Starcore International Ventures Ltd.

Consolidated Financial Statements

July 31, 2007

BDO Dunwoody LLP
Chartered Accountants

600-925 W Georgia St.
Vancouver, BC, Canada V6C 3L2
Telephone: (604) 688-5421
Telefax: (604) 688-5132
E-mail: vancouver@bdo.ca
www.bdo.ca

Auditors' Report

To the Shareholders of
Starcore International Ventures Ltd.

We have audited the Consolidated Balance Sheet of Starcore International Ventures Ltd. as at July 31, 2007 and the Consolidated Statements of Operations and Other Comprehensive Loss, Cash Flows and Shareholders' Equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2007 and the results of its operations and its cash flows for the year ended July 31, 2007 in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by other auditors who issued their opinion without reservation on November 24, 2006.

/s/ BDO Dunwoody LLP

Chartered Accountants

Vancouver, Canada
October 12, 2007

Starcore International Ventures Ltd.

Consolidated Balance Sheets
(in thousands of Canadian dollars)

July 31,		2007		2006
Assets				
Current				
Cash and cash equivalents (notes 4 and 15)	**$**	**9,055**	$	629
Amounts receivable (note 6)		**1,647**		26
Inventory (note 7)		**1,149**		-
Marketable securities (note 5)		**17**		5
Prepaid expenses and advances		**1,307**		157
		13,175		817
Restricted cash (note 4)		**-**		6,892
Mining interest, plant and equipment (notes 3 and 8)		**36,180**		52
Mineral properties and deferred exploration costs (note 9)		**754**		939
	$	**50,109**	$	8,700
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**2,786**	$	94
Current portion of loan payable (note 10)		**4,132**		-
		6,918		94
Loan payable (notes 3, 10, 15, and 18)		**8,815**		-
Reclamation and closure cost obligations (note 11)		**1,506**		-
Other long-term liabilities (note 12)		**1,786**		-
Future Income taxes (note 17)		**6,796**		-
		25,821		94
Shareholders' Equity				
Share capital (notes 3, 13, and 18)		**33,266**		14,960
Shares subscribed not issued (note 4)		**-**		6,892
Contributed surplus (note 13)		**2,704**		465
Warrants (notes 3, 10 and 13)		**6,202**		-
Accumulated other comprehensive loss		**(1,955)**		-
Deficit		**(15,929)**		(13,711)
		24,288		8,606
	$	**50,109**	$	8,700

Commitments (notes 3, 9, 10, 11, 13, and 15)
Subsequent events (note 18)

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.

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

For the year ended July 31,	**2007**	2006
Revenues (notes 14 and 15)		
Mined ore	**$ 12,457**	$ -
Purchased concentrate	**6,042**	-
	18,499	-
Cost of Sales		
Mined Ore	**5,135**	-
Purchased concentrate	**5,753**	-
Reclamation and closure	**25**	-
Amortization and depletion	**1,411**	-
	12,324	-
Earnings from mining operations	**6,175**	-
Administrative Expenses		
Amortization	**26**	12
Stock-based compensation (note 13)	**2,473**	291
Interest on long-term debt	**613**	-
Financing fees (notes 3, 10 and 13)	**1,208**	10
Professional and consulting fees	**400**	213
Management fees and salary	**296**	33
Office, travel and miscellaneous	**964**	256
Shareholder relations	**666**	85
Transfer agent and regulatory fees	**204**	19
	6,850	919
Loss before other income (expense)	**(675)**	(919)
Other income (expense)		
Foreign exchange	**(58)**	(2)
Investment and interest income	**323**	31
Write-off of Mineral property (note 9)	**(239)**	-
Loss before income taxes	**(649)**	(890)
Foreign taxes	**32**	-
Future income tax	**1,537**	-
Net loss for the year	**(2,218)**	(890)
Other Comprehensive loss:		
Foreign currency translation adjustment	**(1,967)**	-
Unrealized gain on **available-for-sale** securities during the year	**12**	-
Total other comprehensive loss	**(1,955)**	-
Comprehensive loss for the year	**$ (4,173)**	$ (890)
Basic and diluted loss per share	**$ (0.06)**	$ (0.07)
Weighted average number of shares outstanding	**36,656,516**	12,306,834

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

Starcore International Ventures Ltd.

