

**Starcore International Mines Ltd.**

**Condensed Interim Consolidated Financial Statements**

**For the three months ended October 31, 2013**

**(Unaudited)**

**NOTICE TO READER OF THE UNAUDITED CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

The unaudited condensed interim consolidated financial statements for the three months ended October 31, 2013 have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed or audited by the Company's auditors.

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

<b>As at</b>	<b>October 31, 2013</b>	<b>July 31, 2013</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 6,748	\$ 5,638
Short-term investments (note 3)	1,463	2,710
Amounts receivable (note 4)	1,907	1,979
Inventory (note 5)	2,065	1,689
Prepaid expenses and advances	1,149	2,425
<b>Total Current Assets</b>	<b>13,332</b>	<b>14,441</b>
<b>Non-Current</b>		
Mining interest, plant and equipment (note 6)	42,671	42,078
Deferred tax assets	3,246	3,018
<b>Total Non-Current Assets</b>	<b>45,917</b>	<b>45,096</b>
<b>Total Assets</b>	<b>\$ 59,249</b>	<b>\$ 59,537</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	\$ 1,871	\$ 1,936
Loan payable (note 7)	-	3,479
<b>Total Current Liabilities</b>	<b>1,871</b>	<b>5,415</b>
<b>Non-Current</b>		
Rehabilitation and closure cost provision (note 8)	1,074	1,053
Deferred tax liabilities	10,704	10,420
Other long-term liabilities (note 9)	424	424
<b>Total Non-Current Liabilities</b>	<b>12,202</b>	<b>11,897</b>
<b>Total Liabilities</b>	<b>\$ 14,073</b>	<b>\$ 17,312</b>

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

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

<b>As at</b>	<b>October 31, 2013</b>	<b>July 31, 2013</b>
<b>Equity</b>		
Share capital (note 10)	\$ 43,752	\$ 43,752
Equity reserve	10,821	10,754
Foreign currency translation reserve	(1,954)	(2,542)
Accumulated deficit	(7,443)	(9,739)
<b>Total Equity</b>	<b>45,176</b>	<b>42,225</b>
<b>Total Liabilities and Equity</b>	<b>\$ 59,249</b>	<b>\$ 59,537</b>

Commitments (notes 10 and 12)

Approved by the Directors:

"Robert Eadie" Director

"Gary Arca" Director

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

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

<b>For the three months ended October 31,</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>		
Mined ore	\$ 8,749	\$ 6,481
<b>Cost of Sales</b> (notes 5 and 10)		
Mined ore	(5,632)	(5,230)
<b>Earnings from mining operations</b>	<b>3,117</b>	1,251
Financing costs (net) (note 7)	(226)	(427)
Foreign exchange gain (loss)	11	(47)
Professional and consulting fees	(81)	(53)
Management fees and salaries (note 10)	(284)	(455)
Office and administration (note 10)	(340)	(226)
Shareholder relations (note 10)	(64)	(78)
Write-down for obsolete equipment	(119)	-
<b>Earnings (loss) before taxes</b>	<b>2,014</b>	(35)
<b>Income tax recovery (expense)</b>	<b>282</b>	(311)
<b>Earnings (loss) for the period</b>	<b>2,296</b>	(346)
<b>Other comprehensive income</b>		
Foreign currency translation differences	588	543
<b>Comprehensive income for the period</b>	<b>\$ 2,884</b>	\$ 197
<b>Basic earnings per share</b> (note 15)	<b>\$ 0.02</b>	\$ (0.00)
<b>Diluted earnings per share</b> (note 15)	<b>\$ 0.02</b>	\$ (0.00)

