

**Starcore International Mines Ltd.**

**Condensed Interim Consolidated Financial Statements**

**For the nine months ended April 30, 2012**

**(Unaudited)**

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

The unaudited condensed interim consolidated financial statements for the period ended April 30, 2012 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 Statement of Financial Position**  
(in thousands of Canadian dollars)  
(Unaudited)

	April 30, 2012	July 31, 2011 (Notes 20 and 21)	August 1, 2010 (Notes 20 and 21)
<b>Assets</b>			
<b>Current</b>			
Cash (note 5)	\$ 2,975	\$ 712	\$ 824
Short-term investments (note 5)	2,503	1,250	761
Amounts receivable (note 6)	2,263	1,779	1,150
Inventory (note 7)	1,941	2,199	1,065
Prepaid expenses and advances	2,909	1,593	832
Deferred financing costs (note 19)	210	-	-
Deferred tax asset – current	3,074	3,404	2,496
<b>Total Current Assets</b>	<b>15,875</b>	<b>10,937</b>	<b>7,128</b>
<b>Non-Current</b>			
Mining interest, plant and equipment (note 8)	41,053	39,104	40,538
Deferred tax asset – non-current	1,233	3,364	5,216
<b>Total Non-Current Assets</b>	<b>42,286</b>	<b>42,468</b>	<b>45,754</b>
<b>Total Assets</b>	<b>\$ 58,161</b>	<b>\$ 53,405</b>	<b>\$ 52,882</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	\$ 6,293	\$ 6,372	\$ 3,300
Note payable (note 9)	100	100	-
Current portion of loan payable (note 10)	-	2,659	3,937
Current portion of forward contract obligations (note 15)	10,058	11,137	6,228
Deferred tax liability - current	816	439	549
<b>Total Current Liabilities</b>	<b>17,267</b>	<b>20,707</b>	<b>14,014</b>
<b>Non-Current</b>			
Forward contract obligations (note 15)	-	7,242	10,104
Rehabilitation and closure cost provision (note 11)	1,455	1,473	1,275
Deferred tax liability – non-current	7,748	8,785	10,393
Other long-term liabilities (note 12)	2,621	2,632	2,633
<b>Total Non-Current Liabilities</b>	<b>11,824</b>	<b>20,132</b>	<b>24,405</b>
<b>Total Liabilities</b>	<b>29,091</b>	<b>40,839</b>	<b>38,419</b>

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

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

	<b>April 30, 2012</b>	July 31, 2011 (Notes 20 and 21)	August 1, 2010 (Notes 20 and 21)
<b>Shareholders' Equity</b>			
Share capital (note 13)	<b>42,639</b>	36,750	34,909
Contributed surplus	<b>10,322</b>	10,240	9,548
Translation reserve	<b>(3,727)</b>	(3,424)	(3,171)
Accumulated deficit	<b>(20,164)</b>	(31,000)	(26,823)
<b>Total Shareholders' Equity</b>	<b>29,070</b>	12,566	14,463
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 58,161</b>	\$ 53,405	\$ 52,882

Corporate Information (note 1)  
Commitments (notes 13 and 15)  
Events After the Reporting Date (note 19)

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 Comprehensive Income (Loss)**  
(in thousands of Canadian dollars except per share amounts)  
(Unaudited)

	For the three months ended April 30,		For the nine months ended April 30,	
	2012	2011 (Notes 20 and 21)	2012	2011 (Notes 20 and 21)
<b>Revenues</b>				
Mined ore	\$ 10,628	\$ 9,189	\$ 31,151	\$ 22,230
Purchased concentrate	3,361	4,670	18,262	7,734
<b>Total Revenues</b>	<b>13,989</b>	13,859	<b>49,413</b>	29,964
<b>Cost of Sales</b> (note 7)				
Mined ore	5,878	4,154	14,188	11,069
Purchased concentrate	3,139	4,543	17,412	7,541
<b>Total Cost of Sales</b>	<b>(9,017)</b>	(8,697)	<b>(31,600)</b>	(18,610)
<b>Earnings from mining operations</b>	<b>4,972</b>	5,162	<b>17,813</b>	11,354
Financing (costs) recovery	1,927	(5,759)	(1,952)	(11,544)
Finance revenue	2	2	11	5
Foreign exchange gain (loss)	902	(185)	392	(363)
Impairment	-	-	-	(300)
Professional and consulting fees	(278)	(36)	(565)	(259)
Management fees and salaries	(333)	(132)	(552)	(423)
Office and administration	(408)	(215)	(849)	(476)
Shareholder relations	(78)	(50)	(270)	(151)
<b>Earnings (loss) before taxes</b>	<b>6,706</b>	(1,213)	<b>14,028</b>	(2,157)
<b>Provision for income and resource taxes recovery (expense)</b>	<b>(2,534)</b>	210	<b>(3,192)</b>	(826)
<b>Earnings for the period</b>	<b>4,172</b>	(1,003)	<b>10,836</b>	(2,983)
<b>Other comprehensive income (loss)</b>				
Foreign currency translation differences	(856)	(480)	(303)	(403)
<b>Comprehensive income (loss) for the period</b>	<b>\$ 3,316</b>	\$ (1,483)	<b>\$ 10,533</b>	\$ (3,386)
<b>Basic income per share (Note 18)</b>	<b>\$ 0.03</b>	\$ (0.01)	<b>\$ 0.09</b>	\$ (0.04)
<b>Diluted income per share (Note 18)</b>	<b>\$ 0.03</b>	\$ (0.01)	<b>\$ 0.08</b>	\$ (0.04)

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

	For the three months ended April 30,		For the nine months ended April 30,	
	2012	2011 (Notes 20 and 21)	2012	2011 (Notes 20 and 21)
<b>Cash provided by</b>				
<b>Operating activities</b>				
Earnings (loss) for the period	\$ 4,172	\$ (1,003)	\$ 10,836	\$ (2,983)
Items not involving cash				
Depreciation and depletion	1,173	624	3,512	1,833
Share-based compensation (note 13)	183	68	209	224
Interest revenue	(3)	(2)	(11)	(5)
Interest on long-term debt	-	42	75	147
Accretion of discount on long-term debt	-	23	685	66
Employee profit sharing provision (note 12)	64	64	(102)	90
Rehabilitation and closure cost accretion (note 11)	36	(15)	113	110
Impairment (note 9)	-	-	-	300
Net loss (gain) on unrealized forward contracts (note 13)	(5,532)	3,281	(9,106)	4,660
Provision for income and resource tax (recovery) expense	2,534	(210)	3,192	826
Change in non-cash working capital items	-	-	-	-
Prepaid expenses and advances	(544)	(322)	(1,285)	122
Amounts receivable	1,066	(513)	(431)	(972)
Inventory	350	169	339	(843)
Accounts payable and accrued liabilities	357	832	(290)	1,760
Taxes paid	(683)	(629)	(1,425)	(2,149)
<b>Cash provided by operating activities</b>	<b>3,173</b>	<b>2,409</b>	<b>6,311</b>	<b>3,186</b>
<b>Financing activities</b>				
Share issuances	479	1,119	5,843	1,119
Special warrant issuances	-	1,424	-	1,424
Share issue costs	-	(147)	(81)	(147)
Repayment of loan payable	-	(318)	(3,191)	(913)
Interest paid	-	(42)	(75)	(148)
Deferred financing costs	(210)	-	(210)	-
<b>Cash inflows from (outflows for) financing activities</b>	<b>269</b>	<b>2,036</b>	<b>2,286</b>	<b>1,335</b>
<b>Investing activities</b>				
Sale (purchase) of short-term investments	(2,500)	(2,143)	(1,250)	(1,491)
Interest revenue	-	2	8	5
Investment in subsidiary (note 9)	-	-	-	(100)
Mining interest, plant and equipment net of disposals	(1,302)	(1,249)	(4,122)	(2,857)
<b>Cash outflows for investing activities</b>	<b>(3,802)</b>	<b>(3,390)</b>	<b>(5,364)</b>	<b>(4,443)</b>
<b>Total increase (decrease) in cash</b>	<b>(360)</b>	<b>1,055</b>	<b>3,233</b>	<b>78</b>
<b>Cash, beginning of period</b>	<b>4,057</b>	<b>474</b>	<b>712</b>	<b>824</b>
<b>Effect of foreign currency translation on cash</b>	<b>(722)</b>	<b>184</b>	<b>(970)</b>	<b>811</b>
<b>Cash, end of period</b>	<b>\$ 2,975</b>	<b>\$ 1,713</b>	<b>\$ 2,975</b>	<b>\$ 1,713</b>

