

STARCORE INTERNATIONAL MINES LTD.

2017

ANNUAL REPORT

**STARCORE**  
INTERNATIONAL  
MINES LTD.

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INTERNATIONAL  
MINES LTD.



# Investing in Social Good

ANNUAL REPORT 2017

TSX:SAM  
Starcore International Mines Ltd.





# Mission Statement

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

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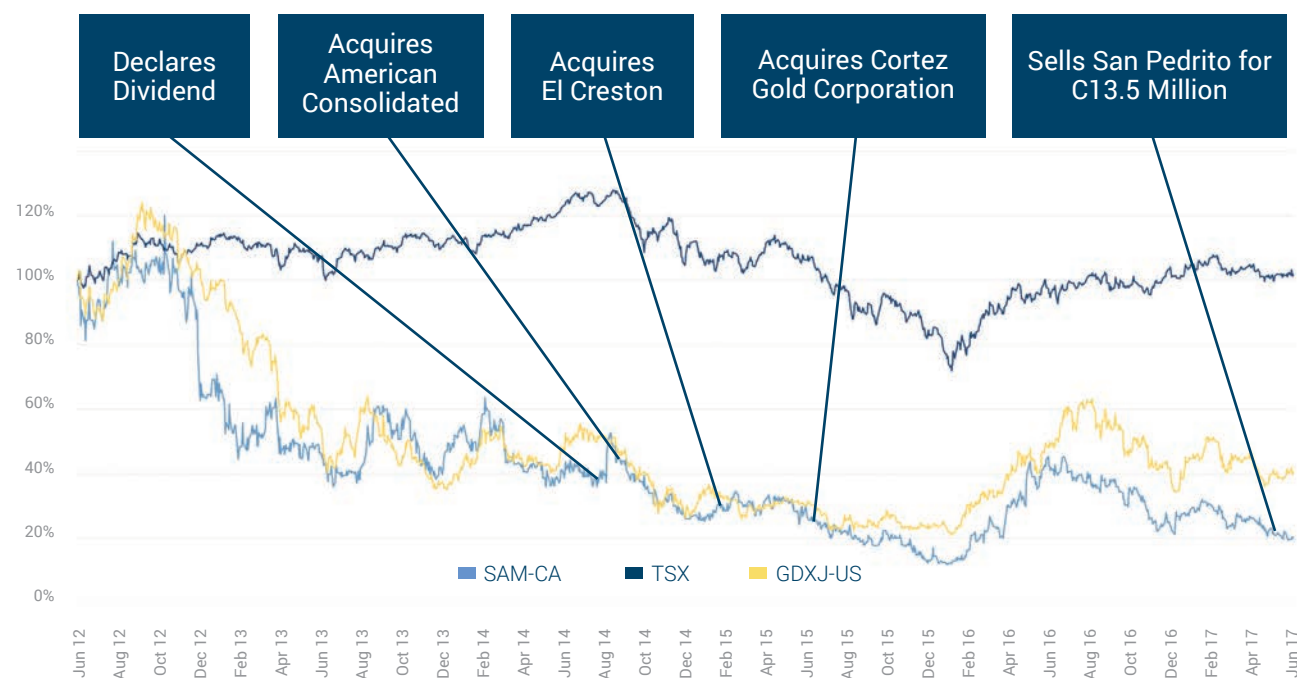


# Insights from the CEO

## Dear Fellow Shareholders,

I begin this letter with a strong sense of pride and gratitude regarding Starcore International: 2017 marks ten years of being steadfast in creating value for our shareholders. We have built a small cap mining company with the infrastructure to grow organically, a foundation that is resilient to the economic and political changes around the world, and most importantly, a company that reinvests our profits for the greater social good. The chart below highlights a snapshot of a few milestones we've achieved over the years:

### Value Creation for Shareholders



The overriding objective in 2017 was to integrate the properties we've acquired into our mining profile. Our company owns a diverse chain of mining assets from low-risk, high-reward exploration properties to a producing mine, San Martin. A good integration process isn't only about checklists, status reports, or templates. It's about capturing value and mitigating risk.

While we understand the time sensitivity of these operations contributing to our bottom line, we also acknowledge the cohesiveness that it takes in properly uniting all business models to achieve long term sustainable value. I highlight some updates next:

"Approaching 2018, our focus remains on our ability to grow our asset base at a non-dilutive cost to our shareholders."  
Robert Eadie

### San Martin

Our primary mine, San Martin, has continued to have success in producing: 15,159 gold equivalent ounces at an AISC of \$1,112/EqOz. While bridging the gap between the departure of our previous COO, the interim COO, Ralf Klein, helped to return the mine to normal tonnage and metal production. San Martin remains a difficult mine to operate because of the complex geology, but we are confident that with the expertise on the ground combined with our exploration efforts, the mine will continue to yield more high-grade zones and consistent production. The San Martin mine continues to be the cornerstone asset of the company.

### Altiplano

Our goal in purchasing the Altiplano processing facility in 2015 was to add another cornerstone cashflow producing asset in our portfolio. Making that possible is a lot more complicated than simply signing contracts and producing doré - something we want to express to our shareholders. However, moving the project along, we have taken the Altiplano facility from construction to completion and now, operational, in the last two quarters of 2017 fiscal year. Since becoming operational over the past two quarters, the Altiplano Facility received approximately:

- 185.15 tonnes of concentrate (net of 67.6 tonnes returned to a supplier which was received in Q3)
- 5.8 tonnes of precipitates and 7.8 tonnes of slag containing approximately 752 ounces of gold and 46,000 ounces of silver
- To April 30, 2017, we've sold 583 ounces of gold and 30,690 ounces of silver from the amounts received at Altiplano

These results are not excellent, and the board of directors and management recognize that. Our ongoing efforts in securing contracts and concentrates to fill the facility are affected by many variables; however it is important to remember that seeking contracts that will fill our plant consistently and produce predictable cashflow will ultimately generate more shareholder value. We ask your patience in this process and to remember "Rome wasn't built in a day, but they were laying bricks every hour". Our focus on Altiplano remains steadfast!

### Investment In Social Good

This year was especially remarkable because of our investment in the San Martin community or how we call it, our investment in social good. The children from the town of San Martin organized and designed a park that would utilize a donated space in town from a resident of the community, and we contributed the funds and resources to complete it. The impact was so large that we saw the Canadian Ambassador to Mexico and the Natural Resources Minister of Canada attend the opening ceremony. It was truly a special event that focused on community involvement, positive engagement and planning, and a focus on the bright future of the community near the mine.

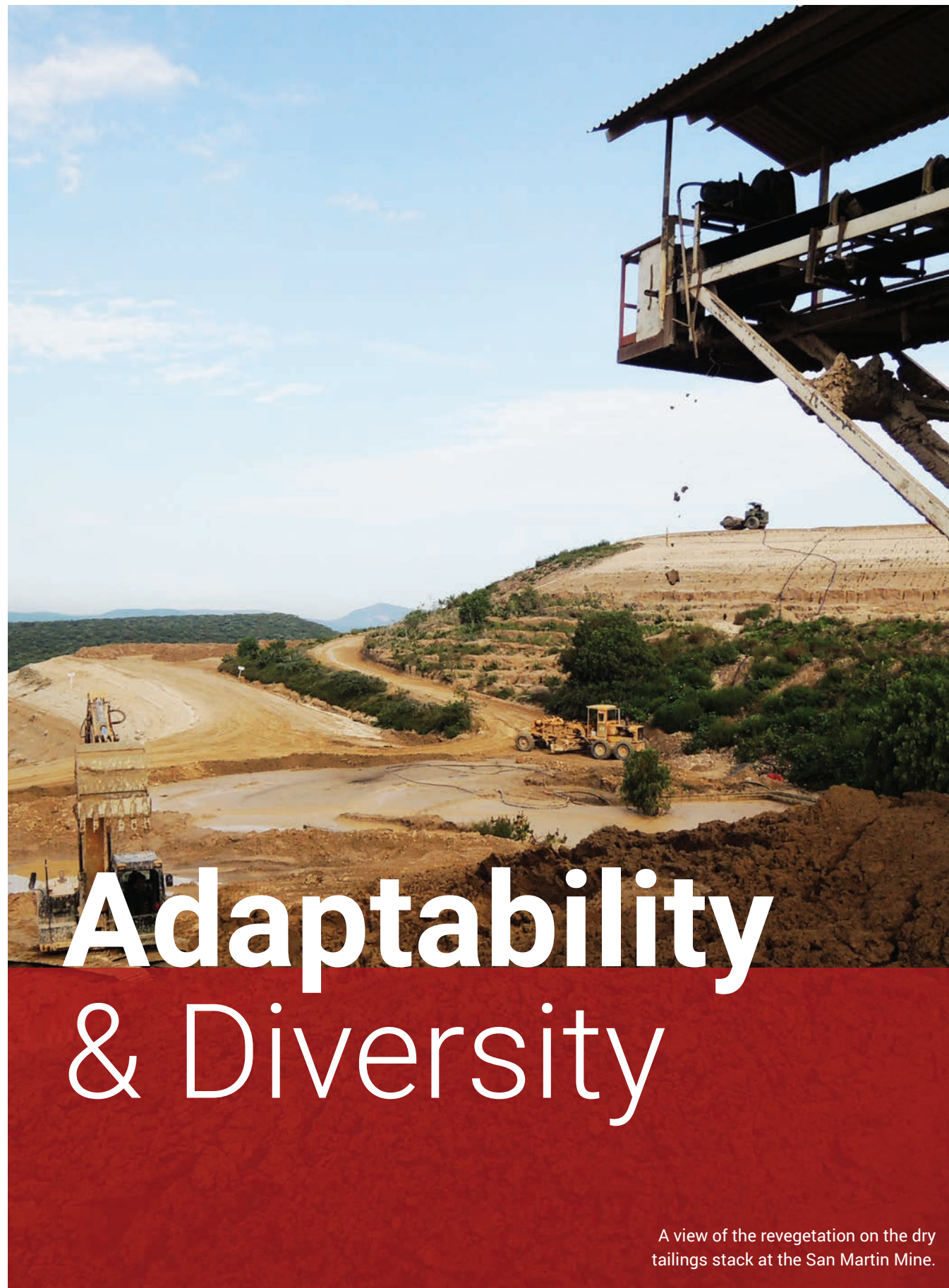
### Looking Ahead

Approaching 2018, our focus remains on our ability to grow our asset base at a non-dilutive cost to our shareholders. I remain cautious about the micro/macro environment but I also believe that the price of gold has room to move higher, taking advantage of the political instability in the world, the excessive money printing and the flight from the US dollar as a safe haven. On behalf of the board of directors and management, I wish to thank all our employees for embracing Starcore and our core values in helping to build a great company fit for the demands of the precious metals industry. I also wish to thank you, our shareholders and stakeholders for your continued investment and support. Our focus is steadfast - our goal is long term sustainable shareholder value.

**Robert Eadie**  
President and CEO

generated  
**C\$13.5million**  
from the sale of the Peditro property





A view of the revegetation on the dry tailings stack at the San Martin Mine.

# Letter from our CFO

**“Despite lower production, we were able to generate positive operating cash flow of C\$2million.”**

**Gary Arca**

## **Adaptability and Diversity**

Financially, the past year was a time of change and adaptability for Starcore and its subsidiaries. We increased exploration and mining of the flagship San Martin mine, opening up new zones in continuing the 23 year history of the mine. While we experienced lower overall ore grades and production as a result of entering new zones and mining old stopes, we were able to adapt by lowering costs and improving efficiency at the mine.

As a smaller operation, we have the advantage of being able to respond quickly to production changes and also to take advantage of opportunities as they arise. This was especially evidenced by closing the sale of the San Pedrito property near the city of Queretaro for over C\$13million. This property was converted from an infeasible mining property to a residential/industrial zoned property by the us over the past 6 years.

Despite lower production, we were able to generate positive operating cash flow of C\$2million. This operating cash flow, coupled with the sale of San Pedrito, allowed us to pay out C\$5million of debt and invest a further C\$4.9million in CAPEX in the year while still increasing overall cash reserves by C\$1.3million.

We also experienced the growing pains of starting up the Altiplano operations, which, despite proving that we can successfully and profitably process concentrate and other mining products, did not generate enough volume to have an impact on our earnings. We continue to develop this new operation and expect to achieve profitable operations in the coming year.

Finally, we were able to use some of cash reserves to develop and explore other properties in the United States and Mexico. This diversity in operations will lead to opportunities that will ensure the future of our Company.

