Starcore International Ventures Ltd.

Interim Consolidated Financial Statements

January 31, 2008

(Unaudited)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 31, 2008 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

Starcore International Ventures Ltd.

Interim Consolidated Balance Sheets
(in thousands of Canadian dollars) (Unaudited)

		January 31, 2008		July 31, 2007
Assets				
Current				
Cash and cash equivalents (notes 4 and 13)	**$**	**5,880**	$	9,055
Amounts receivable (note 5)		**1,729**		1,647
Inventory (note 6)		**1,443**		1,149
Marketable securities		**8**		17
Prepaid expenses and advances		**562**		1,307
		9,622		13,175
Mining interest, plant and equipment (note 7)		**35,027**		36,180
Mineral properties and deferred exploration costs (note 8)		**821**		754
	$	**45,470**	$	50,109
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**3,359**	$	2,786
Current portion of loan payable (note 9)		**1,855**		4,132
		5,214		6,918
Loan payable (notes 9 and 13)		**7,411**		8,815
Reclamation and closure cost obligations (note 10)		**1,467**		1,506
Other long-term liabilities (note 11)		**1,962**		1,786
Future Income taxes		**7,058**		6,796
		23,112		25,821
Shareholders' Equity				
Share capital (note 12)		**33,318**		33,266
Contributed surplus (note 12)		**4,592**		2,704
Warrants (notes 9 and 12)		**6,202**		6,202
Accumulated other comprehensive loss		**(3,303)**		(1,955)
Deficit		**(18,451)**		(15,929)
		22,358		24,288
	$	**45,470**	$	50,109

Commitments (notes 3, 8, 9, 10,11 and 12)
Subsequent event (note 12)

Approved by the Directors:

"Robert Eadie" Director ***"Gary Arca"*** Director

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

Starcore International Ventures Ltd.

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

For the three and six months ended January 31,	For the three months ended January 31, 2008	2007	For the six months ended January 31, 2008	2007
Revenues (note 13)				
Mined ore	$ **3,054**	$ -	$ **8,095**	$ -
Purchased concentrate	**2,170**	-	**4,754**	-
	5,224	-	**12,849**	-
Cost of Sales				
Mined Ore	**2,239**	-	**4,573**	-
Purchased concentrate	**2,126**	-	**4,666**	-
Reclamation and closure	**10**	-	**32**	-
Amortization and depletion	**429**	-	**1,083**	-
	4,804	-	**10,354**	-
Earnings from mining operations	**420**	-	**2,495**	-
Administrative Expenses				
Amortization	**9**	3	**19**	6
Stock-based compensation (note 12)	**958**	182	**1,888**	235
Interest on long-term debt	**182**	-	**420**	-
Financing fees (note 9)	**37**	-	**77**	-
Professional and consulting fees	**194**	19	**288**	36
Management fees and salary	**313**	23	**449**	31
Office, travel and miscellaneous	**340**	57	**690**	97
Shareholder relations	**96**	155	**258**	239
Transfer agent and regulatory fees	**-**	75	**15**	76
	2,129	514	**4,104**	720
Loss before other income (expense)	**(1,709)**	(514)	**(1,609)**	(720)
Other income (expense)				
Foreign exchange	**(420)**	(110)	**(300)**	(111)
Investment and interest income	**31**	81	**78**	183
Write-off of mineral property	**-**	(239)	**-**	(239)
Loss before income taxes and taxes	**(2,098)**	(782)	**(1,831)**	(887)
Current income tax (recovery)	**(379)**	-	**49**	-
Future income tax	**164**	-	**642**	-
Net loss for the period	**(1,883)**	(782)	**(2,522)**	(887)
Other Comprehensive income (loss):				
Foreign currency translation adjustment	**838**	-	**(1,344)**	-
Unrealized gain (loss) on available-for-sale securities	**-**	-	**(4)**	-
Total other comprehensive income (loss)	**838**	-	**(1,348)**	-
Comprehensive loss for the period	$ **(1,045)**	$ (782)	$ **(3,870)**	$ (887)
Basic and diluted loss per share	$ **(0.03)**	$ (0.06)	$ **(0.04)**	$ (0.07)
Weighted average number of shares outstanding	**60,677,746**	13,775,206	**60,677,746**	13,246,604

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

Starcore International Ventures Ltd.

