

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-50922

**STARCORE INTERNATIONAL MINES LTD.**  
(Exact name of Registrant as specified in its charter)

**Not Applicable**  
(Translation of Registrant's name into English)

**British Columbia, Canada**  
(Jurisdiction of incorporation or organization)

**Suite 750 – 580 Hornby Street, Box 113**  
**Vancouver, British Columbia, Canada V6C 3B6**  
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Class  
**Not Applicable**

Name of each exchange on which registered  
**Not Applicable**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**Common Shares Without Par Value**  
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**Not Applicable**  
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**49,646,851 common shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
[ ] YES [X] NO

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
[ ] YES [ ] NO

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
[ ] YES [ ] NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark which financial statement item the registrant has elected to follow.  
[ ] ITEM 17 [X] ITEM 18

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
[ ] YES [X] NO

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
[ ] YES [ X] NO

Emerging growth company [X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [X]

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## CURRENCY AND MEASUREMENT

All currency amounts in this Annual Report are stated in Canadian Dollars unless otherwise indicated.

Approximate conversion of metric units into imperial equivalents is as follows:

<b>Metric Units</b>	<b>Multiply by</b>	<b>Imperial Units</b>
hectares	2.471	= acres
meters	3.281	= feet
kilometers	3281	= feet
kilometers	0.621	= miles
grams	0.032	= ounces (troy)
tonnes	1.102	= tons (short) (2,000 lbs)
grams/tonne	0.029	= ounces (troy)/ton

### RESOURCE CATEGORY (CLASSIFICATION) DEFINITIONS

The discussion of mineral deposit classifications in this Annual Report adheres to the mineral resource and mineral reserve definitions and classification criteria developed by the Canadian Institute of Mining ("CIM") 2014. Estimated mineral resources fall into two broad categories dependent on whether the economic viability of them has been established and these are namely "resources" (potential for economic viability) and "reserves" (viable economic production is feasible). Resources are sub-divided into categories depending on the confidence level of the estimate based on level of detail of sampling and geological understanding of the deposit. The categories, from lowest confidence to highest confidence, are inferred resource, indicated resource and measured resource. Reserves are similarly sub-divided by order of confidence into probable (lowest) and proven (highest). These classifications can be more particularly described as follows:

Mineral Resource	A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.
Inferred Mineral Resource	That part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. It has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

Indicated Mineral Resource	That part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors - including, but not limited to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors (collectively, "Modifying Factors") in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. It has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.
Measured Mineral Resource	That part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. It has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.
Mineral Reserve	The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors, which are considerations used to convert Mineral Resources to Mineral Reserves and include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a Pre-Feasibility Study or Feasibility Study.
Probable Mineral Reserve	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.
Proven Mineral Reserve	The economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

#### CAUTIONARY NOTES TO UNITED STATES INVESTORS CONCERNING MINERAL RESERVE AND RESOURCE ESTIMATES

This Annual Report on Form 20-F uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all resource estimates contained in this Annual Report have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the SEC, and resource information contained herein may not be comparable to similar information disclosed by companies in the United States.

This Annual Report on Form 20-F uses the terms “probable mineral reserve” and “proven mineral reserve”, as permitted under NI 43-101. For United States reporting purposes, SEC Industry Guide 7 (under the United States Securities Exchange Act of 1934 (the “Exchange Act”)), as interpreted by Staff of the SEC, applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under SEC standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Accordingly, mineral reserve estimates calculated in accordance with Canadian standards may not qualify as “reserves” under SEC standards.

In addition, this Annual Report on Form 20-F uses the terms “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” to comply with the reporting standards in Canada. We advise United States investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility.

Further, “inferred resources” have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist. In accordance with Canadian rules, estimates of “inferred mineral resources” cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.

It cannot be assumed that all or any part of “measured mineral resources”, “indicated mineral resources”, or “inferred mineral resources” will ever be upgraded to a higher category. Investors are cautioned not to assume that any part of the reported “measured mineral resources”, “indicated mineral resources”, or “inferred mineral resources” in this Annual Report is economically or legally mineable.

In addition, disclosure of “contained ounces” is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

#### FORWARD-LOOKING STATEMENTS

Except for the statements of historical fact contained herein, some information presented in this Annual Report constitutes forward-looking statements. When used in this Annual Report, the words “estimate”, “project”, “believe”, “anticipate”, “intend”, “expect”, “predict”, “may”, “should”, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, lack of commercially exploitable mineral reserves, future prices of precious metals and minerals, as well as those factors discussed in the section entitled “Risk Factors” beginning on page 7, below. Although our Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause actual results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. The forward-looking statements in this Annual Report speak only as to the date hereof. Except as required by applicable law, including the securities laws of the United States, we do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

As used in this Annual Report, the terms “we”, “us” and “our” mean Starcore International Mines Ltd. and all of our wholly owned subsidiaries, unless otherwise indicated.

## STATUS AS AN EMERGING GROWTH COMPANY

Our Company is an "emerging growth company" as defined in section 3(a) of the Exchange Act, and we will continue to qualify as an "emerging growth company" until the earliest to occur of: (a) the last day of the fiscal year during which our Company has total annual gross revenues of US\$1,000,000,000 (as such amount is indexed for inflation every 5 years by the SEC) or more; (b) the last day of our Company's fiscal year following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective Registration Statement under the Securities Act; (c) the date on which our Company has, during the previous 3-year period, issued more than US\$1,000,000,000 in non-convertible debt; or (d) the date on which our Company is deemed to be a "large accelerated filer", as defined in Exchange Act Rule 12b-2. Therefore, we expect to continue to be an emerging growth company for the foreseeable future.

Generally, a company that registers any class of its securities under section 12 of the Exchange Act is required to include in the second and all subsequent annual reports filed by it under the Exchange Act, a management report on internal control over financial reporting and, subject to an exemption available to companies that meet the definition of a "smaller reporting company" in Exchange Act Rule 12b-2, an auditor attestation report on management's assessment of internal controls over financial reporting. However, for so long as we continue to qualify as an emerging growth company, we will be exempt from the requirement to include an auditor attestation report in our annual reports filed under the Exchange Act, even if we do not qualify as a "smaller reporting company". In addition, auditors of an emerging growth company are exempt from the rules of the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the registrant company (auditor discussion and analysis).

As a reporting issuer under the securities legislation of the Canadian provinces of Ontario, British Columbia, and Alberta, we are required to comply with all new or revised accounting standards that apply to Canadian public companies. Pursuant to Section 107(b) of the Jumpstart Our Business Startups Act (commonly referred to as the "JOBS Act"), an emerging growth company may elect to utilize an extended transition period for complying with new or revised accounting standards for public companies until such standards apply to private companies. We have elected to utilize this extended transition period. However, while we have elected to utilize this extended transition period, our audited consolidated financial statements as of April 30, 2018 reflect the adoption of all required accounting standards for Canadian public companies.

## PART I

### FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES

The financial statements and summaries of financial information contained in this document are reported in Canadian dollars ("\$\$") unless otherwise stated. All such financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (the "IASB").

In May 2016, our Board of Directors resolved to change our financial year end from July 31 to April 30, with the result that our transition financial year ended on April 30, 2016 covered a period of nine months. Our financial statements for the year ended April 30, 2020 have been reported on by Davidson & Company LLP, Chartered Professional Accountants, of 1200-609 Granville Street, P.O. Box 10372, Pacific Centre Vancouver, BC, Canada V7Y 1G6, a registered public accounting firm.

#### **Item 1 Identity of Directors, Senior Management and Advisers**

Not Applicable for Annual Reports

#### **Item 2 Offer Statistics and Expected Timetable**

Not Applicable for Annual Reports



### Item 3 Key Information

#### A. Selected Financial Data

The following tables summarize selected financial data for our Company for the year ended April 30, 2020 and the past four years before that. As indicated elsewhere in this Annual Report, in May 2016, our Board of Directors resolved to change our financial year end from July 31 to April 30, with the result that our transition financial year ended on April 30, 2016 covered a period of nine months. The information in the tables for the years ended April 30, 2020, April 30, 2019, April 30, 2018, April 30, 2017 and April 30, 2016 was extracted from the detailed audited financial statements and related notes included in this Annual Report and should be read in conjunction with those financial statements and the other information appearing under the heading “Item 5 – Operating and Financial Review and Prospects” beginning at page 33, below.

#### Selected Financial Data (Stated in thousands of Canadian Dollars)

IFRS as issued by the IASB	At April 30, 2016	At April 30, 2017	At April 30, 2018	At April 30, 2019	At April 30, 2020
Total Revenues	20,326	27,228	27,807	32,795	24,820
Earnings from Mining Operations	1,519	826	(4,928)	36	1,984
Earnings for the Year	195	7,222	(17,945)	(11,804)	(3,629)
Basic and Diluted Earnings per Share	0.00	0.15	(0.24)	(0.24)	(0.07)
Total Assets	78,907	82,096	64,451	57,005	54,413
Total Liabilities	21,034	17,178	15,383	17,969	17,109
Net Assets	57,873	64,918	49,068	39,036	37,304
Share Capital	50,605	50,605	50,725	50,725	50,725
Common Stock	49,146,851	49,146,851	49,646,851	49,646,851	49,646,851
Cash Dividends per Common Share	NIL	NIL	NIL	NIL	NIL

#### Disclosure of Exchange Rate History

On July 24, 2020 the noon rate of exchange as set forth in the H.10 statistical release of the Federal Reserve Board, for the conversion of United States dollars into Canadian dollars was US\$1.00 = \$1.3421.

The following table sets forth the high and low rates of exchange for the Canadian dollar, expressed as Canadian dollars per U.S. dollar, for each month during the previous six months:

Month Ended	Exchange Rate U.S. Dollars into Canadian Dollars	
	High	Low
June 30, 2020	1.36984	1.33887
May 31, 2020	1.42635	1.37522
April 30, 2020	1.42355	1.39140
March 31, 2020	1.45634	1.33392
February 28, 2020	1.34159	1.32206
January 31, 2020	1.32237	1.29665

The following table sets forth the average rates of exchange for the Canadian dollar, expressed as Canadian dollars per U.S. dollar, during the year ended April 30, 2020 and during each of the preceding four financial years ended April 30, calculated by using the average of the exchange rates on the last day of each month during the period:

Year Ended	Average Exchange Rate U.S. Dollars into Canadian Dollars
April 30, 2020	1.3359
April 30, 2019	1.3179
April 30, 2018	1.2774
April 30, 2017	1.3179
April 30, 2016*	1.3331

\* Nine-month transition year.

***B. Capitalization and Indebtedness***

Not Applicable for Annual Reports

***C. Reasons for the Offer and Use of Proceeds***

Not Applicable

***D. Risk Factors***

*An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this Annual Report in evaluating our Company and our business before purchasing shares of our Company's common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are not the only ones facing our Company. Additional risks not presently known to us may also impair our business operations. You could lose all or part of your investment due to any of these risks.*

**Risks Associated with our Mining Operations**

*Our operations are subject to risk. Our Company's ability to generate sufficient cash flows to continue operations is dependent on many factors and cannot be assured.*

During the year ended April 30, 2020, the cash flow generated from operating, investing and financing activities resulted in a net cash outflow of \$988,000 (2019 –(\$591,000)) bringing the Company's cash balance to \$2,105,000 (2019 - \$2,549,000) with a working capital of \$46,000 (2019 -\$2,606,000) and an accumulated income (deficit) of \$29,502,000 (2019 -\$25,873,000). The ability of the Company to generate sufficient cash flows to continue operations is dependent upon many factors including, but not limited to, sufficient ore grade, ore production at the San Martin mine, control of mine production costs, administrative costs and tax costs and upon the market price of metals. Cash flows may also be affected by the ability of the Company to reduce capital expenditures, including mine development.

*Exploration, development and mining involve a high degree of risk.*

Our operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of gold and other base or precious metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability.

Milling operations are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

***Mining risks.***

The business of mining involves many risks and hazards, including environmental hazards, industrial accidents, labour force disruptions, the unavailability of materials and equipment, unusual or unexpected rock formations, pit slope failures, changes in the regulatory environment, weather conditions, cave-ins, rock bursts, water conditions and gold bullion losses. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. As a result, we may incur significant costs that could have a material adverse effect upon our financial performance, liquidity and results of operations.

***Mine development is subject to a number of risks.***

Our ability to sustain or increase our present levels of gold production is dependent upon the successful development of new producing mines and/or identification of additional reserves at existing mining operations. If we are unable to develop new ore bodies, we will not be able to sustain present production levels. Reduced production could have a material and adverse impact on future cash flows, results of operations and financial condition. Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future gold prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the gold from the ore, and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result, we cannot give any assurance that our exploration and development activities will result in economically viable deposits. If a deposit is developed, actual operating results may differ from those anticipated.

***We may be adversely affected by fluctuations in gold prices.***

The value and price of our securities, our financial results, and our exploration, development and mining activities may be significantly adversely affected by declines in the price of gold and other precious metals. Gold prices fluctuate widely and are affected by numerous factors beyond our control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of gold producing countries throughout the world. The price for gold fluctuates in response to many factors beyond anyone's ability to predict. The prices used in making the resource estimates are disclosed and differ from daily prices quoted in the news media. The percentage change in the price of a metal cannot be directly related to the estimated resource quantities, which are affected by a number of additional factors. For example, a 10 percent change in price may have little impact on the estimated resource quantities and affect only the resultant positive cash flow, or it may result in a significant change in the amount of resources. Because mining occurs over a number of years, it may be prudent to continue mining for some periods during which cash flows are temporarily negative for a variety of reasons including a belief that the low price is temporary and/or the greater expense incurred is in closing a property permanently.

Mineralized material calculations and life-of-mine plans using significantly lower gold and precious metal prices could result in material write-downs of our investments in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting our mineralized material estimates and our financial condition, declining metal prices can impact operations by requiring a reassessment of the commercial feasibility of a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays in development or may interrupt operations, if any, until the reassessment can be completed.

Further, if revenue from gold sales declines, we may experience liquidity difficulties. This may reduce our ability to invest in exploration and development and making necessary capital expenditures, which would materially and adversely affect future production, earnings and our financial position.

***Our estimates of future production may not be achieved.***

We prepare internal estimates of future gold production for our operations. We cannot give any assurance that we will achieve our production estimates. Our failure to achieve our production estimates could have a material and adverse effect on any or all of our future cash flows, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics, and the accuracy of estimated rates and costs of mining and processing.

Our actual production may vary from our estimates for a variety of reasons, including: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures, slope failures or equipment failures; reduced metallurgical recovery rates, industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to our property or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable, forcing us to cease production. Each of these factors also applies to our sites not yet in production and to operations that are to be expanded. In these cases, we do not have the benefit of actual experience in verifying its estimates, and there is a greater likelihood that actual production results will vary from the estimates.

***Mineral reserves and resources estimates are subject to inherent uncertainty.***

The figures presented for both mineral reserves and mineral resources herein are only estimates. The estimating of mineral reserves and mineral resources is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate, and the actual deposits encountered and the economic viability of mining a deposit may differ materially from our estimates. Estimated mineral reserves or mineral resources may have to be recalculated based on changes in gold prices, further exploration or development activity, actual production experience, other changes in the assumptions made in the estimation process, or changes in the estimation methodology. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence reserve or resource estimates. Market price fluctuations for gold, increased production costs or reduced recovery rates, or other factors may render our present proven and probable mineral reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated reserves could require material write-downs in our investment in the affected mining properties and increased amortization, reclamation and closure charges.

***We compete with other companies for mining claims and mining assets.***

We compete with other mining companies and individuals for mining claims and leases on exploration properties and the acquisition of gold mining assets. Some of the companies with which we compete have significantly greater financial, management and technical resources than we do, and may use these resources to their advantage when competing with us for such opportunities. We cannot give any assurance that we will continue to be able to compete successfully with our competitors in acquiring attractive mineral properties and assets.

***Our San Martin Mine is our primary source of operational cash flow. Accordingly, our ability to continue our operations, and our financial position, will be materially and adversely affected if we are limited by insufficient quantities of mineral reserves and resources, which is dependent on the success of our continuing exploration efforts.***

Specifically, continued operations at the Mine are dependent on our ability to discover new mineral resources and to convert them into reserves in sufficient quantities to replace current production. However, mineral exploration is highly speculative in nature. Our exploration efforts involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital. We cannot give any assurance that our exploration efforts will result in the discovery of additional mineral resources and their conversion into reserves. We cannot give any assurance that our exploration programs will be able to extend the life of our San Martin Mine, or result in the discovery of new producing mines.

***We may have future capital requirements.***

As of April 30, 2020, we had cash of approximately \$2,105,000 (2019 - \$2,549,000) and working capital of approximately \$46,000 (2019 - \$2,606,000). We intend to use our future cash flows to fund exploration and development work and for general corporate purposes. Capital expenditures and funds for exploration in financial year 2021 are expected to total approximately \$3,000,000. The primary expenditures are planned to be mine development and equipment purchases and replacement which are anticipated to be funded out of the mine's cash flow. We may have further capital requirements to the extent we decide to develop other properties or to take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to us. In addition, we may incur major unanticipated liabilities or expenses. Failure to make required capital expenditures may impact our financial results.

We may be required to obtain additional financing in the future to fund future exploration and development activities or acquisitions of additional properties or other interests that may be appropriate to enhance our financial or operating interests. We have historically raised capital through equity financing and in the future we may raise capital through equity or additional debt financing, joint ventures, production sharing arrangements or other means. There can be no assurance that we will be able to obtain necessary financing in a timely manner or on acceptable terms, if at all.

***We may require further loans in the future.***

Although we repaid all outstanding debt in 2020 (US\$1,000,000 due on April 25, 2020 and Cdn\$3,000,000 due June 18, 2020). See press release of June 10, 2020, we may need to arrange additional loans in the future which may require scheduled payments. Our mining operations may not be able to generate sufficient cash to service such future indebtedness should we incur such debt, and we may be forced to take other actions to satisfy our obligations, which actions may not be successful.

Our ability to meet the repayment obligations on future indebtedness depends on our financial condition and operating performance, which is subject to, among other factors, prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may not be able to maintain a level of cash flow from our operating activities sufficient to permit us to pay the principal and the interest on our indebtedness.

***Government regulation may adversely affect our business and planned operations.***

We believe we currently comply with existing environmental and mining laws and regulations and that our proposed exploration programs will also meet those standards. Our mineral exploration and development activities, if any, are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. We can provide no assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail our exploration, production or development activities. Amendments to current laws and regulations governing operations and activities of exploration, development mining and milling or more stringent implementation thereof could have a material adverse impact on our business and financial condition and cause increases in operating and

exploration expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development of new mining properties.

Government approvals and permits are currently, and may in the future be, required in connection with our operations. There can be no assurance that we will be able to obtain these permits in a timely manner.

***Our Operations in Mexico are subject to Mexican Foreign Investment and Income Tax Laws***

Under the Foreign Investment Law of Mexico, there is no limitation on foreign capital participation in mining operations; however, the applicable laws may change in a way which may adversely impact the Company and its ability to repatriate profits. Under Mexican Income Tax Law, dividends are subject to a withholding tax.

The VAT (IVA) is an indirect tax levied on the value added to goods and services, and it is imposed on that carry out activities within Mexican territory.

During 2013, the Mexican Congress passed tax reform legislation, effective January 1, 2014. The tax reform includes an increase in the corporate tax rate to 30% from 28%, the introduction of a special mining royalty of 7.5% on the profits derived from the sale of minerals, and, the introduction of an extraordinary mining royalty of 0.5% on the gross income derived from the sale of gold, silver and platinum. These changes may have a material impact on the Company's future earnings and cash flows, and possibly on future capital investment decisions.

***Our operations are subject to environmental risks.***

All phases of our operations, if any, will be subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. We cannot be certain that future changes in environmental regulation, if any, will not adversely affect our operations, if any. Environmental hazards may exist on properties we hold that are unknown to us and that have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

***We do not insure against all risks.***

Our insurance will not cover all the potential risks associated with a mining company's operations. We may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, we expect that insurance against risks such as environmental pollution or other hazards as a result of exploration and production may be prohibitively expensive to obtain for a company of our size and financial means. We might also become subject to liability for pollution or other hazards which we may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our financial condition and results of operations.

***Our directors and officers may have conflicts of interest.***

Each of our directors and officers has served and continue to serve as officers and/or directors of other companies engaged in natural resource exploration and development and related industries. Consequently, there is a possibility that our directors and/or officers may be in a position of conflict now or in the future. For example, a conflict of interest might arise where one of our directors or officers becomes aware of a corporate opportunity that would be of interest not only to our Company, but also to another mining company of which he is also a director or officer; or it is foreseeable that our Company could become involved in a mineral property option or joint venture agreement in respect of a mineral exploration or mine development project in which such a company holds an interest. For a description of the directorships and/or offices held by our directors and officers in other companies engaged in natural resource exploration and development and related industries, please see “*Item 6 - Directors, Senior Management and Employees - A. Directors and Senior Management – Director Interlocks.*”

***Title to our properties may be subject to challenge.***

Acquisition of title to mineral properties in all jurisdictions is a very detailed and time-consuming process. We have acquired substantially all of our mineral properties through acquisitions. Although we have investigated title to all of our mineral properties, we cannot give any assurance that title to such properties will not be challenged or impugned. The properties may have been acquired in error from parties who did not possess transferable title, may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects or aboriginal, indigenous peoples or native land claims.

In Mexico, the site of the San Martin Mine, all mineral resources are owned by the state. Title to minerals can be held separately from title to the surface. Mining rights take precedence over surface rights. Rights to explore for and to extract minerals are granted by the state through issuance of mining concessions.

***Mining operations are subject to reclamation costs, estimates of which may be uncertain.***

In accordance with existing accounting standards, we have recognized a liability for future site closure and mine reclamation costs based on our estimate of the costs necessary to comply with existing reclamation standards. Site closure and mine reclamation costs for operating properties are reviewed annually. There can be no assurance that our reclamation and closure liabilities will be sufficient to cover all reclamation and closure costs. The costs of performing the decommissioning and reclamation must be funded by the Company’s operations. These costs can be significant and are subject to change. We cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If we are required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

We have an obligation to reclaim our properties after the minerals have been mined from the site, and have estimated the costs necessary to comply with existing reclamation standards. Rehabilitation provisions have been created based on the Company’s internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provision may be higher or lower than currently provided for.

The inflation rate applied to estimated future rehabilitation and closure costs is 3.5% and the discount rate currently applied in the calculation of the net present value of the provision is 8.0%.

***We may be subject to unforeseen litigation.***

All industries, including the mining industry, are subject to legal claims, with and without merit. Although we are not currently involved in any legal proceedings, and are not aware of any threatened or pending legal proceedings, there is no guarantee that we will not become subject to such proceedings in the future. There can be no guarantee of the outcome of any such claim. In addition, defense and settlement costs for any legal proceeding can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on our financial position or results of operations.

***Estimates and assumptions employed in the preparation of financial statements.***

The preparation of our Company's consolidated financial statements requires us to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses. Our accounting policies and our critical accounting estimates and judgements are described in notes 3 and 4 respectively in our April 30, 2020 audited annual financial statements.

Our accounting policies relating to mineral property and deferred exploration costs, asset retirement obligations, stock-based compensation and future amortization and depletion of mining interest, plant and equipment are critical accounting policies that are subject to estimates and assumptions. If these estimates or assumptions prove to be inaccurate, we could be required to change the recorded value of our assets and liabilities, which may reduce our earnings and working capital.

We record mineral property acquisition costs and mine development costs at cost. In accordance with IFRS, we capitalize preproduction expenditures net of revenues received, until the commencement of commercial production. A significant portion of our mining interest, plant and equipment will be depreciated and amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of depreciation, depletion and amortization of mining interest, plant and equipment is based on the amount of proven and probable reserves and a portion of resources expected to be converted to reserves. If these estimates of reserves prove to be inaccurate, or if we revise our mining plan for a location, due to reductions in the price of gold or otherwise, to reduce the amount of reserves expected to be recovered, we could be required to write-down the recorded value of our mining interest, plant and equipment, or to increase the amount of future depreciation, depletion and amortization expense, both of which would reduce our earnings and net assets.

In addition, IFRS requires us to consider at the end of each accounting period whether or not there has been an impairment of the capitalized mining interest, plant and equipment. For producing properties, this assessment is based on expected future cash flows to be generated from the location. For non-producing properties, this assessment is based on whether factors that may indicate the need for a write-down are present. If we determine there has been an impairment because our prior estimates of future cash flows have proven to be inaccurate, due to reductions in the price of gold, increases in the costs of production, reductions in the amount of reserves expected to be recovered or otherwise, or because we have determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, we would be required to write-down the recorded value of our mining interest, plant and equipment, which would reduce our earnings and net assets.

***Our operations are subject to risks associated with currency fluctuations.***

Currency fluctuations may affect the costs that we incur at our operations. Gold is sold throughout the world based principally on a U.S. dollar price, but the majority of our operating expenses are incurred in non-U.S. dollar currencies. The appreciation of non-U.S. dollar currencies in those countries where we have mining operations against the U.S. dollar would increase the costs of gold production at such mining operations which could materially and adversely affect our earnings and financial condition.

***Our foreign investments and operations may be subject to political and other risks.***

We conduct mining, development or exploration activities primarily in Mexico and exploration activities in the United States. Our foreign mining investments are subject to the risks normally associated with the conduct of



business in foreign countries. The occurrence of one or more of these risks could have a material and adverse effect on our earnings or the viability of its affected foreign operations, which could have a material and adverse effect on our future cash flows, results of operations and financial condition.

Such risks may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, war, civil disturbances and terrorist actions, criminal and gang related activity, illegal mining and protests, arbitrary changes in laws or policies of particular countries, foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports and increased financing costs. These risks may limit or disrupt our projects, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation.

***Certain of our projects are located in Mexico and are subject to country risks that may affect our ability to complete development work on or to operate our projects.***

The Company's primary mineral activities are conducted in Mexico and will be exposed to various levels of political, economic and other risks and uncertainties. These risks include but are not limited to, hostage taking, illegal mining, fluctuations in currency exchange rates, high rates of inflation, excessive import duties and taxes on the importation of equipment, expropriation and nationalization, possible future restrictions on foreign exchange and repatriation, changes in taxation, labour and mining regulations and policies, and changing political conditions, currency controls, and government regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ local citizens.

Changes, if any, in mining or investment policies, or shifts in political attitude in Mexico, may adversely affect the Company's operations or profitability. Current activities and future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications, and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Mexico continues to undergo violent internal struggles between the government and organized crime with drug-cartel relations and other unlawful activities. The violence has increased since 2011 with the number of kidnappings throughout Mexico rising and continuing to be of particular concern. Militarized crime has not diminished, with ongoing confrontations between Mexican security forces and drug cartels. Shootouts, attacks and illegal roadblock may occur without warning. The majority of crimes include homicides, kidnapping and extortion with the most dangerous regions centralized in specific regions of Mexico: Chihuahua, Colima, Coahuila, Durango, Guerrero, Michoacán, Morelos - the Lagunas de Zempoala National Park, Nayarit - the area within 20 km of the border with Sinaloa and Durango, City of Tepic, Nuevo León, Sinaloa, Sonora and Tamaulipas. Travel advisories continue to prohibit intercity travel at night in numerous areas due to kidnappings, car jackings and highway robberies. Queretaro for the most part remains largely unaffected and no travel advisory or restrictions are currently in effect. However small incidents still occur and although the Company is vigilant in taking additional measures to increase security and protect both personnel and property, there is no absolute guarantee that such measures will provide an adequate level of protection for the Company. The occurrence of these various factors and uncertainties cannot be accurately predicted, and could have an adverse effect on the Company's operations or future profitability.

### ***COVID-19 Uncertainties***

The precise impacts of the global emergence of Coronavirus disease (COVID-19) on the Company are currently unknown. The Company intends to conduct business as normal with modifications to personnel travel and work locations. In Mexico, there is uncertainty as to the continuing designation of mining operations as an essential service. The Company is also evaluating whether exploration work can continue at San Martin. Rules in all jurisdictions are changing rapidly and the Company will need to evaluate and evolve with measures

as they are announced. Government restrictions on the movement of people and goods may cause operations, exploration work and analysis being done by the Company and its contractors to slow or cease temporarily or even permanently. Ceasing operations will have disastrous effects in all Company sectors, and may cause the Company to enact force majeure under one or more of its agreements. Such disruptions in work may cause severe negative impacts on the Company's cash flow, on staffing and personnel, on actual or self-imposed deadlines and other adverse consequences and fiscal losses. In addition, the outbreak of COVID-19 has caused considerable disruption to the world economy and financial markets which could have a materially adverse impact on the ability of the Company to raise additional funding in the future and could negatively impact, among other factors, the Company's share price.

***There are risks associated with our acquisition strategy.***

As part of our business strategy, the Company has made acquisitions in the past. The properties we acquired are primarily in the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of our other exploration properties and further exploration is required before we can evaluate whether any exist and, if so, whether it would be economically and legally feasible to develop or exploit those resources. Even if we complete our current exploration program and we are successful in identifying a mineral deposit, we would be required to spend substantial funds on further drilling and engineering studies before we could know whether that mineral deposit will constitute a reserve (a reserve is a commercially viable mineral deposit).

On March 26, 2018, the Company announced that it was narrowing its focus to production oriented assets in Mexico and was seeking the sale or joint venture of its non-core assets, comprised primarily of our exploration properties.

The Company cannot assure that it can complete any sale or joint venture that it pursues, or is pursuing, on favourable terms, or that any of these business arrangements will ultimately benefit the Company. If not successful or if forced into "fire-sales" in disposing of its properties, these non-core assets acquired by the Company in prior years could have a material adverse effect on the Company's results of operations and financial condition.

***We are reliant on our current management team.***

The success of our operations and activities is dependent to a significant extent on the efforts and abilities of our management including Robert Eadie, Chief Executive Officer & President, Gary Arca, Chief Financial Officer and Salvador Garcia, Chief Operating Officer. Investors must be willing to rely to a significant extent on management's discretion and judgment. We do not have in place formal programs for succession of management and training of management. We do not maintain key employee insurance on any of our employees. The loss of one or more of these key employees, if not replaced, could adversely affect our operations.

***We compete for access to qualified employees and contractors.***

At April 30, 2020, we employed or contracted the services of approximately 255 persons (348 in 2019), including staff at the minesite. We compete with other mining companies in connection with the recruitment and retention of qualified employees. At the present time, a sufficient supply of qualified workers is available for our operations. The continuation of such supply depends upon a number of factors, including, principally, the demand occasioned by other projects. There can be no assurance that we will continue to be able to retain or attract qualified employees. There is a risk that increased labour costs could have a material adverse effect on our operating costs.

***Dilution of Shareholders' Interests as a Result of Issuances of Additional Shares***

Depending on the outcome of the Company's exploration programs and mining operations, the Company may issue additional shares to finance additional programs and mining operations or to acquire additional properties. In the event that the Company is required to issue additional shares or decides to enter into joint ventures with other parties in order to raise financing through the sale of equity securities, investors' interests in the Company

will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold.

### **Risks Related to Our Company**

***Our Articles of Incorporation indemnify our officers and directors against all costs, charges and expenses incurred by them.***

Our Articles of Incorporation contain provisions limiting the liability of our officers and directors for their acts, receipts, negligence or defaults and for any other loss, damage or expense incurred by them which occurs during the execution of their duties as officers or directors of our Company, unless they failed to act honestly and in good faith with a view to the best interests of our Company. Such limitations on liability may reduce the likelihood of derivative litigation against our officers and directors and may discourage or deter our shareholders from suing our officers and directors based upon breaches of their duties to our Company, though such an action, if successful, might otherwise have been of benefit to our Company and our shareholders.

### **Risks Relating to our Securities**

***The prior registration of our common stock under section 12(g) of the Securities Exchange Act of 1934 was revoked pursuant to section 12(j) of that Act due to our failure to comply with our reporting obligations. We have re-registered under the Act and our registration statement became effective on October 11, 2016. If, in the future, we fail to comply with the reporting requirements of the Exchange Act, the SEC could initiate proceedings to once again revoke our registration, and broker-dealers in the United States would thereafter be unable to effect transactions in our Company's common shares.***

***Trading in our common shares on the Toronto Stock Exchange and the OTCQB is limited and sporadic, making it difficult for our shareholders to sell their shares or liquidate their investments.***

Our common shares are currently listed on the Toronto Stock Exchange under the symbol "SAM" and on the OTCQB under the symbol "SHVLF". The trading price of our common shares has been and may continue to be subject to wide fluctuations. Trading prices of our common shares may fluctuate in response to a number of factors, many of which are beyond our control. In addition, the stock market in general, and the market for base metal companies has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These broad market and industry factors may adversely affect the market price of our shares, regardless of our operating performance. If you invest in our common shares, you could lose some or all of your investment.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources.

***We do not expect to declare or pay any dividends in the immediate future.***

Although we declared dividends in 2014, we do not anticipate paying any such dividends for the foreseeable future.

***U.S. investors may not be able to enforce their civil liabilities against us or our directors, controlling persons and officers.***

It may be difficult to bring and enforce suits against us. Some of our directors and officers are residents of countries other than the United States. Consequently, it may be difficult for United States investors to effect service of process in the United States upon those directors or officers who are not residents of the United States, or to realize in the United States upon judgments of any court of the United States.

***Trading of our stock may be restricted by the SEC's "Penny Stock" regulations which may limit a stockholder's ability to buy and sell our stock.***

The U.S. Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) of less than US\$5.00 per share or an exercise price of less than US\$5.00 per share, subject to certain exceptions. Although the company meets the net tangible asset exception to the definition of a penny stock, many brokers nonetheless maintain that any stock under \$5.00 and not trading on a national securities exchange are still considered penny stocks. Therefore, our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors." The term "accredited investor" refers generally to institutions with assets in excess of US\$5,000,000 or individuals with a net worth in excess of US\$1,000,000 (exclusive of the value of a principal residence; and either individually or jointly with the individual's spouse) or annual income exceeding US\$200,000 or US\$300,000 jointly with their spouse.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction.

These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in, and limit the marketability of, our common stock.

#### **Item 4 Information on our Company**

##### ***A. History and Development of our Company***

Our governing corporate legislation is the British Columbia *Business Corporations Act* (the "Act"). We incorporated under the former *Company Act* (British Columbia) on October 17, 1980, under the name Omnibus Resources Inc. On September 10, 1981, Omnibus Resources Inc. changed its name to Berle Oil Corporation. On May 31, 1983 Berle Oil Corporation changed its name to Berle Resources Ltd. On August 6, 1987 Berle Resources Ltd. changed its name to Eagle Pass Resources Ltd. On September 17, 1992 Eagle Pass Resources Ltd. changed its name to Starcore Resources Ltd. On February 2, 2004 Starcore Resources Ltd. changed its name to Starcore International Ventures Ltd. On February 1, 2008 Starcore International Ventures Ltd. changed its name to Starcore International Mines Ltd.

Our principal place of business is located at Suite 750 – 580 Hornby Street, Box 113, Vancouver, British Columbia, Canada V6C 3B6. Our telephone number at this address is: (604) 602-4935.

Our common shares are listed on the Toronto Stock Exchange under the symbol "SAM", on the OTCQB under the symbol "SHVLF" and on the Frankfurt Stock Exchange under the symbol "V4JA".

##### ***B. Our Business Overview***

We are in the mineral resource business. The mineral resource business generally consists of three stages: exploration, development and production. We are a mineral resource company with projects in various stages. Mineral resource companies that are engaged in the extraction of a known mineral resource are in the

production stage. We fall in this category with our principal property, the San Martin Mine in Queretaro, Mexico, where we are engaged in extracting and processing gold and silver. The San Martin Mine is our primary source of operating cash flows.

In prior years, we were also engaged in acquiring exploration assets in North America directly and through corporate acquisitions. Some of our projects are in the exploration stage because our exploration activities on the project lands have not yet identified mineral resources in commercially exploitable quantities.

### ***Acquisition of Creston Moly***

On February 19, 2015, Starcore completed the acquisition of all of the shares of Creston from Deloitte Restructuring Inc., in its capacity as trustee in bankruptcy of Mercator Minerals Ltd., at a purchase price of CDN\$2 million. Creston was formerly a wholly-owned subsidiary of Mercator Minerals Ltd., who acquired Creston in June 2011 in a cash-and-shares deal valuing Creston at approximately CDN\$194 million. Creston is a British Columbia company that owns, through its subsidiaries, a 100% interest in the following three molybdenum-copper mineral projects: (i) the El Creston Project located in Sonora, Mexico; (ii) the Ajax Project located in British Columbia, Canada; and (iii) the Molybrook Project located in Newfoundland, Canada. See “*Mineral Properties*”.