Non-cash transactions - note 13

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

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**Starcore International Mines Ltd.****Condensed Interim Consolidated Statement of Changes in Equity for the periods ended April 30, 2012 and 2011****(in thousands of Canadian dollars, except for number of shares)****(Unaudited)**

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	<b>Number of Shares Outstanding</b>	<b>Amount</b>	<b>Special Warrants</b>	<b>Contributed Surplus</b>	<b>Translation Reserve</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance, August 1, 2010	82,690,789	\$ 34,909	\$ -	\$ 9,548	\$ (3,171)	\$ (26,823)	\$ 14,463
Issued for cash pursuant to:							
Private placement - at \$0.11	10,170,905	883	-	236	-	-	1,119
Special warrant issuance - at \$0.11	-	-	1,424	-	-	-	1,424
Agents' fees:							
Cash payments	-	(77)	(50)	(21)	-	-	(148)
Fair value of agents' warrants	-	(43)	(38)	81	-	-	-
Share-based compensation	-	-	-	224	-	-	224
Deferred tax recovery on expiry of warrants	-	-	-	(97)	-	-	(97)
Extension of warrant expiry date	-	(55)	-	55	-	-	-
Foreign currency translation	-	-	-	-	(403)	-	(403)
Loss for the period	-	-	-	-	-	(2,983)	(2,983)
Balance, April 30, 2011	92,861,694	35,617	1,336	10,026	(3,574)	(29,806)	13,599
Issued for cash pursuant to:							
Private placement - at \$0.11	12,947,276	1,209	(1,424)	215	-	-	-
Agents' fees:							
Cash payments	-	(43)	50	(7)	-	-	-
Fair value of agents' warrants	-	(33)	38	(5)	-	-	-
Share-based compensation	-	-	-	11	-	-	11
Foreign currency translation	-	-	-	-	150	-	150
Loss for the period	-	-	-	-	-	(1,194)	(1,194)
Balance, July 31, 2011	105,808,970	36,750	-	10,240	(3,424)	(31,000)	12,566

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

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**Starcore International Mines Ltd.****Condensed Interim Consolidated Statement of Changes in Equity for the periods April 30, 2012 and 2011 (cont'd)****(In thousands of Canadian dollars, except for number of shares)****(Unaudited)**

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	<b>Number of Shares Outstanding</b>	<b>Amount</b>	<b>Special Warrants</b>	<b>Contributed Surplus</b>	<b>Translation Reserve</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance, July 31, 2011	105,808,970	36,750	-	10,240	(3,424)	(31,000)	12,566
Issued for cash pursuant to:							
Private placement of units - at \$0.25	9,010,000	1,890	-	363	-	-	2,253
Exercise of warrants - at \$0.15	18,484,771	3,084	-	(311)	-	-	2,773
Exercise of agent warrants - at \$0.15	3,892,910	677	-	(93)	-	-	584
Exercise of options - at \$0.15	1,550,000	345	-	(112)	-	-	233
Share issue costs: Cash	-	(68)	-	(13)	-	-	(81)
Warrants	-	(39)	-	39	-	-	-
Share-based compensation	-	-	-	209	-	-	209
Foreign currency translation	-	-	-	-	(303)	-	(303)
Earnings for the period	-	-	-	-	-	10,836	10,836
<b>Balance, April 30, 2012</b>	<b>138,746,651</b>	<b>\$ 42,639</b>	<b>\$ -</b>	<b>\$ 10,322</b>	<b>\$ (3,727)</b>	<b>\$ (20,164)</b>	<b>\$ 29,070</b>

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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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**April 30, 2012**

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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 \$28,248 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 represents the purchase of a self sustaining mining operation in Mexico for the Company. Bernal is the Company’s sole source of operating cash flows.

**2. Basis of Preparation**

a) Statement of Compliance

The financial statements for the Company for the year ending July 31, 2012, will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“Pre-changeover GAAP”). These condensed interim consolidated financial statements for the nine month period ended April 30, 2012, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 First-Time Adoption of International Financial Reporting Standards has been applied.

As these condensed interim consolidated financial statements are the Company’s first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company’s most recent annual financial statements prepared in accordance with Pre-changeover GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s 2011 annual consolidated financial statements and the effect of the transition to IFRS on the reported financial position, financial performance and cash flows of the Company is provided in Note 21.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on June 12, 2012.

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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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**April 30, 2012**

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

b) Going Concern

The Company's continued existence as a going concern is dependent upon its ability to continue profitable operations. During the period ended April 30, 2012, the cash flow generated from operations and share issuances exceeded cash used in repaying the loan payable and in investing activities by \$3,233 bringing the Company's cash balance to \$2,975. However, the Company had a working capital deficiency of \$1,602 and an accumulated deficit of \$20,164. While these financial statements have been prepared in accordance with the IFRS applicable to a going concern, the ability of the Company to generate sufficient cash flows to continue as a going concern is dependent upon many factors including, but not limited to, sufficient ore grade, ore production at the San Martin mine, control of mine production costs, administrative costs and tax costs and upon the market price of metals. Cash flows may also be affected by the ability of the Company to reduce capital expenditures, including mine development. The Company may also generate cash from future debt or equity financings, however, depending on market conditions; there is no assurance that such financings will be available to the Company.

As at April 30, 2012, the Company has paid the entire balance of debt due under the Loan Facility Agreement (the "Agreement") with Investec Bank (U.K.) Limited ("Investec") (Note 10), with the final principle payment of US\$3,185 made on January 31, 2012. This payment included US\$2,860 of payments due in equal quarterly instalments over the next year to January 31, 2013. Investec had previously informed the Company that a triggering event had occurred under the Agreement due to the fact that the Company had not met metal production targets outlined in the original Development Plan dated January 31, 2007. Under the Agreement, a triggering event, unremedied, may lead to a default which may result in Investec taking additional measures to perform ongoing detailed review of mining operations and to control, in conjunction with the Company's management, mine operations and financial matters, including joint control of working capital accounts. With the Company's payment of the entire Loan balance, Investec's concerns related solely to the Company's ability to continue to pay amounts due each month pursuant to the outstanding forward sales contracts (Notes 10 and 15). Subsequent to April 30, 2012, the Company secured an \$11 million credit facility and used the facility to settle its obligation under the forward sales agreement. The final 10,885 ounces to be settled over the final 9 months to January 31, 2013, were repurchased for \$9,042 at a close out price averaging \$1,562 per ounce. Having fully repaid Investec, the company has been released from all commitments under the Agreement (see Note 19).