Interim Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

	For the three months ended January 31, 2008	2007	For the six months ended January 31, 2008	2007
Cash provided by (used in)				
Operating activities				
Loss for the year	**$ (1,883)**	$ (782)	**$ (2,522)**	$ (887)
Items not involving cash				
Amortization and depletion	**438**	3	**1,102**	6
Stock-based compensation	**958**	182	**1,888**	235
Deferred lease inducement recognized	**(1)**	(1)	**(2)**	(4)
Financing fees (note 9)	**37**	-	**77**	-
Employee profit sharing (note 11)	**86**	-	**287**	-
Reclamation and closure	**10**	-	**32**	-
Future income tax	**164**	-	**642**	-
Write-off of mineral property	**-**	239	**-**	239
	(191)	(359)	**1,504**	(411)
Change in non-cash working capital items				
Prepaid expenses and advances	**136**	(20)	**648**	(2)
Amounts receivable	**(172)**	(22)	**(179)**	(25)
Inventory	**(7)**	-	**(345)**	-
Accounts payable and accrued liabilities	**1,089**	45	**729**	(11)
Current portion of long-term debt	**193**	-	**193**	-
Total cash provided by (used in) operating activities	**1,048**	(356)	**2,550**	(449)
Financing activities				
Loan payable	**-**	-	**(3,045)**	-
Deferred financing costs	**-**	(43)	**-**	(43)
Issue of share capital	**-**	1,566	**-**	1,566
Deferred share issue costs	**-**	(49)	**-**	(49)
Total cash (used in) financing activities	**-**	1,474	**(3,045)**	1,474
Investing activities				
Mining interest, plant and equipment	**(982)**	(2)	**(2,277)**	(3)
Mineral properties and deferred exploration costs	**(15)**	(29)	**(15)**	(46)
Deferred acquisition costs	**-**	(67)	**-**	(92)
Total cash (used in) investing activities	**(997)**	(98)	**(2,292)**	(141)
Effect of foreign currency translation on cash	**77**	-	**(388)**	-
Net increase (decrease) in cash and cash equivalents	**128**	1,020	**(3,175)**	884
Cash and cash equivalents, beginning of period	**5,752**	493	**9,055**	629
Cash and cash equivalents, end of period	**$ 5,880**	$ 1,513	**$ 5,880**	$ 1,513
Supplementary disclosure of cash flow information				
Cash paid for (recovered from):				
Interest	**$ -**	$ -	**$ 227**	$ -
Income taxes	**$ -**	$ -	**$ (28)**	$ -

Non-cash transactions - notes 9, 10 and 13

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

Starcore International Ventures Ltd.

Interim Consolidated Statement of Shareholders' Equity for the period July 31, 2006 to January 31, 2008
(in thousands of Canadian dollars except per share amounts) (unaudited)

	Shares	Amount	Shares Subscribed Not Issued	Contributed Surplus	Warrants	Accumulated Other Comprehensive Loss	Deficit	Total
Balance July 31, 2006	12,717,999	14,960	6,892	465	-	-	(13,711)	8,606
Issued for cash pursuant to:								
Private placement at $0.50	37,400,000	14,226	(6,892)	-	4,474	-	-	11,808
Private placement at $0.56	1,785,714	763	-	-	237	-	-	1,000
Exercise of warrants at $0.60	2,145,332	1,287	-	-	-	-	-	1,287
Exercise of options at $0.40	925,000	577	-	(207)	-	-	-	370
Exercise of options at $0.68	50,000	61	-	(27)	-	-	-	34
Exercise of warrants at $0.80	390,000	405	-	-	(93)	-	-	312
Agents' commissions, fees and legal fees	447,144	(1,378)	-	-	476	-	-	(902)
Issued for acquisition of Bernal at $0.50	4,729,600	2,365	-	-	-	-	-	2,365
Stock based compensation	-	-	-	2,473	-	-	-	2,473
Fair value of warrants issued pursuant to loan payable	-	-	-	-	1,108	-	-	1,108
Other comprehensive loss for the year	-	-	-	-	-	(1,955)	-	(1,955)
Net loss for the year	-	-	-	-	-	-	(2,218)	(2,218)
Balance July 31, 2007	60,590,789	33,266	-	2,704	6,202	(1,955)	(15,929)	24,288
Issued pursuant to Cerro de Dolores Property Option Agreement	100,000	52	-	-	-	-	-	52
Stock based compensation	-	-	-	1,888	-	-	-	1,888
Other comprehensive loss for the year	-	-	-	-	-	(1,348)	-	(1,348)
Net loss for the period	-	-	-	-	-	-	(2,522)	(2,522)
Balance January 31, 2008	**60,690,789**	**$ 33,318**	**$ -**	**$ 4,592**	**$ 6,202**	**$ (3,303)**	**$ (18,451)**	**$ 22,358**