### ***Letter of Intent to acquire the Santa Fe project***

On November 21, 2017, the Company announced that it had entered into a Letter of Intent (“LOI”) with Eduardo de la Peña Gaitan and other property owners represented by him, to acquire approximately 21,000 hectares located in the state of Sinaloa, Mexico, more commonly known as the Santa Fe Project (“Santa Fe”).

Under the terms of the LOI, Starcore would have an exclusive period to conduct its due diligence on Santa Fe. Upon satisfactory due diligence, a Definitive Agreement would be executed within 30 days in order for Starcore to complete the acquisition. Consideration for the transfer of the Santa Fe property to Starcore was a combination of cash and common shares of Starcore, staged over a period of time.

On January 11, 2018, the Company announced that it had engaged Global Kompas to undertake a Preliminary Economic Assessment of the Santa Fe Project.

On March 26, 2018, the Company announced that it was narrowing its focus, concentrating on its assets in Mexico and seeking the sale or joint venture of its non-core assets comprised primarily of its other exploration properties. The Company also announced that in consideration of US\$100,000, the Company extended the review period for its exclusive option to acquire the Santa Fe Project.

On June 11, 2018, the Company announced that it had completed its due diligence and review of the Santa Fe Project and would not be proceeding with the proposed acquisition. The Company gave notice to the property owners of its disengagement from the project and Starcore has no further obligations on Santa Fe.

### ***Sierra Rosario: Sinaloa.***

Located within the historically productive Sierra Madre Occident geological province in the northern Mexican state of Sinaloa, the Sierra Rosario property consists of two large mineral exploration concessions totalling 978.57 hectares. In February 2018, the Company sold this property for US\$100,000 and an additional 1% NSR.

### ***Private Placement***

On June 18, 2018, the Company announced that it had completed a private placement of secured bonds in the aggregate principal amount of CDN\$3 million (the “Bonds”). The Bonds bore interest at 8% per annum, payable on maturity, and matured on June 18, 2020. The Bonds were secured by a charge over all of the Company’s and its subsidiaries’ assets.

Following conditional acceptance from the Toronto Stock Exchange, the Company issued 3,000,000 warrants to the bond holders, each warrant entitling the bond holders to acquire one share of Starcore at a price of \$0.20, expiring on June 18, 2021.

The Bonds were sold pursuant to exemptions from the prospectus requirement of Canadian securities legislation and were subject to a statutory four month hold period which expired on October 19, 2018. The Bonds were not and will not be listed on any market or exchange. The Bonds have not been registered under the U.S. Securities Act of 1933, as amended, and were not offered or sold in the United States.

The proceeds from the sale of the Bonds were added to general working capital.

On June 10, 2020 the Company paid out the Bonds in the principal amount of Cdn\$3 million, plus accrued interest of CAD\$235,410, ahead of the Bonds' June 18, 2020, maturity date.

### ***Salary Reductions***

On May 16, 2019, the Company reported that Starcore management had agreed to take a 25% reduction in salary effective May 1, 2019. The agreement to reduce the current contracts with Robert Eadie, CEO and Gary Arca, CFO, has been amended to provide for the 25% reduction and to increase the term to April 30, 2022 from July 31, 2020. The reductions to the CEO, CFO and Salvador Garcia, COO, will result in annual savings to the Company of approximately \$250,000.

### ***43-101 Filing***

On December 2, 2019, the Company filed a technical report authored by Erme Enriquez, C.P.G., B.Sc., M.Sc. entitled "*Reserves and Resources in the San Martin Mine, Queretaro State, Mexico as of September 30, 2019*" dated October 30, 2019 (the "Technical Report").

### ***Revenues: See Item 5(A) "Operating Results"***

### ***Principal Market***

Gold and silver doré in the form of bullion that is produced from our San Martin Mine is shipped primarily to a refinery in Europe. We also have a contract and the ability to ship to a refinery in Brampton, Ontario to mitigate the potential impact of unrelated problems that could arise using a lone refinery such as strikes or other issues. The terms of the refinery contracts provide for payment of 99.25% to 99.9% of the gold and 99.25% to 99.5% of the silver content with treatment charges of \$0.30 to \$0.75/troy oz of doré and refining charges of US\$1.00/troy oz of gold. Payment is due 5 – 20 business days following receipt of the bullion at the refinery and based on the spot price when settled.

The San Martin doré is a clean product with few impurities. There are numerous refineries around the world available to refine the doré.

We have not yet identified any commercially viable mineral deposit on any of our exploration properties, and metal prices are currently not economically attractive for one of our projects nearing the development stage. We expect that the principal markets for any of these other properties - should they be successful and be put into production - would consist of metals refineries and base metal traders and dealers.

### ***Seasonality of our Business***

The San Martin Mine operates year-round. In general, the mine does not operate on Sundays although at times overtime is required in the mine to meet production targets. The mine operates with 3 shifts, 8 hours each, six days a week. Administration personnel at the mine work Monday to Friday.

Exploration activities at all of our properties can be conducted year-round.

### ***Patents and Licenses; Industrial, Commercial and Financial Contracts; and New Manufacturing Processes***

We are not dependent on any patented or licensed processes or technology, or on any industrial, commercial or financial contract, or on any new manufacturing processes.

### ***Competitive Conditions***

We compete with other mining companies for the acquisition of mineral interests and for the recruitment and retention of qualified employees. Some of our competitors have greater financial resources and technical facilities than our Company. While we compete with these other exploration companies in the effort to locate and acquire mineral resource properties, we will not compete with them for the removal or sales of mineral products from our properties if we should eventually discover the presence of them in quantities sufficient to make production economically feasible. Readily available markets exist worldwide for the sale of mineral products. Therefore, we will likely be able to sell any mineral products that we identify and produce.

### ***Governmental Regulations***

Various levels of governmental controls and regulations address, among other things, the environmental impact of mineral exploration and mineral processing operations, and establish requirements for decommissioning of mineral exploration properties after operations have ceased. With respect to the regulation of mineral exploration and processing, legislation and regulations in various jurisdictions establish performance standards, air and water quality emission standards, and other design or operational requirements for various aspects of the operations, including health and safety standards. Legislation and regulations also establish requirements for decommissioning, reclamation and rehabilitation of mineral exploration properties following the cessation of operations and may require that some former mineral properties be managed for long periods of time.

In North America, our production, processing and exploration activities are subject to various levels of federal and state laws and regulations in the countries where we have a presence. These laws and regulations relate to protection of the environment, including requirements for closure and reclamation of mineral exploration properties. In North America, these laws and regulations include the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Emergency Planning and Community Right-to-Know Act, the Endangered Species Act, the Federal Land Policy and Management Act, the National Environmental Policy Act, the Resource Conservation and Recovery Act and the equivalents of these federal laws that have been adopted by the state of Nevada.

In addition, we are subject to Mexican mining laws and their laws protecting ecological balance and the environment.

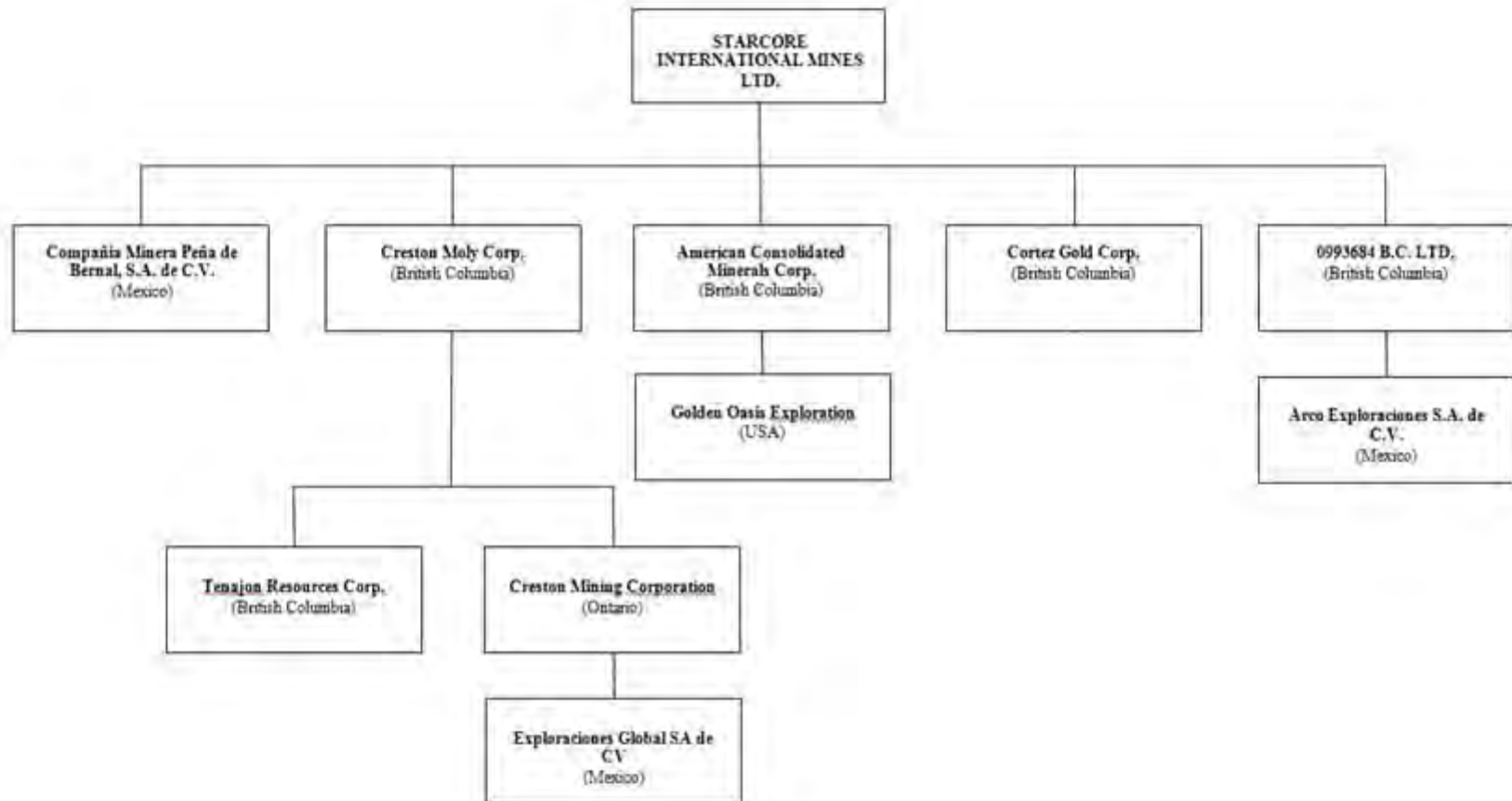
### ***C. Organizational Structure***

The following table sets forth all of our material subsidiaries, their jurisdictions of incorporation and the percentage of voting securities beneficially owned or controlled by the Company.

<b>Name of Subsidiary</b>	<b>Jurisdiction of Incorporation</b>	<b>Percentage Ownership</b>
Compañía Minera Peña de Bernal, S.A. de C.V. <sup>1</sup>	Mexico	100% <sup>2</sup>
Creston Moly Corp.	British Columbia	100%
American Consolidated Minerals Corp.	British Columbia	100%
Cortez Gold Corp.	British Columbia	100%
0993684 BC Ltd.	British Columbia	100%
Golden Oasis Exploration	Nevada	100%
Tenajon Resources Corp.	British Columbia	100% <sup>3</sup>
Creston Mining Corporation	Ontario	100% <sup>3</sup>
Exploraciones Global S.A. de C.V.	Mexico	100% <sup>4</sup>
Arco Exploraciones S.A. de C.V.	Mexico	100% <sup>5</sup>

1. Bernal, a wholly-owned subsidiary of Starcore, holds the title to the San Martin Mine in Queretaro, Mexico.
2. To comply with Mexican corporate legislation, one share of Bernal is held of record by Mr. Robert Eadie, the CEO of Starcore, for the benefit of Starcore. All economic benefits of this share ownership accrue to Starcore.
3. Tenajon Resources Corp. and Creston Mining Corporation are wholly-owned by Creston Moly Corp., which is a wholly-owned subsidiary of Starcore.
4. Exploraciones Global S.A. de C.V. is a wholly-owned subsidiary of Creston Mining Corp. (Ontario). It holds the 100% interest in the El Creston molybdenum property located in the State of Sonora, Mexico. To comply with Mexican corporate legislation, four shares of Exploraciones are held of record by Mr. Robert Eadie, the CEO of Starcore, for the benefit of Starcore. All economic benefits of this share ownership accrue to Starcore.
5. Arco Exploraciones S.A. de C.V. is a wholly owned subsidiary of 0993684 BC Ltd. and is our leasing and projects company in Mexico. To comply with Mexican corporate legislation, one share of Arco is held of record by Mr. Robert Eadie, the CEO of Starcore, for the benefit of Starcore. All economic benefits of this share ownership accrue to Starcore.





#### ***D. Property, Plants and Equipment***

1. San Martin Mine, Queretaro, Mexico: Compañía Minera Peña de Bernal, S.A. de C.V., a wholly owned Starcore subsidiary, holds the mining concessions covering 6,236 ha at the San Martin Project in the State of Querétaro. In addition, there are 6755.6 ha held in concession Lote San Martin 4 which is north and contiguous to the mining concessions, bringing total land holdings to 12,991.7 ha. The mining concessions include seven underground mining units and four units under exploration. Luismin (now “Goldcorp Mexico”) operated the mine from 1993 to January, 2007 when it was purchased by our Company. We have been mining at San Martin at a rate of approximately 300,000 tonnes per year. We expect to continue to operate the mine as we convert resources to reserves. Historically, the mine has typically maintained at least two years of reserves for operations.
2. Our executive office is located at Suite 750 – 580 Hornby Street, Vancouver, British Columbia, Canada V6C 3B6. We lease a 2,264 square foot office, with total rent and common costs for this space being \$107,724.84 per year from May 2020 to April 2022, increasing to \$110,102.04 per year from May 2022 to April 2024, and \$112,429.24 for the year May 2024 to April 2025. The lease expires on April 30, 2025. This office space accommodates all of our executive and administrative personnel and we believe that it is adequate for our current needs. Should we require additional space, we believe that such space can be secured on commercially reasonable terms. See Item 5(F) for office lease obligations.

#### ***Mineral Properties***

##### ***San Martin Mine, Queretaro, Mexico***

Except as indicated below, the following description of the San Martin Mine has been extracted from the technical report entitled “*Reserves and Resources in the San Martin Mine, Queretaro State, Mexico as of September 30, 2019*” issued on October 30, 2019, (the “Technical Report”). The Technical Report was prepared for Starcore in accordance with National Instrument 43-101 (“NI 43-101”) by Erme Enriquez C.P.G., BSc, MSc., who is independent. The Technical Report is effective as at September 30, 2019.

The following table is a summary of mine production statistics for the San Martin mine for the years ended April 30, 2020 and 2019. Although the mine reduced operations to 620 tons per day, the continued strength of the US dollar has resulted in profitable operational results even with the recently declining mill head grade. Production for the year ended April 30, 2020 was 229,830 tonnes at an average head grade of 1.82 g/t gold and 30.5 g/t silver.

	Unit of measure	Actual results for period ended April 30, 2020	Actual results for period ended April 30, 2019
Mine production of gold in Doré	ounces	11,752	13,652
Mine production of silver in Doré	ounces	121,825	224,544
Total mine production – equivalent ounces	ounces	13,112	16,392
Silver to gold equivalency ratio		89.6	81.9
Mine gold grade	grams/tonne	1.82	1.63
Mine silver grade	grams/tonne	30.5	39.6
Mine gold recovery	percent	88	86
Mine silver recovery	percent	54	58
Milled	tonnes	229,830	301,911
Mine development, preparation and exploration	Meters	6,096	8,977
Mine operating cash cost per tonne milled	US dollars/tonne	65	58
Mine operating cash cost per equivalent ounce	US dollars/ounces	1,149	1,061
Number of employees and contractors at minesite		251	339

### Location

The San Martin mine is located 47 kilometres, in a straight line, northeast of Queretaro City, Queretaro State, on local road No.100 and about 250 kilometres NW of Mexico City, near the towns of Tequisquiapan and Ezequiel Montes. The San Martin underground mine has been in operation since 1993.

The San Martin Mine complex consists of 8 mining claims that cover 12,991.7805 hectares.



The following table summarizes the mining concessions comprising the San Martin Mine property.

No. on Map	Concession Name	Exp.	Title	Term of Concession		Hectares	2019 Annual Taxes (Pesos)	
				From	To		1st Sem	2nd Sem
1	San Martin 2	321.1/6-72	191134	29/04/1991	28/04/2041	190.7972	\$31,543	\$31,543
2	San Martin	321.1/6-71	191423	19/12/1991	18/12/2041	132.0818	\$21,836	\$21,836
3	La Trinidad	6/1.3/276	204824	13/05/1997	13/05/2047	2,610.7224	\$431,605	\$431,605
4	San Martin Fracc. A.	6/1.3/00409	215262	14/02/2002	13/02/2052	37.1099	\$6,136	\$6,136
5	San Martin Fracc. B.	6/1.3/00411	215263	14/02/2002	13/02/2052	22.8901	\$3,785	\$3,785
6	San Martin Fracc. C <sup>(1)</sup>	6/1.3/00412	215264	14/02/2002	13/02/2052	3,182.5646 <sup>(2)</sup>	\$526,142	\$248,936
7	San Martin 3	6/1.3/00410	215301	14/02/2002	13/02/2052	60.0000	\$9,920	\$9,920
8	San Martín Cuatro <sup>(1)</sup>	065/15357	221844	02/04/2004	01/04/2054	6,755.6145 <sup>(3)</sup>	\$1,116,872	\$366,248
TOTAL						12,991.7805 <sup>(4)</sup>	\$2,147,839.0	\$1,120,009.00

- (1) Claims San Martin Fracc. C, Title 215264 and San Martin Cuatro, Title 221844 are in the process of reduction. An application for reduction, for each of the claims, has been filed in the Mexican Mining Bureau (Dirección General de Minas). The Company is awaiting official acceptance of the application.
- (2) San Martin Fracc. C's reduction is from 3,182.5644 has., to 1,185.8558 has., and payments were made based on the proportionality of the reduction.
- (3) San Martin Cuatro's reduction is from 6,755.6145 has. to 1,349.1140 has., and payments were made based on the proportionality of the reduction.
- (4) Once the reduction is approved by the authorities the Total surface area of the mining concessions will be 5,588.5812 has.

**Compañía Minera Peña de Bernal, SA de CV**  
**San Martin Mine Project**  
**Historical Production 1993-April 30 2020**

Year	Tonnes	Grade		Production		
		Au (g/t)	Ag (g/t)	Oz Au	Oz Ag	Oz Au Eq.
1993	28,267	2.53	60	1,387	24,463	1,707
1994	134,118	3.19	35	13,179	81,605	14,298
1995	146,774	3.40	38	16,172	180,459	17,068
1996	187,691	3.40	44	19,553	155,160	21,620
1997	219,827	3.27	43	22,016	174,013	24,570
1998	224,279	3.45	50	23,680	210,680	27,539
1999	242,295	3.46	46	25,852	194,110	29,624
2000	284,490	3.61	54	31,209	245,310	35,571
2001	287,520	3.76	65	32,773	330,217	38,068
2002	268,451	4.26	71	35,634	370,406	41,124
2003	276,481	4.29	82	36,438	464,947	42,692
2004	272,734	4.47	83	36,935	458,681	44,377
2005	282,392	3.92	65	32,814	349,071	38,543
2006	278,914	2.82	52	22,004	235,806	26,529
2007	252,400	3.34	49	25,232	224,714	29,606
2008	266,600	2.50	33	18,733	159,877	21,367
2009	272,856	2.43	33	19,171	167,827	21,696
2010	275,290	2.03	30	15,492	163,489	18,156
2011	296,845	2.14	39	17,694	267,237	23,736
2012	309,796	2.09	25	16,197	160,678	19,213
2013	306,941	2.66	24	22,247	129,861	24,425
2014	311,210	2.35	22	20,062	112,010	21,755
2015	309,565	2.09	20	17,903	104,767	19,319
2016	286,278	1.94	16	14,606	68,463	15,547
2017	259,709	1.69	13	11,563	54,287	12,246
April 30 2018	99,067	1.59	36	4,410.96	64,459.38	5,218.98
April 30, 2019	314,347	1.62	39	13,651	224,544	16,393
April 30, 2020	229,830	1.85	30	11,752	121,825	13,112
<b>TOTALS</b>	<b>6,610,620</b>	<b>2.92</b>	<b>42</b>	<b>578,360</b>	<b>5,498,966</b>	<b>665,120</b>

**Mineral Resources Inferred and Indicated, San Martín Mine**  
**Compañía Minera Peña de Bernal, SA de CV Mineral Resource Estimate**  
**(as of April 30, 2020)**

<b>Compañía Minera Peña de Bernal, SA de CV</b>							
<b>Mineral Resource Estimate</b>							
<b>(as of April 30, 2020)</b>							
<b>Mine</b>	<b>Tonnes</b>	<b>Grade</b>			<b>Total Contained oz</b>		
		<b>(Au g/t)</b>	<b>(Ag g/t)</b>	<b>AuEq</b>	<b>(oz Au)</b>	<b>(oz Ag)</b>	<b>(oz Au Eq)</b>
<b>San Jose I and II</b>							
Inferred	161,542	1.90	11	2.03	9,893	58,105	10,554
<b>San Martín</b>							
Inferred	1,178,453	1.81	12	1.94	68,551	440,502	73,563
<b>Area 28</b>							
Inferred	206,796	2.32	76.68	3.19	15,437	509,786	21,238
<b>Area 29</b>							
Inferred	468	1.70	12	1.84	26	184	28
<b>Total Inferred</b>	<b>1,547,259</b>	<b>1.89</b>	<b>20</b>	<b>2.14</b>	<b>93,906</b>	<b>1,008,576</b>	<b>105,383</b>
<b>San Martín</b>							
Indicated	134,871	1.81	10	1.92	7,849	43,362	8,342
<b>Total Indicated</b>	<b>134,871</b>	<b>1.81</b>	<b>10</b>	<b>1.92</b>	<b>7,849</b>	<b>43,362</b>	<b>8,342</b>
<b>Total</b>	<b>1,682,131</b>	<b>1.88</b>	<b>19</b>	<b>2.12</b>	<b>101,755</b>	<b>1,051,938</b>	<b>113,725</b>
<b>Inferred + Indicated</b>							

- Resources are valid as of April 30, 2020 as defined by end of month April 2020 topography.
- Measured, Indicated and Inferred resource cut-off grades were 1.66 g/t gold equivalent at San Martín.
- Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.
- Metallurgical recoveries were 88% gold and 55% silver.
- Gold equivalents are based on a 1:87.88 gold: silver ratio.  $Au Eq = gAu/t + (gAg/t \div 87.88)$
- Price assumptions are \$1450 per ounce for gold and \$16.50 per ounce for silver for resource cutoff calculations.
- Mineral resources are estimated exclusive of and in addition to mineral reserves.
- Resources are constrained by a conceptual underground mining using parameters summarized in section.
- Resources were estimated by Starcore and reviewed by Erme Enriquez CPG.
- Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The Total Proven and Probable Mineral Reserves at the San Martín mine as of April 30, 2020 estimated by Starcore and reviewed by Erme Enriquez are 1,343,975 tonnes at a grade of 2.01 g Au/t and 22 g Ag/t.

**Mineral Reserve Estimate Proven and Probable, San Martin Mine**  
**Compañía Minera Peña de Bernal, SA de CV**  
**Mineral Reserve San Martín Mine**  
(as of April 30, 2020)

Category	Tonnes	Grade		Total Contained oz		
		(g Au/t)	(g Ag/t)	(oz Au)	(oz Ag)	(oz Au Eq)
<b>Proven</b>	192,607	2.44	47	15,108	282,680	18,433
<b>Probable</b>	1,151,369	1.94	18	71,638	651,495	79,301
<b>Total Proven and Probable</b>	<b>1,343,975</b>	<b>2.01</b>	<b>22</b>	<b>86,745</b>	<b>934,175</b>	<b>97,734</b>

- Reserve cut-off grades are based on a 1.66 g/t gold equivalent.
- Metallurgical Recoveries were 88% gold and 55% silver.
- Mining Recoveries of 90% were applied.
- Minimum mining widths were 1.5 meters.
- Dilution factors is 20%. Dilution factors are calculated based on internal stope dilution calculations.
- Gold equivalents are based on a 1:87.88 gold:silver ratio.  $Au Eq = gAu/t + (gAg/t \div 87.88)$
- Price assumptions are \$1450 per ounce for gold and \$16.5 per ounce for silver.
- Mineral resources are estimated exclusive of and in addition to mineral reserves.
- Resources were estimated by Starcore and reviewed by Erme Enriquez CPG.
- Dilution factor is 20%. Dilution factors are calculated based on historical internal stope dilution calculations.
- Reserves are exclusive of the indicated and measured resources.

*Technical Report - see attached Exhibit 15.1*

**Cautionary Note to Investors Concerning Estimates of Mineral Resources**

The Technical Report and related sections use the terms “proven mineral reserve” and “probable mineral reserve”, as permitted under Canadian reporting standards. For United States reporting purposes, SEC Industry Guide 7 applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves applicable under Canadian reporting standards differ from the definitions in the SEC Industry Guide 7. **Accordingly, mineral reserve estimates calculated in accordance with Canadian standards may not qualify as “reserves” under SEC standards.**

In addition, the Technical Report and related sections also use the term "inferred mineral resources". While this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of economic studies, except in rare cases. **Investors are cautioned not to assume that all or any part of an inferred resource exists, or is economically or legally mineable.**

### ***Exploration Update***

This section has been prepared by Salvador Garcia, P. Eng., COO of the Company, and a qualified person for the purposes of NI 43-101.

For the year ended April 30, 2020, the San Martin plant achieved 87.7 % recovery of gold and 54.4 % of silver from the 229,830 tonnes milled during the fiscal year. Head grades averaged 1.82 g/t gold and 30 g/t silver resulting in 13,112 equivalent gold ounces of production during the fiscal year. Equivalent gold ounce calculation is based on the actual daily average gold: silver ratio of 1 to 89.6 during the fiscal year. Surface and underground exploration program was done using our own rigs as well as contractors' rigs, during the period ended April 30, 2020.

Between May 1, 2019 until April 30, 2020 a total of 10,631 meters were drilled, 6,014 meters using our own rigs and 4,617 using contractor rigs.

Highlights of exploration during the year in San Jose mine near to surface, a breccia of quartz was intersected with a width of 17.5 meters with a grade of 1.43 g/t of gold and 7 g/t of silver.

In San Martin Mine at the elevation of level 2, a breccia associated with a rhyolitic dike was intersected with a width of 3.15 meters and 8.09 g/t of gold 7 g/t and 34 g/t of silver.

On surface, a new vein called Santa Elena was explored and 3000 meters were drilled. A huge breccia was intersected in different points, but it presented marginal ore grade.

The Company continues to explore with development of drifts to convert resources into reserves. A new NI43-101 was updated. (See Exhibit 15.1)

### ***Other Mineral Properties***

In addition to our principal property, the San Martin Mine, we have several other mineral interests in exploration properties, as summarized below, which we do not consider to be material to our operations at this time or have been sold or discontinued. These include three molybdenum-copper exploration projects that we acquired through our acquisition of Creston Moly Corp. ("**Creston Moly**") from Deloitte Restructuring Inc., in its capacity as trustee in bankruptcy of Mercator Minerals Ltd., in February 2015 for a purchase price of Cdn\$2 million – namely, the El Creston Project in Mexico, the Ajax Project in British Columbia and the Molybrook Project in Newfoundland (abandoned in 2019).

Creston Moly, a British Columbia company, was formerly a wholly-owned subsidiary of Mercator Minerals, who acquired Creston Moly in 2011 in a cash-and-shares deal valuing Creston Moly at approximately Cdn\$194 million.

- ***El Creston Project, Sonora, Mexico***

The El Creston molybdenum property is located in the State of Sonora, Mexico, 175 kilometres south of the US Border and 145 kilometers northeast of the city of Hermosillo. Creston Moly's indirect wholly-owned subsidiary, Exploraciones Global S.A. de C.V. ("**Exploraciones Global**"), is the registered holder of the El Creston property. Exploraciones Global purchased the claims comprising the El Creston property from the previous owners. The property is known to host several zones of porphyry-style molybdenum copper mineralization.



El Creston Project, Sonora, Mexico									
Tenure Number	Claim Name	Owner/ Interest	Underlying Royalty	Tenure Type/ Tenure Sub Type	Area (ha)	Issue Date/ Present Expiry Date	Required Holding Expenses	Property Surface Rights	Ownership
219813	Meztli	Exploraciones Global/ 100%	3% NSR	Concession/ Mining Exploration	89	16/04/2003 <b>15/04/2053</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	4,529 hectares 100% Owned acquired through purchase from local landowners and Ejido. 573 hectares leased for 30 years with exclusive option to purchase	Ejido and local landowners
220332	Meztli 1	Exploraciones Global/ 100%	3% NSR	Concession/ Mining Exploration	8	16/07/2003 <b>15/07/2053</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	Part of above	As above
222321	Lorenia	Exploraciones Global/ 100%	3% NSR	Concession/ Mining Exploration	138	25/06/2004 <b>24/06/2054</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	Part of above	As above
222700	Alma	Exploraciones Global/ 100%	3% NSR	Concession/ Mining Exploration	359	13/08/2004 <b>12/08/2054</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	Part of above	As above
223111	Letty	Exploraciones Global/ 100%	3% NSR	Concession/ Mining Exploration	391.5093	15/10/2004 <b>14/10/2054</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	Part of above	As above
225638	Meztli 2	Exploraciones Global/ 100%	3% NSR	Concession/ Mining Exploration	1455.9816	30/09/2005 <b>29/09/2055</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	Part of above	As above
229984	Meztli 6	Exploraciones Global/ 100%	3% NSR	Concession/ Mining	0.0032	04/07/2007 <b>03/07/2057</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	Part of above	As above
243807	Meztli 4 Reduccion	Exploraciones Global/ 100%	3% NSR	Concession/ Mining	8465.044	05/12/2014 <b>09/07/2057</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	Part of above	As above

El Creston Project, Sonora, Mexico									
Tenure Number	Claim Name	Owner/ Interest	Underlying Royalty	Tenure Type/ Tenure Sub Type	Area (ha)	Issue Date/ Present Expiry Date	Required Holding Expenses	Property Surface Rights	Ownership
231151	Meztli 3	Exploraciones Global/ 100%	3% NSR	Concession/ Mining	457.0564	18/01/2008 <b>17/01/2058</b>	Taxes to be paid semi-annually. Notice of Work form filed by May 30 <sup>th</sup>	Part of above	As above

○ *Sierra Rosario: Sinaloa.*

Located within the historically productive Sierra Madre Occident geological province in the northern Mexican state of Sinaloa, the Sierra Rosario property consists of two large mineral exploration concessions totalling 978.57 hectares. On February 2018, the Company sold this property for US\$100,000 and an additional 1% NSR.

○ *Ajax Project, British Columbia.*

The Ajax molybdenum property is comprised of 1,718 hectares and is located 13 km north of Alice Arm, British Columbia. The Ajax property, one of North America's largest undeveloped molybdenum deposits occupying a surface area of approximately 600 by 650 metres, is in the advanced stage of exploration.

Creston Moly's wholly-owned subsidiary, Tenajon Resources Corp. ("Tenajon Resources"), is the registered holder of the Ajax property. Tenajon Resources acquired all but one of the claims comprising the Ajax property through on line staking; the final claim, identified by tenure number 511540, was acquired by way of a claim conversion (that is, a procedure for converting manually-staked claims to computerized-staked claims).

Ajax Molybdenum Property, British Columbia, Canada									
Tenure Number	Claim Name	Owner/ Interest	Underlying Royalty	Tenure Type/ Tenure Sub Type	Area (ha)	Issue Date/ Present Expiry Date	Required Holding Expenses	Property Surface Rights	Ownership
501393	mq2	Tenajon Resources Corp./ 100%	NONE	Claim/ Mineral Exploration	402.28	12/01/2005 <b>14/07/2021</b>	No work required until 2021. No gov't fees	None	Government
504775	mq3	Tenajon Resources Corp./ 100%	NONE	Claim/ Mineral Exploration	255.99	25/01/2005 <b>27/07/2021</b>	No work required until 2021. No gov't fees	None	Government
504776	mq3	Tenajon Resources Corp./ 100%	NONE	Claim/ Mineral Exploration	292.7	25/01/2005 <b>27/07/2021</b>	No work required until 2021. No gov't fees	None	Government
504782	mq-5	Tenajon Resources Corp./ 100%	NONE	Claim/ Mineral Exploration	146.22	25/01/2005 <b>27/07/2021</b>	No work required until	None	Government

Ajax Molybdenum Property, British Columbia, Canada									
Tenure Number	Claim Name	Owner/ Interest	Underlying Royalty	Tenure Type/ Tenure Sub Type	Area (ha)	Issue Date/ Present Expiry Date	Required Holding Expenses	Property Surface Rights	Ownership
							2021. No gov't fees		
505618	mq5	Tenajon Resources Corp/ 100%	NONE	Claim/ Mineral Exploration	256.00	02/02/2005 <b>04/07/2021</b>	No work required until 2021. No gov't fees	None	Government
511540		Tenajon Resources Corp/ 100%	NONE	Claim/ Mineral Exploration	365.67	22/04/2005 <b>09/06/2021</b>	No work required until 2021. No gov't fees	None	Government
				<b>Total</b>	<b>1,718.86</b>				

○ *Molybrook Project, Newfoundland.*

Creston's Molybrook molybdenum property located on the south coast of Newfoundland is centered 2.5 km from the outport of Grey River less than 4 kilometres from a deep water, ice free navigable fjord. During the year ended April 30, 2019, the Company decided to abandon the property and all costs associated with this property have been written off in the Consolidated Statements of Operations and Comprehensive Income.

○ *American Consolidated Minerals Corp.*

On November 20, 2014, the Company announced the approval of the proposed acquisition of American Consolidated Minerals Corp ("AJC") pursuant to a plan of arrangement (the "Transaction") by the AJC shareholders. The Transaction was completed on December 1, 2014 upon the satisfaction of all of the conditions set out in the arrangement agreement entered into by AJC and the Company on October 1, 2014, including approval by the Supreme Court of British Columbia.

○ ***Toiyabe Property, Nevada, USA***

Pursuant to the acquisition of AJC, the Company acquired the right to a 100% undivided interest, subject to a 3% NSR, in 165 mining claims located in Lander County, Nevada, United States of America (“Toiyabe”) from MinQuest Inc. (“Minquest”)

Consideration to be paid for the interest is USD\$900,000 (payable over 5 years commencing October 19, 2018) and the Company must incur total exploration expenditures of USD\$1,025,000 on the property (which expenses have been incurred) as agreed by MinQuest. Annual payments commencing October 19, 2018 are \$60,000 (paid), \$80,000 (paid), \$100,000 (deferred to May 31, 2021 by amending the agreement with Minquest), \$120,000, \$140,000 and \$400,000.

In summary, to complete the acquisition of a 100% interest in Toiyabe (subject to a 3% royalty), there are remaining property payments to be made of US\$760,000 over a period of 3 years to October 2023. (See news release dated July 7, 2020)

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of US\$2 million per each 1% of the royalty.

On May 18, 2018 Starcore filed an updated National Instrument (“NI 43-101”) “Technical Report for the Toiyabe Gold Project in Lander County, Nevada”, prepared by Paul D. Noland CPG dated May 11, 2018.

Highlights from the Technical Report include:

- Summary results from three drilling programs completed since the last report (2009, 2010, 2016)
- In all three drilling campaigns since the 2009 report and resource estimate, the near-surface ‘Courtney’ resource was expanded and enhanced.
- Drilling since the previous report has focused largely on structurally controlled, deeper and higher-grade mineralization not included in the 2009 resource estimate.
- Wider spread drilling, outside known resource areas has allowed a better understanding of the structural setting of the project.

○ ***Lone Ranch: Washington State, USA***

The Company acquired the right to a 100% undivided interest, subject to a 3% net smelter royalty (“NSR”), in 73 mining claims located in Ferry County, Washington State, United States of America (“Lone Ranch”) from MinQuest Inc. (“MinQuest”). During the period ending October 31, 2018, the Company decided to abandon the property and all costs associated with this property have been written off in the Consolidated Statements of Operations and Comprehensive Income.