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

For the year ended July 31,	2007	2006
Cash provided by (used in)		
Operating activities		
Loss for the year	$ (2,218)	$ (890)
Items not involving cash		
Amortization and depletion	1,437	12
Stock-based compensation	2,473	291
Deferred lease inducement recognized	(6)	(1)
Financing fees (note 10)	87	-
Write-off of mineral property	239	-
Employee profit sharing (note 12)	328	-
Reclamation and closure	25	-
Future income tax	1,537	-
	3,902	(588)
Change in non-cash working capital items		
Prepaid expenses and advances	(761)	(15)
Amounts receivable	(460)	(9)
Inventory	(24)	-
Accounts payable and accrued liabilities	864	31
Total cash provided by (used in) operating activities	3,521	(581)
Financing activities		
Issue of share capital	20,812	348
Loan payable	14,495	-
Total cash provided by financing activities	35,307	348
Investing activities		
Business acquisition	(27,184)	-
Cash acquired on business acquisition	56	-
Mining interest, plant and equipment	(2,135)	(9)
Mineral properties and deferred exploration costs	(54)	(229)
Reclamation bond	-	(15)
Deferred acquisition costs	-	(90)
Total cash (used in) investing activities	(29,317)	(343)
Effect of foreign currency translation on cash	(1,085)	-
Net increase (decrease) in cash and cash equivalents	8,426	(576)
Cash and cash equivalents, beginning of year	629	1,205
Cash and cash equivalents, end of year	$ 9,055	$ 629
Supplementary disclosure of cash flow information		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ 32	$ -

Non-cash transactions - notes 3, 9, 10 and 13

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

Starcore International Ventures Ltd.

Consolidated Statement of Shareholders' Equity for the period July 31, 2005 to July 31, 2007
(in thousands of Canadian dollars except per share amounts)

	Shares	Amount	Shares Subscribed Not Issued	Contributed Surplus	Warrants	Accumulated Other Comprehensive Loss	Deficit	Total
Balance July 31, 2005	12,074,111	$ 14,591	$ -	$ 184	$ -	$ -	$ (12,821)	$ 1,954
Issued for cash								
Exercise of warrants at $0.60	507,222	304	-	-	-	-	-	304
Exercise of options at $0.40	136,666	65	-	(10)	-	-	-	55
Stock based compensation	-	-	-	291	-	-	-	291
Share subscriptions received (net)	-	-	6,892	-	-	-	-	6,892
Net loss for the year	-	-	-	-	-	-	(890)	(890)
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**

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 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") (*see Note 3*). 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.

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 in the future.

2. Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Effective August 1, 2006 the Company adopted the provisions of *Canadian Institute of Chartered Accountants* ("*CICA") Handbook Section 1530 comprehensive income, Section 3831 non-monetary transactions, Section 3855 financial instruments –recognition and measurement, and Section 3865 hedges,* and effective February 1, 2007, pursuant to the acquisition of Bernal, *(Note 3)*, the Company has adopted many accounting policies which were not formerly applicable or material to report.

The financial statements have in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

Use of Estimates

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of these financial statements requires management to make estimates and assumptions. The most significant ones include, but are not limited to: the recoverability of amounts receivable; mining asset economic life and expected life of mine, including estimated recoverable tonnes of ore from the mine; quantities of proven and probable gold reserves; the value of mineralized material beyond proven and probable reserves; future costs and expenses to produce proven and probable reserves; future commodity prices and foreign currency exchange rates; the estimated realizeable value of inventories; the future cost of asset retirement obligations; the anticipated costs of reclamation and closure cost obligations; the amounts of contingencies; and assumptions used in the accounting for employee stock options such as volatility, expected term and risk free interest rate. Using these estimates and assumptions, management makes various decisions in preparing the financial statements including:

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

Use of Estimates – (cont'd)

- The treatment of mine development costs as either an asset or an expense;
- Whether long-lived assets are impaired, and if so, estimates of the fair value of those assets and any corresponding impairment charge;
- The ability to realize deferred income tax assets;
- The useful lives of long-lived assets and the measurement of amortization;
- The fair value of asset retirement obligations;
- The likelihood of loss contingencies occurring and the amount of any potential loss;
- Whether investments are impaired; and
- The amount of stock option expense.