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

1. Nature of Operations

Starcore International Ventures Ltd. (the “Company” or “Starcore”) is engaged in exploring, extracting and processing gold and silver through its wholly-owned subsidiary, Compañia Minera Peña de Bernal, S.A. de C.V. (“Bernal”), which owns the San Martin mine in Queretaro, Mexico. The Company is a public reporting issuer on the TSX Exchange. 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.

With respect to exploration properties, the economic recoverability of the properties’ reserves has yet to be determined. The recoverability of amounts from the properties will be dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the property agreement and to complete the development of the properties and upon future profitable production or proceeds from the sale thereof. The outcome of these matters cannot be predicted with any certainty at this time.

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. Management continues to pursue efforts to diversify the Company’s resource property holdings through acquisition and merger opportunities. Although there are no assurances that profitable operations will continue management believes the Company will be able to continue operations into the future.

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, 2007.

These unaudited interim consolidated financial statements follow the same accounting policies and methods as the Company’s most recent annual audited consolidated financial statements. Operating results for the three and six months ended January 31, 2008 are not necessarily indicative of the results that can be expected for the year ending July 31, 2008. The operating results for the three and six months ended January 31, 2008 are materially different than the three and six months ended January 31, 2007 due to the Acquisition of Bernal and the San Martin Mine (note 3).

3. Acquisition of Bernal

On February 1, 2007, pursuant to a Share Purchase Agreement dated September 25, 2006, the Company completed the Acquisition of Bernal, the owner and operator of the San Martin Mine in Queretaro, Mexico, from Luismin S.A. de C.V. (“Luisman”), 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. The San Martin mine has been in operation since 1993 producing gold and silver and the Acquisition represents the purchase of a self sustaining mining operation in Mexico for the Company, which was accounted for using the purchase method of accounting. The allocation of the consideration to net assets, valued at fair value at acquisition, is outlined in detail in the Company’s audited financial statements for the year ended July 31, 2007.

Pursuant to the Acquisition agreement, Luismin operated the mine on behalf of the Company until January 31, 2008. In addition, 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)

4. Cash and Cash Equivalents

Cash equivalents and restricted cash include Guaranteed Investment Certificates and/or Government of Canada Treasury bills with a market value of $2,052 (July 31, 2007 - $3,067) earning interest income at approximately 3% - 4.5% 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.

5. Amounts Receivable

	January 31, 2008	July 31, 2007
Value added tax and Goods and Services Tax	**$ 1,061**	$ 830
Advances to contractors	**16**	100
Other	**652**	717
	$ 1,729	$ 1,647

6. Inventory

	January 31, 2008	July 31, 2007
Dore	**$ 534**	$ 267
Work-in-process	**160**	160
Supplies	**749**	722
	$ 1,443	$ 1,149

7. Mining Interests, Plant and Equipment

		January 31, 2008	
	Cost	**Accumulated amortization and depletion**	**Net book value**
Mining interest	$ 30,297	$ 1,765	**$ 28,532**
Plant and equipment	6,982	613	**6,369**
Corporate office equipment and leaseholds	194	68	**126**
	$ 37,473	**$ 2,446**	**$ 35,027**

		July 31, 2007	
	Cost	Accumulated amortization and depletion	Net book value
Mining interest	$ 30,256	$ 1,003	$ 29,253
Plant and equipment	7,148	358	6,790
Corporate office equipment and leaseholds	193	56	137
	$ 37,597	$ 1,417	$ 36,180

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

8. Mineral Properties and Deferred Exploration Costs

a) 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/Wheaton") 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.