There is no assurance that a commercially viable mineral deposit exists on any of our exploration properties, or that we will be able to identify any mineral resource on any of these properties that can be developed profitably. Even if we do discover commercially exploitable levels of mineral resources on any of our properties, which is unlikely, there can be no assurance that we will be able to enter into commercial production of our mineral properties.

***Sale of San Pedrito***

On March 21, 2017, the Company finalized the sale of its San Pedrito Property, a non-core asset located in Queretaro, Mexico for Mexican Pesos (“MXN\$”) 192,784,331. The San Pedrito property was part of Starcore’s original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for US\$26 million. The disposition of San Pedrito was recorded during the year ended April 30, 2017 and a gain of \$7,128 was reported on the Statement of Operations and Comprehensive Income (Loss). During the prior year ending April 30, 2018, the Company received MXN\$ 15,000,000 (\$1,027,000) and interest of MXN\$ 2,300,000 (\$159,000) on 6 ha of the remaining 14 ha of parcels to be paid. The Company did not anticipate receiving any additional funds for the sale of this property and therefore has made an allowance for the remaining receivable of \$441,000 to the Statements of Operations and Comprehensive Income (Loss).

### ***Sale of Altiplano Plant, Matehuala, Mexico***

The Altiplano plant was the principal asset of Cortez Gold Corp., a wholly-owned Starcore subsidiary that held title to the land, equipment and permits for the operation of a processing plant situated on 20 hectares of land in Matehuala, Mexico. The land and the plant and equipment were owned by Altiplano Goldsilver, S.A. de C.V., a wholly-owned subsidiary of Cortez Gold. The facility is located within a historic mining district, in an area that is home to numerous medium-sized mining operations. The Altiplano Plant was designed to employ the dissolution treatment production process to recover precious metals from flotation concentrates. When compared to the alternative pyrometallurgical foundries, it is a cleaner process and more economical, enabling the facility to offer lower processing rates than those currently available to concentrate producers in the area. Commencement of commercial production began on November 1, 2016.

In November 2018, management announced that the capital requirements of the Altiplano facility for inventory and operations, despite improving cash flow to a small profit in the prior quarter, did not justify the continuation of these operations. The operations were placed on a maintenance status in the quarter and remaining inventories were processed and sold accordingly. After assessing the best use of the assets of Altiplano, management deemed the sale of the facility to be the best course of action for the Company.

The Company accepted an offer on July 5, 2019, to purchase 100% of the shares of Altiplano for US\$1.6 million. The stock purchase agreement requires the payment of the US\$1.6 million in instalments as to US\$0.5 million on closing (received), US\$0.5 million on August 31, 2019 (received), and US\$0.2 million each 3 months from November 30, 2019 to May 31, 2020. (all payments received.) The sale of Altiplano is now complete.

## **Item 5 Operating and Financial Review and Prospects**

The following discussion and analysis of our financial condition and results of operations for the fiscal period ended April 30, 2020 should be read in conjunction with our financial statements and related notes included in this Annual Report. Our financial statements included in this Annual Report were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***A. Operating Results***

Our results of operations have been, and may continue to be, affected by many factors of a global nature, including economic and market conditions, the availability of capital, the level and volatility of prices and interest rates, currency values, commodities prices and other market indices, technological changes, the availability of credit, inflation and legislative and regulatory developments. Factors of a local nature, including political, social, financial and economic stability, the availability of capital, technology, workers, engineers and management, geology and weather conditions, may also affect our results of operations. As a result of the economic and competitive factors discussed above, our results of operations may vary significantly from period to period. Except where otherwise noted, financial results are rounded to the nearest \$1,000 and are expressed in Canadian currency.

## Year Ended April 30, 2020, April 30, 2019 and April 30, 2018 (in thousands of audited)

	Twelve-Month Year Ended April 30, 2020	Twelve-Month Year Ended April 30, 2019	Twelve-Month Year Ended April 30, 2018
<b>Revenues</b>			
Mined ore	24,820	27,053	21,005
Purchased concentrate	-	5,742	6,802
<b>Total revenue</b>	<b>24,820</b>	<b>32,795</b>	<b>27,807</b>
<b>Cost of sales</b>			
Mined ore	(19,150)	(22,975)	(20,672)
Purchased concentrate	-	(5,891)	(7,150)
Depreciation and depletion	(3,686)	(3,893)	(4,913)
<b>Total cost of sales</b>	<b>(22,836)</b>	<b>(32,759)</b>	<b>(32,735)</b>
Earnings from mining operations	1,984	36	(4,928)
Financing income(costs)	(554)	(311)	(61)
Foreign exchange gain (loss)	(369)	(125)	193
Professional and consulting fees	(1,000)	(781)	(1,204)
Management fees and salaries	(1,151)	(1,405)	(1,514)
Office and administration	(942)	(1,250)	(1,908)
Property investigation costs	-	(54)	(433)
Shareholder relations	(297)	(246)	(198)
Regulatory and transfer agent fees	(83)	(112)	(166)
<b>Loss before taxes</b>	<b>(2,412)</b>	<b>(4,248)</b>	<b>(10,219)</b>
Sale of Altiplano	(39)	-	-
Allowance for receivables	-	(441)	-
Other Income: Sale of San Pedrito	-	-	-
Other Loss: Impairment of Mining Interest	-	(4,804)	(6,713)
Other Loss: Loss on disposal of E&E Asset	-	(82)	(1,013)
Income tax recovery (provision)	(1,178)	(2,229)	5,945
<b>Earnings for the year</b>	<b>(3,629)</b>	<b>(11,804)</b>	<b>(12,000)</b>

### **Comparison April 30, 2020 to April 30, 2019**

Overall, revenue from mining operations decreased by \$7,975 for the year ended April 30, 2020 compared to the comparative year ended April 30, 2019, due mainly to lower metal production from lower tonnage processed in the current year compared to the prior comparable year, partially offset by higher gold and silver prices accounting for a total of \$2,233 of the decrease. The remaining difference is due to the loss of purchased concentrate revenue, from the amount of \$5,742 in the prior year, due to the suspension and subsequent sale of the Altiplano concentrate processing plant as well as decreased carbon concentrate processed at the San Martin mine (see *section 4.2 - Sale of Altiplano Processing Plant, Matehuala, Mexico*).

Sales of metals for mining operations for the year ended April 30, 2020 approximated 11,357 ounces of gold and 117,148 ounces of silver sold at average prices in the year of US\$1,491 and US\$16.61 per ounce, respectively. This is a decrease in sale of gold ounces and in silver ounces when compared to the prior comparable year ended April 30, 2019 where sales of metal approximated 13,852 ounces of gold and 229,982 ounces of silver, sold at lower average prices of US\$1,280 per ounce for gold and US\$14.89 per ounce for silver.

The total cost of sales above includes non-cash expenses for depreciation and depletion of \$3,686 compared to \$3,893 in the prior comparable year, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves and a percentage of inferred resources in accordance with the Company's policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management. The decrease is largely due to the reduction of production tonnage calculated over the total resource, offset partially by an increase in amortization of the leases on mobile equipment in accordance with the change to IFRS 16.

For the year ending April 30, 2020, the Company had gross profit of \$1,984 in from mine and concentrate operations compared to gross profit of \$36 for the year ended April 30, 2019. The higher gross profit was due to the cost savings measure taken in the first two quarters as discussed previously. The combination of lower tonnes processed and higher recovery for gold during this year resulted in relatively better metal production and, therefore, gross profit from mined ore as compared to the prior comparable year despite lower gross revenues.

Costs per ounce for the year ended April 30, 2020 was US\$1,149/EqOz, which is slightly higher than the average operating cash cost of US\$1,061/EqOz. during the comparable year ended April 30, 2019.

### **Other Items**

Changes in other items for the year ended April 30, 2020, resulted in the following significant changes from the year ended April 30, 2019:

- Financing costs during the year increased by \$243 primarily due to amortization of the warrants and San Pedrito interest income received in the previous comparable year;
- Office and administration decreased by \$308 due to lower corporate costs relating to general regulatory administration in the current year and due to the sale of Altiplano;
- Management fees and salaries decreased by \$254 due to reduction in salaries of executive officers (see *section 4.2 – cost reduction incentives at the mine*);
- Foreign exchange loss increased by \$244 for the year ended 30 April, 2020. The increase relates primarily to the fluctuations of the Mexican peso and Canadian dollar in relation to the US dollar, the functional currency of the mining operations;
- Professional and consulting fees increased by \$219 to \$1,000 for the year ended April 30, 2020. Professional fees relate primarily to charges in relations to legal, tax and audit fees and increased mainly due to costs related to the sale of Altiplano;
- Property investigation costs of \$54 were incurred during the prior year to perform the necessary due diligence on new projects;

- Deferred Income Tax (“DIT”) decreased by \$1,051 due mainly to a recovery of special mining tax and to the difference in asset base of the underlying amounts that determine the temporary differences from year to year.

### ***Comparison April 30, 2019 to April 30, 2018***

Overall, total revenue from mining operations milled ore increased by \$4,988 for the year ended April 30, 2019. Mined ore increased by \$6,048 when compared to the comparative year ended April 30, 2018, due mainly to higher metal production from higher ore grades and higher tonnage processed in the current year. Purchased concentrate revenue however decreased \$1,060 due to the decreased operations experienced at the Altiplano concentrate processing plant as well as decreased carbon concentrate processed at the San Martin mine.

Sales of metals for mining operations for the twelve months ended April 30, 2019 approximated 13,852 ounces of gold and 229,982 ounces of silver sold at average prices in the period of US\$1,280 and US\$14.89 per ounce, respectively. This is an increase in sale ounces from the comparative period ended April 30, 2018 where sales of metal approximated 11,782 ounces of gold and 101,377.90 ounces of silver, sold at higher average prices of US\$1,293 and US\$16.76 per ounce, respectively.

The total cost of sales above includes non-cash expenses for depreciation and depletion of \$3,893 compared to \$4,913 in the comparable year, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves and a percentage of inferred resources in accordance with the Company’s policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management.

For the year ending April 30, 2019, the Company produced a profit of \$36 from mine operations compared to a loss of \$4,928 for the year ended April 30, 2018. The profit resulted from an increase in the sale of metal ounces when compared to the prior year.

Costs per ounce for the year ended April 30, 2019 was US\$1,061/EqOz, which is lower than the average operating cash cost of US\$1,237/EqOz. during the comparable year ended April 30, 2018. Reported mined ore costs were at \$22,975 compared to \$20,672 in the previous year ended April 30, 2018 due to higher tonnes processed in the current year. Mined ore costs also increased in the current year due mainly to much higher development costs incurred to increase future ore reserves, coupled with increased input costs such as fuel, electricity, chemicals and labour.

The Company also processed purchased concentrate at the Altiplano plant in the twelve months ended April 30, 2019 for revenue of \$5,742 and cost of purchasing concentrate of \$5,891, for a net loss of \$149. The net loss is due mainly to the fixed cost of the facility in light of the facility not achieving a break-even level of production from purchase and processing of concentrates and other materials. During the year ended April 30, 2019, management determined that the capital requirements of the Altiplano facility for inventory and operations, despite improving cash flow, did not justify the continuation of these operations until the Company had sufficient excess working capital to support the operations of Altiplano. The Plant suspended operations in the second quarter of the 2019 fiscal year.

### ***Other Items***

Changes in other items for the year ended April 30, 2019 from the year ended April 30, 2018 are as follows:

- Financing costs during the year increased by \$250 due to the Company incurring interest on debt of \$325. These costs were offset by interest income earned from the sale of the San Pedrito property in the current year;
- Office and administration decreased by \$658 due to lower corporate costs relating to general regulatory administration in the current year.
- Management fees and salaries decreased by \$109 primarily due to a decrease in directors and management fees;



- Foreign exchange loss increased by \$318 for the year ended April 30, 2019. The increase in the loss relates primarily to the fluctuations of the Mexican peso and Canadian dollar in relation to the US dollar, the functional currency of the mining operations;
- Professional and consulting fees decreased by \$423 to \$781 primarily due to additional costs relating to the San Pedrito sale in the prior year. Professional fees relate primarily to charges in relations to legal, tax and audit fees;
- Property investigation costs of \$54 were incurred during the year compared to \$433 in the prior year, to perform the necessary due diligence on new projects;
- Loss on disposal of Exploration and Evaluation Asset of \$82 due to the disposition of Lone Ranch in AJC. In the previous year \$1,013 resulted directly due to the sale of the Sierra Rosario asset to a third party.
- Deferred Income Tax (“DIT”) expense increased by \$8,174 due to the Company previously recognizing non-capital loss carry forwards in future periods which were adjusted lower in the current year.
- Impairment of Mining Interest, Plant and equipment \$4,804 was incurred in the current year on the Altiplano facility which operations were suspended, as discussed above. In the prior year impairment on CIL Plant led to an adjustment of \$1,713 after management determined that the plant is no longer useful in the operations. An additional \$5,000 impairment was recorded on the San Martin mine after management determined that future cash flow projects were negatively impacted due to changes in variables such as the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates.

#### ***Comparison April 30, 2018 to April 30, 2017***

Overall, revenue from mining operations milled ore decreased by \$3,637 for the year ended April 30, 2018 compared to the comparative year ended April 30, 2017, due mainly to lower metal production from lower ore grades and lower tonnage processed in the current year compared to the prior year, offset partially by higher gold prices and slightly lower silver prices. Total revenue was \$579 higher due to the increase of \$4,216 in purchased concentrate revenue from the full year of increased operations experienced at the Altiplano concentrate processing plant as well as additional carbon concentrate processed at the San Martin mine.

Sales of metals for mining operations for the twelve months ended April 30, 2018 approximated 11,782 ounces of gold and 101,377.90 ounces of silver sold at average prices in the period of US\$1,293 and US\$16.76 per ounce, respectively. This is a decrease in sale ounces from the comparative period ended April 30, 2017 where sales of metal approximated 14,791 ounces of gold and 80,421 ounces of silver, sold at lower average prices of US\$1,264 and US\$18.04 per ounce, respectively.

The total cost of sales above includes non-cash expenses for depreciation and depletion of \$4,913 compared to \$5,610 in the comparable year, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves and a percentage of inferred resources in accordance with the Company’s policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management.

For the year ending April 30, 2018, the Company produced a loss of \$4,928 from mine operations compared to income of \$826 for the year ended April 30, 2017. The loss resulted from a decrease in the sale of metal ounces when compared to the prior year. The combination of lower grades and tonnes processed for gold and silver during this year resulted in lower metal production and, therefore, revenue from mined ore as compared to the prior year.

Costs per ounce for the year ended April 30, 2018 was US\$1,237/EqOz. which is higher than the average operating cash cost of US\$969/EqOz. during the comparable year ended April 30, 2017. This resulted in comparable reported mined ore costs at \$20,672 compared to \$18,641 in the previous year ended April 30, 2017 despite the higher tonnes processed in the prior year. Mined ore costs increased in the current year due mainly to much higher development costs incurred to increase future ore reserves, coupled with increased input costs such as fuel, electricity, chemicals and labour.

The Company also processed purchased concentrate at the Altiplano plant and at the San Martin plant in the twelve months ended April 30, 2018 for revenue of \$6,802 and cost of purchasing concentrate of \$7,150, for a net loss of \$348. The net loss is due mainly to the fixed cost of the facility in light of the facility not achieving a break-even level of production from purchase and processing of concentrates and other materials.

### ***Other Items***

Changes in other items for the twelve months year ended April 30, 2018, resulted in the following significant changes from the twelve months year ended April 30, 2017:

- Financing costs during the year decreased by \$565 due to the Company not incurring interest on debt which was repaid in the prior year ended April 30, 2017 further offset by the interest income earned from the sale of the San Pedrito property;
- Office and administration increased by \$540 due to higher corporate costs relating to general regulatory administration in the current year.
- Management fees and salaries decreased by \$128 primarily due to the resignation of the prior COO and the period of time the Company acted before replacing the COO position;
- Foreign exchange gain decreased by \$1,090 for the year ended April 30, 2018. The decrease relates primarily to the fluctuations of the Mexican peso and Canadian dollar in relation to the US dollar, the functional currency of the mining operations;
- Professional and consulting fees increased by \$473 to \$1,204 primarily due to additional costs relating to the San Pedrito sale. Professional fees relate primarily to charges in relation to legal, tax and audit fees;
- Property investigation costs of \$433 were incurred during the year to perform the necessary due diligence on new projects, including primarily the Santa Fe Project.
- Loss on disposal of Exploration and Evaluation Asset of \$1,013 resulted directly due to the sale of the Sierra Rosario asset to a third party.
- Deferred Income Tax (“DIT”) Recovery increased by \$3,084 due to the Company recognizing its ability to use additional, previously unrecognized, non-capital loss carry forwards in the current and future periods and to the reversal of DIT liability related to the impairment of assets.
- Impairment on CIL Plant led to an adjustment of \$1,713 after management determined that the plant is no longer useful in the operations. While this plant has a value as a functioning carbon leach plant and has operated to process third party carbon concentrates, the Company cannot guarantee its usefulness in the future or the ability to attract third party carbon concentrates for processing. An additional \$5,000 impairment was recorded on the San Martin mine after management determined that future cash flow projects were negatively impacted due to changes in variables such as the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. The key assumptions used for assessing the recoverable amount are gold price of USD \$1,300/oz and a discount rate of 9%.

### ***B. Liquidity and Capital Resources***

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company’s objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves. As at April 30, 2020, the Company was holding cash of \$2,105,000 (2019 - \$2,549,000).

<b>Obligations due within twelve months of the year ended,</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023 and beyond</b>
Trade and other payables	\$2,441	\$-	\$-	\$-
Current portion of loan payable	3,196	-	-	-
Lease liability	617	315	700	68
Reclamation and closure obligations	\$-	\$-	\$-	\$1,014

The Company's trade and other payables are due in the short term. Long-term obligations include the Company's reclamation and closure cost obligations, other long-term liabilities and deferred income taxes. Management believes that profits generated from the mine will be sufficient to meet its financial obligations and therefore has sufficient working capital.

The Company has several sources of cash flow which includes raising cash through debt, issuance of shares and from operating a profitable mine.

1. On June 18, 2018, the Company completed a private placement of secured bonds in the aggregate principal amount of \$3,000 (the "Bonds") less structuring and finder's fees of \$60 cash and \$171 attributed to finders warrants, totaling \$231 (the "Discount"). The Bonds bore interest at 8% per annum, payable on maturity on June 18, 2020. The Bonds were secured by a charge over the Company's and its subsidiaries assets. On June 10, 2020, the Company paid out the Bonds plus accrued interest of Cdn\$235,410 ahead of the maturity date. The payments were made from the Company's cash flow generated from mine operations and prior asset sales.
2. During the year ended April 30, 2018 the Company secured an additional \$1,283 (USD1,000) loan with a lender. The loan was secured against certain assets of the Company and bore interest at 8% per annum. The full principal plus accrued interest on the loan was to be repaid to the lender on October 25, 2019. The Company paid the interest on the loan on October 25, 2019 and the lender agreed to extend the loan for an additional 6 months to April 25, 2020. The loan was repaid on full on the due date.

As at June 10, 2020, the Company is debt free.

3. The Company has no contractual commitments for capital expenditures and has disclosed all material commitments under Section F ("Tabular disclosure of contractual obligations"). The Company does have budgeted capital expenditures to be incurred in the normal operation of the San Martin Mine and for exploration of properties, which are expected to approximate \$3.0 million in fiscal 2021.

#### ***C. Research and Development, Patents and Licenses, etc.***

We do not currently, and did not previously, have research and development policies in place.

#### ***D. Trend Information***

There have been no significant recent trends in production, sales and inventory, the state of the order book and costs and selling prices in our business since the end of the latest financial year, nor are there any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. Although there are significant uncertainties in respect of market prices for minerals and, accordingly, the availability of equity financing for the purposes of mineral exploration and development, we do not believe that the fluctuations in market price are predictable. The price of minerals has fluctuated widely in recent years and wide fluctuations are expected to continue.

### ***E. Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resource that is material to investors. We have optioned its mineral properties from a private company controlled by an officer and director of our Company.

### ***F. Tabular Disclosure of Contractual Obligations***

Obligations due within twelve months of the year ended,	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
(in thousands of Canadian dollars)					
Trade and other payables	2,441	2,441	-	-	-
Loan payable – current portion	3,196	3,196	-	-	-
Rehabilitation and closure cost provision	1,014	-	-	-	1,014
Executive employment agreement obligation	1,320	765	555	-	-
Explorations and evaluation asset	1,015	134	347	534	-
Land lease obligation	132	132	-	-	-
Equipment lease obligation	1,700	617	1,015	68	-
Office lease obligation	720	144	288	288	-

### ***G. Safe harbor.***

Statements in Item 5.E and Item 5.F of this Annual Report on Form 20-F that are not statements of historical fact, constitute “forward-looking statements.” See “Forward-Looking Statements” on page 3 of this Annual Report. Our Company is relying on the safe harbor provided in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, in making such forward-looking statements.

## **Item 6 Directors, Senior Management and Employees**

### ***A. Directors and Senior Management***

The following table sets forth the names, age, business experience and functions and areas of experience in our Company of each of our directors and officers:

Name Office Held Age	Area of Experience and Functions in Our Company
Robert Eadie Chief Executive Officer and Director Age: 55	As our Chief Executive Officer, Mr. Eadie is responsible for strategic planning and operations, as well as managing our relations with our lawyers, regulatory authorities and investor community; as a director, Mr. Eadie participates in management oversight and helps to ensure compliance with our corporate governance policies and standards. Mr. Eadie was one of the founders of our Company.
Gary Arca Chief Financial Officer and Director Age: 60	As Chief Financial Officer, Mr. Arca is responsible for the management and supervision of all of the financial aspects of our business; as a director, Mr. Arca participates in management oversight and as Chairman of the Corporate Governance committee, helps to design our corporate governance policies and standards and ensures compliance therewith.

Name Office Held Age	Area of Experience and Functions in Our Company
Salvador Garcia Chief Operations Officer and Director Age: 64	As our Chief Operating Officer, Mr. Garcia is responsible for our exploration, development and mining operations and for management of our Mexican operations; as a director, Mr. Garcia participates in management oversight and helps to ensure compliance with our corporate governance policies and standards.
Cory Kent Director and Corporate Secretary Age: 51	As Corporate Secretary, Mr. Kent is responsible for ensuring that the board of directors has the proper advice and resources to fulfill their duties to shareholders. Mr. Kent's duties include compliance with statutory and regulatory requirements. Mr. Kent is a member of the Compensation Committee.
Jordan Estra Director Age: 73	As an independent director, Mr. Estra provides oversight to management to help ensure alignment with corporate strategies and compliance with our corporate governance policies and standards. Mr. Estra is a member of the Audit Committee and the Corporate Governance Committee.
Ken Sumanik Director Age: 84	As an independent director, Mr. Sumanik provides oversight to management to help ensure alignment with corporate strategies and compliance with our corporate governance policies and standards. Mr. Sumanik is a member of the Audit Committee, the Compensation Committee and the Corporate Governance Committee.
Federico Villaseñor Director Age: 69	As an independent director, Mr. Villaseñor provides oversight to management to help ensure alignment with corporate strategies and compliance with our corporate governance policies and standards. Mr. Villaseñor is a member of the Audit Committee and Chairman of the Compensation Committee.
Tanya Lutzke Director Age: 51	As an independent director, Ms. Lutzke provides oversight for management to help ensure alignment with corporate strategies and compliance with our corporate governance policies and standards. Ms. Lutzke's membership in the Board of Directors also confirms management's compliance with gender diversity in its Board.

Robert Eadie – Chief Executive Officer and Director

Mr. Eadie has been our President & Chief Executive Officer, and a director of our Company since October 2003. Mr. Eadie is a self-employed business owner and has many years of experience in working with and helping build start-up companies. He began his career as a corporate investor and public relations consultant and went on to establish his own investor relations consulting business. He has since become an executive, officer or director of a number of junior public companies, primarily in the natural resource sector. In the past 20 years, Mr. Eadie has been actively involved in public resource companies raising over \$100 million dollars for various exploration and development projects around the world.

Gary Arca – Chief Financial Officer and Director

Mr. Arca has been our Chief Financial Officer and a director of our Company since January 2006. Mr. Arca has over 37 years of financial management experience. He is a Chartered Professional Accountant (CPA) and has been a member of the Canadian Institute of Chartered Professional Accountants and British Columbia Institute of Chartered Professional Accountants since 1980. He was a partner with public accounting firms, Amisano Hanson from 2002 to 2005 and Driver Anderson from 1996 to 2001.

Mr. Arca has provided auditing, consulting, taxation, accounting and litigation support services to various clients. Mr. Arca has extensive experience dealing with public companies and start-ups both from the perspective of management and as a consultant, and has served as a director of various publicly traded resource companies.

Mr. Arca is Chair of the Corporate Governance Committee.

Salvador Garcia – COO & Director

Mr. Garcia has been a Director of the Company since October 2017. With over 39 years of progressive experience in the mining industry in Mexico, Mr. Garcia joined Starcore International Mines in August 2017 as COO. His extensive experience encompasses mine development and production including open pit and underground operations.

Prior to Starcore, Mr. García was the Country Manager in Mexico for First Majestic Silver Corp, serving in that company since 2013. Previously, Mr. Garcia collaborated with Luismin (purchased by Goldcorp (TSX:G)(NYSE:GG) for a period of 25 years holding several positions from General Manager to Operations Director and later promoted to the senior management team of Goldcorp as Vice President for Mexico. During his tenure at Goldcorp, he was in charge of the operations at the Tayoltita and San Antonio mines and was involved in the development, construction and operation of the Los Filos, El Sauzal and Peñasquito mines.

Mr. García holds a B.Sc. degree in Mining Engineering from the Guanajuato University School of Mines in Mexico. In addition, Mr. García is the President of the Mining Cluster of Sonora State, member of the CAMIMEX (Mexican Mining Chamber) Advisor Board, Member of the Mining Cluster of Zacatecas State, Member of the Mining Advisor Board of San Luis Potosi State.

Cory Kent LLB – Corporate Secretary & Director

Mr. Kent has been a director of our Company since January 2006 and is a Partner at McMillan LLP. With a practice focused on corporate securities law and related technology, natural resources and commercial matters, Mr. Kent possesses a strong and varied legal background suited to the junior mining sector.

Mr. Kent is a member of the Compensation Committee.

Mr. Jordan Estra – Director

Mr. Estra has been a director of our Company since March 2010. Mr. Estra is Managing Director of Boustead Securities, LLC, a full service investment banking firm headquartered in Irvine, California and the Head of the Mining & Metals Investment Banking Practice. Mr. Estra is also currently President and Chief Executive Officer of Ophir Brasil Mineracao, Ltda., a privately owned gold mining company in Brazil, and President and Chief Executive Officer of Ophir Consulting Group, Inc., a privately owned mining consulting company. His background includes his experience as a leading research analyst for a number of international investment banks.

Mr. Estra graduated with High Distinction from Babson College (International Economics) and with Honors from the Columbia University Graduate School of Business (Finance). He served in the United States Army (Medical Corps) and has been a member of the American Institute of Mining, Metallurgical and Petroleum Engineers, the Foreign Policy Associate, the New York Society of Security Analysts and the Stock & Bond Club of South Florida. He holds Series 6, 7, 24, 57 and 58 securities licenses.

Mr. Estra is a member of the Audit Committee and the Corporate Governance Committee.

Mr. Federico Villaseñor – Director

Mr. Villaseñor has been a director of our Company since February, 2007. He is currently a consultant to various mining companies. From 2007 to 2014, he served as the Business Development Director for Goldcorp Mexico, a subsidiary of Goldcorp Inc., a leading global gold producer engaged in the acquisition, exploration, development and operation of gold properties in Canada, the United States and Latin America. He obtained a B.Sc. in Mining Engineering from the University of Guanajuato in 1972, a Master of Science from Columbia University of New York City in 1976 and a Finance Degree from the Instituto Tecnológico Autónomo de México in 1985. Mr. Villaseñor has been a member of the Mexican Mining Chamber Board.

Mr. Villaseñor is a member of the Audit Committee and the Compensation Committee.

Mr. Ken Sumanik – Director

Mr. Sumanik has been a director of our Company since November, 1993. He is an environment and land specialist with over 40 years of experience in logging and mining impact assessment and evaluation. From 1989 to 1999, he held the position of Vice-President of Environment and Land Use for the Mining Association of British Columbia.

Mr. Sumanik then served as Assistant to the Minister for Mining in British Columbia before becoming involved with publicly listed junior mining companies on the TSX Venture Exchange and the Toronto Stock Exchange.

Mr. Sumanik is currently a retired resource consultant.

Mr. Sumanik sits on the Audit Committee, the Compensation Committee and the Corporate Governance Committee.

Ms. Tanya Lutzke – Director

Ms. Lutzke has been a director of our Company since October, 2016 and has over 10 years' experience in financial services, the banking industry and law enforcement. A native of Vancouver, B.C., Ms. Lutzke attended the University of British Columbia and obtained her Financial Planning and Canadian Securities Institute designations.

Director Interlocks

Each of our directors and officers has served and continue to serve as officers and/or directors of other companies engaged in natural resource exploration and development and related industries.

Messrs. Robert Eadie and Gary Arca (who are, respectively, the Chief Executive Officer and Chief Financial Officer of our Company), in addition to serving on our Board of Directors, are also executive officers and directors of iMining Blockchain and Cryptocurrency Inc., a junior company listed on the TSX Venture Exchange, and Hemp for Health Inc. and Bond Resources Inc. which are junior companies listed on the Canadian Securities Exchange .

Tanya Lutzke, a member of our Board of Directors, also serves as director of iMining Blockchain and Cryptocurrency Inc.

Ms. Lutzke sits on the Audit Committee.

Mr. Cory Kent, our Corporate Secretary and a member of our Board of Directors, is a director of Nevada Sunrise Gold Corp., a junior company listed on the TSX Venture Exchange with mineral exploration properties in Nevada.

Mr. Federico Villaseñor, a member of our Board of Directors, is also a director of Santacruz Silver Mining, Ltd., a company listed on the TSX Venture Exchange whose operations include the Rosario silver mine near the town of Charcas, in the state of San Luis Potosi, Mexico.

Mr. Jordan Estra, a member of our Board of Directors, is also a director of Searchlight Minerals Corp., a junior mineral exploration company quoted on the OTCQB with a slag reprocessing project in Arizona.

**B. Compensation***Executive Compensation*

The following table contains information about the compensation paid for services in all capacities to us, including compensation paid to or earned by (a) our Chief Executive Officer (or an individual who acted in a similar capacity); (b) our Chief Financial Officer (or an individual who acted in a similar capacity); (c) each of the three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers as at April 30, 2020 and whose total salary and bonus exceeds \$150,000 during the period ended April 30, 2020; and (d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of our Company as of April 30, 2020.

### Summary Compensation Table

The compensation paid to the Named Executive Officers during the Company's most recently completed financial year ended April 30, 2020 is as set out below and expressed in Canadian dollars unless otherwise noted:

Name and principal position	Year ended April 30, 2019	Salary <sup>(1)</sup>	Share-based awards <sup>(4)</sup>	Option-based awards	Non-equity incentive plan compensation <sup>(2)</sup>		Pension value	All other compensation <sup>(3)</sup>	Total compensation
		(\$)	(\$)		(\$)	Annual incentive plans			
Robert Eadie Executive Chairman, CEO & President	2020	270,000	8,700	-	-	-	-	12,000	290,700
Gary Arca CFO	2020	180,000	4,688	-	-	-	-	12,000	196,688
Salvador Garcia COO	2020	US\$236,500	6,300	-	-	-	-	NIL	US\$236,500 6,300

- (1) Includes the dollar value of cash and non-cash base salary earned during a financial year covered. Pursuant to their executive employment agreements amended August 2015 and subsequently amended effective May 1, 2019, Messrs. Eadie and Arca are entitled to be paid annual salaries of \$270,000 and \$180,000, respectively. Mr. Garcia is paid annual fees in the amount of US\$236,250. For additional details please refer to the discussion below under the heading, "Directors, Senior Management and Employees – Board Practices – Executive Employment Agreements".
- (2) These amounts include annual non-equity incentive plan compensation, such as bonuses and discretionary amounts for the year ended April 30, 2020.
- (3) All other compensation includes \$12,000 paid to each of Mr. Eadie and Mr. Arca as directors' fees for 2020.
- (4) Share based awards are based on RSU/DSU options vested which are calculated at the volume weighted average ("VWAP") of the trading price per common share on the Toronto Stock Exchange ("TSX") for the last ten (10) trading days ending on that date.

#### Long Term Incentive Plan (LTIP) Awards

We do not have any long term incentive plans except as disclosed above.

An LTIP is "any plan providing compensation intended to motivate performance over a period longer than one fiscal year but does not include option or stock appreciation rights plans or plans for compensation through shares or units that are subject to restrictions on resale".

#### Option and Stock Appreciation Rights (SARs)

The Company currently has no outstanding stock options. The Company does not currently have an active plan as shareholders rejected the Company's share option plan dated for reference January 17, 2011 (the "Plan") at its annual general meeting which was held on January 28, 2014.

#### Option/SAR Grants During the Most Recently Completed Financial Year

During the most recently completed financial year ended April 30, 2020 and subsequent thereto, no stock options were granted. See "Options and Stock Appreciation Rights."



***Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values***

There were no outstanding stock options as at April 30, 2020. Any unexercised options expired on January 15, 2019 and no values can be attributed as there were no unexercised in the money options as at that date.

***Option and SAR Repricings***

There were no repricings of stock options under the stock option plan or otherwise during our completed financial year ended April 30, 2020. All outstanding options expired on January 15, 2019.

**Defined Benefit or Actuarial Plan**

We do not have a defined benefit or actuarial plan.

**Compensation of Directors**

The compensation provided to the directors, excluding the three officers named in the foregoing, for the Company's most recently completed financial year of April 30, 2020, is as follows:

<b>Name<sup>(1)</sup></b>	<b>Fees earned<sup>(1)</sup> (\$)</b>	<b>Share-based Awards<sup>(2)</sup> (\$)</b>	<b>Option-based awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>All other compensation<sup>(3)</sup> (\$)</b>	<b>Total (\$)</b>
Cory Kent	12,000	2,925	-	-	-	22,545	37,470
Ken Sumanik	15,000	2,550	-	-	-	-	17,550
Jordan Estra	-	2,550	-	-	-	-	2,550
Federico Villaseñor	7,000	2,550	-	-	-	-	9,550
Tanya Lutzke	14,000	1,950	-	-	-	-	15,950

- (1) Includes all fees awarded, earned, paid or payable in cash for services as a director, including annual retainer fees, committee, chair and meeting fees.
- (2) Includes share based awards granted during the year that vested during the year. Share based awards are based on RSU/DSU options vested and paid calculated at and the volume weighted average ("VWAP") of the trading price per common share on the Toronto Stock Exchange ("TSX") for the last ten (10) trading days ending on that date.
- (3) Includes all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, wherein the director received compensation for services rendered. The Company paid in legal fees to a law firm of which Cory Kent is a partner.

*Outstanding Share-based Awards and Option-based Awards*

The following table sets out all share-based awards and option-based awards outstanding as at April 30, 2020, for each director, excluding a director who is already set out in disclosure for a Named Executive Officer for the Company:

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Cory Kent	Nil	n/a	n/a	Nil	10,000	900
Ken Sumanik	Nil	n/a	n/a	Nil	8,333	750
Jordan Estra	Nil	n/a	n/a	Nil	8,333	750
Federico Villaseñor	Nil	n/a	n/a	n/a	8,333	750
Tanya Lutzke	Nil	n/a	n/a	n/a	8,333	750

(1) The market price of the Company's common shares as reported on the TSX on April 30, 2020 was \$0.09 per share.

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets out all incentive plans (value vested or earned) during the year ended April 30, 2020, for each director who was not a Named Executive Officer

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Cory Kent	Nil	2,925	Nil
Ken Sumanik	Nil	2,550	Nil
Jordan Estra	Nil	2,550	Nil
Federico Villaseñor	Nil	2,550	Nil
Tanya Lutzke	Nil	1,950	Nil

**C. Board Practices**

Each director of our Company is elected annually and holds office until the next annual general meeting of the shareholders unless that person ceases to be a director before then. Our last annual general meeting of the shareholders was held on November 4, 2019.