As the estimation process is inherently uncertain, actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the financial statements.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Starcore Mexicana, S.A. de C.V., a Mexican company ("Mexicana") and Bernal, a Mexican Company. All significant inter-company transactions and balances have been eliminated.

Revenue recognition

Revenue from the sale of metals is recognized in the accounts when persuasive evidence of an arrangement exists, title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable. Revenue is recorded from gold and silver dore sales at the time of physical delivery, which is also the date that title to the gold or silver passes. The sales price is determined on the delivery date based on either the terms of gold sales contracts or the gold and silver spot prices.

Cash and cash equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 3 months or less. The Company places its cash and cash equivalents with institutions of high credit worthiness.

Inventories and cost of sales

Work-in-process inventories and finished goods are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine site overhead expenses and depreciation and depletion of mining interests. Supplies are valued at the lower of average cost or replacement cost.

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

Foreign currency translation

The Company raises its funds and expends them in Canadian dollars. For accounting purposes, the US dollar is regarded as the Company's functional currency, and therefore its consolidated financial statements are prepared in US dollars using the temporal method under which monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, and income and expenses and non-monetary balances are translated at the exchange rate in effect at the times of the underlying transactions. Gains or losses arising from this translation are included in income (loss) for the period.

For the purpose of reporting in Canadian dollars, the US financial statements are translated as follows: all assets and liabilities at the exchange rate in effect at the balance sheet date; income and expenses and capital stock issues at the rates in effect on the transaction dates. The resulting exchange gains or losses are shown as a separate component of shareholders' equity and do not affect reported earnings or losses.

Mining interest, plant and equipment

Mining interest represent capitalized expenditures related to the development of mining properties and related plant and equipment. 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 is calculated using the straight-line method, based on the lesser of economic life or expected life of mine. 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.

Costs related to property acquisitions are capitalized. When it is determined that a property is not economically viable, the capitalized costs are written off.

Mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued. 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.

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.

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

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

The Company reviews and evaluates its mining properties 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 are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

Mineral properties and deferred exploration costs

Mineral properties consist of exploration and mining concessions, options and contracts which are not currently being exploited in mining operations. The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value.

Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values. The amounts recorded are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recorded amounts.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated.

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

Reclamation and closure cost obligations

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company has recorded a liability for the estimated reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs, discounted to net present value. Such estimates are, however, subject to change based on negotiations with regulatory authorities, or changes in laws and regulations.

Asset retirement obligations

The Company has adopted the *CICA Handbook Section 3110 "asset retirement obligations"* which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The liability will be increased in each accounting period by the amount of the implied interest ("accretion") inherent in the use of discounted present value methodology, and the increase will be charged against earnings or capitalized as appropriate

Basic and diluted loss per share

The Company follows the treasury stock method to calculate 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.

The diluted loss per share assumes that the outstanding stock options and share purchase warrants had been exercised at the beginning of the period and that the convertible notes had been converted on the date of issue. However, shares issuable on exercise of stock options and warrants totaling 48,888,519 (2006 – 5,191,332) were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

Income taxes

Income taxes are accounted for using the future income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

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

Stock-based compensation

As at August 1, 2003, the Company adopted, on a prospective basis, the recommendations of *CICA Handbook section 3870, "Stock-Based Compensation and Other Stock-Based Payments."* This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's shares, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate, as determined at the grant date. The estimated fair value of awards of stock-based compensation are charged to expense over their vesting period, with offsetting amounts recognized as contributed surplus. Options granted to consultants are revalued each vesting date, using the Black Scholes model, and charged over the next vesting period accordingly. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

Financial Instruments

Effective August 1, 2006, the Company adopted the following new accounting standards issued by the CICA relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements as their adoption resulted in only nominal differences.

a) Recognition and Measurement (*CICA Handbook Section 3855*)

This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to August 1, 2006 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

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

Financial Instruments – (cont'd)

a) Recognition and Measurement (CICA Handbook Section 3855) – (cont'd)

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

- Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.

- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earning in the period in which they arise.

In accordance with this new standard, the Company has classified its financial instruments as follows:

- Marketable securities and reclamation deposits are classified as available-for-sale securities. Such securities are measured at fair market value in the consolidated financial statements with unrealized gains or losses recorded in comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings (loss).

