE?

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- Strategic Blend and Credible Management
- Cash flow Oriented Assets in Mexico
- Consistent Gold Production between 18-24k oz over the Past 5 Years
- All Gold and Silver Production is Unhedged
- Low Risk/High Reward Exploration Assets in North America
- Cash/Short Term Investments of \$10 USD Million as of year-end April 31, 2016
- Committed to Being a Leader in Corporate Social Responsibility





## ***MANAGEMENT DISCUSSION & ANALYSIS*** For the period ended April 30, 2016

### ***Directors and Officers as at July 22, 2016:***

#### ***Directors:***

Gary Arca  
Robert Eadie  
Jordan Estra  
David R. Gunning  
Michael Gunning  
Cory Kent  
Ken Sumanik  
Federico Villaseñor

#### ***Officers:***

***Executive Chairman, Chief Executive Officer & President*** – Robert Eadie  
***Chief Financial Officer*** – Gary Arca  
***Chief Operating Officer*** – Dave Gunning  
***Corporate Secretary*** – Cory Kent

***Contact Name:*** Gary Arca  
***Contact e-mail address:*** garca@starcore.com  
***TSX Symbol:*** SAM



# STARCORE INTERNATIONAL MINES LTD.

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the period ended April 30, 2016

### **1. Date of This Report**

This MD&A is prepared as of July 22, 2016.

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the audited consolidated financial statements of Starcore International Mines Ltd. (“Starcore”, or the “Company”) for the period ended April 30, 2016.

On May 13, 2016, the Company changed its fiscal year end from July 31 to April 30. With this year-end change, the Company will report a one-time transitional period for the nine months ended April 30, 2016. Due to the difference in period lengths, the Statement of Operations and Comprehensive income and statement of cash flows is not directly comparable.

**Monetary amounts throughout this MD&A are shown in thousands of Canadian dollars, unless otherwise stated.**

*This MD&A includes certain statements that may be deemed “forward-looking statements”. Such statements and information include without limitation: statements regarding timing and amounts of capital expenditures and other assumptions; estimates of future reserves, resources, mineral production and sales; estimates of mine life; estimates of future mining costs, cash costs, minesite costs and other expenses; estimates of future capital expenditures and other cash needs, and expectations as to the funding thereof; statements and information as to the projected development of certain ore deposits, including estimates of exploration, development and production and other capital costs, and estimates of the timing of such exploration, development and production or decisions with respect to such exploration, development and production; estimates of reserves and resources, and statements and information regarding anticipated future exploration; the anticipated timing of events with respect to the Company’s minesite and; statements and information regarding the sufficiency of the Company’s cash resources. Such statements and information reflect the Company’s views as at the date of this document and are subject to certain risks, uncertainties and assumptions, and undue reliance should not be placed on such statements and information. Many factors, known and unknown could cause the actual results to be materially different from those expressed or implied by such forward looking statements and information. Such risks include, but are not limited to: the volatility of prices of gold and other metals; uncertainty of mineral reserves, mineral resources, mineral grades and mineral recovery estimates; uncertainty of future production, capital expenditures, and other costs; currency fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks, risks associated with foreign operations; risks related to title issues; governmental and environmental regulation; and the volatility of the Company’s stock price. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.*

## 2. **Overall Performance**

### *Description of Business*

Starcore is engaged in exploring, extracting and processing gold and silver through its wholly-owned subsidiaries, Compañía Minera Peña de Bernal, S.A. de C.V. (“Bernal”), which owns the San Martin mine in Queretaro, Mexico and Altiplano GoldSilver S.A. de C.V (“Altiplano”), which owns the gold and silver processing plant in Matehuala, Mexico. The Company is a public reporting issuer on the Toronto Stock Exchange (“TSX”). The Company is also engaged in acquiring mining related operating assets and exploration assets in North America directly and through corporate acquisitions. The Company has interests in properties which are exclusively located in Mexico, USA and Canada.

### **Financial Highlights for period ending April 30, 2016 (audited) compared to the year ended July 31, 2015 (audited) and period ended April 30, 2015 (unaudited):**

- Cash and short-term investments on hand is \$10 million at April 30, 2016 compared to \$6 million at July 31, 2015;
- Gold and silver sales of \$20.3 million for the nine months ended April 30, 2016 compared to \$21.7 million for the nine months ended April 30, 2015, a decrease of 6%;
- Net income of \$0.2 million for the period ended April 30, 2016 compared to net income of \$0.3 million for the nine months ended April 30, 2015;
- Equivalent gold production of 13,215 ounces in period ended April 30, 2016 compared to production of 14,941 ounces in period ended April 30, 2015, a decrease of 11%;
- Mine operating cash cost is US\$846/EqOz for the period ended April 30, 2016 compared to cost of US\$920/EqOz for the period ended April 30, 2015, a decrease of 8%;
- All-in sustaining costs of US\$1,146/EqOz for the period ended April 30, 2016 compared to costs of US\$1,080/EqOz for the period ended April 30, 2015, an increase of 6%;
- EBITDA<sup>(1)</sup> of \$2,747 for the period ended April 30, 2016 compared to \$4,429 for the nine months ended April 30, 2015, an decrease of 38%.

### **Reconciliation of Net income to EBITDA**

<b>For the period ending April 30, (Unaudited)</b>	<b>2016</b>	<b>2015</b>
Net income (loss)	\$ 195	\$ 306
Income tax recovery	(2,639)	(1,049)
Interest	387	-
Depreciation and depletion	4,784	5,172
<b>EBITDA</b>	<b>\$ 2,727</b>	<b>\$ 4,429</b>
<b>EBITDA MARGIN<sup>(2)</sup></b>	<b>13.4%</b>	<b>20.1%</b>

(1) EBITDA (“Earnings before Interest, Taxes, Depreciation and Amortization”) is a non-GAAP financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. The Corporation uses this non-GAAP measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

(2) EBITDA MARGIN is a measurement of a company’s operating profitability calculated as EBITDA divided by total revenue. EBITDA MARGIN is a non-GAAP financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. The Corporation uses this non-GAAP measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.



## ***Recent News***

### Exploration Drilling on Toiyabe property

On July 13<sup>th</sup>, 2016, the Company announced commencement of drilling on its Toiyabe Project, located 10 kilometers south of the Cortez Hills Mine in northeastern Nevada. Reverse Circulation (RC) drilling began on May 24, 2016 and core drilling on June 20th, 2016. Six RC holes were completed including two pre-collar holes for core drilling. The core rig is drilling its first hole. Total footage drilled to July 13<sup>th</sup> was 1,482 meters. Geochemical results are pending.

The drilling program will target Pipeline/Cortez Hills/Gold Rush style gold mineralization associated with CSMT resistivity highs, extensions of deep gold intercepts on Section 900 North associated with the 805 Fault, extensions of the near surface resource associated with the Courtney A and B faults, and gold anomalies associated with surface sampling or historic drilling. Previous drilling of the 805 Fault included T-0902C which averaged 3.62 g/t over 9.0 meters true width from 267 to 282 meters. Included within this interval is 0.9 meters true width of 16.19 g/t. The 2016 program will consist of 5,486 meters of RC and 1,219 meters of core drilling in 23 holes.

All RC drilling samples are collected in 1.5-meter intervals, logged and securely shipped to ALS Chemex Labs Inc. in Reno, Nevada to be analyzed for gold and silver by fire assay. A second sample split is kept on site for possible re-testing or future metallurgy. Standards and blanks are included with the sample submittals and numerous repeat assays conducted. The core is logged, sample intervals marked on the core either in five-foot lengths or geologic/structural breaks, sawed and half core assayed the same as the RC procedure mentioned above.

### San Martin Mine Drill Update

The Company is pleased to announce that mining crews arrived at the 31-79 drill hole intersection at its San Martin Mine in Queretaro, Mexico. The Company has confirmed the existence of the intersection in drill hole 31-79 reported in its news release dated May 11, 2016. Drifting along the drill hole defined a 2-meter thick segment of manto mineralization bounded by steep faults on the north and south and a horizontal fault above. Subsequent exploration in the area has defined a 3-meter thick piece of mineralization above the flat fault displaced roughly 15 meters to the east.

In May of 2016, 536 tons were mined from the west block with an average grade of 11.47 g/t Au and 76 g/t Ag. In June, the east (upper) block was explored by drifting and raising and through June 20th, a total of 986 tons have been produced at 8.92g/t Au and 67 g/t Ag. Geologists estimate that 1500 tons remain to be extracted from this zone at similar grades.

The assay results are the average of muck samples from the mine lab results. Sample results are balanced each month end with the doré bars produced in the plant.

Drill hole 31-92 was recently completed to test the small remaining segment between these blocks and the previously mined stope to the north. This hole has returned a 9.1-meter interval grading 50.7 g/t gold and 115 g/t silver. This hole appears to have located another of these fault bounded ore segments.

“This new area, although relatively small, gives us the opportunity to understand the nature of the mineralization in the northern part of the mine which was extracted prior to Starcore purchasing the mine. We expect this perception to aid us in our endeavours to expand reserves and resources to the north.” Said Robert Eadie, President and CEO of the Company.

### Fatality at its San Martin Mine

On June 22<sup>nd</sup>, 2016, the Company regretfully reported the fatality of an employee that occurred at the San Martin Mine in Queretaro, Mexico.

“We are deeply saddened over the loss of our colleague, an experienced underground miner at our San Martin Mine,” said Robert Eadie, President & Chief Executive Officer of the Company, who flew to Mexico upon hearing of the fatal accident. “Work-related losses are tragic and felt grievously by Starcore and our communities, and we extend our deepest sympathies to our colleague’s family and friends. The safety of our employees is of utmost importance for Starcore and we will continue to take every measure to eliminate all workplace accidents and ensure the workplace is safe for everyone.”

The accident was an isolated incident that occurred during wall and ceiling ground support installation in a cut-and-fill stope in the mine’s San Martin area. Starcore is working with the local authorities on completing a final report on their investigation. Operations at the mine outside of this stope continue and all crews have been fully debriefed on the accident. In the meantime, the plant is operating normally.

### Appointment of New Auditors

The Company reports that it has appointed Davidson & Company LLP, Chartered Professional Accountants, as auditors of the Company for the new April 30th, 2016 year-end. The appointment follows the resignation of the former auditors, Deloitte LLP, Chartered Professional Accountants, at the request of the Company. The Company reports that there have been no reservations in the report of Deloitte LLP for the audits of the most recently completed fiscal period and, in the opinion of the Company, prior to the appointment of Davidson & Company LLP, there were no reportable events.

### Starcore Announces Pre-production Results from Altiplano Plant

The Company reported its pre-production results from the Altiplano Plant located in Matehuala, Mexico. The Company previously reported that it had poured its first doré bar, weighing in at 21.131 kg., from purchased precipitates. Since then, the plant has been receiving concentrate deliveries to test the full facilities of the plant and procedures. To date, the Company has processed over 90 tonnes of concentrate purchased from 3 different suppliers to produce 40.16 kg of metal doré bars, which included 2.01kg of gold and 38.15kg of silver.

“We have proven the ability to process various types of concentrate and expect to do this profitably with a consistent supply of concentrates and production,” said Robert Eadie, President of the Company. “Having tested concentrates received from 14 different suppliers, we are currently negotiating concentrate purchase agreements for the best quality concentrate that will bring a consistent supply. As stated before, we see the Altiplano Plant as a synergistic cash-flow producing arm of the Company, growing our asset base for our shareholders.”

The doré bars were shipped to a refinery and sold at spot rates for gold and silver at the time of shipment. All proceeds of sales have been capitalized to the development costs of the facility, in accordance with accounting standards, until such time as Altiplano is receiving consistent supply of concentrates and is achieving consistent operating results.



### 3. Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	April 30, 2016	July 31, 2015	July 31, 2014
Revenues	\$ 20,326	\$ 28,405	\$ 33,136
Cost of Sales	(18,807)	(27,760)	(24,548)
Earnings from mining operations	1,519	645	8,588
Administrative Expenses	(3,963)	(2,355)	(3,557)
Income tax (expense) recovery	2,639	1,920	(2,066)
Total earnings			
(i) Total earnings	\$ 195	\$ 210	\$ 2,965
(ii) Earnings per share – basic	\$ 0.00	\$ 0.00	\$ 0.02
(iii) Earnings per share – diluted	\$ 0.00	\$ 0.00	\$ 0.02
Total assets	\$ 78,907	\$ 69,197	\$ 65,094
Total long-term liabilities	\$ 13,324	\$ 15,141	\$ 14,295

### 4. Results of Operations

#### *Discussion of Acquisitions, Operations and Financial Condition*

The following should be read in conjunction with the audited consolidated financial statements of the Company and notes attached thereto for the period ended April 30, 2016.