Overall the Company generated significant earnings of C\$7.2million, or \$0.15 per share, and EBITDA of C\$3.5million, which excludes the C\$7.1million gain on the sale of San Pedrito. In addition to lowering costs and improving efficiency at the mine, we were also able to take advantage of the weaker Mexican peso to keep costs below US\$55 per tonne and not experience a significant decrease in revenue, due partially to stronger metal prices. Despite our low cost per tonne our AISC still increased to US\$1,112 per ounce with the lower production and we continue to remain vigilant over costs to ensure the mining operations continue to produce positive cash flow into the future.

This next year will continue to test our adaptability to the changing landscape both within our operations and with market factors affecting metal prices and cost inputs. We are continually looking for new investment and profit opportunities while still ensuring we have sufficient cash reserves to weather any storm and assure the continued success of our operations.

**Gary Arca**  
**CFO**

generated earnings of  
**C\$7.2million**  
or \$0.15 per share, and  
EBITDA of C\$3.5million

# Starcore Assets

## Ajax Molybdenum Project

British Columbia, Canada

## Lone Ranch

Washington, U.S.A.

## Toiyabe

Nevada, U.S.A.

## El Creston

Sonora, Mexico

## Molybrook

Newfoundland, Canada

## Altiplano

Matehuala, Mexico

## San Martin

Querétaro, Mexico

## Au

Jewellery accounted for 47% of world gold demand in 2016. Various technologies (electronics, industrial uses and dentistry) used 8%, investments (bars, coins, ETFs and similar products) accounted for 36%, and central bank and other institutions accounted for 9%. It can be readily sold on numerous markets world-wide, although benchmark prices are generally based on London Bullion Market Association quotations.

## Ag

Silver has a wide variety of uses due to its malleability, effectivity and lustre. It is commonly used in jewelry and silverware, and also used in medical, batteries, circuit boards, the glass industry and photography. Silver is also used to make mirrors, as it is the best known reflector of visible light.

## Mo

Molybdenum is used primarily as an alloying agent in steels and cast irons. It is most often applied to steels to enhance strength and resistance to corrosion at high temperatures. It is a key element in high performance stainless steels, increasing resistance to acids, salt and seawater corrosion. High-molybdenum content steels are often used in building applications such as bridges, swimming pool and water tank linings, and ship building. Steels used for cutting have high molybdenum content. Molybdenum can be used as a catalyst in petroleum refining and plastics. It is one of the primary alloys in jet engine parts.





It's In  
Our DNA

# Company Values

## Act with Integrity

We are committed to being honest, straightforward and accountable in all our business practices.

## Engage Openly

We believe that clear, comprehensive disclosure, high standards of corporate governance and ethical business practices are the only ways to do business.

## Operate Safely

People come first. We implement industry best practices, adhere to all safety regulations and have strict management systems in place to promote a culture of safety wherever we operate.

## Enrich Lives

We aim to create real, lasting and tangible benefits for the people whose lives our operations touch.

## Behave Responsibly

We strive to demonstrate that mining can be done responsibly. We do this by emphasizing environmental stewardship at every stage of the project life cycle.





The Canadian Ambassador to Mexico, Pierre Alarie, playing with the children in the newly built park at San Martin

# Investing in Social Good

The management team of Starcore International Mines Ltd. is committed to driving and developing our company towards our growth and valuation objectives while maintaining an unwavering commitment to social and environmental stewardship. These commitments are met through a robust corporate social responsibility mandate that provides significant investment certainty to our shareholders through the application of sound business and international ethics. Our mandate includes a healthy dialogue with communities and charities, good stewardship and a cooperative approach to improving the lives surrounding our operations in Mexico.

Our largest involvement flows directly through our biggest asset in Mexico, the San Martin gold mine, located in Querétaro state. The mine has approximately 320 employees with families that live in the nearby town of San Martin. Our participation in youth education includes ongoing donations to improve kindergarten and elementary programs, purchasing of school supplies, annual summer camps and maintaining the grounds and entrances of the school areas. We recognize our responsibility in providing the best tools for the children of the community to succeed and be prepared for the future. On a public health front, we provide our employees 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. Involvement in the San Martin community improves the lives of our employees and their families, but also provides a stronger sense of family and motivation when working.

**“Investing in social good as a core value of the company is one of the main reasons we have been successful in Mexico,” said Robert Eadie, President and CEO of the Company**

We are stewards of our natural environment and through that recognition, we have adopted the technology of dry stacked tailings at a considerable added cost to our operations. We are one of the few companies in Mexico to

apply this method. The dry stack tailings method provides many benefits to the surrounding environment including the ability to recycle more of our process solutions within the plant, reducing water consumption by as much as 80%, decreasing land usage, creating a more stable impoundment geotechnically, and it also helps with revegetating the surrounding area. As part of the revegetation process, we provide a nursery for plants in the region, and an estimated 7,500 plants per year. As a joint effort among staff, community and children, we ensure that the planting season from May- June goes smoothly. We believe that the benefits of a dry stack tailings facility far outweigh the cost considerations, and will bring long lasting environmental values to the community.

The most successful community programs are ones that have been orchestrated through cooperation. Through friendly engagement of the community, the children from the San Martin primary and secondary schools submitted ideas based on the perceived needs of the community for an unused piece of land. The ideas were submitted to a panel that consisted of mine staff and community members, and the best idea that focused most on a sustainable and an equitable solution would win. The submissions reflected an incredible amount of passion and vision, clearly demonstrating that the desire to create a park for the generations to come was instinctive to the children. The inauguration of the park included mine staff, community members and the children, and political ambassadors to Mexico from Canada. The participation by various parties echoed the harmony that is created when community and company work together, and the power of investing in social goods.

Companies large and small have found that an investment in social good has a greater return that is not limited to the bottom line. For the management team of Starcore International, its staff and the communities involved, it has been a core aspect behind why we have been successful in Mexico.





# Environmental Initiatives

## Committed to Reclamation

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 geo-technically**
- ✓ **Groundwater contamination through seepage is eliminated**
- ✓ **Land is re-vegetated with greater efficiency and ease**

## Greenhouse Production 2017

	478 pieces lettuce
	376 kg tomato
	63 kg chili
	43 kg chard
	90 pieces cabbage
	35 kg cherry tomatoes
	41 kg cucumber



# By the Numbers



**\$9.6 million**

Cash and short-term investments on hand as at April 30, 2017

**\$0.195**

Cash per Issued and Outstanding Shares

**\$27.2 million**

Gold and Silver Sales

**\$7.2 million**

Net income, or \$0.15 per share

**12.8%**

EBITDA Margin

**C\$13.50 Million**

Sale of Real Estate Asset in Mexico

**15,159 ounces**

Equivalent Gold Production

**US\$969/EqOz**

Mine operating cash cost

**US\$1,112/EqOz**

All-in sustaining costs of

# Why Mexico?





## Interesting Facts About Gold

11.2m

If all of the existing gold in the world was pulled into a 5 micron thick wire, it could wrap around the world 11.2 million times.

2808

The boiling point of gold is 2808 degrees centigrade.

31g

There are just over 31 grams in a troy ounce of gold.

1oz

It is rarer to find a one ounce nugget of gold than a five carat diamond

400

A "London Good Delivery Bar", the standard unit of traded gold, is made from 400 troy ounces of gold.

200

Julius Caesar gave 200 gold coins to each of his soldiers from the spoils of war in defeating Gaul.

San Martin produces

15,159

gold equivalent ounces

## Why Gold?

Gold has been around for centuries occupying various important roles in society and culture. The metal has decorated crowns and tombs of the once great leaders. It has played an important role in the international monetary system when gold coins were first struck on the order of King Croesus of Lydia. It's used as a dominant feature in festivals and celebrations as gifts and sacred rituals. Empires flourished by possessing the yellow metal. The Egyptians considered it flesh of the gods, and the Aztecs thought of it as excrements of the gods. In ancient Rome and medieval Europe, there were laws against people wearing too much gold if they weren't of a noble blood! The fascination with gold is as old as time itself; the bible even refers to gold over 400 times- that's more than Mary, Joseph and St John the Baptist combined. Gold also has certain characteristics that make it unique. A few are that it doesn't corrode, rust or tarnish, so it can be endlessly recycled. Just think, the gold in your jewellery could once have belonged to Moctezuma or Cleopatra.

Has the 20th century allure of gold changed? Think of the platinum album rappers flaunting their gold "bling" around the streets and on the television. Investment managers often recommend to hold at least 10% of your portfolio in gold. There are new developments in health care that illustrate the inflammatory effects and thus the importance of the metal. Golden awards such as the Nobel Prize, an Oscar, and the Olympic medals are presented to people who display rare talents to which the prize is rare itself. The answer is no- the allure for gold hasn't tarnished. Gold has value to many different people which makes them buy it across the globe.

Starcore sits on the cross roads of supplying the demand for gold. 75% of gold is mined each year while the other portion is recycled. The long process from exploration to production and the rarity of the metal creates a price that makes companies like us profitable for mining it, and in turn, gives us the ability to return value to our shareholders. And that's why we mine gold.





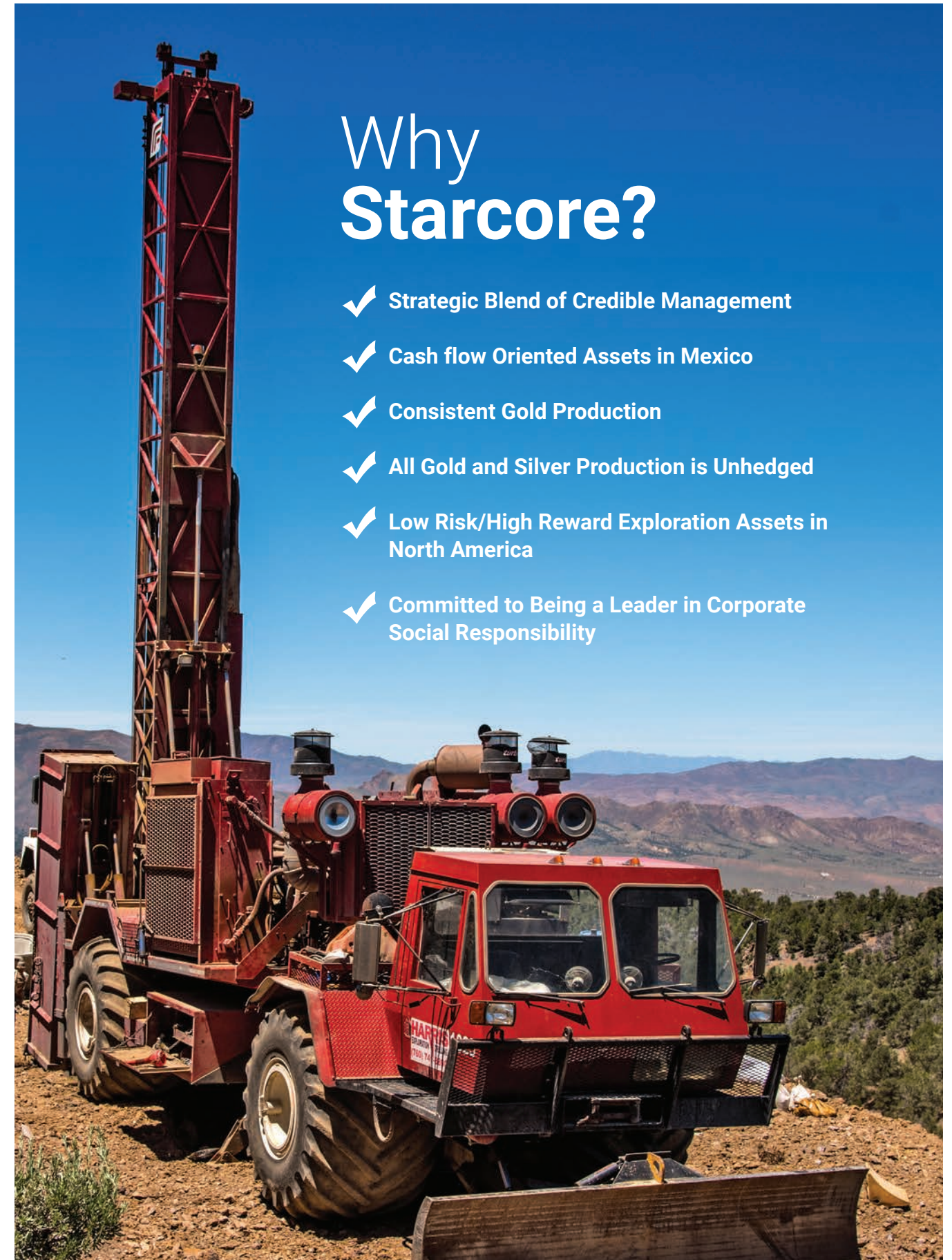
**Low Risk**  
**High Rewards**

## San Pedrito Sale

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

The San Pedrito property was part of Starcore's original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for US \$26 million. While the property had an inferred resource at the time and some ore was mined from this site by Goldcorp, management determined that the property would not be a viable mining operation. Given the proximity to the city of Queretaro, management began the process of rezoning the property in 2010 and was successful in obtaining commercial real

estate zoning last year. In March 2017, the company announced that it closed the sale of its San Pedrito Property for C\$13.5 Million (MXN \$192,784,331). The sale of San Pedrito illustrates how Starcore's management team works to create shareholder value in projects for the Company's long term profitability.



