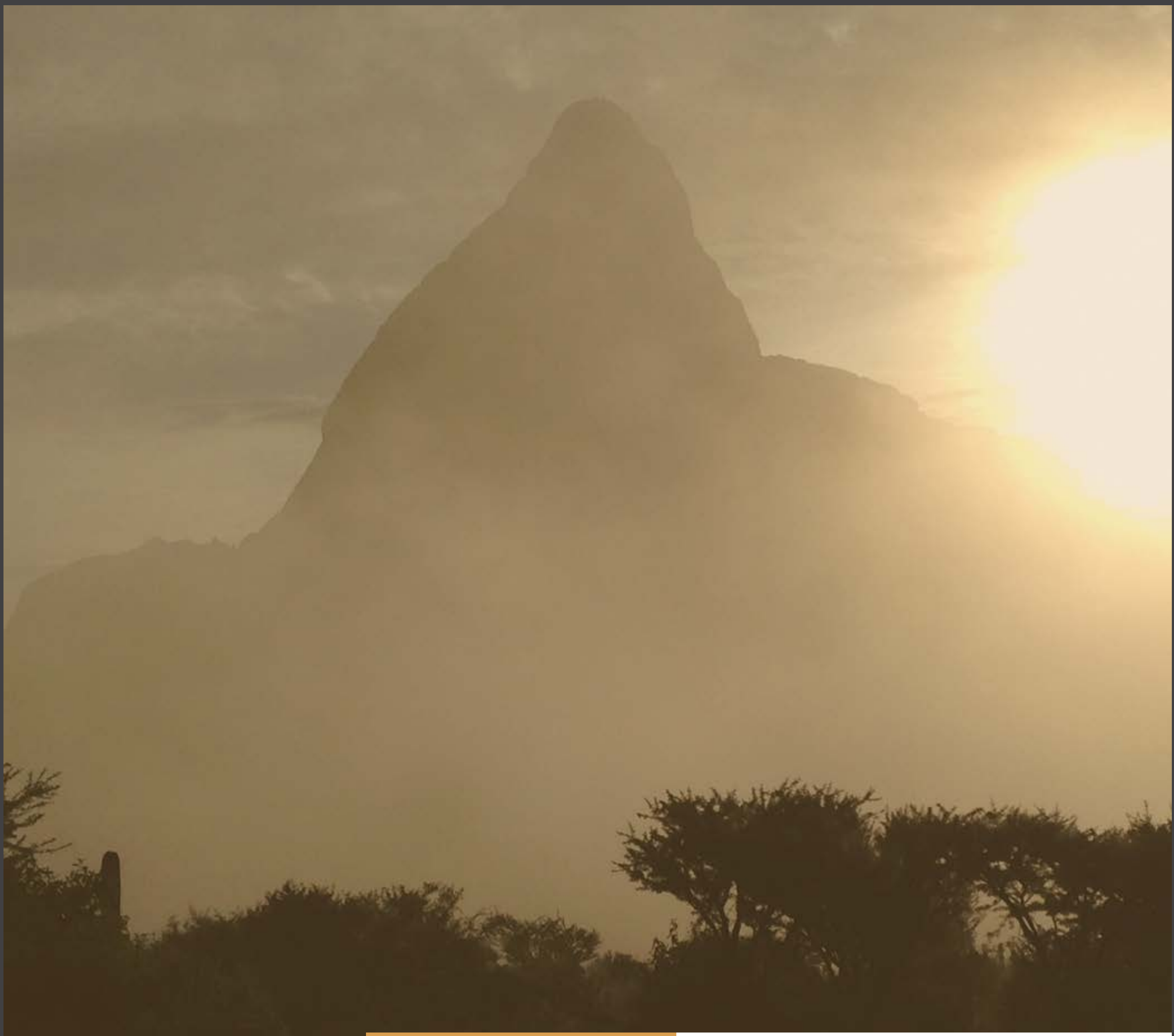
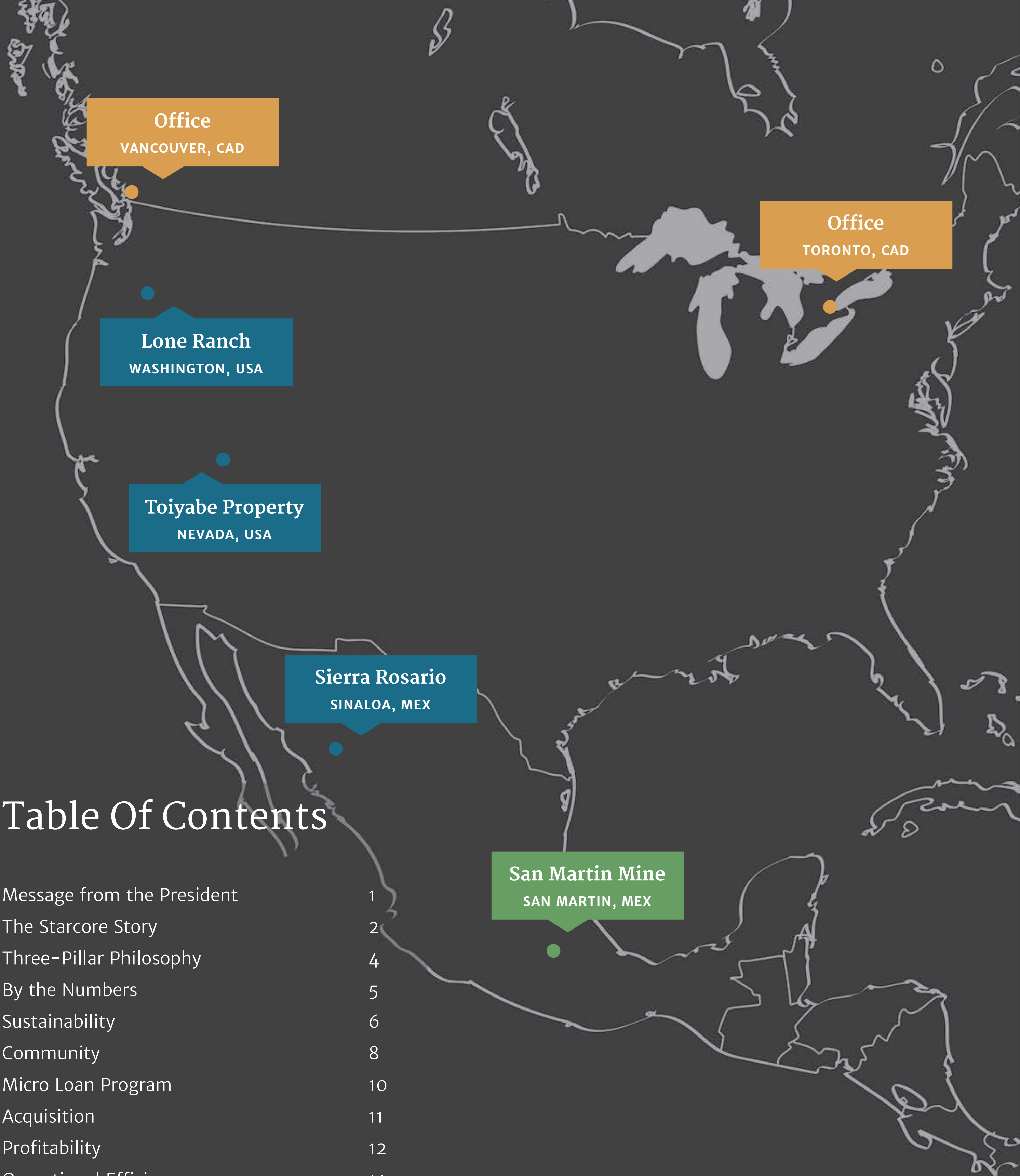


STARCORE INTERNATIONAL MINES LTD.

Annual Report 2014

TSX:SAM | FK:V4J

Investor Relations: info@starcore.com



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Photography
Roger Eberhard | David Gunning

Message from the President

To our Shareholders:

On behalf of the team at Starcore International Mines, thank you for investing in our company. The past three years have included highs and lows for the global mining industry and we have strived to return shareholder value to our stockholders. Our highlights in 2014 certainly reflect that focus:

- Record production of 24,037 Gold Equivalent Ounces, an 18% year-over-year increase.

- Earnings from operations of $8.6 million or 26% of gross revenue, despite lower metal prices and rising inflation.

- A dividend payment of $0.02, the first in our company's history, returning capital to shareholders.

- The acquisition of American Consolidated Minerals Corp, a low risk/high reward strategy adding more targets to our exploration strategy.

Our unwavering commitment to our shareholders, our business and our communities requires a long-term focus. Our focus is steadfast and our vision remains stable, all supported by our three-pillar philosophy: to maintain positive cash flow, to continue to operate efficiently, and to focus on sustainable business practices that increase the human capital of our organization and give back to the environment.

In 2015 we embark on a path pursuing attractive opportunities in a depressed mining market and increasing the value of our company. Our focus remains steadfast and we look forward to an exciting year.

Robert Eadie

Robert Eadie

PRESIDENT AND CEO

Annual Report 2014.

The Starcore Story

Eight years after Starcore International's purchase of the gold and silver producing San Martin Mine, the company is thriving and applying a three-pillar philosophy of sustainability, profitability, and operational efficiency to meet its strategic business approaches to deliver shareholder value.

Located 50 km east of the city of Querétaro, and about 250 km northwest of Mexico City, the San Martin Mine has a long and productive history. Noted for its high-grade mineralization in the 18th century, the area was mined over 40 years, although there are no production records from that time. Earliest reports estimate that 250,000 tonnes grading 15g Au/t and 100g Ag/t were extracted between 1900 and 1924.

In 1986, Luismin, a mining company in Mexico, received approval to conduct exploration in the area. Subsequent acquisitions of Luismin by Wheaton River, and then Wheaton River by Goldcorp, left the San Martin mine under Goldcorp's command. The San Martin Mine was purchased by Starcore International in February 2007 for US $26 million. This was an exciting acquisition for Starcore, as it was a mine with a history of consistent profitability and a property that had not yet been fully explored. This offered a significant opportunity to expand on already-known reserves and resources.

Mining began in 1993 at San Martin at 300 tpd and the production has increased on a yearly basis to the present rate of 850 tpd with the daily capacity of over 900 tpd. With land holdings of 12,992 ha, the San Martin mine has been able to produce 20-24,000 equivalent gold ounces from 300,000 tonnes milled per year. This is a property that has the potential to yield positive returns for many more years. The mine has maintained two years of reserves for the past seven years. The mine is operated by Compania Minera Peña de Bernal, which is a wholly-owned subsidiary of Starcore International.

Today, Querétaro's advanced export economy serves as an international manufacturing hub and platform for foreign investment. It also has the reputation as being the safest state to do business in, in Mexico, from companies which operate there including Bombardier Aerospace, Safran, Eurocopter, and Canada's Héroux-Dvetek.