These financial statements have been prepared on the basis that the Company will continue as a going concern. No adjustments have been made to reflect the effect on the consolidated statement of financial position and consolidated statements of operations and other comprehensive income (loss) and cash flows should this assumption be incorrect and the Company forced to liquidate its assets realize its liabilities prematurely.

c) Basis of Measurement

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

The condensed interim 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 dollar, unless otherwise indicated.

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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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**April 30, 2012**

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

a) Basis of Measurement – (cont'd)

The preparation of 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 financial statements are disclosed in Note 4.

b) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and all of its subsidiaries. Subsidiaries 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, SAM Servicios Administrativos Mineros, S.A. de C.V. (Mexico), Compañía Minera Peña de Bernal, S.A. de C.V. (Mexico) and 1794598 Ontario Inc. (Canada) carry out its Operations in Mexico.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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 are expected to be adopted for the year ending July 31, 2012 and have been applied consistently to all periods presented in these condensed interim consolidated financial statements and in preparing the opening IFRS balance sheet at August 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Foreign Currency Transactions

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

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

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

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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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**April 30, 2012**

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

b) Foreign Operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates in effect at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at average exchange rates for the period.

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

c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

d) Revenue Recognition

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

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

e) Inventory

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

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

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**Notes to the Condensed Interim Consolidated Financial Statements**  
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**(Unaudited)**

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**April 30, 2012**

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

e) Inventory – (cont'd)

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 period are presented in the Consolidated Statements of Comprehensive Earnings.

f) Mining interest, plant and equipment

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

*Recognition and Measurement*

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

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 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 measure reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial period in which they are incurred.

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

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**April 30, 2012**

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

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

*Subsequent Costs*

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

*Leased equipment*

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

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 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 a portion of resources expected to be converted to reserves. Depreciation of plant and equipment and corporate office equipment, vehicles, software and leaseholds is calculated using the straight-line method, based on the lesser of economic life of the asset and the expected life of mine. Where components of an asset have different useful lives, depreciation is calculated on each separate part. Depreciation commences when an asset is available for use. At the end of the each calendar year estimates of proven and probable gold reserves and a portion of resources expected to be converted to reserves are updated and the calculations of amortization of mining interest, plant and equipment is prospectively revised.

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

**April 30, 2012**

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

g) Rehabilitation and Closure Cost Provision

The Company records a provision for the estimated future costs of rehabilitation and closure of operating and inactive mines and development projects, which are discounted to net present value using the risk free interest rates applicable to the future cash outflows. Estimates of future costs represent management's best estimates which incorporate assumptions on the effects of inflation, movements in foreign exchange rates and the effects of country and other specific risks associated with the related liabilities. The provision for the Company's rehabilitation and closure cost obligations is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs in the Consolidated Statements of Earnings. 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 Statements of Earnings. Rehabilitation and closure cost obligations related to inactive mines are included in production costs in the Consolidated Statements of Earnings on initial recognition and subsequently when re-measured.

h) Exploration and Evaluation Expenditures

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

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

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

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

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**Starcore International Mines Ltd.**  
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**(Unaudited)**

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

h) Exploration and Evaluation Expenditures – (cont'd)

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

i) Financial Instruments

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

*Loans and Receivables*

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's cash, taxes recoverable, and short-term investments are all accounted for as loans and receivables.

*Available-for-Sale*

Non-derivative financial assets not included in the above category and other than those qualifying as subsidiaries 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/profit. 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.



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

i) Financial Instruments – (cont'd)

*Impairment of Financial Assets*

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

*Financial Liabilities*

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

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

*Derivative Liabilities*

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

Derivative instruments include the Company's forward sales contract (Note 15) and warrants exercisable in USD (Note 10).

j) Income Taxes

Current tax and deferred tax 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.

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

j) Income Taxes – (cont'd)

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

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

k) Share Capital

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

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

l) Profit or Loss per Share

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

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

m) Share-based Payments

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

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

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**Starcore International Mines Ltd.**  
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**April 30, 2012**

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

m) Share-based Payments – (cont'd)

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

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

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

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

Where a grant of options is cancelled or forfeited, 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.

n) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods.

The Company has early adopted the amendments to IFRS which replaces references to a fixed date of "1 January 2004" with "the date of transition to IFRS". This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRS. The amendment is effective for year ends beginning on or after July 1, 2011, however the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

The Company is currently reviewing the following new standards, amendments and interpretations, which have not been early adopted in these condensed interim financial statements, to determine what effect, if any, they will have on the Company's future results and financial position:

IFRS 7	Financial Instruments: Disclosures, amendments regarding Disclosures – Transfers of Financial Assets
IFRS 9	Financial Instruments (New; to replace IAS 39 and IFRIC 9)
IFRS 10	Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12)

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

n) Standards, Amendments and Interpretations Not Yet Effective – (cont'd)

IFRS 11	Joint Arrangements (New; to replace IAS 31 and SIC-13)
IFRS 12	Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31)
IFRS 13	Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs)
IAS 1	Presentation of Financial Statements, amendments regarding Presentation of Items of Other Comprehensive Income
IAS 12	Income Taxes, amendments regarding deferred Tax: Recovery of Underlying Assets
IAS 19	Employee Benefits (Amended in 2011)
IAS 27	Separate Financial Statements (Amended in 2011)
IAS 28	Investments in Associates and Joint Ventures (Amended in 2011)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (New)

**4. Critical Accounting Estimates and Judgements**

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 condensed interim 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.

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

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 5.0% and the discount rate currently applied in the calculation of the net present value of the provision is 11.0%

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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

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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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**April 30, 2012**

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**5. Cash and Short-term Investments**

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Cash of \$101 is held at a Mexican financial institution, the remainder of \$2,874 is held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions.

At April 30, 2012, the Company held Guaranteed Investment Certificates ("GICs") with a market value of \$2,503, earning interest income at prime minus 1.8% per annum and maturing on February 3, 2012 (July 31, 2011: \$1,250 and August 1, 2010: \$761). This GIC was cashable at the Company's option and was considered to be the same as cash.

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.

**6. Amounts Receivable**

	<b>April 30, 2012</b>	July 31, 2011	August 1, 2010
Value added tax and Goods and Services Tax	\$ 2,056	\$ 1,590	\$ 876
Customers	144	172	200
Other	63	17	74
	<b>\$ 2,263</b>	<b>\$ 1,779</b>	<b>\$ 1,150</b>

**7. Inventory**

	<b>April 30, 2012</b>	July 31, 2011	August 1, 2010
Carrying value of inventory:			
Dore	\$ 876	\$ 1,539	\$ 484
Work-in-process	160	160	160
Supplies	905	500	421
	<b>\$ 1,941</b>	<b>\$ 2,199</b>	<b>\$ 1,065</b>

**For the nine months ended April 30,****2012**

2011

## Inventory included in cost of sales:

Mined ore	\$ 11,221	\$ 9,263
Purchased concentrate	16,888	7,541
	<b>\$ 28,109</b>	<b>\$ 16,804</b>

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**Starcore International Mines Ltd.**  
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**8. Mining Interest, Plant and Equipment**