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

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

<b>For the three months ended October 31,</b>	<b>2013</b>	<b>2012</b>
<b>Cash provided by</b>		
<b>Operating activities</b>		
Earnings (loss) for the period	\$ 2,296	\$ (346)
Items not involving cash:		
Depreciation and depletion	1,541	799
Share-based compensation (note 10)	67	295
Interest revenue	(8)	-
Interest on long-term debt (note 7)	33	203
Unwinding of discount on long-term debt (note 7)	104	184
Legal fees paid on financing settlement (note 7)	78	-
Employee profit sharing provision (note 9)	-	165
Rehabilitation and closure cost accretion (note 8)	20	40
Write-down for obsolete equipment	119	-
Income tax (recovery) expense	(282)	311
Change in non-cash working capital items		
Prepaid expenses and advances	1,276	20
Amounts receivable	101	(328)
Inventory	(349)	16
Trade and other payables	121	659
<b>Cash provided by operating activities</b>	<b>5,117</b>	<b>2,018</b>
<b>Financing activities</b>		
Share issuances	-	16
Repayment of loan payable	(3,583)	(2,750)
Interest paid	(33)	(203)
Financing costs	(78)	-
<b>Cash outflows for financing activities</b>	<b>(3,694)</b>	<b>(2,937)</b>
<b>Investing activities</b>		
Purchase of short-term investments	(1,395)	-
Sale of short-term investments	2,700	1,600
Interest received	10	12
Purchase of mining interest, plant and equipment	(1,465)	(838)
<b>Cash outflows for investing activities</b>	<b>(150)</b>	<b>774</b>
<b>Total increase (decrease) in cash</b>	<b>1,273</b>	<b>(145)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(163)</b>	<b>143</b>
<b>Cash, beginning of period</b>	<b>5,638</b>	<b>1,675</b>
<b>Cash, end of period</b>	<b>\$ 6,748</b>	<b>\$ 1,673</b>

Non-cash transactions - note 10

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

**Starcore International Mines Ltd.****Condensed Interim Consolidated Statements of Changes in Equity for the three months ended October 31, 2013 and 2012**

(in thousands of Canadian dollars, except for number of shares)

(Unaudited)

	Number of Shares Outstanding	Share Capital	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total
Balance, July 31, 2012	139,796,651	\$ 43,053	\$ 10,620	\$ (3,294)	\$ (14,441)	\$ 35,938
Issued for cash pursuant to:						
Exercise of warrants - at \$0.15	52,500	10	(2)	-	-	8
Exercise of agent warrants - at \$0.25	32,000	11	(3)	-	-	8
Share-based compensation	-	-	295	-	-	295
Foreign currency translation	-	-	-	543	-	543
Loss for the period	-	-	-	-	(346)	(346)
Balance, October 31, 2012	139,881,151	43,074	10,910	(2,751)	(14,787)	36,446
Issued as a bonus on financing - at \$0.25	300,000	75	-	-	-	75
Issued for cash pursuant to:						
Exercise of warrants - at \$0.15	3,209,314	603	(122)	-	-	481
Share-based compensation	-	-	(34)	-	-	(34)
Foreign currency translation	-	-	-	209	-	209
Earnings for the period	-	-	-	-	5,048	5,048
Balance, July 31, 2013	143,390,465	43,752	10,754	(2,542)	(9,739)	42,225
Share-based compensation	-	-	67	-	-	67
Foreign currency translation	-	-	-	588	-	588
Earnings for the period	-	-	-	-	2,296	2,296
<b>Balance, October 31, 2013</b>	<b>143,390,465</b>	<b>\$ 43,752</b>	<b>\$ 10,821</b>	<b>\$ (1,954)</b>	<b>\$ (7,443)</b>	<b>\$ 45,176</b>

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

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

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**October 31, 2013**

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

**2. Basis of Preparation****a) Statement of Compliance**

These unaudited condensed interim 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”). These condensed interim consolidated financial statements, for the three month period ended October 31, 2013, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, and do not include all of the information required for full annual financial statements.

These condensed interim financial statements should be read in conjunction with the Company’s 2013 annual financial statements.

The financial statements were authorized for issue by the Board of Directors on December 10, 2013.

**b) Basis of Measurement**

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of held-for-trading financial assets and other financial liabilities.

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 judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 of the Company’s July 31, 2013 yearend consolidated financial statements.



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

**October 31, 2013**

**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, Compañía Minera Peña de Bernal, S.A. de C.V. (Mexico), SAM Servicios Administrativos Mineros, S.A. de C.V. (Mexico), Eucan Minas, S.A. de C.V, Norma Mines Limited, and Minas Vallarta Resources Ltd. carry out their operations in Mexico and 1794598 Ontario Inc. (Canada) operates in Canada.

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

**3. Short-term Investments**

At October 31, 2013, the Company held a Guaranteed Investment Certificate ("GIC") denominated in United States Dollars ("USD") with a market value of \$1,463, earning interest income at 0.2% per annum and maturing on November 5, 2014. This GIC is cashable at the Company's option and is considered to be highly liquid. The Company's short-term investments are held at one financial institution and as such the Company is exposed to the risks of that financial institution.