- Loans payable are classified as held-to-maturity and are measured at amortized costs. Deferred financing costs relating to the issuance detachable warrants with loans are presented as a discount to the loan value and accreted over the term of the Loan to net loss.

b) Hedging (*CICA Handbook Section 3865*)

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

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

Financial Instruments – (cont'd)

c) Comprehensive Income (*CICA Handbook Section 1530*)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a financial statement that is displayed with the same prominence as the other financial statements.

Accordingly, the Company reports a consolidated statement of comprehensive income (loss) with the Consolidated Statement of Operations and includes the account "accumulated other comprehensive loss" on the consolidated statement of shareholders' equity and in the shareholders' equity section of the consolidated balance sheet.

Share issue costs

Share issue costs, which include commissions, professional and regulatory fees are charged directly to share capital.

3. Acquisition of Bernal – Notes 10, 13, 14 and 15

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. 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 represents the purchase of a self sustaining mining operation in Mexico for the Company.

In order to finance the Acquisition, the Company issued 37,400,000 units at a price of $0.50 per unit for gross proceeds of $18,700 (the "Offering"), and arranged a US$13 million ($13,867) bank financing (the "Loan") which matures on January 31, 2013 and bears interest at LIBOR plus 3%.

Each Offering unit consists of one common share and one-half of one warrant which is exercisable into one additional common share for three years at an exercise price of $0.80 per share. The shares and warrants were issued concurrently with the closing of the Acquisition and the entire proceeds of the offering were allocated to the common shares, determined to be the fair value. Pursuant to the Offering, the Company incurred cash commissions of $833 and issued 447,144 common shares at a fair value of $523 (based on the trading value of the Company's stock at the date earned), which are included net against Share Capital. The Company also granted 879,840 agents warrants entitling the holder to acquire one share at $0.80 for one year with the same early expiry provisions as the warrants issued in the Offering. These warrants were determined to have a fair value of $476 using the Black-Scholes fair value pricing model and the non-cash amounts are included in the financial statements as Warrants and a charge to share issue costs in Shareholders' equity.

(in thousands of Canadian dollars unless otherwise stated)

3. Acquisition of Bernal – Notes 10, 13, 14 and 15 – (cont'd)

In connection with the Loan, 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). The exercise price of the detachable warrants was calculated at a 140% and 160% premium, respectively, to the 40 day weighted average value of the Company's trading share price at the Loan agreement date. The exercise of the warrants in whole or in part will result in a pro-rata drawdown of the amount of debt outstanding based on the US dollar conversion rate up to the full amount of the US $13 million ($13,867) loan balance. Once the loan is completely drawn down by conversion of the warrants, any remaining unexercised warrants (i.e. on balances of the loan principle which were previously paid down by the Company in cash) are exercisable at the Canadian dollar conversion rate.

On February 1, 2007, the Company acquired all of the issued and outstanding shares of Bernal. The acquisition represents a business combination (acquisition of a self sustaining mining operation) and has been accounted for using the purchase method of accounting. Under this method, the residual of the fair value of the consideration paid less the fair value of the net assets acquired on February 1, 2007 is allocated to mining interest, as follows:

Assets		
Cash and equivalents	$	56
Amounts receivable		1,300
Inventory		1,234
Prepaid expenses and advances		576
Mining interest, plant and equipment		32,895
Total assets		**36,061**
Less: Liabilities – Accounts payable and accrued liabilities		2,057
- Future Income Taxes		4,095
- Other long-term liabilities		1,624
- Reclamation and closure cost obligations		1,623
Total liabilities		**9,399**
Net assets		**26,662**
Consideration:		
Cash		28,248
Shares		2,365
Acquisition costs (note 15)		543
Total consideration		**31,156**
Net difference		4,494
Future income tax effect		1,748
Additional allocation to mining interest, plant and equipment	**$**	**6,242**

(in thousands of Canadian dollars unless otherwise stated)

3. Acquisition of Bernal – Notes 10, 13, 14 and 15 – (cont'd)

The balance of consideration in excess of net assets for book purposes has been allocated to Mining interest, plant and equipment on the basis that the future value of the mine's proven and probable reserves as well as Value Beyond Proven and Probable reserves ("VBPP") exceeds the unallocated purchase consideration. VBPP includes a portion of resources expected to be converted to reserves. These costs are depleted over an expected mine life in accordance with the Company's amortization policy.