#### 4.1 San Martín Mine, Queretaro, Mexico

##### *Reserves*

The San Martin Mine, an ISO 9001 certified facility located approximately 50km east of the City of Queretaro, State of Queretaro, Mexico, consists of mining concessions covering 12,992 hectares and includes seven underground mining units and four units under exploration, as well as an additional property, San Pedrito, located 50 km west of San Martin. Luismin (now “Goldcorp Mexico”) operated the mine from 1993 to January, 2007 when it was purchased by Starcore, who has been mining at San Martin at a rate of approximately 300,000 tonnes per year. Starcore expects to continue to operate the mine over an expected mine life of at least 5 years based on the current expected conversion of known resources and exploration is able to maintain approximately two years proven and probable reserves replacing those mined with new reserves, such that the total resource remains relatively constant from year to year. The Company’s last Resource estimate was filed on SEDAR “RESERVES AND RESOURCES IN THE SAN MARTIN MINE, MEXICO AS OF JULY 31, 2014”, dated October 6, 2014, prepared by Joseph Campbell, P. Eng. (the “Technical Report”), which is also available on the Company website [www.starcore.com](http://www.starcore.com).

## Production

The following table is a summary of mine production statistics for the San Martin mine for the periods ended April 30, 2016 and 2015 and for the previous year ended July 31, 2015.

	<i>Unit of measure</i>	Actual results for 9 months ended April 30, 2016	Actual results for 9 months ended April 30, 2015	Actual results for 12 months ended July 31, 2015
Mine production of gold in dore	<i>thousand ounces</i>	12.3	14.0	18.3
Mine production of silver in dore	<i>thousand ounces</i>	70.2	70.1	97.1
Total mine production – equivalent ounces	<i>thousand ounces</i>	13.2	14.9	19.6
Silver to Gold equivalency ratio		76.2	71.1	71.6:1
Mine Gold grade	<i>grams/tonne</i>	1.96	2.19	2.14
Mine Silver grade	<i>grams/tonne</i>	18.4	18.0	18.2
Mine Gold recovery	<i>percent</i>	84.9%	84.6%	85.1%
Mine Silver recovery	<i>percent</i>	51.7%	51.6%	53.1%
Milled	<i>thousands of tonnes</i>	229.6	234.6	311.9
Mine development, preparation and exploration	<i>meters</i>	4,079	4,464	6,055
Mine operating cash cost per tonne milled	<i>US dollars/tonne</i>	49	59	57
Mine operating cash cost per equivalent ounce	<i>US dollars/ounces</i>	846	920	903
Number of employees and contractors at minesite		299	299	301

During the quarter ended April 30, 2016, the mill operated at a rate of approximately 823 milled tonnes/calendar day. Gold and silver grades during the period ending April 30, 2016 was 1.96 g/t and 18.4 g/t, respectively, compared to prior comparable period grades of 2.19 g/t and 18.0 g/t. Overall equivalent gold production from the mine during the period ending April 30, 2016 of 13,215 ounces was lower than the previous comparable period production of 14,941 due to a decrease in ore grades and lower overall production tonnage of 74,070 tonnes compared to 76,168 tonnes in prior comparable period.

Production cash costs of the mine for the current period ending April 30, 2016 were US\$846/EqOz. This was significantly lower than the prior comparable period ending April 30, 2015 amount of US\$920/EqOz. The decrease in production EqOz. was largely due to the strength of the US dollar and due to cost savings in mine development and exploitation. This period's costs are lower than the prior year average of US\$903/EqOz as well.

Operating cash costs of US\$49/t were lower than the prior period of US\$59/t. Operating cash costs were also lower than the previous year end July 31, 2015 of US\$57/t due to the favourable US Dollar exchange rate and due to reductions in overall mine operating costs. The mine plan has been developed to ensure the mine is properly developed and mined so as to ensure a constant supply of ore in accordance with currently planned production capacity and ore grades. Changes to the plan that may involve increased production and capital investment are continually being assessed by management. Currently, the Company is continuing underground exploration in order to identify higher grade ore zones and has allocated an adequate budget to support year-long exploration, exceeding 12,000 metres of underground exploration drilling for the 2016 calendar year.

During the quarter ended April 30, 2016, the Company incurred approximately US\$215 in mine capital expenditures, which includes mine development drifting and drilling, machinery and equipment leases and purchases, and construction and tailings dam remediation, compared to US\$292 in the prior comparable period ending April 30, 2015.



## 4.2 Property Activity

### San Martin properties – Queretaro, Mexico

The San Martin mine properties are comprised of mining concessions covering 12,992 hectares, excluding the San Pedrito property located approximately 50km west of the San Martin mine. In addition to the ongoing mine exploration and development that is currently being performed in development of the mine, management is continually assessing the potential for further exploration and development of the San Martin properties and continually modifying the exploration budget accordingly.

The mine operates three underground drill rigs to provide information to assist with mine planning in addition to exploration, with the intent of increasing the reserves and resources on the property, and the Company has achieved budgeted targets of approximately 11,000 metres of underground exploration drilling in calendar 2016.

David Gunning, P.Eng., a director of the Company and Chief Operating Officer, is the Company's qualified person under NI 43-101, and has reviewed and approved the scientific and technical disclosure on the San Martin Mine disclosed in this MD&A.

### San Pedrito

The Company entered into a Binding Agreement ("Agreement") to sell the San Pedrito Property located in Queretaro, Mexico. The sale is expected to net the Company approximately USD \$7 Million. The Agreement requires the buyer to deposit 50 million Mexican Pesos ("MP") (approximately USD \$2.8 million), which has been received in trust and may only be released pending various confirmations, including compliance with state and municipal regulations and evidence that the property is in good standing.

The agreement is subject to a 50 million MP penalty clause in case of non-performance that will be effective if either the purchaser does not pay the owed amount when all the conditions have been met or if the Company does not wish to continue with the sale. Upon receipt of the required confirmations, the agreement provides for the subject conditions to be removed and the balance of funds to be paid immediately to the Company. The Company has not recorded the sale or deposit in these Financial Statements due to the pending conditions precedent.

The San Pedrito property was part of Starcore's original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for USD \$26 million. The Company has allocated a cost base of approximately \$3,750 to this property.

### Acquisition of Creston Moly

On February 19, 2015, the Company closed the transaction to acquire all of the shares of Creston Moly from Deloitte Restructuring Inc. in its capacity as trustee in bankruptcy of Mercator Minerals Ltd. at a purchase price of CDN \$2 Million.

In June, 2011, Mercator Minerals Ltd. ("Mercator"), a TSX listed company, acquired Creston Moly in a cash and shares deal valuing Creston Moly at approximately \$194 million. At that time, the Board of Directors of Creston Moly, after receiving the recommendation of its special committee and consultation with its financial and legal advisors, unanimously supported the arrangement whereby Mercator would acquire all of the issued and outstanding common shares of Creston.

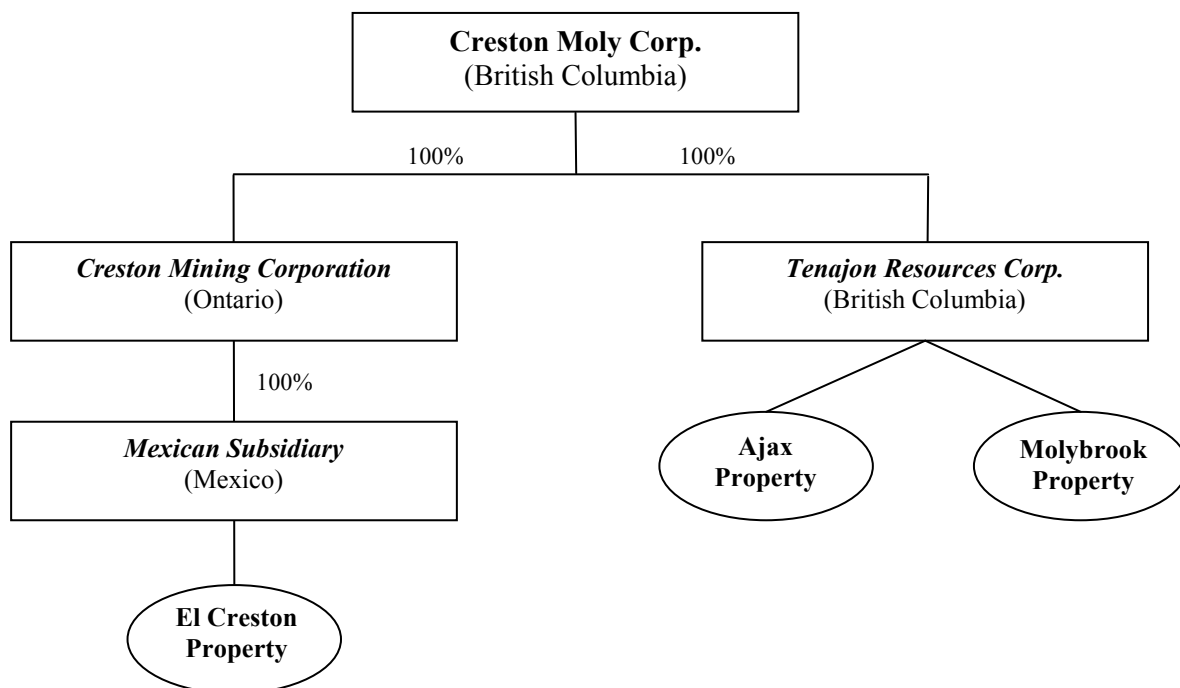
BMO Capital Markets, financial advisor to Creston Moly and its Board, provided a fairness opinion to the effect that the consideration (of \$194 million) was fair, from a financial point of view, to the shareholders of Creston Moly.<sup>1</sup> Creston shareholders voted in favour of the acquisition. The most significant asset in this acquisition was the El Creston project in Sonora, Mexico which had been advanced to a completed Preliminary Economic Assessment ("PEA").

On September 5, 2014, pursuant to the *Bankruptcy and Insolvency Act (Canada)*, Mercator and Creston Moly were deemed to have filed assignments in bankruptcy. Creston Moly is a British Columbia company that owns, through its subsidiaries, a 100% interest in the following properties:

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<sup>1</sup> The information in this report relating to the acquisition of Creston Moly by Mercator has been drawn from documents filed under the Creston Moly Corp. issuer profile on SEDAR, more specifically: Creston's Management Information Circular dated May 9, 2011 and filed on SEDAR on May 16, 2011, and Creston's news release of June 6, 2011 as filed on SEDAR on June 7, 2011.

- The El Creston Project in Sonora, Mexico;
- The Ajax Project in British Columbia; and
- The Molybrook Project in Newfoundland.



***El Creston Project, Sonora, Mexico:***<sup>2</sup> The El Creston molybdenum property is located in the State of Sonora, Mexico, 175 kilometres south of the US Border and 145 kilometers northeast of the city of Hermosillo which has completed a Preliminary Economic Assessment on the property based on zones of porphyry-style molybdenum (“Mo”)/Copper (“Cu”) mineralization. In 2010, a PEA was prepared on the project by an independent consulting firm. The result of this study indicated that the El Creston molybdenum-copper deposit had a US \$561.9million net present value after tax (using an 8% discount rate). The internal rate of return (after tax) was calculated to be 22.3% and a capital cost payback was calculated to be four years.

Other highlights of the report include:

- ***Large moly-copper deposit in a mining-friendly jurisdiction.*** Total Measured and Indicated Resources of 215 million tonnes grading 0.071% Mo and 0.06% Cu, containing 336 Milbs Mo and 281 Milbs Cu. Mineral resources that are not mineral reserves do not have demonstrated economic viability;
- ***Initial Capital cost:*** US\$655.9million with payback of 4 years, based on metal prices of \$15/lb Mo and \$2.60/lb Cu. Metal recoveries were estimated at 88% for Mo and 84% for Cu;
- ***Low Operating Cost:*** operating cost of \$US4.12/lb Mo, net of copper credits, 0.84:1 waste to ore strip ratio within an optimized pit containing an additional 7.6 million tonnes of Inferred Resources responsible for \$20M of the NPV;
- ***Excellent infrastructure:*** Road accessible with a 230kV power grid within 50 km;
- ***Apart from the PEA,*** recommendations have been made to test known mineralization below the current pit-limiting “Creston Fault” where results such as drill hole EC08-54 returned 241.4m at 0.083% Mo and 0.059% Cu to a depth of 495m in the Red Hill Deep zone.

<sup>2</sup> The technical information in this news release relating to the El Creston Project is based on the technical report entitled “Preliminary Economic Assessment, El Creston Project, Opodepe, Sonora, Mexico”, dated December 16, 2010, filed under the Creston Moly Corp. issuer profile on SEDAR.. Information regarding the effective date of the mineral resources, key assumptions, parameters and methods used to estimate the mineral resources, and known risks that materially affect the mineral resources can be found in the technical report.



David Gunning, P.Eng., a director of the Company and Chief Operating Officer, is the Company's qualified person under NI 43-101, and has reviewed and approved the scientific and technical disclosure on the El Creston Project disclosed in this report.