**4. Amounts Receivable**

	<b>October 31, 2013</b>	July 31, 2013
Taxes receivable	\$ 1,739	\$ 1,741
Trade receivables	149	150
Other	19	88
	<b>\$ 1,907</b>	<b>\$ 1,979</b>

**5. Inventory**

	<b>October 31, 2013</b>	July 31, 2013
Carrying value of inventory:		
Doré	\$ 985	\$ 717
Work-in-process	194	139
Stockpile	162	127
Supplies	724	706
	<b>\$ 2,065</b>	<b>\$ 1,689</b>
<b>For the three months ended October 31,</b>	<b>2013</b>	2012
Inventory included in cost of sales	<b>\$ 4,131</b>	\$ 4,438

**Starcore International Mines Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**(Unaudited)**

**October 31, 2013**

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

	<b>Mining Interest</b>	<b>Plant and Equipment</b>	<b>Corporate Office Equipment</b>	<b>Total</b>
<b>Cost</b>				
Balance, July 31, 2012	\$ 45,978	\$ 10,956	\$ 243	\$ 57,177
Additions	2,819	927	82	3,828
Write-down of equipment	-	(246)	-	(246)
Change in ARO assumptions	(586)	-	-	(586)
Effect of foreign exchange	1,147	48	-	1,195
Balance, July 31, 2013	49,358	11,685	325	61,368
Additions	870	595	-	1,465
Write-down of equipment	-	(243)	-	(243)
Effect of foreign exchange	768	416	-	1,184
<b>Balance, October 31, 2013</b>	<b>\$ 50,996</b>	<b>\$ 12,453</b>	<b>\$ 325</b>	<b>\$ 63,774</b>
<b>Depreciation</b>				
Balance, July 31, 2012	\$ 10,160	\$ 3,749	\$ 208	\$ 14,117
Depreciation for the year	4,144	827	31	5,002
Write-down of equipment	-	(133)	-	(133)
Effect of foreign exchange	330	(26)	-	304
Balance, July 31, 2013	14,634	4,417	239	19,290
Depreciation for the year	1,291	240	10	1,541
Write-down of equipment	-	(124)	-	(124)
Effect of foreign exchange	195	201	-	396
<b>Balance, October 31, 2013</b>	<b>\$ 16,120</b>	<b>\$ 4,734</b>	<b>\$ 249</b>	<b>\$ 21,103</b>
<b>Carrying amounts</b>				
Balance, July 31, 2013	\$ 34,724	\$ 7,268	\$ 86	\$ 42,078
<b>Balance, October 31, 2013</b>	<b>\$ 34,876</b>	<b>\$ 7,719</b>	<b>\$ 76</b>	<b>\$ 42,671</b>

**7. Loan Payable**

During the year ended July 31, 2012, the Company secured an \$11 million credit facility (the "Facility") with Sprott Resource Lending. The facility was used to settle the hedge liability originally entered into with Investec Bank PLC ("Investec") pursuant to a Loan Facility entered into on purchase of the mine in 2007. The Facility bore interest at 11% per annum, payable monthly, with monthly principal payments of \$917 to be made commencing May 31, 2012, with the final payment subject to the amended terms discussed below. On August 30, 2013, the Company paid the remaining \$3,583 of the Facility, settling its obligation in full and without penalty.

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

**October 31, 2013**

**7. Loan Payable – (cont'd)**

In consideration for the Facility, the Company paid structuring fees, finder's fees and legal fees of \$376 and issued 1,000,000 common shares. The fair value of the shares has been determined to be equal to the market price on the date of grant, being \$0.36 per share or \$360. The Facility was guaranteed by the Company's wholly owned subsidiary, Bernal, and is secured by a fixed and floating charge and specific registration over all of the assets of the Company and Bernal, including the San Martin gold and silver mine in Queretaro, Mexico, and a pledge of all of the shares of Bernal held by the Company.

The Facility was classified as an other financial liability at amortized cost of \$11,000, less the fair value of the shares, structuring, finder's and legal fees, totaling \$736 (the "Discount"). As a result, the recorded liability to repay the Facility was lower than its face value.

On December 19, 2012, the Company amended the Facility and as a result was not required to make principal payments until October 31, 2013. The amended terms of the outstanding credit facility allow the Company the flexibility to make one balloon payment by October 31, 2013. Consideration paid for the amendment was the issuance of 300,000 shares with a market value of \$0.25 per share totaling \$75. The fair value of these shares was added to the Discount of the Facility and the total remaining facility was charged to the Company's profit and loss as described below.

The Discount was being charged to the Company's profit and loss and added to the liability over the life of the Facility. On August 30, 2013, pursuant to the full payment of the Facility and thereby settling its obligation in full, the Company made payments consisting of \$3,583 in repayment of principal (October 31, 2012: \$2,750) and \$33 of interest (October 31, 2012: \$203). Over the period, the remaining \$104 (October 31, 2012: \$184) of the discount was recognized as a financing cost in the Company's total earnings.

