



MANAGEMENT DISCUSSION & ANALYSIS

For the period ended January 31, 2014

Directors and Officers as at March 3, 2014:

Directors:

Gary Arca
Serge Depatie
Robert Eadie
Jordan Estra
Dave Gunning
Michael Gunning
Cory Kent
Ken Sumanik
Federico Villaseñor

Officers:

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

Contact Name: Gary Arca

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TSX Symbol: SAM

Form 51-102-F1

STARCORE INTERNATIONAL MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Period Ended January 31, 2014

1. Date of This Report

This MD&A is prepared as of March 3, 2014.

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited condensed interim consolidated financial statements of Starcore International Mines Ltd. (“Starcore”, or the “Company”) for the period ended January 31, 2014. **Monetary amounts throughout this MD&A are shown in thousands of Canadian dollars, unless otherwise stated.**

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

2. Overall Performance

Description of Business

Starcore is engaged in exploring, extracting and processing gold and silver through its wholly-owned subsidiary, Compañía Minera Peña de Bernal, S.A. de C.V. (“Bernal”), which owns the San Martin mine in Queretaro, Mexico. The Company is a public reporting issuer on the Toronto Stock Exchange (“TSX”). The Company is also engaged in owning, acquiring, exploiting, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company has interests in properties which are exclusively located in Mexico.

Recent Events

The Company announced production results for the calendar year ending December 31, 2013, at its San Martin Mine in Queretaro, Mexico whereby a total of 306,941 tonnes was milled at an average grade of 2.66 g/t gold and 24 g/t silver resulting in the production of 24,425 gold equivalent ounces. This represents an increase in production of 27% from the previous year.

Mill recoveries improved from last year and averaged 84.75% for gold and 54% for silver. Silver recoveries returned to the typical rates during the year, and the gold recovery improved from the 78% achieved in 2012.

David Gunning, P.Eng., a director of the Company and Chief Operating Officer, is the Company's qualified person on the project as required under NI 43-101 and has approved the technical information contained in the above production results.

The Company also reports on the results of its Annual General Meeting of Shareholders held on January 28, 2014:

1. The following individuals were elected as directors of the Company: Robert Eadie (Executive Chairman, President & Chief Executive Officer), Gary Arca (Chief Financial Officer), David Gunning (Chief Operating Officer), Cory Kent (Corporate Secretary), Ken Sumanik, Federico Villaseñor, Jordan Estra, Serge Depatie and Michael Gunning;
2. Deloitte LLP, Chartered Accountants, was reappointed auditor of the Company;
3. The Shareholder Rights Plan was approved;
4. The Advance Notice Policy was approved; and
5. The proposal to continue the Company's 20% rolling stock option plan did not receive the required shareholder approval. "We have heard what our shareholders have said and are listening," said Robert Eadie, President & CEO of the Company.

The Company also reported that preparations are underway for the commencement of the 2014 drill program to explore for and expand its San Martin resources.

The focus for the 2014 program will be to assess areas outside of the immediate mine area where isolated drilling in the past has indicated mineralized structures that have yet to be followed up. A 5000-metre drill program is planned for 2014.

Permitting will commence once drillhole sites are finalized.

At the conclusion of the prior year's drill program, the Company reviewed the results of the program against the backdrop of its principal objective for 2013 which was to discover gold / silver mineralization in a new structure immediately west of the San Martin – San Jose mineralized trend, close to existing underground infrastructure. Any such new zones could then be quickly added to the known reserves. As a result of the drill program it is now known that the rock units situated immediately west of the mine area are host rocks unfavourable for the types of mineralization in the mine. No further work is recommended in this area at this time.

Gary Woods, P.Geo., Exploration Manager, Starcore's qualified person, has reviewed the contents of this release for accuracy as it relates to the report on the 2013 and 2014 drill programs, and has approved this press release on behalf of Starcore.