### ***Ajax, British Columbia, Canada<sup>3</sup>***

Ajax Molybdenum Property is comprised of 11,718 hectares and is located 13 km north of Alice Arm, British Columbia. The Ajax Property, one of North America's largest undeveloped molybdenum deposits occupying a surface area of approximately 600 by 650 metres, is a world class primary molybdenum property in the advanced stage of exploration.

### ***Molybrook, Newfoundland, Canada<sup>4</sup>***

Creston's Molybrook molybdenum property located on the south coast of Newfoundland is centred 2.5 km from the outport of Grey River less than 4 kilometres from a deep water, ice free navigable fjord. The property hosts a 3 km long trend in which at least three zones of at surface molybdenum mineralization occur: Molybrook, Wolf and Chimney Pond. To date, almost all exploration has been completed on the Molybrook Zone where a large porphyry molybdenum deposit has been outlined.

The Company owns 100% of the 44 mineral claims of the Moly Brook molybdenum property, located 2.5 km from the Hamlet of Grey River on the southern coast of Newfoundland, pursuant to the acquisition of Creston Moly Corp. The Moly Brook property is subject to a 2% net smelter royalty ("NSR"), of which 1.5% can be purchased by the Company for \$1.5 million. During the period ended April 30, 2016, the Company reduced its claims to focus on the core project and to reduce its holding costs.

### **Acquisition of American Consolidated Minerals Corp.**

On November 20, 2014, the Company announced the approval of the proposed acquisition of American Consolidated Minerals Corp ("AJC") pursuant to a plan of arrangement (the "Transaction") by the AJC shareholders.

The Transaction was completed on December 1, 2014 upon the satisfaction of all of the conditions set out in the arrangement agreement entered into by AJC and the Company on October 1, 2014, including approval by the Supreme Court of British Columbia.

Pursuant to the acquisition of AJC, the Company has acquired the right to 3 properties as follows:

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<sup>3</sup> Technical information in this report relating to the Ajax Project is based on the NI 43-101 Resource Estimate Press Release entitled "Tenajon Announces 75% Increase in Indicated Molybdenum Resources at Ajax Project", dated May 15, 2008 and the technical report entitled "Update of Resource Estimation, Ajax Property, Alice Arm, British Columbia", dated April 18, 2007, both of which are filed under the Tenajon Resources Corp. issuer profile on SEDAR.

<sup>4</sup> Technical information in this report relating to the Moly Brook property is based on the technical report entitled "Technical Report, Moly Brook Property, Grey River Area, Newfoundland, Canada", dated June 15, 2009, filed under the Tenajon Resources Corp. issuer profile on SEDAR.

### ***Sierra Rosario, Sinaloa, Mexico***

Pursuant to the acquisition of AJC, the Company acquired a 50% interest in two claims over the 500-hectare Sierra Rosario Property, located in the state of Sinaloa, Mexico.

During the year ended July 31, 2015, the Company acquired the remaining 50% interest from the optionor for \$25 and a 1% NSR over the entire property.

### ***Toiyabe, Nevada, USA***

Pursuant to the acquisition of AJC, the Company has acquired the right to a 100% undivided interest, subject to a 3% NSR, in 165 mining claims located in Lander County, Nevada, United States of America (“Toiyabe”) from MinQuest.

Consideration to be paid for the interest is US\$900 and the Company must incur total exploration expenditures of US\$1,025 (US\$1,025 incurred) on the property, by the fifth anniversary of the “New Effective Date” as agreed by MinQuest. The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over Toiyabe or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of US\$2 million per each 1% of the royalty.

### ***Lone Ranch, Washington, USA***

Pursuant to the acquisition of AJC, the Company has acquired the right to a 100% undivided interest, subject to a 3% NSR in 73 mining claims located in Ferry County, Washington State, United States of America (“Lone Ranch”) from MinQuest Inc. (“MinQuest”).

Consideration to be paid for the interest is US\$360, and the Company must incur total exploration expenditures of US\$1,225 (\$175 incurred) on the property, by the third anniversary of the “New Effective Date” as agreed by MinQuest. The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over the property or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of US\$1.5 million per each 1% of the royalty. If the Company does not incur the exploration expenditures as specified, the unpaid portions may be paid to the optionor to maintain the option.

### **Acquisition of Cortez Gold Corp.**

During the year ended July 31, 2015, the Company signed of a letter of intent with Cortez Gold Corp. (“Cortez or “CUT”) (TSXV: CUT) to acquire all of the outstanding securities of CUT in an all-share transaction to be completed pursuant to a court approved Plan of Arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”). Under the terms of the planned acquisition, each CUT shareholder would receive three Starcore common shares for every one CUT common share held by CUT shareholders (the “Exchange Ratio”). Cortez is a Vancouver-based junior resource company that owns the Altiplano gold and silver processing plant in Matehuala, Mexico and has a director and officer in common with the Company.

Shareholders of Cortez approved the Arrangement which was finalised on approval by the British Columbia Supreme Court on August 5, 2015. Pursuant to the Arrangement, the former Cortez shareholders hold 7,166,888 common shares of Starcore, representing 15.87%, of the 45,153,599 outstanding common shares of Starcore after issue of shares pursuant to the Arrangement. In addition, each holder of the outstanding common share purchase warrants of CUT may receive such number of replacement warrants of Starcore based upon the Exchange Ratio and at the exercise price adjusted based upon the Exchange Ratio.



The Company valued the 7,166,888 shares at the fair market value on date of issue of \$0.42 per share, for total consideration of \$3,010, which was accounted for as acquisition of assets allocated based on their relative fair values on the closing date. The following purchase price allocation is based on management's best estimates and assumptions after taking into account all relevant information available.

***Altiplano Goldsilver Processing Plant, Matehuala, Mexico***

Altiplano has title to 20 hectares of land in Matehuala, S.L.P., Mexico, and to the buildings and equipment located thereon (the "Processing Plant").

The construction of the Processing Plant was completed in 2015 and Altiplano is ready to accept concentrates for processing. The Company announced that as of February 15, 2016, the Altiplano plant poured its first doré bar, weighing in at 21.131 kg. The Plant is currently in a pre-commissioning phase and any incidental revenue or expenses generated during this process has been capitalized under IAS 16 guidelines. The Company shall cease to record costs as part of the carrying amount of the Plant when the assets are in the condition necessary for it to be capable of operating in the manner intended by management.

Located within a historic mining district in an area that is home to numerous medium-sized mining operations, the Altiplano Plant is designed to employ a cleaner and more economical treatment production process that will enable the facility to offer lower processing rates than those currently available to concentrate producers in the area.

### 4.3 Results of Operations

The Company recorded earnings for the period ended April 30, 2016 of \$195 compared with \$306 for the comparative period ended April 30, 2015. The details of the Company's operating results and related revenues and expenses are as follows:

<b>For the period ended April 30,</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>
<b>Revenues</b>			
Mined ore	\$ 20,326	\$ 21,707	\$ (1,381)
Purchased concentrate	-	332	(332)
<b>Total Revenue</b>	<b>20,326</b>	<b>22,039</b>	<b>(1,713)</b>
<b>Cost of Sales</b>			
Mined ore	(14,093)	(15,554)	1,461
Purchased concentrate	-	(306)	306
Depreciation and depletion	(4,714)	(5,141)	427
<b>Total Cost of Sales</b>	<b>(18,807)</b>	<b>(21,001)</b>	<b>2,194</b>
<b>Earnings from mining operations</b>	<b>1,519</b>	<b>1,038</b>	<b>481</b>
Financing costs	(387)	(68)	(319)
Foreign exchange gain (loss)	(159)	1,199	(1,358)
Professional and consulting fees	(1,031)	(924)	(107)
Management fees and salaries	(918)	(733)	(185)
Office and administration	(1,114)	(981)	(133)
Other income	-	82	(82)
Shareholder relations	(110)	(82)	(28)
Regulatory and transfer agent fees	(244)	(99)	(145)
Impairment on investment	-	(175)	175
<b>Loss before taxes</b>	<b>(2,444)</b>	<b>(743)</b>	<b>(1,701)</b>
<b>Income tax recovery</b>			
Current	57	309	(252)
Deferred	2,582	740	1,842
<b>Earnings for the period</b>	<b>\$ 195</b>	<b>\$ 306</b>	<b>\$ (111)</b>

Overall, revenue from milled ore decreased by \$1.7 million compared to the prior period due mainly to lower metal production and lower gold and silver recovery in the current period compared to prior year. Cost of sales decreased in the current period due to lower tonnage processed and lower overall mine development costs and costs of labour and supplies, including chemicals and electricity. As a percentage of mined ore revenue, earnings from mining operations increased to 7% of mined ore revenue compared to 5% in the comparative period.

Sales of metals for the period ended April 30, 2016 approximated 12,666 ounces of gold and 72,105 ounces of silver sold at average prices in the period of US\$1,142 and US\$14.87 per ounce, respectively. This is a decrease in sale ounces from the comparative period ended April 30, 2015 where sales of metal approximated 14,709 ounces of gold and 73,642 ounces of silver, sold at higher average prices of US\$1,224 and US\$17.30 per ounce, respectively.

The total cost of sales above includes non-cash expenses for depreciation and depletion of \$4,714, compared to \$5,141 in the comparable period last period, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves and a percentage of inferred resources in accordance with the Company's policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management.



For the period ending April 30, 2016, the Company produced \$1,519 in earnings from mine operations compared to \$1,038 for the period ended April 30, 2015. The increase resulted partially due to the strengthening USD which converted into Canadian Dollar (“CDN”) at \$1.255 in the current period compared to \$1.210 at April 30, 2015, which increased revenues and concurrently lowered costs. The combination of slightly higher recoveries for gold and silver, despite a lower metal price per ounce, resulted in higher revenue as compared to the prior period.

Costs per ounce for the period ended April 30, 2016 were much lower at an average operating cash cost of US\$846/EqOz. compared to an average operating cash cost of US\$920/EqOz. during the period ended April 30, 2015, resulting in reported mined ore costs which were \$2,194 lower at \$18,807. Also included in mined ore costs in the current period is depletion of \$4,714 compared to \$5,141 for the period ended April 30, 2015.

### Other Items

Changes in other items for the period ended April 30, 2016, resulted in the following significant changes from the period ended April 30, 2015:

- Financing costs during the period increased by \$319 due to the debt that was raised by the Company to finance the Altiplano project;
- Office and administration increased by \$133 due higher corporate costs relating to acquisition of CUT, general regulatory administration and office related costs.
- Foreign exchange decreased by \$1,358 for the period ended April 30, 2016. The decrease relates primarily due to the weakening of the Mexican peso and Canadian dollar in relation to the US dollar, the functional currency of the mining operations in the prior comparable period.
- Professional and consulting fees increased by \$107 to \$1,031 due to higher fees charged in relations to legal, tax and audit fees in the prior comparative period.
- Transfer Agent Fees increased by \$145 due to costs relating to registration on the United States markets.
- Deferred Income Tax Recovery increased by \$1,842 due to the Company recognizing its ability to use its non-capital loss carry forwards in the current and future years.

### Sustaining Costs

In conjunction with a non-GAAP initiative being undertaken within the gold mining industry, the Company has adopted an “all-in sustaining cash cost” non-GAAP performance measure that the Company believes more fully defines the total costs associated with producing gold; however this performance measure has no standardized meaning. As the measure seeks to reflect the full cost of equivalent gold production from current operations, new project capital is not included in the calculation. Accordingly it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The Company reports this measure on a sales basis:

<i>(In Canadian Dollars unless indicated)</i> For the period ended April 30,	Sustaining Costs (in 000's)		Sustaining Costs Per Ounce (in \$/oz)	
	2016	2015	2016	2015
Total cost of sales cash costs <sup>1</sup>	\$ 14,093	\$ 15,554	\$ 1,036	\$ 988
Total corporate and administration cash costs <sup>2</sup>	3,415	2,831	251	180
Foreign exchange gain	159	(1,199)	12	(76)
Reclamation and closure accretion	65	61	5	4
Sustaining capital expenditures and exploration <sup>3</sup>	3,534	2,642	260	168
All-in sustaining cash costs	21,266	19,889	1,563	1,264
Foreign exchange adjustment	(5,365)	(2,887)	(394)	(183)
<b>All-in sustaining USD cash costs</b>	<b>\$ 15,901</b>	<b>\$ 17,002</b>	<b>\$ 1,169</b>	<b>\$ 1,081</b>
Total equivalent ounces sold	<b>13,605</b>	15,749		

<sup>1</sup> Excludes non-cash depletion of \$4,714 for the period ended April 30, 2016 (April 30, 2015: \$5,141) and includes non-cash share-based compensation of \$Nil (April 30, 2015: \$16).

<sup>2</sup> Includes non-cash share-based compensation of \$Nil for the period ended April 30, 2016 (April 30, 2015: \$119).