Pursuant to the Acquisition agreement, Luismin will operate the mine on behalf of the Company for up to one year. Also, 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.

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 $3,067 (July 31, 2006 - $518) earning interest income at approximately 3% - 4.5% per annum. Cash of $6,892 at July 31, 2006 was paid to the Company pursuant to the financing required to complete the Acquisition of Bernal (note 3) and was released to the Company on February 1, 2007. 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. Marketable Securities

The Company holds 20,000 common shares in another public company with a historical cost of $5 and quoted market value of $17 (July 31, 2006 - $17).

6. Amounts Receivable

July 31,	**2007**	2006
Value added tax and Goods and Services Tax	**$ 830**	$ 26
Advances to contractors	**100**	-
Other	**717**	-
	$ 1,647	$ 26

7. Inventory

July 31,	**2007**	2006
Dore	**$ 267**	$ -
Work-in-process	**160**	
Supplies	**722**	
	$ 1,149	$ -

(in thousands of Canadian dollars unless otherwise stated)

8. Mining Interests, Plant and Equipment

		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**

		July 31, 2006	
	Cost	Accumulated amortization	Net book value
Corporate office equipment and leaseholds	$ 81	$ 29	$ 52

9. Mineral Properties and Deferred Exploration Costs - Note 18

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 as follows:

- 100,000 common shares upon TSX Venture Exchange (the "Exchange") acceptance of the Agreement on June 23, 2004 (issued at $0.50);
- an additional 50,000 common shares (issued at $0.50) and US $300 in exploration expenditures on or before June 23, 2005 (incurred);
- an additional 100,000 common shares on or before July 31, 2007 (subsequently issued);
- an additional US $300 in exploration expenditures on or before June 23, 2008;
- an additional US $300 in exploration expenditures on or before June 23, 2009; and
- an additional US $500 in exploration expenditures on or before June 23, 2010

9. Mineral Properties and Deferred Exploration Costs – Note 18 - (cont'd)

a) Cerro de Dolores, Mexico – (cont'd)

Upon issuing the shares and completing the expenditures set out above, the Company will have earned a 51% interest in the Cerro de Dolores property. The Company can earn an additional 29% interest in the property by placing the property into commercial production. If the Company earns its initial 51% interest but does not place the property into commercial production, Goldcorp/Wheaton will have the option to re-acquire an 11% interest in the property from the Company for a cash purchase price of US $300 or 11/80 of the exploration expenditures incurred by the Company.

The Company paid a finder's fee of 100,000 common shares in connection with the Agreement.

In November 2004, the Company acquired, through staking, 2,344 additional hectares of exploration ground contiguous to its 697 hectare Cerro de Dolores property in the Guerro/Puebla States in Mexico, extending north-easterly from the boundary of the existing land position and covers the known extension (about 15 km) of the structural corridor hosting silver-lead-zinc mineralization in the target area. The zones have not been subjected to modern exploration techniques and represent targets for resource expansion for the Company.

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. In order to exercise the option, the Company was to pay US $120 (US$10 paid), issue 250,000 shares (25,000 issued) and incur US $500 exploration expenditures.

During the period ended April 30, 2007, the Company has decided to abandon this option and recognize a loss of $239 on the write-off of the mineral property and related deferred exploration costs.

(in thousands of Canadian dollars unless otherwise stated)

9. Mineral Properties and Deferred Exploration Costs – Note 18 - (cont'd)

c) Summary of Mineral Properties and Deferred Exploration Costs

Year ended July 31,		**2007**		2006
Cerro de Dolores				
Balance, beginning of period	**$**	**719**	$	666
Assays and sampling		**1**		6
Consulting		**7**		7
Field work & supplies		**-**		1
General & administration		**17**		33
Site visits		**-**		6
Travel and transportation		**10**		-
Current period expenditures		**35**		53
Balance, end of period		**754**		719
Black Silver				
Balance, beginning of period		**220**		44
Acquisition of land		**-**		5
Assays and sampling		**3**		14
Consulting		**1**		38
Drilling		**-**		115
License fees		**5**		-
Site visits		**-**		4
Travel and transportation		**10**		-
Current period expenditures		**19**		176
Write-off of mineral property		**(239)**		-
Balance, end of period		**-**		220
Total Mineral Properties Deferred Acquisition Exploration Expenses	**$**	**754**	$	939