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, 2008 the Company has incurred approximately US$475 in direct work expenditures on the property and are required to incur US$600 of the US$1.4 million by June 23, 2008.

b) Black Silver, Arizona

In January, 2005, as amended January 10, 2006, the Company entered into an option agreement to acquire a 100% interest in the Black Silver Property located in southern Arizona. During the period ended April 30, 2007, the Company decided to abandon this option and recognize a loss of $239 on the write-off of the mineral property and related deferred exploration costs.

c) Summary of Mineral Properties and Deferred Exploration Costs

	Six months ended January 31, 2008	Year ended July 31, 2007
Cerro de Dolores		
Balance, beginning of period	**$ 754**	$ 719
Acquisition costs	**52**	-
Assays and sampling	**-**	1
Consulting	**-**	7
General & administration	**-**	17
Travel and transportation	**-**	10
Current period expenditures	**52**	35
Balance, end of period	**806**	754
Black Silver		
Balance, beginning of period	**-**	220
Assays and sampling	**-**	3
Consulting	**-**	1
License fees	**-**	5
Travel and transportation	**-**	10
Current period expenditures	**-**	19
Write-off of mineral property	**-**	(239)
Balance, end of period	**-**	-
Total Mineral Properties Deferred Acquisition Exploration Expenses	**$ 806**	$ 754

9. Loan Payable

Pursuant to the Acquisition of Bernal, the Company arranged a US$13 million bank Loan with Investec Bank (U.K.) Limited ("Investec") which is repayable quarterly and matures on January 31, 2013. The Loan bears interest at LIBOR plus 3%, subject to an increase to LIBOR plus 4% upon an event of default, and is secured by all of the assets of Bernal, all of the shares of Bernal, and by a guarantee from the Company (at January 31, 2008, the effective rate of interest to the Company was 7.85% based upon a six month Libor rate set at October 31, 2007). 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 January 31, 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. As at January 31, 2008, no Tranche A Loan warrants have been exercised. During the period ended January 31, 2008, the Company has made principal payments on the Tranche A loan totaling US$3.12 million; and,

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. As at January 31, 2008, no Tranche B Loan warrants have been 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 January 31, 2008, 68,494 ounces remained under forward sales contracts.

The Loan warrants were determined to have a fair value of $1,108, which represents a discount to the total Loan balance and are included as Warrants in shareholder's equity. The Loan discount is difference between the present value of the Loan at the actual interest rate (LIBOR plus 3%) and the rate the loan would have had if no warrants had been issued to Investec (LIBOR plus 6%) and is accreted and offset as a non-cash charge to the statement of operations over the term of the loan or as the Loan is repaid on a pro-rata basis. The amount accreted for the period ended January 31, 2008 was $77. In addition, the Company incurred direct cash transaction costs of the Loan financing of $1,120, which were charged to the statement of operations at February 1, 2007.

A term of the Loan financing requires that the Company fund a Debt Service Reserve Account ("DSRA"), which will maintain a balance equal to six months loan principal and interest at all times. The required funding commitment at January 31, 2008, is approximately US$910. The principal due over the next year to January 31, 2009 of $1,855 is shown as a current liability on the Company's balance sheet and is in addition to the funding of the DSRA.

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

9. Loan Payable – (cont'd)

A summary of the Loans is as follows:

		January 31, 2008		July 31, 2007
Tranche A Loan	$	**4,866**	$	8,534
Tranche B Loan		**4,985**		5,333
		9,851		13,867
Add: Accrued interest		**197**		-
Less: Discount		**782**		920
		9,266		12,947
Less: Current portion		**1,855**		4,132
Long-term portion	$	**7,411**	$	8,815

Principal due for the fiscal year ended:		
July 31, 2008	**$**	**908**
2009		**2,268**
2010		**1,943**
2011		**1,232**
2012		**2,074**
2013		**1,426**
	$	**9,851**

10. 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 $1,467 (July 31, 2007 - $1,506) reflecting undiscounted payments assumed at the end of the mine life of MP$28,058 or $2,727 which the Company has estimated and 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 of approximately $1,952. 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:

		January 31, 2008		July 31, 2007
Balance, beginning of period	$	**1,506**	$	-
Balance February 1, 2007 on acquisition of Bernal		**-**		1,470
Accretion expense		**32**		23
Revisions in assumptions, estimates and liabilities incurred		**(71)**		13
Balance, end of period	**$**	**1,467**	$	1,506

11. 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.