<sup>3</sup> Certain capital expenditures costs that are non-sustaining costs have been excluded in accordance with AISC guidelines.

## Cash Flows

Cash flows generated from operating activities were \$5,359 during the period ended April 30, 2016, compared to \$3,229 for the comparative period ended July 31, 2015. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Cash raised for financing activities resulted in an inflow of \$3,663 mainly due to the debt borrowing in the period of \$3,850. Cash used for investing activities resulted in an outflow of \$7,372 due to purchase of short term investment of \$3,162, investment in mining interest, plant and equipment of \$3,700 and investment in exploration and evaluation assets of \$517. Overall cash increased during the period ended April 30, 2016 by \$1,650.

## Investor Relations Activities

During the period ended April 30, 2016, the Company responded directly to investor inquiries.

## Financings, Principal Purposes & Milestones

During the period ended April 30, 2016, the Company completed a private placement of secured bonds in the aggregate principal amount of \$4.5 million. The bonds bear interest of 8% per annum, payable on maturity, and mature November 12, 2016.

During the period the Company issued 7,166,888 shares were issued pursuant to the plan of arrangement at \$0.42 whereby the Company acquire all of the outstanding shares of Cortez Gold Corp.

The Company also issued 3,993,203 shares to settle the outstanding debt as at July 31, 2015 in the aggregate amount of \$2,241 owed to certain creditors. The Receipts were issued at a deemed price of \$0.56 per Receipt.

## 5. Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q3 30-Apr-16	Q2 31-Jan-16	Q1 31-Oct-15	Q4 31-Jul-15
Total Revenue	\$ 5,668	\$ 6,954	\$ 7,704	\$ 6,366
Earnings (loss) from mining operations	\$ (287)	\$ 670	\$ 1,136	\$ (393)
Earnings (loss) for period	\$ (283)	\$ 240	\$ 562	\$ (96)
Per share – basic	\$ (0.01)	\$ 0.00	\$ 0.02	\$ (0.00)
Per share – diluted	\$ (0.01)	\$ 0.00	\$ 0.02	\$ (0.00)

	Q3 30-Apr-15	Q2 31-Jan-15	Q1 31-Oct-14	Q4 31-Jul-14
Total Revenue	\$ 7,227	\$ 7,143	\$ 7,669	\$ 7,742
Earnings (loss) from mining operations	\$ 374	\$ 213	\$ 451	\$ 1,126
Earnings (loss) for period	\$ (484)	\$ (116)	\$ 906	\$ (2,170)
Per share – basic	\$ (0.01)	\$ (0.01)	\$ 0.02	\$ (0.06)
Per share – diluted	\$ (0.01)	\$ (0.01)	\$ 0.02	\$ (0.06)

## Discussion

The Company reports a loss of \$283 for the quarter compared to loss of \$484 in the comparative quarter ended April 30, 2015. Revenue from mining operations decreased in this quarter to \$5,668 from the comparative quarter of \$7,227 as a result of lower ore production. For more detailed discussion on the quarterly production results and financial results for the quarter ended April 30, 2016, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

## 6. Liquidity and Commitments

The Company expects to continue to receive income and cash flows from the mining operations at San Martin (*section 4.1*). Management expects that this will result in sufficient working capital and liquidity for the Company for the next twelve months.

As at April 30, 2016, the Company had the following commitments:

- a) As at April 30, 2016, the Company has shared lease commitments for office space of approximately \$144 per year, expiring at various dates up to April 2020, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.
- b) As at April 30, 2016, the Company has a land lease agreement commitment with respect to the land at the mine site, for \$132 per year until December 2017. The Company also has ongoing commitments on the exploration and evaluation assets of approximately \$220 per year.
- c) As at April 30, 2016, the Company has management contracts to officers and directors totaling \$840 per year, payable monthly, expiring in January 2017.

Obligations due within twelve months of April 30:	2016	2017-2019	2020 and beyond
Trade and other payables	\$ 3,091	\$ -	\$ -
Current portion of loan payable	4,619	-	-
Non-current portion of loan payable	-	1,369	-
Rehabilitation and closure cost provision	-	-	1,401

## 7. Capital Resources

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of \$56,618 as at April 30, 2016. The Company is committed to further expenditures of capital required to maintain and to further develop the San Martin mine which management believes will be funded directly from the operating cash flows of the mine.

## 8. Off Balance Sheet Arrangements

The Company has no off balance sheet transactions.

## 9. Transactions with Related Parties

The Company paid the following amounts to key management and directors in the period:

<u>For the</u>	<u>Nine months ending April 30, 2016</u>	<u>Year ending July 31, 2015</u>
Management fees	\$ 624	\$ 840
Legal fees	256	95
Directors fees	70	60
Share-based payments	-	107
<b>Total</b>	<b>\$ 950</b>	<b>\$ 1,102</b>

There were no other material reportable related party transactions other than the acquisition of Cortez Gold Corp. discussed in section 4.2.

## 10. Third Quarter

Due to mine operating activity of the San Martin mine discussed throughout this MD&A and as detailed in Section 4.1, the operations and activities are similar to previous quarters which are discussed in *Section 4.3 – Results of Operations*.



## 11. Proposed Transactions

### San Pedrito

The Company entered into a Binding Agreement (“Agreement”) to sell the San Pedrito Property located in Queretaro, Mexico. The sale is expected to net the Company approximately USD \$7 Million. The Agreement requires the buyer to deposit 50 million Mexican Pesos (“MP”) (approximately USD \$2.8 million), which has been received in trust and may only be released pending various confirmations, including compliance with state and municipal regulations and evidence that the property is in good standing.

The agreement is subject to a 50 million MP penalty clause in case of non-performance that will be effective if either the purchaser does not pay the owed amount when all the conditions have been met or if the Company does not wish to continue with the sale. Upon receipt of the required confirmations, the agreement provides for the subject conditions to be removed and the balance of funds to be paid immediately to the Company. The Company has not recorded the sale or deposit in these Financial Statements due to the pending conditions precedent.

## 12. Critical Accounting Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in the Company’s profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the current financial period are discussed below:

### a) Economic Recoverability and Profitability of Future Economic Benefits of Mining Interests

Management has determined that mining interests, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

### b) Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company’s internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provision may be higher or lower than currently provided for.

The inflation rate applied to estimated future rehabilitation and closure costs is 3.5% and the discount rate currently applied in the calculation of the net present value of the provision is 8%

### c) Impairments

The Company assesses its mining interest, plant and equipment assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

e) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees, and some with non-employees, by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

f) Mineral Reserves and Mineral Resource Estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral reserve and mineral resources based on information compiled by Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. Such information includes geological data on the size, depth and shape of the mineral deposit, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade that comprise the mineral reserves. Changes in the mining reserve or mineral resource estimates may impact the carrying value of mineral properties and deferred development costs, property, plant and equipment, provision for site reclamation and closure, recognition of deferred income tax assets and depreciation and amortization charges.

g) Units of production depletion

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in depreciation charges proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumption, including the amount of recoverable reserves and estimate of future capital expenditure. Changes are accounted for prospectively.

**13. Changes in Accounting Policies**

Effective August 1, 2015, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB as detailed in Note 3(o) to the audited consolidated financial statements. The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

#### 14. Financial and Other Instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the audited consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

In the normal course of business, the Company's assets, liabilities and forecasted transactions are impacted by various market risks, including currency risks associated with inventory, revenues, cost of sales, capital expenditures, interest earned on cash and the interest rate risk associated with floating rate debt.

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The primary currency the Company exposed to is the United States dollar which is also the functional currency of the San Martin Mine. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At April 30, 2016 the Company had the following financial assets and liabilities denominated in CDN and denominated in Mexican Pesos:

In '000 of	CDN Dollars	Mexican Pesos (MP)
Cash and cash equivalents	\$ 431	MP 35,112
Long term liabilities	\$ 2,163	-
Other working capital amounts – net	\$ (4,619)	MP (105,118)

At April 30, 2016, US dollar amounts were converted at a rate of \$1.2549 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP17.19 to \$1 US Dollar.

#### 15. Other

##### 15.1 Disclosure of Outstanding Share Capital as at July 22, 2016

	Number	Book Value
<b>Common Shares</b>	<b>49,146,851</b>	<b>\$ 50,605</b>

The following is a summary of changes in options from April 30, 2016 to July 22:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Period			Closing	Closing, Vested and Exercisable
				Granted	Exercised	Cancelled/ Forfeited		
05/06/11	05/06/16	\$0.60	37,500	-	-	37,500	-	-
01/16/12	01/16/17	\$0.80	100,000	-	-	-	100,000	100,000
01/27/12	01/27/17	\$1.00	485,000	-	-	-	485,000	485,000
04/13/12	04/13/17	\$1.48	812,500	-	-	-	812,500	812,500
08/22/13	08/22/18	\$1.00	200,000	-	-	-	200,000	200,000
08/22/13	08/22/18	\$0.80	68,750	-	-	-	68,750	68,750
09/06/13	09/06/18	\$0.92	50,000	-	-	-	50,000	50,000
09/12/13	09/12/18	\$1.00	50,000	-	-	-	50,000	50,000
01/15/14	01/15/19	\$0.88	1,042,500	-	-	-	1,042,500	1,042,500
			2,846,250	-	-	-	2,808,750	2,808,750
Weighted Average Exercise Price			\$1.07	-	-	\$0.60	\$1.08	\$1.08

Subsequent to the period ended April 30, 2016, 139,284 warrants and 37,500 options expired due to natural expiry.



## **15.2 Disclosure Controls and Procedures**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and forms.

### **Internal Controls Over Financial Reporting**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual consolidated financial statements or interim financial statements.

There has been no change in the Company's internal control over financial reporting during the Company's period ended April 30, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Limitations of Controls and Procedures**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

**Starcore International Mines Ltd.**

**Consolidated Financial Statements**

**For the period ended April 30, 2016 and the year ended July 31, 2015**

**(Audited)**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Starcore International Mines Ltd.

We have audited the accompanying consolidated financial statements of Starcore International Mines Ltd., which comprise the consolidated statements of financial position as at April 30, 2016 and July 31, 2015 and the consolidated statements of operations and comprehensive income, cash flows and changes in equity for the nine month period ended April 30, 2016 and the year ended July 31, 2015, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Starcore International Mines Ltd. as at April 30, 2016 and July 31, 2015 and its financial performance and its cash flows for the nine month period ended April 30, 2016 and the year ended July 31, 2015 in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 22, 2016



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Telephone (604) 687-0947 Davidson-co.com



**Starcore International Mines Ltd.**  
**Consolidated Statements of Financial Position**  
**(in thousands of Canadian dollars)**

As at	April 30, 2016	July 31, 2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 4,248	\$ 3,370
Short-term Investments (note 6)	5,742	2,615
Amounts Receivable (notes 5 & 7)	2,221	3,435
Inventory (note 8)	1,877	2,037
Prepaid Expenses and Advances	191	563
<b>Total Current Assets</b>	<b>14,279</b>	12,020
<b>Non-Current</b>		
Mining Interest, Plant and Equipment (notes 5 & 9)	56,618	50,632
Exploration and Evaluation Assets (note 10)	3,864	3,411
Reclamation Deposits	165	165
Deferred Tax Assets	3,981	2,969
<b>Total Non-Current Assets</b>	<b>64,628</b>	57,177
<b>Total Assets</b>	<b>\$ 78,907</b>	\$ 69,197
<b>Liabilities</b>		
<b>Current</b>		
Trade and Other Payables	\$ 3,091	\$ 1,950
Current Portion of Loan Payable (note 11)	4,619	-
<b>Total Current Liabilities</b>	<b>7,710</b>	1,950
<b>Non-Current</b>		
Loan Payable (note 11)	1,369	1,305
Rehabilitation and Closure Cost Provision (note 12)	1,091	1,162
Deferred Tax Liabilities	10,864	12,674
<b>Total Non-Current Liabilities</b>	<b>13,324</b>	15,141
<b>Total Liabilities</b>	<b>\$ 21,034</b>	\$ 17,091
<b>Equity</b>		
Share Capital (note 13)	\$ 50,605	\$ 45,354
Equity Reserve	11,173	11,173
Foreign Currency Translation Reserve	5,386	5,065
Accumulated Deficit	(9,291)	(9,486)
<b>Total Equity</b>	<b>57,873</b>	52,106
<b>Total Liabilities and Equity</b>	<b>\$ 78,907</b>	\$ 69,197

**Subsequent Events (notes 9 & 13)**  
**Commitments (notes 10 and 15)**

**Approved by the Directors:**

“Robert Eadie” Director

“Gary Arca” Director

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

**Starcore International Mines Ltd.**  
**Consolidated Statements of Operations and Comprehensive Income**  
(in thousands of Canadian dollars except per share amounts)

