Starcore International Mines Ltd.

Interim Consolidated Financial Statements

April 30, 2009

(Unaudited)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE PERIOD ENDED APRIL 30, 2009 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

Starcore International Mines Ltd.
Interim Consolidated Balance Sheets
(in thousands of Canadian dollars) (Unaudited)

	April 30, 2009	July 31, 2008
Assets		
Current		
Cash and cash equivalents (notes 3 and 13)	$ **1,424**	$ 2,890
Amounts receivable (note 4)	**1,246**	2,664
Inventory (note 5)	**1,289**	1,517
Prepaid expenses and advances	**976**	1,090
	4,939	8,161
Mining interest, plant and equipment (note 6)	**45,472**	38,294
Mineral properties and deferred exploration costs (note 7)	**806**	806
	$ **51,217**	$ 47,261
Liabilities		
Current		
Accounts payable and accrued liabilities	$ **3,142**	$ 4,953
Current portion of loan payable (note 8)	**2,605**	2,173
	5,747	7,126
Loan payable (notes 8, and 13)	**5,542**	6,304
Reclamation and closure cost obligations (note 9)	**1,829**	1,708
Other long-term liabilities (note 10)	**2,764**	2,190
Future income taxes	**9,289**	7,674
	25,171	25,002
Shareholders' Equity		
Share capital (note 11)	**33,318**	33,318
Contributed surplus (note 11)	**3,768**	3,985
Warrants (notes 8 and 11)	**6,202**	6,202
Accumulated other comprehensive income (loss)	**1,765**	(2,750)
Deficit	**(19,007)**	(18,496)
	26,046	22,259
	$ **51,217**	$ 47,261

Commitments (notes 7, 8, 9, 10, 11, and 13)
Segmented information (note 14)
Nature of Operation and Going Concern (note 1)

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.
Interim Consolidated Statements of Operations and Other Comprehensive Income (Loss)
(in thousands of Canadian dollars except per share amounts) (Unaudited)

	For the three months ended April 30, 2009	For the three months ended April 30, 2008	For the nine months ended April 30, 2009	For the nine months ended April 30, 2008
Revenues (note 12)				
Mined ore	**$ 3,697**	$ 4,298	**$ 12,974**	$ 12,393
Purchased concentrate	**1,425**	2,920	**4,117**	7,674
	5,122	7,218	**17,091**	20,067
Cost of Sales				
Mined Ore (note 11(d))	**2,480**	2,809	**8,329**	7,887
Purchased concentrate	**1,389**	2,836	**4,026**	7,502
Reclamation and closure (note 9)	**21**	23	**60**	55
Amortization and depletion	**522**	540	**1,797**	1,623
	4,412	6,208	**14,212**	17,067
Earnings from mining operations	**710**	1,010	**2,879**	3,000
Administrative Expenses				
Amortization	**15**	10	**44**	29
Stock-based compensation (note 11(d))	**-**	95	**(99)**	1,107
Interest on long-term debt (note 8)	**132**	204	**447**	624
Accretion on long-term debt (note 8)	**79**	41	**188**	118
Professional and consulting fees	**84**	-	**206**	221
Management fees and salary	**89**	88	**269**	537
Office, travel and administration	**272**	101	**443**	837
Shareholder relations	**60**	109	**293**	367
Transfer agent and regulatory fees	**16**	23	**24**	38
	747	671	**1,815**	3,878
Income (loss) before other income and income taxes	**(37)**	339	**1,064**	(878)
Other income				
Foreign exchange	**(47)**	329	**(1,027)**	28
Investment and interest income	**139**	21	**233**	99
Income (loss) before income taxes	**55**	689	**270**	(751)
Foreign taxes recovery (expense)	**(291)**	37	**(291)**	(12)
Future income tax	**(144)**	(508)	**(490)**	(1,150)
Net income (loss) for the period	**(380)**	218	**(511)**	(1,913)
Other Comprehensive income (loss):				
Foreign currency translation adjustment	**(777)**	(2,046)	**4,515**	(3,394)
Comprehensive income (loss) for the period	**$ (1,157)**	$ (1,828)	**$ 4,004**	$ (5,307)
Basic and diluted income (loss) per share	**$ (0.01)**	$ 0.00	**$ (0.01)**	$ (0.03)
Weighted average number of shares outstanding	**60,690,789**	60,690,789	**60,690,789**	60,786,044