Name and Position with the Company	Director/Officer Since
Robert Eadie Executive Chairman, Chief Executive Officer and Director	October 24, 2003
Salvador Garcia Chief Operating Officer and Director	October 24, 2017
Gary Arca Chief Financial Officer and Director	January 25, 2006

<b>Name and Position with the Company</b>	<b>Director/Officer Since</b>
Cory Kent, Corporate Secretary and Director	January 25, 2006
Ken Sumanik Director	November 19, 1993
Federico Villaseñor Director	February 1, 2007
Jordan Estra Director	March 26, 2010
Tanya Lutzke Director	October 28, 2016

## 2. Executive Employment Agreements

Pursuant to an executive employment agreement amended with effect as of August 1, 2015, and further amendment of May 1, 2019, Robert Eadie is paid a base salary of \$270,000 per annum, for acting as Chief Executive Officer of the Company. The agreement expires on April 30, 2020 and may be terminated upon notice in writing and payment of 24 months salary. In addition, the agreement provides that, for a period of 30 days after a “change of control”, Mr. Eadie may, by notice in writing to the Company, deem the agreement to be terminated, in which case Mr. Eadie will receive a lump sum payment of \$540,000. A change of control (a “Change of Control”) is deemed to occur when (i) there is a sale of all or substantially all of the assets of the Company, (ii) there is a merger of the Company whereby shareholders of the Company hold less than 50% of the shares in the surviving entity, (iii) there is a change in ownership of voting securities of the Company sufficient to permit any person to elect or appoint a majority of the Board of Directors, (iv) any person or persons acting jointly or in concert acquire greater than 50% of the outstanding voting securities of the Company, or (v) there is a change in the composition of the Board of Directors of the Company as a result of a proposal by a shareholder group not supported by management resulting in current members of the Board of Directors representing less than 51% of the members of the Board of Directors. In addition to his base salary, Mr. Eadie received fees for his services as a director in the amount of \$12,000 for the year ended April 30, 2020.

Pursuant to an executive employment agreement amended with effect as of August 1, 2015, and further amendment of May 1, 2019 Gary Arca is paid a base salary of \$180,000 per annum, for acting as Chief Financial Officer of the Company. The agreement expires on April 30, 2022 and may be terminated upon notice in writing and payment of 24 months salary. In addition, the agreement provides that, for a period of 30 days after a Change of Control, Mr. Arca may, by notice in writing to the Company, deem the agreement to be terminated, in which case Mr. Arca will receive a lump sum payment of \$360,000. In addition to his base salary, Mr. Arca received fees for his services as a director in the amount of \$12,000 for the year ended April 30, 2020.

Salvador Garcia is paid a base fee of US\$236,250 for acting as Chief Operating Officer of the Company. Mr. Garcia received fees for his services as a director in the amount of \$nil for the year ended April 30, 2020.

The voluntary reductions to the salaries made by the CEO, CFO and COO have resulted in annual savings to the Company of approximately \$250,000.

## 3. Committees

The members of our Company’s audit committee include Jordan Estra (Chairman), Tanya Lutzke, Ken Sumanik and Federico Villaseñor. The audit committee is directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor’s report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. The audit committee also considers whether adequate controls are in place over annual and interim financial reporting as well as controls over assets,

transactions and the creation of obligations, commitments and liabilities of our Company. The audit committee also reviews the financial statements and financial information prior to its release to the public.

The members of our Company's compensation committee are Cory Kent, Ken Sumanik and Federico Villaseñor (Chairman). The function of the Compensation Committee is to review periodically the compensation paid to the Company's executive officers and to the Directors, and to make recommendations on compensation to the Board. In addition, the Committee reviews the compensation plans for the Company's senior executive staff and administers the Company's stock option plan.

The members of our Company's corporate governance committee are Ken Sumanik, Jordan Estra and Gary Arca (Chairman). The Corporate Governance & Nominating Committee is charged with the responsibility of developing corporate governance policies and seeking out individuals for appointment to the board of directors as required.

#### ***D. Employees***

The San Martin mine operates with a combination of contractors and employees. Most of the hourly workers are contracted through the union or syndicate. The mine has a good relationship with the union and has seen significantly fewer labour issues than most other mines in Mexico.

As at April 30, 2020, we had the following employees and contractors:

<b>Location</b>	<b>Full-Time Salaried</b>	<b>Hourly (Union)</b>	<b>Contractors</b>	<b>Total</b>
San Martin Mine .....	54	136	57	247
Vancouver Office.....	6	1	1	8
Total .....	<u>60</u>	<u>137</u>	<u>58</u>	<u>255</u>

As at April 30, 2019, we had the following employees and contractors:

<b>Location</b>	<b>Full-Time Salaried</b>	<b>Hourly (Union)</b>	<b>Contractors</b>	<b>Total</b>
Altiplano	-	-	-	-
San Martin Mine .....	74	170	95	339
Vancouver Office.....	6	-	3	9
Total .....	<u>80</u>	<u>170</u>	<u>98</u>	<u>348</u>

In comparison, we had the following employees and contractors as at April 30, 2018:

<b>Location</b>	<b>Full-Time Salaried</b>	<b>Hourly (Union)</b>	<b>Contractors</b>	<b>Total</b>
Altiplano	26	-	7	33
San Martin Mine .....	74	170	95	339
Vancouver Office.....	7	-	2	9
Total .....	<u>107</u>	<u>170</u>	<u>104</u>	<u>381</u>

### *E. Share Ownership*

There were 49,646,851 common shares issued and outstanding as of April 30<sup>th</sup>, 2020. Of the shares issued and outstanding, warrants held and stock options granted, our directors and officers owned the following common shares as of April 30, 2020:

<b>Name</b>	<b>Number of Common Shares Beneficially Owned</b>	<b>Percentage</b>
<b>Robert Eadie</b>	3,632,117	7.31%
<b>Gary Arca</b>	537,499	1.08%
<b>Salvador Garcia</b>	500,000	1.00%
<b>Cory Kent</b>	77,625	0.15%

The voting rights attached to the common shares owned by our officers and directors do not differ from those voting rights attached to shares owned by people who are not officers or directors of our Company.

For information concerning options held by our officers and directors, please see “Compensation”.

#### *Stock Option Plan*

The Company does not currently have any equity compensation arrangements in place under which directors, officers or employees can be granted an equity interest in the Company. The Company previously had an incentive stock option plan in place (the “Plan”) pursuant to which the Board had the ability to grant options to purchase common shares (“Options”) to directors, officers, employees and consultants to the Company. The Plan was subject to shareholder approval, which was not received at the Company’s January 28, 2014 annual general meeting. Options granted under the Plan prior to January 28, 2014 have expired. As at the April 30, 2020, no Options to purchase common shares remain outstanding under the Plan.

In May, 2016, the Board of Directors approved the adoption of a Restricted Share Unit and Deferred Share Unit Plan (the “RSU/DSU Plan”) as part of the Company’s compensation arrangements for directors, officers, employees or consultants of the Company or a related entity of the Company. The RSU/DSU Plan was initialized as at August 1, 2016 with the first grants of RSUs and DSUs. The purpose of the RSU/DSU Plan is to provide directors, officers, employees or consultants (the “Eligible Persons”) with the opportunity to acquire restricted share units (RSU’s) and deferred share units (“DSUs”) of the Company, enabling them to participate in the long-term success of the Company, and to promote a greater alignment of their interests with the interests of the shareholders of the Company.

Although the RSU/DSU Plan is share-based, all vested RSUs and DSUs will be settled in cash. No common shares will be issued.

Both RSUs and DSUs, and all other rights, benefits or interests in the RSU/DSU Plan are non- transferrable (other than to a grantee’s beneficiary or estate, as the case may be, upon the death of the grantee). The RSUs and DSUs to be granted to Eligible Persons under the RSU/DSU Plan will entitle the holder to receive the fair market value of common shares, subject to vesting and performance criteria (the “Performance Conditions”) established by the Board. Accordingly, the RSUs and DSUs will track the value of the underlying common shares, but the grantees will not receive the fair market value thereof until the applicable RSU or DSU vests, and upon vesting, will be further subject to meeting the Performance Conditions.

For the purposes of the RSU/DSU Plan, the fair market value of the Common Shares is determined, as at a particular date, by the volume weighted average (“VWAP”) of the trading price per common share on the Toronto Stock Exchange (“TSX”) for the last ten (10) trading days ending on that date.

The RSU/DSU Plan is administered by the Board. The Board has the authority to delegate all of its powers and authority under the RSU/DSU Plan to the Compensation Committee of the Board of Directors. The maximum number of common shares to be made subject to the RSU/DSU Plan together with options outstanding under the Company's existing Stock Option Plan, will not exceed 10% of the outstanding common shares of the Company. The Board will be guided by this ceiling and the Performance Conditions described hereunder. The Board has also determined that it will not be seeking shareholder approval for the Stock Option Plan to be renewed, once the outstanding stock options have been exercised or expire, with the last outstanding options expiring on January 15, 2019.

### **Restricted Share Units**

The purpose of the RSUs is to reward directors, officers, employees or consultants for their individual performance and to provide an alternative incentive mechanism to the Company's Stock Option Plan which expired on January 15, 2019. The goal of such grants is to more closely align awards to individual performance and established performance criteria.

The RSU/DSU Plan permits the Board to grant awards of RSUs to Eligible Persons. The Board of Directors has the discretion to stipulate the length of time for vesting and to determine various performance conditions to be met prior to payout of any RSUs. The Board has determined the following criteria to govern RSUs:

1. RSUs will vest over a period of three years from the date of grant, vesting as to one-third at the end of each calendar year.
2. Performance Conditions will accompany vested RSUs as to the following percentages:
  - 50% of vested RSUs will automatically be paid out;
  - 25% of vested RSUs will be based on the market price having increased by a minimum of 10% per annum from the market share price in the initial year granted (with the minimum initial share price of C\$0.50), or 30% over a 3-year term. If this criteria is not met in the first year, so long as the criteria is met in either year 2 or year 3, the affected portion of vested RSUs will be paid out. If the criteria is not met, unpaid RSUs will expire
  - 25% of vested RSUs will be based on meeting an earnings-per-share of \$0.05 per annum. This portion of vested RSUs will not carry over to the succeeding years. If this criteria is not met, this portion of vested RSUs will expire in the year that they vest.

The Performance Conditions to be met are established by the Board at the time of grant of the RSU. RSUs that are permitted to be carried over to the succeeding years shall expire no later than December 30<sup>th</sup> of the third calendar year after the year in which the RSUs have been granted, and will be terminated to the extent the performance objectives or other vesting criteria have not been met. Upon vesting, and upon applying the Performance Conditions, the RSUs will be settled through a cash payment equal to the fair market value of the common shares underlying the RSUs as of the date of vesting.

All RSUs were paid out by December 2019.

### **Treatment of Dividends**

If the Company pays a cash dividend on its shares, the RSUs held by an RSU Grantee will be increased by (i) multiplying the amount of the dividend per share by the aggregate number of Restricted Share Units that were credited to the Eligible Person's account as of the record date for such dividend, and (ii) dividing that amount by the fair market value on the date on which the dividend is paid.

### **Termination and Change of Control**

RSUs will remain outstanding and vest in accordance with their terms, unless the RSU Grantee is terminated by the Company with cause, in which case all RSUs held by the RSU Grantee, whether vested or unvested will be forfeited and cancelled without payment. In the event of a change of control of the Company and the subsequent termination of the RSU Grantee, or a decrease or diminishment of the RSU Grantee's duties, the RSUs will immediately vest and

be paid out. Upon resignation of a participant, all unvested RSUs will be automatically cancelled and all rights in respect thereof will be forfeited for no consideration.

### **Deferred Share Units**

DSU Awards will vest as to 33-1/3% on each anniversary date of the grant over a period of 3 years. No cash settlements will be given to the Eligible Person until he/she ceases to be an Eligible Person, whether such status changes as a result of the termination of service of the Eligible Person by the Company, retirement or resignation of the Eligible Person, removal from the Board of Directors, or otherwise, but in any event no later than three months following the Separation Date (being the date that the DSU recipient ceases to be an Eligible Person), or in the case of the death of the holder of the DSU Award, within two months of the death of the holder. All vested DSUs will be settled through a cash payment equal to the fair market value of the common shares (“FMV”) underlying the DSUs, the determination of such FMV to be done on the Separation Date in accordance with the provisions of Regulation 6801(d) of the Income Tax Act.

Treatment of dividends for DSUs will be the same as the treatment of dividends for RSUs.

## **Item 7 Major Shareholders and Related Party Transactions**

### **A. Major Shareholders**

The following table sets forth, as of April 30, 2020, the persons known to us to be the beneficial owner of more than five percent (5%) of our common shares:

<b>Name of Shareholder</b>	<b>No. of Common Shares Beneficially Owned</b>	<b>Percentage of Outstanding Common Shares</b>	<b>Percentage of Fully Diluted Common Shares<sup>(1)</sup></b>
2176423 Ontario Ltd. (a private company controlled by Eric S. Sprott) Toronto, Ontario	7,512,693 <sup>(2)</sup>	15.13%	14.20%
<u>Italpreziosi S P A</u>	3,787,135	7.62%	7.44%
<u>Robert Eadie</u>	3,632,117	7.31%	6.86%

- (1) Based on 49,646,851 common shares issued and outstanding as at April 30, 2020 and 3,250,000 being the number of shares issuable upon the exercise of issued and outstanding warrants which are exercisable, for a total of 52,896,851 fully diluted common shares.
- (2) The information is as at April 30, 2020, as derived from SEDI, the electronic filing system for Insider Reporting. The voting rights of our major shareholders do not differ from the voting rights of holders of our common shares who are not major shareholders.

As at June 30, 2020, the registrar and transfer agent for our Company reported that there were 49,646,851 common shares of our Company issued and outstanding. Of these, 44,032,794 were registered to Canadian residents (246 shareholders), 1,302,907 were registered to residents of the United States (92 shareholders) and 4,311,150 were registered to residents of other foreign countries (11 shareholders).

To the best of our knowledge, our Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person.

There are no arrangements known to us, the operation of which may at a subsequent date result in a change in the control of our Company.

**B. Related Party Transactions**

Other than compensation paid to our directors and officers in such capacities, and except as disclosed below, to the best of our knowledge, since the formation of our Company:

- there have been no material transactions to which we were or are a party and in which any of our directors or officers, any relative or spouse of any director or officer, or any individual owning, directly or indirectly, an interest in our voting power that gives it significant influence over us, has or will have a direct or indirect material interest; and
- none of our directors or officers, nor any relatives or spouses of such directors or officers, nor any individuals owning, directly or indirectly, an interest in our voting power that gives them significant influence over us, were indebted to us.

**C. Interests of experts and counsel**

Not Applicable

**Item 8 Financial Information****A. Consolidated Statements and Other Financial Information**

Item 18 of this Annual Report contains our financial statements as at and for the year ended April 30, 2020. Our financial statements are stated in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

**Export Sales**

(All dollar figures are in '000s)

Export sales constituted 100 percent of our Company's total sales volume during the fiscal years disclosed in the following table:

Year	Sales	Export Sales (%)
2020	\$24,820	100%
2019	\$32,795	100%
2018	\$27,807	100%
2017	\$27,228	100%
2016	\$20,326	100%

**Legal Proceedings**

There are no legal proceedings to which our Company is a party and, to our knowledge, no such proceedings are pending.

On December 22, 2015, the SEC initiated proceedings under Section 12(j) of the Securities Exchange Act of 1934 for our Company's failure to comply with Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 thereunder because it had not filed any periodic reports with the Commission since the period ended April 30, 2004. On January 25, 2016, the Company executed an Offer of Settlement presented by the SEC to settle the proceedings. The SEC issued its Final Order on February 1, 2016.

**Dividend Policy**

Our Company does not have a formal dividend policy.

Our Company paid our shareholders dividends in September, 2014. Any future payment of dividends or distributions will be determined by the board of directors of our Company on the basis of our Company's earnings, financial



requirements and other relevant factors. Successful operation of our business is subject to a number of risks and uncertainties, including those described under the heading “Risk Factors” appearing on page8, above.

***B. Significant Changes***

*Not Applicable*

**Item 9                    The Offer and Listing**

***A. Offer and Listing Details***

*Not Applicable*

***B. Plan of Distribution***

*Not Applicable*

***C. Markets***

Our common shares trade on the TSX Exchange (Toronto Stock Exchange) with symbol “SAM” and our CUSIP number is 85525T202. Our common shares also trade on the Frankfurt Stock Exchange with symbol V4JA and the OTCQB with symbol SHVLF

***D. Selling shareholders***

*Not Applicable*

***E. Dilution***

*Not Applicable*

***F. Expenses of the issue***

*Not Applicable*

**Item 10                  Additional Information**

***A. Share capital.***

*Not applicable for annual reports*

***B. Memorandum and articles of association.***

*This information is included in the 20F Registration Statement filed on August 12, 2016 and has not changed, except for the amendment to the Articles of the Company providing for the Direct Registration System (“DRS”) of the Company’s securities. DRS provides for electronic direct registration of securities in an investor’s name on the books of the Company’s transfer agent. See Exhibit 1.2*

***C. Material Contracts***

With the exception of the contracts listed below and the executive employment agreements described under the heading “Directors, Senior Management and Employees -Board Practices – Executive Employment Agreements” above, we have not entered into any material contracts during the last twenty-four months that were outside those entered into in the ordinary course of business.

#### ***D. Exchange Controls***

There are no government laws, decrees or regulations in Canada which restrict the export or import of capital or which affect the remittance of dividends, interest or other payments to non-resident holders of our common shares. Any remittances of dividends to United States residents and to other non-residents are, however, subject to withholding tax. See “Taxation” below.

Except as provided in the Investment Canada Act (Canada), which has rules regarding certain acquisitions of shares by non-residents, there is no limitation imposed by Canadian law or by our charter or other constituent documents on the right of a non-resident to hold or vote our common shares. The Investment Canada Act is a Canadian federal statute of broad application regulating the establishment and acquisition of Canadian businesses by non-Canadians, including individuals, governments or agencies thereof, corporations, partnerships, trusts or joint ventures. Investments by non-Canadians to acquire control over existing Canadian businesses or to establish new ones are either reviewable or notifiable under the Investment Canada Act. If an investment by a non-Canadian to acquire control over an existing Canadian business is reviewable under the Investment Canada Act, the Investment Canada Act generally prohibits implementation of the investment unless, after review, the Minister of Industry is satisfied that the investment is likely to be of net benefit to Canada.

#### ***E. Taxation***

##### **Canadian Federal Income Taxation**

We consider that the following summary fairly describes the principal Canadian federal income tax consequences applicable to a holder of our common shares who at all material times deals at arm's length with our Company, who holds all common shares as capital property, who is resident in the United States, who is not a resident of Canada and who does not use or hold, and is not deemed to use or hold, his common shares of our Company in connection with carrying on a business in Canada (a “non-resident holder”). It is assumed that the common shares will at all material times be listed on a stock exchange that is prescribed for purposes of the *Income Tax Act* (Canada) (the “ITA”) and regulations thereunder. Investors should be aware that the Canadian federal income tax consequences applicable to holders of our common shares will change if, for any reason, we cease to be listed on a prescribed stock exchange. Accordingly, holders and prospective holders of our common shares should consult with their own tax advisors with respect to the income tax consequences of them purchasing, owning and disposing of our common shares should we cease to be listed on a prescribed stock exchange.

This summary is based upon the current provisions of the ITA, the regulations thereunder, the Canada-United States Tax Convention as amended by the Protocols thereto (the “Treaty”) as at the date of the Annual Report and the currently publicly announced administrative and assessing policies of the Canada Revenue Agency (the “CRA”). This summary does not take into account Canadian provincial income tax consequences. This description is not exhaustive of all possible Canadian federal income tax consequences and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action. This summary does, however, take into account all specific proposals to amend the ITA and regulations thereunder, publicly announced by the Government of Canada to the date hereof.

***This summary does not address potential tax effects relevant to our Company or those tax considerations that depend upon circumstances specific to each investor. Accordingly, holders and prospective holders of our common shares should consult with their own tax advisors with respect to the income tax consequences to them of purchasing, owning and disposing of common shares in our Company.***

##### ***Dividends***

The ITA provides that dividends and other distributions deemed to be dividends paid or deemed to be paid by a Canadian resident corporation (such as our Company) to a non-resident of Canada shall be subject to a non-resident withholding tax equal to 25% of the gross amount of the dividend or deemed dividend. Provisions in the ITA relating to dividend and deemed dividend payments to and gains realized by non-residents of Canada, who are residents of the United States, are subject to the Treaty. The Treaty may reduce the withholding tax rate on dividends as discussed below.

Article X of the Treaty as amended by the US-Canada Protocol ratified on November 9, 1995 provides a 5% withholding tax on gross dividends or deemed dividends paid to a United States corporation which beneficially owns at least 10% of the voting stock of the company paying the dividend. In cases where dividends or deemed dividends are paid to a United States resident (other than a corporation) or a United States corporation which beneficially owns less than 10% of the voting stock of a company, a withholding tax of 15% is imposed on the gross amount of the dividend or deemed dividend paid. We would be required to withhold any such tax from the dividend and remit the tax directly to the CRA for the account of the investor.

The reduction in withholding tax from 25%, pursuant to the Treaty, will not be available:

- (a) if the shares in respect of which the dividends are paid formed part of the business property or were otherwise effectively connected with a permanent establishment or fixed base that the holder has or had in Canada within the 12 months preceding the disposition, or
- (b) the holder is a U.S. LLC which is not subject to tax in the U.S.

The Treaty generally exempts from Canadian income tax dividends paid to a religious, scientific, literary, educational or charitable organization or to an organization exclusively administering a pension, retirement or employee benefit fund or plan, if the organization is resident in the U.S. and is exempt from income tax under the laws of the U.S.

### ***Capital Gains***

A non-resident holder is not subject to tax under the ITA in respect of a capital gain realized upon the disposition of one of our shares unless the share represents “taxable Canadian property” to the holder thereof. Our common shares will be considered taxable Canadian property to a non-resident holder only if-

- (a) the non-resident holder;
- (b) persons with whom the non-resident holder did not deal at arm's length- or
- (c) the non-resident holder and persons with whom he did not deal at arm's length,

owned not less than 25% of the issued shares of any class or series of our Company at any time during the five year period preceding the disposition. In the case of a non-resident holder to whom shares of our Company represent taxable Canadian property and who is resident in the United States, no Canadian taxes will generally be payable on a capital gain realized on such shares by reason of the Treaty unless:

- (a) the value of such shares is derived principally from real property (including resource property) situated in Canada,
- (b) the holder was resident in Canada for 120 months during any period of 20 consecutive years preceding, and at any time during the 10 years immediately preceding, the disposition and the shares were owned by him when he ceased to be a resident of Canada,
- (c) they formed part of the business property or were otherwise effectively connected with a permanent establishment or fixed base that the holder has or had in Canada within the 12 months preceding the disposition, or
- (d) the holder is a U.S. LLC which is not subject to tax in the U.S.

If subject to Canadian tax on such a disposition, the taxpayer's capital gain (or capital loss) from a disposition is the amount by which the taxpayer's proceeds of disposition exceed (or are exceeded by) the aggregate of the taxpayer's adjusted cost base of the shares and reasonable expenses of disposition. For Canadian income tax purposes, the “taxable capital gain” is equal to one-half of the capital gain.

## **United States Federal Income Taxation**

The following is a discussion of the material United States Federal income tax consequences, under current law, applicable to a U.S. Holder (as defined below) of our common shares who holds such shares as capital assets. This discussion does not address all potentially relevant Federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of Federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local, or foreign tax consequences. (See “Canadian Federal Income Tax Consequences” above.)

The following discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

**The discussion below does not address potential tax effects relevant to our Company or those tax considerations that depend upon circumstances specific to each investor. In addition, this discussion does not address the tax consequences that may be relevant to particular investors subject to special treatment under certain U.S. Federal income tax laws, such as dealers in securities, tax-exempt entities, banks, insurance companies and non-U.S. Holders. Purchasers of shares of our common stock should therefore satisfy themselves as to the overall tax consequences of their ownership of our common stock, including the State, local and foreign tax consequences thereof (which are not reviewed herein), and should consult their own tax advisors with respect to their particular circumstances.**

### ***U.S. Holders***

As used herein, a “U.S. Holder” includes a beneficial holder of common shares of our Company who is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof, any trust if a US court is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, any entity created or organized in the United States which is taxable as a corporation for U.S. tax purposes and any other person or entity whose ownership of common shares of our Company is effectively connected with the conduct of a trade or business in the United States. A U.S. Holder does not include persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals or foreign corporations whose ownership of our common shares is not effectively connected with the conduct of a trade or business in the United States and shareholders who acquired their shares through the exercise of employee stock options or otherwise as compensation.

### ***Dividend Distribution on Shares of our Company***

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to the common shares of our Company are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions to the extent that we have current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be deducted or may be credited against actual tax payable, subject to certain limitations and other complex rules, against the U.S. Holder's United States Federal taxable income. See “Foreign Tax Credit” below. To the extent that distributions exceed our current or accumulated earnings and profits, they will be treated first as a return of capital to the extent of the shareholder's basis in the common shares of our Company and thereafter as gain from the sale or exchange of the common shares of our Company. Preferential tax rates for net long term capital gains may be applicable to a U.S. Holder which is an individual, estate or trust.

In general, dividends paid on our common shares will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations.

### ***Foreign Tax Credit***

A U.S. Holder who pays (or who has had withheld from distributions) Canadian income tax with respect to the ownership of our common shares may be entitled, at the election of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. This election is made on a year-by-year basis and generally applies to all foreign income taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his or its world-wide taxable income. In determining the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern income such as "passive income", "high withholding tax interest", "financial services income", "shipping income" and certain other classifications of income. A U.S. Holder who is treated as a domestic U.S. corporation owning 10% or more of our voting stock is also entitled to a deemed paid foreign tax credit in certain circumstances for the underlying foreign tax of our Company related to dividends received or Subpart F income received from us. (See the discussion below of Controlled Foreign Corporations). The availability of the foreign tax credit and the application of the limitations on the foreign tax credit are fact specific and holders and prospective holders of our common shares should consult their own tax advisors regarding their individual circumstances.

### ***Disposition of Common Shares***

If a U.S. Holder is holding shares as a capital asset, a gain or loss realized on a sale of our common shares will generally be a capital gain or loss, and will be long-term if the shareholder has a holding period of more than one year. However, gains realized upon sale of our common shares may, under certain circumstances, be treated as ordinary income, if we were determined to be a "collapsible corporation" within the meaning of Code Section 341 based on the facts in existence on the date of the sale (See below for definition of "collapsible corporation"). The amount of gain or loss recognized by a selling U.S. Holder will be measured by the difference between (i) the amount realized on the sale and (ii) his tax basis in our common shares. Capital losses are deductible only to the extent of capital gains. However, in the case of taxpayers other than corporations (U.S.) \$3,000 (\$1,500 for married individuals filing separately) of capital losses are deductible against ordinary income annually. In the case of individuals and other non-corporate taxpayers, capital losses that are not currently deductible may be carried forward to other years. In the case of corporations, capital losses that are not currently deductible are carried back to each of the three years preceding the loss year and forward to each of the five years succeeding the loss year.

A "collapsible corporation" is a corporation that is formed or availed principally to manufacture, construct, produce, or purchase prescribed types or property that the corporation holds for less than three years and that generally would produce ordinary income on its disposition, with a view to the stockholders selling or exchanging their stock and thus realizing gain before the corporation realizes two thirds of the taxable income to be derived from prescribed property. Prescribed property includes: stock in trade and inventory; property held primarily for sale to customers in the ordinary course of business; unrealized receivables or fees, consisting of rights to payment for non-capital assets delivered or to be delivered, or services rendered or to be rendered to the extent not previously included in income, but excluding receivables from selling property that is not prescribed; and property gain on the sale of which is subject to the capital gain/ordinary loss rule. Generally, a shareholder who owns directly or indirectly 5 percent or less of the outstanding stock of the corporation may treat gain on the sale of his shares as capital gain.

### ***Other Considerations for U.S. Holders***

In the following circumstances, the above sections of this discussion may not describe the United States Federal income tax consequences resulting from the holding and disposition of common shares of the Registrant.

### ***Foreign Personal Holding Company***

If at any time during a taxable year more than 50% of the total combined voting power or the total value of our outstanding shares is owned, actually or constructively, by five or fewer individuals who are citizens or residents of the United States and 60% or more of our gross income for such year was derived from certain passive sources (e.g., from dividends received from its subsidiaries), we would be treated as a "foreign personal holding company." In that event, U.S. Holders that hold common shares in our capital would be required to include in income for such year their

allocable portion of our passive income which would have been treated as a dividend had that passive income actually been distributed.

### ***Foreign Investment Company***

If 50% or more of the combined voting power or total value of our outstanding shares are held, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), and we are found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that we might be treated as a “foreign investment company” as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging our common shares to be treated as ordinary income rather than capital gains.

### ***Passive Foreign Investment Company***

A U.S. Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a passive foreign investment company (“PFIC”) is subject to U.S. federal income taxation of that foreign corporation under one of two alternative tax methods at the election of each such U.S. Holder.

Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States and, for any taxable year, either (i) 75% or more of its gross income is “passive income,” which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by value (or, if the company is a controlled foreign corporation or makes an election, adjusted tax basis), of its assets that produce or are held for the production of “passive income” is 50% or more. For taxable years of U.S. persons beginning after December 31, 1997, and for tax years of foreign corporations ending with or within such tax years, the Taxpayer Relief Act of 1997 provides that publicly traded corporations must apply this test on a fair market value basis only.

As a PFIC, each U.S. Holder must determine under which of the alternative tax methods it wishes to be taxed. Under one method, a U.S. Holder who elects in a timely manner to treat the Registrant as a Qualified Electing Fund (“QEF”), as defined in the Code, (an “Electing U.S. Holder”) will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year in which we qualify as a PFIC on his pro-rata share of our (i) “net capital gain” (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain to the Electing U.S. Holder and (ii) “ordinary earnings” (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income to the Electing U.S. Holder, in each case, for the U.S. Holder's taxable year in which (or with which) our taxable year ends, regardless of whether such amounts are actually distributed. Such an election, once made shall apply to all subsequent years unless revoked with the consent of the IRS.

A QEF election also allows the Electing U.S. Holder to (i) generally treat any gain realized on the disposition of his common shares (or deemed to be realized on the pledge of his common shares) as capital gain; (ii) treat his share of our net capital gain, if any, as long-term capital gain instead of ordinary income, and (iii) either avoid interest charges resulting from PFIC status altogether (see discussion of interest charge below), or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of our annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the Electing U.S. Holder is an individual, such an interest charge would be not deductible.

The procedure a U.S. Holder must comply with in making a timely QEF election will depend on whether the year of the election is the first year in the U.S. Holder's holding period in which we are a PFIC. If the U.S. Holder makes a QEF election in such first year, (sometimes referred to as a “Pedigreed QEF Election”), then the U.S. Holder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files their tax return for such first year. If, however, we qualified as a PFIC in a prior year, then the U.S. Holder may make an “Unpedigreed QEF Election” by recognizing as an “excess distribution” (i) under the rules of Section 1291 (discussed below), any gain that he would otherwise recognize if the U.S. Holder sold his stock on the qualification date (Deemed Sale Election) or (ii) if we are a controlled foreign corporation (“CFC”), the Holder's pro rata share of the corporation's earnings and profits (Deemed Dividend Election) but see (“Elimination of Overlap Between Subpart F Rules and PFIC Provisions”). The effect of either the deemed sale election or the deemed dividend election is to pay all prior deferred tax, to pay interest on the tax deferral and to be treated thereafter as a Pedigreed QEF as discussed in the prior

paragraph. With respect to a situation in which a Pedigreed QEF election is made, if we no longer qualify as a PFIC in a subsequent year, normal Code rules and not the PFIC rules will apply.

If a U.S. Holder has not made a QEF Election at any time (a “Non-electing U.S. Holder”), then special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reason of a pledge) of his common shares and (ii) certain “excess distributions”, as specially defined, by our Company. An “excess distribution” is any current-year distribution in respect of PFIC stock that represents a rateable portion of the total distributions in respect of the stock during the year that exceed 125 percent of the average amount of distributions in respect of the stock during the three preceding years.

A Non-electing U.S. Holder generally would be required to pro-rate all gains realized on the disposition of his common shares and all excess distributions over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. Holder (other than years prior to our first taxable year during such U.S. Holder's holding period and beginning after January, 1987 for which it was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-electing U.S. Holder would also be liable for interest on the deferred tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-electing U.S. Holder that is an individual is not allowed a deduction for interest on the deferred tax liability. The portions of gains and distributions that are not characterized as “excess distributions” are subject to tax in the current year under the normal tax rules of the Internal Revenue Code.

If we are a PFIC for any taxable year during which a Non-electing U.S. Holder holds common shares, then we will continue to be treated as a PFIC with respect to such common Shares, even if our Company is no longer by definition a PFIC. A Non-electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules discussed above for Non-Electing U.S. Holders) as if such common shares had been sold on the last day of the last taxable year for which we were a PFIC.

Under Section 1291(f) of the Code, the Department of the Treasury has issued proposed regulations that would treat as taxable certain transfers of PFIC stock by Non-electing U.S. Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. If a U.S. Holder makes a QEF Election that is not a Pedigreed Election (i.e., it is made after the first year during which we are a PFIC and the U.S. Holder holds our shares) (a “Unpedigreed Election”), the QEF rules apply prospectively but do not apply to years prior to the year in which the QEF first becomes effective. U.S. Holders should consult their tax advisors regarding the specific consequences of making a Non-Pedigreed QEF Election.

Certain special, generally adverse, rules will apply with respect to the common shares while we are a PFIC whether or not it is treated as a QEF. For example under Section 1297(b)(6) of the Code (as in effect prior to the Taxpayer Relief Act of 1997), a U.S. Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such stock.

The foregoing discussion is based on currently effective provisions of the Code, existing and proposed regulations thereunder, and current administrative rulings and court decisions, all of which are subject to change. Any such change could affect the validity of this discussion. In addition, the implementation of certain aspects of the PFIC rules requires the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these proposals will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. Accordingly, and due to the complexity of the PFIC rules, U.S. Holders of our common shares are strongly urged to consult their own tax advisors concerning the impact of these rules on their investment in our Company. For a discussion of the impact of the Taxpayer Relief Act of 1997 on a U.S. Holder of a PFIC, see “Mark-to-Market Election For PFIC Stock Under the Taxpayer Relief Act of 1997” and “Elimination of Overlap Between Subpart F Rules and PFIC Provisions” below.

### ***Mark-to-Market Election for PFIC Stock Under the Taxpayer Relief Act of 1997***

The Taxpayer Relief Act of 1997 provides that a U.S. Holder of a PFIC may make a mark-to-market election with respect to the stock of the PFIC if such stock is marketable as defined below. This provision is designed to provide a current inclusion provision for persons that are Non-Electing Holders. Under the election, any excess of the fair market value of the PFIC stock at the close of the tax year over the Holder's adjusted basis in the stock is included in the Holder's income. The Holder may deduct any excess of the adjusted basis of the PFIC stock over its fair market

value at the close of the tax year. However, deductions are limited to the net mark-to-market gains on the stock that the Holder included in income in prior tax years, or so called “unreversed inclusions.” For purposes of the election, PFIC stock is marketable if it is regularly traded on (1) a national securities exchange that is registered with the SEC, (2) the national market system established under Section II A of the Securities Exchange Act of 1934, or (3) an exchange or market that the IRS determines has rules sufficient to ensure that the market price represents legitimate and sound fair market value.

A Holder's adjusted basis of PFIC stock is increased by the income recognized under the mark-to-market election and decreased by the deductions allowed under the election. If a U.S. Holder owns PFIC stock indirectly through a foreign entity, the basis adjustments apply to the basis of the PFIC stock in the hands of the foreign entity for the purpose of applying the PFIC rules to the tax treatment of the U.S. owner. Similar basis adjustments are made to the basis of the property through which the U.S. persons hold the PFIC stock.

Income recognized under the mark-to-market election and gain on the sale of PFIC stock with respect to which an election is made is treated as ordinary income. Deductions allowed under the election and loss on the sale of PFIC with respect to which an election is made, to the extent that the amount of loss does not exceed the net mark-to-market gains previously included, are treated as ordinary losses. The U.S. or foreign source of any income or losses is determined as if the amount were a gain or loss from the sale of stock in the PFIC.

If PFIC stock is owned by a CFC (discussed below), the CFC is treated as a U.S. person that may make the mark-to-market election. Amounts includible in the CFC's income under the election are treated as foreign personal holding company income, and deductions are allocable to foreign personal holding company income.