"What we have to date is the sum of everyone's efforts...from the mine worker who goes underground day in and day out to extract our ore, to the person optimizing the selling price for our gold. It is the sum total of hundreds of people doing their individual tasks, covering each and every aspect of our operations, executing and giving their best. The end result: delivering value to our shareholders and their investment in us."

Robert Eadie

PRESIDENT AND CEO OF STARCORE INTERNATIONAL MINES LTD.

Three-Pillar Philosophy.

In order to align the Company's principles with its business approaches, Starcore has identified three pillars which serve as a cornerstone to how it conducts business.

1
Sustainability
In our community, our environment and our business practices.

2
Profitability
Cash flow growth and strengthening the balance sheet.

3
Operational Efficiency
Maintaining a strategic edge by allocating capital effectively and efficiently.

22,018 Ounces
GOLD PRODUCED IN 2014

10,000+ Plants
PRODUCED PER YEAR IN THE NURSERY

9% Decrease
IN AISC FROM PRIOR YEAR

11,000 Meters
UNDERGROUND EXPLORATION DIAMOND DRILLING EACH YEAR

2.55 Grams/Tonne
AVERAGE GOLD GRADE FOR 2014

126,519 Ounces
SILVER PRODUCED IN 2014

5,266,356 Tonnes
MILLED SINCE 1993

Starcore By The Numbers.

12% Improvement
IN GOLD RECOVERY 2014

308,610 Tonnes
MILLED

11% Decrease
IN CASH COSTS FROM 2013 YEAR

24.2 Grams/Tonne
AVERAGE SILVER GRADE FOR 2014

$33.1 Million
IN REVENUE FROM MILL PRODUCTION

20% Increase
IN PRODUCTION FROM THE 2013 YEAR

8.1% Improvement
IN GOLD GRADE FOR THE YEAR

24,037 Au EqOz
PRODUCED THIS FISCAL YEAR

Sustainability.

Environmental Stewardship

Recognizing that we are all stewards of the natural environment, Starcore has adopted the technology of dry stacked tailings at a considerable added cost to the operations. However, we believe the benefits far outweigh the cost considerations and will bring long-lasting values. This ethic embraces responsible planning and quality management of the resources.

The benefits of dry stack tailings include:

- More of the process solutions are recycled within the plant
- Water consumption is reduced by 80-85% as well as a reduction in windborne dust
- Risk of discharging harmful solutions to the environment is eliminated
- Reduces the impact on the environment in terms of land area used for tailings, as dry stack facilities require a smaller footprint compared to other surface tailings disposal systems, while creating a much more stable impoundment geotechnically
- Groundwater contamination through seepage is eliminated
- Land is revegetated with greater efficiency and ease

> "Because we believe that we have a responsibility beyond our responsibility to our shareholders, we are committed to enriching the lives of the people of the communities in which we operate. Our corporate decisions and practices will always strive to integrate our business with our employees' personal values."
>
> **Robert Eadie**

Green House COOP Program

The children of San Martin planted 90 trees on World Earth Day 2013, revitalizing the northern part of the tailing dam's reforestation program. To facilitate this reforestation, Starcore has built a nursery where each year we grow 10,000 seedlings from a variety of plant species native to the area. These seedlings are planted around the mine site from May to July when the rainy season begins. The greenhouse plants also supply the mine's kitchen and Starcore's vision is that one day there will be enough edible surplus that the excess can be sold to miner's families at reduced prices.

336.6 kg
TOMATO

68.6 kg
CHILI

488 Pieces
HEADS OF LETTUCE

36 Pieces
CABBAGE

19.3 kg
CHARD/SPINACH

3.5 kg
PEAS

Community.

Paint the Town

This is an initiative aimed at helping the townspeople with painting their homes. The main buildings at the mine were each painted in a different colour. Residents can apply for the colour of their choice and Starcore provides them with the paint to complete their house.

Health and Safety

The safety of its employees is of utmost importance for Starcore International, and every measure is taken every day to ensure the workplace is safe.

San Martin has received the Mexican Mining Chamber's Annual Silver Helmet Award for mine safety four times.

In addition, employees at San Martin are provided with annual medical check-ups free of charge, including prostate antigens exams, audiometry exams, physical exams, glucose, triglycerides and cholesterol exams, and thorax x-rays.

Commitment to Community & Social Responsibility

With over 300 employees at the mine site, Starcore endeavours to create initiatives that will encourage community development and pride. Committed to health and safety, education, and the environment, Starcore continues to seek out ways to help the community of San Martin.

Starcore supports San Martin's kindergarten and elementary schools, donating generously to their programs. The Company built a roof covering the elementary school's bleachers and continues to maintain the school grounds and entrances. Local schools participate in field trips to the mine and Starcore funds the annual summer camp for the community's children, 90% of whom are a part of the San Martin miners' families. Starcore also supports Fundacion San Judas Tadeo, which is a hospice for sick children in Mexico City.

Corporate Responsibility in the Community of Vancouver

Corporately, Starcore continues with its program of partnering with various charities by hosting its "Serving Change, One Ounce at a Time" events.

In 2013, Starcore partnered with Covenant House Vancouver, raising $38,500 in support of its activities. In 2014, Starcore supported The Deafblind Society. The Deafblind Society believes that every person who is deafblind should have access to the world around them. The society's aim is to provide support communication methods so that individuals who are deafblind can increase their independence and safely access the world around them.

> "We are very cognizant of shareholder value and of building the company on behalf of shareholders."
>
> **Robert Eadie**

The "Serving Change, One Ounce at a Time" event in January 2014 was a great success, raising $33,164 for The Deafblind Society. These funds were allocated towards essential therapeutic exercise equipment and sensory travel experiences, and helped pay for local mileage for family and medical visits, and for the society's computer equipment.

Starcore is proud to continue partnering with local charities.

Micro Loan Program.

Starcore Mine Employee Micro Loan Program

In 2014, Starcore had the opportunity to implement a micro loan program with the staff at the San Martin mine. The micro loan program is set up as a low risk/high reward initiative for employees and a safe investment into human capital for Starcore.

To sign up for the program, employees must contribute a certain percentage of their salaries to a fund, which our designated bank then invests into safe fixed income products. Once an agreement of repayment is signed and co-signed by another worker at the mine to ensure obligations are met, the employees can draw upon the fund up to a certain amount. The program is designed to eliminate the risk to Starcore for the portion payable by the employees.

By bridging the gap between the mine staff's need for capital and our expertise in these types of financial products, we open the door to corporate social responsibility and increase the standard of living for our employees. We believe this program is a Mexican mining industry first and by investing in human capital, we also profit from sustaining the people in places that sustain us all.

> "We firmly believe that enriching the lives of our employees and their communities will lead to magnified benefits for everyone: The workplace is energized when home lives are improved. This can only give rise to increased productivity from our work force. It's a winning combination."
>
> **Robert Eadie**

Acquisition.

Acquisition of American Consolidated Minerals Corp.

On December 1, 2014, the Company acquired all of the outstanding securities of American Consolidated Minerals Corp. ("AJC")(TSXV:AJC) in an all-share transaction that was completed to pursuant a court approved Plan of Arrangement under the *Business Corporations Act* (British Columbia).

AJC is a Vancouver-based mineral exploration company with three exploration projects located in the United States and Mexico.

Highlights of the Acquisition

- AJC's portfolio of exploration properties presents Starcore with attractive low-risk/high reward exploration opportunities in North America;

- The AJC properties will provide Starcore with the potential to increase its resource base in North America utilizing the current cash flow of the San Martin mine. There is the potential for any of the AJC properties to have a significant discovery which would greatly increase Starcore's resources and have a significant effect on the valuation of Starcore with a relatively small capital cost.

Profitability.

August 20, 2014– Starcore Pays Dividend to its Shareholders

Starcore continues to operate with its three-pillar philosophy as the cornerstone of how we conduct business. Once again, we delivered on our commitment to our shareholders and paid out a $0.02 per share dividend, yielding a 13% payout ratio.

Earnings before income taxes for the year was **$5.0 million compared to $4.1 million for the prior year.** Net Earnings after taxes for the year was **$3.0 million, or $0.02 per share.**

> "We continue to build on the strengths of our mine, being low costs and consistent production, reaching our targets each year. We are currently in a very good cash position, even after having paid our first dividend last month of $2.9 million."
>
> **Robert Eadie**

Exploration Highlights

Guadalupe Vein
Discovered in late 2007, this vein is a sub-parallel vein to San Martin located below level 8. Drilling and lateral development are being used to prove reserves in this area which indicates the potential for other similar structures.

SAM Vein
Discovered in 2009, the SAM Vein runs on level 5 & 6 in Area 29. This vein is further west than previous ore bodies and may have been deposited along an unconformity in limestone. The zone is relatively flat lying and strikes northerly and steepens as it rises up dip to the west. It has been defined to the 30 area fault, and Starcore is currently drilling holes to locate its postulated projection on the other side of the fault.

Pilotos West
Discovered in 2011, the western fault offset of Pilotos ore body was mined for a year at 3,000-5,000 tonnes per month with grades of 5-20 g/t. This area is limited by faulted volcanic rocks and mining has now extracted most of these deposits with only small pillars remaining.

San Martin Footwall
Discovered in 2012, this area has been found to host several veins 1-5 m thick, located within 50 m of the main San Martin structure in the footwall which was previously thought to be exclusively shale. To date, at least four veins have been found above level 4 in the northeast of the "San Martin" area of the mine and possibly two veins above level 2, further south. Some of the veins are vertical and some are dipping around 40 degrees. In general, most are striking parallel to San Martin breccia to the Northeast. Significant production and reserves have been developed in this area in 2013.

Operational Efficiency.

Our Focus is Steadfast

The San Martin deposit has advantages that enable it to operate profitably at grades that other deposits are not able to.

Located two kilometers from a four-lane highway between a large city, Querétaro, and a tourist town, the mine benefits from a well-policed and safe transit corridor for employees, contractors, and suppliers. Employees are happy to live near the mine, resulting in no camp costs or fly-in fly-out costs.

Central Mexico has been a location for mining for centuries and San Martin benefits from both a work force knowledgeable about mining and communities accustomed to the benefits derived from mining operations.

The host limestone rock of San Martin is very soft and as a result enables very low drill and steel costs for drilling as well as rapid blast cycles. Experience over time has shown that with good ventilation the rock also stands up well with only rock support in the faulted areas.

Vision for 2015 and Beyond.

Maintaining our commitment to our employees and the local community by actively seeking creative ways to enhance their quality of life;

Enhancing shareholder value through ongoing exploration without share dilution;

Building the balance sheet to achieve financial strength and to explore business opportunities;

Endeavouring to keep costs per tonne competitive and continuing to reduce overall expenses;

Sale of San Pedrito land package.

Management Team

Robert Eadie

CEO, PRESIDENT & DIRECTOR

In the past 20 years, Mr. Eadie has been actively involved in public resource companies in raising over $100 million dollars for various exploration and development projects around the world. Over the years, Mr. Eadie has built an impressive network of contacts in Europe, North America and Asia and has established a reputation as the catalyst behind various successful start-up resource companies. He brings extensive marketing and public relations expertise to the board and makes executive decisions based on long term sustainable growth.