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

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

	For the three months ended April 30, 2009	2008	For the nine months ended April 30, 2009	2008
Cash provided by (used in)				
Operating activities				
Income (loss) for the year	**$ (380)**	$ 218	**$ (511)**	$ (1,913)
Items not involving cash				
Amortization and depletion	**537**	550	**1,842**	1,652
Stock-based compensation	**-**	260	**(217)**	1,461
Accretion on long-term debt	**79**	41	**188**	118
Employee profit sharing (note 10)	**64**	100	**217**	471
Reclamation and closure	**21**	23	**60**	55
Future income tax	**144**	508	**490**	1,150
Other	**(1)**	(1)	**(2)**	(2)
Change in non-cash working capital items				
Prepaid expenses and advances	**47**	(644)	**278**	4
Amounts receivable	**670**	(219)	**1,563**	(1,697)
Inventory	**(8)**	(70)	**447**	(415)
Accounts payable and accrued liabilities	**609**	783	**(2,437)**	2,952
Current portion of long-term debt	**-**	(193)	**-**	-
Total cash provided by operating activities	**1,782**	1,356	**1,918**	3,836
Financing activities				
Loan payable	**(837)**	(457)	**(1,895)**	(3,578)
Total cash used in financing activities	**(837)**	(457)	**(1,895)**	(3,578)
Investing activities				
Mining interest, plant and equipment net of disposals	**(1,167)**	(2,841)	**(2,802)**	(4,661)
Total cash used in investing activities	**(1,167)**	(2,841)	**(2,802)**	(4,661)
Effect of foreign currency translation on cash	**(198)**	414	**1,317**	(300)
Net increase (decrease) in cash and cash equivalents	**(420)**	(1,528)	**(1,462)**	(4,703)
Cash and cash equivalents, beginning of period	**1,848**	5,880	**2,890**	9,055
Cash and cash equivalents, end of period	**$ 1,428**	$ 4,352	**$ 1,428**	$ 4,352
Supplementary disclosure of cash flow information				
Cash paid for (recovered from):				
Interest	**$ 132**	$ 204	**$ 447**	$ 624
Income taxes	**$ 291**	$ (36)	**$ 291**	$ 12

Non-cash transactions - notes 7, 8 and 11

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

Starcore International Mines Ltd.

Interim Consolidated Statement of Shareholders' Equity for the period August 1, 2007 to April 30, 2009
(in thousands of Canadian dollars except per share amounts) (Unaudited)

	Shares	Amount	Contributed Surplus	Warrants	Accumulated Other Comprehensive Loss	Deficit	Total
Balance July 31, 2007	60,590,789	$ 33,266	$ 2,704	$ 6,202	$ (1,955)	$ (15,929)	$ 24,288
Issued pursuant to Cerro de Dolores Property Option Agreement	100,000	52	-	-	-	-	52
Stock-based compensation	-	-	1,281	-	-	-	1,281
Foreign currency translation and change in value of available-for-sale securities	-	-	-	-	(795)	-	(795)
Net loss for the year	-	-	-	-	-	(2,567)	(2,567)
Balance July 31, 2008	60,690,789	33,318	3,985	6,202	(2,750)	(18,496)	22,259
Stock-based compensation	-	-	(217)	-	-	-	(217)
Foreign currency translation	-	-	-	-	4,515	-	4,515
Net loss for the period ended April 30, 2009	-	-	-	-	-	(511)	(511)
Balance April 30, 2009	**60,690,789**	**$ 33,318**	**$ 3,768**	**$ 6,202**	**$ 1,765**	**$ (19,007)**	**$ 26,046**

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

1. Nature of Operations and Going Concern

Starcore International Mines Ltd. (formerly Starcore International Ventures Ltd.) (the "Company" or "Starcore") changed its name to Starcore International Mines Ltd. on February 1, 2008.

Starcore is engaged in exploring, extracting and processing gold and silver through the February 1, 2007 acquisition of Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico, from Luismin S.A. de C.V. ("Luismin"), a wholly owned subsidiary of Goldcorp, Inc. (the "Acquisition"). Pursuant to the Acquisition the Company paid US$24 million or $28,248 and issued 4,729,600 common shares to Luismin at a fair value of US$2 million or $2,365 based upon the 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. The Company became a gold and silver producer as a result of the acquisition and has graduated to the TSX Exchange as a public reporting issuer. The Company is also engaged in owning, acquiring, exploiting, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company has interests in properties which are exclusively located in Mexico.