	Mining Interest		Plant and Equipment		Corporate Office Equipment		Total
<b>Cost</b>							
Balance August 1, 2010	\$	39,507	\$	8,607	\$	303	\$ 48,417
Additions		3,181		842		-	4,023
Disposals		-		(378)		(71)	(449)
Effect of foreign exchange		(2,899)		(647)		-	(3,546)
Balance July 31, 2011		39,789		8,424		232	48,445
Additions		2,414		1,697		11	4,122
Effect of foreign exchange		1,321		255		-	1,576
<b>Balance April 30, 2012</b>	<b>\$</b>	<b>43,524</b>	<b>\$</b>	<b>10,376</b>	<b>\$</b>	<b>243</b>	<b>\$ 54,143</b>
<b>Depreciation</b>							
Balance August 1, 2010	\$	5,045	\$	2,634	\$	200	\$ 7,879
Depreciation for the year		1,572		772		35	2,379
Reversal on disposal		-		(207)		(54)	(261)
Effect of foreign exchange		(435)		(221)		-	(656)
Balance July 31, 2011		6,182		2,978		181	9,341
Depreciation for the period		2,960		531		20	3,511
Effect of foreign exchange		148		90		-	238
<b>Balance April 30, 2012</b>	<b>\$</b>	<b>9,290</b>	<b>\$</b>	<b>3,599</b>	<b>\$</b>	<b>201</b>	<b>\$ 13,090</b>
<b>Carrying amounts</b>							
Balance August 1, 2011	\$	34,462	\$	5,973	\$	103	\$ 40,538
Balance July 31, 2011	\$	33,607	\$	5,446	\$	51	\$ 39,104
<b>Balance April 30, 2012</b>	<b>\$</b>	<b>34,234</b>	<b>\$</b>	<b>6,777</b>	<b>\$</b>	<b>42</b>	<b>\$ 41,053</b>

**9. Note Payable**

During the year ended July 31, 2011, the Company acquired a subsidiary, 1794598 Ontario Inc., which owns a Mexican company that has significant Mexican tax assets, including Mexican VAT tax benefits. The Company acquired this subsidiary for \$300 payable consisting of \$100 on signing the agreement (paid) and the issuance of a promissory note in the amount of \$200 (the "Note"). The Note is repayable, \$100 each in May, 2011 (paid) and May 2012.

This acquisition was accounted for using the purchase method of accounting, whereby the consideration paid is allocated to the fair value of the net assets acquired. During the year ended July 31, 2011, the Company determined that the net assets acquired were fully impaired and \$300 was written off to the statement of comprehensive income.

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**10. Loan Payable**

Pursuant to the Acquisition of Bernal (note 1), the Company arranged a US\$13 million bank loan with Investec which was repayable quarterly and matured January 31, 2013 (the "Loan"). The Loan bore interest at LIBOR plus 4% and was secured by all of the assets of Bernal, all of the shares of Bernal and by a guarantee from the Company. During the period ended April 30, 2012, the effective interest rate to the Company was 4.52% (April 30, 2011 – 4.48%). The Company had the right to repay the Loan at any time without penalty. In January, 2012, the Company repaid the outstanding balance of the Loan in full with a final principle payment of US\$3,185, which included US\$2,860 of payments due in equal quarterly installments over the next year to January 31, 2013. Pursuant to this second Tranche B portion of the Loan which was previously outstanding, the Company issued 6,794,000 detachable warrants ("Loan warrants") exercisable to acquire common shares of the Company at a price of \$0.87 (or US\$0.736) per share until January 31, 2013. Upon full repayment of the Loan on January 31, 2012, the Tranche B Loan Warrants expired unexercised.

The Loan agreement also required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US\$731 per ounce. The sales of approximately 1,166 ounces per month occur over the period of the Loan from February 28, 2007 to January 31, 2013. As at April 30, 2012, 10,885 (July 31, 2011 – 21,343; August 1, 2010 – 34,768) ounces remained outstanding under forward sales contracts. Subsequent to April 30, 2012, the Company settled the remaining ounces under agreement for US\$9,042, or US\$1,562 per ounce (see Note 19).

The Loan was classified an other financial liability at amortized cost (\$15,301), less the fair value of the non-transferable warrants (\$2,953) which were classified as a derivative under IFRS. The Loan discount was the difference between the face value of the original Loan, US\$13,000 or \$15,301 less the fair value originally allocated to the non-transferable warrants, US\$10,491 or \$12,348. As a result, the recorded liability to repay the Loan was lower than its face value. The fair value of the warrants was determined using the Black-Scholes valuation calculation using the following assumptions:

Grant Date mm/dd/yy	01/31/07	01/31/07
Expiry Date mm/dd/yy	01/31/11	01/31/13
Spot price	\$0.50	\$0.50
Exercise price	\$0.76	\$0.87
Dividend Rate	n/a	n/a
Risk free interest rate	4.08%	4.08%
Expected annual volatility	40%	40%



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**10. Loan Payable – (cont'd)**

The discount was being charged to the consolidated statements of comprehensive income (loss) and added to the liability as the Loan was repaid. As a result of the repayment of the remaining outstanding balance of the Loan on January 31, 2012, the remainder of the discount, \$685, was recognized as a financing cost on the Company's statement of comprehensive income for the period ended April 30, 2012 (April 30, 2011 - \$66).

	<b>Tranche B</b>		
	<b>Loan</b>	<b>Discount</b>	<b>Total</b>
Balance, August 1, 2010	\$ 4,879	\$ (942)	\$ 3,937
Payments made during the year	(1,237)	-	(1,237)
Accretion	-	239	239
Foreign exchange fluctuation	(288)	8	(280)
Balance, July 31, 2011	3,354	(695)	2,659
Payments made during the period	(3,191)	-	(3,191)
Accretion	-	685	685
Foreign exchange fluctuation	(163)	10	(153)
<b>Balance, April 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

A summary of the Loan balance is as follows:

	<b>April 30, 2012</b>	<b>July 31, 2011</b>	<b>August 1, 2010</b>
Tranche B Loan	\$ -	\$ 3,354	\$ 4,879
Less: Discount	-	(695)	(942)
	-	2,659	3,937
Less: Current portion	-	(1,557)	(1,025)
	-	1,102	2,912
Less: Reclass to current	-	(1,102)	(2,912)
<b>Long-term portion</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Management had reclassified the Loan as current on the balance sheet (see note 1). This reclassification did not affect the repayment schedule of the Loan.

The warrants issued in conjunction with the Loan are exercisable in USD and, as such, were considered to be a derivative liability under IFRS. The original value assigned to the warrants on receipt of the Loan, being \$2,953, was subsequently recalculated utilizing the valuation model Black-Scholes at each period end date and any fluctuations are included in the Company's profit or loss. As of April 30, 2012, the fair value of the foreign denominated warrants was \$Nil (July 31, 2011 - \$Nil; August 1, 2010 - \$Nil).

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**April 30, 2012**

**11. Rehabilitation and Closure Cost Provision**

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At April 30, 2012, the present value of obligations is estimated at \$1,455 (July 31, 2011 - \$1,473; August 1, 2010 - \$1,275) based on expected undiscounted cash-flows at the end of the mine life of 37,855,000 Mexican pesos ("MP") or \$2,830 (July 31, 2011 - \$3,248; August 1, 2010 - \$2,824), which is calculated annually over 6 to 11 years. Such liability was determined using a credit-adjusted risk free rate of 11% (July 31, 2011 - 11%; August 1, 2010: 11%), an inflation rate of 5% (July 31, 2011 - 5%; August 1, 2010 - 5%).

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 period are as follows:

	<b>April 30, 2012</b>	July 31, 2011	July 31, 2010
Balance, beginning of year	\$ 1,473	\$ 1,275	\$ 1,489
Accretion expense	113	153	126
Foreign exchange fluctuation	(131)	3	(61)
Revisions in assumptions, estimates and liabilities incurred	-	42	(279)
	<b>\$ 1,455</b>	<b>\$ 1,473</b>	<b>\$ 1,275</b>

**12. 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.

**13. Share Capital**

**a) Common Shares**

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

The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which are 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.