<b>For the</b>	<b>Nine months ended April 30, 2016</b>	<b>Year ended July 31, 2015</b>
<b>Revenues</b>		
Mined ore	\$ 20,326	\$ 28,073
Purchased concentrate	-	332
<b>Total Revenues</b>	<b>20,326</b>	<b>28,405</b>
<b>Cost of Sales</b>		
Mined ore	14,093	20,768
Purchased concentrate	-	306
Depreciation and depletion	4,714	6,686
<b>Total Cost of Sales</b>	<b>18,807</b>	<b>27,760</b>
<b>Earnings from mining operations</b>	<b>1,519</b>	<b>645</b>
Financing income (costs) (note 11)	(387)	3
Foreign exchange gain (loss)	(159)	1,742
Professional and consulting fees	(1,031)	(1,115)
Management fees and salaries (notes 13 & 15)	(918)	(1,210)
Office and administration	(1,114)	(1,446)
Other expenses	-	(91)
Shareholder relations	(110)	(128)
Regulatory and transfer agent fees	(244)	(110)
<b>(Loss) earnings before taxes</b>	<b>(2,444)</b>	<b>(1,710)</b>
<b>Income tax recovery (note 19)</b>		
Current	57	299
Deferred	2,582	1,621
<b>Earnings for the year</b>	<b>195</b>	<b>210</b>
<b>Other comprehensive income</b>		
<b>Item that may subsequently be reclassified to income</b>		
Foreign currency translation differences	321	5,980
<b>Comprehensive income for the year</b>	<b>\$ 516</b>	<b>\$ 6,190</b>
<b>Basic earnings per share (note 18)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Diluted earnings per share (note 18)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

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

**Starcore International Mines Ltd.**  
**Consolidated Statements of Cash Flows**  
**(in thousands of Canadian dollars)**

<b>For the</b>	<b>Nine months ended April 30, 2016</b>	<b>Year ended July 31, 2015</b>
<b>Cash provided by</b>		
<b>Operating activities</b>		
Earnings for the period	\$ 195	\$ 210
Items not involving cash:		
Depreciation and depletion	4,784	6,688
Other expenses	-	175
Income tax (recovery) (note 19)	(2,639)	(1,920)
Interest on long-term debt (note 11)	283	-
Interest revenue	(12)	(20)
Rehabilitation and closure cost accretion (note 12)	65	79
Share-based payments (note 13)	-	144
Unwinding of discount on long-term debt (note 11)	42	-
Write-down for obsolete equipment	3	-
<b>Cash generated by operating activities before working capital changes</b>	<b>2,721</b>	<b>5,356</b>
Change in non-cash working capital items		
Amounts receivable	1,214	-
Income tax paid	-	16
Inventory	152	519
Prepaid expenses and advances	482	(557)
Trade and other payables	790	(2,105)
<b>Cash provided by operating activities</b>	<b>5,359</b>	<b>3,229</b>
<b>Financing activities</b>		
Advance (repayment) of loan payable (note 11)	3,850	1,289
Dividends paid (note 13)	-	(2,922)
Interest paid	(97)	-
Financing fees	(90)	-
Share issuances	-	386
<b>Cash provided by (outflows) for financing activities</b>	<b>3,663</b>	<b>(1,247)</b>
<b>Investing activities</b>		
Cash acquired on acquisition of subsidiaries	-	4
Interest received	7	7
Investment in exploration and evaluation assets (note 10)	(517)	(303)
Investment in subsidiaries	-	(2,188)
Purchase of mining interest, plant and equipment (note 9)	(3,700)	(3,299)
Reclamation deposits	-	(122)
Sale (purchase) of short-term investments (note 6)	(3,162)	2,002
<b>Cash outflows for investing activities</b>	<b>(7,372)</b>	<b>(3,899)</b>
<b>Total (decrease) increase in cash</b>	<b>1,650</b>	<b>(1,917)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(772)</b>	<b>(167)</b>
<b>Cash, beginning of period</b>	<b>3,370</b>	<b>5,454</b>
<b>Cash, end of period</b>	<b>\$ 4,248</b>	<b>\$ 3,370</b>

Non-cash transactions – notes 11 & 13

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



**Starcore International Mines Ltd.**

**Consolidated Statements of Changes in Equity**

**For the period ended April 30, 2016 and year ended July 31, 2015**  
(in thousands of Canadian dollars, except for number of shares)

	Number of Shares Outstanding	Share Capital	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total
Balance, July 31, 2014	35,878,915	\$ 44,023	\$ 11,213	\$ (915)	\$ (6,774)	\$ 47,547
Issued for cash pursuant to:						
- Exercise of options	- at \$0.60	570	(184)	-	-	386
- Acquisition of American Consolidated Minerals	- at \$0.52	761	-	-	-	761
Dividends issued	-	-	-	-	(2,922)	(2,922)
Share-based compensation	-	-	144	-	-	144
Foreign currency translation	-	-	-	5,980	-	5,980
Earnings for the year	-	-	-	-	210	210
Balance, July 31, 2015	37,986,760	45,354	11,173	5,065	(9,486)	52,106
Issued for cash pursuant to:						
- Acquisition of Cortez Gold Corp.	- at \$0.42	3,010	-	-	-	3,010
- Share subscriptions conversion	- at \$0.56	2,241	-	-	-	2,241
Foreign currency translation	-	-	-	321	-	321
Earnings for the period	-	-	-	-	195	195
<b>Balance, April 30, 2016</b>	<b>49,146,851</b>	<b>\$ 50,605</b>	<b>\$ 11,173</b>	<b>\$ 5,386</b>	<b>\$ (9,291)</b>	<b>\$ 57,873</b>

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

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**Starcore International Mines Ltd.**  
**Notes to the Consolidated Financial Statements**  
**(in thousands of Canadian dollars unless stated otherwise)**

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**April 30, 2016**

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**1. Corporate Information**

Starcore International Mines Ltd. is the parent company of its consolidated group (the “Company” or “Starcore”) and was incorporated in Canada with its head office located at Suite 750 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6.

Starcore is engaged in extracting and processing gold and silver in Mexico through the San Martin mine in Queretaro, Mexico owned by Compañía Minera Peña de Bernal, S.A. de C.V. (“Bernal”), which was purchased by the Company in 2007. The San Martin mine, which has been in operation since 1993 producing gold and silver, is a self-sustaining mining operation in Mexico and is the Company’s sole source of operating cash flows. The Company is also engaged in acquiring mining related operating assets and exploration assets in North America directly and through corporate acquisitions (see notes 5 & 10).

**2. Basis of Preparation**

a) Statement of Compliance

These consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

On May 13, 2016, the Company changed its fiscal year end from July 31 to April 30. With this year-end change, the Company will report a one-time transitional period for the nine months ended April 30, 2016.

Effective December 14, 2015, the Company completed a 4:1 share consolidation (note 13). All common share and per share amounts have been retroactively restated.

The financial statements were authorized for issue by the Board of Directors on July 22, 2016.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value, as explained in the Company’s accounting policies discussed in note 3.

The consolidated financial statements are presented in Canadian dollars, which is also the parent company’s functional currency, and all values are rounded to the nearest thousand dollars, unless otherwise indicated.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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**Starcore International Mines Ltd.**  
**Notes to the Consolidated Financial Statements**  
**(in thousands of Canadian dollars unless otherwise stated)**

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**April 30, 2016**

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**2. Basis of Preparation**

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries, which are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. The Company's wholly-owned subsidiaries, Bernal and Altiplano, along with various other subsidiaries, carry out their operations in Mexico, U.S.A. and in Canada.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.

**3. Summary of Significant Accounting Policies**

The accounting policies set out below were applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Foreign Currency Translation

The functional currency of Starcore, the parent, is the Canadian dollar ("CAD") and the functional currency of its subsidiaries is the United States dollar ("USD") (collectively "Functional Currency"). Foreign currency accounts are translated into the Functional Currency as follows:

- At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the Functional Currency by the use of the exchange rate in effect at that date. At the period end date, unsettled monetary assets and liabilities are translated into the Functional Currency by using the exchange rate in effect at the period end.

Foreign exchange gains and losses are recognized in net earnings and presented in the Consolidated Statement of Operations and Comprehensive Income in accordance with the nature of the transactions to which the foreign currency gains and losses relate, except for foreign exchange gains and losses from translating available-for-sale investments in marketable securities which are recognized in other comprehensive income as part of the total change in fair values of the securities. Unrealized foreign exchange gains and losses on cash and cash equivalent balances denominated in foreign currencies are disclosed separately in the Consolidated Statements of Cash Flows.

b) Foreign Operations

The assets and liabilities of foreign operations with Functional Currencies differing from the presentation currency, including fair value adjustments arising on acquisition, are translated to CAD at exchange rates in effect at the reporting date. The income and expenses of foreign operations with Functional Currencies differing from the presentation currency are translated into CAD at the year-to-date average exchange rates.

The Company's foreign currency differences are recognised and presented in other comprehensive income as a foreign currency translation reserve ("Foreign Currency Translation Reserve"), a component of equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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**Starcore International Mines Ltd.**  
**Notes to the Consolidated Financial Statements**  
**(in thousands of Canadian dollars unless otherwise stated)**

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**April 30, 2016**

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**3. Summary of Significant Accounting Policies – (cont'd)**

c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. At April 30, 2016 and July 31, 2015, the Company has no cash equivalents.

d) Short Term Investments

Short term investments, which consist of fixed term deposits held at a bank with a maturity with a maturity of more than three months at the time of issuance, are recorded at fair value.

e) Revenue Recognition

Revenue from the sale of metals is recognized when the significant risks and rewards of ownership have passed to the buyer, it is probable that economic benefits associated with the transaction will flow to the Company, the sale price can be measured reliably, the Company has no significant continuing involvement and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues from metal concentrate sales are subject to adjustment upon final settlement of metal prices, weights, and assays as of a date that may be up to two weeks after the shipment date. The Company records adjustments to revenues monthly based on quoted forward prices for the expected settlement period. Adjustments for weights and assays are recorded when results are determinable or on final settlement. Accounts receivable for metal concentrate sales are therefore measured at fair value.

f) Inventory

Finished goods and work-in-process are measured at the lower of average cost and net realizable value. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future costs to convert the inventories into saleable form and estimated costs to sell.

Ore extracted from the mines is processed into finished goods (gold and by-products in doré). Costs are included in work-in-process inventory based on current costs incurred up to the point prior to the refining process, including applicable depreciation and depletion of mining interests, and removed at the average cost per recoverable ounce of gold. The average costs of finished goods represent the average costs of work-in-process inventories incurred prior to the refining process, plus applicable refining costs.

Supplies are measured at average cost. In the event that the net realizable value of the finished product, the production of which the supplies are held for use in, is lower than the expected cost of the finished product, the supplies are written down to net realizable value. Replacement costs of supplies are generally used as the best estimate of net realizable value. The costs of inventories sold during the year are presented in the Company's profit and loss.



**April 30, 2016**

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**3. Summary of Significant Accounting Policies – (cont'd)**

g) Mining Interest, Plant and Equipment

Mining interests represent capitalized expenditures related to the development of mining properties and related plant and equipment.

*Recognition and Measurement*

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized. Mine development costs incurred to maintain current production are included in the consolidated statement of operations. Exploration costs relating to the current mine in production are expensed to net income as incurred due to the immediate exploitation of these areas or an immediate determination that they are not exploitable.

Borrowing costs that are directly attributable to the acquisition and preparation for use, are capitalized. Capitalization of borrowing costs, begins when expenditures are incurred and activities are undertaken to prepare the asset for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred.

The capitalization of borrowing costs is discontinued when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Capitalized borrowing costs are amortized over the useful life of the related asset.

*Major Maintenance and Repairs*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial year in which they are incurred.

*Subsequent Costs*

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in the Company's profit or loss as incurred.

**April 30, 2016**

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**3. Summary of Significant Accounting Policies – (cont'd)**

g) Mining Interest, Plant and Equipment – (cont'd)

*Leased Equipment*

Leased assets in which the Company receives substantially all of the risks and rewards of ownership of the asset are capitalized as finance leases at the lower of the fair value of the asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded within debt on the statement of financial position.

Assets under operating leases are not capitalized and rental payments are included in earnings based on the terms of the lease.

*Derecognition*

Upon sale or abandonment, the cost of the property, plant, and equipment and related accumulated depreciation or depletion, are removed from the accounts and any gains or losses thereon are included in operations.

*Depreciation and Impairment*

Mining interest, plant and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depletion of mine properties is charged on a unit-of-production basis over proven and probable reserves and resources expected to be converted to reserves. Currently the depletion base is approximately 6 years of expected production. Depreciation of plant and equipment and corporate office equipment, vehicles, software and leaseholds is calculated using the straight-line method, based on the lesser of economic life of the asset and the expected life of mine of approximately 6 years. Where components of an asset have different useful lives, depreciation is calculated on each separate part. Depreciation commences when an asset is available for use. At the end of the each calendar year estimates of proven and probable gold reserves and a portion of resources expected to be converted to reserves are updated and the calculations of amortization of mining interest, plant and equipment is prospectively revised.