10. Loan Payable – Notes 3, 14, 15 and 18

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 Mexicana, and by a guarantee from the Company (at July 31, 2007, LIBOR was approximately 5.4%). 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 and principal each three months beginning July 31, 2007 for interest and October 31, 2007 for principal, 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. This amount represents 140% of the Company's weighted average share price trading value for 20 days prior and 20 days subsequent to the date of signing the agreement with Investec. 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 July 31, 2007, no Tranche A Loan warrants have been exercised.

b) Tranche B for US$5million is repayable as to interest and principal each three months beginning July 31, 2007 for interest and 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. This amount represents 160% of the Company's weighted average share price trading value for 20 days prior and 20 days subsequent to the date of signing the agreement with Investec. 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 July 31, 2007, no Tranche B Loan warrants have been exercised.

If the common shares of the Company trade at or above US$2.00 for a period of 3 consecutive trading days, the Company has the right to require Investec to exercise up to 50% of the Tranche A and B warrants, provided that the number of Loan warrants which may be exercised during any three month period shall not exceed 10% of the amount owing under the Loan.

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 July 31, 2007, 75,185 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. In addition, the Company incurred direct cash transaction costs of the Loan financing of $1,120, which were charged to the statement of operations.

(in thousands of Canadian dollars unless otherwise stated)

10. Loan Payable – Notes 3, 14, 15, and 18 – (cont'd)

A summary of the Loans is as follows:

July 31,	2007	2006
Tranche A Loan	$ 8,534	$ -
Tranche B Loan	5,333	-
	13,867	
Less: Discount	920	-
	12,947	-
Less: Current portion	4,132	-
Long-term portion	$ 8,815	$ -

Principal due for the fiscal year ended:	
July 31, 2008	$ 4,299
2009	2,427
2010	2,080
2011	1,317
2012	2,219
2013	1,525
	$ 13,867

11. 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 $1,506 reflecting undiscounted payments assumed at the end of the mine life of MP$28,058 or $2,727 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 $1,952. 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 year are as follows:

July 31,	2007
Balance February 1	$ 1,470
Accretion expense	23
Revisions in assumptions, estimates and liabilities incurred	13
	$ 1,506

12. 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.

13. Share Capital – Note 18

a) Authorized

Unlimited common shares with no par value

b) Shares issued

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.

(ii) 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.

(iii) 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.

(iv) 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.

(in thousands of Canadian dollars unless otherwise stated)

13. Share Capital - (cont'd)

b) Shares issued – Note 18 (cont'd)

(v) 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.

c) Options Outstanding

A summary of the Company's outstanding stock options as of July 31, 2007 and 2006 and the changes during the periods then ended is presented below:

	Number of options	Weighted average exercise price
Outstanding at July 31, 2005	1,850,000	$0.40
Options exercised	(136,666)	$0.40
Options granted	914,000	$0.45
Options cancelled/ expired	(333,334)	$0.40
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**
Exercisable at July 31, 2006	1,105,000	$0.41
Exercisable at July 31, 2007	**2,935,942**	**$0.82**

At July 31, 2007, 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	26,667	$0.40	March 2, 2011
525,822	175,274	$0.60	December 20, 2011
5,430,000	1,810,001	$1.06	January 22, 2012
50,000	-	$1.06	February 2, 2012
2,600,000	-	$0.78	July 9, 2012
9,569,822	**2,935,942**		

(in thousands of Canadian dollars unless otherwise stated)

13. 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:

	Year ended, July 31,		
	2007	**2006**	**2005**
Number of options granted	**8,605,822**	914,000	1.850,000
Fair value	**$5,209**	$192	$426
Dividend Rate	**$0**	$0	$0
Risk free interest rate	**4.19%**	4.05%	3.88%
Expected life	**5 years**	5 years	5 years
Expected annual volatility	**82%**	86%	79%
Average strike price	**$0.95**	$0.45	$0.40

Based on the above, the fair value of the stock options vested during the year ended July 31, 2007 was $2,473, which has been recorded in the statement of operations and credited to contributed surplus. During the year ended July 31, 2007, $234 was transferred from contributed surplus to share capital pursuant to the exercise of 975,000 options exercised at prices of $0.40 and $0.68 per share. These amounts have been excluded from the statement of cash flows.

e) Warrants Outstanding – Notes 3 and 10

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, 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 recorded in the statement of operations and credited to warrants on the balance sheet.