12. Share Capital

a) Authorized

Unlimited common shares with no par value

b) Shares issued

During the six months ended January 31, 2008:

(i) The Company issued 100,000 common shares at $0.52 per share pursuant to the Cerro de Dolores property option agreement.

During the year ended July 31, 2007:

(i) In order to finance the Acquisition of Bernal, the Company issued 37,400,000 units at a price of $0.50 per unit for gross proceeds of $18,700 (the "Offering"). Each unit consists of one common share and one-half of one warrant. Each full warrant is exercisable into one additional common share until August, 2009 as to 7,613,400 warrants and January, 2010 as to 11,086,600 warrants, at an exercise price of $0.80 per share. The warrants include an early expiry feature which may be triggered should the common shares close above $2.50 over a minimum period of forty-five calendar days. The shares and warrants were issued concurrently with the closing of the Acquisition.

Pursuant to the Offering, the Company incurred cash commissions of $833, issued 447,144 common shares and granted 879,840 agents warrants entitling the holder to acquire one share at $0.80 until February, 2008, with the same early expiry provisions as the warrants issued in the Offering.

(ii) Pursuant to the Acquisition the Company also issued 4,729,600 common shares to Luismin at a fair value of $2,365 based on the market value of the Company's stock at the date of the Acquisition agreement.

(iii) The Company issued 1,785,714 units at a price of $0.56 per unit, for proceeds of $1,000. Each unit is comprised of one common share and one-half of one non-transferable share purchase warrant. Each warrant is exercisable into one additional common share until February, 2010, at a price of $0.80. The warrants include an early expiry feature, which the Company may trigger should the common shares close above $2.50 over a minimum period of forty-five calendar days. The Company paid a cash commission of $60 pursuant to the private placement.

(iv) The Company issued 975,000 shares at $0.40 to $0.68 for proceeds of $404 pursuant to the exercise of share purchase options, and 2,535,332 shares at $0.60 to $0.80 for proceeds of $1,599 pursuant to the exercise of warrants.

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

12. Share Capital – (cont'd)

c) Options Outstanding

A summary of the Company's outstanding stock options as of January 31, 2008 and July 31, 2007 and the changes during the periods then ended is presented below:

	Number of options	Weighted average exercise price
Outstanding at July 31, 2006	2,294,000	$ 0.42
Option exercised	(975,000)	$ 0.41
Options granted	8,605,822	$ 0.95
Options cancelled/expired	(355,000)	$ 0.48
Outstanding at July 31, 2007	9,569,822	$ 0.89
Options granted	1,250,000	$ 0.78
Options cancelled	(1,250,000)	$ 1.06
Outstanding at January 31, 2008	**9,569,822**	**$ 0.88**
Exercisable at January 31, 2008	**4,984,549**	**$ 0.85**

At January 31, 2008, there were 9,569,822 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Shares	Number exercisable	Exercise Price	Expiry Date
500,000	500,000	$ 0.40	March 23, 2010
424,000	424,000	$ 0.40	January 26, 2011
40,000	40,000	$ 0.40	March 2, 2011
525,822	350,548	$ 0.60	December 20, 2011
4,180,000	2,786,667	$ 1.06	January 22, 2012
50,000	16,667	$ 1.06	February 2, 2012
2,600,000	866,667	$ 0.78	July 9, 2012
1,250,000	-	$ 0.78	October 24, 2012
9,569,822	**4,984,549**		

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

12. Share Capital – (cont'd)

d) Stock Based Compensation

The Company, in accordance with the policies of the 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 as follows using the Black-Scholes option-pricing model with the following weighted average assumptions at date of grant:

	Six months ended January 31, 2008	Year ended July 31, 2007
Number of options granted	**1,250,000**	8,605,822
Fair value	**$567**	$5,209
Dividend Rate	**$0**	$0
Risk free interest rate	**4.23%**	4.19%
Expected life	**5 years**	5 years
Expected annual volatility	**80%**	82%
Average strike price	**$0.78**	$0.95

Based on the above, the fair value of the stock options vested during the period ended January 31, 2008 was $1,888, which has been recorded in the statement of operations and credited to contributed surplus.

e) Warrants Outstanding – Note 9

Pursuant to the Loan financing in the year ended July 31, 2007, 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, 2013.