3. Selected Annual Information

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

	July 31, 2013		July 31, 2012		July 31, 2011	
Revenues	\$	30,246	\$	57,039	\$	39,465
Cost of Sales		(21,948)		(35,349)		(25,511)
Earnings from mining operations		8,298		21,690		13,954
Administrative Expenses		(4,245)		(3,854)		(15,770)
Income tax recovery (expense)		649		(3,501)		(2,361)
Total earnings (loss)						
(i) Total earnings (loss)	\$	4,702	\$	14,335	\$	(4,177)
(ii) Earnings (loss) per share – basic	\$	0.03	\$	0.11	\$	(0.05)
(iii) Earnings (loss) per share – diluted	\$	0.03	\$	0.10	\$	(0.05)
Total assets	\$	59,537	\$	56,191	\$	53,405
Total long-term liabilities	\$	11,897	\$	10,871	\$	18,347

4. Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes attached thereto for the period ended January 31, 2014.

4.1 San Martín Mine, Queretaro, Mexico

Reserves

The San Martin Mine, an ISO 9001 certified facility located approximately 50km east of the City of Queretaro, State of Queretaro, Mexico, consists of mining concessions covering 12,992 hectares and includes seven underground mining units and four units under exploration, as well as an additional property, San Pedrito, located 50 km west of San Martin. Luismin (now “Goldcorp Mexico”) operated the mine from 1993 to January, 2007 when it was purchased by Starcore, who has been mining at San Martin at a rate of approximately 275,000/tonnes per year. Starcore expects to continue to operate the mine over an expected mine life of at least 6 years based on the current expected conversion of known resources and exploration is able to maintain approximately two to three years proven and probable reserves replacing those mined with new reserves. The Company has filed on SEDAR results for a Reserve estimate for its San Martin Mine in Queretaro, Mexico based on data available on July 31, 2013 and dated October 8, 2013.

The results of the July 31, 2013 estimate were Proven and Probable reserves totalling 705,998 tonnes at a grade of 2.53 g Au/t and 23.6 g Ag/t. In addition to the Proven and Probable Reserves, an Inferred Mineral Resource is estimated as of July 31, 2013 at 1,005,000 tonnes at an approximate grade of 2.17 g Au/t and 20 g Ag/t. Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and have not demonstrated economic viability.

The estimate was prepared by mine staff in compliance with NI 43-101. David R. Gunning, P. Eng. who is a qualified person as defined by NI 43-101 has verified all information used for the estimate.

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

- Total mining costs of \$US70 per metric tonne, a gold price of US\$1,300 and silver price of US\$22,
- Metal Recoveries of 87% for gold and 50% for silver,
- Resultant cut-off grade of 2.0 grams per tonne gold equivalent,
- Mining dilution of between 10% and 30% depending on the structure,
- Specific Gravity of 2.6.

The ratio of Probable to Proven Reserves is roughly 1.4:1 and in total there is 66,520 contained gold equivalent ounces. In the fiscal year ended July 31, 2013, San Martin milled 307,342 tons since the last resource estimate at an average grade of 2.35g/t gold and 21 g/t silver. The proven and probable reserves outlined above are adequate for over 2 additional years of production.

In comparison to the reserves estimated in 2012, this year's estimate has resulted in a modest increase in tonnage by 8% and a slight increase in equivalent ounces, both of which occurred while milling 263,000 tonnes from the reserve area. When put in perspective, the mine exploration team is more than replacing the reserves on a year by year basis.

As of July 31, 2013, reserves and resources at San Martin as reported in “RESERVES AND RESOURCES IN THE SAN MARTIN MINE, MEXICO AS OF JULY 31, 2013”, dated October 8, 2013, prepared by David R. Gunning, P. Eng.. (the “Technical Report”), as filed on SEDAR and available on the Company website www.starcore.com were as follows:

Classification	Tonnes (000's)	Gold (g/t)	Silver (g/t)	Gold (000's of oz)	Silver (000's of oz)	Gold Equiv. (000's of oz)
Reserve:						
San Martin Mine						
Proven	334	2.40	25	25.8	268.5	30.9
Probable	372	2.61	22	31.2	263.2	35.6
Total Reserve	706			57.0	531.7	66.5
Resource:						
San Martin Mine						
Inferred	1,005	2.17	20	70.1	646.3	80.8

- Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability.
- A 60:1 silver to gold equivalency ratio was used to calculate gold equivalent ounces.