The Company reviews and evaluates its mining interests, plant and equipment for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the recoverable value of a cash generating unit is less than the carrying amount of the assets. An impairment loss is measured and recorded based on the greater of the cash generating unit's fair value less cost to sell or its value in use versus its carrying value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

Mining interests, plant and equipment that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statement of operations.

**April 30, 2016**

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**3. Summary of Significant Accounting Policies – (cont'd)**

h) Rehabilitation and Closure Cost Provision

The Company records a provision for the estimated future costs of rehabilitation and closure of operating and inactive mines and development projects, which are discounted to net present value using the risk free interest rates applicable to the future cash outflows. Estimates of future costs represent management's best estimates which incorporate assumptions on the effects of inflation, movements in foreign exchange rates and the effects of country and other specific risks associated with the related liabilities. The provision for the Company's rehabilitation and closure cost obligations is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs in the Consolidated Statement of Operations and Comprehensive Income. The provision for rehabilitation and closure cost obligations is re-measured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities, changes to cost estimates and changes to risk free interest rates.

Rehabilitation and closure cost obligations relating to operating mines and development projects are initially recorded with a corresponding increase to the carrying amounts of related mining properties. Changes to the obligations are also accounted for as changes in the carrying amounts of related mining properties, except where a reduction in the obligation is greater than the capitalized rehabilitation and closure costs, in which case, the capitalized rehabilitation and closure costs is reduced to nil and the remaining adjustment is included in production costs in the Consolidated Statement of Operations and Comprehensive Income. Rehabilitation and closure cost obligations related to inactive mines are included in production costs in the Consolidated Statement of Operations and Comprehensive Income on initial recognition and subsequently when re-measured.

i) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying and sampling costs, drilling costs, payments made to contractors, geologists, consultants, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is determined to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the Company's profit or loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". E&E assets are tested for impairment before the assets are transferred to development properties.

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

**April 30, 2016**

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**3. Summary of Significant Accounting Policies – (cont'd)**

j) Financial Instruments

Financial instruments are classified as one of the categories below based upon the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

*Loans and Receivables*

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses.

Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's cash accounted for at fair value and amounts receivable are all accounted for as loans and receivables.

*Available-for-Sale*

Non-derivative financial assets not included in the above category are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/ income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, which constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income is recognized in the Company's profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to the Company's profit or loss.

*Impairment of Financial Assets*

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.



**April 30, 2016**

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**3. Summary of Significant Accounting Policies – (cont'd)**

j) Financial Instruments – (cont'd)

*Financial Liabilities*

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprised of trade and other payables, and loan payable. These liabilities are recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortised cost using the effective interest rate method. This ensures that, any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

Fair value hierarchy

Financial instruments recognized at fair value on the consolidated balance sheets must be classified into one of the three following fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted observed in active markets) for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability;

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

The Company's financial instruments recognized at fair value consist of short term investments having a fair value of \$5,742 (2015 – \$2,615) measured in accordance with Level 1.

k) Income Taxes

Current tax and deferred taxes are recognized in the Company's profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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**Starcore International Mines Ltd.**  
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**April 30, 2016**

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**3. Summary of Significant Accounting Policies – (cont'd)**

k) Income Taxes – (cont'd)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

l) Share Capital

Financial instruments issued by the Company are classified as equity, only to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares, share warrants and share options are classified as equity instruments.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds.

m) Profit or Loss per Share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period.

n) Share-based Payments

Where equity-settled share options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to the Company's profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date, are taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the Company's profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

**April 30, 2016**

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**3. Summary of Significant Accounting Policies – (cont'd)**

n) Share-based Payments – (cont'd)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Where vesting conditions are not satisfied and options are forfeited, the Company reverses the fair value amount of the unvested options which had been recognized over the vesting period.

o) New and Revised Accounting Standards

The following accounting standards have been issued or amended but are not yet effective. The Company has not early adopted these new and amended standards. The Company continues to evaluate the new standards but currently no material impact is expected as a result of the adoptions of these new and amended standards:

- IFRS 9 "Financial Instruments"
- IFRS 14 "Regulatory Deferral Accounts"
- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 16 "Leases"
- IAS 12 "Income Taxes"
- IAS 16 "Property Plant and Equipment"
- Annual Improvements to IFRSs 2012–2014 Cycle

**April 30, 2016**

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**4. Critical Accounting Estimates and Judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

a) Economic Recoverability and Profitability of Future Economic Benefits of Mining Interests

Management has determined that mining interests, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

b) Impairments

The Company assesses its mining interest, plant and equipment assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

c) Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time that the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provision may be higher or lower than currently provided.

The inflation rate applied to estimated future rehabilitation and closure costs is 3.5% and the discount rate currently applied in the calculation of the net present value of the provision is 8%.

**April 30, 2016**

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**4. Critical Accounting Estimates and Judgments – (cont'd)**

d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

e) Share-based Payment

The Company measures the cost of equity-settled transactions with employees, and some with non-employees, by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, expected forfeiture rate, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 13.

f) Mineral Reserves and Mineral Resource Estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral reserve and mineral resources based on information compiled by Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. Such information includes geological data on the size, depth and shape of the mineral deposit, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade that comprise the mineral reserves. Changes in the mining reserve or mineral resource estimates may impact the carrying value of mineral properties and deferred development costs, property, plant and equipment, provision for site reclamation and closure, recognition of deferred income tax assets and depreciation and amortization charges.



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**4. Critical Accounting Estimates and Judgments – (cont'd)**

g) Units of production depletion

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in depreciation charges proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumption, including the amount of recoverable reserves and estimate of future capital expenditure. Changes are accounted for prospectively.

**5. Acquisition of Subsidiaries**

*Acquisition of Cortez Gold Corp.*

During the year ended July 31, 2015, the Company signed of a letter of intent with Cortez Gold Corp. ("Cortez or "CUT") (TSXV: CUT) to acquire all of the outstanding securities of CUT in an all-share transaction to be completed pursuant to a court approved Plan of Arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). Under the terms of the planned acquisition, each CUT shareholder would receive three Starcore common shares for every one CUT common share held by CUT shareholders (the "Exchange Ratio"). Cortez is a Vancouver-based junior resource company that owns the Altiplano gold and silver processing plant in Matehuala, Mexico and has a director and officer in common with the Company.

Shareholders of Cortez approved the Arrangement which was finalised on approval by the British Columbia Supreme Court on August 5, 2015. Pursuant to the Arrangement, the former Cortez shareholders hold 7,166,888 common shares of Starcore, representing 15.87%, of the 45,153,599 outstanding common shares of Starcore after issue of shares pursuant to the Arrangement. In addition, each holder of the outstanding common share purchase warrants of CUT may receive such number of replacement warrants of Starcore based upon the Exchange Ratio and at the exercise price adjusted based upon the Exchange Ratio.

The Company valued the 7,166,888 shares at the fair market value on date of issue of \$0.42 per share, for total consideration of \$3,010, which was accounted for as acquisition of assets allocated based on their relative fair values on the closing date. The following purchase price allocation is based on management's best estimates and assumptions after taking into account all relevant information available. The purchase price has been allocated as follows:

<b>Assets</b>		
Amounts receivable	\$	350
Prepaid expenses and advances		5
Plant, machinery and equipment		6,094
<i>Total assets</i>	<b>\$</b>	<b>6,449</b>
<b>Liabilities</b>		
Less: Trade and other payables	\$	503
Loan payable		2,936
<i>Total liabilities</i>	<b>\$</b>	<b>3,439</b>
<b>Net assets acquired</b> - consideration paid (7,166,888 shares issued at \$0.42 per share)	<b>\$</b>	<b>3,010</b>

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**Starcore International Mines Ltd.**  
**Notes to the Consolidated Financial Statements**  
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**April 30, 2016**

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**5. Acquisition of Subsidiaries – (cont'd)**

*Acquisition of Cortez Gold Corp. – (cont'd)*

The Altiplano processing plant was in the final stages of completion and testing as at April 30, 2016 and, therefore, is in the pre-operational phase of production. As a result, all of the costs and any test production revenue are capitalized to Plant costs until such time as the facility is of sufficient operational status with the ability to function as management intended.

*Acquisition of Creston Moly Corp.*

On February 19, 2015, the Company entered into an agreement to acquire all of the shares of Creston Moly Corp. (“Creston Moly”) from Deloitte Restructuring Inc, in its capacity as trustee in bankruptcy of Mercator Minerals Ltd. (the “Trustee”), at a purchase price of \$2,013 (the “Creston Transaction”).

The Supreme Court of Canada discharged Creston Moly from bankruptcy which was formerly a wholly-owned subsidiary of the Trustee. Creston Moly is a British Columbia company that owns, through its wholly-owned subsidiaries, a 100% interest in three molybdenum-copper projects (see note 10):

- The El Creston Project in Sonora, Mexico;
- The Ajax Project in British Columbia, Canada; and
- The Molybrook Project in Newfoundland, Canada.

The Creston Transaction was accounted for as an acquisition of assets. The purchase price of \$2,013 has been allocated to the assets acquired based on their relative fair value on the closing date. The purchase price allocation is a result of management’s best estimates and assumptions after taking into account all relevant information available.

The purchase price has been allocated entirely to the mineral properties acquired as the Company assumed no liabilities or other assets in the Creston Transaction.

*Acquisition of American Consolidated Minerals Corp.*

On November 20, 2014, the Company acquired American Consolidated Minerals Corp. (“AJC”) pursuant to a plan of arrangement (the “AJC Transaction”). Before the AJC Transaction, AJC and Starcore had directors in common.

AJC shareholders received one common share of the Company for three (3) common shares of AJC held by such AJC shareholder (the “Exchange Ratio”). In addition, each holder of the outstanding stock options and common share purchase warrants of AJC received replacement options or warrants of the Company (the “Starcore Options”) based upon the Exchange Ratio, and the exercise price of the replacement Starcore Options was adjusted based upon the Exchange Ratio. In total, the Company issued 1,464,095 shares at a fair value of \$0.52 per share for total consideration of \$761. The Company also issued 139,284 common share purchase warrants at a fair value of \$Nil (note 13).

**Starcore International Mines Ltd.**  
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**5. Acquisition of Subsidiaries – (cont'd)**

*Acquisition of American Consolidated Minerals Corp. – (cont'd)*

The AJC Transaction was accounted for as acquisition of assets. The purchase price of \$761 has been allocated to the assets acquired based on their relative fair values on the closing date. The purchase price allocation is a result of management's best estimates and assumptions after taking into account all relevant information available. The purchase price has been allocated as follows:

<b>Assets</b>		
Cash	\$	4
Amounts receivable		25
Reclamation deposits		43
Mineral properties (note 10)		1,029
<b>Total assets</b>		<b>1,101</b>
Less: Trade and other payables		340
<b>Net assets acquired</b>		<b>761</b>
<b>Net assets Consideration:</b>		
Shares (1,464,095 shares issued at \$0.52 per share)	\$	761

**6. Short-term Investments**

At April 30, 2016, the Company held a Guaranteed Investment Certificate ("GIC") denominated in CAD, USD and Mexican Pesos ("MP"). The GIC denominated in CAD and USD has a market value of \$3,766 (July 31, 2015 - \$2,615), earning interest income at 0.2% per annum and maturing on November 5, 2016. The Company also holds a GIC denominated in MP with a market value of \$1,976 (July 31, 2015 - \$Nil) earning interest at 3.25% per annum on a month to month basis.

These GICs are cashable at the Company's option and are considered to be highly liquid. The Company's short-term investments are held at two financial institutions and as such the Company is exposed to the risks of those financial institutions.