## Why Starcore?

- ✓ Strategic Blend of Credible Management
- ✓ Cash flow Oriented Assets in Mexico
- ✓ Consistent Gold Production
- ✓ All Gold and Silver Production is Unhedged
- ✓ Low Risk/High Reward Exploration Assets in North America
- ✓ Committed to Being a Leader in Corporate Social Responsibility





***MANAGEMENT DISCUSSION & ANALYSIS***  
For the year ended April 30, 2017

***Directors and Officers as at July 27, 2017:***

***Directors:***

Gary Arca  
Robert Eadie  
Jordan Estra  
Tanya Lutzke  
Cory Kent  
Ken Sumanik  
Federico Villaseñor

***Officers:***

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

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



# STARCORE INTERNATIONAL MINES LTD.

## MANAGEMENT DISCUSSION & ANALYSIS

For the year ended April 30, 2017

### 1. Date of This Report

This MD&A is prepared as of July 27, 2017.

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 April 30, 2017.

**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, Altiplano plant 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 or production and other capital costs, and estimates of the timing of such exploration, development and production or decisions with respect to such exploration, development and production; estimates of reserves and resources, and statements and information regarding anticipated future exploration; the anticipated timing of events with respect to the Company’s minesite and; statements and information regarding the sufficiency of the Company’s cash resources. Such statements and information reflect the Company’s views as at the date of this document and are subject to certain risks, uncertainties and assumptions, and undue reliance should not be placed on such statements and information. Many factors, known and unknown could cause the actual results to be materially different from those expressed or implied by such forward looking statements and information. Such risks include, but are not limited to: the volatility of prices of gold and other metals; uncertainty of mineral reserves, mineral resources, mineral grades and mineral recovery estimates; uncertainty of future production, capital expenditures, and other costs; currency fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks, risks associated with foreign operations; risks related to title issues; governmental and environmental regulation; and the volatility of the Company’s stock price. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.*



## 2. Overall Performance

### *Description of Business*

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

***Financial Highlights for 12 months ending April 30, 2017 and the nine months ended April 30, 2016 (note: the year end was changed to April 30 in the prior year so that the results are for a nine month period. See the Management Discussion and Analysis filed on the Company’s website, [www.starcore.com](http://www.starcore.com) for a comparison based on 12 months ended April 30, 2016):***

- Cash and short-term investments on hand is \$9.6 million at April 30, 2017 compared to \$10 million at April 30, 2016;
- Gold and silver sales of \$27.2 million for the twelve months ended April 30, 2017 compared to \$20.3 million for the nine months ended April 30, 2016;
- Net income of \$7.2 million for the year ended April 30, 2017 compared to net income of \$0.2 million for the nine months ended April 30, 2016;
- Sale of San Pedrito property during the year generated a gain of \$7.1 million before taxes;
- Equivalent gold production of 15,159 ounces in year ended April 30, 2017 compared to production of 17,909 ounces for the twelve months ended April 30, 2016;
- Mine operating cash cost is US\$969/EqOz for the year ended April 30, 2017 compared to cost of US\$847/EqOz for the twelve months ended April 30, 2016, an increase of 14%;
- All-in sustaining costs of US\$1,112/EqOz for the year ended April 30, 2017 compared to costs of US\$1,091/EqOz for the twelve months ended April 30, 2016, an decrease of 1%;
- EBITDA<sup>(1)</sup> of \$3,487 for the year ended April 30, 2017 compared to \$2,727 for the nine months ended April 30, 2016.

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

<b>For the,</b>	<b>12 months ended April 30, 2017</b>	<b>9 months ended April 30, 2016</b>
Net income	\$ 7,222	\$ 195
Sale of San Pedrito	(7,128)	-
Income tax recovery	(2,861)	(2,639)
Interest	626	387
Depreciation and depletion	5,628	4,784
<b>EBITDA</b>	<b>\$ 3,487</b>	<b>\$ 2,727</b>
<b>EBITDA MARGIN<sup>(2)</sup></b>	<b>12.8%</b>	<b>13.4%</b>

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

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



## ***Recent News***

### **Starcore repays \$4.5 million bonds**

On April 12, 2017, the Company repaid its outstanding secured bonds in the aggregate principal amount of CDN\$4.5 million (the “Bonds”). The Bonds were to mature on May 12, 2017. As provided for by the terms of the Bonds, Starcore elected an early repayment of the Bonds, with total payout of Cdn\$4,678,520, which included interest in the amount of Cdn\$178,520.

### **Director and officer resignation and new interim COO**

The Company also reported that David Gunning has resigned as a director and Chief Operating Officer of the Company. Ralf Kleine, who has been involved in Starcore’s San Martin Mine operations since 2010, assumes the position of Interim COO. (See news release of April 15, 2010 for Mr. Kleine’s background.) Mr. Kleine has served as technical consultant at the mine, as well as having assumed the position of President of Starcore in 2010 and 2011.

## **3. Selected Annual Information**

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

	April 30, 2017		Nine months ended	
			April 30, 2016	July 31, 2015
Revenues	\$	<b>27,228</b>	\$ 20,326	\$ 28,405
Cost of Sales		<b>(26,402)</b>	(18,807)	(27,760)
Earnings from mining operations		<b>826</b>	1,519	645
Sale of San Pedrito		<b>7,128</b>	-	-
Administrative Expenses		<b>(3,593)</b>	(3,963)	(2,355)
Income tax (expense) recovery		<b>2,861</b>	2,639	1,920
Total earnings				
(i) Total earnings	\$	<b>7,222</b>	\$ 195	\$ 210
(ii) Earnings per share – basic	\$	<b>0.15</b>	\$ 0.00	\$ 0.00
(iii) Earnings per share – diluted	\$	<b>0.15</b>	\$ 0.00	\$ 0.00
Total assets	\$	<b>82,096</b>	\$ 78,907	\$ 69,197
Total long-term liabilities	\$	<b>13,036</b>	\$ 13,324	\$ 15,141

## **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 April 30, 2017.



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

##### *Reserves*

The San Martin Mine, 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, which was recently sold. Luismin (now “Goldcorp Mexico”) operated the mine from 1993 to January, 2007 when it was purchased by Starcore. Starcore expects to continue to operate the mine over an expected mine life of at least 5 years based on the current expected conversion of known resources, and exploration is able to maintain approximately two years proven and probable reserves replacing those mined with new reserves, such that the total resource remains relatively constant from year to year. The Company’s last Resource estimate was filed on SEDAR “RESERVES AND RESOURCES IN THE SAN MARTIN MINE, MEXICO AS OF JULY 31, 2014”, dated October 6, 2014, prepared by Joseph Campbell, P. Eng. (the “Technical Report”), which is also available on the Company website [www.starcore.com](http://www.starcore.com).

##### *Production*

The following table is a summary of mine production statistics for the San Martin mine for the three and twelve months ended April 30, 2017 and for the previous 12 months ended April 30, 2016.

	<i>Unit of measure</i>	<b>Actual results for</b>		
		<b>3 months ended April 30, 2017</b>	<b>12 months ended April 30, 2017</b>	<b>12 months ended April 30, 2016</b>
Mine production of gold in dore	<i>thousand ounces</i>	<b>3.2</b>	<b>14.2</b>	<b>16.6</b>
Mine production of silver in dore	<i>thousand ounces</i>	<b>14.2</b>	<b>66.1</b>	<b>97.3</b>
Total mine production – equivalent ounces	<i>thousand ounces</i>	<b>3.4</b>	<b>15.2</b>	<b>17.9</b>
Silver to Gold equivalency ratio		<b>69.6</b>	<b>70.2</b>	<b>75.3</b>
Mine Gold grade	<i>grams/tonne</i>	<b>1.82</b>	<b>1.97</b>	<b>1.97</b>
Mine Silver grade	<i>grams/tonne</i>	<b>13.6</b>	<b>16.1</b>	<b>18.5</b>
Mine Gold recovery	<i>percent</i>	<b>81.9%</b>	<b>81.5%</b>	<b>85.4%</b>
Mine Silver recovery	<i>percent</i>	<b>49.7%</b>	<b>46.5%</b>	<b>53.2%</b>
Milled	<i>thousands of tonnes</i>	<b>65.8</b>	<b>275.1</b>	<b>306.9</b>
Mine development, preparation and exploration	<i>meters</i>	<b>1,175</b>	<b>5,293</b>	<b>5,671</b>
Mine operating cash cost per tonne milled	<i>US dollars/tonne</i>	<b>58</b>	<b>53</b>	<b>49</b>
Mine operating cash cost per equivalent ounce	<i>US dollars/ounces</i>	<b>1,129</b>	<b>969</b>	<b>847</b>
Number of employees/contractors at minesite		<b>314</b>	<b>314</b>	<b>299</b>

During the quarter ended April 30, 2017, the mill operated at a rate of approximately 773 milled tonnes/calendar day. Gold and silver grades during the quarter ending April 30, 2017 was 1.82 g/t and 13.6 g/t, respectively, compared to prior quarter grades of 1.91 g/t and 14.7 g/t, respectively. Gold and silver grades during the year ending April 30, 2017 was 1.97 g/t and 16.1 g/t, respectively, compared to prior year grades of 1.97 g/t and 18.5 g/t, respectively. Overall equivalent gold production from the mine during the year ending April 30, 2017 of 15,159 ounces was lower than the previous year production of 17,909 due mainly to lower overall production tonnage of 275,072 tonnes compared to 306,866 tonnes in prior year.

Production cash costs of the mine for the current period ending April 30, 2017 were US\$969/EqOz. This was higher than the prior comparable year amount of US\$847/EqOz. The increase in production costs were largely due to lower metal production coupled the higher costs incurred in mine development and exploitation.



Operating cash costs of US\$53/t were higher than the prior period of US\$49/t due to increased costs combined with higher input costs such as fuel, electricity, chemicals and labour. The mine plan has been developed to ensure the mine is properly developed and mined so as to ensure a constant supply of ore in accordance with currently planned production capacity and ore grades. Changes to the plan that may involve increased production and capital investment are continually being assessed by management. Currently, the Company is continuing underground exploration in order to identify higher grade ore zones and has allocated an adequate budget to support year-long exploration, exceeding 18,000 metres of underground exploration drilling for the 2017 calendar year.

In addition to this, Altiplano secured the purchase of approximately 3.9 tonnes of granulated carbon which was processed at the new CIL/ADR plant at the San Martin Mine in Queretaro. This carbon was processed to produce approximately 185.4 ounces of gold and 342.2 ounces of silver which was sold directly by the mine operations in Q3, but which is in addition to the mine production results reported above. Subsequent to year end, the company has processed additional carbon from another supplier and is actively pursuing supply of carbon for processing using the CIL/ADR plant.

During the period ended April 30, 2017, the Company incurred approximately US\$1,689 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\$1,376 in the prior comparable period ending April 30, 2016.

## 4.2 Property Activity

### San Martin properties – Queretaro, Mexico

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

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

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

### San Pedrito

On March 21, 2017 the Company closed the sale of its San Pedrito Property, a non-core asset located in Queretaro, Mexico for C\$13.50 million\* (MXN\$ 192,784,331). As reported on March 9, 2016, the Company entered into a sale agreement of the San Pedrito Property, receiving a deposit of \$50 million pesos.

The sale agreement was subject to various confirmations, including compliance with state and municipal regulations and confirmation that the property was in good standing so conveyancing could proceed. Various requirements have been met, whereupon the buyer has removed several subject conditions and has made the first parcel payment to the Company of MXN\$ 137,671,371 (C\$ 9,640,852)\* plus interest on this amount from March, 9, 2016, of MXN\$ 7,576,445 (C\$ 530,563)\*, for a total payment of MXN\$ 145,247,816 (C\$ 10,171,415)\*.

Details of the transaction are as follows: Total surface area sold covers 74.0831.544 hectares (740,831.544 square meters) sold at \$250 pesos per square meter.