During the period ended April 30, 2012, the Company issued:

- 18,484,771 shares pursuant to the exercise of share purchase warrants at \$0.15 per share for proceeds of \$2,773. The fair value of the warrants as determined on the date of issuance, being \$311, was transferred to the Company's share capital from contributed surplus on exercise;
- 3,892,910 shares pursuant to the exercise of agent warrants at \$0.15 per share for proceeds of \$584. The fair value of the warrants as determined on the date of issuance, being \$93, was transferred to the Company's share capital from contributed surplus on exercise; and

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

**a) Common Shares – (cont'd)**

- 1,550,000 shares pursuant to the exercise of share purchase options at \$0.15 per share for proceeds of \$233. The fair value of the warrants as determined on the date of issuance, being \$112, was transferred to the Company's share capital from contributed surplus on exercise.

On January 30, 2012, the Company completed a non-brokered financing for the issuance of 9,010,000 Units at \$0.25 per Unit for proceeds of \$2,253. Each Unit consisted of one share and one half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional share of the Company at \$0.35 until January 30, 2014. The \$2,253 proceeds of the financing were allocated to the shares and warrants, pro rata, using the market value of the shares on the date of issuance and the fair value of the warrants. As a result, share capital increased by \$1,890 and contributed surplus increased by \$363.

The fair value of the warrants was determined using the Black-Scholes model with the following weighted average assumptions:

Dividend rate	0.00%
Expected life	2 years
Weighted average annual volatility	84%
Weighted average risk free interest rate	0.95%

Agents' fees applied in this transaction were in the form of a cash commission of \$81 and 464,800 nontransferable Agent Warrants entitling the holder to acquire one common share of the Company at a price of \$0.25 to January 30, 2013. Cash commissions were allocated \$68 to share capital and \$13 to warrants. Share issue costs include \$39 allocated to the fair value of Agents' Warrants issued and \$7 has been allocated to Warrants.

During the year ended July 31, 2011, the Company completed a non-brokered financing for proceeds of \$2,543. The financing was in the completed as follows:

- a) 10,170,905 Units, issued on April 7, 2011, at \$0.11 per Unit for proceeds of \$1,119. Each Unit comprised of one common share and one-half of one transferable share purchase warrant. Each whole Warrant entitles the holder to acquire one common share of the Company at \$0.15 until April 7, 2013. The \$1,119 proceeds from the financing were allocated to the shares and warrants, pro rata, using the market value of the shares and the fair value of the warrants. As a result, share capital increased by \$883 and contributed surplus increased by \$236.

The fair value of the warrants was determined using the Black-Scholes model with the following weighted average assumptions:

Dividend rate	0.00%
Expected life	2 years
Weighted average annual volatility	97%
Weighted average risk free interest rate	1.72%

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

**a) Common Shares – (cont'd)**

- b) 12,947,276 Special Warrants at \$0.11 per Special Warrant for proceeds of \$1,424. Each Special warrant was exercisable into one Unit at no additional cost, subject to shareholder approval, which was received June 3, 2011. Upon receipt of shareholder approval, Special Warrant holders received one Unit for each Special Warrant, for a total of 12,947,276 Units consisting of one common share and one-half of one share purchase warrant. Each whole Warrant entitles the holder to acquire one common share of the Company at \$0.15 until April 7, 2013. The \$1,424 proceeds from the financing were allocated to the shares and warrants, pro rata, using the market value of the shares and the fair value of the warrants. As a result, share capital increased by \$1,209 and warrants increased by \$215.

The fair value of the warrants was determined using the Black-Scholes model with the following weighted average assumptions:

Dividend rate	0.00%
Expected life	2 years
Weighted average annual volatility	82%
Weighted average risk free interest rate	1.72%

Agents' fees applied in this transaction were in the form of a cash commission of \$148 and 2,147,910 nontransferable Agent Warrants with respect to the proceeds raised for the Units and Special Warrants. Each Agent Warrant entitling the holder to acquire one common share of the Company at a price of \$0.15 to April 7, 2012. Cash commissions were allocated \$120 to share capital and \$28 to warrants. Share issue costs include \$76 allocated to the fair value of Agents' Warrants issued in respect of the share component of the Units and Special warrants and \$17 has been allocated to Warrants in respect of the warrant component of the Units and Special Warrants.

The fair value of agents' warrants was determined using the Black-Scholes model with the following weighted-average assumptions:

Dividend rate	0.00%
Expected life	1 year
Weighted average annual volatility	98%
Weighted average risk free interest rate	1.72%

**b) Warrants**

Pursuant to the financing during the period ended April 30, 2012, the Company issued 4,505,000 warrants, each warrant entitles the holder to acquire one common share of the Company at \$0.35 until January 30, 2014.

In conjunction with the 2012 financing, the Company issued 464,800 warrants to agents, exercisable at \$0.25 until January 30, 2013.

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**13. Share Capital – (cont'd)**

**b) Warrants – (cont'd)**

Pursuant to the financing during the year ended July 31, 2011, the Company issued 11,559,085 warrants, each warrant entitles the holder to acquire one common share of the Company at \$0.15 until April 7, 2013.

In conjunction with the financing, the Company issued 960,455 and 1,187,455 warrants to agents, exercisable at \$0.15 until April 7, 2012.

During the year ended July 31, 2011, the Company extended the expiry of 10,487,500 warrants and 1,842,500 agent's warrants from November 26, 2010 to November 26, 2011. Of the remaining warrants, 512,500 exercisable by directors and officers of the Company at \$0.15 were not extended and expired unexercised. The fair value of the expiry extension was determined to be \$55 using the Black-Scholes model and was recognized in equity during the year.

Pursuant to the Loan financing (Note 10), the Company issued 19,236,000 detachable warrants exercisable to acquire common shares of the Company. 12,442,000 warrants expired unexercised on January 31, 2011. The remaining 6,794,000 warrants expired unexercised on January 31, 2012, upon full repayment of the Loan.

A summary of the Company's outstanding share purchase warrants at April 30, 2012 and July 31, 2011 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted average Exercise price	Contributed Surplus Amount
Outstanding and exercisable at August 1, 2010	32,078,500	\$ 0.54	\$ 480
Warrants issued for private placement	11,559,085	\$ 0.15	451
Cash paid to agents allocated to warrants	-	-	(28)
Extension of expiry dates	-	-	55
Warrants issued to agents	2,147,910	\$ 0.15	76
Warrants expired	(512,500)	\$ 0.15	(18)
US Denominated warrants expired	(12,442,000)	\$ 0.76	-
Outstanding at July 31, 2011	32,830,995	\$ 0.30	1,016
Warrants issued for private placement	4,505,000	\$ 0.35	363
Cash paid to agents allocated to warrants	-	-	(13)
Warrants issued to agents	464,800	\$ 0.25	39
Warrants exercised	(18,484,771)	\$ 0.15	(311)
Agent Warrants exercised	(3,892,910)	\$ 0.15	(93)
Warrants expired	(347,500)	\$ 0.15	-
US Denominated warrants expired	(6,794,000)	\$ 0.76	-
<b>Outstanding at April 30, 2012</b>	<b>8,281,614</b>	<b>\$ 0.26</b>	<b>\$ 1,001</b>

During the year ended July 31, 2011, \$18, representing the fair value of 512,500 warrants which expired unexercised in the year, was transferred from Warrants; this amount has been excluded from

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**13. Share Capital – (cont'd)**

**b) Warrants – (cont'd)**

the statement of cash flows. Included in deferred income tax recovery (expense) is a recovery of \$97, associated with the unexercised expiry of these warrants.