**7. Amounts Receivable**

	<b>April 30, 2016</b>	July 31, 2015
Taxes receivable	\$ 1,955	\$ 3,202
Other	266	233
	<b>\$ 2,221</b>	<b>\$ 3,435</b>

**Starcore International Mines Ltd.**  
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**8. Inventory**

	April 30, 2016	July 31, 2015
Carrying value of inventory:		
Doré	\$ 1,097	\$ 1,051
Goods in transit	53	-
Work-in-process	35	112
Stockpile	13	118
Supplies	679	756
	<b>\$ 1,877</b>	<b>\$ 2,037</b>

**9. Mining Interest, Plant and Equipment**

	Mining Interest	Plant and Equipment	Corporate Office Equipment	Total
<b>Cost</b>				
Balance, July 31, 2014	\$ 56,102	\$ 14,893	\$ 325	\$ 71,320
Additions	2,581	1,109	152	3,842
Effect of foreign exchange	11,162	3,054	-	14,216
Balance, July 31, 2015	69,845	19,056	477	89,378
Additions	1,333	2,289	78	3,700
Acquisition of Cortez assets	-	6,040	54	6,094
Write-down of equipment	-	-	(4)	(4)
Effect of foreign exchange	(1,160)	(750)	-	(1,910)
<b>Balance, April 30, 2016</b>	<b>\$ 70,018</b>	<b>\$ 26,635</b>	<b>\$ 605</b>	<b>\$ 97,258</b>
<b>Depreciation</b>				
Balance, July 31, 2014	\$ 20,579	\$ 5,738	\$ 272	\$ 26,589
Depreciation for the year	5,482	1,204	2	6,688
Effect of foreign exchange	4,219	1,250	-	5,469
Balance, July 31, 2015	30,280	8,192	274	38,746
Depreciation for the period	3,707	1,007	70	4,784
Write-down of equipment	-	-	(1)	(1)
Effect of foreign exchange	(2,206)	(683)	-	(2,889)
<b>Balance, April 30, 2016</b>	<b>\$ 31,781</b>	<b>\$ 8,516</b>	<b>\$ 343</b>	<b>\$ 40,640</b>
<b>Carrying amounts</b>				
Balance, July 31, 2015	\$ 39,565	\$ 10,864	\$ 203	\$ 50,632
<b>Balance, April 30, 2016</b>	<b>\$ 38,237</b>	<b>\$ 18,119</b>	<b>\$ 262</b>	<b>\$ 56,618</b>

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**9. Mining Interest, Plant and Equipment – (cont'd)**

The Company entered into a Binding Agreement (“Agreement”) to sell the San Pedrito Property located in Queretaro, Mexico. The sale is expected to net the Company approximately USD \$7 Million. The Agreement requires the buyer to deposit 50 million Mexican Pesos (“MP”) (approximately USD \$2.8 million), which has been received in trust and may only be released pending various confirmations, including compliance with state and municipal regulations and evidence that the property is in good standing.

The agreement is subject to a 50 million MP penalty clause in case of non-performance that will be effective if either the purchaser does not pay the owed amount when all the conditions have been met or if the Company does not wish to continue with the sale. Upon receipt of the required confirmations, the agreement provides for the subject conditions to be removed and the balance of funds to be paid immediately to the Company. The Company has not recorded the sale or deposit in these Financial Statements due to the pending conditions precedent.

The San Pedrito property was part of Starcore’s original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for USD \$26 million. The Company has allocated a cost base of approximately \$3,750 to the property.

**10. Exploration and Evaluation Assets**

a) American Consolidated Minerals (“AJC”) properties

Pursuant to the Acquisition of AJC (note 5), the Company has acquired the rights to three exploration properties as follows:

i) *Lone Ranch, U.S.A*

The Company has acquired the right to a 100% undivided interest, subject to a 3% net smelter royalty (“NSR”), in 73 mining claims located in Ferry County, Washington State, United States of America (“Lone Ranch”) from MinQuest Inc. (“MinQuest”). Consideration to be paid for the interest is USD\$360, and the Company must incur total exploration expenditures of USD\$1,225 (USD\$175 incurred) on the property, by the third anniversary of the “New Effective Date” as agreed by MinQuest.

The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over the property or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of USD\$1,500 per each 1% of the royalty. If the Company does not incur the exploration expenditures as specified, the unpaid portions may be paid to the optionor to maintain the option.

ii) *Toiyabe, U.S.A*

The Company has the right to acquire a 100% undivided interest, subject to a 3% NSR, in 165 mining claims located in Lander County, Nevada, United States of America (“Toiyabe”) from MinQuest. Consideration to be paid for the interest is USD\$900 and the Company must incur total exploration expenditures of USD\$1,025 (USD\$1,025 incurred) on the property, by the fifth anniversary of the “New Effective Date” as agreed by MinQuest.



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**10. Exploration and Evaluation Assets – (cont'd)**

a) AJC properties – (cont'd)

ii) *Toiyabe, U.S.A – (cont'd)*

The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over Toiyabe or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of USD \$2,000 per each 1% of the royalty.

iii) *Sierra Rosario, Mexico*

The Company acquired a 50% interest in the 978-hectare Sierra Rosario Property, over 2 claims that are located in the state of Sinaloa, Mexico (“Sierra Rosario”). During the year ended July 31, 2015, the Company acquired the remaining 50% interest from the optionor for \$25 and a 1% NSR over the entire property.

b) Creston Moly (“Creston”) properties

i) *El Creston Project, Mexico*

The Company acquired a 100% interest in the nine mineral claims known as the El Creston molybdenum property located northeast of Hermosillo, State of Sonora, Mexico, which has completed a Preliminary Economic Assessment on the property based on zones of porphyry-style molybdenum (“Mo”)/copper (“Cu”) mineralization. The mineral concessions are subject to a 3% net profits interest.

ii) *Ajax Project, Canada*

The Company acquired a 100% interest in six mineral claims known as the Ajax molybdenum property located in B.C.

iii) *Molybrook Project, Canada*

The Company owns 100% of the 44 mineral claims of the Moly Brook molybdenum property, located on the southern coast of Newfoundland. The Moly Brook property is subject to a 2% NSR, of which 1.5% can be purchased by the Company for \$1,500.

During the year, the Company reduced its claims to focus of the core project and to reduce its holding costs.

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**10. Exploration and Evaluation Assets – (cont'd)**

	AJC Properties	Creston Properties	Total
<b>Acquisition costs:</b>			
Balance, August 1, 2014	\$ -	\$ -	\$ -
Acquisition Payments	1,079	2,001	3,080
Effect of foreign exchange	80	-	80
Balance, July 31, 2015	\$ 1,159	\$ 2,001	\$ 3,160
Effect of foreign exchange	(76)	-	(76)
<b>Balance, April 30, 2016</b>	<b>\$ 1,083</b>	<b>\$ 2,001</b>	<b>\$ 3,084</b>
<b>Exploration costs:</b>			
Balance, August 1, 2014	\$ -	\$ -	\$ -
Geological	2	1	3
Land taxes	10	-	10
Maintenance	13	225	238
Balance, July 31, 2015	\$ 25	\$ 226	\$ 251
Geological	-	115	115
Legal fees	-	228	228
Maintenance	59	90	149
Effect of foreign exchange	37	-	37
<b>Balance, April 30, 2016</b>	<b>\$ 121</b>	<b>\$ 659</b>	<b>\$ 780</b>
<b>Total exploration and evaluation assets</b>			
Balance, July 31, 2015	\$ 1,184	\$ 2,227	\$ 3,411
<b>Balance, April 30, 2016</b>	<b>\$ 1,204</b>	<b>\$ 2,660</b>	<b>\$ 3,864</b>

**11. Loan payable**

During the year ended July 31, 2015, the Company secured a \$1,305 (USD \$1,000) loan with a lender. The loan is secured against certain assets of the Company and bears interest at 11% per annum, compounded monthly. The full principal plus accrued interest on the loan shall be repayable to the lender on August 31, 2017.

The Company amalgamated with Cortez (note 5) on August 5, 2015 and acquired the outstanding debt of \$2,936. During the period ended April 30, 2016, the Company settled this debt by paying \$650 (USD\$500) and interest of \$96 (USD \$75) to its lenders. The Company also issued 3,993,203 Subscription Receipts (the "Receipts") to complete settlement of outstanding debt in the aggregate amount of \$1,959 (US\$1,500) and \$282 (US\$225) in interest to certain creditors. The Receipts were issued at a fair value of \$0.56 per Receipt. The Receipts were subsequently converted into 3,993,203 common shares (note 13) during the period ended April 30, 2016.

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**11. Loan payable – (cont’d)**

On November 17, 2015, the Company completed a private placement of secured bonds in the aggregate principal amount of \$4,500 (“the Bonds”) less structuring and finder’s fees, totaling \$90 (the “Discount”). The Bonds bear interest of 8% per annum, payable on November 12, 2016. The Bonds are secured against all of the Company’s asset that ranks pari passu with the existing debt obligations of the Company. The Discount is being charged to the Company’s statement of operations and comprehensive income and added to the liability over the life of the Bonds.

	Principal	Interest	Discount	Total
Financing, July 30, 2015	\$ 1,289	\$ -	\$ -	\$ 1,289
Foreign exchange adjustment	16	-	-	16
Balance, July 31, 2015	1,305	-	-	1,305
Acquisition of Cortez Debt	2,609	378	(51)	2,936
Repayment on debt	(2,609)	(378)	51	(2,936)
Financing, November 17, 2015	4,500	-	(90)	4,410
Interest accrual	-	282	-	282
Unwinding of discount	-	-	42	42
Foreign exchange adjustment	(51)	-	-	(51)
<b>Balance, April 30, 2016</b>	<b>\$ 5,754</b>	<b>\$ 282</b>	<b>\$ (48)</b>	<b>\$ 5,988</b>

	April 30, 2016	July 31, 2015
Current	\$ 4,619	\$ -
Non-Current	1,369	1,305
	<b>\$ 5,988</b>	<b>\$ 1,305</b>

The Company’s financing (income) costs for the period ended April 30, 2016 and the comparative period ending on July 31, 2015 as reported on its Consolidated Statement of Operations and Comprehensive Income can be summarized as follows:

<b>For the</b>	<b>Nine month ending April 30, 2016</b>	<b>Year ended July 31, 2015</b>
Unwinding of discount on rehabilitation and closure accretion (note 12)	\$ 65	\$ 79
Discount unwinding on debt repaid	51	-
Discount unwinding on existing debt	42	-
Interest expense on debt	282	-
Gain on forgiveness of debt	-	(9)
Interest revenue	(53)	(73)
	<b>\$ 387</b>	<b>\$ (3)</b>

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**12. Rehabilitation and Closure Cost Provision**

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At April 30, 2016, the present value of obligations is estimated at \$1,091 (July 31, 2015 - \$1,162) based on expected undiscounted cash-flows at the end of the mine life of 19,195,000 MP or \$1,401 (July 31, 2015 - \$1,615), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 8% (July 31, 2015 - 8%) and an inflation rate of 3.5% (July 31, 2015 - 3.5%).

Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, closing portals to underground mining areas and other costs.

Changes to the reclamation and closure cost balance during the year are as follows:

	April 30, 2016	July 31, 2015
Balance, beginning of year	\$ 1,162	\$ 1,128
Accretion expense	65	79
Foreign exchange fluctuation	(136)	(45)
	<b>\$ 1,091</b>	<b>\$ 1,162</b>

**13. Share Capital**

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, issuable in series.

The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time. All shares are ranked equally with regard to the Company's residual assets.

In December 2015, the Company's Board of Directors approved a resolution consolidating the Company's share capital on the basis of one new share for up to every four outstanding shares of the Company. The Company received acceptance from regulatory authorities and commenced trading on a consolidated basis effective December 14, 2015. The 4:1 share consolidation has been presented throughout the consolidated financial statements retroactively.

During the period ended April 30, 2016, the Company issued:

- 3,993,203 Subscription Receipts (the "Receipts"), to settle the outstanding debt pursuant to the acquisition of Cortez (note 5) as at July 31, 2015 in the aggregate amount of \$2,241 owed to certain creditors. The Receipts were issued at a fair value of \$0.56 per Receipt. The Receipts were convertible into one share of the Company upon receipt of shareholder approval. On January 19, 2016, the shareholders approved the conversion of the Receipts into shares and as a result the Company issued 3,993,203 shares to the Receipt holders.
- 7,166,888 shares were issued pursuant to the plan of arrangement at \$0.42 whereby the Company acquire all of the outstanding shares of Cortez Gold Corp.

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**13. Share Capital – (cont'd)**

a) Common Shares – (cont'd)

During the year ended July 31, 2015, the Company issued:

- 643,750 shares pursuant to the exercise of options at \$0.60 per share for proceeds of \$386. The fair value of the options as determined on the date of issuance, being \$184, was transferred to the Company's share capital from equity reserve on exercise.
- 1,464,095 shares pursuant to the plan of arrangement at \$0.52 whereby the Company acquire all of the outstanding shares of AJC (note 5).

b) Warrants

No warrants were issued during the period ended April 30, 2016.

During the year ended July 31, 2015, the Company issued 139,284 warrants pursuant to the AJC acquisition (note 5). The fair value of these warrants was minimal and as such, no amount was recorded for the issued warrants. Each warrant entitles the holder to acquire one share of the Company, at \$1.20 until June 16, 2016. These warrants expired unexercised subsequent to April 30, 2016.

A summary of the Company's outstanding share purchase warrants at April 30, 2016 and July 31, 2015 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted average exercise price
Outstanding at July 31, 2014	-	\$ -
Warrants issued	139,284	1.20
<b>Outstanding at July 31, 2015 &amp; April 30, 2016</b>	<b>139,284</b>	<b>\$ 1.20</b>

A summary of the Company's outstanding warrants at April 30, 2016 is as follows:

Number Outstanding	Weighted Average Price	Weighted Average Life
139,284	\$1.20	0.13

c) Dividend Paid and Declared

During the previous year ended July 31, 2015, a dividend of \$0.08 per share (total of \$2,922) was paid on the shares of the Company on September 30, 2014 to shareholders of record.