The Company's continued existence as a going concern is dependent upon its ability to continue profitable operations first generated in 2007 at its San Martin Mine. During the period ended April 30, 2009, the cash used in repaying the loan payable and in investing activities exceeded the cash flow generated from operations by $1,462 bringing the Company's cash balance to $1,428 with a working capital deficiency of $808. 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 and continued delivery of purchased concentrate 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, or to restructure debt payments. 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.

To date, the Company has made all debt, interest payments and forward contract sales payments due under the Loan Facility Agreement ("Agreement") with Investec Bank (U.K.) Limited ("Investec") (Note 8), as required by the Agreement. As at the quarter ended January 31, 2009, however, the Company failed to meet a debt covenant which requires that the current ratio (current assets compared to current liabilities) not fall below a ratio of 110%. This represented a default under the Agreement with Investec which still currently exists at April 30, 2009. The Company received a waiver of this default from Investec at April 30, 2009 on the condition that the Company obtain additional financing or otherwise rectifies the default by June 30, 2009. Under the Agreement, a default 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. To date, the Company has been working closely with Investec in providing technical and financial information as requested in order to facilitate the process for Investec to gain comfort with the mining operations. Management of the Company is actively pursuing options to rectify the current working capital deficiency, which management believes is partially caused by the strong US dollar foreign exchange rate applied to the Investec debt due over the next year which is shown as a current liability in these financial statements as at April 30.

Management continues working to achieve efficiencies and improved cash flow at the mine and is exploring all opportunities available to the Company to ensure its future success including pursuing efforts to diversify the Company's resource property holdings through acquisition and merger opportunities. While management believes the Company will be able to continue operations in the future, given the uncertainty of the above and other items, there is no assurance that the Company will be able to meet all of its operating costs, forward contract sales, capital expenditures and debt payments in the coming fiscal year.

1. Nature of Operations and Going Concern – (cont'd)

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 balance sheet and consolidated statements of operations and other comprehensive loss and cash flows should this assumption be incorrect and the Company forced to liquidate its assets realize its liabilities prematurely.

2. Interim Reporting

While the information presented in the accompanying financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim period in accordance with Canadian generally accepted accounting principles. It is suggested that these interim unaudited financial statements be read in conjunction with the Company's audited financial statements for the year ended July 31, 2008.

These unaudited interim consolidated financial statements follow the same accounting policies and methods as the Company's most recent annual audited consolidated financial statements except as outlined below. Operating results for the three and nine months ended April 30, 2009 are not necessarily indicative of the results that can be expected for the year ending July 31, 2009.

Recently Released Canadian Accounting Standards

There are new CICA accounting standards that have been adopted by the Company effective August 1, 2008. The Company has assessed the impact of these new accounting standards on its interim consolidated financial statements.

a) Effective August 1, 2008, the Company has adopted new accounting standard Section 1535, "Capital Disclosures", which requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non-compliance.

b) Effective August 1, 2008, the Company has adopted new accounting standard Section 3031 "Inventories", which requires the accounting treatment for inventories and provides guidance on the determination of inventory costs and their subsequent recognition as an expense, including any write-down to net realizable value.

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to the Company's fiscal years beginning on or after August 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Cash and Cash Equivalents

Cash equivalents include Guaranteed Investment Certificates and/or Government of Canada Treasury bills with a market value of $507 (July 31, 2008 - $1,034) earning interest income at approximately 2% - 3.5% per annum. Substantially all of the Company's cash is held at three financial institutions and as such the Company is exposed to the risks of those financial institutions.