At April 30, 2012, there were 8,281,614 warrants exercisable to purchase one common share for each warrant held as follows:

Number of Shares	Exercise Price	Expiry Date
464,800	\$0.25	January 30, 2013
3,311,814	\$0.15	April 7, 2013
4,505,000	\$0.35	January 30, 2014
<b>8,281,614</b>	<b>\$0.26</b>	

**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;
- (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, 2011 to April 30, 2012:

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	7,050,000	-	(800,000)	(250,000)	<b>6,000,000</b>	<b>6,000,000</b>
01/10/10	01/10/15	\$0.21	1,000,000	-	-	-	<b>1,000,000</b>	<b>1,000,000</b>
03/26/10	03/26/15	\$0.15	400,000	-	-	-	<b>400,000</b>	<b>400,000</b>
10/06/10	10/06/15	\$0.15	750,000	-	(750,000)	-	-	-
05/06/11	05/06/16	\$0.15	210,000	-	-	-	<b>210,000</b>	<b>69,994</b>
01/16/12	01/16/17	\$0.20	-	700,000	-	(200,000)	<b>500,000</b>	-
01/27/12	01/27/17	\$0.25	-	2,160,000	-	(125,000)	<b>2,035,000</b>	-
04/13/12	04/13/17	\$0.37	-	3,250,000	-	-	<b>3,250,000</b>	-
			<b>9,410,000</b>	<b>2,860,000</b>	<b>(1,550,000)</b>	<b>(575,000)</b>	<b>13,395,000</b>	<b>7,469,994</b>
Weighted Average Exercise Price			<b>\$0.16</b>	<b>\$0.31</b>	<b>\$0.15</b>	<b>\$0.19</b>	<b>\$0.22</b>	<b>\$0.16</b>

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April 30, 2012

#### 13. Share Capital - (cont'd)

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

The following is a summary of changes in options from August 1, 2010 to July 31, 2011:

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	7,640,000	-	-	(590,000)	7,050,000	7,050,000
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	266,666
04/01/10	04/01/15	\$0.15	400,000	-	-	(400,000)	-	-
10/06/10	10/06/15	\$0.15	-	750,000	-	-	750,000	250,000
05/06/11	05/06/16	\$0.15	-	210,000	-	-	210,000	-
			9,440,000	960,000	-	(990,000)	9,410,000	8,566,666
Weighted Average Exercise Price			\$0.16	\$0.15	-	\$0.15	\$0.16	\$0.16

During the period ended April 30, 2012, the Company has stock-based compensation expense of \$209 (April 30, 2011: \$224), which has been recorded in the statement of comprehensive income and credited to contributed surplus. These amounts have been expensed as follows:

For the period ended April 30,	2012	2011
Cost of Sales – Mined ore	\$ 58	\$ 66
Professional and consulting fees	1	-
Management fees and salaries	125	109
Office and administration	21	45
Shareholder relations	4	4
	\$ 209	\$ 224

During the period ended April 30, 2012 the Company granted 2,860,000 share purchase options to directors, officers, employees and consultants. The fair value of options granted during the period ended April 30, 2012 and the year ended July 31, 2011 was estimated using the Black-Scholes option-pricing model with the following assumptions and other information at date of grant:

Grant Date mm/dd/yy	04/13/12	01/27/12	01/16/12	05/06/11	10/06/10
Expiry Date mm/dd/yy	04/13/17	01/27/17	01/16/17	05/06/16	10/06/15
Spot price at grant	\$0.395	\$0.255	\$0.21	\$0.125	\$0.12
Exercise price	\$0.37	\$0.25	\$0.20	\$0.15	\$0.15
Dividend Rate	n/a	n/a	n/a	n/a	n/a
Risk free interest rate	1.47%	1.18%	1.18%	2.34%	1.79%
Expected life	5 years	5 years	5 years	5 years	5 years
Expected annual volatility	81%	81%	81%	82%	78%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

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**14. Financial Instruments**

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the 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 carried at their fair value. Based on a market price of LIBOR plus 6%, the fair value of the loan payable at July 31, 2011 was \$3,290; at August 1, 2010 the fair value was \$4,730. Other than previously mentioned 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 April 30, 2012, 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	\$ 2,664	MP 1,355
Other working capital amounts - net	\$ 8	MP (8,633)
Long-term liabilities	\$ -	MP 34,620

At April 30, 2012, US dollar amounts were converted at a rate of \$0.988 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP12.982 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 \$1,800. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately \$1,600.

Interest Rate Risk

The Company's cash earns interest 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. 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.

The Company is not significantly exposed to interest rate fluctuations.



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

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, the balance of which at April 30, 2012 is \$2,975. Cash of \$101 is held at a Mexican financial institution, the remainder of \$2,874 is held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. All trade receivables is owing from one customer and are receivable in US dollars.

The Company is also exposed to credit risk with respect to its short-term investments; the balance at April 30, 2012 is \$2,503. All short-term investments are held at a Canadian financial institution.

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, 2012, the Company was holding cash of \$2,975 and prepaid expenses and advances of \$2,909.

Obligations due within twelve months of April 30,	2012	2013	2014	2015	2016 and beyond
Trade and other payables	\$ 6,293	\$ -	\$ -	\$ -	\$ -
Note payable	100	-	-	-	-
Forward contract obligations	10,058	-	-	-	-
Reclamation and closure obligations	-	-	-	-	1,455
Other long-term liabilities	-	-	-	-	2,621

The Company's accounts payable and accrued liabilities and current portion of its forward contract obligations are due in the short term. Long-term obligations include the Company's reclamation and closure cost obligations, other long-term liabilities and future 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 Agreement (see notes 1 and 10). The Company continues to make all debt, interest payments and forward contract sales payments as required under the Agreement with Investec. 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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**15. Commitments**

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at April 30, 2012:

Forward Sales Contracts

The Loan agreement entered into on the Acquisition required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US\$731 per ounce until January, 2013. These gold sales contracts meet the definition of derivatives because, although the obligation may be met by the physical delivery of gold, historically it has been more economical to settle these obligations with cash. The fair value of the remaining gold sales contracts for the sale of 10,885 ounces to January 31, 2013, as at April 30, 2012 was negative US\$10,181 (July 31, 2011 – US\$19,235; August 1, 2010 - US\$15,883) based on a gold value of US\$1,648 per ounce (July 31, 2011 - US\$1,621; August 1, 2010 – US\$1,180). Changes to the Company’s forward contract obligations for the period ended April 30, 2012 and the year ended July 31, 2011 are as follows:

	<b>USD</b>	<b>CAD</b>
Balance, August 1, 2010	\$ (15,883)	\$ (16,332)
Unrealised forward contract loss	(3,352)	(3,357)
Foreign exchange fluctuation	-	1,310
Balance, July 31, 2011	(19,235)	(18,379)
Unrealised forward contract gain (loss)	9,054	9,106
Foreign exchange fluctuation	-	(785)
<b>Balance, April 30, 2012</b>	<b>(10,181)</b>	<b>(10,058)</b>

Effectiveness of the forward contracts against the price of gold for the period ended April 30, 2012 and 2011:

<b>For the period ended April 30,</b>	<b>2012</b>	2011
Net unrealised forward contract gain (loss)	\$ 9,106	\$ (4,660)
Realised forward contract loss	(10,146)	(6,400)
<b>Net gain (loss) on forward contract obligations</b>	<b>\$ (1,040)</b>	<b>\$ (11,060)</b>

The forward contract commitments were settled by the Company for US\$9,042 subsequent to April 30, 2012 (see Note 19).