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

Production

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

(Unaudited)	Unit of measure	Actual results for 3 months ended January 31, 2014	Actual results for 6 months ended January 31, 2014	Actual results for 12 months ended July 31, 2013
Mine production of gold in dore	thousand ounces	5.6	11.9	18.2
Mine production of silver in dore	thousand ounces	27.8	65.5	110
Total mine production – equivalent ounces	thousand ounces	6.0	12.9	20.1
Silver to Gold equivalency ratio		62:1	61:1	57:1
Mine Gold grade	grams/tonne	2.55	2.71	2.36
Mine Silver grade	grams/tonne	21.27	24.12	21.0
Mine Gold recovery	percent	86.9%	87.6%	77.9%
Mine Silver recovery	percent	51.7%	54.3%	53.7%
Milled	thousands of tonnes	78.5	155.5	307.3
Mine development, preparation and exploration	meters	1,620	3,387	7,838
Mine operating cash cost per tonne milled	US dollars/tonne	55	56	55
Mine operating cash cost per equivalent ounce	US dollars/ounces	718	670	844
Number of employees and contractors at minesite		321	321	317

During the quarter ended January 31, 2014, the mill operated at a rate of approximately 845 milled tonnes/calendar day. Gold and silver grades in the current quarter were 2.55 g/t and 21.27 g/t, respectively, compared to prior quarter grades of 2.89 g/t and 27.0g/t. Overall equivalent gold production from the mine of 6,000 ounces was lower than the previous quarter production of 6,900 due to decrease in gold and silver recoveries, despite higher overall production tonnage of 78,500 tonnes compared to 77,000 tonnes last quarter. The recoveries and ore grades for gold were generally higher than the average for the year ended July 31, 2013, resulting in higher equivalent gold production than the 5,000 ounces per quarter averaged for the July 31, 2013 year.

Production cash costs of the mine for the current quarter were US\$718/EqOz. This was higher than the previous quarter amount of US\$628/EqOz. due mainly to lower recoveries and related equivalent ounce production. These costs were still much lower than the prior year average of US\$844/EqOz due to the much higher recoveries and better ore grades in this period. Operating cash costs of US\$55/t, decreased from the prior quarter's US\$56/t and were on par with the twelve months ended July 31, 2013 of US\$55/t. The mine plan has been developed to ensure the mine is properly developed and mined so as to ensure a constant supply of ore in accordance with currently planned production capacity and ore grades. Changes to the plan that may involve increased production and capital investment is continually being assessed by management. Currently, the Company is continuing underground exploration in order to identify higher grade ore zones and has allocated an adequate budget to support year-long exploration, exceeding 11,000 metres of exploration drilling for the 2014 calendar year.

During the quarter ended January 31, 2014, the Company incurred approximately US\$1,132 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\$1,411 in the prior quarter.

4.2 Property Activity

San Martin properties – Queretaro, Mexico

The San Martin mine properties are comprised of mining concessions covering 12,992 hectares, including the San Pedrito property located approximately 50km west of the San Martin mine. In addition to the ongoing mine exploration and development that is currently being performed in development of the mine, management is continually assessing the potential for further exploration and development of the San Martin properties and continually modifying the exploration budget accordingly. The mine operates three underground drill rigs to provide information to assist with mine planning in addition to exploration, with the intent of increasing the reserves and resources on the property, and the Company has budgeted approximately 11,000 metres of underground exploration drilling in calendar 2013.