Mr. Eadie advocates open dialogue between management, directors, and shareholders as a key ingredient to success. Mr. Eadie resides in Mexico City. He is a predominant business figure, family man and compassionate community member. Mr. Eadie's unique past experience as a private business owner reflects his down-to-earth approach to business and dedication to company growth.

David Gunning P. ENG

COO & DIRECTOR

Mr. Gunning is a graduate of the University of British Columbia with a BASC degree in Mining and Mineral Process Engineering. He is a member of the Association of Professional Engineers and Geoscientist of BC and has over 30 years of experience in all aspects of the mining industry.

Mr. Gunning's experience includes mineral exploration in addition to mine operations, management and development. He has worked in many global jurisdictions including North and South America as well as Europe and Asia. Mr. Gunning has also authored numerous technical reports and is a Qualified Person in terms of NI 43-101.

Since 2009, Mr. Gunning has been Chief Operating Officer of Starcore International Mines Ltd. and has been directly involved in the day-to-day operation of the San Martin mine.

Gary Arca CA

CHIEF FINANCIAL OFFICER & DIRECTOR

Mr. Arca is a Chartered Accountant and has been a member of the Canadian Institute of Chartered Accountants and British Columbia Institute of Chartered Accountants since 1980. Mr. Arca was a partner with two separate public accounting firms from 1996 to December 2005 before initially joining Starcore as the CFO. Since 2005, Mr. Arca has gained extensive experience as a Director of many publicly traded resource companies. As CFO, Mr. Arca is directly responsible for the corporate, regulatory and governance of Starcore as well as being involved in the daily operations of the mine.

Jordan Estra

NON - EXECUTIVE CHAIRMAN & DIRECTOR

Mr. Estra has over 40 years of experience in the fields of finance and strategic planning. His background includes his experience as a leading research analyst for a number of international investment banks.

Mr. Estra is currently President and Chief Executive Officer of Ophir Brasil Mineracao, Ltda., a privately owned gold mining company in Brazil, and President and CEO of Ophir Consulting Group, Inc., a privately owned mining consulting company.

Mr. Estra graduated with High Distinction from Babson College (International Economics) and with Honors from the Columbia University Graduate School of Business (Finance). He served in the United States Army (Medical Corps) and has been a member of the American Institute of Mining, Metallurgical and Petroleum Engineers, the Foreign Policy Association, the New York Society of Security Analysts and the Stock & Bond Club of South Florida. He holds Series 6, 7, 24 57 and 58 securities licenses.

Federico Villaseñor

DIRECTOR

Mr. Villaseñor is a consultant to various mining companies. From 2007 to 2014, he served as the Business Development Director for Goldcorp Mexico. He obtained a B.Sc. in Mining Engineering from the University of Guanajuato in 1972, a Master of Science from Columbia University of New York City in 1976, and a Finance Degree from the Instituto Tecnologico de Mexico in 1985. Mr. Villaseñor has been a member of the Mexican Mining Chamber Board.

Dr. Michael Gunning

DIRECTOR

Dr. Gunning has more than 25 years of diverse and valuable experience in mineral exploration and geological research, and is widely recognized for his expertise in the uranium sector. He is currently the Executive Chairman at Alpha Minerals, the target of a supported takeover and consolidation of the Patterson Lake discovery in Saskatchewan. Prior to Alpha, he was CEO of Hathor Exploration, a Vancouver-based junior uranium explorer. He executed successive resource and PEA milestones for Hathor's Roughrider uranium deposit discovery, and he guided the Company through a hostile M&A competition to an eventual $654 million acquisition by Rio Tinto, one of the top ten deals in 2011 in the global mining sector. Prior to joining Hathor, Dr. Gunning served as President and CEO of Triex Minerals, during which term Triex raised more than $30 million for its projects, built an accomplished exploration team, and advanced a diverse project portfolio in the U.S. and Canada. Previous to Triex, Dr. Gunning was the principal Mineral Deposits Research Geologist at the Saskatchewan Geological Survey, before which, he was a Senior Project Geologist in Exploration at Teck Cominco Ltd., responsible for all aspects of various exploration programs and initiatives in the Canadian high Arctic, Brazil and Mexico. He has a Ph.D. in mineral deposits and volcanology from the University of Western Ontario, and is a past President of the Saskatchewan Geological Society and the Society of Economic Geologists Student Chapter. Dr. Gunning is currently a director of two public companies listed on the TSX Venture Exchange.

Cory Kent LLB

CORPORATE SECRETARY & DIRECTOR

Mr. Kent is a Partner of McMillan LLP, and was the Executive of the Securities Law Section of the Canadian Bar Association from 2002-2004. With a practice focused on corporate securities law and related technology, natural resources, and commercial matters, Mr. Kent possesses a strong and varied legal background exceptionally suited to the junior mining sector.

Ken Sumanik M.Sc.

DIRECTOR

Mr. Sumanik is an environment and land specialist, with over forty years of experience in logging and mining impact assessment and evaluation. From 1989 to 1999, he held the position of Vice-President of Environment and Land Use for the Mining Association of British Columbia. Mr. Sumanik then served as Assistant to the Minister for Mining in British Columbia before becoming involved with publicly listed junior mining companies.

Serge Depatie

DIRECTOR

Serge Depatie is a mining and investment professional with close to 25 years of experience in senior management roles encompassing project management to institutional portfolio management. Mr. Depatie is a founding partner and currently, Managing Director & Chief Investment Officer of NCP Investment Management ("NCPIM"), a private investment firm. Prior to NCPIM, Mr. Depatie spent 10 years at Natcan Investment Management Inc., participating in growing assets from $10 billion to $32 billion. Mr. Depatie was named top 50 portfolio manager in Canada by Brendan Woods (Top Gun Awards) for 2008-2009 while his team won the Lipper Award; 5 year Performance, Best Canadian Small Cap Fund 2005-2010.

Consolidated Financial Statements.

For the year ended July 31, 2014
Starcore International Mines Ltd.

Deloitte.

Deloitte LLP
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INDEPENDENT AUDITOR'S 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 July 31, 2014 and July 31, 2013, and the consolidated statements of operations and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, 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.

Auditor's 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 auditor's 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, the consolidated financial statements present fairly, in all material respects, the financial position of Starcore International Mines Ltd. as at July 31, 2014 and July 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
October 27, 2014
Vancouver Canada

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

As at		July 31, 2014		July 31, 2013
Assets				
Current				
Cash	**$**	**5,454**	$	5,638
Short-term investments (note 5)		**4,324**		2,710
Amounts receivable (note 6)		**3,409**		1,979
Inventory (note 7)		**2,464**		1,689
Prepaid expenses and advances		**891**		2,425
Total Current Assets		**16,542**		14,441
Non-Current				
Mining interest, plant and equipment (note 8)		**44,488**		42,078
Deferred tax assets (note 18)		**4,064**		3,018
Total Non-Current Assets		**48,552**		45,096
Total Assets	**$**	**65,094**	$	59,537
Liabilities				
Current				
Trade and other payables	**$**	**3,252**	$	1,936
Loan payable (note 9)		**-**		3,479
Total Current Liabilities		**3,252**		5,415
Non-Current				
Rehabilitation and closure cost provision (note 10)		**1,128**		1,053
Deferred tax liabilities (note 18)		**13,167**		10,420
Other long-term liabilities (note 11)		**-**		424
Total Non-Current Liabilities		**14,295**		11,897
Total Liabilities	**$**	**17,547**	$	17,312

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

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

As at		July 31, 2014		July 31, 2013
Equity				
Share capital (note 12)	**$**	**44,023**	$	43,752
Equity reserve		**11,213**		10,754
Foreign currency translation reserve		**(915)**		(2,542)
Accumulated deficit		**(6,774)**		(9,739)
Total Equity		**47,547**		42,225
Total Liabilities and Equity	**$**	**65,094**	$	59,537

Commitments (notes 12, 14 and 19)
Subsequent events (notes 12 and 19)

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)

For the years ended July 31,		2014		2013
Revenues				
Mined ore	$	33,136	$	30,246
Cost of Sales (note 7)				
Mined ore		18,577		16,955
Depreciation and depletion		5,971		4,993
Total Cost of Sales		24,548		21,948
Earnings from mining operations		8,588		8,298
Financing costs (net) (note 9)		(286)		(1,141)
Foreign exchange gain (loss)		494		(306)
Professional and consulting fees		(402)		(399)
Management fees and salaries (notes 12 and 14)		(1,538)		(1,047)
Office and administration		(1,467)		(1,016)
Shareholder relations		(233)		(223)
Write-down for obsolete equipment		(125)		(113)
Earnings before taxes		5,031		4,053
Income tax (provision) recovery (note 18)				
Current		(601)		(209)
Deferred		(1,465)		858
Earnings for the year		2,965		4,702
Other comprehensive income				
Item that may subsequently be reclassified to (loss) income				
Foreign currency translation differences		1,627		752
Comprehensive income for the year	$	4,592	$	5,454
Basic earnings per share (note 17)	$	0.02	$	0.03
Diluted earnings per share (note 17)	$	0.02	$	0.03

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)

For the years ended July 31,		2014		2013
Cash provided by				
Operating activities				
Earnings for the year	$	2,965	$	4,702
Items not involving cash:				
Depreciation and depletion		6,004		5,002
Share-based compensation (note 12)		466		261
Interest revenue		(4)		(8)
Interest on long-term debt (note 9)		33		543
Unwinding of discount on long-term debt (note 9)		104		523
Employee profit sharing provision (note 11)		(424)		(97)
Rehabilitation and closure cost accretion (note 10)		84		77
Write-down for obsolete equipment		125		113
Income tax (recovery) expense (note 18)		2,066		(649)
Cash generated by operating activities before working capital changes		11,419		10,467
Change in non-cash working capital items				
Prepaid expenses and advances		1,675		1,151
Amounts receivable		(1,307)		1,595
Inventory		(671)		788
Trade and other payables		437		(17)
Income tax paid		192		-
Cash provided by operating activities		11,745		13,984
Financing activities				
Share issuances		19		497
Repayment of loan payable		(3,583)		(4,667)
Interest paid		(33)		(543)
Cash outflows for financing activities		(3,597)		(4,713)
Investing activities				
Purchase of short-term investments		3,150		(2,700)
Sale of short-term investments		(4,770)		1,600
Interest received		4		10
Purchase of mining interest, plant and equipment		(5,967)		(3,828)
Cash outflows for investing activities		(7,583)		(4,918)
Total increase/(decrease) in cash		565		4,353
Effect of foreign exchange rate changes on cash		(749)		(390)
Cash, beginning of year		5,638		1,675
Cash, end of year	$	5,454	$	5,638