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

4. Amounts Receivable

		April 30, 2009		July 31, 2008
Value added tax and Goods and Services Tax	**$**	**790**	$	1,796
Customers		**342**		868
Other		**114**		-
	$	**1,246**	$	2,664

5. Inventory

		April 30, 2009		July 31, 2008
Dore	**$**	**521**	$	641
Work-in-process		**160**		160
Supplies		**608**		716
	$	**1,289**	$	1,517

6. Mineral Interest, Plant and Equipment

				April 30, 2009		
		Cost		**Accumulated amortization and depletion**		**Net book value**
Mining interest	$	41,579	$	3,934	**$**	**37,645**
Plant and equipment		9,611		1,929		**7,682**
Corporate office equipment vehicles, software and leaseholds		283		138		**145**
	$	**51,473**	**$**	**6,001**	**$**	**45,472**

				July 31, 2008		
		Cost		Accumulated amortization and depletion		Net book value
Mining interest	$	33,465	$	2,405	$	31,060
Plant and equipment		8,157		1,083		7,074
Corporate office equipment vehicles, software and leaseholds		254		94		160
	$	41,876	$	3,582	$	38,294

7. Mineral Properties and Deferred Exploration Costs

Cerro de Dolores, Mexico

The Company entered into an option agreement effective December 15, 2003, and amended July 23, 2007 with Wheaton River Minerals Ltd. ("Wheaton") and two of Wheaton's subsidiaries, Luismin and Compañia Minera Astumex, S.A. de C.V. (collectively, "Goldcorp") for the acquisition of up to an 80% interest in the Cerro de Dolores property (the "Agreement") subject to a 3% net smelter return royalty.

7. Mineral Properties and Deferred Exploration Costs – (cont'd)

In order to exercise an initial option and acquire a 51% interest in the property, the Company must issue a total of 250,000 post consolidation common shares and incur US $1.4 million in exploration expenditures on the property over a six year period to June 2010. To January 31, 2009, the Company has incurred approximately US$475 in direct work expenditures on the property and is required to incur US$600 of the US$1.4 million by June 23, 2008.

At April 30, 2009, the Company was in default of exploration expenditure requirements under the Agreement and is currently renegotiating with Goldcorp. No exploration costs were incurred during the period ended April 30, 2009 or during the year ended July 31, 2008.

8. Loan Payable

Pursuant to the Acquisition of Bernal, the Company arranged a US$13 million bank Loan with Investec which is repayable quarterly and matures on April 30, 2013. The Loan bears interest at LIBOR plus 3%, subject to an increase to LIBOR plus 4% upon an event of default, which occurred as at the January 31, 2009 quarter end, as discussed below, and is secured by all of the assets of Bernal, all of the shares of Bernal and Starcore Mexicana S.A. de C.V., and by a guarantee from the Company. During the period ended April 30, 2009, the effective interest rate to the Company was 5.23% (July 31, 2008 – 5.8%). The Company has the right to repay the Loan at any time without penalty. The Loan consists of two Tranches as follows:

a) Tranche A for US$8million is repayable as to interest each three to six months and principal each three months with the balance due by July 31, 2010. In connection with the Tranche A Loan, the Company issued 12,442,000 detachable warrants ("Loan warrants") exercisable to acquire common shares of the Company at a price of Cdn$0.76 (or US$0.643) per share until April 30, 2011. The warrants are non-transferable, except by agreement of the Company, and are exercisable first to directly reduce the outstanding Loan balance at the rate of US$0.643 per warrant exercised and, once the Loan balance is repaid, for cash to the Company at the rate of Cdn $0.76 per warrant exercised. During the nine months ended April 30, 2009, the Company has made principle payments on the Tranche A Loan totaling US$1.59 million (July 31, 2008 – US$4.03 million).

b) Tranche B for US$5million is repayable as to interest each three to six months and principal each three months beginning July 31, 2010 for principal, with the balance due by January 31, 2013. In connection with the Tranche B Loan, the Company issued 6,794,000 detachable warrants ("Loan warrants") exercisable to acquire common shares of the Company at a price of Cdn$0.87 (or US$0.736) per share until January 31, 2012. The warrants are non-transferable, except by agreement of the Company, and are exercisable first to directly reduce the outstanding Loan balance at the rate of US$0.736 per warrant exercised and, once the Loan balance is repaid, for cash to the Company at the rate of Cdn $0.87 per warrant exercised.

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 1,135 ounces per month occur over the period of the Loan from February 28, 2007, to January 31, 2013. As at April 30, 2009, 51,624 (July 31, 2008 – 61,770) ounces remained under forward sales contracts.