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

4.3 Results of Operations

The Company recorded earnings for the period ended January 31, 2014 of \$3,896 as compared with \$1,973 for the period ended January 31, 2013. The details of the Company's operating results and related revenues and expenses are as follows:

For the period ended January 31,	2014	2013	Variance
Revenues			
Mined ore	\$ 17,127	\$ 13,714	\$ 3,413
Cost of Sales			
Mined ore	(11,622)	(10,097)	(1,525)
Earnings from mining operations	5,505	3,617	1,888
Financing costs	(243)	(736)	493
Foreign exchange gain	782	200	582
Professional and consulting fees	(239)	(110)	(129)
Management fees and salaries	(883)	(609)	(274)
Office and administration	(818)	(446)	(373)
Shareholder relations	(163)	(134)	(29)
Write-down for obsolete equipment and impairment	(121)	(40)	(81)
Earnings before taxes	3,820	1,742	2,078
Income tax recovery	76	231	(155)
Earnings for the period	\$ 3,896	\$ 1,973	\$ 1,923

Overall, revenue increased from mill production to \$17.1 million from \$13.7 million in the prior comparable period due to the higher metal production and due to higher gold and silver recovery in the current period compared to the prior comparable period. Cost of sales increased comparatively as production increased in the current period. The combination of higher metal production and lower costs increased the earning from mining operations by \$1.8 million. As a percentage of mined ore revenue, earning from mining operations increased to 32% of mined ore revenue compared to 26% in the comparative period.

Sales of metals produced by the milled ore from the mine for the period ended January 31, 2014 approximated 11,688 ounces of gold and 66,128 ounces of silver sold at average prices in the period of US\$1,289 and US\$21 per ounce, respectively. This is a significant increase in sale ounces from the comparative period ended January 31, 2013 where sales of metal approximated 7,232 ounces of gold and 46,303 ounces of silver, albeit sold at higher average prices of US\$1,666 and US\$31 per ounce, respectively. This higher overall revenues, despite the reduced price of gold for the current period, was mainly due to dramatically improved recovery rates in the period over the period ended January 31, 2013, at which time the Company was in the process of resolving issues caused by carbonaceous ore. This carbonaceous ore issue, which resulted in reduced quantities available for sale, was rectified by the second quarter of the prior year and as a result, the Company's production quantities and sales have recovered to normal levels.

The cost of sales above includes non-cash expenses for depreciation and depletion of \$3,013, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves and a percentage of inferred resources in accordance with the Company's policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management.

The period of operations to January 31, 2014, produced earnings from mine operations of \$5,505 compared to \$3,617 for the period ended January 31, 2013. As discussed above, average gold ore grades of 2.71 g/t and silver ore grades of 24.12 g/t for the period ended January 31, 2014 were significantly better as compared to the January 31, 2013

period where grades averaged 2.1 g/t and 17 g/t, respectively. The combination of higher recoveries of 87.6% for gold and 54.3% for silver, despite a lower metal price per ounce, resulted in substantially higher production and revenue as compared to the prior year.

Costs for the period ended January 31, 2014 were much lower at an average operating cash cost of US\$670/EqOz. compared to an average operating cash cost of US\$980/EqOz. during the period ended January 31, 2013. Despite the lower average operating cash cost, mined ore costs increased by \$1,525 to \$11,622 during the period ending January 31, 2014 compared to \$10,097 during the period ending January 31, 2013. The increase directly correlates to higher metal production of 12,900 EqOz. during the current period compared to 8,700 EqOz. in the prior comparable period. Also included in mined ore costs in the current period ended January 31, 2014 is non-cash stock based compensation expense of \$16 and depreciation of \$3,013 compared to \$35 and \$1,759, respectively, for the period ended January 31, 2013. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant.