Other Commitments

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at April 30, 2012:

- a) As at April 30, 2012, the Company has shared lease commitments for office space, of \$101 until February 2013 and \$107 thereafter until February 2015, which included minimum lease payments, and estimated taxes, but excluded operating costs, to expire in February 2013.
- b) As at April 30, 2012, the Company has management contracts to officers and directors totaling \$600 per year, payable monthly, expiring in January, 2017.

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**16. Segmented Information**

During the period ended April 30, 2012, 100% of the Company's reportable sales were to two third parties. The balance owing from these customers on April 30, 2012 was \$144 (July 31, 2011 - \$172; August 1, 2010 - \$Nil). The Company operates in two reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	Mexico		Canada		April 30, 2012 Total
Revenue	\$	49,413	\$	-	\$ 49,413
Earnings (loss) for the period		12,665		(1,829)	10,836
Mining interest, plant and equipment		41,012		41	41,053
Total assets		54,825		3,336	58,161
					April 30, 2011 Total
Revenue	\$	29,964	\$	-	\$ 29,964
Earnings (loss) for the period		(1,919)		(1,064)	(2,983)
					July 31, 2011 Total
Mining interest, plant and equipment		39,053		51	39,104
Total assets		51,501		1,904	53,405

**17. 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 shareholders' 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, except as disclosed in Note 2.

**18. Earnings and Loss per Share**

The Company follows the treasury stock method to calculate the basic and diluted loss per common share. Under this method, the basic loss per share is calculated 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:

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**18. Earnings and Loss per Share – (cont'd)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>April 30,</b>		<b>April 30,</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
Issued common shares at August 1,	105,808,970	82,690,789	105,808,970	82,690,789
Weighted average issuances	21,294,558	2,742,716	14,144,557	894,145
Basic weighted average common shares	127,103,528	85,433,505	119,953,527	83,584,934
Effect of dilutive warrants and options	15,751,608	-	15,751,608	-
Diluted weighted average common shares	142,855,136	85,433,505	135,705,135	83,584,934

**19. Events After the Reporting Date**

Subsequent to April 30, 2012, the Company secured an \$11 million credit facility (the “Facility”). The Facility bears interest at 11% per annum, compounded and payable monthly, with monthly principal payments to be made commencing May 31st, 2012, with the final payment due on or before April 30, 2013. The Facility may be repaid in full without penalty on or after October 31, 2012.

In consideration for the Facility, the Company paid, during the period ended April 30, 2012, a structuring fee of \$110,000 and, subsequent to April 30, 2012, issued one million common shares. The common shares are subject to a hold period expiring September 11, 2012. The Facility is guaranteed by the Company's wholly owned subsidiary, Bernal, and will be secured by a fixed and floating charge and specific registration over all of the assets of the Company and Bernal, including the San Martin gold and silver mine in Queretaro, Mexico, and a pledge of all of the shares of Bernal held by the Company.

On May 17, 2012, the Company used the funds from the Facility to settle its obligation under the forward sales agreement (Note 15). The final 10,885 ounces to be settled over the final 9 months to January 31, 2013, were repurchased for \$9,042 at a close out price averaging \$1,562.25 per ounce. Having fully repaid Investec, the company has been released from all commitments under the January 31, 2007 convertible loan acquisition facility agreement (Note 10).

**20. Comparative Figures**

Certain comparative figures for the period ended April 30, 2011 and as at July 31, 2011 and August 1, 2010, have been reclassified to conform to the current year’s financial statement presentation.

**21. First Time Adoption of International Financial Reporting Standards**

The Company’s financial statements for the year ending July 31, 2012, are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was August 1, 2010 (the “Transition Date”). IFRS 1 requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be July 31, 2012. However, it also provides certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to Transition to IFRS, the Company prepared its financial statements in accordance with Pre-changeover GAAP.

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**Starcore International Mines Ltd.**  
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**(in thousands of Canadian dollars unless otherwise stated)**  
**(Unaudited)**

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**April 30, 2012**

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**21. First Time Adoption of International Financial Reporting Standards – (cont'd)**

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Pre-changeover GAAP.

Optional Exemptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from Pre-changeover GAAP to IFRS are as follows:

*Business Combinations*

The Company elected to not retrospectively apply IFRS 3 Business Combinations to any business combinations, as no business combinations had occurred prior to its Transition Date.

*Share-Based Payment Transactions*

The Company has elected to not retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that are unvested at the Transition Date.

*Compound Financial Instruments*

The Company has elected to not retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the Transition Date.

*Changes in Existing Decommissioning, Restoration and Similar Liabilities*

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As a result, the Company has re-measured the provisions at August 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.

*Borrowing Costs*

The Company has elected to not apply the transitional provisions of IAS 23 Borrowing Costs, which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

Mandatory Exemptions

*Derecognition of Financial Assets and Liabilities*

The Company has applied the derecognition requirements of IAS 39 Financial Instruments: Recognition and Measurement, prospectively from the Transition Date. As a result, any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with Pre-changeover GAAP have not been reviewed for compliance with IAS 39.

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**21. First Time Adoption of International Financial Reporting Standards – (cont'd)**

Mandatory Exemptions – (cont'd)

*Estimates*

The estimates previously made by the Company under Pre-changeover GAAP were not revised for the application of IFRS except where necessary to reflect any differences in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to reverse estimates.

Reconciliation of Pre-Changeover GAAP Equity and Comprehensive Loss to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position as shown below have resulted in reclassifications of various amounts on statements of comprehensive income and the statement of cash flows, however as there have been no material adjustments to the earnings from operations or net cash flows, no reconciliation of the statements of comprehensive income and statement of cash flows has been prepared.

i) *Foreign Denominated Warrants*

In conjunction with the Loan, the Company issued 19,236,000 detachable share purchase warrants which were exercisable in USD to the extent that the Loan was still outstanding and thereafter in CAD.

Under Pre-changeover GAAP, the Loan discount was determined as being the difference between the face value of the original Loan, US\$13,000 or \$15,301 less the portion of the loan classified as a liability, US\$12,059 or \$13,867. Using the effective interest rate method and the 11.0% implicit in the calculation, the difference of \$1,108, was characterized as the note discount which was charged to the consolidated statements of comprehensive income (loss) as the Loan was repaid. The \$1,108 discount was allocated to contributed surplus, as the value assigned to the warrants.

Under IFRS, share purchase warrants issued with exercise prices denominated in foreign currencies are classified and presented as derivative liabilities and measured at fair value. The fair value of the warrants calculated under IFRS was, \$2,953 using the Black-Scholes method of valuation (Note 10). Subsequent to initial recognition, the fair value of the warrants would have been recalculated with any fluctuations being included in the Company's profit or loss.

As of July 31, 2011 and August 1, 2010, the fair value of the foreign denominated warrants was \$Nil. In the conversion from Pre-changeover GAAP to IFRS, contributed surplus was reduced by \$1,108 and accumulated deficit was increased for the full amount due to the current fair value of the warrants being \$Nil. The Loan balance, shown net of the discount is reduced \$589 at August 1, 2010 and \$452, at July 31, 2011 for the increase in the initial discount to \$2,953 as discussed above.

ii) *Deferred Income Taxes*

Under Pre-changeover GAAP, current and non-current future income tax assets and liabilities were grouped to the extent that they would be applicable against one another as they were realized. IFRS requires current and non-current deferred tax items to be presented separately and similarly, requires the segregation of deferred tax assets and liabilities.