Payments are staged as follows:

Surface Area in hectares (ha)	Equivalent in square meters (sm)	Mexican Pesos	Canadian Dollars*	Status
55.068 ha	550,685.485 sm	MXN\$ 137,671,371	C\$ 9,640,852	
Interest Received		MXN\$ 7,576,445	C\$ 530,563	
		<b>MXN\$ 145,247,816</b>	<b>C\$ 10,171,415</b>	<b>Payment received</b>
Parcel of 12 ha <sup>1</sup>	120,000.000 sm	MXN\$ 30,000,000	C\$ 2,100,840	Pending clearance
Parcel of 2.014 ha <sup>1</sup>	20,146.059 sm	MXN\$ 5,036,515	C\$ 352,697	Pending clearance
Parcel of 5 ha <sup>1</sup>	50,000.000 sm	MXN\$ 12,500,000	C\$ 875,350	Pending clearance

<sup>1</sup> The remaining three parcels await various confirmations from different local and federal authorities. As the Company receives these confirmations, the buyer will immediately remit the corresponding payment for each parcel of land. It is expected that these clearances will be confirmed within the next 18 months.

The San Pedrito property was part of Starcore's original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for US\$26 million. The disposition of San Pedrito was recorded during the year ended April 30, 2017 and a gain of \$7,128 is reported on the Statement of Operations and Comprehensive Income. The gain recorded is net of an allowance for MXN\$ 10.5 million for amounts that management has deemed uncertain for collectability.

\* Based on exchange rate of 14.28 Pesos/CAD\$ as at close of March 21, 2017.

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

On August 5, 2015, the Company acquired Cortez Gold Corp. ("Cortez") (TSXV: CUT) in an all-share transaction completed pursuant to a court approved Plan of Arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). Under the terms of the acquisition, each CUT shareholder received three Starcore common shares for every one CUT common share held by CUT shareholders (the "Exchange Ratio"). Cortez was a Vancouver-based junior resource company that owns the Altiplano gold and silver processing plant in Matehuala, Mexico and has a director and officer in common with the Company.

Pursuant to the Arrangement, the former Cortez shareholders hold 7,166,888 common shares of Starcore, representing 15.87%, of the 45,153,599 outstanding common shares of Starcore after issue of shares pursuant to the Arrangement. In addition, each holder of the outstanding common share purchase warrants of CUT may receive such number of replacement warrants of Starcore based upon the Exchange Ratio and at the exercise price adjusted based upon the Exchange Ratio.

The Company valued the 7,166,888 shares at the fair market value on date of issue of \$0.42 per share, for total consideration of \$3,010, which was accounted for as acquisition of assets allocated based on their relative fair values on the closing date. The purchase price was allocated based on management's best estimates and assumptions, after taking into account all relevant information available. As a result, apart from working capital allocations, \$6,094 was allocated to plant, machinery and equipment.



### ***Altiplano Processing Plant, Matehuala, Mexico***

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

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

The construction of the Processing Plant was completed in 2015 the Company announced that as of February 15, 2016, the Altiplano plant poured its first doré bar, weighing in at 21.131 kg.

The Company’s management determined the commencement of commercial production to be on November 1, 2016. In making this judgement, management assessed various sources of information including but not limited to operation management expertise, projected cash flow and determining sustainable level of production inputs available. As a result, prior to commencement of commercial production, all of the pre-operational costs and any test production revenue were capitalized to Plant costs until the facility was of sufficient operational status with the ability to function as management intended.

The Altiplano Facility received approximately 185.15 tonnes of concentrate (net of 67.6 tonnes returned to a supplier which was received in Q3), 5.8 tonnes of precipitates and 7.8 tonnes of slag containing approximately 752 ounces of gold and 46,000 ounces of silver. To April 30, 2017, the Company has sold 583 ounces of gold and 30,690 ounces of silver from the amounts received at Altiplano.

The Company sold gold and silver at an average prices in the period of US\$1,188 and US\$17.02 per ounce, respectively.

### **American Consolidated Minerals Corp.**

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

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

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

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

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

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

**Toiyabe, Nevada, USA**

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

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

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

During the period ending October 31, 2016, the Company completed Phase 1 drilling on the Toiyabe property. A total of 3,011 meters of RC/core were drilled in 15 holes. Shallow RC drill holes have identified a possible extension of the near-surface resource and the first deep core hole has identified high-grade gold mineralization (1.5 m of 12.9 g/t Au) at depth.

Reverse Circulation (RC) drilling, including two pre-collar holes, consisted of fifteen holes for a total footage of 2,537 meters. Core drilling totalled 474 meters in two holes. A summary of assay results received to date are shown below. A map of drill hole locations can be found on the Company website <https://www.starcore.com>.

<b>Toiyabe Project 2016 Phase 1 Initial Assay Results</b>							
Hole ID	AZIMUTH	INCL	T DEPTH (m)	FROM (m)	TO (m)	THICKNESS (meters)	Au g/t
T-1601	NA	-90	140.2	77.7	112.8	35.1	0.31
<b>T-1601C</b>	<b>NA</b>	<b>-90</b>	<b>390.4</b>	<b>269.1</b>	<b>294.1</b>	<b>40.2</b>	<b>1.30</b>
	includes			255.4	258.5	3	7.70
	includes			255.4	256.9	1.5	12.90
T-1602	NA	-90	134.1	67.1	80.8	13.7	0.16
T-1607	NA	-90	196.6	13.7	16.8	3	1.90
T-1608	NA	-90	208.8	120.4	123.4	3	0.16
				132.6	138.7	6.1	0.32
				146.3	164.6	18.3	0.46
				179.8	192.0	12.2	0.13
T-1609	45	-60	91.4	32.0	33.5	1.5	0.88
T-1611	NA	-90	213.3	NSV			
T-1612	NA	-90	342.9	193.5	201.2	7.6	0.11
T-1613	NA	-90	315.5	76.2	89.9	13.7	0.27
T-1615	45	-45	163.1	82.3	89.9	7.6	0.23
				99.1	103.6	4.6	0.24
T1616	45	-45	152.4	41.1	48.8	7.6	0.13
				36.6	76.2	39.6	0.15
T-1618	45	-45	91.4	7.6	12.2	4.6	0.28
				82.3	83.8	1.5	0.82
T-1619	45	-45	121.9	38.1	44.2	6.1	1.07
T-1620	45	-45	121.9	108.2	114.3	6.1	0.16
T-1621	45	-45	121.9	68.6	74.7	6.1	1.08
T-1622	45	-45	121.9	50.3	53.3	3	3.10



Assays from T-1601C, the first deep core hole, show a broad mineralized zone from 254 to 294 meters (40 m) which averages 1.3 g/t Au. This zone includes 3 meters of 7.7 g/t Au (255.4-258.4 m) or 1.5 meters of 12.9 g/t Au (255.4-256.9 m). The mineralized intervals coincide closely with highly altered breccia within broad fault zones.

The RC program targeted a combination of resistivity high anomalies as well as offsets and extensions to mineralization associated with the Courtney fault zones. A near-surface NI43-101 resource of 173,562 contained ounces of gold was published in 2009. Fifteen of the initially proposed RC holes were completed for a total drilling footage of 2,537 meters. Seven of the fifteen RC holes were lost short of targeted horizons. Even with these drilling limitations, fourteen of the fifteen RC holes encountered anomalous gold values as shown in the table above.

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

Richard Kern, Certified Professional Geologist (#11494) is the Qualified Person who has prepared and reviewed the technical information on the Toiyabe property in accordance with NI 43-101 reporting standards.

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

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

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

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

### **Creston Moly**

On February 19, 2015, the Company closed the transaction to acquire all of the shares of Creston Moly from Deloitte Restructuring Inc. in its capacity as trustee in bankruptcy of Mercator Minerals Ltd. at a purchase price of CDN \$2 Million. In June, 2011, Mercator Minerals Ltd. ("Mercator"), a TSX listed company, acquired Creston Moly in a cash and shares deal valuing Creston Moly at approximately \$194 million. At that time, the Board of Directors of Creston Moly, after receiving the recommendation of its special committee and consultation with its financial and legal advisors, unanimously supported the arrangement whereby Mercator would acquire all of the issued and outstanding common shares of Creston.

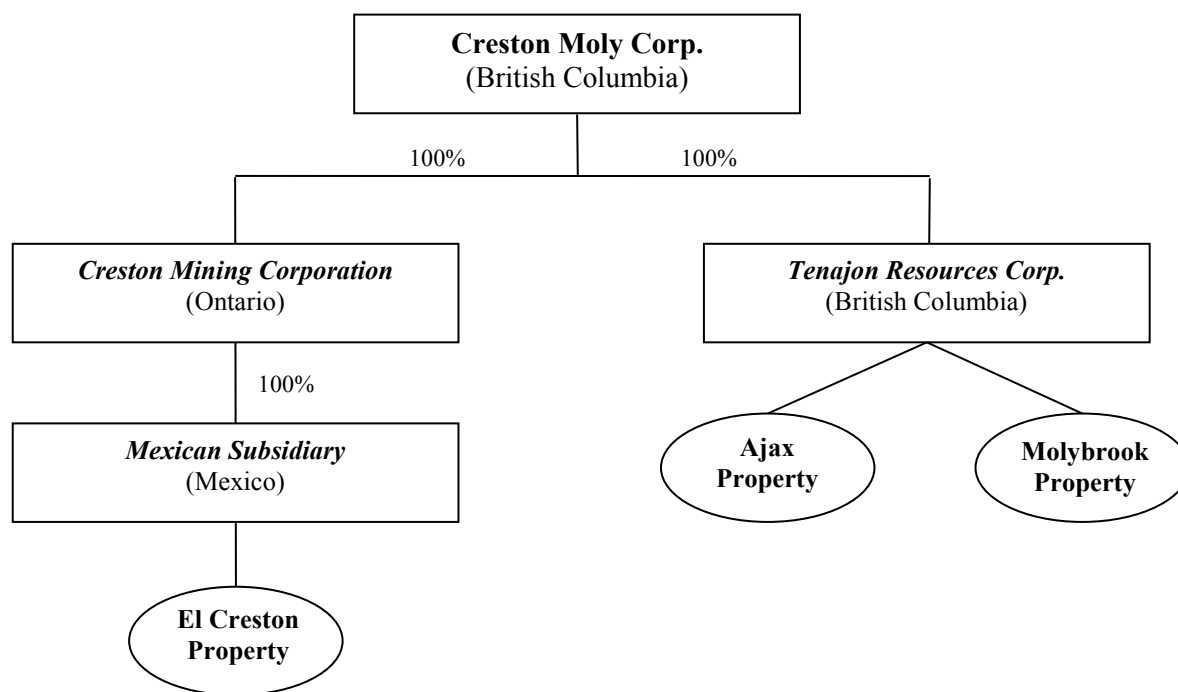
BMO Capital Markets, financial advisor to Creston Moly and its Board, provided a fairness opinion to the effect that the consideration (of \$194 million) was fair, from a financial point of view, to the shareholders of Creston Moly.<sup>1</sup> Creston shareholders voted in favour of the acquisition.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

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

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

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



### *Ajax, British Columbia, Canada<sup>2</sup>*

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

### *Molybrook, Newfoundland, Canada<sup>3</sup>*

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

The Company owns 100% of the 44 mineral claims of the Moly Brook molybdenum property, located 2.5 km from the Hamlet of Grey River on the southern coast of Newfoundland, pursuant to the acquisition of Creston Moly Corp. The Moly Brook property is subject to a 2% net smelter royalty ("NSR"), of which 1.5% can be purchased by the Company for \$1.5 million.

During the period ended April 30, 2017, the Company reduced its claims to focus on the core project and to reduce its holding costs.

<sup>2</sup> Technical information in this report relating to the Ajax Project is based on the NI 43-101 Resource Estimate Press Release entitled "Tenajon Announces 75% Increase in Indicated Molybdenum Resources at Ajax Project", dated May 15, 2008 and the technical report entitled "Update of Resource Estimation, Ajax Property, Alice Arm, British Columbia", dated April 18, 2007, both of which are filed under the Tenajon Resources Corp. issuer profile on SEDAR.

<sup>3</sup> Technical information in this report relating to the Moly Brook property is based on the technical report entitled "Technical Report, Moly Brook Property, Grey River Area, Newfoundland, Canada", dated June 15, 2009, filed under the Tenajon Resources Corp. issuer profile on SEDAR.