Other Items

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

- Financing costs for the period decreased by \$493 to \$243 due to repayment of the Loan Facility in August, 2013. Financing costs for this period include the Company's interest on the Loan of \$33, unwinding of the discount on the Loan of \$104, legal fees on the settlement of the Loan of \$78 and reclamation and closure costs of \$19;
- Management fees and salaries increased by \$274 to \$883. Included in management fees and salaries is a non-cash, stock based compensation expense to management and to the members to the Company's technical advisory committee of \$205 in the comparative period, compared to \$52 in the current period.. Current year Management fees and salaries increased mainly due to \$300 in bonuses to management which were not paid in the comparative period;
- Foreign exchange gain increased by \$582 to a gain of \$782 for the period ended January 31, 2014 due to the weakening of the MXN peso in relation to the US\$, the functional currency of the mining operations;
- Income tax recovery change of \$155 includes non-cash adjustments at the consolidation of the entities to account for differences between the tax and the accounting base of assets and liabilities. Taxes payable by the Company are subject to Mexican tax laws which are changing. These estimates reflect the best estimate of tax liability by the Company based on the existing interpretation of these laws;

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 January 31,	Sustaining Costs (in 000's)		Sustaining Costs Per Ounce (in \$/oz)	
	2014	2013	2014	2013
Total cost of sales cash costs ¹	\$ 8,609	\$ 8,338	\$ 673	\$ 1,053
Total corporate and administration cash costs ²	2,346	2,035	184	257
Foreign exchange (gain) loss	(782)	(200)	(61)	(25)
Reclamation and closure accretion	122	83	10	10
Sustaining capital expenditures and exploration	3,415	1,735	267	219
All-in sustaining cash costs	13,710	11,991	1,073	1,514
Foreign exchange adjustment	(689)	(84)	(53)	(10)
All-in sustaining USD cash costs	\$ 13,021	\$ 11,907	\$ 1,020	\$ 1,504
Total equivalent ounces sold	12,768	7,920		

¹ Excludes non-cash depletion of \$3,013 for the period ended January 31, 2014 (2013: \$1,759) and includes non-cash share-based compensation of \$16 (2013: \$35).

² Includes non-cash share-based compensation of \$126 for the period ended January 31, 2014 (2013: \$205).

Cash Flows

Cash flows from operating activities were \$6,941 during the period ended January 31, 2014, compared to \$6,992 for the period ended January 31, 2013. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Overall cash decreased during the six months ended January 31, 2014 by \$1,512 due to the purchase of short term investments and to the repayment of the Loan Facility.

Investor Relations Activities

During the period ended January 31, 2014, the Company responded directly to investor inquiries.

Financings, Principal Purposes & Milestones

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

5. Summary of Quarterly Results

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

	Q1 31-Jan-14	Q1 31-Oct-13	Q4 31-Jul-13	Q3 30-Apr-13
Total Revenue	\$ 8,378	\$ 8,749	\$ 9,660	\$ 6,872
Earnings from mining operations	\$ 2,388	\$ 3,117	\$ 2,356	\$ 2,325
Earnings	\$ 1,600	\$ 2,296	\$ 1,212	\$ 1,517
Per share – basic	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.01
Per share – diluted	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.01

	Q2 31-Jan-13	Q1 31-Oct-12	Q4 31-Jul-12	Q3 30-Apr-12
Total Revenue	\$ 7,233	\$ 6,481	\$ 7,626	\$ 13,989
Earnings from mining operations	\$ 2,366	\$ 1,251	\$ 3,877	\$ 4,972
Earnings (loss)	\$ 2,319	\$ (346)	\$ 3,499	\$ 4,172
Per share – basic	\$ 0.02	\$ (0.00)	\$ 0.02	\$ 0.03
Per share – diluted	\$ 0.02	\$ (0.00)	\$ 0.02	\$ 0.03

Discussion

The Company reports income for the quarter of \$1,600 compared to earnings of \$2,319 in the comparative quarter ended January 31, 2013. For more detailed discussion on the quarterly production results and financial results for the quarter ended January 31, 2014, please refer to *Sections 4.1 and 4.3 under “Results of Operations”*.