Non-cash transactions - note 12

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

Starcore International Mines Ltd.
Consolidated Statements of Changes in Equity for the years ended July 31, 2014 and 2013
(in thousands of Canadian dollars, except for number of shares)

		Number of Shares Outstanding	Share Capital	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Deficit (Note 11)	Total
Balance, July 31, 2012		139,796,651	$ 43,053	$ 10,620	$ (3,294)	$ (14,441)	$ 35,938
Issued for cash pursuant to:							
Issued as a bonus on financing	- at $0.25	300,000	75	-	-	-	75
Issued for cash pursuant to:							
Exercise of warrants	- at $0.15	3,261,814	613	(124)	-	-	489
Exercise of agent warrants	- at $0.25	32,000	11	(3)	-	-	8
Share-based compensation		-	-	261	-	-	261
Foreign currency translation		-	-	-	752	-	752
Earnings for the year		-	-	-	-	4,702	4,702
Balance, July 31, 2013		143,390,465	43,752	10,754	(2,542)	(9,739)	42,225
Issued for cash pursuant to:							
Exercise of stock options	- at $0.15	125,000	26	(7)	-	-	19
Deferred tax effect of share issue costs		-	245	-	-	-	245
Share-based compensation		-	-	466	-	-	466
Foreign currency translation		-	-	-	1,627	-	1,627
Earnings for the year		-	-	-	-	2,965	2,965
Balance, July 31, 2014		**143,515,465**	**$ 44,023**	**$ 11,213**	**$ (915)**	**$ (6,744)**	**$ 47,547**

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

July 31, 2014

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, processing and exploring for gold and silver in Mexico. On February 1, 2007, the Company acquired Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico, from Luismin S.A. de C.V. ("Luismin"), a wholly owned subsidiary of Goldcorp, Inc. (the "Acquisition"). Pursuant to the Acquisition, the Company paid US$24 million or $28.2 million and issued 4,729,600 common shares to Luismin at a fair value of US$2 million or $2,365 based upon the Toronto Stock Exchange ("TSX") trading value of the Company's shares at the date of the Agreement. The San Martin mine has been in operation since 1993 producing gold and silver and is a self sustaining mining operation in Mexico. Bernal is the Company's sole source of operating cash flows.

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").

The financial statements were authorized for issue by the Board of Directors on October 21, 2014.

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.

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 subsidiary, Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), along with various other subsidiaries carry out their operations in Mexico 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 Canadian dollars ("CAD") and the functional currency of its subsidiaries is United States dollars ("USD") (collectively "the 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 and equity 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 Canadian dollars 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 Canadian dollars 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 ("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.

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 July 31, 2014 and 2013, the Company had no cash equivalents.

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

d) 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.

e) 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.

f) 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.

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

f) Mining interest, plant and equipment – (cont'd)

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.

Leased equipment

Leased assets in which we receive 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.

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

f) Mining interest, plant and equipment – (cont'd)

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 a portion of resources expected to be converted to reserves. 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. 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.

g) 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.

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

h) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") 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 deemed 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 also 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.

i) Financial Instruments

Financial instruments are classified as one of the following categories 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, short-term investments and amounts receivable are all accounted for as loans and receivables.

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

i) Financial Instruments – (cont'd)

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.

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.

Derivative Liabilities

Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of earnings. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

The Company has no derivative instruments as at July 31, 2014 and 2013.

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

j) 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.

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.

k) 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 warrant 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.

l) 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.

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

m) 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.

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.

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

n) New and revised accounting standards

Effective August 1, 2013, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB. 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.

New and revised standards:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 19R *Employee benefits*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*

Amended standards and interpretations:

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities*

The following accounting standards have been issued 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: Recognition and Measurement*
- IFRS 14 *Regulatory Deferral Accounts*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 21 *Leases*

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.

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

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 of 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%.

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 thousands of Canadian dollars unless otherwise stated)

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

d) Income Taxes – (cont'd)

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, 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 12.

5. Short-term Investments

At July 31, 2014, the Company held a Guaranteed Investment Certificate ("GIC") denominated in United States Dollars ("USD") with a market value of $3,924 (2013 - $2,710), earning interest income at 0.2% per annum and maturing on November 5, 2014. The Company also holds a GIC denominated in Mexican Pesos with a market value of $400 (2013 - $Nil) earning interest income at 2.50% 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.

6. Amounts Receivable

July 31,		**2014**		2013
Taxes receivable	**$**	**2,856**	$	1,741
Trade receivables		**351**		150
Other		**202**		88
	$	**3,409**	$	1,979

7. Inventory

July 31,		**2014**		2013
Carrying value of inventory:				
Doré	**$**	**1,141**	**$**	**717**
Work-in-process		**190**		**139**
Stockpile		**238**		**127**
Supplies		**895**		**706**
	$	**2,464**	**$**	**1,689**

7. Inventory – (cont'd)

For the year ended July 31,		**2014**		2013
Inventory included in cost of sales:				
Mined ore	**$**	**18,577**	$	16,955

8. Mining Interest, Plant and Equipment

		Mining Interest		**Plant and Equipment**		**Corporate Office Equipment**		**Total**
Cost								
Balance, July 31, 2012	$	45,978	$	10,956	$	243	$	57,177
Additions		2,819		927		82		3,828
Write-down of equipment		-		(246)		-		(246)
Change in ARO assumptions		(586)		-		-		(586)
Effect of foreign exchange		1,147		48		-		1,195
Balance, July 31, 2013		49,358		11,685		325		61,368
Additions		3,464		2,503		-		5,967
Write-down of equipment		-		(253)		-		(253)
Effect of foreign exchange		3,037		958		-		3,995
Balance, July 31, 2014	**$**	**55,859**	**$**	**14,893**	**$**	**325**	**$**	**71,077**
Depreciation								
Balance, July 31, 2012	$	10,160	$	3,749	$	208	$	14,117
Depreciation for the year		4,144		827		31		5,002
Write-down of equipment		-		(133)		-		(133)
Effect of foreign exchange		330		(26)		-		304
Balance, July 31, 2013		14,634		4,417		239		19,290
Depreciation for the year		5,012		1,041		33		6,086
Write-down of equipment		-		(129)		-		(129)
Effect of foreign exchange		933		409		-		1,342
Balance, July 31, 2014	**$**	**20,579**	**$**	**5,738**	**$**	**272**	**$**	**26,589**
Carrying amounts								
Balance, July 31, 2013	$	34,724	$	7,268	$	86	$	42,078
Balance, July 31, 2014	**$**	**35,280**	**$**	**9,155**	**$**	**53**	**$**	**44,488**

(in thousands of Canadian dollars unless otherwise stated)

9. Loan payable

During the year ended July 31, 2012, the Company secured an $11 million credit facility (the "Facility") with Sprott Resource Lending. The facility was used to settle the hedge liability originally entered into with Investec Bank PLC ("Investec") pursuant to a Loan Facility entered into on purchase of the mine in 2007. The Facility bore interest at 11% per annum, payable monthly, with monthly principal payments of $917 to be made commencing May 31, 2012 and amended to $Nil on December 19, 2012, with the final payment amended to a balloon payment on October 31, 2013. The Facility was guaranteed by the Company's wholly owned subsidiary, Bernal, and was secured by a fixed and floating charge and specific registration over all of the assets of the Company and Bernal, including the San Martin gold and silver mine in Queretaro, Mexico, and a pledge of all of the shares of Bernal held by the Company.

On August 30, 2013, the Company paid the remaining $3,583 of the Facility, settling its obligation in full and without penalty.

In consideration for the Facility, the Company paid structuring fees, finder's fees and legal fees of $376 and issued 1,000,000 common shares. The fair value of the shares has been determined to be equal to the market price on the date of grant, being $0.36 per share or $360. Subject to the amendment on December 19, 2012, the Company issued an additional 300,000 shares with a market value of $0.25 per share totaling $75. The Facility was classified as an other financial liability at amortized cost of $11,000, less the fair value of the shares, structuring, finder's and legal fees, totaling $811 (the "Discount"). As a result, the recorded liability to repay the Facility was lower than its face value.

The Discount was being charged to the Company's profit and loss and added to the liability over the life of the Facility. On August 30, 2013, pursuant to the full payment of the Facility and thereby settling its obligation in full, the Company made payments consisting of $3,583 in repayment of principal (2013: $4,667) and $33 of interest (2013: $543). Over the year, the remaining $104 (2013: $523) of the Discount was recognized as a financing cost in the Company's total earnings.

	Principal	Discount	Total
Balance, July 31, 2012	$ 8,250	$ (552)	$ 7,698
Financing, May 17, 2012	-	(75)	(75)
Payments made during the year	(4,667)	-	(4,667)
Unwinding of discount	-	523	523
Balance, July 31, 2013	3,583	(104)	3,479
Payments made during the year	(3,583)	-	(3,583)
Unwinding of discount	-	104	104
Balance, July 31, 2014	**$ -**	**$ -**	**$ -**

During the year ended July 31, 2014, the Company paid $69 (2013 - $Nil) in legal fees pursuant to the settlement of the Facility which were recognized in the Consolidated Statements of Operations and Comprehensive Income as incurred.

9. Loan Payable – (cont'd)

The Company's financing costs (net) for the years ended July 31, 2014 and 2013 as reported on its Consolidated Statement of Operations and Comprehensive Income can be summarized as follows:

For the year ended July 31,	**2014**	2013
Unwinding of discount on rehabilitation and closure accretion (Note 10)	**$ 84**	$ 77
Facility discount unwinding	**104**	523
Facility interest expense	**33**	543
Facility settlement legal fees	**69**	-
Interest revenue	**(4)**	(2)
	$ 286	$ 1,141

10. Rehabilitation and Closure Cost Provision

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At July 31, 2014, the present value of obligations is estimated at $1,128 (2013 - $1,053) based on expected undiscounted cash-flows at the end of the mine life of 20,564,000 Mexican pesos ("MP") or $1,693 (2013 - $1,705), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 8% (2013 – 8%), an inflation rate of 3.5% (2013 – 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:

	July 31, 2014	July 31, 2013
Balance, beginning of year	**$ 1,053**	$ 1,505
Accretion expense	**84**	77
Revision to assumptions and estimates	**-**	(586)
Foreign exchange fluctuation	**(9)**	57
	$ 1,128	$ 1,053

11. Other Long – Term Liabilities

Under Mexican tax laws, the Company's Mexican subsidiary is required to remit 10% of taxable income to employees as statutory profit-sharing. The provision for profit-sharing is based on accounting income and the amounts are payable based on the Company's Mexican subsidiary earning taxable income.

(in thousands of Canadian dollars unless otherwise stated)

12. 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.

During the year ended July 31, 2014, the Company issued:
- 125,000 shares pursuant to the exercise of stock options at $0.15 per share for proceeds of $19. The fair value of the options as determined on the date of issuance, being $7, was transferred to the Company's share capital from equity reserve on exercise.

During the year ended July 31, 2014, the Company adjusted the deferred tax effect on share issuance costs which resulted in an adjustment of $244.