### *El Creston Project, Sonora, Mexico<sup>4</sup>*

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

Other highlights of the report include:

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

David Visagie, P.Geo., an independent consultant, is the Company’s qualified person under NI 43-101, and has reviewed and approved the scientific and technical disclosure on the El Creston Project disclosed in this report.

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<sup>4</sup> The technical information in this news release relating to the El Creston Project is based on the technical report entitled “Preliminary Economic Assessment, El Creston Project, Opodepe, Sonora, Mexico”, dated December 16, 2010, filed under the Creston Moly Corp. issuer profile on SEDAR.. Information regarding the effective date of the mineral resources, key assumptions, parameters and methods used to estimate the mineral resources, and known risks that materially affect the mineral resources can be found in the technical report.

### 4.3 Results of Operations

The Company recorded earnings for the year ended April 30, 2017 of \$7,222 compared with \$681 for the comparative 12 month period ended April 30, 2016. The details of the Company's operating results and related revenues and expenses are as follows:

<b>For the period ended April 30,</b>	<b>2017</b>	<b>2016</b>	<b>Variance</b>
<b>Revenues</b>			
Mined ore	\$ 24,642	\$ 27,514	\$ (2,872)
Purchased concentrate	2,586	-	2,586
<b>Total Revenue</b>	<b>27,228</b>	<b>27,514</b>	<b>(286)</b>
<b>Cost of Sales</b>			
Mined ore	(18,641)	(18,772)	131
Purchased concentrate	(2,151)	-	(2,151)
Depreciation and depletion	(5,610)	(6,075)	465
<b>Total Cost of Sales</b>	<b>(26,402)</b>	<b>(24,847)</b>	<b>(1,555)</b>
<b>Earnings from mining operations</b>	<b>826</b>	<b>2,667</b>	<b>(1,841)</b>
Financing costs	(626)	(599)	(27)
Foreign exchange gain	1,283	549	734
Management fees and salaries	(1,642)	(1,284)	(358)
Office and administration	(1,368)	(1,578)	210
Professional and consulting fees	(731)	(1,421)	690
Regulatory and transfer agent fees	(218)	(302)	84
Shareholder relations	(291)	(185)	(106)
<b>Loss before other income</b>	<b>(2,767)</b>	<b>(2,153)</b>	<b>(614)</b>
<b>Other Income</b>			
Gain on sale of San Pedrito (net of taxes)	7,128	-	7,128
<b>Earnings (loss) before taxes</b>	<b>\$ 4,361</b>	<b>\$ (2,153)</b>	<b>\$ 6,514</b>
<b>Income tax recovery</b>			
Current	-	57	(57)
Deferred	2,861	2,777	84
<b>Earnings for the year</b>	<b>\$ 7,222</b>	<b>\$ 681</b>	<b>\$ 6,541</b>

Overall, revenue from milled ore decreased by \$2.9 million compared to the 12 month period due mainly to lower metal production from lower tonnage processed and lower gold and silver recovery in the current year compared to the prior year. Mined ore costs decreased in the current period due mainly to lower tonnage processed. As a percentage of mined ore revenue, earnings from mining operations decreased to 3% of mined ore revenue compared to 10% in the comparative period.

Sales of metals for the year ended April 30, 2017 approximated 14,791 ounces of gold and 80,421 ounces of silver sold at average prices in the year of US\$1,264 and US\$18.04 per ounce, respectively. This is a decrease in sale ounces from the comparative period ended April 30, 2016 where sales of metal approximated 16,720 ounces of gold and 100,293 ounces of silver, sold at lower average prices of US\$1,147 and US\$15.11 per ounce, respectively.

The total cost of sales above includes non-cash expenses for depreciation and depletion of \$5,610, compared to \$6,075 in the comparable period, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves



and a percentage of inferred resources in accordance with the Company's policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management.

For the period ending April 30, 2017, the Company produced \$826 in earnings from mine operations compared to \$2,667 for the period ended April 30, 2016. The change resulted mainly due to a decrease in the sale of metal ounces when compared to the prior period despite a higher average price for the commodity. The combination of slightly lower recoveries for gold and silver also resulted in metal production and, therefore, revenue as compared to the prior period.

Costs per ounce for the period ended April 30, 2017 were US\$969/EqOz. which are higher than the average operating cash cost of US\$847/EqOz. during the comparable period ended April 30, 2016. This resulted in comparable reported mined ore costs at \$18,641 compared to \$18,772 in the previous comparable period ended April 30, 2016 despite the lower tonnage of ore processed and lower metal production. The Company also processed purchased concentrate at the newly commissioned Altiplano plant and the San Martin mine in the year ended April 30, 2017 for revenue of \$2,586 and cost of purchasing concentrate of \$2,151, for a net profit of \$435.

### ***Other Items***

Changes in other items for the twelve month year ended April 30, 2017, resulted in the following significant changes from the twelve month period ended April 30, 2016:

- Financing costs during the period increased by \$27 due to the debt extension charges of \$45 which were incurred during the year.;
- Office and administration decreased by \$210 due higher corporate costs relating to acquisition of its subsidiaries, general regulatory administration and office related costs in the prior period.
- Management fees and salaries increased by \$358 primarily due to the costs related to share based compensation that were granted during the year;
- Foreign exchange gain increased by \$734 for the period ended April 30, 2017. The increase relates primarily to the weakening of the Mexican peso and Canadian dollar and strengthening of the US dollar, the functional currency of the mining operations;
- Professional and consulting fees decreased by \$690 to \$731 due to higher fees charged in relations to legal, tax and audit fees (related to the 20F filing requirements) in the prior period;
- Regulatory and transfer agent fees decreased by \$84 due to costs relating to registration on the United States markets that were incurred in the prior period;
- Deferred Income Tax Recovery increased by \$84 due to the Company recognizing its ability to use additional, previously unrecognized, non-capital loss carry forwards in the current and future years.
- Sale of San Pedrito during the year resulted in a gain of \$7,128. This is a transaction that was not in the normal course of business.

### ***Sustaining Costs***

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

<i>(In Canadian Dollars unless indicated)</i> For the period ended April 30,	Sustaining Costs (in 000's)		Sustaining Costs Per Ounce (in \$/oz)	
	2017	2016	2017	2016
Total cost of sales cash costs <sup>1</sup>	\$ 18,641	\$ 19,307	\$ 1,170	\$ 1,070
Total corporate and administration cash costs <sup>2</sup>	4,257	4,590	267	254
Foreign exchange gain	(1,283)	(384)	(81)	(21)
Reclamation and closure accretion	80	83	5	5
Sustaining capital expenditures and exploration <sup>3</sup>	1,658	2,307	104	128
All-in sustaining cash costs	23,353	25,903	1,465	1,436
Foreign exchange adjustment	(5,628)	(6,229)	(353)	(345)
<b>All-in sustaining USD cash costs</b>	<b>\$ 17,725</b>	<b>\$ 19,674</b>	<b>\$ 1,112</b>	<b>\$ 1,091</b>
Total equivalent ounces sold	15,939	18,037		

<sup>1</sup> Excludes non-cash depletion of \$5,610 for the twelve months ended April 30, 2017 (April 30, 2016: \$6,075) and includes non-cash share-based compensation of \$Nil (April 30, 2016: \$16).

<sup>2</sup> Includes share-based compensation of \$267 for the period ended April 30, 2017 (April 30, 2016: \$Nil).

<sup>3</sup> Certain capital expenditures costs that are non-sustaining costs have been excluded in accordance with AISC guidelines. This includes capital costs of the CIL/ADR plant of \$860 (2016 - \$1,144) and Altiplano processing plant costs of \$119 (2016 - \$ 588).

### **Cash Flows**

Cash flows received from operating activities were \$2,060 during the period ended April 30, 2017, compared to \$5,359 of cash inflows for the comparative period ended April 30, 2016. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Cash spent for financing activities resulted in an outflow of \$5,083 mainly due to the debt repayment in the period of \$4,500. Cash was also spent on interest payments in the amount of \$538. Cash flows received from investing activities were \$7,220 primarily due to sale of San Pedrito property which earned the company cash of \$10,171. Cash was also received from sale of short term investment of \$1,769 and spent on investment in mining interest, plant and equipment for \$2,709 and investment in exploration and evaluation assets of \$2,068. Overall cash increased during the period ended April 30, 2017 by \$4,197.

### **Investor Relations Activities**

During the period ended April 30, 2017, the Company responded directly to investor inquiries.

### **Financings, Principal Purposes & Milestones**

During the year ended April 30, 2017, the Company did not have any financings

On April 12, 2017, the Company repaid its outstanding secured bonds in the aggregate principal amount of CDN\$4.5 million (the "Bonds"). The Bonds were to mature on May 12, 2017. As provided for by the terms of the Bonds, Starcore elected an early repayment of the Bonds, with total payout of Cdn\$4,678,520, which included interest in the amount of Cdn\$178,520. The bonds carried interest of 8% per annum, payable on maturity.



## 5. Summary of Quarterly Results

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

	Q4		Q3		Q2		Q1	
	30-Apr-17		31-Jan-17		31-Oct-16		31-Jul-16	
Total Revenue	\$	6,815	\$	6,164	\$	7,061	\$	7,188
Earnings (loss) from mining operations	\$	(1,096)	\$	(495)	\$	1,269	\$	1,148
Earnings (loss) for period	\$	8,095	\$	(1,546)	\$	187	\$	486
Per share – basic	\$	0.17	\$	(0.03)	\$	0.00	\$	0.01
Per share – diluted	\$	0.17	\$	(0.03)	\$	0.00	\$	0.01
	30-Apr-16		31-Jan-16		31-Oct-15		31-Jul-15	
Total Revenue	\$	5,668	\$	6,954	\$	7,704	\$	6,366
Earnings (loss) from mining operations	\$	(287)	\$	670	\$	1,136	\$	(393)
Earnings (loss) for period	\$	(283)	\$	240	\$	562	\$	(96)
Per share – basic	\$	(0.01)	\$	0.00	\$	0.01	\$	(0.00)
Per share – diluted	\$	(0.01)	\$	0.00	\$	0.01	\$	(0.00)

### ***Discussion***

The Company reports earnings of \$8,095 for the quarter compared to loss of \$283 in the comparative quarter ended April 30, 2016. Revenue from operations increased in this quarter to \$6,815 from the comparative quarter of \$5,668 as a result of higher metal prices and currency exchange rates. For more detailed discussion on the quarterly production results and financial results for the quarter ended April 30, 2016, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

## 6. Liquidity and Commitments

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

As at April 30, 2017, the Company had the following commitments:

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

Obligations due within twelve months of April 30:	2017	2018-2019	2020 and beyond
Trade and other payables	\$ 2,496	\$ -	\$ -
Current portion of loan payable	1,646	-	-
Rehabilitation and closure cost provision	-	-	1,347

## 7. **Capital Resources**

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of \$52,921 as at April 30, 2017. The Company is committed to further expenditures of capital required to maintain and to further develop the San Martin mine which management believes will be funded directly from the operating cash flows of the mine.

## 8. **Off Balance Sheet Arrangements**

The Company has no off balance sheet transactions.

## 9. **Transactions with Related Parties**

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

<b>For the</b>	<b>Twelve months year ended April 30, 2017</b>	<b>Nine months year ending April 30, 2016</b>
Management fees	\$ 958	\$ 624
Legal fees	116	256
Directors fees	187	70
<b>Total</b>	<b>\$ 1,261</b>	<b>\$ 950</b>

## 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 which are discussed in *Section 4.3 – Results of Operations*.

## 11. **Proposed Transactions**

N/A

## 12. **Critical Accounting Estimates**

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

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

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



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

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

b) Rehabilitation Provisions

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

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

c) Impairments

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

d) Income Taxes

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

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

e) Share-Based Payment Transactions

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

f) Mineral Reserves and Mineral Resource Estimates

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

g) Units of production depletion

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

**13. Changes in Accounting Policies**

Effective August 1, 2016, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB as detailed in Note 3(o) to the audited consolidated financial statements. The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**14. Financial and Other Instruments**

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

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

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The primary currency the Company exposed to is the United States dollar which is also the functional currency of the San Martin Mine. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At April 30, 2017 the Company had the following financial assets and liabilities denominated in CDN and denominated in Mexican Pesos:

<b>In '000 of</b>	<b>CDN Dollars</b>	<b>Mexican Pesos (MP)</b>
Cash	\$ 268	MP 74,353
Other working capital amounts – net	\$ (157)	MP 102,516

At April 30, 2017, US dollar amounts were converted at a rate of \$1.3658 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP18.82 to \$1 US Dollar.