The above provisions apply to tax years of U.S. persons beginning after December 31, 1997, and to tax years of foreign corporations ending with or within such tax years of U.S. persons.

The rules of Code Section 1291 applicable to nonqualified funds as discussed above generally do not apply to a U.S. Holder for tax years for which a mark-to-market election is in effect. If Code Section 1291 is applied and a mark-to-market election was in effect for any prior tax year, the U.S. Holder's holding period for the PFIC stock is treated as beginning immediately after the last tax year of the election. However, if a taxpayer makes a mark-to-market election for PFIC stock that is a nonqualified fund after the beginning of a taxpayer's holding period for such stock, a coordination rule applies to ensure that the taxpayer does not avoid the interest charge with respect to amounts attributable to periods before the election.

### ***Controlled Foreign Corporation Status***

If more than 50% of the voting power of all classes of stock or the total value of the stock of our Company is owned, directly or indirectly, by U.S. Holders, each of whom own after applying rules of attribution 10% or more of the total combined voting power of all classes of stock of our Company, we would be treated as a “controlled foreign corporation” or “CFC” under Subpart F of the Code. This classification would bring into effect many complex results including the required inclusion by such 10% U.S. Holders in income of their pro rata shares of “Subpart F income” (as defined by the Code) of our Company and our earnings invested in “U.S. property” (as defined by Section 956 of the Code). In addition, under Section 1248 of the Code if we are considered a CFC at any time during the five year period ending with the sale or exchange of its stock, gain from the sale or exchange of common shares of our Company by such a 10% U.S. Holder of our common stock at any time during the five year period ending with the sale or exchange is treated as ordinary dividend income to the extent of our earnings and profits attributable to the stock sold or exchanged. Because of the complexity of Subpart F, and because we may never be a CFC, a more detailed review of these rules is beyond the scope of this discussion.

### ***Elimination of Overlap Between Subpart F Rules and PFIC Provisions***

Under the Taxpayer Relief Act of 1997, a PFIC that is also a CFC will not be treated as a PFIC with respect to certain 10% U.S. Holders. For the exception to apply, (i) the corporation must be a CFC within the meaning of section 957(a) of the Code and (ii) the U.S. Holder must be subject to the current inclusion rules of Subpart F with respect to such corporation (i.e., the U.S. Holder is a “United States Shareholder,” see “Controlled Foreign Corporation,” above). The exception only applies to that portion of a U.S. Holder's holding period beginning after December 31, 1997. For that portion of a United States Holder before January 1, 1998, the ordinary PFIC and QEF rules continue to apply.



As a result of this new provision, if we were ever to become a CFC, U.S. Holders who are currently taxed on their pro rata shares of Subpart F income of a PFIC which is also a CFC will not be subject to the PFIC provisions with respect to the same stock if they have previously made a Pedigreed QEF Election. The PFIC provisions will however continue to apply to U.S Holders for any periods in which Subpart F does not apply (for example he is no longer a 10% Holder or we are no longer a CFC) and to U.S. Holders that did not make a Pedigreed QEF Election unless the U.S. Holder elects to recognize gain on the PFIC shares held in our Company as if those shares had been sold.

**ALL PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF PURCHASING THE COMMON SHARES OF OUR COMPANY.**

***F. Dividends and Paying Agents***

Not applicable for Annual Reports

***G. Statement by Experts***

Not applicable for Annual Reports

***H. Documents on Display***

Upon the effectiveness of this filing, we will be subject to the informational requirements of the *Securities Exchange Act of 1934*, as amended, and we will thereafter file reports and other information with the SEC electronically. You may read and copy any of our reports and other information at the SEC's web site at [HTTP://www.sec.gov](http://www.sec.gov).

The documents concerning our Company referred to in this Annual Report may also be viewed at our principal executive offices, Suite 750 – 580 Hornby Street, Box 113, Vancouver, British Columbia, Canada V6C 3B6 (Telephone: (604) 602-4935), during normal business hours.

***I. Subsidiary Information***

See Item 4(C) for the Company's active subsidiaries as at the date of this Annual Report.

**Item 11 Quantitative and Qualitative Disclosures About Market Risk**

As a Canadian company, our cash balances are kept in U.S. and Canadian funds. Therefore, we may become exposed to some exchange, interest rate and other risks as listed below. We consider the amount of risk to be manageable and do not currently, nor will we likely in the foreseeable future, conduct hedging to reduce our market risks.

- i.) Currency Risk - Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.
- ii.) Interest rate risk - The Company's cash earns interest at variable interest rates. While fluctuations in market rates do not have a material impact on the fair value of the Company's cash flows, future cash flows may be affected by interest rate fluctuations. The Company is not significantly exposed to interest rate fluctuations.
- iii.) Credit risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and short-term investments.
- iv.) Liquidity risk - Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves.

- v.) Commodity Risk - Mineral prices and marketability fluctuate and any decline in mineral prices may have a negative effect on the Company. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of minerals which may be produced and sold by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its resources to processing facilities and extensive government regulations related to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business.

**Item 12 Description of Securities Other than Equity Securities**

Not applicable

**Item 13 Defaults, Dividend Arrearages and Delinquencies**

None

**Item 14 Material Modifications to the rights of Security Holders and Use of Proceeds**

Not Applicable

**Item 15 Controls and Procedures**

Not Applicable

**Item 16 [RESERVED]**

**Item 16A Audit Committee Financial Expert**

The Company's board of directors has determined that it has two audit committee financial experts serving on its audit committee. Jordan Estra and Federico Villaseñor have been determined to be such audit committee financial experts and are independent, as that term is defined by the Toronto Stock Exchange's listing standards applicable to the Company. The SEC has indicated that the designation of Messrs. Estra and Villaseñor as audit committee financial experts does not make either of them an "expert" for any purpose, impose any duties, obligations or liability on either of them that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

**Item 16B Code of Ethics**

The Company has not adopted a written code of ethics applicable to officers and directors of the Company. The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operated independently of management and in the best interests of the Company.

**Item 16C Principal Accountant Fees and Services**

**Audit Fees.** This category includes the fees for the audit of our financial statements and the quarterly reviews of interim financial statements. This category also includes advice on audit and accounting matters that arose during or as a result of the audit or the review of interim financial statements and services in connection with Securities and Exchange Commission filings.

**Audit-Related Fees.** This category includes assurance and related services that are reasonably related to the performance of the audit or review of the financial statements that are not reported under Audit Fees, and describes the nature of the services comprising the fees disclosed under this category.

**Tax Fees.** This category includes the fees for professional services rendered for tax compliance, tax advice and tax planning, and describes the nature of the services comprising the fees disclosed under this category.

**All Other Fees.** This category includes products and services provided by the principal accountant, other than the services reported under Audit Fees, Audit-Related Fees or Tax Fees.

Our current independent public accountants provided audit and other services during the fiscal year ended April 30, 2019 and April 30, 2020:

	April 30, 2019	April 30, 2020
Audit Fees	85,000	85,000
Audit-Related Fees	30,000	30,000
Tax Fees	Nil	Nil
All Other Fees	Nil	Nil
Total Fees	115,000	115,000

**Pre-Approval Policies and Procedures**

Our audit committee pre-approves all services provided by our independent auditors. All of the services and fees described under the categories of “Audit Fees”, “Audit Related Fees”, “Tax Fees” and “All Other Fees” were reviewed and approved by the audit committee before the respective services were rendered. We are not relying upon a waiver pursuant to the provisions of paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X

The audit committee has considered the nature and amount of the fees billed by Davidson & Company LLP, Chartered Professional Accountants, and believes that the provision of the services for activities unrelated to the audit is compatible with maintaining the independence of Davidson & Company LLP, Chartered Professional Accountants.

**Item 16D Exemptions from Listing Standards for Audit Committees**

Not Applicable

**Item 16E Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

There have been no purchases of the Company's common shares by the Company or affiliated purchasers during the period covered by this report.

**Item 16F Change in Registrant’s Certifying Accountant**

In May, 2016, our Board of Directors approved the appointment of Davidson & Company LLP, Chartered Professional Accountants, as our independent accountants to audit our financial statements and dismissed Deloitte LLP, Chartered Professional Accountants, as our independent accountants. The appointment of Davidson & Company LLP was approved by the Company’s shareholders at the Annual General Meeting held on October 28, 2016.

**Item 16G Corporate Governance**

Not Applicable

**Item 16H Mine Safety Disclosure**

Not Applicable

**PART II****Item 17 Financial Statements**

Not Applicable

**Item 18 Financial Statements**

The following financial statements and notes thereto are filed with and incorporated herein as part of this Annual Report as Exhibit F-1:

Audited financial statements of the Company for the year ended April 30, 2020, including consolidated statements of financial position, consolidated statements of operations and comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and notes to the consolidated financial statements.

The Company's Financial Statements are stated in Canadian Dollars and are prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

**Item 19 Exhibits**

*Exhibits Required by Form 20-F*

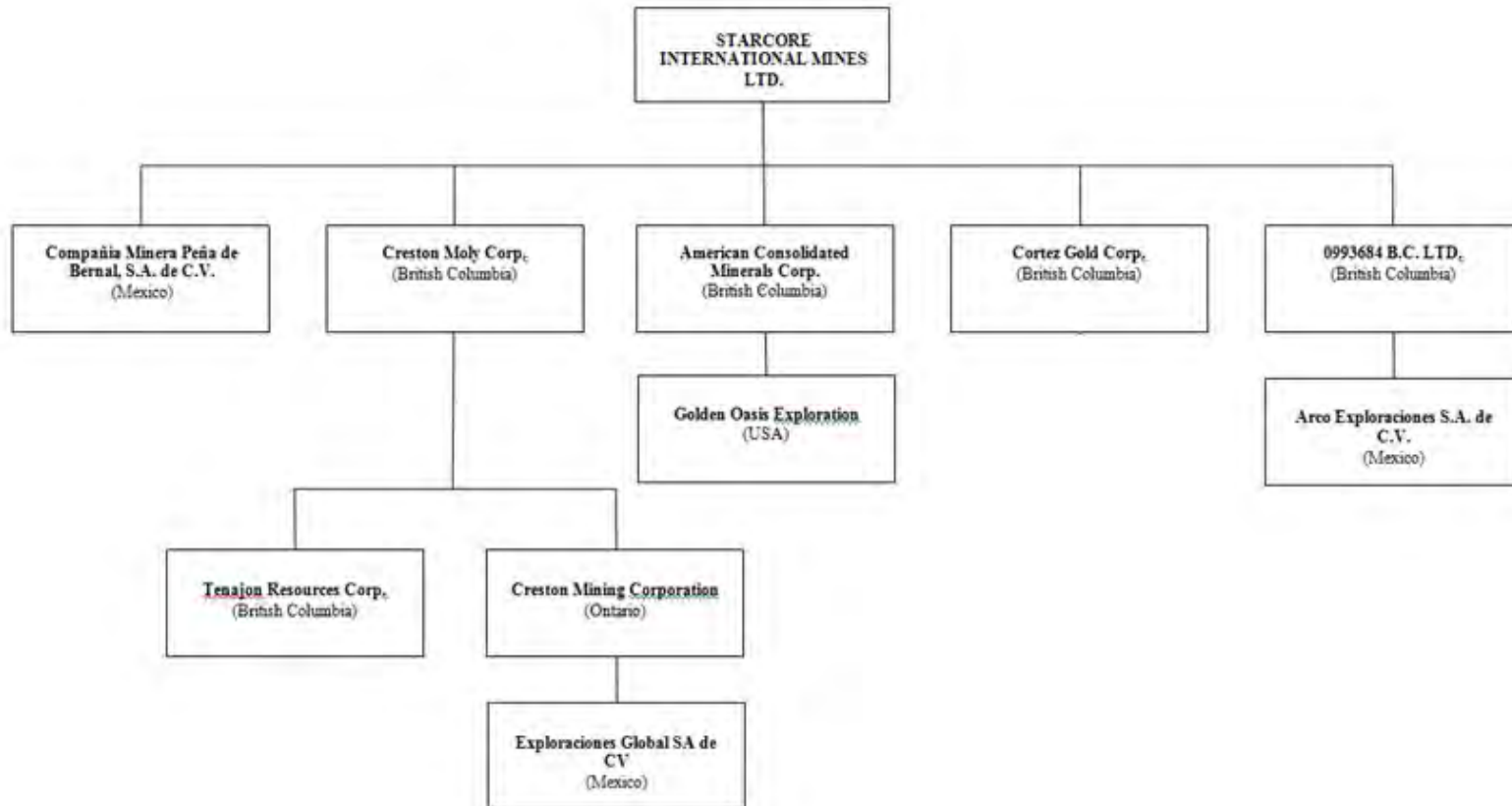
<b>Exhibit Number</b>	<b>Description</b>
<b>1.</b>	<b>Articles of Incorporation</b>
1.1	<a href="#"><u>Notice of Articles of Starcore International Mines Ltd. dated November 1, 2017.</u></a> <sup>2</sup>
1.2	<a href="#"><u>Amended Articles of Starcore International Mines Ltd dated October 24, 2017.</u></a> <sup>2</sup>
1.3	<a href="#"><u>Notice of Change of Directors dated November 1, 2017.</u></a> <sup>2</sup>
<b>4.</b>	<b>Material Contracts</b>
4.1	<a href="#"><u>Arrangement Agreement dated May 29, 2015 between the Company and Cortez Gold.</u></a> <sup>1</sup>
<b>8.</b>	<b>List of Subsidiaries</b>
8.1	<a href="#"><u>Subsidiaries of the Company.</u></a>
<b>12.</b>	<b>Certifications</b>
12.1	<a href="#"><u>Certification of the Chief Executive Officer</u></a>
12.2	<a href="#"><u>Certification of the Chief Financial Officer</u></a>
<b>15.</b>	<b>Additional Exhibits</b>

- 15.1 [Technical Report authored by Erme Enriquez, C.P.G., B.Sc., M.Sc. entitled “Reserves and Resources in the San Martin Mine, Queretaro State, Mexico as of September 30, 2019” dated October 30, 2019.](#)
- 15.2 [Consent of Erme Enriquez, CPG BSc, MSc.](#)
- F-1** [Financial Statements](#)

Notes:

1. Incorporated by reference from the Company’s Registration Statement on Form 20-F, as filed with the Securities and Exchange Commission on August 12, 2016.
2. Incorporated by reference from the Company’s Annual report on Form 20-F, as filed with the Securities exchange Commission on July 30, 2018.

Exhibit 8.1



## CERTIFICATIONS

I, Robert Eadie, certify that:

1. I have reviewed this annual report on Form 20-F of Starcore International Mines Ltd.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 28<sup>th</sup>, 2020

Signature: /s/ Robert Eadie

Title: Chief Executive Officer & President

## CERTIFICATIONS

I, Gary Arca, certify that:

1. I have reviewed this annual report on Form 20-F of Starcore International Mines Ltd.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 28<sup>th</sup>, 2020  
Signature: /s/ Gary Arca  
Title: Chief Financial Officer



**RESERVES AND RESOURCES IN THE SAN MARTIN MINE,  
QUERETARO STATE, MÉXICO  
AS OF SEPTEMBER 30, 2019**

UTM Nad 27 México Coordinates  
Centered at approximately:  
(398,300E and 2,292,500N)



Prepared for:  
**STARCORE INTERNATIONAL MINES LTD.**

**STARCORE**

INTERNATIONAL  
MINES LTD

Prepared by:  
Erme Enriquez C.P.G., BSc, MSc  
Effective date: September 30, 2019  
Report date: October 30, 2019

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## ACRONYMS AND ABBREVIATIONS

### Abbreviation Description Unit

Au	Gold
AuEq	Gold equivalent
Ag	Silver
CIM	Canadian Institute of Mining
cm	Centimetre
CMPB	Compañía Minera Peña de Bernal
CPG	Certified Professional Geologist
CRF	Cemented Rock Fill
COO	Chief Operating Officer
E	East
ep	epidote
Fe	iron
FA	Fire Assay
g	gram
g/t	grams per tonne
gpt	grams per tonne
ha	hectare
HQ	drill core size (63.5 mm)
ICP	Inductively Coupled Plasma
INEGI	Instituto Nacional de Estadística y Geografía
IP	induced polarization
K-spar	Potassium feldspar
kg	kilogram
km	kilometre
l	litre
LOM	Life of Mine
m	metre
m.a.s.l.	metres above sea level
mm	millimetre
m <sup>2</sup>	square metre
m <sup>3</sup>	cubic metre
M	million
Ma	Million years
MX\$	Mexican peso
N	North
NE	Northeast
NI 43-101	National Instrument 43-101 Standards of Disclosure for Mineral Projects
NQ	drill core size (47.6 mm)
NSR	Net Smelter Return
NW	Northwest
Ox	oxide
oz	troy ounce
oz/t	ounce per tonne

PENBER	Peña de Bernal Lab
P.Eng	Professional Engineer
P.Geo	Professional Geologist
ppb	parts per billion
ppm	parts per million
QA/QC	Quality Assurance/Quality Control
Qtz	Quartz
QP	Qualified Person
S.A. de C.V.	Sociedad Anónima de Capital Variable
SE	Southeast
SEMARNAT	Secretaría del Medio Ambiente y Recursos Naturales
Ser	sericite
SG	specific gravity
SRM	standard reference material
SIM	Starcore International Mines LTD
SW	Southwest
ton	tonne
US\$	United States dollar
UTM	Universal Transverse Mercator
W	West
WGM	Watts, Griffis & McQuat, Ltd
WGS	World Geodetic System
%	percent
°C	degree Celsius

Gold equivalent

$$A \left( \frac{g}{t} \right) = A \left( \frac{g}{t} \right) + \left( A \left( \frac{g}{t} \right) / 87 \right)$$

Contained ounces

$$o A = \left[ \frac{A \frac{g}{t} \times t_i}{1000} \right] \times 32.1507$$

# **1. SUMMARY**

## **1.1 Introduction**

In October 2019, Erme Enriquez was retained by Salvador Garcia, Chief Operations Officer (COO) for Starcore International Mines LTD (“SIM”), to perform an Updated Reserve and Resource Estimate in the San Martin Mine, in accordance with the reporting requirements of Canadian National Instrument 43 101 (“NI 43 101”) and Form 43-101F1.

The Mineral Reserve update was performed by the San Martin’s mine personnel, all employees of SIM. SIM also provided the sections on geology, mining methods, project infrastructure, market studies and contracts, capital and operating costs, and economic analysis and a part of the conclusions and recommendations

Erme Enriquez is a Qualified Person under NI 43-101 and have no affiliation with SIM except that of independent consultant/client relationships. Mr. Enriquez has been an employee of Minas Luismin, first owner of San Martín, and then of Wheaton River, for more than 21 years and he participated in the supervision of the exploration and exploitation of San Martin from 1993 to 2003. Mr. Enriquez was responsible for assembling all items of the technical report and for preparing the Mineral Resource Estimate.

The effective date of this technical report is September 30, 2019.

## **1.2 Property Description and Location**

The San Martin mine is located 47 kilometres, in straight line, northeast of the Queretaro City, Queretaro State, on local road No.100 and about 250 kilometres NW of Mexico City, near the towns of Tequisquiapan and Ezequiel Montes. The San Martin mine underground mine has been in operation since 1993.

The San Martin mine complex consists of 8 mining claims that cover 12,991.7805 hectares. The total annual land-holding costs are estimated to be US\$105,190 dollars. All mineral titles and permits are held by Compañía Minera Peña de Bernal, S. A. de C. V. (CMPB), a direct, wholly-owned subsidiary of SIM. A 3.0% net smelter returns royalty (“NSR”) is payable to Servicio Geológico Mexicano (“SGM”- Mexican Geological Survey) on the claims San Martin Fracc. A, Title 215262, San Martin Fracc. B, Title 215263 and San Martin Fracc. C, Title 215264.

## **1.3 Exploration and Mining History**

The deposit was discovered in the 18th century and high-grade mineralization reportedly was exploited by the Spaniards for approximately 40 years; however, no production records exist. The first records show the Ajuchitlán Mining and Milling Company produced an estimated 250,000 tonnes at a grade of 15 g Au/t and 100 g Ag/t from 1900 to 1924.

In 1982, the Mexican government, through the Council of Mineral Resources (CRM) staked a mining claim of 6,300 hectares which covered the area of the mine in its central part. In 1986 Minas Luismin negotiated with the CRM an option in the mining claims of his property for a payment of US \$ 250,000 dollars and a royalty of 5%, which latter was reduced to 3% in 1996.



Luismin started explorations in early 1992 and at the end of 1993 the exploitation begins with an open pit in the San José oreshoot. This open-pit changed to underground when it is discovered that it was not a disseminated Carlin-type deposit, but that it was a vein structure, then, in mid-1994, the underground works began in the same San José and San Martín oreshoots.

In the year 2000 the operation began mining some of the steeply dipping vein structures known as “tronco” and “manto” deposits. Over the last 27 years the mining has at times been predominantly from those oreshoots.

Over the period August 1, 2013 to September 30, 2019 the mine operated at an average 750 tpd using mechanized mining equipment such as single boom jumbos, 3.5-yard scooptrams and 10 to 20 tonne haulage trucks. In Conventional jackleg drills are still used in some of the mine headings.

#### **1.4 Gold and Silver Processing and Recovering**

The most relevant mineral processing and recovery information is derived from the results of the modern operations at the San Martín mine that began in 1993. Processing was done by crushing, grinding, and tank leaching with cyanide, followed by precipitation with zinc dust and in-house smelting of the precipitate to produce silver-gold doré. Records show that from 1993 through 2018, the mill processed over 6.77 million tonnes of ore with average head grades of 2.88 g Au/tonne and 43 g Ag/tonne. During this 27-year period, the mill recovered, on average, 82.1% of the contained gold and 55.5% of the contained silver.

#### **1.5 Geology and Mineralization**

The San Martín gold-silver district hosts classic, medium-grade gold-silver, epithermal vein deposits characterized by low sulphidation mineralization and adularia-sericite alteration. The San Martín veins are typical of most other epithermal silver-gold vein deposits in Mexico in that they are primarily hosted in the Upper Cretaceous black limestone and calcareous shales of the Soyatal-Mexcala Formation. Tertiary Lower Volcanic series of rhyolite flows, pyroclastics and epiclastics, overlain the sediments.

Mineralization at San Martín occurs in association with an epithermal low sulphidation, quartz-carbonate, fracture-filling vein hosted by a structure trending approximately N40°-60°E, dipping to the 50° to 90° to the southeast.

The San Martín structure has been known in different stages of exploration and has adopted several names, San José, San José II, San Martín, Cuerpo 28, Cuerpo 29, Cuerpo 30 and Cuerpo 31. The structure itself is offset by a series of faults of northeast trending that divides the oreshoots. The structure behaves vertical at the San José and San Martín areas (Tronco) and becomes flatter from Cuerpo 28 to 31 (Mantos), and mineralization follows the planes of the folded rocks.

The San Martín vein itself has been known underground traced for 2 km along trend, with widths between 1.5 to 10 metres and averages approximately 4.0 m. A secondary mineralized vein is located, both in the footwall and hangingwall, of the San Martín vein, on the western limb of the local fold that contains the mineralization. This structure is the Santa Elena and represents a good target for exploration to the NE and SE of San Martín.

## 1.6 Mineral Resources Estimate

The mineral resource estimation for the San Martin Mine was completed in accordance to the guidelines of Canadian National Instrument 43-101 (“NI 43-101”). The modeling and estimation of the mineral resources were completed in September 30, 2019 under the supervision of Erme Enriquez, qualified person with respect to mineral resource estimations under NI 43-101. The effective date of the resource estimate is September 30, 2019. Mr. Enriquez is independent of SIM by the definitions and criteria set forth in NI 43-101; there is no affiliation between Mr. Enriquez and SIM except that of independent consultant/client relationships.

The San Martin resources are classified in order of increasing geological and quantitative confidence in Proven and Probable, Inferred and Indicated categories in accordance with the “CIM Definition Standards For Mineral Resources and Mineral Reserves” (2014) and therefore NI 43-101, as is the Inferred Resources category.

In the years prior to mining by CMPB reserve and resource estimates were based on the assumptions and subject to rules defined by Luismin many years ago. In recent years, with the involvement of various professionals, it was recognized that mining methodology was changing due to factors such as:

- ) A greater percentage of production coming from narrow to wide steeply dipping vein structures.
- ) Sub-horizontal Mantos mineralized structures that were somewhat narrower than historical Mantos.
- ) Reopening and scavenging of the footwall mineralization in old stopes, where lower grade mineralization was not mined during times of lower gold prices.

Based on the above mining changes and incorporating mining experience over the last 8 years some of the original Luismin assumptions have been modified to improve tonnage and grade estimation for reserves. The assumptions used in this estimate are:

- ) A gold price of \$1300 per ounce.
- ) A silver price of \$16.00 per ounce.
- ) First three quarters 2019 operating costs of US\$75.72 per metric dry tonne.
- ) Average metallurgical recoveries of 86% for gold and 55% for silver.
- ) Using the above price and cost assumptions the resultant calculated cutoff grade is approximately 1.66 g/t Au equivalent.
- ) Specific gravity of 2.6 g/cm<sup>3</sup> has been applied to all calculated mineralized volumes.
- ) Mining dilution is applied to in situ mineralized zones, and recovery factors are applied to these diluted blocks using the following factors:
  - ✓ Mining dilution of 20% of zero grade in horizontal mineralized zones (Mantos) mined by room and pillar.
  - ✓ Mining dilution of 20% of zero grade in steeply dipping mineralized zones mined by cut and fill. This dilution factor is modified by first applying a minimum 2-meter mining width to narrow zones.
  - ✓ Remnant pillars left in room and pillar stopes are typically 20% of the total tonnage, i.e. 80% extraction. This recovery factor has been applied to subhorizontal mineralized zones.

In addition to these factors reserve grades are lowered to reflect mined grades in ore blocks that have sufficient historical production to establish that mined grades are lower than estimated from exploration data. The reserves and resources estimated in this report are based on data available up until September 30, 2019.

The mineral resources reported herein are classified as Measured, Indicated and Inferred according to CIM Definition Standards.

Total Inferred Mineral Resources at the San Martín mine, estimated by SIM, are about **1,713,120 tonnes at a grade of 1.91 g Au/t and 19 g Ag/t**. Inferred and Indicated Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability. A summary of resources is in Table 1-1.

**Table 1-1: Mineral Resources Inferred and Indicated, San Martín Mine**

**Compañía Minera Peña de Bernal, SA de CV**  
**Mineral Resource Estimate**  
**(as of September 30, 2019)**

Mine	Tonnes	Grade		Total Contained oz		
		(Au g/t)	(Ag g/t)	(oz Au)	(oz Ag)	(oz Au Eq)
<b>San Jose I and II</b>						
Inferred	161,542	1.90	11	9,893	58,105	10,608
<b>San Martín</b>						
Inferred	1,192,589	1.82	12	69,631	444,085	75,097
<b>Area 28 and 4700</b>						
Inferred	206,796	2.32	77	15,437	509,786	21,711
<b>Area 29</b>						
Inferred	17,322	4	28	2,401	15,348	2,590
<b>Total Inferred</b>	<b>1,578,248</b>	<b>1.92</b>	<b>20</b>	<b>97,362</b>	<b>1,027,324</b>	<b>110,006</b>
<b>San Martín</b>						
Indicated	134,871	1.81	10	7,849	43,362	8,382
<b>Total Indicated</b>	<b>134,871</b>	<b>1.81</b>	<b>10</b>	<b>7,849</b>	<b>43,362</b>	<b>8,382</b>
<b>Total Inferred + Indicated</b>	<b>1,713,120</b>	<b>1.91</b>	<b>19</b>	<b>105,211</b>	<b>1,070,686</b>	<b>118,389</b>

- ) Resources are valid as of September 30, 2019 as defined by end of month September 2019 topography.
- ) Measured, Indicated and Inferred resource cut-off grades were 1.66 g/t gold equivalent at San Martín.
- ) Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.
- ) Metallurgical recoveries were 88% gold and 55% silver.
- ) Gold equivalents are based on a 1:81 gold: silver ratio. Au Eq= gAu/t + (gAg/t ÷ 81)
- ) Price assumptions are \$1300 per ounce for gold and \$16.00 per ounce for silver for resource cutoff calculations.

- ) Mineral resources are estimated exclusive of and in addition to mineral reserves.
- ) Resources are constrained by a conceptual underground mining using parameters summarized in section.
- ) Resources were estimated by SIM and reviewed by Erme Enriquez CPG.
- ) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

## 1.7 Mineral Reserve Estimate

Total Proven and Probable Mineral Reserves at the San Martin mine as of September 30, 2019 estimated by SIM and reviewed by Erme Enriquez are **1,434,308 tonnes at a grade of 2.04 g Au/t and 27 g Ag/t** (Table 1-2).

**Table 1- 2: Mineral Reserve Estimate Proven and Probable, San Martin Mine**

**Compañía Minera Peña de Bernal, SA de CV**  
**Mineral Reserve San Martin Mine**  
**(as of September 30, 2019)**

Category	Tonnes	Grade		Total Contained oz		
		(g Au/t)	(g Ag/t)	(oz Au)	(oz Ag)	(oz Au Eq)
Proven	277,009	2.43	61	21,673	527,658	28,386
Probable	1,157,299	1.95	18	72,372	657,772	80,740
<b>Total Reserves</b>	<b>1,434,308</b>	<b>2.04</b>	<b>27</b>	<b>94,045</b>	<b>1,185,429</b>	<b>109,126</b>

- ) Reserve cut-off grades are based on a 1.66 g/t gold equivalent.
- ) Metallurgical Recoveries were 88% gold and 55% silver.
- ) Mining Recoveries of 90% were applied.
- ) Minimum mining widths were 1.5 meters.
- ) Dilution factors is 20%. Dilution factors are calculated based on internal stope dilution calculations.
- ) Gold equivalents are based on a 1:81 gold:silver ratio.  $Au Eq = gAu/t + (gAg/t \div 81)$
- ) Price assumptions are \$1300 per ounce for gold and \$16 per ounce for silver.
- ) Mineral resources are estimated exclusive of and in addition to mineral reserves.
- ) Resources were estimated by SIM and reviewed by Erme Enriquez CPG.

## 1.8 Mining Operations

Mine production operations are in two distinct underground zones and one under one small open pit operation. Current mining is from zones, which are contiguous to, or nearby, earlier mined out areas.

The two underground zones are known as San José II and San Martín, while the open pit is the near surface remnants is now a closed operation. Production operations have been underway at the San Martin mine since May 1994. On top of the big breccia-vein the structure becomes a manto-like. Here the Cuerpo 28 and Cuerpo 29 orebodies have been exploited partially since 1998. A set of faults crosscut the structure and thrown down the continuous oreshoot and split it into several segments where Cuerpo 30 and Cuerpo 31 have been found.

The orebody geometry and geotechnical attributes of the ore and host rocks, in both underground zones, resulted in the selection of mechanized, trackless, room and pillar stoping, with post waste rock backfill and a poor mix of waste and cement, as the most suitable mining method for ore extraction. Ore recovered from these operations is hauled to surface by truck to the mill infrastructure, where it is crushed and milled.

The operations that were visited, by Mr. Enriquez, were dry, well-ventilated, very tidy and appeared to be run in an orderly manner. The development headings are well supported with regular patterned roof bolting, through mesh and shotcrete, as a standard throughout the mine.

Initial mining experience in the Cuerpo 28 zone indicated that dilution from waste wall rock and waste is greater than predicted in previous reports. SIM has introduced measures to reduce the dilution and to increase ore recovery.

Dilution has been controlled with cemented waste rock as the fill medium. The experience with dilution from this waste rock backfill is not affecting the cost per ounce produced from treating lower grade ore, suggests that this backfill system, involving some combination of rock and cement, may have been more economic and safer.

In addition to overall cost reduction programs, including trials of bulk emulsion explosives, SIM management is implementing mine design modifications to reduce the ratio of waste development to ore tonnes and consequently the reduction in mining costs.

## **1.9 Conclusions and Recommendations**

The QP considers the San Martin resource and reserve estimates presented here to conform with the requirements and guidelines set forth in Companion Policy 43-101CP and Form 43-101F1 (June 2011), and the mineral resources and reserves presented herein are classified according to Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve

Definitions and adopted by CIM Council on May 10, 2014. These resources and reserves form the basis for SIM’s ongoing mining operations at the San Martín Mines Project.

The QP is unaware of any significant technical, legal, environmental or political considerations which would have an adverse effect on the extraction and processing of the resources and reserves located at the San Martín Mines Project. Mineral resources which have not been converted to mineral reserves, and do not demonstrate economic viability shall remain mineral resources. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.

The QP considers that the mineral concessions in the San Martin mining district controlled by SIM continue to be highly prospective both along strike of the structure and down dip of the existing mineralization and adjacent structures that have high geological potential.

SIM’s San Martin Mines Project has an extensive mining history with well-known gold and silver bearing vein systems. Ongoing exploration has continued to demonstrate the potential for the discovery of additional resources at the project and within the district surrounding the mine, focusing on the Santa Elena Area.

Since SIM took control of the San Martín Mines Property, new mining areas have enabled to continue production by providing additional sources of mill feed. SIM’s operation

management teams continue to search for improvements in efficiency, lowering costs and researching and applying low-cost mining techniques.

Although the reconciliations conducted by SIM show good comparisons on planned values versus actual values the reconciliation process should be improved to include the estimated tonnes and grade from the resource models. By comparing the LOM plan monthly to the plant production, the actual physical location of the material mined may be different in the plan versus the actual area that was mined. Due to the many faces that are mined during a day this can only be completed on an average monthly basis to account for the blending of this material at the mill. The monthly surveyed as mined areas should be created and saved monthly for reporting the modeled tonnes for each month. The model predicted results versus actuals can then be used to determine if dilution factors need to be adjusted or perhaps the resource modeling parameters may require adjustment if there are large variances. On a yearly basis, the mill production should be reconciled to the final doré shipments and resulting adjustment factors should be explained and reported.

## **2. INTRODUCTION**

### **2.1 Issuer and Terms of Reference**

Starcore International Mines LTD (“SIM”) is a Canadian based mining and exploration company actively engaged in the exploration, development, and production of mineral properties in Mexico. SIM is headquartered in Vancouver, British Columbia with management offices in Mexico City, Mexico, and is listed on the Toronto (TSX:SAM) and Frankfurt (FK:V4JA) stock exchanges. The company has one currently active mining property in Mexico, the San Martín Property in northeast Queretaro State. SIM has retained Mr. Enriquez to complete an independent technical audit and update of the mineral resource and reserve estimates for the San Marín Mine Project (the “Project”) located within the Municipality of Colón. This report presents the results of Mr. Enriquez efforts, and is intended to fulfill the Standards of Disclosure for Mineral Projects according to Canadian National Instrument 43-101 (“NI 43-101”).

This report was prepared in accordance with the requirements and guidelines set forth in NI 43-101 Companion Policy 43-101CP and Form 43-101F1 (June 2011), and the mineral resources and reserves presented herein are classified according to Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. The mineral resource and mineral reserve estimates reported here are based on all available technical data and information as of September 30, 2019.

### **2.2 Source of Information**

A portion of the information and technical data for this study was obtained from the following previously filed NI 43-101 Technical Reports:

Spring, V., McFarlane, G.R., 2002, A Technical Review of the Tayoltita, Santa Rita, San Antonio, La Guitarra and San Martin Operating Silver and Gold Mines in Mexico. Watts, Griffis and McOuat NI 43-101 report prepared for Wheaton River Minerals Ltd.

Spring, V. (2005), An Audit of the Mineral Reserves/Resources Tayoltita, Santa Rita, San Antonio, and San Martin Mines as of December 31, 2004. For Wheaton River Minerals LTD.

Gunning, D. R. and Whiting, B., 2009, Reserves and Resources in the San Martín Mine, Mexico, as of July 31, 2009. For Starcore International Mines LTD.

Gunning, D. R. and Campbell, J., 2011, Reserves and Resources in the San Martín Mine, Mexico, as of July 31, 2011. For Starcore International Mines LTD.

Campbell, J., 2012, Reserves and Resources in the San Martín Mine, Mexico, as of July 31, 2012. For Starcore International Mines LTD.

Gunning, D. R., 2013, Reserves and Resources in the San Martín Mine, Mexico, as of July 31, 2013. For Starcore International Mines LTD.

Gunning, D. R. and Campbell, J., 2014, Reserves and Resources in the San Martín Mine, Mexico, as of July 31, 2014. For Starcore International Mines LTD.