6. Liquidity, Commitments

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

As at January 31, 2014, the Company had the following commitments:

- a) As at January 31, 2014, the Company has shared lease commitments for office space, of \$107 until February 2015, which included minimum lease payments, and estimated taxes, but excluded operating costs, to expiry.
- b) As at January 31, 2014, the Company has management contracts to officers and directors totaling \$600 per year, payable monthly, expiring in January 2017.
- c) As at January 31, 2014, the Company has a land lease agreement commitments with respect to the land at the mine site, for \$96 per year until June 2016.
- d) The Company had secured an \$11 million credit facility with Sprott Resource Lending. The outstanding principal balance, net of its discount at July 31, 2013 was \$3,479. On August 30, 2013, the Company paid the remaining \$3,583 of the Facility, settling its obligation in full rendering the Company free of debt.
- e) Obligations due within twelve months of January 31:

	2014	2014-2016	2017 and beyond
Trade and other payables	\$ 2,139	\$ -	\$ -
Rehabilitation and closure cost provision	-	-	1,711
Other long-term liabilities	-	-	424

7. Capital Resources

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of \$45,929 as at January 31, 2014. The Company is committed to further expenditures of capital required to maintain and to further develop the San Martin mine which management believes will be funded directly from the operating cash flows of the mine.

8. Off Balance Sheet Arrangements

The Company has no off balance sheet transactions.

9. Transactions with Related Parties

There were no material reportable related party transactions.

10. Second Quarter

Due to mine operating activity of the San Martin mine discussed throughout this MD&A and as detailed in Section 4.1, the operations and activities are similar to previous quarters (see section 5).

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 next financial year are discussed below:

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

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

b) Rehabilitation Provisions

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

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

c) 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.

d) Share-Based Payment Transactions

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

13. Changes in Accounting Policies

N/A

14. Financial and Other Instruments

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

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

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At January 31, 2014 the Company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos:

	In '000 of CDN Dollars		In '000 of Mexican Pesos (MP)
Cash and cash equivalents	\$ 289	MP	20,473
Other working capital amounts – net	\$ 69	MP	(4,098)
Long-term Liabilities	\$ -	MP	5,094

At January 31, 2014, US dollar amounts were converted at a rate of \$1.11 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP13.36 to \$1 US Dollar.

15. Other

15.1 Disclosure of Outstanding Share Capital as at March 3, 2013

	Number	Book Value
Common Shares	143,515,465	\$43,779

The following is a summary of changes in options from August 1, 2013 to March 3, 2013:

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		
11/09/09	11/09/14	\$0.15	6,000,000	-	(125,000)	(60,000)	5,815,000	5,815,000
01/10/10	01/10/15	\$0.21	1,000,000	-	-	-	1,000,000	1,000,000
03/26/10	03/26/15	\$0.15	400,000	-	-	-	400,000	400,000
05/06/11	05/06/16	\$0.15	190,000	-	-	(20,000)	170,000	170,000
01/16/12	01/16/17	\$0.20	400,000	-	-	-	400,000	400,000
01/27/12	01/27/17	\$0.25	1,940,000	-	-	-	1,940,000	1,940,000
04/13/12	04/13/17	\$0.37	3,250,000	-	-	-	3,250,000	3,250,000
08/22/13	08/22/18	\$0.20	-	275,000	-	-	275,000	91,667
08/22/13	08/22/18	\$0.25	-	800,000	-	-	800,000	266,667
09/06/13	09/06/18	\$0.23	-	200,000	-	-	200,000	66,667
09/12/13	09/12/18	\$0.25	-	200,000	-	-	200,000	66,667
01/15/14	01/15/19	\$0.22	-	4,170,000	-	-	4,170,000	-
			13,180,000	5,645,000	(125,000)	(80,000)	18,620,000	13,120,000
Weighted Average Exercise Price			\$0.23	\$0.22	\$0.15	\$0.15	\$0.23	\$0.23

At March 3, 2014, there were no warrants outstanding.

15.2 Disclosure Controls and Procedures

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

Internal Controls Over Financial Reporting

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

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

There has been no change in the Company's internal control over financial reporting during the Company's period ended January 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

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