## 15. Other

### 15.1 Disclosure of Outstanding Share Capital as at July 27, 2017

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

The following is a summary of changes in options from April 30, 2017 to July 27:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Period			Closing	Closing, Vested and Exercisable
				Granted	Exercised	Cancelled/ Forfeited		
08/22/13	08/22/18	\$1.00	200,000	-	-	-	200,000	200,000
08/22/13	08/22/18	\$0.80	50,000	-	-	-	50,000	50,000
09/06/13	09/06/18	\$0.92	50,000	-	-	-	50,000	50,000
09/12/13	09/12/18	\$1.00	50,000	-	-	-	50,000	50,000
01/15/14	01/15/19	\$0.88	998,750	-	-	(175,000)	823,750	823,750
			1,348,750	-	-	(175,000)	1,173,750	1,173,750
Weighted Average Exercise Price			\$0.90	-	-	\$0.88	\$0.90	\$0.90

### 15.2 Disclosure Controls and Procedures

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

#### Internal Controls Over Financial Reporting

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

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

There has been no change in the Company's internal control over financial reporting during the Company's period ended April 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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



**Starcore International Mines Ltd.**

**Consolidated Financial Statements**

**For the periods ended April 30, 2017 and April 30, 2016**

**(Audited)**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Directors 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 of April 30, 2017 and 2016, and the related consolidated statements of operations and comprehensive income, cash flows and changes in equity for the year ended April 30, 2017 and the nine month period ended April 30, 2016, 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Starcore International Mines Ltd. as at April 30, 2017 and 2016 and its financial performance and its cash flows for the year ended April 30, 2017 and the nine month period ended April 30, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 27, 2017



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

As at	April 30, 2017	April 30, 2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 5,558	\$ 4,248
Short-term Investments (note 5)	4,005	5,742
Amounts Receivable (notes 6)	4,777	2,221
Inventory (note 7)	2,921	1,877
Prepaid Expenses and Advances	349	191
<b>Total Current Assets</b>	<b>17,610</b>	<b>14,279</b>
<b>Non-Current</b>		
Mining Interest, Plant and Equipment (notes 8 & 11)	52,921	56,618
Exploration and Evaluation Assets (note 9)	5,955	3,864
Reclamation Deposits	165	165
Deferred Tax Assets (note 18)	5,445	3,981
<b>Total Non-Current Assets</b>	<b>64,486</b>	<b>64,628</b>
<b>Total Assets</b>	<b>\$ 82,096</b>	<b>\$ 78,907</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and Other Payables	\$ 2,496	\$ 3,091
Current Portion of Loan Payable (note 10)	1,646	4,619
<b>Total Current Liabilities</b>	<b>4,142</b>	<b>7,710</b>
<b>Non-Current</b>		
Loan Payable (note 10)	-	1,369
Rehabilitation and Closure Cost Provision (note 11)	1,131	1,091
Deferred Tax Liabilities (note 18)	11,905	10,864
<b>Total Non-Current Liabilities</b>	<b>13,036</b>	<b>13,324</b>
<b>Total Liabilities</b>	<b>\$ 17,178</b>	<b>\$ 21,034</b>
<b>Equity</b>		
Share Capital (note 12)	\$ 50,605	\$ 50,605
Equity Reserve	11,173	11,173
Foreign Currency Translation Reserve	5,209	5,386
Accumulated Deficit	(2,069)	(9,291)
<b>Total Equity</b>	<b>64,918</b>	<b>57,873</b>
<b>Total Liabilities and Equity</b>	<b>\$ 82,096</b>	<b>\$ 78,907</b>

**Commitments (notes 11 and 14)**

**Approved by the Directors:**

“Robert Eadie” Director

“Gary Arca” Director



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

<b>For the</b>	<b>Twelve months ended April 30, 2017</b>	<b>Nine months ended April 30, 2016</b>
<b>Revenues</b>		
Mined ore	\$ 24,642	\$ 20,326
Purchased concentrate	2,586	-
<b>Total Revenues</b>	<b>27,228</b>	<b>20,326</b>
<b>Cost of Sales</b>		
Mined ore	(18,641)	(14,093)
Purchased concentrate	(2,151)	-
Depreciation and depletion	(5,610)	(4,714)
<b>Total Cost of Sales</b>	<b>(26,402)</b>	<b>(18,807)</b>
<b>Earnings from mining operations</b>	<b>826</b>	<b>1,519</b>
Financing costs (note 10)	(626)	(387)
Foreign exchange gain (loss)	1,283	(159)
Management fees and salaries (notes 12 & 14)	(1,642)	(918)
Office and administration	(1,368)	(1,114)
Professional and consulting fees	(731)	(1,031)
Regulatory and transfer agent fees	(218)	(244)
Shareholder relations	(291)	(110)
<b>Loss before other income</b>	<b>(2,767)</b>	<b>(2,444)</b>
<b>Other Income</b>		
Gain on sale of San Pedrito (note 8)	7,128	-
<b>Earnings (loss) before taxes</b>	<b>4,361</b>	<b>(2,444)</b>
<b>Income tax recovery (note 18)</b>		
Current	-	57
Deferred	2,861	2,582
<b>Earnings for the year</b>	<b>7,222</b>	<b>195</b>
<b>Other comprehensive income (loss)</b>		
<b>Item that may subsequently be reclassified to income (loss)</b>		
Foreign currency translation differences	(177)	321
<b>Comprehensive income for the year</b>	<b>\$ 7,045</b>	<b>\$ 516</b>
<b>Basic earnings per share (note 16)</b>	<b>\$ 0.15</b>	<b>\$ 0.00</b>
<b>Diluted earnings per share (note 16)</b>	<b>\$ 0.15</b>	<b>\$ 0.00</b>

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

<b>For the</b>	<b>Twelve months ended April 30, 2017</b>	<b>Nine Months ended April 30, 2016</b>
<b>Cash provided by</b>		
<b>Operating activities</b>		
Earnings for the period	\$ 7,222	\$ 195
Items not involving cash:		
Depreciation and depletion	5,628	4,784
Gain on sale of San Pedrito	(7,128)	-
Income tax (recovery) (note 18)	(2,861)	(2,639)
Interest on long-term debt (note 10)	536	283
Interest revenue	-	(12)
Rehabilitation and closure cost accretion (note 11)	80	65
Unwinding of discount on long-term debt (note 10)	48	42
Share-based compensation (note 12)	267	-
Write-down for obsolete equipment (note 8)	37	3
<b>Cash generated by operating activities before working capital changes</b>	<b>3,829</b>	<b>2,721</b>
Change in non-cash working capital items		
Amounts receivable (note 6)	(559)	1,214
Inventory (note 7)	(1,591)	152
Prepaid expenses and advances	(214)	482
Trade and other payables	595	790
<b>Cash inflow for operating activities</b>	<b>2,060</b>	<b>5,359</b>
<b>Financing activities</b>		
Advance (repayment) of loan payable (note 10)	(4,500)	3,850
Interest paid (note 10)	(538)	(97)
Financing fees (note 10)	(45)	(90)
<b>Cash inflow (outflows) for financing activities</b>	<b>(5,083)</b>	<b>3,663</b>
<b>Investing activities</b>		
Cash acquired on sale of San Pedrito (note 8)	10,171	-
Interest received	57	7
Investment in exploration and evaluation assets (note 9)	(2,068)	(517)
Purchase of mining interest, plant and equipment (note 8)	(2,709)	(3,700)
Sale (purchase) of short-term investments (note 5)	1,769	(3,162)
<b>Cash inflow (outflows) for investing activities</b>	<b>7,220</b>	<b>(7,372)</b>
<b>Total increase in cash</b>	<b>4,197</b>	<b>1,650</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(2,887)</b>	<b>(772)</b>
<b>Cash, beginning of period</b>	<b>4,248</b>	<b>3,370</b>
<b>Cash, end of period</b>	<b>\$ 5,558</b>	<b>\$ 4,248</b>

Non-cash transactions – note 12

**Starcore International Mines Ltd.****Consolidated Statements of Changes in Equity****For the year ended April 30, 2017 and April 30, 2016****(in thousands of Canadian dollars, except for number of shares)**

	Number of Shares Outstanding	Share Capital	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Income (Deficit)	Total
Balance, July 31, 2015	37,986,760	\$ 45,354	\$ 11,173	\$ 5,065	\$ (9,486)	\$ 52,106
Issued for cash pursuant to:						
- Acquisition of Cortez Gold Corp. - at \$0.42	7,166,888	3,010	-	-	-	3,010
- Share subscriptions conversion - at \$0.56	3,993,203	2,241	-	-	-	2,241
Foreign currency translation	-	-	-	321	-	321
Earnings for the period	-	-	-	-	195	195
Balance, April 30, 2016	49,146,851	50,605	11,173	5,386	(9,291)	57,873
Foreign currency translation	-	-	-	(177)	-	(177)
Earnings for the year	-	-	-	-	7,222	7,222
<b>Balance, April 30, 2017</b>	<b>49,146,851</b>	<b>\$ 50,605</b>	<b>\$ 11,173</b>	<b>\$ 5,209</b>	<b>\$ (2,069)</b>	<b>\$ 64,918</b>



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

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**April 30, 2017**

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**1. Corporate Information**

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

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

**2. Basis of Preparation**

a) Statement of Compliance

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

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

Effective December 14, 2015, the Company completed a 4:1 share consolidation (note 12). All common share and per share amounts have been retroactively restated.

The financial statements were authorized for issue by the Board of Directors on July 27, 2017.

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.

**April 30, 2017**

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**2. Basis of Preparation – (cont’d)**

c) Basis of Consolidation

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

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

**3. Summary of Significant Accounting Policies**

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

a) Foreign Currency Translation

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

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

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

b) Foreign Operations

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

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

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

**April 30, 2017**

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c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. At April 30, 2017 and April 30, 2016, the Company has no cash equivalents.

d) Short Term Investments

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

e) Revenue Recognition

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

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

f) Inventory

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

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

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



**April 30, 2017**

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

g) Mining Interest, Plant and Equipment

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

*Recognition and Measurement*

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

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

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

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

*Major Maintenance and Repairs*

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

*Subsequent Costs*

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

**April 30, 2017**

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

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

*Leased Equipment*

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

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

*Derecognition*

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

*Depreciation and Impairment*

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

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

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

**April 30, 2017**

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

h) Rehabilitation and Closure Cost Provision

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

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

i) Exploration and Evaluation Expenditures

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

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

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

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

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



**April 30, 2017**

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

j) Financial Instruments

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

*Loans and Receivables*

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

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

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

*Available-for-Sale*

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

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

*Impairment of Financial Assets*

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

**April 30, 2017**

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

j) Financial Instruments – (cont'd)

*Financial Liabilities*

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

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

Fair value hierarchy

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

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

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

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

The Company's financial instruments recognized at fair value consist of short term investments having a fair value of \$4,005 (2016 – \$5,742) measured in accordance with Level 1.

k) Income Taxes

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

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

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

**April 30, 2017**

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

k) Income Taxes – (cont'd)

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

l) Share Capital

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

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

m) Profit or Loss per Share

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

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

n) Share-based Payments

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

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

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



**April 30, 2017**

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

n) Share-based Payments – (cont'd)

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

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

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

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

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

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

o) New and Revised Accounting Standards

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

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 16 "Leases"
- IFRS 17 Insurance Contracts
- Annual Improvements to IFRSs 2012–2014 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

**April 30, 2017**

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#### **4. Critical Accounting Estimates and Judgments**

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

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

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

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

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

b) Impairments

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

c) Rehabilitation Provisions

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

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

**April 30, 2017**

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

d) Income Taxes

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

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

e) Share-based Payment

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

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

f) Mineral Reserves and Mineral Resource Estimates

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



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

**April 30, 2017**

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

g) Units of production depletion

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

**5. Short-term Investments**

At April 30, 2017, the Company held a Guaranteed Investment Certificate ("GIC") denominated in USD and Mexican Pesos ("MP"). The GIC denominated in USD has a market value of \$409 (April 30, 2016 - \$3,766), earning interest income at 0.2% per annum and maturing on March 22, 2018. The Company also held a GIC denominated in MP with a market value of \$3,596 (April 30, 2016 - \$1,976) earning an average interest at 4.00% 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 three financial institutions and as such the Company is exposed to the risks of those financial institutions.