The Loan is classified as a liability, less the portion relating to the conversion feature ($1,108) which is classified as an equity component. The Loan discount is difference between the face value of the original Loan, US$13,000 or Cdn$15,301 less portion of the loan classified as a liability, US$12,059 or Cdn$13,867. As a result, the recorded liability to repay the notes is lower than its face value. Using the effective interest rate method and the 11.0% implicit in the calculation, the difference of $1,108, characterized as the note discount is being charged to the consolidated statements of operations and comprehensive loss and added to the liability over the term of the loan or as the Loan is repaid on a pro-rata basis. The accreted amount for the period ended April 30, 2009 was $188 (July 31, 2008 - $157).

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

8. Loan Payable – (cont'd)

	Tranche A Loan	Tranche B Loan	Discount	Total
Balance, July 31, 2007	$ 8,354	$ 5,333	$ (920)	$ 12,947
Payments made during the year	(4,032)	-	-	(4,032)
Discount accretion	-	-	157	157
Foreign exchange fluctuation	(430)	(204)	39	(595)
Balance, July 31, 2008	4,072	5,129	(724)	8,477
Payments made during the period	(1,895)	-	-	(1,895)
Discount accretion	-	-	188	188
Foreign exchange fluctuation	659	836	(118)	1,377
Balance, April 30, 2008	**$ 2,836**	**$ 5,965**	**$ (654)**	**$ 8,147**

A summary of the Loans is as follows:

	April 30, 2009	July 31, 2008
Tranche A Loan	**$ 2,836**	$ 4,072
Tranche B Loan	**5,965**	5,129
	8,801	9,201
Less: Discount	**(654)**	(724)
	8,147	8,477
Less: Current portion	**(2,605)**	(2,173)
Long-term portion	**$ 5,542**	$ 6,304

Principal due for the fiscal year ended:	
July 31, 2009	**814**
2010	**2,326**
2011	**1,474**
2012	**2,482**
2013	**1,705**
	$ 8,801

To date, the Company has made all debt, interest payments and forward contract sales payments due under Agreement with Investec. As at the quarter ended January 31, 2009, the Company failed to meet a debt covenant which requires that the current ratio (current assets compared to current liabilities) not fall below a ratio of 110%. This represented a default under the Agreement with Investec and an increase in the interest rate from LIBOR plus 3% to LIBOR plus 4%. The default condition still currently exists at April 30, 2009. The Company received a waiver of this default from Investec at April 30, 2009 on the condition that the Company obtain additional financing or otherwise rectifies the default by June 30, 2009. Under the Agreement, a default 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. To date, the Company has been working closely with Investec in providing technical and financial information as requested in order to facilitate the process for Investec to gain comfort with the mining operations.

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

9. Reclamation and Closure Cost Obligations

The Company's asset retirement obligations consist of reclamation and closure costs for mines. The present value of obligations is currently estimated at $1,829 reflecting undiscounted payments assumed at the end of the mine life of 30,878 Mexican pesos ("MP") or $2,671 which the Company estimates calculated annually over 10 to 12 years. Such liability was determined using a credit-adjusted risk free rate of 8%, an inflation rate of 4%, and undiscounted cash flows required to settle the obligation is approximately $1,735. 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:

	April 30, 2009	July 31, 2008
Balance, beginning of year	**$ 1,708**	$ 1,506
Accretion expense	**60**	123
Foreign exchange fluctuation	**61**	133
Revisions in assumptions, estimates and liabilities incurred	**-**	(54)
	$ 1,829	$ 1,708

10. Other Long – Term Liabilities

Under Mexican tax laws, the Company 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 will become payable as the Company earns taxable income.

11. Share Capital

a) Authorized

Unlimited common shares with no par value

b) Shares issued

No shares were issued during the period ended April 30, 2009.

During the year ended July 31, 2008, the Company issued 100,000 common shares at $0.52 per share pursuant to the Cerro de Dolores property option agreement.

c) Options Outstanding

During the period ended April 30, 2009, all of the outstanding stock options were cancelled by the Company. A summary of the Company's outstanding stock options as of April 30, 2009 and July 31, 2008 and the changes during the periods then ended is presented below:

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

11. Share Captal – (cont'd)

c) Options Outstanding – (cont'd)