During the year ended July 31, 2013, the Company issued:
- 300,000 shares pursuant to the amendment of the Facility agreement at $0.25 per share or $75 (Note 9);
- 3,261,814 shares pursuant to the exercise of share purchase warrants at $0.15 per share for proceeds of $489. The fair value of the warrants as determined on the date of issuance, being $124, was transferred to the Company's share capital from equity reserve on exercise;
- 32,000 shares pursuant to the exercise of share purchase agent warrants at $0.25 per share for proceeds of $8. The fair value of the warrants as determined on the date of issuance, being $3, was transferred to the Company's share capital from equity reserve on exercise.

b) Warrants

A summary of the Company's outstanding share purchase warrants at July 31, 2014 and 2013 and the changes during the years then ended is presented below:

	Number of warrants	Weighted average exercise price	Equity reserve Amount
Outstanding at July 31, 2012	8,231,614	$ 0.27	$ 948
Warrants exercised	(3,261,814)	0.15	(124)
Agent Warrants exercised	(32,000)	0.25	(3)
Agent Warrants expired	(432,800)	0.25	-
Outstanding at July 31, 2013	4,505,000	0.35	821
Warrants expired	(4,505,000)	0.35	(821)
Outstanding at July 31, 2014	**-**	**$ -**	**$ -**

During the year ended July 31, 2014, 4,505,000 warrants expired unexercised.

12. Share Capital - (cont'd)

c) 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 common stock outstanding. Options could be granted for a maximum term of 5 years. Optioned shares will vest and may be exercised in accordance with the vesting provisions set out as follows:

(a) 1/3 of the options granted will vest six months after the grant date;
(b) A further 1/3 of the options granted will vest twelve months after the grant date; and
(c) The remaining 1/3 of the options granted will vest eighteen months after the grant date.

In January, 2014, the Company's shareholders voted to cancel the Company's stock 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 from July 31, 2013 to July 31, 2014:

	Number of Shares	Weighted Average Exercise Price
Balance at July 31, 2012	13,305,000	$0.22
Forfeited/expired	(125,000)	$0.21
Balance at July 31, 2013	13,180,000	$0.23
Granted	5,645,000	$0.22
Exercised	(125,000)	$0.15
Forfeited/expired	(100,000)	$0.15
Outstanding at July 31, 2014	**18,600,000**	**$0.23**
Exercisable at July 31, 2014	**14,836,667**	**$0.23**

The following is a summary of outstanding stock options at July 31, 2014:

Number Outstanding	Weighted Average Price	Weighted Average Life
5,815,000	$0.15	0.28
1,000,000	$0.21	0.45
400,000	$0.15	0.65
150,000	$0.15	1.77
400,000	$0.20	2.46
1,940,000	$0.25	2.49
3,250,000	$0.37	2.70
800,000	$0.25	4.06
275,000	$0.20	4.06
200,000	$0.23	4.10
200,000	$0.25	4.12
4,170,000	$0.22	4.46
18,600,000	$0.23	2.25

(in thousands of Canadian dollars unless otherwise stated)

12. Share Capital - (cont'd)

c) Share-based Payments - (cont'd)

The fair value of stock options granted during the year, have been estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

	2014	2013
Weighted average share price	$0.22	-
Weighted average exercise price	$0.22	-
Risk-free interest rate	1.62%	-
Expected life	5 years	-
Expected volatility	74.01%	-
Expected dividend yield	0%	-

During the year ended July 31, 2014, the Company had share-based compensation expense of $467 (2013: $261), which has been recorded in the statement of comprehensive income and credited to equity reserve. These amounts have been expensed as follows:

For the year ended July 31,		**2014**		2013
Cost of Sales – Mined ore	**$**	**48**	$	42
Management fees and salaries		**365**		221
Office and administration		**54**		(1)
Shareholder relations		**-**		(1)
	$	**467**	$	261

Subsequent to the year ended July 31, 2014, 2,575,000 options were exercised at $0.15 per option for net proceeds of $386 and 500,000 options at $0.21 were cancelled by the Company.

d) Dividend Paid and Declared

Subsequent to the year ended July 31, 2014, the Board of Directors declared the first annual dividend in the Company's history. A dividend of $0.02 per share (total of $2,922) was paid on the Common Shares of the capital of the Company on September 30, 2014 to shareholders of record on August 29, 2014.

13. 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 other material differences between the carrying values and the fair values of any 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.

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 July 31, 2014, the Company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos (MP):

		In '000 of CDN Dollars		**In '000 of Mexican Pesos (MP)**
Cash & Cash Equivalents	$	471	MP	6,316
Other working capital amounts - net	$	126	MP	3,484

At July 31, 2014, US dollar amounts were converted at a rate of $1.089 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP13.24 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 $489. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately $274.

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.

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 July 31, 2014 is $5,454 (2013 - $5,638) and $4,324 (2013 - $2,710), respectively. Cash of $151 (2013 - $102) and short-term investments of $400 are held at a Mexican financial institution, the remainder of $5,303 (2013 - $5,536) and the short-term investment of $3,924 (2013 - $2,710) are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. All trade receivables are owed from three customers and are receivable in US dollars.

(in thousands of Canadian dollars unless otherwise stated)

13. Financial Instruments – (cont'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 July 31, 2014, the Company was holding cash of $5,454 (2013 - $5,638) and short-term investments of $4,324 (2013 - $2,710).

Obligations due within twelve months of July 31,	2014	2015	2016	2017	2018 and beyond
Trade and other payables	$ 3,252	$ -	$ -	$ -	$ -
Reclamation and closure obligations	-	-	-	-	1,693

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.

14. Commitments

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at July 31, 2014:

a) As at July 31, 2014, the Company has shared lease commitments for office space of approximately $160 per year, expiring at various dates up to September 2017, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.

b) As at July 31, 2014, the Company has a land lease agreement commitments with respect to the land at the mine site, for $132 per year until December 2017.

c) As at July 31, 2014, the Company has management contracts to officers and directors totaling $600 per year, payable monthly, expiring in January 2017.

During the years ended July 31, 2014 and 2013, the Company paid the following amounts to key management and directors:

For the year ended July 31,	2014	2013
Management fees	**$ 900**	$ 600
Legal fees	**14**	15
Directors fees	**41**	96
Technical advisory committee	**-**	9
Share-based payments	**215**	143
Total	**$ 1,170**	$ 863

The Company also reimburses a private company owned by a director for direct expenditures made on behalf of the Company, including, but not limited to, expenditures for office expenses, rent, salaries and communications.

15. Segmented Information

During the year ended July 31, 2014, 100% of the Company's reportable sales were to three third parties and only two parties provided more than 10% of the Company's total revenue. The balance owing from these customers on July 31, 2014 was $351 (July 31, 2013 - $150). The Company operates in two reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	Mexico	Canada	July 31, 2014 Total
Revenue	$ 33,136	$ -	**$ 33,136**
Earnings (loss) for the year	5,859	(2,894)	**2,965**
Mining interest, plant and equipment	44,429	59	**44,488**
Total assets	59,020	6,074	**65,094**

	Mexico	Canada	July 31, 2013 Total
Revenue	$ 30,246	$ -	$ 30,246
Earnings (loss) for the year	7,442	(2,740)	4,702
Mining interest, plant and equipment	41,992	86	42,078
Total assets	55,241	4,296	59,537

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.

17. Earnings per Share

The Company calculates the basic and diluted income (loss) per common share using the weighted average number of common shares outstanding during each period 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 loss per share, being the weighted average number of common shares, is calculated as follows:

For the year ended July 31,	2014	2013
Issued common share, beginning of year	**143,390,465**	139,796,651
Weighted average issuances	**53,082**	1,472,976
Basic weighted average common shares	**143,443,547**	141,269,627
Effect of dilutive warrants and options	**918,929**	3,383,448
Diluted weighted average common shares	**144,362,476**	144,653,075

Vested share purchase options totalling 8,471,667 and unvested share purchase options outstanding of 3,763,333, at July 31, 2014, were not included in the computation of diluted earnings per share.

(in thousands of Canadian dollars unless otherwise stated)

18. 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:

Year ended July 31,		**2014**		2013
Earnings (loss) before income taxes	**$**	**5,032**	$	4,053
Canadian statutory income tax rate		**26%**		25.33%
Income tax expense (recovery) at statutory rate		**1,308**		1,027
Difference from higher statutory tax rates on earnings of foreign subsidiaries		**127**		171
Effect of change in substantively enacted tax rate in Mexico on deferred income tax liabilities		**625**		-
Effect of Mexican mining royalty tax (SMD) on deferred income tax liabilities		**2,362**		-
Mexican mining royalty tax (SMD)		**135**		
Recovery of Mexican flat tax (IETU)		**-**		(991)
Recognition of previously unrecognized non-capital loss carry forward and other deductible tax benefits		**(2,305)**		(934)
Unrecognized benefit of temporary differences and others		**(186)**		78
Income tax expense(recovery)	**$**	**2,066**	$	(649)

The Company's statutory rate is 26% for the year ended July 31, 2014 (2013: 25.33%). The significant components of the Company's deferred income tax assets and liabilities are as follows:

July 31,		**2014**		2013
Deferred income tax assets (liabilities):				
Mining interest, plant and equipment	**$**	**(13,606)**	$	(8,326)
Payments to defer		**(469)**		(399)
Insurance		**(21)**		(46)
Reclamation and closure costs provision		**689**		599
Expenses reserve		**81**		103
Pension-fund reserve		**202**		87
Share issuance costs		**22**		23
Non-capital losses and other deductible tax benefits		**3,750**		121
Other		**249**		436
Deferred income tax liabilities, net	**$**	**(9,103)**	$	(7,402)

18. Income Taxes – (cont'd)

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

July 31,		**2014**		2013
Share issuance costs	**$**	**-**	$	171
Net capital losses		**369**		369
Non-capital losses		**-**		6,531
Resource pools		**865**		6,436
Unrealized foreign exchange losses		**1,603**		2,142
	$	**2,837**	$	15,649

At July 31, 2014, the Company has tax losses of approximately $4,893 (July 31, 2013: $4,171) in Canada and $Nil (July 31, 2013: $Nil) in Mexico available for carry-forward to reduce future years' taxable income, expiring between 2027 and 2033 in Canada. In addition the Company has tax resource pools and other deductible amounts available of $4,978 (July 31, 2013: $6,436), amortizable at various rates from 100% to 10% without expiry. The Company also has net capital losses, in Canada, of approximately $369 (July 31, 2013: $369) for carry-forward to reduce future years' taxable capital gains. 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 eliminates the gradual tax rate reduction to 28% that was enacted in 2012. As a result, the tax rate for 2014 and thereafter will remain at 30%. Mexican tax law also required a calculation of Business Flat Tax ("IETU") which has been repealed.

The Tax Reform also 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.

The effect of this change in the rate at which taxes are determined was to add an additional $625 to the deferred tax provision with a corresponding increase to net deferred tax liabilities. The 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.