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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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**21. First Time Adoption of International Financial Reporting Standards – (cont'd)**Reconciliation of Statement of Financial Position as at August 1, 2010 – Transition Date

	Note	August 1, 2010 Pre-Changeover	Effect of Transition to IFRS	August 1, 2010 IFRS
<b>Assets</b>				
<b>Current</b>				
Cash		\$ 824	\$ -	\$ 824
Short-term investments		761	-	761
Amounts receivable		1,150	-	1,150
Inventory		1,065	-	1,065
Prepaid expenses and advances		832	-	832
Deferred tax asset - current	(ii)	-	2,496	2,496
<b>Total Current Assets</b>		<b>4,632</b>	<b>2,496</b>	<b>7,128</b>
<b>Non-Current</b>				
Mining interest, plant and equipment		40,538	-	40,538
Deferred tax asset – non-current	(ii)	-	5,216	5,216
<b>Total Non-Current Assets</b>		<b>40,538</b>	<b>5,216</b>	<b>45,754</b>
<b>Total Assets</b>		<b>\$ 45,170</b>	<b>\$ 7,712</b>	<b>\$ 52,882</b>
<b>Liabilities</b>				
<b>Current</b>				
Trade and other payables		\$ 3,300	\$ -	\$ 3,300
Note payable		-	-	-
Current portion of loan payable	(i)	4,526	(589)	3,937
Current portion of forward contract obligations		6,228	-	6,228
Deferred tax liability - current	(ii)	-	549	549
<b>Total Current Liabilities</b>		<b>14,054</b>	<b>(40)</b>	<b>14,014</b>
<b>Non-Current</b>				
Forward contract obligations		10,104	-	10,104
Rehabilitation and closure cost provision		1,275	-	1,275
Deferred tax liability – non-current	(ii)	3,230	7,163	10,393
Other long-term liabilities		2,633	-	2,633
<b>Total Non-Current Liabilities</b>		<b>17,242</b>	<b>7,163</b>	<b>24,405</b>
<b>Total Liabilities</b>		<b>31,296</b>	<b>7,123</b>	<b>38,419</b>
<b>Shareholders' Equity</b>				
Share capital		34,909	-	34,909
Contributed surplus	(i)	10,656	(1,108)	9,548
Translation reserve	(i)	(2,970)	(201)	(3,171)
Accumulated deficit	(i)	(28,721)	1,898	(26,823)
<b>Total Shareholders' Equity</b>		<b>13,874</b>	<b>589</b>	<b>14,463</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 45,170</b>	<b>\$ 7,712</b>	<b>\$ 52,882</b>

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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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**April 30, 2012**

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**21. First Time Adoption of International Financial Reporting Standards – (cont'd)**Reconciliation of Statement of Financial Position as at April 30, 2011

	Note	April 30, 2011 Pre-Changeover	Effect of Transition to IFRS	April 30, 2011 IFRS
<b>Assets</b>				
<b>Current</b>				
Cash		\$ 1,713	\$ -	\$ 1,713
Short-term investments		2,252	-	2,252
Amounts receivable		1,975	-	1,975
Inventory		1,775	-	1,775
Prepaid expenses and advances		651	-	651
Deferred tax asset - current	(ii)	-	3,313	3,313
<b>Total Current Assets</b>		<b>8,366</b>	<b>3,313</b>	<b>11,679</b>
<b>Non-Current</b>				
Mining interest, plant and equipment		38,294	-	38,294
Deferred tax asset – non-current	(ii)	-	3,771	3,771
<b>Total Non-Current Assets</b>		<b>38,294</b>	<b>3,771</b>	<b>42,065</b>
<b>Total Assets</b>		<b>\$ 46,660</b>	<b>\$ 7,084</b>	<b>\$ 53,744</b>
<b>Liabilities</b>				
<b>Current</b>				
Trade and other payables		\$ 4,706	\$ -	\$ 4,706
Note payable		100	-	100
Current portion of loan payable	(i)	3,367	(438)	2,929
Current portion of forward contract obligations		10,860	-	10,860
Deferred tax liability - current	(ii)	-	412	412
<b>Total Current Liabilities</b>		<b>19,033</b>	<b>(26)</b>	<b>19,007</b>
<b>Non-Current</b>				
Note payable		100	-	100
Forward contract obligations		8,568	-	8,568
Rehabilitation and closure cost provision		1,455	-	1,455
Deferred tax liability – non-current	(ii)	1,835	6,672	8,507
Other long-term liabilities		2,508	-	2,508
<b>Total Non-Current Liabilities</b>		<b>14,466</b>	<b>6,672</b>	<b>21,138</b>
<b>Total Liabilities</b>		<b>33,499</b>	<b>6,646</b>	<b>40,145</b>
<b>Shareholders' Equity</b>				
Share capital		36,883	-	36,883
Contributed surplus	(i)	11,204	(1,108)	10,096
Translation reserve	(i)	(3,332)	(242)	(3,574)
Accumulated deficit	(i)	(31,594)	1,788	(29,806)
<b>Total Shareholders' Equity</b>		<b>13,161</b>	<b>438</b>	<b>13,599</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 46,660</b>	<b>\$ 7,084</b>	<b>\$ 53,744</b>



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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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**21. First Time Adoption of International Financial Reporting Standards – (cont'd)**Reconciliation of Statement of Financial Position as at July 31, 2011

	Note	July 31, 2011 Pre-Changeover	Effect of Transition to IFRS	July 31, 2011 IFRS
<b>Assets</b>				
<b>Current</b>				
Cash		\$ 712	\$ -	\$ 712
Short-term investments		1,250	-	1,250
Amounts receivable		1,779	-	1,779
Inventory		2,199	-	2,199
Prepaid expenses and advances		1,593	-	1,593
Deferred tax asset - current	(ii)	-	3,404	3,404
<b>Total Current Assets</b>		<b>7,533</b>	<b>3,404</b>	<b>10,937</b>
<b>Non-Current</b>				
Mining interest, plant and equipment		39,104	-	39,104
Deferred tax asset – non-current	(ii)	-	3,364	3,364
<b>Total Non-Current Assets</b>		<b>39,104</b>	<b>3,364</b>	<b>42,468</b>
<b>Total Assets</b>		<b>\$ 46,637</b>	<b>\$ 6,768</b>	<b>\$ 53,405</b>
<b>Liabilities</b>				
<b>Current</b>				
Trade and other payables		\$ 6,372	\$ -	\$ 6,372
Note payable		100	-	100
Current portion of loan payable	(i)	3,111	(452)	2,659
Current portion of forward contract obligations		11,137	-	11,137
Deferred tax liability - current	(ii)	-	439	439
<b>Total Current Liabilities</b>		<b>20,720</b>	<b>(13)</b>	<b>20,707</b>
<b>Non-Current</b>				
Forward contract obligations		7,242	-	7,242
Rehabilitation and closure cost provision		1,473	-	1,473
Deferred tax liability – non-current	(ii)	2,456	6,329	8,785
Other long-term liabilities		2,632	-	2,632
<b>Total Non-Current Liabilities</b>		<b>13,803</b>	<b>6,329</b>	<b>20,132</b>
<b>Total Liabilities</b>		<b>34,523</b>	<b>6,316</b>	<b>40,839</b>
<b>Shareholders' Equity</b>				
Share capital		36,750	-	36,750
Contributed surplus	(i)	11,348	(1,108)	10,240
Translation reserve	(i)	(3,240)	(184)	(3,424)
Accumulated deficit	(i)	(32,744)	1,744	(31,000)
<b>Total Shareholders' Equity</b>		<b>12,114</b>	<b>452</b>	<b>12,566</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 46,637</b>	<b>\$ 6,768</b>	<b>\$ 53,405</b>