**6. Amounts Receivable**

	<b>April 30, 2017</b>	April 30, 2016
Taxes receivable	\$ 1,911	\$ 1,955
San Pedrito sale (note 8)	2,644	-
Trades receivable	148	-
Other	74	266
	<b>\$ 4,777</b>	<b>\$ 2,221</b>

**7. Inventory**

	<b>April 30, 2017</b>	April 30, 2016
Carrying value of inventory:		
Doré	\$ 922	\$ 1,097
Goods in transit	429	53
Work-in-process	377	35
Concentrate	189	-
Stockpile	196	13
Supplies	808	679
	<b>\$ 2,921</b>	<b>\$ 1,877</b>

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

**April 30, 2017**

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

	<b>Mining Interest</b>	<b>Plant and Equipment Mining</b>	<b>Plant and Equipment Altiplano</b>	<b>Corporate Office Equipment</b>	<b>Total</b>
<b>Cost</b>					
Balance, July 31, 2015	\$ 69,845	\$ 19,056	\$ -	\$ 477	\$ 89,378
Additions	1,333	1,701	588	78	3,700
Acquisition of Cortez assets	-	-	6,040	54	6,094
Write-down of equipment	-	-	-	(4)	(4)
Effect of foreign exchange	(1,160)	(449)	(301)	-	(1,910)
Balance, April 30, 2016	70,018	20,308	6,327	605	97,258
Additions	484	2,034	119	72	2,709
Write-down of equipment	-	(37)	-	-	(37)
Disposal of San Pedrito	(5,249)	-	-	-	(5,249)
Effect of foreign exchange	7,795	1,394	559	-	9,748
<b>Balance, April 30, 2017</b>	<b>\$ 73,048</b>	<b>\$ 23,699</b>	<b>\$ 7,005</b>	<b>\$ 677</b>	<b>\$ 104,429</b>
<b>Depreciation</b>					
Balance, July 31, 2015	\$ 30,280	\$ 8,192	\$ -	\$ 274	\$ 38,746
Depreciation for the period	3,707	1,007	-	70	4,784
Write-down of equipment	-	-	-	(1)	(1)
Effect of foreign exchange	(2,206)	(683)	-	-	(2,889)
Balance, April 30, 2016	31,781	8,516	-	343	40,640
Depreciation for the year	3,786	1,532	220	90	5,628
Effect of foreign exchange	4,090	1,142	8	-	5,240
<b>Balance, April 30, 2017</b>	<b>\$ 39,657</b>	<b>\$ 11,190</b>	<b>\$ 228</b>	<b>\$ 433</b>	<b>\$ 51,508</b>
<b>Carrying amounts</b>					
Balance, April 30, 2016	\$ 38,237	\$ 11,792	\$ 6,327	\$ 262	\$ 56,618
<b>Balance, April 30, 2017</b>	<b>\$ 33,391</b>	<b>\$ 12,509</b>	<b>\$ 6,777</b>	<b>\$ 244</b>	<b>\$ 52,921</b>

Sale of San Pedrito

On March 21, 2017, the Company finalized the sale of its San Pedrito Property, a non-core asset located in Queretaro, Mexico for MXN\$ 192,784,331 (\$13.50 million\*). As reported on March 9, 2016, the Company entered into a sale agreement of the San Pedrito Property, receiving a deposit of \$50 million pesos. The sale agreement was subject to various confirmations, including compliance with state and municipal regulations and confirmation that the property was in good standing so conveyancing could proceed.

Various requirements have been met, whereupon the buyer has removed several subject conditions and has made the first parcel payment to the Company of MXN\$ 137,671,371 (\$ 9,640,852) plus interest on this amount from March, 9, 2016, of MXN\$ 7,576,445 (\$ 530,563)\*, for a total payment of MXN\$ 145,247,816 (C\$ 10,171,415)\*.

\* Based on exchange rate of 14.28 Pesos/CAD\$ as at close of March 21, 2017.

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

Sale of San Pedrito – (cont'd)

Details of the transaction are as follows: Total surface area sold covers 74,0831.544 hectares (740,831.544 square meters) sold at \$250 pesos per square meter. Payments are staged as follows:

Surface Area in hectares (ha)	Equivalent in square meters (sm)	Mexican Pesos	Canadian Dollars*	Status
55.068 ha	550,685.485 sm	MXN\$ 137,671,371	C\$ 9,640,852	
Interest Received		MXN\$ 7,576,445	C\$ 530,563	
		<b>MXN\$ 145,247,816</b>	<b>C\$ 10,171,415</b>	<b>Payment received</b>
Parcel of 12 ha <sup>1</sup>	120,000.000 sm	MXN\$ 30,000,000	C\$ 2,100,840	Pending clearance
Parcel of 2.014 ha <sup>1</sup>	20,146.059 sm	MXN\$ 5,036,515	C\$ 352,697	Pending clearance
Parcel of 5 ha <sup>1</sup>	50,000.000 sm	MXN\$ 12,500,000	C\$ 875,350	Pending clearance

<sup>1</sup> The remaining three parcels await various confirmations from different local and federal authorities. As the Company receives these confirmations, the buyer will immediately remit the corresponding payment for each parcel of land. It is expected that these clearances will be confirmed within the next 18 months.

The San Pedrito property was part of Starcore's original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for US\$26 million. The disposition of San Pedrito was recorded during the year ended April 30, 2017 and a gain of \$7,128 is reported on the Statement of Operations and Comprehensive Income. The gain recorded is net of an allowance for MXN\$ 10.5 million for amounts that management has deemed uncertain for collectability.

Acquisition of Cortez Gold Corp.

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

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

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**8. Mining Interest, Plant and Equipment – (cont’d)**

Acquisition of Cortez Gold Corp. – (cont’d)

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

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

**9. Exploration and Evaluation Assets**

a) American Consolidated Minerals (“AJC”) properties

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

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

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



**April 30, 2017**

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

a) American Consolidated Minerals (“AJC”) properties – (cont'd)

i) *Lone Ranch, U.S.A – (cont'd)*

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

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

ii) *Toiyabe, U.S.A*

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

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

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

iii) *Sierra Rosario, Mexico*

The Company acquired a 100% interest in the 978-hectare Sierra Rosario Property, over 2 claims that are located in the state of Sinaloa, Mexico (“Sierra Rosario”). The properties are subject to a 1% NSR.

b) Creston Moly (“Creston”) properties

i) *El Creston Project, Mexico*

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

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

b) Creston Moly (“Creston”) properties – (cont'd)

ii) *Ajax Project, Canada*

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

iii) *Molybrook Project, Canada*

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

During the year ended April 30, 2016, the Company reduced its claims to focus of the core project and to reduce its holding costs.

	AJC Properties	Creston Properties	Total
<b>Acquisition costs:</b>			
Balance, August 1, 2015	\$ 1,159	\$ 2,001	\$ 3,160
Effect of foreign exchange	(76)	-	(76)
Balance, April 30, 2016	1,083	2,001	3,084
Effect of foreign exchange	131	-	131
Balance, April 30, 2017	1,214	2,001	3,215
<b>Exploration costs:</b>			
Balance, August 1, 2015	25	226	251
Geological	-	115	115
Legal fees	-	228	228
Maintenance	59	90	149
Effect of foreign exchange	37	-	37
Balance, April 30, 2016	121	659	780
Assays	82	-	82
Exploration cost	96	-	96
Drilling	1,288	-	1,288
Geological	178	139	317
Legal fees	-	41	41
Maintenance	56	189	245
Effect of foreign exchange	(109)	-	(109)
<b>Balance, April 30, 2017</b>	<b>\$ 1,712</b>	<b>\$ 1,028</b>	<b>\$ 2,740</b>
<b>Total exploration and evaluation assets</b>			
<b>Balance, April 30, 2016</b>	<b>\$ 1,204</b>	<b>\$ 2,660</b>	<b>\$ 3,864</b>
<b>Balance, April 30, 2017</b>	<b>\$ 2,926</b>	<b>\$ 3,029</b>	<b>\$ 5,955</b>

**10. Loan payable**

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

The Company amalgamated with Cortez on August 5, 2015 and acquired the outstanding debt of \$2,936. During the period ended April 30, 2016, the Company settled this debt by paying \$650 (USD\$500) and interest of \$96 (USD \$75) to its lenders. The Company also issued 3,993,203 Subscription Receipts (the "Receipts") to complete settlement of outstanding debt in the aggregate amount of \$1,959 (US\$1,500) and \$282 (US\$225) in interest to certain creditors. The Receipts were issued at a fair value of \$0.56 per Receipt. The Receipts were subsequently converted into 3,993,203 common shares (note 12) during the period ended April 30, 2016.

On November 17, 2015, the Company completed a private placement of secured bonds in the aggregate principal amount of \$4,500 ("the Bonds") less structuring and finder's fees, totaling \$90 (the "Discount"). The Bonds carried interest of 8% per annum, payable on November 12, 2016 and were secured against all of the Company's asset that ranks pari passu with the existing debt obligations of the Company. During the year ended April 30, 2017, the bonds were extended by 6 months to May 12, 2017. As consideration for the extension of the Bonds, the Company agreed to pay a prolongation fee of one (1%) percent at the end of the extended term. The extension was considered as a modification and not as an extinguishment and reissue.

On April 12, 2017, the Company elected an early repayment of the Bonds in the aggregate principal amount of \$4.5 million, with total payout of \$4,678, which included interest in the amount of \$178.

	Principal	Interest	Discount	Total
Balance, July 31, 2015	\$ 1,305	\$ -	\$ -	\$ 1,305
Acquisition of Cortez Debt	2,609	378	(51)	2,936
Repayment on debt	(2,609)	(378)	51	(2,936)
Financing, November 17, 2015	4,500	-	(90)	4,410
Interest accrual	-	282	-	282
Unwinding of discount	-	-	42	42
Foreign exchange adjustment	(51)	-	-	(51)
Balance, April 30, 2016	5,754	282	(48)	5,988
Repayment on debt	(4,500)	(538)	48	(4,990)
Interest accrual	-	536	-	536
Foreign exchange adjustment	112	-	-	112
<b>Balance, April 30, 2017</b>	<b>\$ 1,366</b>	<b>\$ 280</b>	<b>\$ -</b>	<b>\$ 1,646</b>
			<b>April 30, 2017</b>	<b>April 30, 2016</b>
Current			\$ 1,646	\$ 4,619
Non-Current			-	1,369
			<b>\$ 1,646</b>	<b>\$ 5,988</b>

**Starcore International Mines Ltd.**  
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**10. Loan payable – (cont'd)**

The Company's financing costs for the year ended April 30, 2017 and the comparative period ending on April 30, 2016 as reported on its Consolidated Statement of Operations and Comprehensive Income can be summarized as follows:

<b>For the</b>	<b>Twelve months ended April 30, 2017</b>	<b>Nine months ended April 30, 2016</b>
Unwinding of discount on rehabilitation and closure accretion (note 11)	\$ 80	\$ 65
Discount unwinding on debt repaid	48	51
Discount unwinding on existing debt	-	42
Extension fee	45	-
Interest expense on debt	536	282
Interest revenue	(83)	(53)
	<b>\$ 626</b>	<b>\$ 387</b>

**11. Rehabilitation and Closure Cost Provision**

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At April 30, 2017, the present value of obligations is estimated at \$1,131 (2016 - \$1,091) based on expected undiscounted cash-flows at the end of the mine life of MXN\$ 18,545,000 or \$1,347 (2016 - \$1,401), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 8% (2016 - 8%) and an inflation rate of 3.5% (2016 - 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:

	<b>April 30, 2017</b>	<b>April 30, 2016</b>
Balance, beginning of year	\$ 1,091	\$ 1,162
Accretion expense	80	65
Foreign exchange fluctuation	(40)	(136)
	<b>\$ 1,131</b>	<b>\$ 1,091</b>



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**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.

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

During the year ended April 30, 2017, the Company did not issue any common shares.

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

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

b) Warrants

During the year ending April 30, 2017, 139,284 warrants expired and no additional warrants were issued.

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

A summary of the Company's outstanding share purchase warrants at April 30, 2017 and 2016 and the changes during the year ended is presented below:

	Number of warrants	Weighted average exercise price
Outstanding at July 31, 2015 & April 30, 2016	139,284	\$1.20
Warrants expired	(139,284)	\$1.20
<b>Outstanding at April 30, 2017</b>	<b>-</b>	<b>\$ -</b>

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**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 stock outstanding. In January 2014, the Company's shareholders voted to cancel the Company's option plan and, as a result, the Company's Board of Directors may not grant further options. The Company's management and directors are reviewing alternative compensation arrangements for the Company's employees and directors.

The following is a summary of changes in options for the periods ending April 30, 2017 and 2016:

	Number of Shares	Weighted Average Exercise Price
Balance at July 31, 2015 & April 30, 2016	2,846,250	\$1.07
Forfeited/expired	(1,497,500)	\$1.23
<b>Outstanding and Exercisable at April 30, 2017</b>	<b>1,348,750</b>	<b>\$0.90</b>

During the year ending April 30, 2017, 672,500 options expired naturally and 825,000 options were forfeited.