(in thousands of Canadian dollars unless otherwise stated)

13. Share Capital – (cont'd)

e) <u>Warrants Outstanding</u> – Notes 3 and 10 – (cont'd)

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. 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 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 with the following assumptions at date of issue:

Dividend rate	0.00	%	Expected annual volatility	80	%
Risk-free interest rate	3.97	%	Strike price	$0.80	
Expected life	1	year			

Based on the above, the fair value of the 879,840 agents' warrants 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 July 31, 2007 and 2006 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted average Exercise price
Outstanding and exercisable at July 31, 2005	4,504,554	$ 0.61
Warrants expired	(1,100,000)	$ 0.64
Warrants exercised	(507,222)	$ 0.60
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	**39,318,697**	**$ 0.80**

(in thousands of Canadian dollars unless otherwise stated)

14. Financial Instruments – Note 10

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 July 31, 2007 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	$	5,132	MP 3,122
Other working capital amounts - net	$	106	MP 1,814
Long-term Liabilities	$	13,000	MP 84,096

At July 31, 2007 US dollar amounts were converted at a rate of $1.06671 Canadian dollars to 1 US dollar and Mexican Pesos were converted at a rate of 10.9812 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 in Note 2. The Mark-to-market value of the remaining gold sales contracts for the sale of 75,185 ounces to January 31, 2013, as at July 31, 2007 was negative $1,852.

15. Commitments

a) A term of the Loan financing (note 10) requires that the Company fund a Debt Service Reserve Account ("DSRA") at July 31, 2007, which will maintain a balance equal to six months loan principal and interest at all times. The required funding commitment at July 31, 2007, is approximately US$3,640 and reduces in subsequent quarters as principal payments decrease in accordance with the Loan repayment schedule. The principal due over the next year ended July 31, 2008 of $4,299 is shown as a current liability on the Company's balance sheet and is in addition to the funding of the DSRA (note 18).

(in thousands of Canadian dollars unless otherwise stated)

15. Commitments – (cont'd)

b) As at July 31, 2007, the Company has shared lease commitments for office space expiring in February 2010. Minimum lease payments including estimated taxes and excluding operating costs for each of the next five years are as follows:

July 31, 2008	$	16
2009		16
2010		9
	$	41

c) The Company rents premises and leases equipment under operating leases that expire over three year terms, ending in July 2008. Operating lease expense in 2007 was $183. Following is a schedule of future minimum rental and lease payments required:

July 31, 2008	$	271

d) The Company has management contract commitments for $163 to July 31, 2008.

16. Segmented Information

During the year ended July 31, 2007, 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	July 31, 2007 Total
Revenue	$ 18,499	$ -	$ -	$ 18,499
Amortization and depletion	1,411	-	26	1,437
Interest on long-term debt	613	-	-	613
Earnings (loss) for the period	2,389	(239)	(4,368)	(2,218)
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

	Mexico	United States	Canada	July 31, 2006 Total
Revenue	$ -	$ -	$ -	$ -
Amortization and depletion	-	-	12	12
Interest on long term debt	-	-	-	-
Earnings (loss) for the period	-	-	(890)	(890)
Mining interest, plant and equipment	-	-	52	52
Mineral properties and deferred exploration costs	719	220	-	939
Segment assets	719	220	7,761	8,700

(in thousands of Canadian dollars unless otherwise stated)

16. Segmented Information – (cont'd)

Selected financial information by operating segments is as follows:

	Mining Operations	Exploration & Development	Corporate	July 31, 2007 Total
Revenue	$ 18,499	$ -	$ -	$ 18,499
Amortization and depletion	1,411	-	26	1,437
Interest and long term debt	613	-	-	613
Earnings (loss) for the period	2,389	(239)	(4,368)	(2,218)
Mining interest, plant and equipment	36,043	-	137	36,180
Mineral properties and deferred exploration costs	-	754	-	754
Segment assets	45,331	754	4,024	50,109