	Number of options	Weighted average exercise price
Outstanding at July 31, 2007	9,569,822	$0.89
Options granted	1,250,000	$0.78
Options cancelled/expired	(2,950,000)	$0.99
Outstanding at July 31, 2008	7,869,822	$0.84
Options cancelled/expired	(7,869,822)	$0.84
Outstanding at April 30, 2009	**Nil**	**N/A**
Exercisable at April 30, 2009	**Nil**	**N/A**

d) Stock Based Compensation

The Company, in accordance with the policies of the Toronto Stock Exchange, 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 fair value of options granted during the past three fiscal years was estimated using the Black-Scholes option-pricing model with the following assumptions at date of grant:

	Year ended, July 31,	
	2008	2007
Number of options granted	**1,250,000**	8,605,822
Fair value	**$576**	$5,209
Dividend Rate	**$0**	$0
Risk free interest rate	**4.28%**	4.19%
Expected life	**5 years**	5 years
Expected annual volatility	**82%**	82%
Average strike price	**$0.95**	$0.95
Weighted average fair value per option	**$0.46**	$0.61

Due to the cancellation of all stock options during the period ended April 30, 2009, the Company experienced a recovery of stock-based compensation of $217 (April 30, 2008 - $1,461 expense), which has been recorded in the statement of operations and debited to contributed surplus. Of this amount, a recovery of $118 (2008 - $354 increase) has been recorded as a reduction to Cost of Sales – Mined ore and Administrative Expenses – Stock-based compensation was reduced by $99 (2008 – $1,107 increase).

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

11. Share Capital - (cont'd)

e) Warrants Outstanding

Pursuant to the Loan financing, the Company issued 19,236,000 detachable warrants exercisable to acquire common shares of the Company. Of these warrants, 12,442,000 warrants are exercisable at a price of Cdn$0.76 (or US$0.643) per share until January 31, 2011, and 6,794,000 warrants are exercisable until January 31, 2012, at a price of Cdn$0.87 (or US$0.736), and for a further period of one year, if any of the Loan remains outstanding, at a price equal to the greater of Cdn$0.87 (or US$0.736) and 160% of the volume weighted average trading price of the Company's common shares for the five business days before January 31, 2012.

The fair value of the 19,236,000 warrants issued pursuant to the Loan was estimated to be $1,108 which was equal to the discount calculated on the Loan. This value of the 19,236,000 warrants has been recorded in the statement of operations and credited to warrants on the balance sheet.

The warrants issued in conjunction with the $18,700 private placement have been assigned a value of $4,713 or $0.25 per whole warrant. Warrants issued with the $1,000 private placement have been assigned a value of $252 or $0.28 per whole warrant. Private placement warrants were allocated a value based on an allocation of the financing proceeds which was pro-rated using the market value of the shares issued, combined with the fair value of the Warrants determined using a Black-Scholes model. These amounts have been included in Warrants in the Shareholders' Equity section of the balance sheet.

Pursuant to the $18,700 offering, the Company granted 879,840 agents warrants. Each full warrant is exercisable into one additional common share for one year at an exercise price of $0.80 per share. These warrants expired unexercised during the year ended July 31, 2008.

The fair value of the 879,840 agents' warrants issued pursuant to the offering was estimated to be $476 using the Black-Scholes option fair value pricing model using a risk free interest rate of 3.97% and volatility of 80% over a one year life at the $0.80 per share strike price. This amount has been recorded in share capital and credited to warrants on the balance sheet.

A summary of the Company's outstanding share purchase warrants at April 30, 2009 and July 31, 2008 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted average Exercise price
Outstanding and exercisable at July 31, 2007	39,318,697	$ 0.80
Warrants cancelled/expired	(2,079,840)	$ 0.80
Outstanding and exercisable at July 31, 2008 and April 30, 2009	**37,238,857**	**$ 0.80**

12. 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. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

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

12. Financial Instruments – (cont'd)

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 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, 2009 the company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos:

	In '000 of CDN Dollars		In '000 of Mexican Pesos (MP)	
Cash and equivalents	$	635	MP	546
Other working capital amounts - net	$	119	MP	(8,032)
Long-term Liabilities	$	-	MP	31,956

At April 30, 2009 US dollar amounts were converted at a rate of $1.1930 Canadian dollars to 1 US dollar and Mexican Pesos were converted at a rate of MP13.7919 to 1 US Dollar.