	<b>Principal</b>	<b>Discount</b>	<b>Total</b>
Balance, July 31, 2012	\$ 8,250	\$ (552)	\$ 7,698
Amendment, December 19, 2012	-	(75)	(75)
Payments made during the year	(4,667)	-	(4,667)
Unwinding of discount	-	523	523
Balance, July 31, 2013	3,583	(104)	3,479
Payments made during the year	(3,583)	-	(3,583)
Unwinding of discount	-	104	104
<b>Balance, October 31, 2013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

During the period ended October 31, 2013, the Company paid \$78 in legal fees pursuant to the settlement of the Facility.

The Company's financing costs for the periods ended October 31, 2013 and 2012 as reported on its Consolidated Statement of Operations and Comprehensive Income can be summarized as follows:

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

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**October 31, 2013**

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**7. Loan Payable – (cont'd)**

<b>For the three months ended October 31,</b>	<b>2013</b>	<b>2012</b>
Unwinding of discount on rehabilitation and closure accretion (Note 8)	\$ 19	\$ 40
Facility discount unwinding	104	184
Facility interest expense	33	203
Facility settlement legal fees	78	-
Interest revenue	(8)	-
	<b>\$ 226</b>	<b>\$ 427</b>

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**8. Rehabilitation and Closure Cost Provision**

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At July 31, 2013, the present value of obligations is estimated at \$1,074 (July 31, 2013 - \$1,053) based on expected undiscounted cash-flows at the end of the mine life of 21,282,000 Mexican pesos ("MP") or \$1,698 (July 31, 2013 - \$1,705), which is calculated annually over 6 to 11 years. Such liability was determined using a discount rate of 8% (July 31, 2013 - 8%), an inflation rate of 3.5% (July 31, 2013 - 8%).

Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs.

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

	<b>October 31, 2013</b>	<b>July 31, 2013</b>
Balance, beginning of year	\$ 1,053	\$ 1,505
Accretion expense	20	77
Revision to assumptions and estimates	-	(586)
Foreign exchange fluctuation	1	57
	<b>\$ 1,074</b>	<b>\$ 1,053</b>

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**9. Other Long – Term Liabilities**

Under Mexican tax laws, the Company's Mexican subsidiary is required to remit 10% of taxable income to employees as statutory profit-sharing. The provision for profit-sharing is based on accounting income and the amounts are payable based on the Company's Mexican subsidiary earning taxable income. Management has accrued amounts which may be payable based on prior years that have not been settled or are in dispute.

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

**October 31, 2013**

**10. 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. No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual assets.

No shares were issued during the period ended October 31, 2013.

During the year ended July 31, 2013, the Company issued:

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

b) Warrants

No warrants were issued during the period ended October 31, 2013 or the year ended July 31, 2013.

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

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

At October 31, 2013, there were 4,505,000 warrants exercisable to purchase one common share for each warrant held as follows:

Number of Shares	Exercise Price	Expiry Date
4,505,000	\$0.35	January 30, 2014

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

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**October 31, 2013**

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**10. Share Capital - (cont'd)**c) Share-based Payments

The Company, in accordance with the policies of the TSX, is authorized to grant options to directors, officers, and employees to acquire up to 20% of the amount of common stock outstanding. Options may be granted for a maximum term of 5 years. Optioned shares will vest and may be exercised in accordance with the vesting provisions set out as follows:

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

The following is a summary of changes in options from July 31, 2013 to October 31, 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	-	-	-	6,000,000	6,000,000
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	-	-	-	190,000	190,000
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	-
08/22/13	08/22/18	\$0.25	-	800,000	-	-	800,000	-
09/06/13	09/06/18	\$0.23	-	200,000	-	-	200,000	-
09/12/13	09/12/18	\$0.25	-	200,000	-	-	200,000	-
			13,180,000	1,475,000	-	-	14,655,000	13,180,000
Weighted Average Exercise Price			\$0.22	\$0.24			\$0.23	\$0.23

The following is a summary of changes in options from July 31, 2012 to July 31, 2013:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Year			Closing	Closing, Vested and Exercisable
				Granted	Exercised	Cancelled/ Forfeited		
11/09/09	11/09/14	\$0.15	6,000,000	-	-	-	6,000,000	6,000,000
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	210,000	-	-	(20,000)	190,000	190,000
01/16/12	01/16/17	\$0.20	450,000	-	-	(50,000)	400,000	400,000
01/27/12	01/27/17	\$0.25	1,995,000	-	-	(55,000)	1,940,000	1,940,000
04/13/12	04/13/17	\$0.37	3,250,000	-	-	-	3,250,000	2,166,664
			13,305,000	-	-	(125,000)	13,180,000	12,096,664
Weighted Average Exercise Price			\$0.22			\$0.21	\$0.23	\$0.21