18. Income Taxes – (cont'd)

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.

19. Subsequent Events

Normal Course Issuer Bid

On August 26, 2014, the Company received approval from TSX for normal course issuer bid to purchase common shares of the Company. Company has allocated up to $1,000,000 for purchases of its common stock. Based on current market prices, Company may purchase up to 6,666,666 common shares, representing 4.7% of the public float (143,515,465 as at August 22, 2014).

The Company's normal course issuer bid will commence on August 29, 2014 and terminate on August 28, 2015 or earlier if the number of shares sought in the issuer bid has been obtained. The Company reserves the right to terminate the bid earlier if it feels it is appropriate to do so.

Acquisition of American Consolidated Minerals Corp.

On October 1, 2014, the Company signed a definitive arrangement agreement with American Consolidated Minerals Corp. ("AJC") (TSXV: AJC) (the "LOI") that would see the Company acquire all of the outstanding securities of AJC 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").

AJC is a Vancouver-based mineral exploration company with three exploration projects located in the United States and Mexico.

The LOI provides that AJC shareholders will be entitled to receive one common share of the Company (a "Starcore Share") for three (3) common shares of AJC (the "AJC Shares") held by such AJC shareholder (the "Exchange Ratio"), subject to adjustment, pursuant to the Arrangement. In addition, each holder of the outstanding stock options and common share purchase warrants of AJC (the "AJC Options") will receive such number of replacement options or warrants of the Company (the "Starcore Options") based upon the Exchange Ratio, and the exercise price of the replacement Starcore Options will be adjusted based upon the Exchange Ratio. Currently, there are 17,569,191 AJC Shares, Nil AJC Options and 1,671,416 common share purchase warrants outstanding. In connection with the Transaction, the Company will issue approximately 5,856,397 Starcore Shares, and 557,139 common share purchase warrants. Following completion of the Transaction, former AJC shareholders would hold less than 4% of the outstanding Company shares.

The Transaction will be subject to the approval of the Supreme Court of British Columbia, the TSX and the TSX Venture Exchange. Completion of the Transaction is further subject to the approval by two-thirds of the votes cast by the holders of AJC Shares and AJC Options voting together as a class and who are present and voting at a special meeting of AJC shareholders to be called to consider the Transaction.

The Letter of Intent includes deal-protection provisions in favour of Starcore, including a non-solicitation covenant from AJC (except for certain unsolicited approaches) and a break fee upon signing the definitive agreement of $200,000 if, following an unsolicited superior proposal, AJC wishes to pursue that proposal.

Management Discussion & Analysis.

For the year ended July 31, 2014
Starcore International Mines Ltd.

MANAGEMENT DISCUSSION & ANALYSIS
For the year ended July 31, 2014

Directors and Officers as at October 27, 2014:

Directors:

Gary Arca
Serge Depatie
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

Form 51-102-F1

STARCORE INTERNATIONAL MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended July 31, 2014

1. Date of This Report

This MD&A is prepared as of October 27, 2014.

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 year ended July 31, 2014. **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 subsidiary, Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico. The Company is a public reporting issuer on the Toronto Stock Exchange ("TSX"). The Company is also engaged in owning, acquiring, exploiting, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company has interests in properties which are exclusively located in Mexico.

Recent Events

Fourth Quarter results

In August 2014, the Company announced production results for the fourth quarter of the fiscal year ending July 31, 2014. Over the 3 months, the San Martin mine processed 77,768 tonnes of ore at an average grade of 2.42 g/t gold and 25.73 g/t silver resulting in the production of 5,749 gold equivalent ounces using the actual gold:silver ratio of 64.6:1. This production represents an increase in production of 411 equivalent ounces from the previous quarter.

Mill recoveries averaged 86.7% for gold and 50.7% for silver during the fourth quarter. In terms of the fiscal 2013-2014 year, production totalled 24,037 gold equivalent ounces from 308,610 tonnes milled, consisting of 22,018 ounces of gold and 126,519 ounces of silver using a gold:silver ratio of 62.67:1. Ore grade for the fiscal year averaged 2.55 g/t gold and 24.2 g/t silver with recoveries of 87.1% for gold and 52.7% for silver.

In comparison to the previous 2012-2013 fiscal year: 1,268 more tonnes were milled, gold grade improved 8.5%and gold recovery improved 10.4%. Despite a change in gold:silver price ratio from 54.6:1 to 62.7:1 resulting in lower contribution to equivalent ounces from silver, gold equivalent ounce production was 18% higher than the previous fiscal.

“The production of an average of 2,000 equivalent ounces per month is a significant achievement for the operational team at San Martin resulting from successful exploration, mine planning and plant operation”, said Robert Eadie, President and CEO of Starcore. “Congratulations to all involved!”

David Gunning, P.Eng., a director of the Company and Chief Operating Officer, is the Company’s qualified person on the project as required under NI 43-101and has prepared the technical information contained in this press release.

Dividend issued

On August 20, 2014, the Company announced that the Board of Directors has declared its first annual dividend in the Company’s history. A dividend of $0.02 per share on the Common Shares of the capital of the Company (total of $2,922), was paid on September 30, 2014 to shareholders of record on August 29, 2014.

Normal Course Issuer Bid

The Company further announced that it had allocated up to $1,000,000 for a normal course issuer bid to purchase common shares of the Company. Purchases will be made on the TSX at the market price at the time of acquisition. Based on current market prices, the Company may purchase up to 6,666,666 common shares of Starcore, representing approximately 4.7 % of the public float of the Company, or 4.6% of the 143,515,465 issued and outstanding shares of the Company as at August 22, 2014.

The Company’s normal course issuer bid will commence on August 29, 2014 and terminate on August 28, 2015 or earlier if the number of shares sought in the issuer bid has been obtained. The Company reserves the right to terminate the bid earlier if it feels it is appropriate to do so.

The Company believes that its common shares are undervalued at current market prices based on its current earnings and future prospects and that the repurchase of common shares at current market prices is an appropriate use of corporate funds.

All shares will be purchased on the open market through the facilities of the TSX and alternative Canadian trading platforms, and payment for the shares will be in accordance with TSX policies. The price paid for the shares will be the market price at the time of purchase. Purchasing may be suspended at any time. No purchases will be made other than by means of open market transactions during the term of the normal course issuer bid. The maximum number of shares that may be purchased on a daily basis is 38,125 shares, except where purchases are made in accordance with “block purchases” exemptions under applicable TSX policies. The shares purchased by the Company will be cancelled. The Company has not made any purchases of its shares in the last 12 months.

Acquisition of American Consolidated Minerals Corp.

On October 1, 2014, the Company signed a definitive arrangement agreement with American Consolidated Minerals Corp. (“AJC”) (TSXV: AJC) (the “LOI”) that would see the Company acquire all of the outstanding securities of AJC 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”).

AJC is a Vancouver-based mineral exploration company with three exploration projects located in the United States and Mexico.

Highlights of the Acquisition

- AJC’s portfolio of exploration properties presents Starcore with attractive low-risk/high reward exploration opportunities in North America;
- AJC’s shareholders will be able to participate in a larger, well capitalized Starcore, which has cash holdings of approximately $9.5 million, a portion of which will be available to fund advancement of the AJC properties;
- The AJC properties will provide SAM with the potential to increase its resource base in North America utilizing the current cash flow of the San Martin mine. There is the potential for any of the AJC properties to have a significant discovery which would greatly increase SAM’s resources and have a significant effect on the valuation of SAM with a relatively small capital cost.

AJC Property Portfolio

Toiyabe Property: Nevada, USA:

AJC is currently focused on the Toiyabe property. With an indicated mineral resource of over 173,000 ounces of gold (Summary Report and Mineral Resource Estimate on the Toiyabe Gold Property, Lander County, Nevada, May 27, 2009 by Paul D. Noland, P. Geo., page 24), the Toiyabe Property has demonstrated similar structural characteristics to the Cortez, Cortez Hills and Pipeline deposits, all located within 10 miles of the Toiyabe Property. A drill program encompassing RC and select Core will be developed to target/expand the deeper gold mineralization identified in previous exploration campaigns. There are no property payments required on this property until 2018.

Sierra Rosario: Sinaloa, Mexico:

Located within the historically productive Sierra Madre Occident geological province in the northern Mexican state of Sinaloa, the Sierra Rosario property consists of two large mineral exploration concessions totalling 978.57 hectares. AJC has entered into a joint venture agreement with International Northair Mines to explore the property and currently owns an unencumbered 50% interest in the property.

Lone Ranch: Washington State, USA:

Previous production and exploration work within and just adjacent to this property demonstrate the opportunity for development through exploration of the Lone Ranch property. A HEM survey was flown in 2007 which defined extensive areas of possible mineralized targets. The property is readily accessible and located within 20 miles of the Kettle River Processing facility operated by Kinross. There are no property payments required on this property until 2018.

Acquisition Terms

The LOI provides that AJC shareholders will be entitled to receive one common share of Starcore (a “Starcore Share”) for three (3) common shares of AJC (the “AJC Shares”) held by such AJC shareholder (the “Exchange Ratio”), subject to adjustment, pursuant to a plan of arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”). In addition, each holder of the outstanding stock options and common share purchase warrants of AJC (the “AJC Options”) will receive such number of replacement options or warrants of Starcore (the “Starcore Options”) based upon the Exchange Ratio, and the exercise price of the replacement Starcore Options will be adjusted based upon the Exchange Ratio.

Currently, there are 17,569,191 AJC Shares, Nil AJC Options and 1,671,416 common share purchase warrants outstanding. In connection with the Transaction, Starcore will issue approximately 5,856,397 Starcore Shares and 557,139 common share purchase warrants. Following completion of the Transaction, former AJC shareholders would hold approximately 4% of the outstanding Starcore Shares.

The Transaction is subject to the execution of a definitive Arrangement Agreement. The definitive agreement will include covenants, representations and warranties customary for transactions such as the Transaction, as well as deal protection measures and provisions for exclusive dealing similar to those contained in the LOI.

Approvals Required

The Transaction will be subject to the approval of the Supreme Court of British Columbia, the TSX and the TSX Venture Exchange. Completion of the Transaction is further subject to the approval by two-thirds of the votes cast by the holders of AJC Shares and AJC Options voting together as a class and who are present and voting at a special meeting of AJC shareholders to be held on November 20, 2014, to consider the Transaction.

Deal Protection Measures

The Letter of Intent includes deal-protection provisions in favour of Starcore, including a non-solicitation covenant from AJC (except for certain unsolicited approaches) and a break fee upon signing the definitive agreement of C$200 if, following an unsolicited superior proposal, AJC wishes to pursue that proposal.

Voting lock-up agreements

Pursuant to the Letter of Intent, AJC has agreed to seek voting agreements from directors, officers and shareholders holding in aggregate a minimum of 25% of the outstanding shares of AJC as a condition to the execution of the definitive Arrangement Agreement.