The 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 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 fair value pricing 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. The warrants include an early expiry feature which may be triggered should the common shares close above $2.50 over a minimum period of forty-five calendar days.

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

12. Share Capital – (cont'd)

e) <u>Warrants Outstanding</u> – Note 9 – (cont'd)

The fair value of the 879,840 agents' warrants issued pursuant to the offering was estimated to be $476 using the Black-Scholes fair value pricing model, and has been recorded in share capital and credited to warrants on the balance sheet. These warrants expired unexercised on February 1, 2008.

A summary of the Company's outstanding share purchase warrants at January 31, 2008 and July 31, 2007 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted average Exercise price
Outstanding and exercisable at July 31, 2006	2,897,332	$ 0.60
Warrants expired	(752,000)	$ 0.60
Warrants exercised	(2,535,332)	$ 0.63
Warrants issued	39,708,697	$ 0.80
Outstanding and exercisable at July 31, 2007 and January 31, 2008	**39,318,697**	**$ 0.80**

13. Financial Instruments – Note 9

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

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At January 31, 2008 the company had the following financial assets and liabilities denominated in US dollars and denominated in Mexican Pesos:

	In '000 of US Dollars	**In '000 of Mexican Pesos (MP)**
Cash and equivalents	$ 3,211	MP 3,236
Other working capital amounts - net	$ (16)	MP 29,095
Long-term Liabilities	$ 9,294	MP 90,029

At January 31, 2008 US dollar amounts were converted at a rate of $0.9970 Canadian dollars to 1 US dollar and Mexican Pesos were converted at a rate of 10.8483 MP 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 will 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. The Mark-to-market value of the remaining gold sales contracts as at January 31, 2008 for the sale of 68,494 ounces to January 31, 2013, was negative $16,754.

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

14. Segmented Information

During the period ended January 31, 2008, 100% of the Company's reportable sales were to one third party. The Company operates in three reportable geographical and three operating segments. Selected financial information by geographical segment is as follows:

	Mexico	United States	Canada	January 31, 2008 Total
Revenue	$ 12,849	$ -	$ -	$ 12,849
Amortization and depletion	1,083	-	19	1,102
Interest on long-term debt	420	-	-	420
Earnings (loss) for the period	353	-	(2,875)	(2,522)
Mining interest, plant and equipment	34,901	-	126	35,027
Mineral properties and deferred exploration costs	821	-	-	821
Segment assets	42,493	-	2,977	45,470

	Mexico	United States	Canada	January 31, 2007 Total
Revenue	$ -	$ -	$ -	$ -
Amortization and depletion	-	-	6	6
Interest on long term debt	-	-	-	-
Earnings (loss) for the period	-	(239)	(648)	(887)

	Mexico	United States	Canada	July 31, 2007 Total
Mining interest, plant and equipment	36,043	-	137	36,180
Mineral properties and deferred exploration costs	754	-	-	754
Segment assets	46,085	-	4,024	50,109

(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	January 31, 2008 Total
Revenue	$ 12,849	$ -	$ -	$ 12,849
Amortization and depletion	1,083	-	19	1,102
Interest and long term debt	420	-	-	420
Earnings (loss) for the period	353	-	(2,875)	(2,522)
Mining interest, plant and equipment	34,901	-	126	35,027
Mineral properties and deferred exploration costs	-	821	-	821
Segment assets	41,672	821	2,977	45,470

	Mining Operations	Exploration & Development	Corporate	January 31, 2007 Total
Revenue	$ -	$ -	$ -	$ -
Amortization and depletion	-	-	6	6
Interest and long term debt	-	-	-	-
Earnings (loss) for the period	-	(239)	(648)	(887)

	Mining Operations	Exploration & Development	Corporate	July 31, 2007 Total
Mining interest, plant and equipment	$ 36,052	$ -	$ 128	$ 36,180
Mineral properties and deferred exploration costs	-	754	-	754
Segment assets	45,331	754	4,024	50,109

During the period ended January 31, 2008, 100% (2007 - $Nil) of revenue of the Company was earned from one customer. The balance owing from this customer on January 31, 2008 was $170 (July 31, 2007 - $695)