Enriquez, E., 2019, Reserves and Resources in the San Martin Mine, Queretaro State, Mexico, as of April 30, 2018. For Starcore International Mines LTD.

## **2.3 Qualified Person**

Erme Enriquez, CPG, has over 30 years of professional experience as geologist, both as an employee and a consulting geologist and has contributed to numerous mineral resource projects, including silver, gold and polymetallic resources throughout Mexico past fifteen years. Mr. Enriquez is responsible for the full content of this report.

As Qualified Person, Mr. Enriquez conducted an on-site inspection of the San Martín property during October 14 to 15, 2019. While on site, Mr. Enriquez reviewed SIM's current operating procedures and associated drilling, logging, sampling, quality assurance and quality control (QA/QC), grade control, and mine planning (short, medium, and long term) procedures, also inspected the laboratories at the San Martín facilities as well as the underground operations and plant.

Mr. Enriquez met with Mr. Martin Aguilar, who is the general mine manager and all personnel of the geology department to review the geologic understanding, sampling methods and types, modeling (resources, reserves, and grade control), prior to inspecting the procedures in the mine and office for collecting and handling the data. Once the geology department processes were reviewed, Mr. Enriquez discussed with the mine planning and survey department the process for short, medium, and long-term mine planning. Reconciliation was discussed with both departments and the plant supervisors. The assay laboratory was toured, and the procedures were reviewed with the laboratory superintendent.

## **2.4 Units and Currency**

All units used in this report are in a metric system. Tonnages are shown as tonnes (1,000 kg), linear measurements as metres ("m"), or kilometres ("km") and precious metal values as grams ("g"). Grades are grams of gold per tonne ("Au g/t"), and grams of silver per tonne ("Ag g/t"). All economic data is quoted in US dollars ("US\$"). When peso amounts required conversion into US dollars, the peso exchange rate used was 19.00 pesos equivalent to US\$1.00 as this was the rate used in the 2019 mine operating budget.

## **3. RELIANCE ON OTHER EXPERTS**

The author of this report is Qualified Person for those areas as identified in the Certificates of Qualified Person attached to this report. In preparing this report, the author relied heavily on



various geological maps, reports and other technical information, mostly unpublished proprietary information collected on-site and provided to the author by SIM.

Much of the original information is in Spanish and English, with translations from Spanish to English of key and relevant technical documents provided by SIM. For this current report, most of the technical information was translated by geologist employed by SIM, although legends and annotations on many of the maps and sections are in Spanish or have been translated to English. I occasionally checked a few key parts of the translations and found them good.

From my experience on this report and the other previous reports I have done for other companies, I believe the translations provided to us are credible and generally reliable, but I cannot attest to their absolute accuracy.

Overall, the technical information I reviewed is very well-documented, comprehensive and of good technical quality. It clearly was gathered, prepared and compiled by various competent technical persons, but not necessarily Qualified Persons as currently defined by NI 43-101. In recent years, the voluminous information collected by SIM has been carefully reviewed by Mr. David R. Gunning, P. Eng. and Joseph W. Campbell, P. Geo. whom are a Qualified Persons as defined by NI 43-101.

Because I am not expert in land, legal, environmental and related matters, I have relied (and believe there is a reasonable basis for this reliance) on various other individuals who contributed the information regarding legal, land tenure, corporate structure, permitting, land tenure and environmental issues discussed in this report. Specifically, David Gunning and Joseph Campbell, both experienced independent Qualified Person as defined by NI 43-101.

This report summarizes the Mineral Resource/Reserve estimates for the San Martin Project, effective as of September 30, 2019 using the procedures which have been audited by both PAH and WGM in the past. These procedures have been verified by David R. Gunning, P. Eng. And Joseph W. Campbell, P. Geo, whom virtue of their education and experience is an independent Qualified Persons as defined by NI 43-101.

## **4. PROPERTY DESCRIPTION AND LOCATION**

### **4.1 Location**

The San Martin Mine is located 47 km in a straight line to the NE of the city of Queretaro, 10 km NW of Ezequiel Montes, 4 km SW of the Peña de Bernal and 25 km to the NW of Tequisquiapan, in the State of Querétaro. Territorially, it is located within the municipality of Colón, at the UTM coordinates of 398,300E and 2292,530N and an average elevation of 2,130 m.a.s.l. (Figure 4-1)

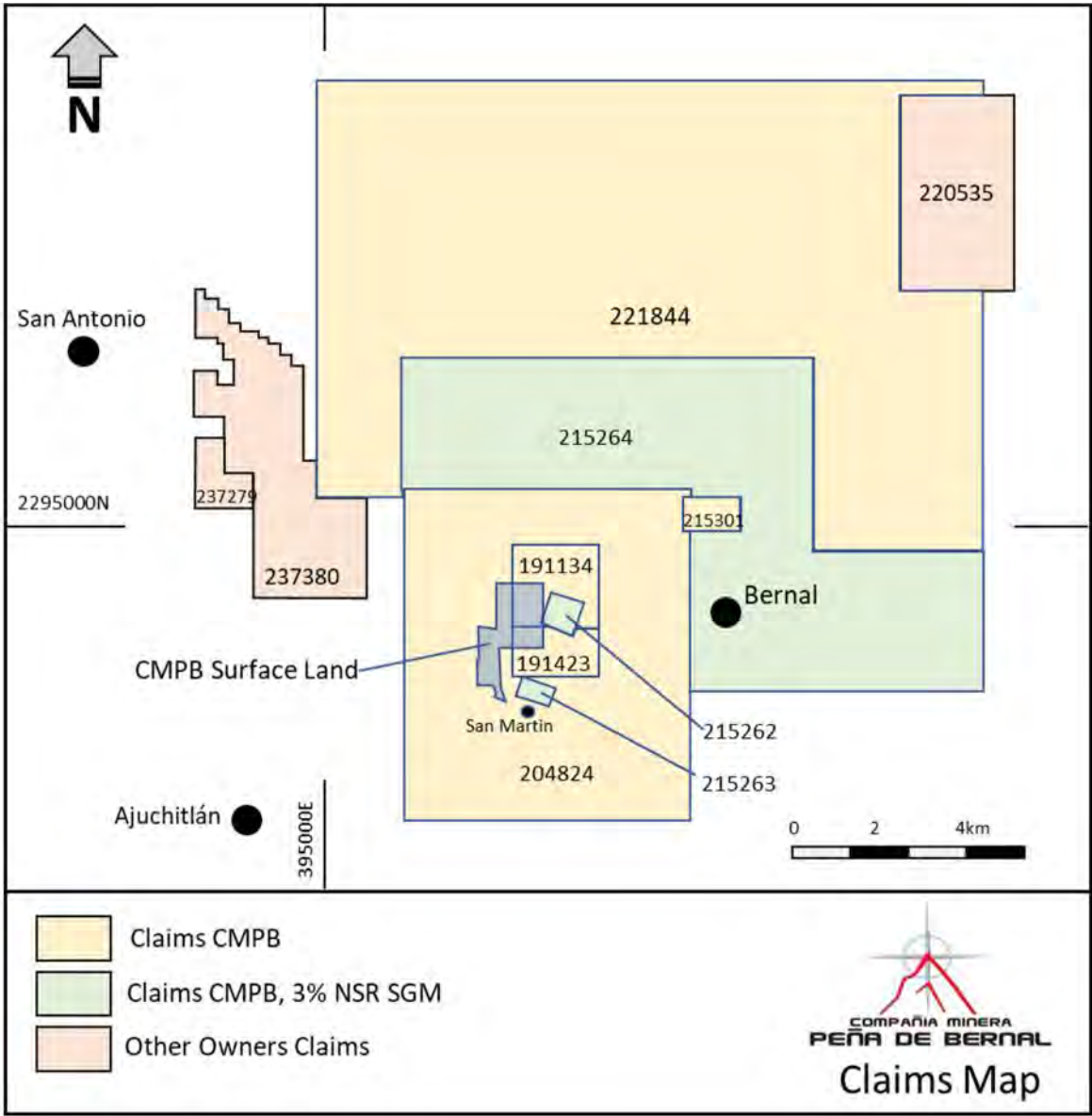


Figure 4- 1: Location map of the San Martin Mine Project

**4.2 Property Description**

Compañía Minera Peña de Bernal S.A. de C.V., a wholly owned SIM subsidiary, holds eight mining concessions covering 12,991.7805 hectares at the San Martin Mine in the State of Querétaro (Figure 4-2). Claims are indicated by its Title number. Right payments are done twice a year, every semester. The San Martin Mine presently consists of two underground

mines, San José and San Martin. The San Martin mine is approximately 800 m NNE of the San José mine. Minas Luismin, SA de CV commenced mining late in 1993 on the San José deposit with an open pit operation that was later abandoned and mining continued underground methods over the San José and the San Martin oreshoots. Mining regulations in Mexico provides that all concessions are to be valid for a period of 50 years. Taxes are based on the surface area of each concession and the time of expedition of the title and are due in January and June of each year. All tax payments have been paid by SMI to date. Currently, annual claim-maintenance fees are the only federal payments related to mining claims, and these fees have been paid in full to June 30, 2019. The current annual holding costs for the San Martin mining claims are estimated at US\$220,000 Dollars (Table 4-1).



**Figure 4 2: San Martin and Surrounding Area Property Map**

**Table 4 1: List of Mining Titles for the San Martin Mine Project**

**Starcore International Mines LTD**  
**Compañía Minera Peña de Bernal, SA de CV**  
**Mining Concessions San Martin Mine**

Concession Name	Exp.	Title	Term of Cession		Hectares	2019 Annual Taxes (Pesos)	
			From	To		1st Sem	2nd Sem
San Martin 2	321.1/6-72	191134	29/04/1991	28/04/2041	190.7972	\$ 31,543	\$ 31,543
San Martin	321.1/6-71	191423	19/12/1991	18/12/2041	132.0818	\$ 21,836	\$ 21,836
La Trinidad	6/1.3/276	204824	13/05/1997	12/05/2047	2,610.7224	\$ 431,605	\$ 431,605
San Martin Fracc. A.	6/1.3/00409	215262	14/02/2002	13/02/2052	37.1099	\$ 6,135	\$ 6,135
San Martin Fracc. B.	6/1.3/00411	215263	14/02/2002	13/02/2052	22.8901	\$ 3,784	\$ 3,784
San Martin Fracc. C	6/1.3/00412	215264	14/02/2002	13/02/2052	3,182.5646	\$ 526,142	\$ 526,142
San Martin 3	6/1.3/00410	215301	14/02/2002	13/02/2052	60.0000	\$ 9,919	\$ 9,919
San Martín Cuatro	065/15357	221844	02/04/2004	01/04/2054	6,755.6145	\$ 1,116,838	\$ 1,116,838
<b>Total</b>					<b>12,991.7805</b>	<b>\$2,147,801</b>	<b>\$ 2,147,801</b>

Claims San Martin Fracc. C, Title 215264 and San Martin Cuatro, Title 221844 are in the process of reduction. An application for reduction, for each of the claims, has been filed in the Mexican Mining Bureau (Dirección General de Minas) but this has not given an answer yet.

#### **4.3 Mineral Tenure, Agreements and Encumbrances**

SMI acquired the San Martin Mine ("San Martin") from Goldcorp Inc. ("Goldcorp") in February 2007. Goldcorp is a Canadian mining company listed on both Canadian and United States Stock Exchanges. Goldcorp acquired the San Martin Project in February 2005 with the take-over of Wheaton River Minerals Ltd., who had acquired San Martin in the take-over in 2002 of the Mexican mining company Minas Luismin S.A. de C.V. ("Luismin"). SMI paid US\$24 million in cash and issued 4,729,000 common shares to Luismin at a deemed value of CDN\$0.50 per share in consideration for the shares of Bernal.

San Martin is owned and operated by Compañía Minera Peña de Bernal, S.A. de C.V., a wholly owned subsidiary of SMI.

SMI agreed to sell all silver produced from San Martin to Goldcorp Trading (Barbados), Inc., a subsidiary of Goldcorp, Inc., until October 2029, at the prevailing spot market rate at the time of sale of silver. The sale of silver is secured by a security interest over the San Martin Mine, which is subordinated to the interests granted to Investec.

## **5. ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY**

### **5.1 Access**

The roads through which the San Martín mine is accessed are paved and they are in good condition all year long. It can be reached by highway No. 57 between the cities of Querétaro and San Luis Potosí. Access to the San Martín mine can be carried out also from Mexico City through highway 57D, for 160 kilometers, until reaching the City of San Juan del Río, Querétaro. From here, take the HW 120, for 19 km until Tequisquiapan, and continue for 16 km more until Ezequiel Montes. From here take the road to the junction with the # 100 highway, take this to the NE and 1.5 km more to enter the mine facilities.

From the City of Querétaro take Highway 45D for approximately 22 km to the SE and then take Highway No. 100 to the NW for 36 kilometers until reaching the junction with the entrance to the mine in the town of San Martín. This same road leads to the magical town of Peña de Bernal, which is the company's employee camp.

There are constant flights from the City of Querétaro to several destinations in the United States, particularly Chicago, Atlanta, Dallas, Houston and Detroit and other domestic destinations; although these change from season to season.

### **5.2 Climate**

The climate in the mine area is semi-dry, described by generally low rates of precipitation. During the year, the temperature generally varies from 5 °C to 30 °C and rarely drops below 2 °C or rises above 33 °C.

The warm season lasts for two to three months, from April to June, and the average daily maximum temperature is over 28 °C. The hottest month is May. The cool season lasts around three months, from December to February, and the average daily maximum temperature is less than 24 °C. The coldest days of the year is January, with an average minimum temperature of 5 °C and an average maximum of 23 °C. The normal yearly temperature is 19°C.

The rainy season lasts six months, from June to November, with an average total accumulation of 509 millimeters. The dry season lasts from December to May.

### **5.3 Local Resources and Infrastructure**

The City of Querétaro is the closest major population center to the San Martín Mine Project, with a population of approximately 802,000 inhabitants. Querétaro is an agricultural, commercial, tourist and mining center with all of the associated municipal amenities, including an international airport with numerous regional flights to other major Mexican cities and the United States.

At each of the mine sites, the water required is supplied from the dewatering of the mines. Industrial water for the cyanide plant is recycled, and additional water (60,000 m<sup>3</sup>/y of fresh water) is obtained from a nearby wells.

Electrical power from the Federal Electricity Commission (34 kV) supplies both the plant and mine, and satisfies power demand, which averages about 1.1 megawatts. Two emergency generators, one of 500 kW and other of 200 kW, provide power to the mill in case of outages.

An upgrade to the tailings dam was completed in 2010, when dry stacking of the tailings began, and current capacity is sufficient for many years of production. Apart from offices, dining room, warehouses, shop and other facilities, SMI also provides dormitories and limited housing facilities for employees working on a rotational schedule at the townships of Ezequiel Montes and Bernal. Much of the labor work force lives in the San Martin town and nearby communities. The area has a rich tradition of mining and there is an ample supply of skilled personnel sufficient to man both the underground mining operations and the surface facilities. SIM has negotiated access and the right to use surface lands sufficient for many years of operation. Sufficient area exists at the property for all needed surface infrastructure related to the life-of-mine plan, including processing, maintenance, fuel storage, explosives storage and administrative offices. There exists enough capacity in existing tailing impoundments for tailings disposal.

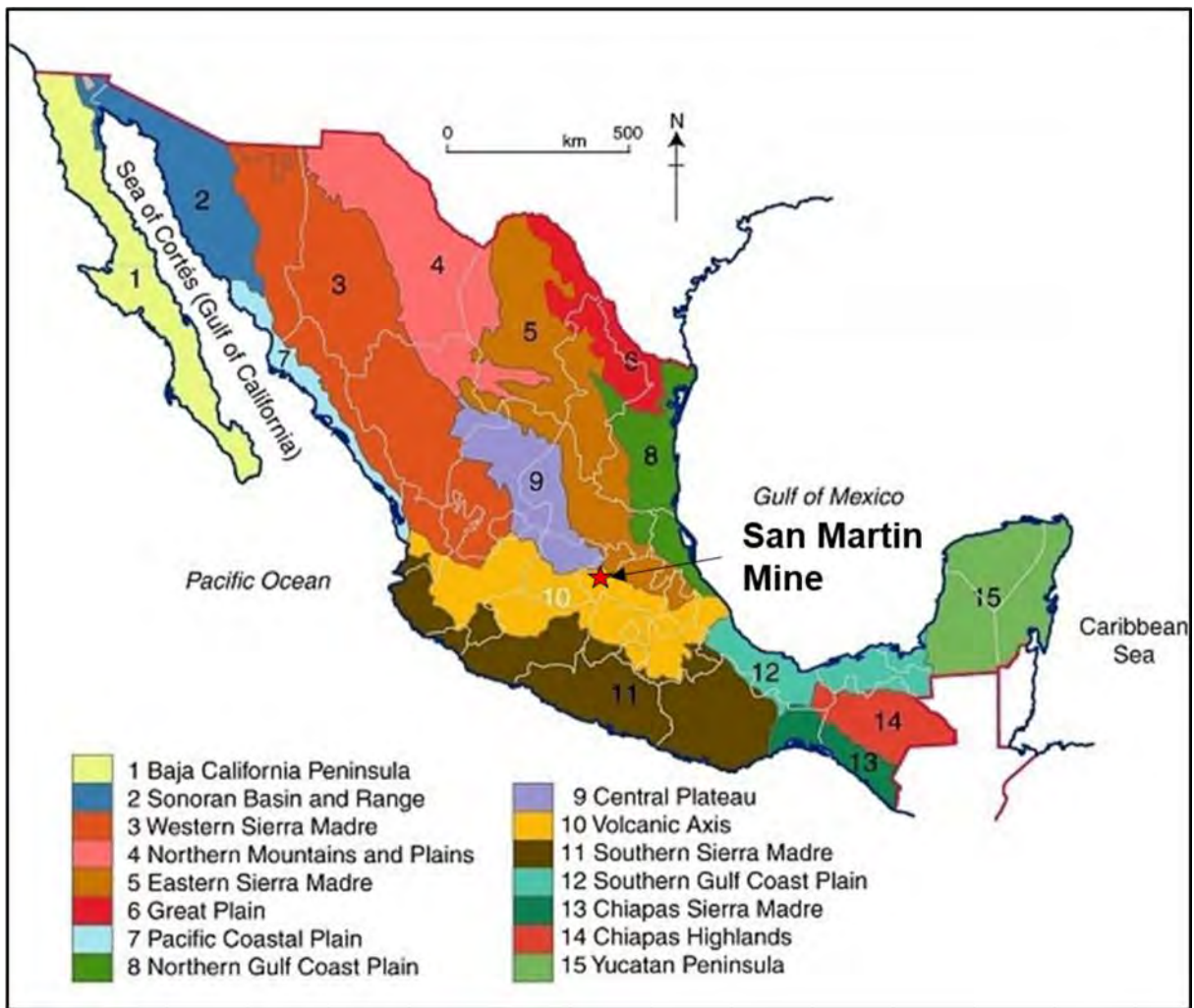
#### **5.4 Physiography**

The relief and landforms of Mexico have been greatly influenced by the interaction of tectonic plates. The resulting relief patterns are so complex that it is often claimed that early explorers, when asked to describe what the new-found lands were like, simply crumpled up a piece of parchment by way of response.

Figure (5-1) shows Mexico's main physiographic regions. The core of Mexico (both centrally located, and where most of the population lives) is the Volcanic Axis (Region 10 on the map), a high plateau rimmed by mountain ranges to the west, south and east. Coastal plains lie between the mountains and the sea. The long Baja California Peninsula parallels the west coast. The low Isthmus of Tehuantepec separates the Chiapas Highlands and the low Yucatán Peninsula from the rest of Mexico.

The San Martin Mine falls in the convergence of the Central Plateau, Sierra Madre Oriental and Volcanic Axis or Trans-Mexican Volcanic Belt.





**Figure 5- 1: Physiographic map of Mexico showing the location of the San Martin Mine. After Raisz, 1964.**

## 6. HISTORY

Mining in the San Martín district extends back to at least 1770 when the mines were first worked by the Spanish, particularly by Don Pedro Romero de Terreros, Count of Regla. Spaniards worked in the district for 40 years, however, there is no production records available for that time. During those days, silver and gold production accounted for 80% of all exports from Nueva España (New Spain), although, by the late-eighteenth century silver production collapsed when mercury, necessary to the refining process, was diverted to the silver mines of Potosí in present day Bolivia.

The vast majority of production came prior to the 1910 Mexican Revolution with San Martin district being an important producer. The first records show the Ajuchitlán Mining and Milling Company produced an estimated 250,000 tonnes at a grade of 15 g Au/t and 100 g Ag/t during 1900 to 1924.

The first modern stake was with 1982, when the Mexican government declared a 6,300 ha National Reserve over the area surrounding the Peña de Bernal. Luismin entered into an agreement to explore in the claims of CRM in 1986 for a payment of US \$ 250,000 dollars and a royalty of 5%, which later was reduced to 3% in 1996. In 1988 geological reconnaissance and exploration program initiated. Geological works concluded in 1992 and by the end of 1993 the decision was made to start the open-pit mining in the San José area, at a rate of 300 tpd.

The operation of the San José pit only lasted a couple of years, when it was discovered that the deposit was not a "Carlin type", as had been thought, but that it was a tabular structure in vein that continued to deepen and laterally along its strike. Then it was decided to start the underground mining, on the same San Jose structure and on the oreshoot of San Martin, which ultimately turned out to be the one with the largest number of reserve and resources.

In the year 2000, the exploitation begins in the San Martín body, called "Tronco" due to its verticality. In 2001, at the same time, the exploration of high-grade gold bodies called "Mantos" began. The first of these oreshoots was the Body 28.

The mine is currently mined 650 tpd and the capacity of the mill is 1100 tpd. The mining method is cut and filled with dry backfill. The exploitation in the Body 28 is currently room and pillars filled with a mixture of backfill and 5% cement.

Historical production at the San Martín Mines Project for the years 1993 to September 30 2019 is roughly estimated in Table 6-1.



**Table 6- 1: Summary of production for the San Martín Mine project (1993 to September 30, 2018)**

**Starcore International Mines LTD**  
**Compañía Minera Peña de Bernal, SA de CV**  
**San Martin Mine Project**  
**Historical Production 1993-September 30 2019**

Year	Tonnes	Grade		Production		
		Au (g/t)	Ag (g/t)	Oz Au	Oz Ag	Oz Au Eq.
1993	28,267	2.53	60	1,387	24,463	1,707
1994	134,118	3.19	35	13,179	81,605	14,298
1995	146,774	3.40	38	16,172	180,459	17,068
1996	187,691	3.40	44	19,553	155,160	21,620
1997	219,827	3.27	43	22,016	174,013	24,570
1998	224,279	3.45	50	23,680	210,680	27,539
1999	242,295	3.46	46	25,852	194,110	29,624
2000	284,490	3.61	54	31,209	245,310	35,571
2001	287,520	3.76	65	32,773	330,217	38,068
2002	268,451	4.26	71	35,634	370,406	41,124
2003	276,481	4.29	82	36,438	464,947	42,692
2004	272,734	4.47	83	36,935	458,681	44,377
2005	282,392	3.92	65	32,814	349,071	38,543
2006	278,914	2.82	52	22,004	235,806	26,529
2007	252,400	3.34	49	25,232	224,714	29,606
2008	266,600	2.50	33	18,733	159,877	21,367
2009	272,856	2.43	33	19,171	167,827	21,696
2010	275,290	2.03	30	15,492	163,489	18,156
2011	296,845	2.14	39	17,694	267,237	23,736
2012	309,796	2.09	25	16,197	160,678	19,213
2013	306,941	2.66	24	22,247	129,861	24,425
2014	311,210	2.35	22	20,062	112,010	21,755
2015	309,565	2.09	20	17,903	104,767	19,319
2016	286,278	1.94	16	14,606	68,463	15,547
2017	259,709	1.69	13	11,563	54,287	12,246
2018	304,446	1.55	42	13,103	244,164	16,123
Jan-Sep 30 2019	191,959	1.86	30	9,957	102,124	11,142
<b>TOTALS</b>	<b>6,778,128</b>	<b>2.88</b>	<b>43</b>	<b>571,606</b>	<b>5,434,425</b>	<b>657,660</b>

## **7. GEOLOGICAL SETTING AND MINERALIZATION**

### **7.1 Geology**

The regional and local geology of the San Martín Mine Project is described in detail in several existing internal and previously published technical reports and other internal reports for SIM. The following descriptions of geology and mineralization are excerpted and/or modified from Labarthe, et. al (2006) and Rankin (2008). Mr. Enriquez has reviewed the available geologic data and information, and finds the information presented here in reasonably accurate and suitable for use in this report.

The San Martin area comprises Mesozoic shallow-basin sediments (shales and limestones) unconformably overlain by Tertiary volcanics/epiclastic and volcanoclastic sediments. Localized subvolcanic micro-granodiorite also occurs (Figure 7-1)

The primary formations are (from oldest to youngest): Jurassic: Las Trancas Formation(Jtr). This comprises massive to well bedded and laminar limestones. Very thin (<10cm) shale intercalations occasionally occur. A dark carbonaceous limestone is known from the deeper SE sections of the San Martin mine.

Cretaceous: El Doctor and Soyatal Formations. These comprise a lower pale buff to orange lithic shale, overlain by intercalated shale and limestone. Note that there may be some local problems in discrimination between the Cretaceous and Jurassic limestones in some outcrops and drill core; a zone of shallow-dipping limestones in the mine infrastructure area are shown in the geology map as Cretaceous Soyatal Formation.

Tertiary: Continental sediments, overlain by bimodal epiclastic, rhyolitic ignimbrite & andesite with a distribution around the mine site. The andesite has been dated at ~30 Ma. The volcanic breccias, lahar, epiclastic, ignimbrite and andesite are younger and have been dated at ~10–11Ma. The most conspicuous feature is the Peña de Bernal intrusive, which is a micro-granodiorite of an age of 35 Ma. See also Figure 7-2.

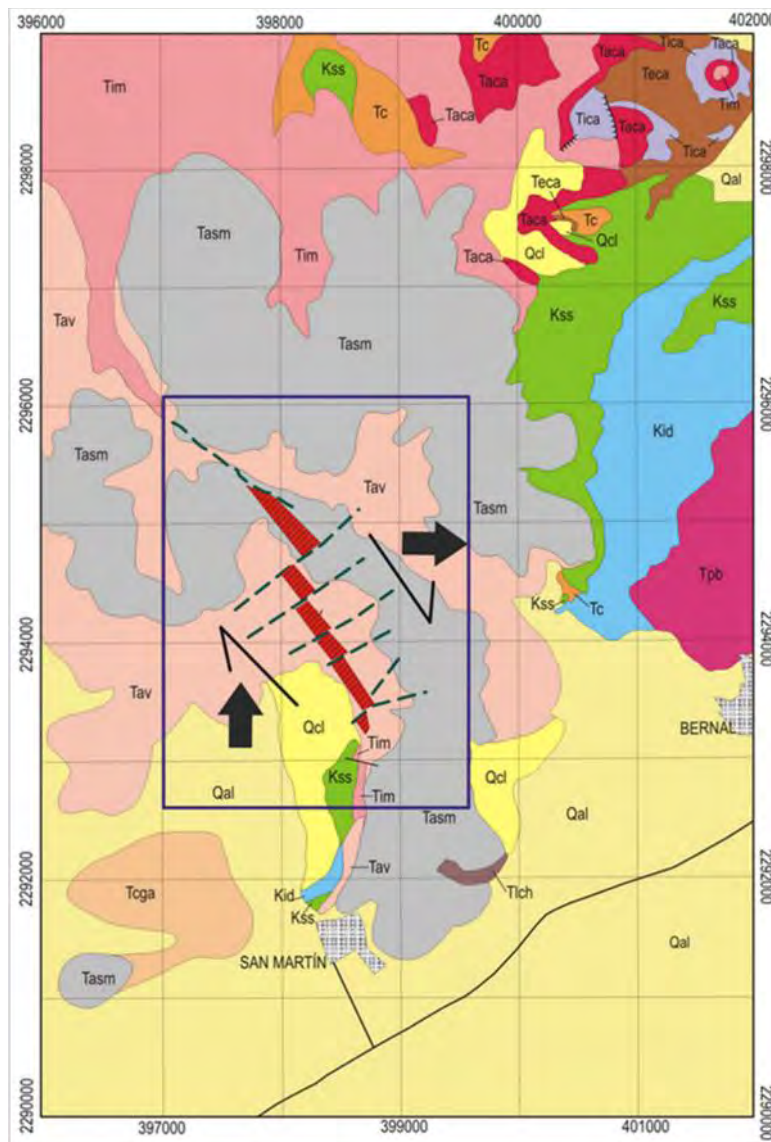
### **7.2 Mineralisation**

Mineralisation occurs in Upper Cretaceous black limestone and calcareous shales of the Soyatal-Mezcala Formation as electrum, and silver selenide minerals principally associated with quartz and to a lesser degree with calcite. The deposit is an epithermal, low sulphidation precious metal (Au-Ag) type (metal ratio Ag:Au at 10:1).

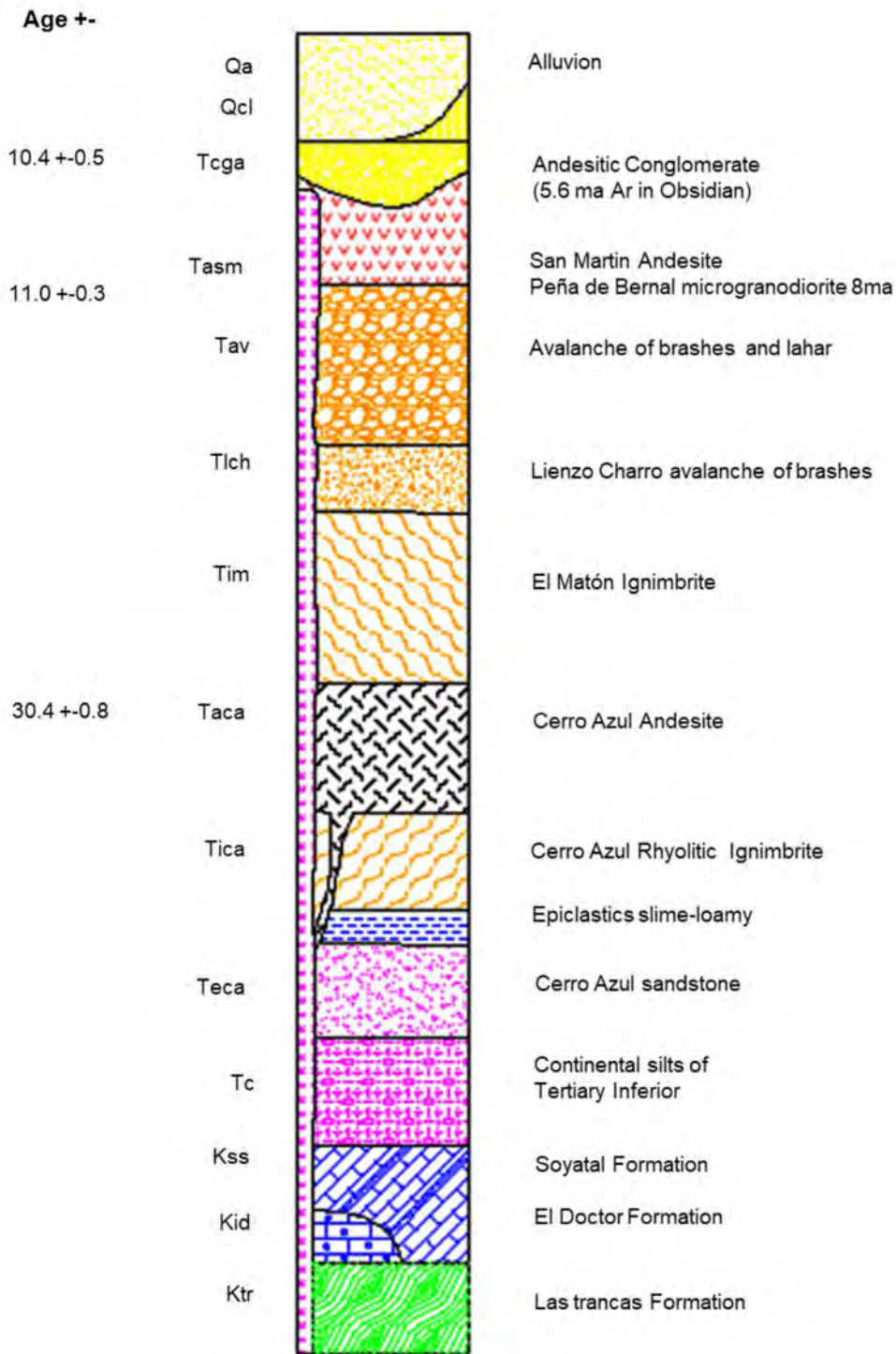
Mineralisation is generally made up of breccia that commonly is concordant with a limestone/shale contact (in the San Martin and San José areas) which forms the relatively steeply dipping “Tronco” and “Mantos” oreshoots, these veins contact the younger volcanic flows (dacite and ignimbrite) where they have formed the more horizontal portions of the deposit. The mineralized economic breccia grades from 30 g Ag/t to 250 g Ag/t. Exploration has been concentrated along the NE trending breccia zone however evidence of a northerly trend in area 30 and 31 leads to suspect possible other structures together with 2.0 g Au/t to 30 g Au/t over widths that vary from 1.5 to 17.0 m but averaging 4.0 m.

The mineralised oreshoots show several stages of brecciation and cementation, with four major stages of hydrothermal breccias and supergene alteration that filled fractures and late

cavities. The metallic mineralization is mainly formed by electrum, naumannite, tetrahedrite, pyrite and chalcocopyrite as hypogene minerals, and free gold, partzite, chlorargyrite, malachite, hematite, goethite-limonite as supergene minerals. Gangue minerals are mainly quartz, chalcedony and calcite, with minor amounts of adularia. Quartz and calcite occur in all the four stages cementing the breccia fragments of rock and older vein. Chalcedony, quartz and calcite associated with the economic mineralization usually show saccharoid, crustiform, coliform, cockade and comb textures. Stage one is totally barren of silver and gold. The main Ag-Au mineralization occurred in the second stage of brecciation, associated to coliform and chalcedony quartz. Stage three is carrying low grade and is abundant. The late stage of mineralization is characterized by native gold content, chlorargyrite and abundant partzite, as a result of the supergene alteration. Mineralization occurs as native gold, electrum, naumannite (AgSe) and argentojarosite ( $\text{AgFe}_3(\text{SO}_4)_2(\text{OH})_6$ ) associated principally with quartz and lesser calcite. The silver contained in argentojarosite is not recoverable with cyanidation.



**Figure 7- 1 Generalized regional geologic map of the San Martín Mine Project (After Labarthe, et. al, 2004)**



(Geology Department & Geology Institute U.A.S.L.P.)

**Figure 7- 2 Generalised stratigraphic column of the San Martin Mine region**

## 8. DEPOSIT TYPE

The San Martin deposit is composed by a tabular, vein-like subvertical mineralised structure that becomes to a sub-horizontal mineralised structure or “manto-like” close to surface. This mineralised structure is recognized for over 2 km along strike, with thicknesses between 1.5 and 17 metres and 400 m of vertical extent or “favourable zone”. In general, the mineralisation is hosted in the contact of limestone-shale of Soyatal-Mexcala Formation and associated to a silicified rhyolitic dike.

For many years it was thought that mineralisation was associated with a dome of rhyolitic composition, and that the structure was repeated towards the east portion of that dome. New observations have detected that mineralisation is associated with the stratification of the rocks of the Soyatal and Mexcala formations, which form an anticline fold of dimensions of up to one kilometer. The mineralisation hosted in the east Limb of the fold, with the hinge zone containing the mineralization of bodies 28 to 31 and eroded in its central part. That is why it is of the utmost importance to detect the stratigraphic position of the Soyatal-Mexcala Formations in the Santa Elena area as there may be a replica of the San Martin mineralisation in that zone (Figure (8-1)).

Homogenization temperatures (Th) indicate that mineralization of the second stage occurred between 220 °C and 260 °C, with an average Th of 243 °C. Salinities range from 0.5 to 2.5 wt. % NaCl equiv., with an average of 1.9 wt. % NaCl equiv.

Low sulphidation epithermal veins in Mexico typically have a well-defined, sub-horizontal ore horizon about 300 m to 500 m in vertical extent where the bonanza grade ore shoots have been deposited due to boiling of the hydrothermal fluids (Buchanan (1981), Enriquez (1995)). Neither the top nor the bottom of the San Martin ore horizon has yet been found but, given that high gold-grade mineralization occurs over a 400-m vertical extent from the top of the San Martin oreshoot, to below Level 10 in the general mine, it is likely that erosion has not removed a significant extent of the ore horizon due to a capping of rhyolites on top of the structure.