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**13. Share Capital – (cont'd)**

d) Share-based Payments

The Company, in accordance with the policies of the TSX, was previously authorized to grant options to directors, officers, and employees to acquire up to 20% of the amount of stock outstanding. In January 2014, the Company's shareholders voted to cancel the Company's option plan and, as a result, the Company's Board of Directors may not grant further options. The Company's management and directors are reviewing alternative compensation arrangements for the Company's employees and directors.

The following is a summary of changes in options for the periods ending April 30, 2016 and July 31, 2015:

	Number of Options	Weighted Average Exercise Price
Balance at July 31, 2014	4,650,000	\$0.92
Exercised	(643,750)	\$0.60
Forfeited/expired	(1,160,000)	\$0.64
<b>Outstanding and Exercisable at July 31, 2015 &amp; April 30, 2016</b>	<b>2,846,250</b>	<b>\$1.07</b>

Subsequent to the period ended April 30, 2016, 37,500 options expired unexercised.

The following is a summary of the Company's outstanding and exercisable options at April 30, 2016:

Number Outstanding	Weighted Average Exercise Price	Weighted Average Life
37,500	\$0.60	0.02
100,000	\$0.80	0.71
485,000	\$1.00	0.74
812,500	\$1.48	0.95
200,000	\$1.00	2.31
68,750	\$0.80	2.31
50,000	\$0.92	2.35
50,000	\$1.00	2.37
1,042,500	\$0.88	2.71
<b>2,846,250</b>	<b>\$1.07</b>	<b>1.72</b>

During the period ended April 30, 2016, the Company had share-based compensation expense of \$Nil (July 31, 2015 - \$144). These amounts have been expensed as follows:

<b>For the</b>	<b>Nine months ending April 30, 2016</b>		<b>Year ended July 31, 2015</b>
Cost of Sales – Mined ore	\$	-	\$ 18
Management fees and salaries		-	120
Office and administration		-	6
	<b>\$</b>	<b>-</b>	<b>\$ 144</b>

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**14. Financial Instruments**

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Cash and short-term investments are carried at their fair value. There are no material differences between the carrying values and the fair values of any other financial assets or liabilities.

In the normal course of business, the Company's assets, liabilities and future transactions are impacted by various market risks, including currency risks associated with inventory, revenues, cost of sales, capital expenditures, interest earned on cash and the interest rate risk associated with floating rate debt.

a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At April 30, 2016, the Company had the following financial assets and liabilities denominated in CAD and denominated in MP:

<b>In '000 of</b>	<b>CAD Dollars</b>	<b>MP</b>
Cash	\$ 451	MP 35,112
Long term liabilities	\$ 2,163	-
Other working capital amounts - net	\$ (4,619)	MP (105,118)

At April 30, 2016, US dollar amounts were converted at a rate of \$1.2549 Canadian dollars to \$1 US dollar and MP were converted at a rate of MP17.19 to \$1 US Dollar. A 10% increase or decrease in the US dollar exchange may increase or decrease annual earnings from mining operations by approximately \$52. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately \$18.

b) Interest Rate Risk

The Company's cash earns interest at variable interest rates. While fluctuations in market rates do not have a material impact on the fair value of the Company's cash flows, future cash flows may be affected by interest rate fluctuations. The Company is not significantly exposed to interest rate fluctuations and interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

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**14. Financial Instruments – (cont'd)**

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and short-term investments, the balance of which at April 30, 2016 is \$4,248 (July 31, 2015 - \$3,370) and \$5,742 (July 31, 2015 - \$2,615), respectively. Cash of \$566 (July 31, 2015 - \$1,371) and short-term investments of \$1,976 (July 31, 2015 - \$Nil) are held at a Mexican financial institution, cash of \$19 (July 31, 2015 - \$Nil) are held at a US financial institution and the remainder of \$3,663 (July 31, 2015 - \$1,999) and the short-term investment of \$3,766 (July 31, 2015 - \$2,615) are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. There are no trade receivables owed and the taxes receivable are comprised of Mexican VAT taxes receivable of \$1,910 and GST receivable of \$45, which are subject to review by the respective tax authority.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves. As at April 30, 2016, the Company was holding cash of \$4,248 (July 31, 2015 - \$3,370) and short-term investments of \$5,742 (July 31, 2015 - \$2,615).

Obligations due within twelve months of April 30,	2016	2017	2018	2019	2020 and beyond
Trade and other payables	\$ 3,091	\$ -	\$ -	\$ -	\$ -
Current portion of loan payable	4,619	-	-	-	-
Non-current portion of loan payable	-	1,369	-	-	-
Reclamation and closure obligations	\$ -	\$ -	\$ -	\$ -	\$ 1,401

The Company's trade and other payables are due in the short term. Long-term obligations include the Company's reclamation and closure cost obligations, other long-term liabilities and deferred income taxes. Management believes that profits generated from the mine will be sufficient to meet its financial obligations.

e) Commodity Risk

Mineral prices and marketability fluctuate and any decline in mineral prices may have a negative effect on the Company. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of minerals which may be produced and sold by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its resources to processing facilities and extensive government regulations related to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company. A 10% decrease or increase in metal prices may result in a decrease or increase of USD \$2,033 in revenue and net income.

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**15. Commitments and related party transactions**

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at April 30, 2016:

- a) As at April 30, 2016, the Company has shared lease commitments for office space of approximately \$144 per year, expiring at various dates up to April 2020, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.
- b) As at April 30, 2016, the Company has a land lease agreement commitment with respect to the land at the mine site, for \$132 per year until December 2017. The Company also has ongoing commitments on the exploration and evaluation assets of approximately \$220 per year.
- c) As at April 30, 2016, the Company has management contracts to officers and directors totaling \$840 per year, payable monthly, expiring in January 2017.

The Company paid the following amounts to key management and directors in the period:

<b>For the</b>	<b>Nine months ending April 30, 2016</b>	<b>Year ending July 31, 2015</b>
Management fees	\$ 624	\$ 840
Legal fees	256	95
Directors fees	70	60
Share-based payments	-	107
<b>Total</b>	<b>\$ 950</b>	<b>\$ 1,102</b>

**16. Capital Disclosures**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the consolidated statements of changes in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements and there were no changes to the capital management in the period ended April 30, 2016.

**17. Segmented Information**

The Company operates in three reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	<b>Mexico</b>	<b>Canada</b>	<b>USA</b>	<b>April 30, 2016 Total</b>
Revenue	\$ 20,326	\$ -	\$ -	\$ 20,326
Earnings (loss) for the period	3,653	(3,429)	(29)	195
Mining interest, plant and equipment	56,364	254	-	56,618
Non-Current assets	61,323	3,045	260	64,628
Total assets	71,876	5,180	1,851	78,907

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**17. Segmented Information - (cont'd)**

	Mexico	Canada	USA	July 31, 2015 Total
Revenue	\$ 28,405	\$ -	\$ -	\$ 28,405
Earnings (loss) for the year	2,563	(2,379)	26	210
Mining interest, plant and equipment	50,278	273	81	50,632
Non-current assets	54,427	2,545	205	57,177
Total assets	63,590	4,786	821	69,197

During the periods ended April 30, 2016 and July 31, 2015, the Company earned all of its revenues from one customer. As at April 30, 2016, the Company does not consider itself to be economically dependent on this customer as transactions with this party can be easily replaced by transactions with other parties on similar terms and conditions. The balance owing from this customer on April 30, 2016 was \$Nil (July 31, 2015 - \$Nil).

**18. Earnings per Share**

The Company calculates the basic and diluted income (loss) per share using the weighted average number of shares outstanding during each year and the diluted income (loss) per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year.

The denominator for the calculation of income (loss) per share, being the weighted average number of shares, is calculated as follows:

<b>For the</b>	<b>Nine months ended April 30, 2016</b>	<b>Year ended July 31, 2015</b>
Issued common share, beginning of year	<b>37,986,761</b>	35,878,866
Weighted average issuances	<b>8,470,313</b>	1,567,496
Basic weighted average common shares	<b>46,457,074</b>	37,446,362
Effect of dilutive warrants and options	-	-
Diluted weighted average common shares	<b>46,457,074</b>	37,446,362

Vested share purchase options totalling 2,846,250 and share purchase warrants totalling 139,284 at April 30, 2016 were not included in the computation of diluted earnings per share as the effect was anti-dilutive.

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**19. Income Taxes**

Current and deferred income tax expenses differ from the amount that would result from applying the Canadian statutory income tax rates to the Company's earnings before income taxes. This difference is reconciled as follows:

For the	Nine months ended April 30, 2016	Year ended July 31, 2015
(Loss) Earnings before income taxes	\$ (2,444)	\$ (1,710)
Canadian statutory income tax rate	26%	26%
Income tax expense (recovery) at statutory rate	(635)	(445)
Difference from higher statutory tax rates on earnings of foreign subsidiaries	(310)	(2,253)
Permanent Difference	(1,773)	(658)
Effect of Mexican mining royalty tax (SMD) on deferred income tax liabilities	(361)	-
Mexican mining royalty tax (SMD)	-	114
Recovery of Mexican flat tax (IETU)	-	-
Recognition of previously unrecognized non-capital loss carry forward and other deductible tax benefits	440	1,322
Unrecognized benefit of temporary differences and others	-	-
Income tax (recovery) expense	\$ (2,639)	\$ (1,920)

The Company's statutory rate is 26% for the period ended April 30, 2016 (July 31, 2015 - 26%). The significant components of the Company's deferred income tax assets and liabilities are as follows:

	April 30, 2016	July 31, 2015
Deferred income tax assets (liabilities):		
Mining interest, plant and equipment	\$ (7,288)	\$ (13,096)
Payments to defer	(527)	(601)
Insurance	(4)	(3)
Reclamation and closure costs provision	960	883
Expenses reserve	131	80
Pension-fund reserve	76	63
Deferred mining tax	(2,004)	-
Non-capital losses and other deductible tax benefits	1,680	2,969
Other	93	-
Deferred income tax liabilities, net	\$ (6,883)	\$ (9,705)



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**(in thousands of Canadian dollars unless otherwise stated)**

**April 30, 2016**

**19. Income Taxes – (cont'd)**

Unrecognized deductible temporary differences, unused tax losses and unused tax credits are attributable to the following:

	<b>April 30, 2016</b>	July 31, 2015
Net capital losses	\$ -	369
Non-capital losses	<b>24,333</b>	1,625
Resource pools	<b>3,674</b>	640
Property and equipment	<b>159</b>	-
Canadian eligible capital	<b>1,426</b>	-
	<b>\$ 29,592</b>	\$ 2,634

At April 30, 2016, the Company has tax losses of approximately \$11,894 (July 31, 2015 - \$8,767) in Canada and \$12,439 (July 31, 2015 - \$626) in Mexico available for carry-forward to reduce future years' taxable income, expiring between 2026 and 2036 in Canada. In addition the Company has tax resource pools and other deductible amounts available of \$5,259 (July 31, 2015 - \$8,953), amortizable at various rates from 100% to 10% without expiry. Deferred income tax assets have been recognized only to the extent the Company believes it is probable they will be utilized in the future.

In accordance with Mexican tax law, Bernal is subject to income tax. Income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through an inflationary component.

**Mexico Tax Reform**

During December 2013, the 2014 Tax Reform (the "Tax Reform") was published in Mexico's official gazette with changes taking effect January 1, 2014. The Tax Reform included the implementation of a 7.5% Special Mining Duty ("SMD") and a 0.5% Extraordinary Mining Duty ("EMD").

The Company has taken the position that SMD is an income tax under IAS 12 *Income tax*, as it is calculated based on a form of earnings before income tax less certain specified costs. The EMD is a calculation based on gross revenue and is therefore not considered an income tax. Both the SMD and EMD will be deductible for income tax purposes.

In the year ended July 31, 2014, the effect of this change in the rate at which taxes are determined for SMD resulted in a further one time charge to the provision for deferred taxes, with a corresponding one-time increase to net deferred tax liabilities of \$2,362. During the current year end, the tax liability was decreased by \$358 to \$2,004.

Management is currently disputing the SMD, in a joint action lawsuit with other Mexican mining companies, with the applicable Mexican government authority. Management believes that the SMD is unconstitutional and should be overturned. In accordance with IFRS reporting standards, however, the estimated effect of the SMD has been accrued to the current and deferred income tax provisions as stated above. Should the Company be successful in overturning the SMD, in whole or in part, the accrued tax liabilities stated above will be reversed to recovery of income taxes in the applicable period.



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**“We have proven the ability to process various types of concentrate and expect to do this profitably with a consistent supply of concentrates and production.”**

Robert Eadie, President of the Company

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