Board approvals

The Board of Directors of each company has approved the terms of the Transaction. As at October 1, 2014 officers and directors of Starcore held in aggregate 2,038,391 AJC Shares and have agreed to participate in the Transaction.

3. Selected Annual Information

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

		July 31, 2014		July 31, 2013		July 31, 2012
Revenues	**$**	**33,136**	$	30,246	$	57,039
Cost of Sales		**(24,548)**		(21,948)		(35,349)
Earnings from mining operations		**8,588**		8,298		21,690
Administrative Expenses		**(3,557)**		(4,245)		(3,854)
Income tax (expense) recovery		**(2,066)**		649		(3,501)
Total earnings (loss)						
(i) Total earnings	**$**	**2,965**	$	4,702	$	14,335
(ii) Earnings per share – basic	**$**	**0.02**	$	0.03	$	0.11
(iii) Earnings per share – diluted	**$**	**0.02**	$	0.03	$	0.10
Total assets	**$**	**65,094**	$	59,537	$	56,191
Total long-term liabilities	**$**	**14,295**	$	11,897	$	10,871

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 year ended July 31, 2014.

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. The Company has filed on SEDAR results for a Reserve estimate for its San Martin Mine in Queretaro, Mexico based on data available on July 31, 2014 and dated October 6, 2014.

The results of the July 31, 2014 estimate were Proven and Probable reserves totalling 486,586 tonnes at a grade of 2.31 g Au/t and 18.5 g Ag/t. In addition to the Proven and Probable Reserves, an Inferred Mineral Resource is estimated as of July 31, 2014 at 898,049 tonnes at an approximate grade of 2.15 g Au/t and 24 g Ag/t. Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and have not demonstrated economic viability.

In addition to the reserves above are 181,546 tonnes at a grade of 2.98 g/t Au and 32 g/t Ag which is hosted in carbonaceous limestone and requires further assessment to determine the capital investment, if any, necessary to enable normal recovery. Until the costs and recoveries are better understood this material is uncategorized at the moment, however, would result in approximately 20,300 additional equivalent ounces of Proven and Probable reserves. The estimate was prepared by Joseph Campbell P. Eng. in compliance with NI 43-101. Mr. Campbell is a qualified person as defined by NI 43-101 and has verified all information used for the estimate.

The most important assumptions used as the basis of the estimate include:

- Total mining costs of US $74 per metric tonne, a gold price of US$1,250 and silver price of US$19.23,
- Metal Recoveries of 86% for gold and 52% for silver,
- Resultant cut-off grade of 2.2 grams per tonne gold equivalent,
- Mining dilution of between 10% and 30% depending on the structure,
- Specific Gravity of 2.6.

The ratio of Probable to Proven Reserves tonnes is roughly 1.7:1 and in total there are 40,600 contained gold equivalent ounces. The previous reserve estimate at San Martin was compiled as of July 31, 2013 and totalled 705,998 tonnes at 2.53 g/t Au and 23.6 g/t silver (containing 66,520 equivalent ounces of gold). San Martin milled 308,610 tons since the last resource estimate at an average grade of 2.55g/t gold and 24 g/t silver. The proven and probable reserves outlined above are adequate for 1.5 additional years of production.

In comparison to the reserves estimated in 2013, this year's estimate has resulted in a decrease in tonnage and in equivalent ounces both of which occurred while milling 253,000 tonnes from the reserve area. When put in perspective the mine replaced 30% of the reserves mined during the year despite increasing the cutoff grade by 10%.

As of July 31, 2014, reserves and resources at San Martin as reported in "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"), as filed on SEDAR and available on the Company website www.starcore.com were as follows:

Classification	Tonnes (000's)	Gold (g/t)	Silver (g/t)	Gold (000's of oz)	Silver (000's of oz)	Gold Equiv. (000's of oz)
Reserve:						
San Martin Mine						
Proven	180	2.31	19	13.4	110.0	15.1
Probable	307	2.31	18	22.8	177.7	25.5
Total Reserve	**487**	**2.31**	**19**	**36.2**	**287.7**	**40.6**
Resource:						
San Martin Mine						
Inferred	898	2.15	24	62.1	693	72.8

- Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability.
- A 65:1 silver to gold equivalency ratio was used to calculate gold equivalent ounces.
- The reserves above exclude approximately 20,300 equivalent ounces of metal contained in carbonaceous limestone discussed above.

See the Technical Report, available on SEDAR, for further information on the San Martin Mine.

Production

The following table is a summary of mine production statistics for the San Martin mine for the three and twelve months ended July 31, 2014 and for the year ended July 31, 2013.

(Audited)	*Unit of measure*	Actual results for 3 months ended July 31, 2014	Actual results for 12 months ended July 31, 2014	Actual results for 12 months ended July 31, 2013
Mine production of gold in dore	*thousand ounces*	**5.24**	**22.0**	**18.2**
Mine production of silver in dore	*thousand ounces*	**32.59**	**126.5**	**110**
Total mine production – equivalent ounces	*thousand ounces*	**5.75**	**24.0**	**20.1**
Silver to Gold equivalency ratio		**64.6:1**	**62.7:1**	**57:1**
Mine Gold grade	*grams/tonne*	**2.42**	**2.55**	**2.36**
Mine Silver grade	*grams/tonne*	**25.7**	**24.2**	**21.0**
Mine Gold recovery	*percent*	**86.7%**	**87.1%**	**77.9%**
Mine Silver recovery	*percent*	**50.7%**	**52.7%**	**53.7%**
Milled	*thousands of tonnes*	**77.8**	**308.6**	**307.3**
Mine development, preparation and exploration	*meters*	**1,539**	**6,381**	**7,838**
Mine operating cash cost per tonne milled	*US dollars/tonne*	**63**	**58**	**55**
Mine operating cash cost per equivalent ounce	*US dollars/ounces*	**856**	**750**	**844**
Number of employees and contractors at minesite		**330**	**330**	**317**

During the quarter ended July 31, 2014, the mill operated at a rate of approximately 845 milled tonnes/calendar day. Gold and silver grades in the current quarter were 2.42 g/t and 25.7 g/t, respectively, compared to prior quarter grades of 2.34 g/t and 22.9 g/t. Overall equivalent gold production from the mine of 5,749 ounces was higher than the previous quarter production of 5,338 due to increase in gold and silver ore grades and recoveries and higher overall production tonnage of 77,768 tonnes compared to 75,400 tonnes last quarter. The recoveries and ore grades for gold were generally higher than the average for the year ended July 31, 2013, resulting in higher equivalent gold production of 6,000 ounces per quarter compared to the 5,000 ounces per quarter averaged for the July 31, 2013 year.

Production cash costs of the mine for the current quarter were US$856/EqOz. This was higher than the previous quarter amount of US$833/EqOz. due mainly to higher costs incurred for production of stopes and backfilling operations. This quarter's costs are higher than the prior year average of US$844/EqOz due to increasing costs at the mine. Operating cash costs of US$63/t, increased from the prior quarter's US$59/t and were higher than the twelve months ended July 31, 2013 of US$55/t due to higher labour costs, general supply and electrical costs along with the increased stope and backfill operations stated above. 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 is

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 11,000 metres of underground exploration drilling for the 2014 calendar year.

During the quarter ended July 31, 2014, the Company incurred approximately US$947 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$1,248 in the prior quarter.

4.2 Property Activity

San Martin properties – Queretaro, Mexico

The San Martin mine properties are comprised of mining concessions covering 12,992 hectares, including 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 budgeted approximately 11,000 metres of underground exploration drilling in calendar 2014.

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.

4.3 Results of Operations

The Company recorded earnings for the year ended July 31, 2014 of $2,832 as compared with $4,702 for the year ended July 31, 2013. The details of the Company's operating results and related revenues and expenses are as follows:

For the year ended July 31,	**2014**	2013	Variance
Revenues			
Mined ore	**$ 33,136**	$ 30,246	$ 2,890
Cost of Sales			
Mined ore	**18,577**	16,955	1,622
Depreciation and depletion	**5,971**	4,993	978
Earnings from mining operations	**8,588**	8,298	290
Financing costs, (net)	**(286)**	(1,141)	855
Foreign exchange gain (loss)	**494**	(306)	800
Professional and consulting fees	**(402)**	(399)	(3)
Management fees and salaries	**(1,538)**	(1,047)	(491)
Office and administration	**(1,467)**	(1,016)	(451)
Shareholder relations	**(233)**	(223)	(10)
Write-down for obsolete equipment	**(125)**	(113)	(12)
Earnings before taxes	**5,031**	4,053	978
Income tax (provision) recovery	**(2,066)**	649	(2,715)
Earnings for the year	**$ 2,965**	$ 4,702	$ (1,737)

Overall, revenue from mill production increased to $33.1 million from $30.3 million in the prior year due to the higher metal production and higher gold and silver recovery in the current year compared to the prior year. Cost of sales increased comparatively as production increased in the current year due to higher tonnage processed and partly to higher overall mine development costs and costs of labour and supplies, including chemicals and electricity. As a percentage of mined ore revenue, earning from mining operations decreased to 26% of mined ore revenue compared to 27% in the comparative year, due to higher overall mine costs and lower revenue per ounce due to lower gold and silver prices.

Sales of metals produced by the milled ore from the mine for the year ended July 31, 2014 approximated 22,018 ounces of gold and 126,519 ounces of silver sold at average prices in the year of US$1,294 and US$21 per ounce, respectively. This is a significant increase in sale ounces from the comparative year ended July 31, 2013 where sales of metal approximated 17,779 ounces of gold and 109,503 ounces of silver, albeit sold at higher average prices of US$1,545 and US$27 per ounce, respectively. The higher overall revenue, despite the reduced price of gold and silver for the current year, was mainly due to dramatically improved recovery rates in the year, at which time the Company was in the process of resolving issues caused by carbonaceous ore. This carbonaceous ore issue, which resulted in reduced quantities available for sale, was rectified by the second quarter of the prior year and as a result, the Company's production quantities and sales have recovered to normal levels.

The cost of sales above includes non-cash expenses for depreciation and depletion of $5,971, compared to $4,993 in the comparable period last year, 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.

The year of operations to July 31, 2014, produced earnings from mine operations of $8,588 compared to $8,298 for the year ended July 31, 2013. As discussed above, average gold ore grades of 2.55 g/t and silver ore grades of 24.2 g/t for the year ended July 31, 2014 were significantly better as compared to the July 31, 2013 year where grades averaged 2.36 g/t and 21.0 g/t, respectively. The combination of higher recoveries of 87.1% for gold and 52.7% for silver, despite a lower metal price per ounce, resulted in substantially higher production and revenue as compared to the prior year.

Costs for the year ended July 31, 2014 were much lower at an average operating cash cost of US$750/EqOz. compared to an average operating cash cost of US$844/EqOz. during the year ended July 31, 2013. Despite the lower average operating cash cost, mined ore costs increased by $1,622 to $18,577 during the year ended July 31, 2014 compared to $16,955 during the year ending July 31, 2013. The increase is due mainly to the higher costs discussed above Also included in mined ore costs in the current period is non-cash stock based compensation expense of $48 and depletion of $5,971 compared to $42 and $4,993, respectively, for the year ended July 31, 2013. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant.