	Mining Operations	Exploration & Development	Corporate	July 31, 2006 Total
Revenue	$ -	$ -	$ -	$ -
Amortization and depletion	-	-	12	12
Interest and long term debt	-	-	-	-
Earnings (loss) for the period	-	-	(890)	(890)
Mining interest, plant and equipment	-	-	52	52
Mineral properties and deferred exploration costs	-	939	-	939
Segment assets	-	939	7,761	8,700

During the year ended July 31, 2007, 100% (2006 - $Nil) of revenue of the Company was earned from one customer. The balance owing from this customer on July 31, 2007 was $695,251 (2006 - $Nil)

(in thousands of Canadian dollars unless otherwise stated)

17. Income Taxes

Current income tax expense differs from the amount that would result from applying the Canadian statutory income tax rates to the Company's loss before income taxes. This difference is reconciled as follows:

July 31,	2007	2006
Loss before income taxes	$ (649)	$ (890)
Canadian statutory income tax rate	34.10%	34.10%
Income tax recovery at statutory rate	(220)	(303)
Difference from lower statutory tax rates on foreign subsidiaries earnings	(225)	-
Non-deductible items for tax purposes	843	128
Effect of timing differences	1,565	(14)
Non-capital loss carry forwards	(426)	189
	$ 1,537	$ -

Significant components of the Company's future income tax liability are as follows:

July 31,	2007	2006
Future income tax assets (liabilities)		
Mining interest, plant and equipment	$ (7,313)	$ 4
Mineral properties	2,024	1,247
Supplies	(88)	-
Provision for reclamation and closure	421	-
Expenses reserve	69	-
Pension-fund reserve	11	-
Profit sharing employees	500	-
Share issuance costs	396	38
Net capital losses available	126	289
Non-capital losses available for future periods	1,818	839
	(2,036)	2,417
Valuation allowance	(4,760)	(2,417)
	$ (6,796)	$ -

At July 31, 2007, the Company has tax losses of approximately $3,900 in Canada and $198 in Mexico available for carry-forward to reduce future years' income taxes, expiring up to 2027 and 2012, respectively. The Company also has capital losses of approximately $737 for carry-forward to reduce future years' taxable capital gains.

In addition, the Company has available mineral resource related expenditure pools totaling approximately $6,689 which may be deducted against future Canadian taxable income on a discretionary basis.

17. Income Taxes – (cont'd)

Future income tax benefits which may arise as a result of applying these deductions and benefits and liabilities resulting from temporary differences as outlined above have been recognized in these accounts on the belief that they are more likely than not to be utilized. A valuation allowance has been recorded in cases where there is substantial doubt that the amount will be utilized.

In accordance with Mexican tax law, Bernal is subject to income tax and tax on assets. Income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through an inflationary component. On December 1, 2004 certain amendments to the Mexican tax laws were enacted and were effective in 2005. The most significant amendments were as follows: (a) the income tax rate was reduced to 29% in 2006 and further reduced to 28% in 2007 and thereafter; (b) for income tax purposes, cost of sales is deducted instead of inventory purchases and related conversion costs; (c) taxpayers had the ability to elect, in 2005, to ratably increase taxable income over a period from 4 to 12 years by the tax basis of inventories as of December 31, 2004 determined in conformity with the respective tax rules; (d) bank liabilities and liabilities with foreign entities are included to determine the tax on the taxable asset base.

The Bernal's management elected to amortize the tax inventory of US$ 493 at December 31, 2004 into taxable income over a seven year period beginning in 2005, based on inventory turnover. Accordingly, the initial effect of the new regulation of no longer deducting inventory purchases is deferred.

Asset tax is calculated by applying 1.8% on the net average of the majority of restated assets less certain liabilities and is payable only to the extent that it exceeds income tax payable for the same period. Any required payment of tax on assets is creditable against the excess of income tax over tax on assets of the following ten years.

18. Subsequent Events

Subsequent to July 31, 2007, the Company:

a) Issued 100,000 common shares to Goldcorp pursuant to the Cerro de Dolores amended option agreement; and
b) Prepaid US$ 3.12 million of Tranche A of the Loan Payable principal amount originally due October 31, 2007 and January 31, 2008.