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 are excluded from the definition of derivatives because the obligation may be met by the physical delivery of gold and the Company's practices, productive capacity and delivery intentions are consistent with the definition of normal sales contracts in accordance with the Company's Revenue Recognition Policy in Note 2 of its audited financial statements for the year ended July 31, 2008 (see note 1 – Nature of Operations and Going Concern). The fair value of the remaining gold sales contracts for the sale of 51,624 ounces to January 31, 2013, as at April 30, 2009 was negative US$9,180 (July 31, 2008 - US$14,893) based on a gold value of US$897 per ounce (July 31, 2008 – US$929).

13. Commitments

a) A term of the Loan financing (note 8) requires that the Company fund a Debt Service Reserve Account ("DSRA") at April 30, 2009, which will maintain a balance equal to six months loan principal and interest at all times. The required funding commitment at April 30, 2009, is approximately US$1,365 in accordance with the Loan repayment schedule. The Company has used all but $49 of this account to fund loan principal payments during the period ended October 31, 2009 and July 31, 2008. The Company is required to refund the DSRA as soon as excess operating funds are available from mine operations. The principal due over the next year ended April 30, 2010 of $2,605 is shown as a current liability on the Company's balance sheet and is in addition to the funding of the DSRA.

b) As at April 30, 2009, the Company has shared lease commitments for office space, of $25, which included minimum lease payments, estimated taxes and excluding operating costs to expiry in February 2010.

c) As at April 30, 2009, the Company has management contracts to officers and directors totaling $300 per year, payable monthly, expiring in January, 2013.

d) Pursuant to the Acquisition agreement, the Company has agreed to grant Goldcorp Inc. a security interest over the Bernal mining properties as collateral to ensure that Bernal maintains an agreement to sell all silver produced from the mine to Goldcorp Inc. until October, 2029, at the prevailing spot market rate at the time of the silver sale.

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

14. Segmented Information

During the period ended April 30, 2009, 100% of the Company's reportable sales were to two third parties. The Company operates in two reportable geographical (2008 – two) and three operating segments (2008 – three). Selected financial information by geographical segment is as follows:

		Mexico		**Canada**		**April 30, 2009 Total**
Revenue	$	17,091	$	-	$	17,091
Amortization and depletion		1,797		44		1,841
Interest on long term debt		447		-		447
Earnings (loss) for the period		(8)		(503)		(511)
Mining interest, plant and equipment		45,327		145		45,472
Mineral properties and deferred exploration costs		806		-		806
Segment assets		50,271		946		51,217

		Mexico		Canada		April 30, 2008 Total
Revenue	$	20,067	$	-	$	20,067
Amortization and depletion		1,623		29		1,657
Interest on long-term debt		624		-		624
Earnings (loss) for the period		513		(2,426)		(1,913)

		Mexico		Canada		July 31, 2008 Total
Mining interest, plant and equipment	$	38,134	$	160	$	38,294
Mineral properties and deferred exploration costs		806		-		806
Segment assets		45,058		2,203		47,261

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

14. Segmented Information – (cont'd)

Selected financial information by operating segments is as follows:

	Mining Operations	**Exploration & Development**	**Corporate**	**April 30, 2009 Total**
Revenue	$ 17,091	$ -	$ -	$ 17,091
Amortization and depletion	1,797	-	44	1,841
Interest on long term debt	447	-	-	447
Earnings (loss) for the year	(8)	-	(503)	(511)
Mining interest, plant and equipment	45,327	-	145	45,472
Mineral properties and deferred exploration costs	-	806	-	806
Segment assets	49,465	806	946	51,217

	Mining Operations	Exploration & Development	Corporate	April 30, 2008 Total
Revenue	$ 20,067	$ -	$ -	$ 20,067
Amortization and depletion	1,623	-	29	1,657
Interest on long term debt	624	-	-	624
Earnings (loss) for the year	513	-	(2,426)	(1,913)

	Mexico	United States	Canada	July 31, 2008 Total
Mining interest, plant and equipment	$ 38,134	$ -	$ 160	$ 38,294
Mineral properties and deferred exploration costs	-	806	-	806
Segment assets	44,252	806	2,203	47,261

During the period ended April 30, 2009, 100% (April 30, 2008 – 100%) of revenue of the Company was earned from two customers. The balance owing from these customers on April 30, 2009 was $342 (July 31, 2008 - $868).