Other Items

Changes in other items for the year ended July 31, 2014, resulted in the following significant changes from the year ended July 31, 2013:

- Financing costs for the year decreased by $855 to $286 due to repayment of the Loan Facility in August, 2013. Financing costs for this period include the Company's interest on the Loan of $33, unwinding of the discount on the Loan of $104, legal fees on the settlement of the Loan of $69 and reclamation and closure costs of $84;
- Management fees and salaries increased by $491 to $1,538. Included in management fees and salaries is a non-cash, stock based compensation expense to management and to the members to the Company's technical advisory committee of $143 in the comparative year, compared to $215 in the current year. Current year Management fees and salaries increased mainly due to $300 in bonuses to management which were not paid in the comparative period and to the addition of an exploration officer in mid 2013 to manage the Company's step out exploration program;
- Office and administration increased by $361 to $1,467 due mainly to additional costs associated with travel of approximately $110 due to more corporate visits to the mine by the current officers and the exploration manager

and to additional travel associated with corporate promotion. In addition, there have been amounts re-classed from mine management costs in the current year for certain individuals of approximately $81, additional legal and corporate costs of $44 associated with additional activity in this period related to loan repayment activity and general regulatory administration and office and related costs increases of $126;
- Foreign exchange gain increased by $800 to a gain of $494 for the period ended July 31, 2014 due to the weakening of the MXN peso in relation to the US dollar, the functional currency of the mining operations, and to strengthening of the Canadian dollar over certain income and expense transactions;
- Income tax recovery change of $2,715 includes non-cash adjustments at the consolidation of the entities to account for differences between the tax and the accounting base of assets and liabilities. During December 2013, the 2014 Tax Reform (the "Tax Reform") in Mexico created a 7.5% Special Mining Duty ("SMD") and a 0.5% Extraordinary Mining Duty ("EMD"). The Company has taken the position that the SMD is an income tax under International Accounting Standard 12 – Income Taxes ("IAS 12"), as it is calculated based on a form of earnings before income taxes less certain specified costs. The EMD is a calculation based on gross revenues and is therefore not considered an income tax. Both the SMD and EMD will be deductible for income tax purposes. As a result of these changes being enacted in 2013, the Company recognized a one-time non-cash deferred income tax expense of $2.4 million due to the future income tax impact of the SMD.

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:

(In Canadian Dollars unless indicated)	**Sustaining Costs (in 000's)**		**Sustaining Costs Per Ounce (in $/oz)**	
For the year ended July 31,	**2014**	2013	**2014**	2013
Total cost of sales cash costs[1]	**$ 18,577**	$ 16,955	**$ 780**	$ 859
Total corporate and administration cash costs[2]	**3,927**	2,685	**165**	136
Foreign exchange (gain) loss	**(494)**	306	**(21)**	16
Reclamation and closure accretion	**251**	77	**11**	4
Sustaining capital expenditures and exploration	**5,967**	3,746	**251**	190
All-in sustaining cash costs	**28,228**	23,769	**1,186**	1,205
Foreign exchange adjustment	**(2,215)**	(211)	**(93)**	(11)
All-in sustaining USD cash costs	**$ 26,013**	$ 23,558	**$ 1,093**	$ 1,194
Total equivalent ounces sold	**23,811**	19,727		

[1] Excludes non-cash depletion of $5,971 for the year ended July 31, 2014 (2013: $4,993) and includes non-cash share-based compensation of $48 (2013: $42).
[2] Includes non-cash share-based compensation of $419 for the year ended July 31, 2014 (2013: $219).

Cash Flows

Cash flows from operating activities were $11,745 during the year ended July 31, 2014, compared to $13,984 for the year ended July 31, 2013. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Cash used for financing activities resulted in an outflow of $3,597 due to the repayment of the Loan Facility during the year ended July 31, 2014. Cash used for investing activities resulted in an outflow of $7,583 purchase of short term investments and investment in mining interest, plant and equipment. Overall cash increased during the twelve months ended July 31, 2014 by $565.

Investor Relations Activities

During the year ended July 31, 2014, the Company responded directly to investor inquiries.

Financings, Principal Purposes & Milestones

During the year ended July 31, 2014, the Company settled the remaining $3.6 million balance of its loan Facility (see section 6 – Liquidity and Commitments).

5. Summary of Quarterly Results

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

	Q4 31-Jul-14	Q3 30-Apr-14	Q2 31-Jan-14	Q1 31-Oct-13
Total Revenue	$ 7,742	$ 8,267	$ 8,378	$ 8,749
Earnings from mining operations	$ 1,126	$ 1,957	$ 2,388	$ 3,117
Earnings/(loss)	$ (2,170)	$ 1,239	$ 1,600	$ 2,296
Per share – basic	$ (0.01)	$ 0.01	$ 0.01	$ 0.02
Per share – diluted	$ (0.01)	$ 0.01	$ 0.01	$ 0.02
	Q4 31-Jul-13	**Q3 30-Apr-13**	**Q2 31-Jan-13**	**Q1 31-Oct-12**
Total Revenue	$ 9,660	$ 6,872	$ 7,233	$ 6,481
Earnings from mining operations	$ 2,356	$ 2,325	$ 2,366	$ 1,251
Earnings (loss)	$ 1,212	$ 1,517	$ 2,319	$ (346)
Per share – basic	$ 0.01	$ 0.01	$ 0.02	$ (0.00)
Per share – diluted	$ 0.01	$ 0.01	$ 0.02	$ (0.00)

Discussion

The Company reports a loss for the quarter of $2,170 compared to earnings of $1,212 in the comparative quarter ended July 31, 2013. The main reason for this loss is the accrual of deferred taxes of $2,987 in the current quarter as a result of the change in the Mexican tax rate to 30% from 28% ($625) and to the enacted SMD ($2,362) discussed in *Section 4.3 – Results of Operations – Other Items*, above. For more detailed discussion on the quarterly production results and financial results for the quarter ended July 31, 2014, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

6. Liquidity, 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 July 31, 2014, the Company had the following commitments:

a) As at July 31, 2014, the Company has shared lease commitments for office space of approximately $160 per year, expiring at various dates up to September 2017, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.

b) As at July 31, 2014, the Company has a land lease agreement commitments with respect to the land at the mine site, for $132 per year until December 2017.

c) As at July 31, 2014, the Company has management contracts to officers and directors totaling $600 per year, payable monthly, expiring in January 2017.

Obligations due within twelve months of July 31:	2014	2015-2016	2018 and beyond
Trade and other payables	$ 3,252	$ -	$ -
Rehabilitation and closure cost provision	-	-	1,693

7. Capital Resources

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of $44,488 as at July 31, 2014. 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

There were no material reportable related party transactions.

10. Fourth 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 (see section 5) except for the change in tax rates enacted during the year which are discussed in *Section 4.3 – Results of Operations – Other Items*.

11. Proposed Transactions

During the year ended July 31, 2014, the Company proposed the acquisition of American Consolidated Minerals Corp. (please refer to *Section 2 – Recent News)*

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 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) 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.

13. Changes in Accounting Policies

Effective August 1, 2013, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB as detailed in Note 3(n) to the 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 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 July 31, 2014 the Company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos:

	In '000 of CDN Dollars		In '000 of Mexican Pesos (MP)	
Cash and cash equivalents	$	471	MP	6,316
Other working capital amounts – net	$	126	MP	3,484

At July 31, 2014, US dollar amounts were converted at a rate of $1.089 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP13.24 to $1 US Dollar.

15. Other

15.1 Disclosure of Outstanding Share Capital as at October 27, 2014

	Number	Book Value
Common Shares	**143,515,465**	**$ 44,351**

The following is a summary of changes in options from August 1, 2014 to October 27, 2014:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Period Granted	During the Period Exercised	During the Period Cancelled/ Forfeited	Closing	Closing, Vested and Exercisable
11/09/09	11/09/14	$0.15	5,815,000	-	(2,575,000)	-	**3,240,000**	**3,240,000**
01/10/10	01/10/15	$0.21	1,000,000	-	-	(500,000)	**500,000**	**500,000**
03/26/10	03/26/15	$0.15	400,000	-	-	-	**400,000**	**400,000**
05/06/11	05/06/16	$0.15	150,000	-	-	-	**150,000**	**150,000**
01/16/12	01/16/17	$0.20	400,000	-	-	-	**400,000**	**400,000**
01/27/12	01/27/17	$0.25	1,940,000	-	-	-	**1,940,000**	**1,940,000**
04/13/12	04/13/17	$0.37	3,250,000	-	-	-	**3,250,000**	**3,250,000**
08/22/13	08/22/18	$0.20	275,000	-	-	-	**275,000**	**183,333**
08/22/13	08/22/18	$0.25	800,000	-	-	-	**800,000**	**533,333**
09/06/13	09/06/18	$0.23	200,000	-	-	-	**200,000**	**133,334**
09/12/13	09/12/18	$0.25	200,000	-	-	-	**200,000**	**133,334**
01/15/14	01/15/19	$0.22	4,170,000	-	-	-	**4,170,000**	**1,389,994**
			18,600,000	-	(2,575,000)	(500,000)	**15,525,000**	**12,253,328**
Weighted Average Exercise Price			$0.23	$0.22	$0.15	$0.21	**$0.23**	**$0.23**

At October 27, 2014, there were no warrants outstanding.

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 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 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 financial statements or interim financial statements.

There has been no change in the Company's internal control over financial reporting during the Company's year ended July 31, 2014 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.

Disclaimer

The data contained herein is provided for information purposes only. Certain information has been compiled from sources believed to be reliable. No information in this presentation is to be construed as an offer to buy or sell securities.

Some statements contained in this presentation are forward-looking and, therefore, involve uncertainties or risks that could cause actual results to differ materially. Such forward-looking statements include among other things, comments regarding mining and milling operations, mineral resource statements and exploration program performance. They may also include statements with respect to the Company's mineral discoveries, plans, outlook and business strategy. The words "may", "would", "could", "should", "will", "likely", "expect," "anticipate," "intend", "estimate", "plan", "forecast", "project" and "believe" or other similar words and phrases are intended to identify forward-looking information.

Factors that could cause actual results to differ materially include, but are not limited to, metal price volatility, economic and political events affecting metal supply and demand, fluctuations in mineralization grade, geological, technical, mining or processing problems, exploration programs and future results of exploration programs, future profitability and production, the ability to raise sufficient capital to fund exploration, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological or operational difficulties or inability to obtain permits encountered in connection with exploration activities, and labour relations matters.

This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise. The reader agrees to hold the Company and its subsidiaries, and their respective officers, employees and agents harmless against any claims for damages or cost or any loss of any kind arising out of the access to or use of this presentation or any information contained in or obtained through this presentation.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources: These tables use the terms "Measured", "Indicated" and "Inferred" Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

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