The following is a summary of the Company's outstanding and exercisable options at April 30, 2017:

Number Outstanding	Weighted Average Exercise Price	Weighted Average Life
200,000	\$1.00	1.31
50,000	\$0.80	1.31
50,000	\$0.92	1.35
50,000	\$1.00	1.37
998,750	\$0.88	1.71
<b>1,348,750</b>	<b>\$0.90</b>	<b>1.61</b>

d) Deferred Share Units ("DSU") & Restricted Share Units ("RSU")

Effective August 1, 2016, The Board of Directors has approved the adoption of a Restricted Share Unit and Deferred Share Unit Plan (the "RSU/DSU Plan") as part of the Company's compensation arrangements for directors, officers, employees or consultants of the Company or a related entity of the Company.

Although the RSU/DSU Plan is share-based, all vested RSUs and DSUs will be settled in cash. No common shares will be issued.

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**12. Share Capital – (cont’d)**

d) Deferred Share Units (“DSU”) & Restricted Share Units (“RSU”) – (cont’d)

RSU

The RSU plan is for eligible members of the Board of Directors, eligible employees and eligible contractors. The RSUs will vest over a period of three years from the date of grant, vesting as to one-third at the end of each calendar year. In addition to the vesting period, the Company has also set Performance Conditions that will accompany vested RSUs.

The Performance Conditions to be met are established by the Board at the time of grant of the RSU. RSUs that are permitted to be carried over to the succeeding years shall expire no later than August 1<sup>st</sup> of the third calendar year after the year in which the RSUs have been granted, and will be terminated to the extent the performance objectives or other vesting criteria have not been met. The RSU share plan transactions during the period were as follows:

	Number of Share Units
Balance, July 31, 2015 & April 30, 2016	-
Granted	961,000
Exercised	-
Cancelled	(204,000)
<b>Balance, April 30, 2017</b>	<b>757,000</b>

Management has determined that 50% of the RSU’s will be deemed payable on the vesting dates based on current performance criteria measures. As such only 50% of the RSU’s have been valued at fair value of \$0.51 per share and the amortized portion of this for the year ended April 30, 2017 is \$88 which has been expensed to management fees and salaries on the Statement of Operations and Comprehensive Income.

DSU

The Company introduced a DSU plan for eligible directors. The DSUs are paid in full in the form of a lump sum payment no later than August 1<sup>st</sup> of the calendar year immediately following the calendar year of termination of service.

DSU Awards will vest for current DSU participants as to 25% of DSUs on the date of grant; and 25% on each anniversary date of the grant over a period of 3 years.

The DSU share plan transactions during the period were as follows:

	Number of Shares Units
Balance, April 30, 2015 & April 30, 2016	-
Granted	760,000
Exercised	(20,000)
Cancelled	(140,000)
<b>Balance, April 30, 2017</b>	<b>600,000</b>

**April 30, 2017**

**12. Share Capital – (cont’d)**

d) Deferred Share Units (“DSU”) & Restricted Share Units (“RSU”) – (cont’d)

Management has determined that 140,000 (25%) of the DSU’s will be deemed payable immediately. Based on the fair value of \$0.51 per share, the Company has expensed \$71 to management fees and salaries on the Statement of Operations and Comprehensive Income. The remainder of 460,000 DSUs will vest on their vesting dates accordingly and as such, the DSUs have been valued at fair value of \$0.51 per share. The amortized portion of this for the period ended April 30, 2017 is \$108 and has been expensed to management fees and salaries on the Statement of Operations and Comprehensive Income.

During the year ended April 30, 2017, 20,000 DSU’s were exercised for a fair value of \$0.54 and a payment of \$11 was made which reduced the liability.

**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 material differences between the carrying values and the fair values of any other financial assets or liabilities.

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

a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At April 30, 2017, the Company had the following financial assets and liabilities denominated in CAD and denominated in MXNS:

<b>In ‘000 of</b>	<b>CAD Dollars</b>	<b>MXNS</b>
Cash	\$ 268	MP 74,353
Other working capital amounts - net	\$ (157)	MP 102,516

At April 30, 2017, US dollar amounts were converted at a rate of \$1.3658 Canadian dollars to \$1 US dollar and MP were converted at a rate of MP18.82 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 \$83. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately \$51.



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

b) Interest Rate Risk

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

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

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and short-term investments, the balance of which at April 30, 2017 is \$5,558 (2016- \$4,248) and \$4,005 (2016 - \$5,742), respectively. Cash of \$1,982 (2016- \$566) and short-term investments of \$3,596 (2016- \$1,976) are held at a Mexican financial institution, cash of \$3 (2016- \$19) are held at a US financial institution and the remainder of \$3,573 (2016- \$3,663) and the short-term investment of \$409 (2016- \$3,766) are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. There are trade receivables owed by a customer of \$148, the taxes receivable are comprised of Mexican VAT taxes receivable of \$1,875 and GST receivable of \$36, which are subject to review by the respective tax authority, and \$2,644 related to amount owed from the sale of its San Pedrito Property (note 8).

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves. As at April 30, 2017, the Company was holding cash of \$5,558 (2016 - \$4,248) and short-term investments of \$4,005 (2016 - \$5,742).

Obligations due within twelve months of April 30,	2017	2018	2019	2020	2021 and beyond
Trade and other payables	\$ 2,496	\$ -	\$ -	\$ -	\$ -
Current portion of loan payable	1,646	-	-	-	-
Reclamation and closure obligations	\$ -	\$ -	\$ -	\$ -	\$ 1,347

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.

**April 30, 2017**

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

e) Commodity Risk

Mineral prices and marketability fluctuate and any decline in mineral prices may have a negative effect on the Company. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of minerals which may be produced and sold by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its resources to processing facilities and extensive government regulations related to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company. A 10% decrease or increase in metal prices may result in a decrease or increase of \$2,723 in revenue and net income.

**14. Commitments and related party transactions**

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at April 30, 2017:

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

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

<b>For the</b>	<b>Twelve months ended April 30, 2017</b>	<b>Nine months ended April 30, 2016</b>
Management fees	\$ 958	\$ 624
Legal fees	116	256
Directors fees	187	70
<b>Total</b>	<b>\$ 1,261</b>	<b>\$ 950</b>

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**Starcore International Mines Ltd.**  
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**15. Capital Disclosures**

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

The Company considers the items included in the consolidated statements of changes in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements and there were no changes to the capital management in the year ended April 30, 2017.

**16. Earnings per Share**

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

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

<b>For the periods ended</b>	<b>April 30, 2017</b>	<b>April 30, 2016</b>
Issued common share, beginning of year	<b>49,146,851</b>	<b>37,986,761</b>
Weighted average issuances	-	<b>8,470,313</b>
Basic weighted average common shares	<b>49,146,851</b>	<b>46,457,074</b>
Effect of dilutive warrants and options	-	-
Diluted weighted average common shares	<b>49,146,851</b>	<b>46,457,074</b>

Vested share purchase options totalling 1,348,750 at April 30, 2017 (2016 - 2,846,250) and share purchase warrants totaling Nil (2016 - 139,284) were not included in the computation of diluted earnings per share as the effect was anti-dilutive.

**Starcore International Mines Ltd.****Notes to the Consolidated Financial Statements****(in thousands of Canadian dollars unless stated otherwise)****April 30, 2017****17. Segmented Information**

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

	Mexico			Canada	USA	April 30, 2017 Total
	Bernal	Altiplano	Total			
Revenue						
Mined Ore	\$ 24,642	\$ -	\$ 24,642	\$ -	\$ -	\$ 24,642
Purchase Concentrate	418	2,168	2,586	-	-	2,586
Cost of sales:						
Mined Ore	(18,641)	-	(18,641)	-	-	(18,641)
Purchase Concentrate	(287)	(1,864)	(2,151)	-	-	(2,151)
Depreciation	(5,360)	(250)	(5,610)	-	-	(5,610)
Earnings (loss) from operations	772	54	826	-	-	826
Corporate costs and taxes	3,302	(308)	2,994	(3,707)	(19)	(732)
Sale of San Pedrito	7,128	-	7,128	-	-	7,128
Earnings (loss) for the period	11,202	(254)	10,948	(3,707)	(19)	7,222
Mining interest, plant and equipment	45,899	6,777	52,676	245	-	52,921
Non-Current Assets	47,559	8,804	56,363	6,186	1,937	64,486
Total assets	61,401	11,165	72,566	7,559	1,971	82,096
						<b>April 30, 2016</b>
						<b>Total</b>
Revenue	\$ 20,326	\$ -	\$ 20,326	\$ -	\$ -	\$ 20,326
Cost of sales:						
Mined Ore	(14,093)	-	(14,093)	-	-	(14,093)
Depreciation	(4,714)	-	(4,714)	-	-	(4,714)
Earnings (loss) from operations	1,519	-	1,519	-	-	1,519
Corporate costs and taxes	(786)	(367)	(1,153)	(2,781)	(29)	(3,963)
Earnings (loss) for the period	4,020	(367)	3,653	(3,429)	(29)	195
Mining interest, plant and equipment	50,037	6,327	56,364	254	-	56,618
Non-Current Assets	54,996	6,327	61,323	3,045	260	64,628
Total assets	64,762	7,113	71,875	5,180	1,852	78,907



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

**April 30, 2017**

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

During the periods ended April 30, 2017 and 2016, the Company earned all of its revenues from one customer. As at April 30, 2017, the Company does not consider itself to be economically dependent on this customer as transactions with this party can be easily replaced by transactions with other parties on similar terms and conditions. The balance owing from this customer on April 30, 2017 was \$148 (2016 - \$Nil).

**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:

<b>For the periods ended</b>	<b>April 30, 2017</b>	<b>April 30, 2016</b>
(Loss) Earnings before income taxes	\$ 4,361	\$ (2,444)
Canadian statutory income tax rate	26%	26%
Income tax expense (recovery) at statutory rate	1,134	(635)
Difference from higher statutory tax rates on earnings of foreign subsidiaries	-	(310)
Permanent Difference	(1,286)	(1,773)
Effect of Mexican mining royalty tax (SMD) on deferred income tax liabilities	(3,568)	(361)
Recognition of previously unrecognized non-capital loss carry forward and other deductible tax benefits	859	440
<b>Income tax (recovery) expense</b>	<b>\$ (2,861)</b>	<b>\$ (2,639)</b>

The Company's statutory rate is 26% for the year ended April 30, 2017 (2016 - 26%). The significant components of the Company's deferred income tax assets and liabilities are as follows:

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

**April 30, 2017**

**18. Income Taxes – (cont’d)**

	April 30, 2017	April 30, 2016
Deferred income tax assets (liabilities):		
Mining interest, plant and equipment	\$ (7,805)	\$ (7,288)
Payments to defer	(31)	(527)
Insurance	(14)	(4)
Reclamation and closure costs provision	1,018	960
Exploration assets	(346)	-
Expenses reserve	146	131
Pension-fund reserve	121	76
Deferred mining tax	(1,670)	(2,004)
Non-capital losses and other deductible tax benefits	4,982	1,680
Sale on San Pedrito	(2,138)	
Other	(723)	93
Deferred income tax liabilities, net	\$ (6,460)	\$ (6,883)

At April 30, 2017, the Company has tax losses of approximately \$6,282 (2016- \$11,894) in Canada and \$4,307 (2016- \$12,439) in Mexico available for carry-forward to reduce future years’ taxable income, expiring between 2026 and 2037 in Canada. In addition, the Company has tax resource pools and other deductible amounts available of \$12,320 (2016- \$5,259), amortizable at various rates from 100% to 10% without expiry. Deferred income tax assets have been recognized only to the extent the Company believes it is probable they will be utilized in the future.

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

**Mexico Tax Reform**

During December 2013, the 2014 Tax Reform (the “Tax Reform”) was published in Mexico’s official gazette with changes taking effect January 1, 2014. The Tax Reform included the implementation of a 7.5% Special Mining Duty (“SMD”) and a 0.5% Extraordinary Mining Duty (“EMD”). The Company has taken the position that SMD is an income tax under IAS 12 *Income tax*, as it is calculated based on a form of earnings before income tax less certain specified costs. The EMD is a calculation based on gross revenue and is therefore not considered an income tax. Both the SMD and EMD will be deductible for income tax purposes.

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.



**“Our aim is to be the preferred choice of investment when recommending a company who invests in social good, sustainable initiatives and gold mining in Mexico”**

**Robert Eadie  
President and CEO**

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