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**(Unaudited)**

**October 31, 2013**

**10. Share Capital - (cont'd)**

c) Share-based Payments – (cont'd)

During the period ended October 31, 2013, the Company has share-based compensation expense of \$67 (October 31, 2012: \$295), which has been recorded in the statement of comprehensive income and credited to equity reserve. These amounts have been expensed as follows:

For the period ended October 31,	2013	2012
Cost of Sales – Mined ore	\$ 7	\$ 29
Management fees and salaries	52	255
Office and administration	3	9
Shareholder relations	5	2
	\$ 67	\$ 295

**11. Financial Instruments**

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

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

Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At October 31, 2013, the Company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos (MP):

	In '000 of CDN Dollars	In '000 of Mexican Pesos (MP)
Cash	\$ 1,684	MP 22,110
Other working capital amounts - net	\$ 57	MP (3,782)
Long-term liabilities	\$ -	MP 5,305

At October 31, 2013, US dollar amounts were converted at a rate of \$1.04 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP13.05 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 \$900. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately \$800.

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

Interest Rate Risk

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

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and short-term investment, the balance of which at October 31, 2013 is \$6,748 and \$1,463, respectively. Cash of \$1,767 is held at a Mexican financial institution, the remainder of \$4,981 and the short-term investment of \$1,463 are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. All trade receivables are owing from two customers and are receivable in US dollars.

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 October 31, 2013, the Company was holding cash of \$6,748 and short-term investments of \$1,463.

Obligations due within twelve months of October 31,	2013	2014	2015	2016	2017 and beyond
Trade and other payables	\$ 1,871	\$ -	\$ -	\$ -	\$ -
Reclamation and closure obligations	-	-	-	-	1,698
Other long-term liabilities	-	-	-	-	424

The Company's trade and other payables and current portion of its Loan Facility obligations 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. Prudent management of liquidity risk requires the regular review of existing and future loan covenants to meet expected expenditures and obligations under the Facility (see note 7). The Company continues to make all debt and interest payments as required under the Loan Facility. Management believes that profits generated from the mine will be sufficient to meet its financial obligations and management believes that the Company will be able to meet all existing loan covenants in the future.



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**12. Commitments**

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at October 31, 2013:

- a) As at October 31, 2013, the Company has shared lease commitments for office space, of \$107 per year until February 2015, which included minimum lease payments, and estimated taxes, but excluded operating costs, to expiry.
- b) As at October 31, 2013, the Company has management contracts to officers and directors totaling \$600 per year, payable monthly, expiring in January 2017.
- c) As at October 31, 2013, the Company has a land lease agreement commitments with respect to the land at the mine site, for \$96 per year until June 2016.

**13. Segmented Information**

During the period ended October 31, 2013, 100% of the Company's reportable sales were to two third parties. The balance owing from these customers on October 31, 2013 was \$152 (July 31, 2013 - \$150). The Company operates in two reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	Mexico		Canada		October 31, 2013
					Total
Revenue	\$	8,749	\$	-	\$ 8,749
Earnings (loss) for the period		2,990		(694)	2,296
Mining interest, plant and equipment		42,595		76	42,671
Total assets		56,450		2,799	59,249
					October 31, 2012
	Mexico		Canada		Total
Revenue	\$	6,841	\$	-	\$ 6,481
Earnings (loss) for the period		591		(937)	(346)
					July 31, 2013
	Mexico		Canada		Total
Mining interest, plant and equipment		41,992		86	42,078
Total assets		55,241		4,296	59,537

**14. 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.

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**October 31, 2013**

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**15. Earnings per Share**

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

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

<b>For the period ended October 31,</b>	<b>2013</b>	2012
Issued common share, beginning of period	<b>143,390,465</b>	139,796,651
Weighted average issuances	-	70,321
Basic weighted average common shares	<b>143,390,465</b>	139,866,972
Effect of dilutive warrants and options	<b>6,990,000</b>	-
<b>Diluted weighted average common shares</b>	<b>150,380,465</b>	139,866,972

Vested share purchase options and warrants totalling 10,695,000 in aggregate and unvested share purchase options outstanding of 1,475,000, at October 31, 2013, were not included in the computation of diluted earnings per share.