Low sulphidation deposits are formed by the circulation of hydrothermal solutions that are near neutral in pH, resulting in very little acidic alteration with the host rock units. The characteristic alteration assemblages include illite, sericite and adularia that are typically hosted by either the veins themselves or in the vein wall rocks. The hydrothermal fluid can travel either along discrete fractures where it may create vein deposits, or it can travel through permeable lithology such as a volcanic rocks, limestone or shale, where it may deposit its load of precious metals in a vein deposit. In general terms, this style of mineralization is found within the San Martin district.

Figure 8-2 illustrates the spatial distribution of the alteration and veining found in a hypothetical low sulphidation hydrothermal system.



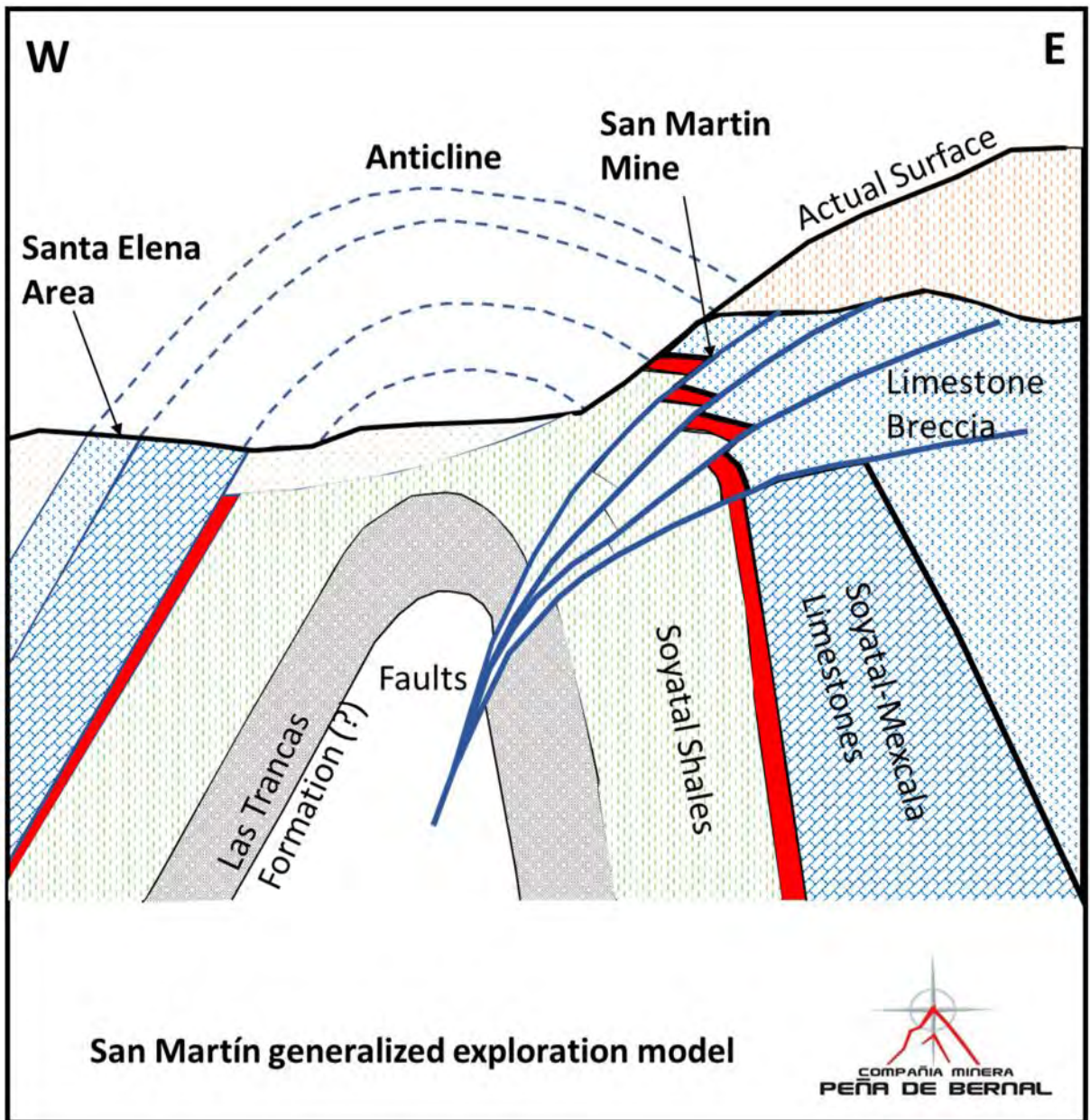
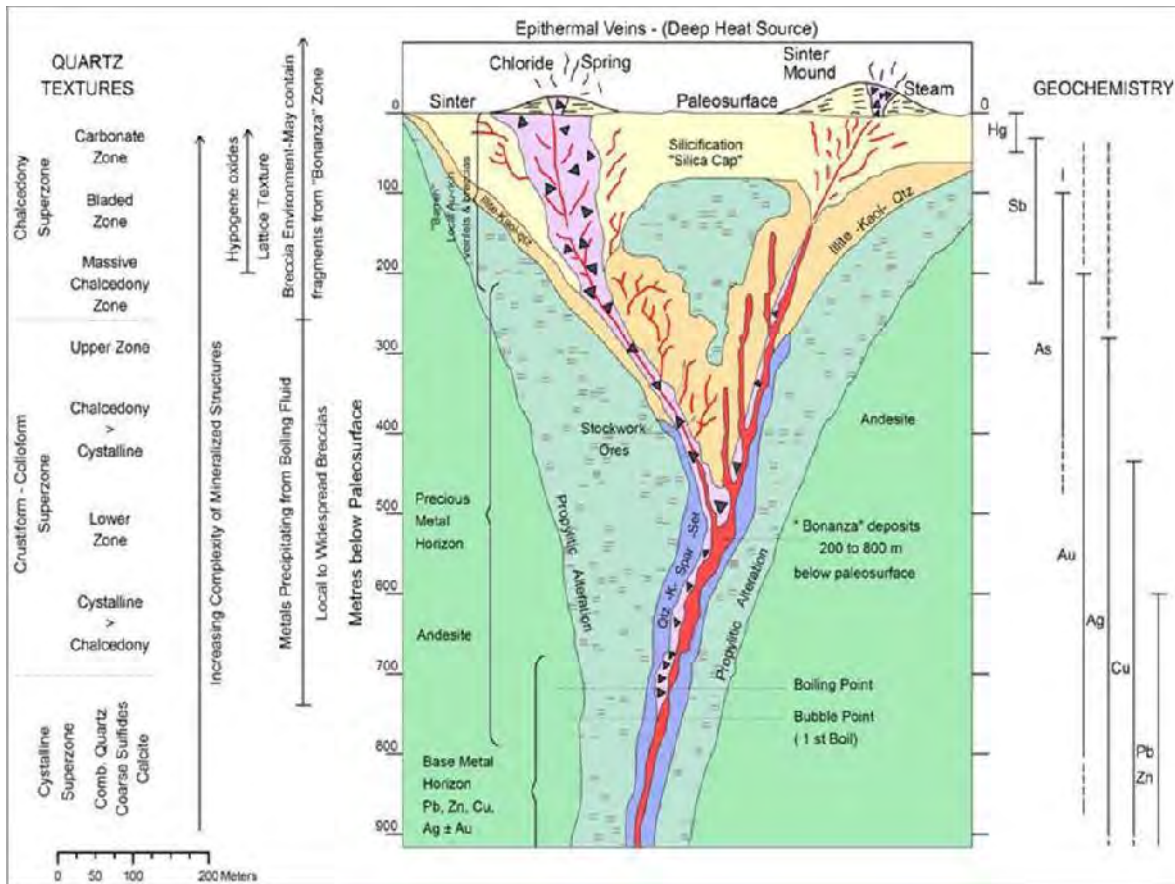


Figure 8- 1: Generalised sketch of kinematic evolution and structural styles of fold-and-thrust faults in the San Martín Mine



**Figure 8- 2: Schematic cross section showing the key geologic elements of the main epithermal systems and their crustal depths**

## 9. EXPLORATION

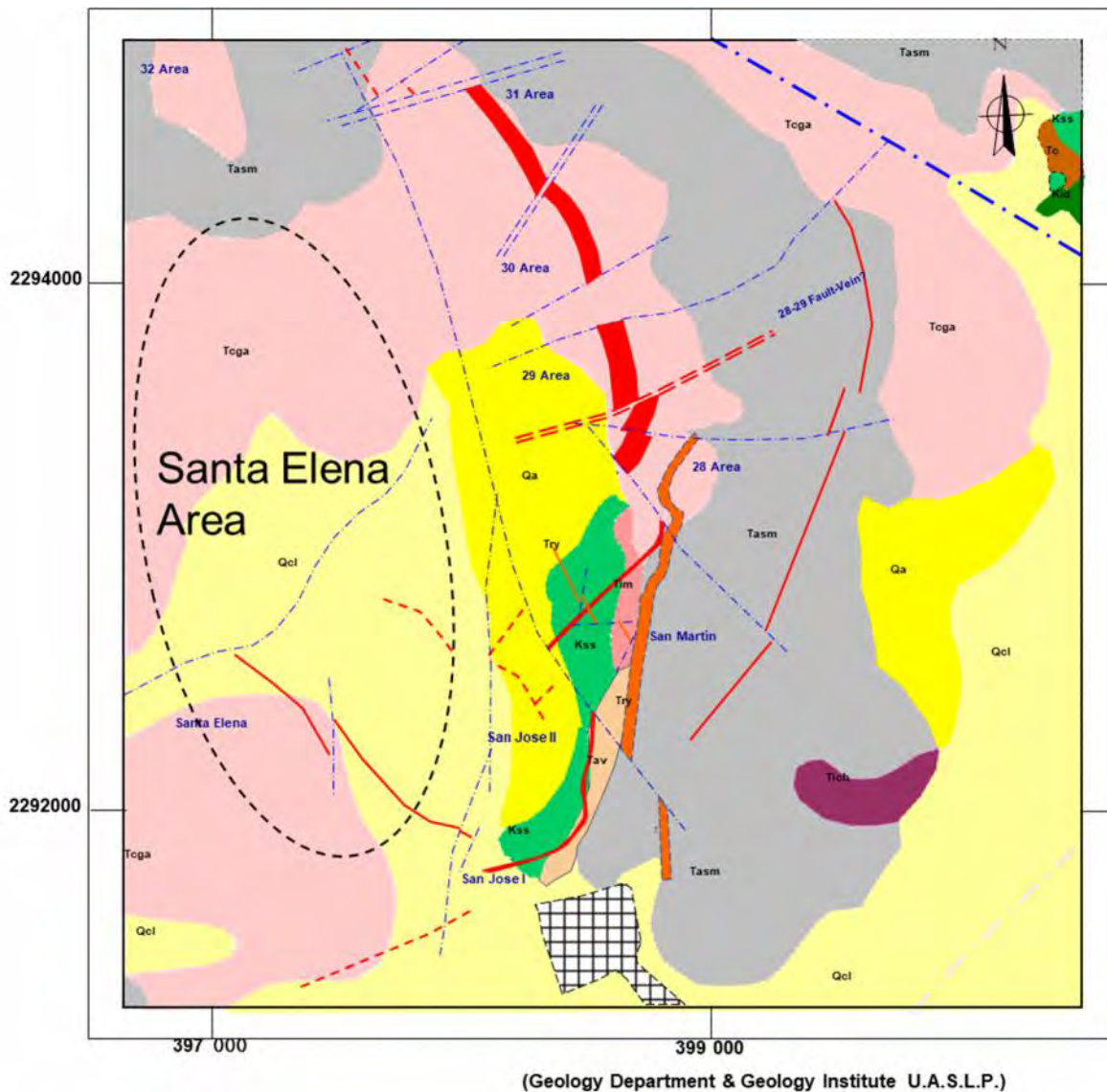
Exploration at San Martin is concentrated along the strike length of the breccia zone. In-house diamond drilling initially tests selected targets, which is followed by underground development that outlines Mineral Reserves. Target selection is assisted by structural, geochemical and geophysical surveying that has included magnetics, induced polarization and resistivity. The resistivity surveys have been particularly successful in outlining the quartz breccia and several promising resistivity anomalies, detected since 1998, to the northeast remain to be tested. The most recent discovery at San Martin is Cuerpo 30 and 31. Extension of the structure with Cuerpo 32, 33 and 34 remain still to be tested with deep holes.

Other targets that have been drilled is the Santa Elena vein projection, to the NE of the San Martin oreshoot. This particularly structure has significant geologic potential and may represent an exceptional target for testing. The discovery of the SAM, Guadalupe and San

Martin footwall veins are examples of significant recent success from the ongoing underground exploration programs.

A surface geological mapping and sampling was conducted by SIM at San Martín focused, from north to northeast structures of Chicarroma and other veins that may have some importance for exploration. Santa Elena is one of the veins that has been intercepted with surface diamond drill holes, to the NE of the San Martin Body and is exposed at coordinates 397,350E and 2,292,494N at an elevation of 2041 m.a.s.l. The structure here consists in a breccia formed of first stages quartz and limestone fragments of all different sizes. Old trench works done by Luismin in early 90's have been cleaned and are ready for sampling. The idea that the structure was N-S trending encouraged Luismin to drill in the area, but holes, in QP opinion, were done parallel to the structure. Figure 9-1 shows a geological map of the San Martin mine with the structure of San Martin trending NE and then bending to the NW and the structure of Santa Elena shown to the NE of the San Martin body and to the SW of the tailings dam and mill.





**Figure 9- 1: Map of the district showing the San Martin and the Santa Elena vein, to the NE and SW. On the right, a microstructure of the Soyatal Formation, a mirror of the major structure at San Martin. Source Geology Department**

A diamond drill hole done in the area run significant gold and silver values. Other holes done didn't report significant values.

## 10. DRILLING

Diamond drilling at the San Martin Mine Project is conducted under two general modes of operation: one by the exploration staff (surface exploration drilling) and the other by the mine staff (production and underground exploration drilling). Production drilling is predominantly concerned with definition and extension of the known mineralized zones in order to guide

development and mining. Exploration drilling is conducted further from the active mining area with the goal of expanding the resource base. Drilling results from both programs were not used in the mineral resource and mineral reserve estimates presented in this report. To date, all drilling completed at the mine has been diamond core.

Surface drillholes are generally oriented to intersect the veins as close to perpendicular as possible. The drillholes are typically drilled from the hanging wall, perpendicular to, and passing through the target structure into the footwall, and no drilling is designed for intercepts with angles less than about 30° to the target.

Underground drillholes are typically drilled from the hanging wall of the main structure, and are ideally drilled perpendicular to structures, but oblique intersection is required in some instances due to limitations of the drill station. All holes are designed to pass through the target and into the footwalls. Both surface and underground drillholes are typically HQ to NQ in size.

As the core is received at the core facility, geotechnical data is logged manually on paper sheets and entered to Excel. The core is then manually logged for geological data and marked for sampling. Geological data and sample information are entered directly into Excel spreadsheets.

## **11. SAMPLE PREPARATION, ANALYSES AND SECURITY**

No modifications have been done in the last year. The samples received in the laboratory are dried before entering the preparation process. A primary size reduction is made up to 1/8 inch. The sample is divided into smaller portions using a Jones crusher until a sample of 150 g is obtained, which is considered representative of the initial sample volume.

The sample is reduced in size in a ring sprayer to a size smaller than 150 meshes, then is homogenized and placed in an envelope previously labeled with the folio number given by the Department of Geology, including the date.

From the sample in the envelope, 20 g are taken and homogenized with the mixture of fluxes to be cast and obtain the lead button that has captured the gold and silver values. This button with values is placed in a cup to remove the lead and obtain a gold and silver button at the end of the process.

The button of gold is weighed, and a chemical attack is made to dissolve the silver, the residue is pure gold that is weighed and, in this way, obtain the gold and silver grades present in the mineral sample.

This analysis of gold and silver in mineral samples has a detection limit of 0.1 g/t Au and 3.0 g/t Ag.

CMPB's internal QAQC includes adding one duplicate, one reference and one blank to every 20 samples. A sample of sterile (white) material is crushed before starting the size reduction process. The degree of reduction is verified by passing the total of the sample through the # 6 mesh; 80% of the sample must pass, otherwise the breaker opening is adjusted. This process is done in the first sample and then every 20 samples. Similarly, every 20 samples in the crusher will pass a sample of sterile material, in addition to cleaning the equipment with compressed air, including the Jones quartz that is used to divide the sample into small portions.

Continuing with the reduction process, after passing the sample through the ring sprayer, it passes through the 150 mesh, through which 80% of the total weight must pass. To avoid contamination, compressed air is used to clean the equipment and every 20 samples a sterile material is sprayed.

The pulverized sample is taken to furnace in batches of 42 samples each. At the beginning of each batch a blank is placed, in the position number 21 a standard of known value is placed and in the position number 42 a duplicate of the sample corresponding to the position number 22 is placed.

The Assay Standard CDN-ME-1304 certified standard is from the CDN Resource Laboratories LTD laboratory, with a grade of 1.80 g/t Au and 34.0 g/t Ag. In the same way, an in-home made and validated standard is used on site, with a grade of 1.93 g/t Au and 40.5 g/t Ag.

When performing the gold and silver test and the relationship between these two elements is less than 4, it is considered to repeat the assay of the sample by adding silver nitrate (inaccurate) to increase the ratio and prevent the encapsulation of the silver.

The third-party laboratory that has been used is ALS Geochemistry, located in Guadalajara, Jalisco, of ALS Global.

In the past, personnel of Inspectorate laboratories in Vancouver has inspected the mine lab facilities and has provided procedures, flux recipes and feedback on all laboratory equipment. The mine has been awarded the Mexican Quality Award which is like International Standards ISO 9001 for quality control in the overall mining operations and with the award Certificate of Clean Industry by SEMARNAT.

## **12. DATA VERIFICATION**

The mineral resource estimate presented in report Section 14 is based on the following information provided to Mr. Enriquez by SIM with an effective date of September 30, 2019:

- J Discussions with SIM personnel;
- J Personal investigation of the San Martin Mine Project office;
- J An underground database received as .xls files;
- J Production channel sample database (canales) revised on June 13, 2018;
- J Modeled blocks for veins San José, San José II, San Martin, Cuerpo 28, Cuerpo 29, Cuerpo 30 and Cuerpo 31, 4-700;
- J Reserves and Resources in the San Martín Mine, Mexico, as of July 31, 2014 and authored by Gunning, D. R. and Campbell;
- J Polygonal 2-dimensional long sections for veins San José, San Martin, Cuerpo 28, and Cuerpo 29 with resource and reserve calculations.
- J Reserves and Resources in the San Martin Mine, Quetretaro State, Mexico, as of April 30, 2018 and authored by Erme Enriquez.

The on-site laboratory (PENBER Lab) has undergone numerous improvements since SMI took over management of the operation in February 2008. Comparison of the on-site laboratory to commercial laboratories is conducted on an ongoing basis. The results of this

analysis are presented in the July 1, 2009 NI43-101 report and for both gold and silver the variability of results were acceptable for a producing mine, thus supporting confidence in the results of the on-site lab. No other verification has been done since then.

Historically (since 1993 to 2003), the San Martin mine has been using a specific gravity of 2.7 to convert volume in cubic metres to metric tons (the tonnage factor). Under suggestion of Mr. Gunning and M. Whiting, the geological staff started to implement, a specific gravity testing procedure on diamond drill core.

Following an examination of drill core and wallrock conditions in stopes, the “Method of Archimedes” (dry mass in grams divided by water displacement in milliliters method) was chosen as a reasonable and time effective procedure. There is not a significant amount of void space, so the costlier and time-consuming methods of pre-coating drill core are not recommended.

A selection of drill core from the San Martin and Guadalupe veins was tested and a new specific gravity was recommended. The new SG is 2.55 g/cm<sup>3</sup> was used prior 2014 Resource and Reserves. Subsequent testing more recently has shown values between 2.6 and 2.8. These new data have resulted in the use of 2.6 g/cm<sup>3</sup> for estimates in 2014 and later.

## **13. MINERAL PROCESSING AND METALLURGICAL TESTING**

### **13.1 Process of the Benefit Plant**

The facilities of the plant are designed to process gold and silver ore at a rate of 850 tpd, with the capacity of 1,100 tpd, in a series circuit that includes crushing, milling, leaching, a system of countercurrent washing by decantation and Merrill Crowe for the recovery of the values.

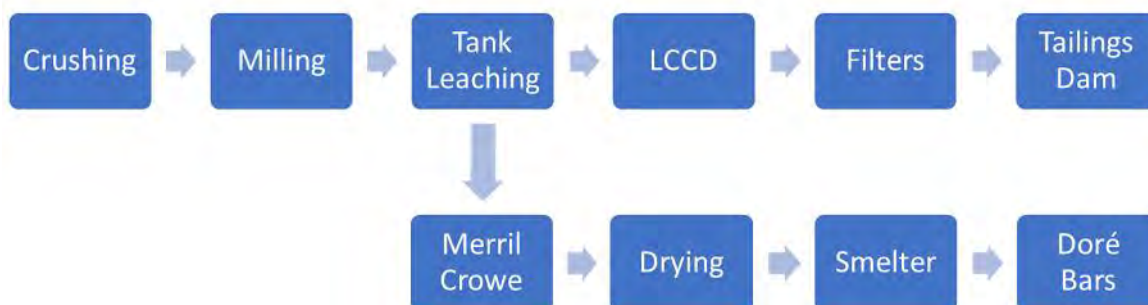
The flow diagram of the plant consists of the following processes:

- ) Crushing and transport
- ) Storage and claim
- ) Primary and secondary milling
- ) Dynamic leaching with gaseous oxygen injection
- ) Counter-current washing circuit by decanting
- ) Precipitation of values (Merrill Crowe)
- ) Precipitate drying
- ) Refinery
- ) Filtering of tailings
- ) Storage of dry tailings
- ) Reagent preparation systems and their distribution

In the crushing area, the ore is reduced to ¼ in., To be fed to the primary ball mills and later to the secondary vertical mill to obtain a 70% product at 74 microns. This is fed to the dynamic leaching circuit where oxygen is injected. The dissolved values are recovered by precipitating them with zinc powder in the Merrill Crowe process and melting to obtain doré bars with a purity of 92%.

The tailings are filtered before being deposited in the area of the dam. The recovered solution is returned to the process.

A simplified block diagram of the process is shown below:



The filtered tailings are transported to the deposit to be stored, a tailing banding system is used to be compacted and wind erosion is minimized. Later, when one side of the slope is formed, reforestation with flora of the region is carried out to avoid rain erosion.

In mid-2012, a decrease in mill recoveries was detected. The problem was that carbonaceous mineral was being fed in high quantities and the recovery of gold fell 75.2% and 60.5% in the months of June and July respectively. The metallurgical investigations indicated that the ore could be recovered with the following treatment:

- a) A low temperature roast of the carbonaceous ore
- b) A conversion to Carbon in Leach processing

The organic matter in the carbonaceous mineral affects the leaching process, however, this type of mineral has always existed in the San Martin body and in the body 29 and its exploitation never caused problems in the chemical treatment in the past. This mineral was fed to the mill between 10% and 15% of the total daily processed mineral, between the years 1998 and 2003.

A processing flow sheet dated April 2018 is presented in Figure 13.1.





## 14. MINERAL RESOURCE ESTIMATES

### 14.1 Introduction

Mr. Enriquez worked for Luismin (former owner of San Martin) for 21 years and visited the San Martin Mine regularly every other month from 1996 to 2002 and is familiarized with the deposit. Mr. Enriquez is a Qualified Person as defined by National Instrument 43-101 and has visited the San Martin Mine from September 13 to 14, 2019. Mr. Enriquez is an independent Qualified Person as defined by National Instrument 43-101. This Mineral Resource/Reserve estimate is effective as of September 30, 2019 and follows the previous independent Resource/reserve estimate performed as of April 30, 2018 by Erme Enriquez, as of July 31, 2013 and 2014 by David R. Gunning, P. Eng. and Joseph W. Campbell, P. Geo. Previous audits of Luismin's operations as of December 31, 2001; December 31, 2002; and, August 31, 2004 were performed by Watts Griffis McOuat. Prior to 2001, Pincock, Allen & Holt had conducted independent audits in the years 1998, 1999 and 2000.

Total Estimated Inferred and Indicated Resources at the San Martín Mine Project are **1,713,120 tonnes at a grade of 1.91 g Au/t and 19 g Ag/t**. The calculation of resources had been updated, when only the inferred resources were reported and not the indicated resources, not measured resources. In this Report, the inferred and indicated resources have been included, so the calculation, compared to the year 2018, with a little increase due to new zones of drilling and detection of new ore.

### 14.2 Density

The San Martin staff apply a factor of 2.6 tonnes/m<sup>3</sup> to convert volume to tonnage. This is considered reasonable for the type of deposit and is based on long production experience and historic measurements.

### 14.3 Methodology

The Inferred and Indicated Mineral Resources are estimated by projecting typical structural geometry within the confines of the various geological structures into untested areas. The thickness of the structure and the gold and silver grades assigned to these resources was previously based on the average of past production stopes within similar structures within each mine area.

In 2010 a change was made to reflect grades from stopes that are proximal to the Inferred blocks. This resulted in a significant decrease in the grade of metals for the Inferred ore at that time but better reflects the reality of the structures. In some cases, when there are various blocks below or above the block of the projected Inferred Mineral Resources, the average of their grade and thickness is used in the estimate. However, in other cases, statistics for gold and silver that have been produced through diamond drillholes and through development are applied. Blocks for Inferred Resources are colored blue.

Indicated Mineral Reserves are defined primarily by diamond drilling. In these cases, a square is drawn on the vertical longitudinal section with the drillhole centered on the square. The

shape and size of the block depends upon the geological interpretation with the maximum size of the block based on the thickness of the vein as follows:

Vein Thickness	Size of Block
Less than 1.0 m	25 x 25 m
1.0 to 1.5 m	34 x 35 m
Greater than 1.5 m	50 x 50 m

All blocks for this category are colored green.

Inferred and Indicated Mineral Resources are shown in Table 14-1

**Table 14 1: Inferred and Indicated Mineral Resources at the San Martín Mine**

**Compañía Minera Peña de Bernal, SA de CV**  
**Mineral Resource Estimate**  
**(as of September 30, 2019)**

Mine	Tonnes	Grade		Total Contained oz		
		(Au g/t)	(Ag g/t)	(oz Au)	(oz Ag)	(oz Au Eq)
<b>San Jose I and II</b>						
Inferred	161,542	1.90	11	9,893	58,105	10,608
<b>San Martín</b>						
Inferred	1,192,589	1.82	12	69,631	444,085	75,097
<b>Area 28 and 4700</b>						
Inferred	206,796	2.32	77	15,437	509,786	21,711
<b>Area 29</b>						
Inferred	17,322	4	28	2,401	15,348	2,590
<b>Total Inferred</b>	<b>1,578,248</b>	<b>1.92</b>	<b>20</b>	<b>97,362</b>	<b>1,027,324</b>	<b>110,006</b>
<b>San Martín</b>						
Indicated	134,871	1.81	10	7,849	43,362	8,382
<b>Total Indicated</b>	<b>134,871</b>	<b>1.81</b>	<b>10</b>	<b>7,849</b>	<b>43,362</b>	<b>8,382</b>
<b>Total Inferred + Indicated</b>	<b>1,713,120</b>	<b>1.91</b>	<b>19</b>	<b>105,211</b>	<b>1,070,686</b>	<b>118,389</b>

- ) Resources are valid as of September 30, 2019 as defined by end of month September 2019 topography.
- ) Measured, Indicated and Inferred resource cut-off grades were 1.66 g/t gold equivalent at San Martín.
- ) Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves.



- ) Metallurgical recoveries were 88% gold and 55% silver.
- ) Gold equivalents are based on a 1:81 gold: silver ratio.  $Au\ Eq = gAu/t + (gAg/t \div 81)$
- ) Price assumptions are \$1300 per ounce for gold and \$16.00 per ounce for silver for resource cutoff calculations.
- ) Mineral resources are estimated exclusive of and in addition to mineral reserves.
- ) Resources are constrained by a conceptual underground mining using parameters summarized in section.
- ) Resources were estimated by SIM and reviewed by Erme Enriquez CPG.
- ) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

## 15.0 MINERAL RESERVE ESTIMATES

### 15.1 Introduction

Total Proven and Probable Mineral Reserves at the San Martin mine as of September 30, 2019 estimated by mine staff and reviewed by Erme Enriquez CPG, are **1,434,308 tonnes at a grade of 2.04 g Au/t and 27 g Ag/t (Table 15-1)**. This total includes Proven reserves of 277,009 tonnes grading 2.43 g/t Au and 61 g/t Ag along with Probable reserves of 1,157,299 tonnes grading 1.95 g/t Au and 18 g/t Ag. The Carbonaceous material has not been included in the Reserves and that is why P&P reserves have decreased. The carbonaceous reserves have been always present in the deposit and has been mined and sent to the plant using normal treatment, but those always caused a problem with the recovery of gold. The reserves represent only 5.5% of total reserves and can be left for better times when the right process is found for treatment. There exists sufficient non- carbonaceous ore to operate for two full years, which should be enough for feeding the plant for several years.

The estimation methods used Luismin/Goldcorp have been retained to some degree, but there have been substantial changes to determination criteria for Proven and Probable reserves, and changes to dilution rates to account for the mining of Tronco ore zones and remnant ore (both hanging wall and strike and dip extensions) versus the dominance of Manto ore mined in the past.

Relative to the Manto ore the Tronco ore is thinner and steeper dipping which has resulted in higher dilution during mining due to most of the ore being mined by cut and fill methods versus the room and pillar method in the thicker flat lying Mantos. For remnant ore there is a greater dilution associated with minimal widths for mechanical equipment, which at times exceeds the remnant ore widths. There is also additional dilution associated with breaking and mucking ore next to unconsolidated fill from past mining. Cutting of some high-grade samples has been implemented to try to better predict mined grades. As well grades were lowered in some ore blocks with sufficient production history to establish the lower grades.

Modifications have also been made to the determination of Probable and Proven ore. Most notably Proven ore is only calculated for blocks above mine development, whereas in the past Proven ore was also extended below workings.

A change in 2019 to reserve estimation was made at a of the cut-off grade to 1.66 g/t gold equivalent. The gold price of \$1300/oz used has been more or less stable in the last year compared to a price of \$1600/oz in 2012 estimate. The operating costs have reduced too, now is US\$75.72/tonne compared to the mining cost of US\$69.41 /tonne in 2018 estimate, resulting in a cut-off of 1.66 g/t gold equivalent.

The author believes that the Mineral Reserve and Mineral Resource estimates fairly represent the Mineral Reserve/Mineral Resource potential of the property.

The previous NI43-101 compliant estimation as of July 31, 2014 prepared by David R. Gunning, P. Eng., and Joseph W. Campbell, P.Geo, reported a total proven and probable reserves of 486,586 tonnes at a grade of 2.31 g Au/t and 18.5 g Ag/t. This total included Proven reserves of 179,589 tonnes grading 2.33 g/t Au and 17 g/t Ag along with Probable reserves of 306,997 tonnes grading 2.30 g/t Au and 19 g/t Ag. In addition to this reserve is 181,546 tonnes at a grade of 2.98 g/t Au and 32 g/t Ag which is hosted in carbonaceous limestone, of which 88,000 tonnes of this material have been mined in the last three years.

## **15.2 Methodology**

The 2D polygonal method uses a fixed distance of Vertical Longitudinal Projection (VLP) from sample points. The VLP's are created by projecting the mine workings of a vein onto a vertical 2D long section. Figure 15-1 displays the VLP for the San José II vein. Resource blocks are constructed on the VLP based on the sample locations in the plane of the projection. SIM geologists review the data for sample trends and delineate areas with similar characteristics along the sample lines. The areas are then grouped based on mining requirements. The average grades and thicknesses of the samples are then tabulated for each block.

Resource volumes are calculated from the delineated area and the horizontal thickness of the vein, as recorded in the sample database. The volume and density are used to determine the overall resource tonnage for each area, and the grades are reported as a length weighted average of the samples inside each resource block. No special software is used for the drawing of mineral blocks on the vertical section for each of the veins.

The method of calculating proven and probable reserves is the product of many years of production in the mines operated by Luismin. This calculation system is still valid because it has worked in San Martín for the last 27 years. The calculation method of San Martín is in accordance with the parameters established by CIM.

The following criteria are used by SIM geologists to classify Proven and Probable Mineral Reserves. The distance for vertical projections for Proven Mineral Reserves and Probable Mineral Reserves is a function of the length of the block, defined as follows:

<b>Block Length</b>	<b>Maximum Vertical Projection for Proven Mineral Reserves</b>	<b>Maximum Vertical Projection for Probable Mineral Reserves</b>
Less than 15 m	4 m	8 m
15 to 45 m	8 m	16 m
45 to 85 m	16 m	32 m
Greater than 85 m	20 m	40 m

Longitudinal sections and plans showing the Proven and Probable Reserves and the Inferred Mineral Resources are shown in appendix III.

### **15.3 Definitions**

The mineral resource estimation for the San Martin Mine was completed in accordance to the guidelines of Canadian National Instrument 43-101 (“NI 43-101”). The modeling and estimation of the mineral resources were completed in June 30, 2018 under the supervision of Erme Enriquez, qualified person with respect to mineral resource estimations under NI 43-101. The effective date of the resource estimate is September 30, 2019. Mr. Enriquez is independent of SIM by the definitions and criteria set forth in NI 43-101; there is no affiliation between Mr. Enriquez and SIM except that of independent consultant/client relationships.

The San Martin resources are classified in order of increasing geological and quantitative confidence in Proven and Probable, Inferred, Indicated, and Measured categories in accordance with the “CIM Definition Standards – For Mineral Resources and Mineral Reserves” (2014) and therefore NI 43-101. CIM mineral resource definitions are given below, with CIM’s explanatory text shown in italics:

#### **Mineral Resource**

*Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.*

A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

*Material of economic interest refers to diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals.*

*The term Mineral Resource covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which Mineral Reserves may subsequently be defined by the consideration and application of Modifying Factors. The phrase ‘reasonable prospects for eventual economic extraction’ implies a judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. The Qualified Person should consider and clearly state the basis for determining that the material has reasonable prospects for eventual economic extraction. Assumptions should include estimates of cutoff grade and geological continuity at the selected cut-off, metallurgical recovery, smelter payments, commodity price or product value, mining and processing method and mining, processing and general and administrative costs. The Qualified Person should state if the assessment is based on any direct evidence and testing.*

*Interpretation of the word ‘eventual’ in this context may vary depending on the commodity or mineral involved. For example, for some coal, iron, potash deposits and other bulk minerals or commodities, it may be reasonable to envisage ‘eventual economic extraction’ as covering time periods in excess of 50 years. However, for many gold deposits, application of the concept would normally be restricted to perhaps 10 to 15 years, and frequently to much shorter periods of time.*

### **Inferred Mineral Resource**

An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

*An Inferred Mineral Resource is based on limited information and sampling gathered through appropriate sampling techniques from locations such as outcrops, trenches, pits, workings and drill holes. Inferred Mineral Resources must not be included in the economic analysis, production schedules, or estimated mine life in publicly disclosed Pre-Feasibility or Feasibility Studies, or in the Life of Mine plans and cash flow models of developed mines. Inferred Mineral Resources can only be used in economic studies as provided under NI 43-101.*

*There may be circumstances, where appropriate sampling, testing, and other measurements are sufficient to demonstrate data integrity, geological and grade/quality continuity of a Measured or Indicated Mineral Resource, however, quality assurance and quality control, or other information may not meet all industry norms for the disclosure of an Indicated or Measured Mineral Resource. Under these circumstances, it may be reasonable*

*for the Qualified Person to report an Inferred Mineral Resource if the Qualified Person has taken steps to verify the information meets the requirements of an Inferred Mineral Resource.*

### **Indicated Mineral Resource**

An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.

Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.

*An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve. Mineralization may be classified as an Indicated Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such as to allow confident interpretation of the geological framework and to reasonably assume the continuity of mineralization. The Qualified Person must recognize the importance of the Indicated Mineral Resource category to the advancement of the feasibility of the project. An Indicated Mineral Resource estimate is of sufficient quality to support a Pre-Feasibility Study which can serve as the basis for major development decisions.*

### **Measured Mineral Resource**

A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.

Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation.

A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

*Mineralization or other natural material of economic interest may be classified as a Measured Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such that the tonnage and grade or quality of the mineralization can be estimated to within close limits and that variation from the estimate would not significantly affect potential economic viability of the deposit. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit.*

## Modifying Factors

Modifying Factors are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

### 15.4 Reconciliation of Mineral Reserves to Production

Due to the lack of data for calculating reserves and reconciling resources, the transformation of resources into reserves was used for this purpose. This method was established by Mr. Enriquez, for all Luismin's operations, and was used by WGM for their Technical Report of 2009.

The Transformation of resources into reserves, for the period of April 2014 to September 2019 is shown in Table 15-1. QP states that the data used for this report, where the transformation of inferred resources into proven and probable reserves is calculated, has the same validity as those used in the past by Luismin, and with which it was operated for a long period of time.

During the four-year period (2014 to 2017), the percentage of the estimated Inferred Resource at San Martín transformed into Mineral Reserves was 216% (i.e. the Inferred Mineral Resource was underestimated as the estimate transformed into Mineral Reserves was exceeded by 116%). This is right since no indicated resources have been determined in the history of the deposit.

**Table 15 1: Resources transformed into reserves from Apr 2014 to Apr 2018**

<b>Starcore International Mines LTD</b>											
<b>Compañía Minera Peña de Bernal, SA de CV</b>											
<b>Resources Transformed into Reserves</b>											
<b>April 30 2014 to April 30 2018</b>											
Area	Inferred Resources 2014			Production Apr-2014 to Apr 2018			Reserves Apr 2018			Production+ Reserves	Transf %
	Tonnes	Au (g/t)	Ag (g/t)	Tonnes	Au (g/t)	Ag (g/t)	Tonnes	Au (g/t)	Ag (g/t)		
San José I	73,510	2.22	7	3998	1.49	6	-	-	-	3998	5
San José II	18,900	2.31	31	50704	1.84	13	137,593	2.76	32	188297	996
San Martín	400,000	2.05	11	572056	2.10	15	349,726	2.94	26	921782	230
San Martín FW	105,058	2.78	12	-	-	-	-	-	-	-	-
Guadalupe	150,971	1.30	47	166158	2.19	13	-	-	-	166158	110
Retaques SM	-	-	-	-	-	-	20,209	1.80	13	20209	100
Cuerpo 28	59,638	2.25	22	164004	2.03	35	140,534	2.93	105	304538	511
Cuerpo 29	67,319	3.07	76	99904	2.85	42	-	-	-	99904	148
Cuerpo 30	23,405	3.30	63	88292	2.96	49	-	-	-	88292	377
4-700	-	-	-	-	-	-	146,653	1.84	43	146653	100
<b>Total</b>	<b>898,801</b>	<b>2.15</b>	<b>24</b>	<b>1,145,117</b>	<b>2.22</b>	<b>23</b>	<b>794,715</b>	<b>2.29</b>	<b>36</b>	<b>1,939,832</b>	<b>216</b>

The geology staff at San Marín prepare reconciliations of the Life of Mine plan (LOM) to actual production from sampling monthly. The reconciliation compares the LOM with geology estimates from chip sampling and plant estimates based on head grade sampling. Reconciliation estimates a positive variance on tonnes for both geology and LOM as compared to the plant reported tonnes for 2018 (Table 15-2). Estimated tonnage was 3% lower for geology and 3.1% lower for the plant than specified in the LOM. Silver equivalent grades were 16% higher for geology and 14% lower for the plant than specified in the LOM. The differences in less tonnage and lower grades than the LOM can be attributed to lower gold prices and thus development was limited during 2018.

**Table 15 2: Mine Plant Reconciliation San Martin Mine**

<b>DESCRIPTION</b>	<b>LOM JAN-SEP 19</b>	<b>GEOLOGY</b>	<b>PLANT</b>
<b>Ore Mined</b>	202,300	220,521	191,959
<b>Grade Au</b>	1.91	2.03	1.86
<b>Grade Ag</b>	19	34	30
<b>Grade AuEq</b>	2.13	2.46	2.20
<b>Ounces Au</b>	10,372	12,284	9,957
<b>Ounces Ag</b>	120,744	132,078	102,124
<b>Ounces AuEq</b>	10,881	13,935	11,142

Although the reconciliations conducted by SMI show fair comparisons on planned values versus actual values the reconciliation process should be improved to include the estimated tonnes and grade from the resource models. By comparing the LOM plan monthly to the plant production, the actual physical location of the material mined may be different in the plan versus the actual area that was mined.

The overall reconciliation is good and supported the mine's ongoing program of reserve estimation and grade control. It has been determined since that time that neither tonnage or grade were in fact reconciled with the mill production, which has resulted in some historic production being overstated and some resource grades are also overstated. The reconciliation process needs to be improved and estimated year to year by using the normal procedures, particularly regarding resource grade which tend to be based on average production grades from similar orebodies.

## **15.5 Mineral Reserves**

Mineral reserves are derived from Inferred resources after applying the economic parameters as stated previously and utilizing the VLP to generate stope designs for the reserve mine plan. The stope designs are then used to mine on levels along with the required development for the final mine plans. The San Martín Mine Project mineral reserves have been derived and classified according to the following criteria:

Figures 15-1 and 15-2 shows reserve blocks depicted on a portion of a typical longitudinal section. Proven reserve blocks are shown in red, Probable reserve blocks are shown in yellow. The mine planners have determined that extraction of the blocks is feasible given grade, tonnes, costs, and access requirement.

The San Martín Mine Project mineral reserves have been derived and classified according to the following criteria:

- ) Proven mineral reserves are the economically mineable part of the Measured resource for which mining, and processing/metallurgy information and other relevant factors demonstrate that economic extraction is feasible.

) Probable mineral reserves are those Measured or Indicated mineral resource blocks which are considered economic and for which SIM has a mine plan in place.  
The Proven and Probable mineral reserves for the San Martin mine as of September 30, 2019 are summarized in Table 15-3. The mineral reserves are exclusive of the mineral resources reported in Section 14 of this report.

**Table 15 3: Proven and Probable Mineral Reserves, Effective Date September 30, 2019**

**Compañia Minera Peña de Bernal, SA de CV**  
**San Martin Summary of Ore Reserves**  
**(as of September 30, 2019)**

Area	Tonnes	Ave. Width (m)	Grades (g/t)			Content oz	
			Au	Ag	AuEq	Au	Au Eq
<b>San José II</b>							
Proven	54,039	2.94	1.78	9	1.89	3,085	3,279
Probable	20,017	2.31	1.78	13	1.94	1,143	1,248
<b>Total</b>	<b>74,055</b>	<b>2.77</b>	<b>1.78</b>	<b>10</b>	<b>1.90</b>	<b>4,229</b>	<b>4,528</b>
<b>San Martín</b>							
Proven SM	11,402	2.38	2.29	9	2.40	839	880
Probable (SM & GPE)	1,036,202	4.02	1.84	12	2.00	61,379	66,467
<b>Total</b>	<b>1,047,604</b>	<b>4.01</b>	<b>1.85</b>	<b>12</b>	<b>2.00</b>	<b>62,218</b>	<b>67,347</b>
<b>Body 28</b>							
Proven	145,832	3.14	2.42	77	3.37	11,340	15,784
Probable	58,926	4.48	2.43	80	3.41	4,596	6,454
<b>Total</b>	<b>204,758</b>	<b>3.53</b>	<b>2.42</b>	<b>78</b>	<b>3.38</b>	<b>15,936</b>	<b>22,238</b>
<b>Body 29</b>							
Proven	36,813	3.31	4.00	111	5.37	4,738	6,360
Probable	17,711	3.44	4.72	138	6.42	2,688	3,658
<b>Total</b>	<b>54,524</b>	<b>3.35</b>	<b>4.24</b>	<b>120</b>	<b>5.72</b>	<b>7,425</b>	<b>10,018</b>
<b>Body 30</b>							
Proven	21,968	8.30	1.09	38	1.56	770	1,101
Probable	13,722	7.29	1.18	32	1.58	521	695
<b>Total</b>	<b>35,689</b>	<b>7.91</b>	<b>1.13</b>	<b>36</b>	<b>1.57</b>	<b>1,292</b>	<b>1,796</b>
<b>Body 31</b>							
Proven	6,956	2.17	4.03	29	4.39	901	981
Probable	10,722	2.45	5.93	41	6.43	2,045	2,218
<b>Total</b>	<b>17,678</b>	<b>2.34</b>	<b>5.18</b>	<b>36</b>	<b>5.63</b>	<b>2,946</b>	<b>3,199</b>
<b>GRAN TOTAL</b>							
<b>PROVEN</b>	<b>277,009</b>	<b>3.48</b>	<b>2.43</b>	<b>61</b>	<b>3.19</b>	<b>21,673</b>	<b>28,386</b>
<b>PROBABLE</b>	<b>1,157,299</b>	<b>4.03</b>	<b>1.95</b>	<b>18</b>	<b>2.17</b>	<b>72,372</b>	<b>80,740</b>
<b>GRAN TOTAL P+P</b>	<b>1,434,308</b>	<b>3.75</b>	<b>2.04</b>	<b>27</b>	<b>2.37</b>	<b>94,045</b>	<b>109,126</b>

- ) Reserve cut-off grades are based on a 1.66 g/t gold equivalent.
- ) Metallurgical Recoveries were 86% gold and 55% silver.
- ) Mining Recoveries of 90% were applied.
- ) Minimum mining widths were 1.5 meters.
- ) Dilution factors is 20%. Dilution factors are calculated based on internal stope dilution calculations.
- ) Gold equivalents are based on a 1:81 gold:silver ratio. Au Eq= gAu/t + (gAg/t ÷ 81)
- ) Price assumptions are \$1300 per ounce for gold and \$16.00 per ounce for silver.
- ) Mineral resources are estimated exclusive of and in addition to mineral reserves.
- ) Resources were estimated by SIM and reviewed by Erme Enriquez CPG.



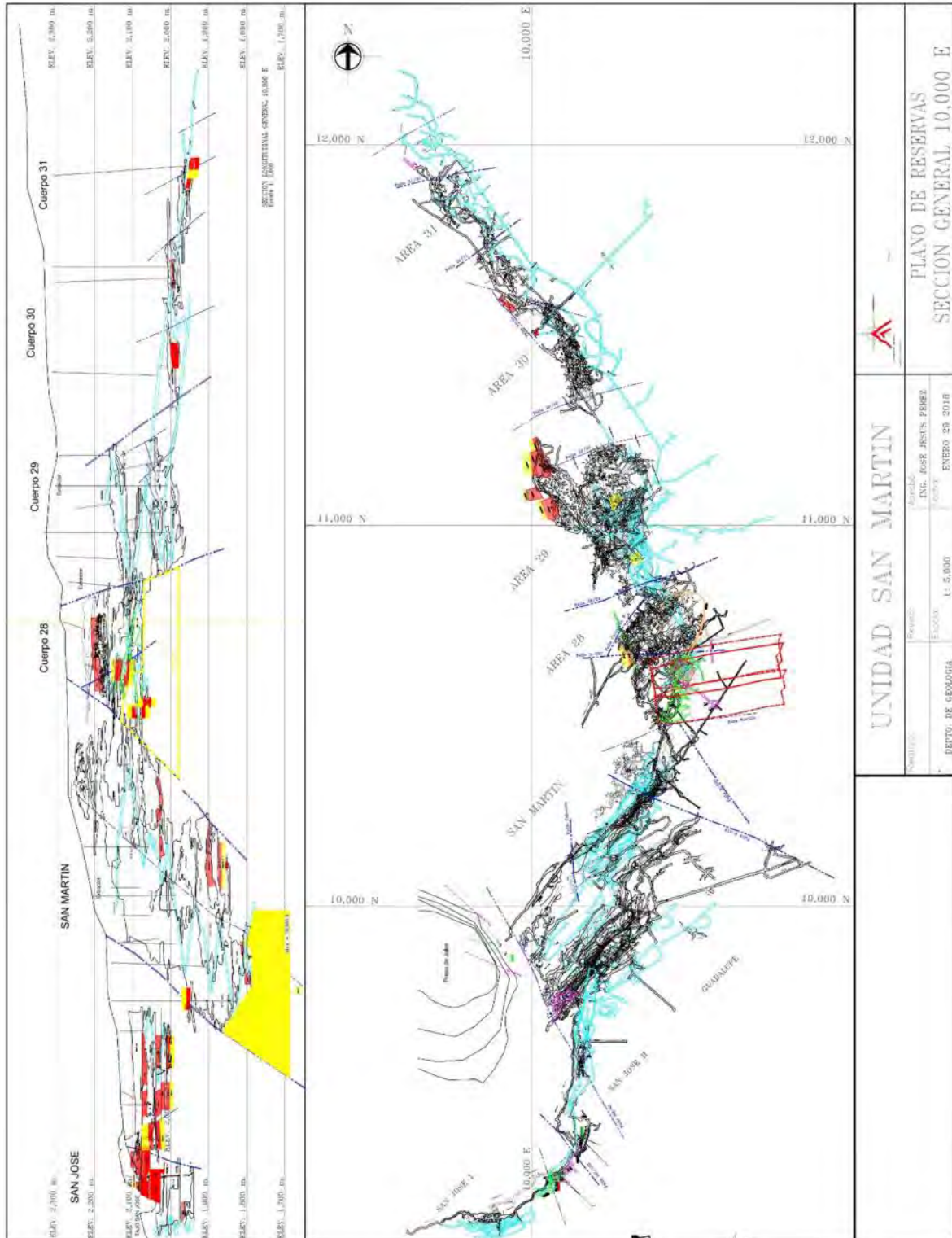


**Figure 15- 1: Typical vertical longitudinal section (VLP) showing the blocks of proven and probable ore in the San José II orebody**

**15.6 Factors that may affect the Reserve Calculation**

The San Martín operation is an operating mine with a relatively long history of production. The mine staff possess considerable experience and knowledge with regard to the nature of the orebodies in and around the San Martín Mine Property. Mine planning and operations need to continue to assure that the rate of waste development is sufficient to maintain the production rates included in the mine plan. It is unlikely that there will be a major change in ore metallurgy during the life of the current reserves, as nearly all of the ore to be mined will come from veins with historic, recent, or current production. The process of mineral reserve estimation includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. The QP does not consider these errors to be material to the reserve estimate. Areas of uncertainty that may materially impact the Mineral Reserves presented in this report include the following:

- ) Mining assumptions,
- ) Dilution assumptions,
- ) Exchange rates,
- ) Changes in taxation or royalties,
- ) Variations in commodity price,
- ) Metallurgical recovery, and
- ) Processing assumptions



**Figure 15- 2: General vertical longitudinal section of the San Martin Mine showing the proven and probable reserve blocks.**

## 16. MINING METHODS

### 16.1 Mining Operations

Since 2007, SIM has been in control of the day-to-day mining operations at the San Martin Mine Project. SIM assumed control of the mining operations from a local mining contractor in order to allow for more flexibility in operations and to continue optimizing the costs.

The San Martin Mine project has a roster of 75 employees, 170 unionized workers and an additional 152 contractors. The San Jose mine operates on two 10-hour shifts (contractors) 20 by 8. The San Martin works 3 shifts 8 hours each, six days a week. The supervisors are in shifts of 20 by 8 for body 28 and 10 by 4 for San Martin. The mill operates on a 20/8 schedule. The CMPB miners are skilled and experienced in vein mining and are currently unionized. In the production / development function, the Company's agreement with the contractor is based on a set price. There is an incentive system in place rewarding personnel for good attendance, safety and production. Technical services and overall supervision are provided by SIM staff. The mine employs geology, planning and surveying personnel and has detailed production plans and schedules. All mining activities are being conducted under the direct supervision and guidance of the mine manager.

### 16.2 Mining Method

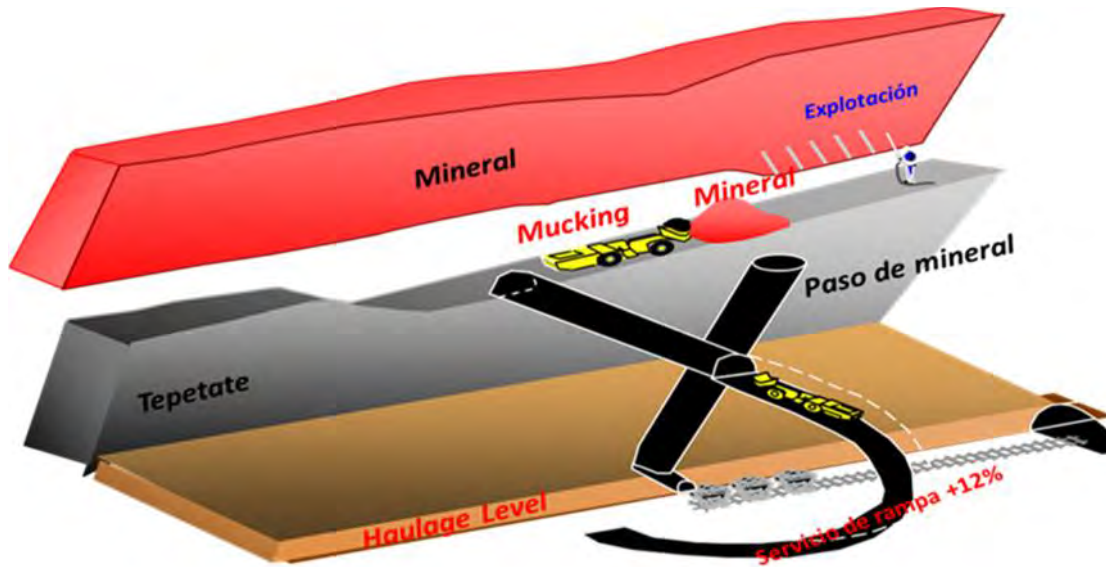
The San Martin underground mine is accessed through a tunnel located at the 2,050-meter level. Underground production is conducted utilizing mechanized cut and fill stopes using dry waste as backfill. The backfill comes from development and stope preparation. Ore is hauled out of the mine by dump trucks of 14 m<sup>3</sup>.

As in many other mines, variants of mining methods are used in the San Martin mine. Following a detailed description is given that aims to clarify how to mine in this mine.

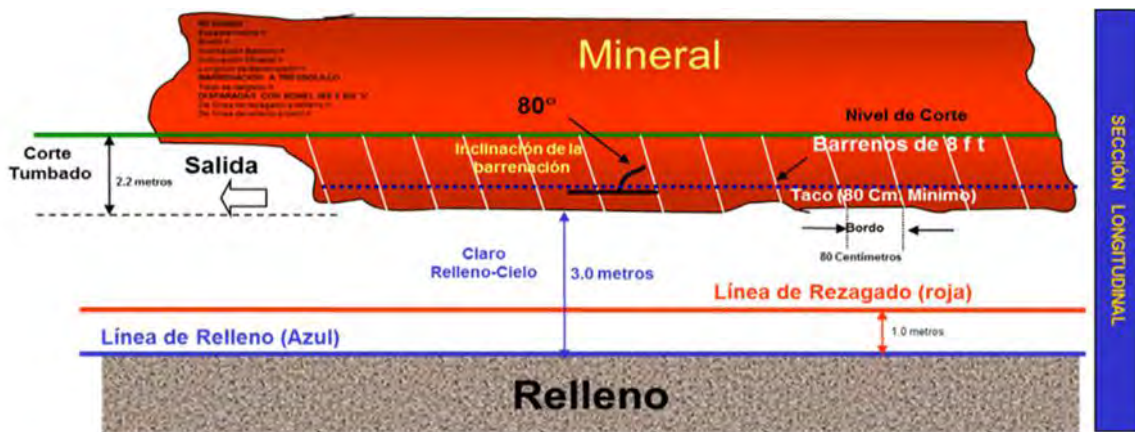
Mining Methods of exploitation used in San Martin mine, in the three sectors of the mine:

- ) Body 28
- ) San Martin Body
- ) San Jose Body

It is known that the exploitation of mineral deposits by underground methods is more complex than those on the surface, so it is necessary to devote special attention to each of the existing methods, for a successful planning of the exploitation of a body of ore. The selection of the mining method that is intended to be used in a deposit or a mineralized body must be studied carefully, taking into consideration that it is the method that must be adapted to the deposit and not in the opposite way.

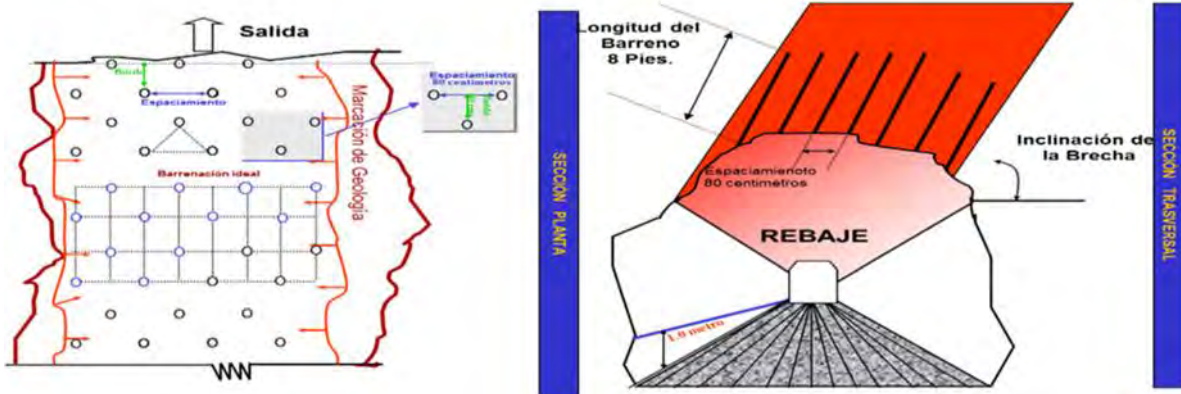


The mining method, used in the stopes with tabular mineral body in vein, is Cut and Fill. In this mining method, mining is done from the bottom to the top of the different horizons or mineral floor. It consists of opening a raise on ore that will serve as a slot or exit for the blasting, semi vertical or the closest to  $90^\circ$ , respecting the dip of the mineralized structure. After a mineral cut has been completely extracted, respecting a previously marked line of lag, it is then filled with backfill or waste material until the control line that previously served as a reference for mucking. Before starting the new cut in the cycle, cut-extraction-filling is repeated until finished.





## Secciones



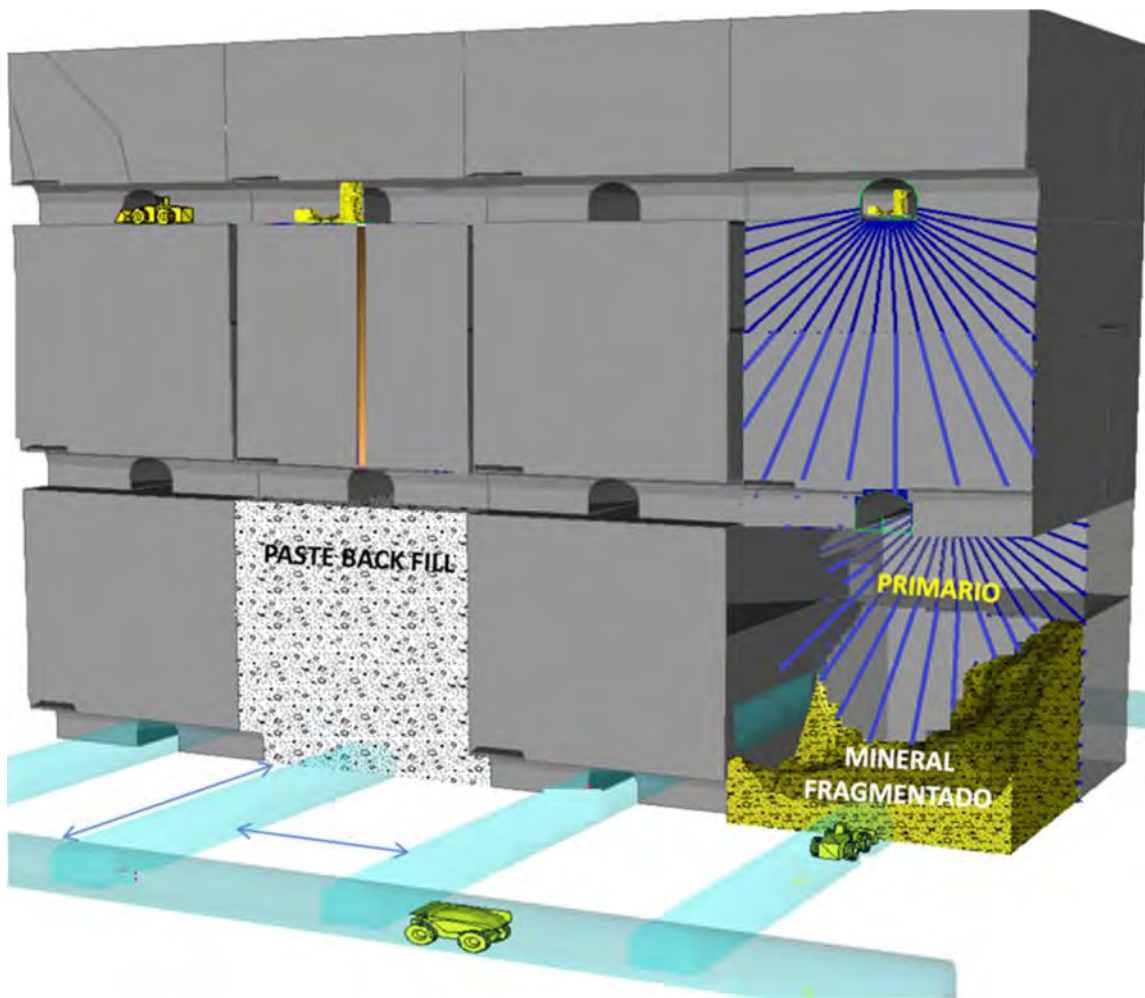
Due to the mineralization potential in the body 28, because it is a large breccia and not a tabular or vein body, two mining methods were adapted, considering first developing parallel streets, separated by 4 to 5 metre pillars, turning these streets into the primary blocks and the pillars in the secondary blocks.

Cut is done in two phases: In a first stage, shrinkage is applied to the primary blocks until reaching the upper level located at 8 to 10 metres up. In this phase the infill is done by using a type of cemented filling (CRF, Cemented Rock Fill), to give extra support to the fill. In the second phase cut and fill is used to recover the secondary blocks. The main characteristics of this mining is that a maximum recovery of ore is guaranteed, the subsidence of the land is prevented both from the surface and inside the mine and the highest possible production is maintained.

To evaluate the dimensions and stability of the stopes, modeling by finite elements and an empirical calculation of the sizing of stopes were used to evaluate mainly the stability and guarantee the safety of the area.

Conclusions for mining the body 28 were: The dimensions of the proposed stopes are up to 4-metre-wide by 8-metre-high by 20-metre-long, based on the general geomechanical characteristics of the breccia-structure and the stability of the rock mass and operational safety. When there are areas of lower quality, such as fault zones and areas of breccia with high fracturing and a poor matrix, it is necessary to use shotcrete accompanied by electro-welded mesh and cables for better support of the rock. Also, the dimensions of the stopes are reduced to avoid rock falling or dilution by the unstable walls of the stopes and to increase the safety of the mining operation.

The increase in the dimensions of the stopes is directly proportional to the use of support elements such as cables, mesh or shotcrete.



The first stage consists of the development and mining of primary streets. Drifting is carried out with jackleg drills starting with dimensions of 4.0 x 3.0 metre, both on a lower level and an upper level separated by a vertical pillar of 8 metre.

As a result, vertical cuts are made using shrinkage system for the communication of both levels and the subsequent mucking with remote-controlled scoop tram equipment. The next step is filling the open space created by this cycle, with a mixture of dry backfill, sand and 5% cement.

Once the filling is completed, the following step is the development and mining of the secondary blocks:

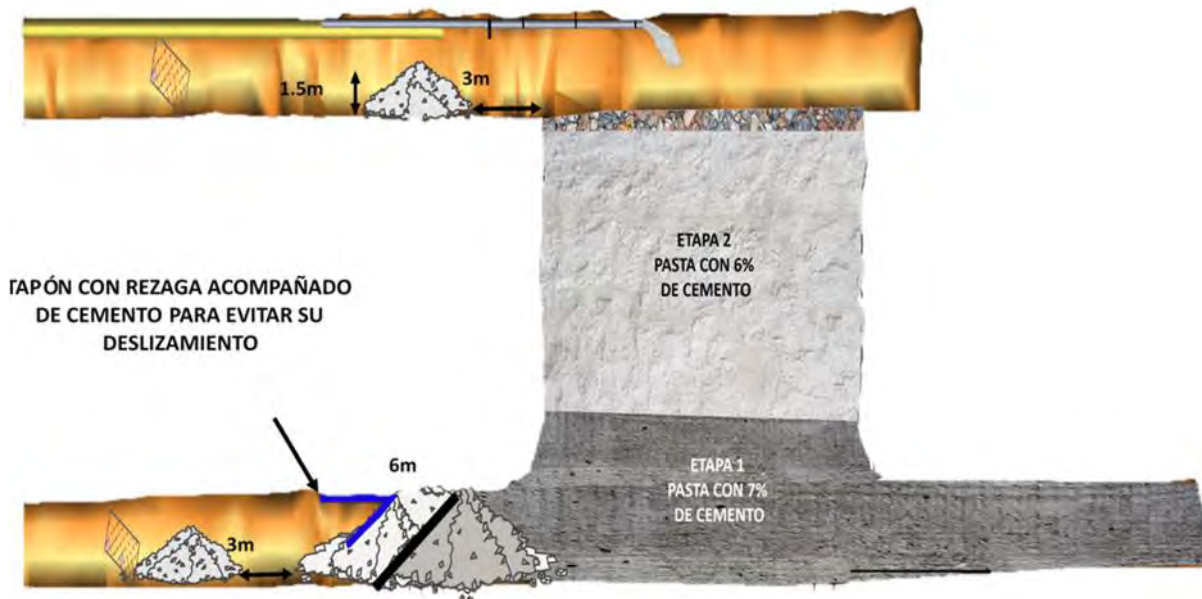
A drift is driven with a section of 4.0 x 2.5 metres, in a single lower level. Subsequently, the cut and fill is applied in an ascending manner, with cuts of 1.8 m to avoid clearings of prolonged heights and guarantee the safety of the area.

## SECCIÓN LONGITUDINAL REBAJE



Once the stopes are empty of ore, they are filled with CRF or waste-cement filling with the support of scooptrams. The CRF mixture contains 86% waste, 5% Portland cement and 9% water, which gives us the strength ( $5.0 \text{ kg} / \text{cm}^2$ ) and setting time of 28 days, necessary for the exploitation cycle.

The cemented filling, which is called consolidated (consolidado), of the primary blocks, is carried out in a single stage: A plug is placed in the lower level and then the CRF is emptied from the upper level, in a clearing of 8 metres high, with support from scooptram, which is accumulated in a descending way, in the form of a waterfall, until the stop is filled 100%. For the secondary streets it is used normal dry fill with waste rock.



## 16.3 Mining Equipment

Ore and waste transportation is by scooptram and truck haulage. Ore and waste haulage is performed using 14-tonne underground trucks. Single boom jumbo drills and jacklegs are used for development headings and conventional cut and fill stope drilling is by jackleg. A total of 45 jackleg drills are available in inventory.

A list of the major underground equipment on-hand at San Martin is listed below. According to SMI's personnel, all that equipment is in good, well-maintained condition and is operating on very smooth clean roads.

**Table 16- 1: SIM List of Mine Equipment in the San Martin Mine Project**

**Starcore International Mines LTD**  
**Compañía Minera Peña de Bernal, SA de CV**  
**Mining Equipment San Martin Mine**

Equipment	ID Econ.	Make/Model	Capacity	Year
SCOOP TRAM	07	MTI, LT-410	3 Yds.	2000
SCOOP TRAM	15	MTI, LT-350	2.5 Yds.	2003
SCOOP TRAM	21	MTI, LT-650	4 Yds.	2014
SCOOP TRAM	22	JOY, LT-650	4 Yds.	2017
SCOOP TRAM	23	WAGNER, ST2B	2 Yds.	1988
SCOOP TRAM	24	JOY, LT-270	1.5 Yds	2016
SCOOP TRAM	25	JOY, LT-270	1.5 Yds	2017
SCOOP TRAM	26	JOY, LT-650	4 Yds.	2017
LOW PROFILE TRUCK	03	TAMROCK,	16 Tons.	2005
JUMBO	03	TAMROCK, QUASAR	14 Ft.	2003
JUMBO	07	SANDVIK DD210	8/12 Ft.	2017
AGRICULTURE TRACTOR	05	NEW HOLLAND, TT75	***	2011
AUTOHORMIGONERA	11	AUSA, 1000 RMX	1m <sup>3</sup>	2003
ALLEN TOWN	03	PUTZMEISTER TK 20		2011
BACKHOE	01	CASE 580 SUPER M series 2 (580SM)	1.03 yd/	2013
PAYLOADER	12	THOMAS	14.3 cft	2004
TOYOTA	01	TOYOTA, ENS INDUSTRIAL (LAND CRUISER HZJ79)	***	2004
TOYOTA	02	TOYOTA, ENS INDUSTRIAL (LAND CRUISER HZJ79)	***	2004
MULE	02	KAWASAKI MULE 4010 4X4 DIESEL (KAF950FDF)	***	2016
KUBOTA	01	KUBOTA RTV-X1140W-H	***	2017
RANGER	01	POLARIS RANGER 900 DIESEL 4X4	***	2011
RANGER	02	POLARIS RANGER 900 DIESEL 4X4	***	2011
RANGER	03	POLARIS RANGER 900 DIESEL 4X4	***	2011
RANGER	04	POLARIS RANGER 900 CREW DIESEL 4X4	***	2011
NISSAN	01	NISSAN NP300 DIESEL 4X4 2012	***	2012
NISSAN	02	NISSAN NP300 DIESEL 4X4 2014	***	2014
NISSAN	03	NISSAN NP300 DIESEL 4X4 2013	***	2013
DUMP TRUCK	12	INTERNATIONAL DURASTAR 4400	14m	2012
DUMP TRUCK	14	INTERNATIONAL DURASTAR 4400	14m	2014
DUMP TRUCK	15	INTERNATIONAL DURASTAR 4400	14m	2015
DUMP TRUCK	16	INTERNATIONAL DURASTAR 4400	14m	2015



## 17. RECOVERY METHODS

The San Martin Mill is a conventional cyanidation mill using the Merrill Crowe recovery process, with a rated capacity of 1,100 tpd. The mill flowsheet employs two stage fine crushing, grinding is also two stages with both ball mills and a tower mill followed by total ore cyanide leaching in a CCD circuit. Gold and silver is recovered with zinc precipitation and is refined on site to doré.

In the period April 30, 2017 to September 30, 2019 the mill achieved an average throughput of 650 tpd with recoveries of 86 % for gold and 55 % for silver.

A tailings filtration plant to provide for dry handling and stacking of the tailings was installed in 2005 and the recommendations by AMEC have been implemented and the tailings dam is being reinforced to better standards. The San Martin flowsheet has been shown in previous section 13.

## 18. PROJECT INFRASTRUCTURE

SIM has all the necessary mine and mill infrastructure to operate the San Martin Mine Project efficiently and operates within all the regulatory standards imposed on the project by the various government agencies. Figure 18-1 is view of the portal of the San Martin Mine. Underground mine is relatively dry, no water pumping is necessary.



**Figure 18- 1: Portal of the incline for the San Martin Mine**

A great part of the facilities is occupied by the mill and tailings dam (Figure 18-2).

The installations in the mine site includes mine offices, maintenance shops, assays laboratory, warehouse and eating facilities for mine personnel (Figure 18-3). The mine and mill are connected to the electric grid and the mine produces more than enough water for milling operations. Electrical power is supplied by the CFE in a power line of 34.5 kVa. A secondary electricity generating system with about 500kW capacity to supply power to the mill during a power failure and during the peak supply times when prices are higher, is available.



**Figure 18- 2: Installations of mill at the San Marin Mine**



**Figure 18- 3: Office buildings for the mine. Operation of the furnace at the San Martin assay laboratory.**

## **19. MARKET STUDIES AND CONTRACTS**

The San Martin final product is a doré bar of clean product with few impurities. There are numerous refineries around the world available to refine the doré. Gold and silver doré in the form of bullion that is produced from the mines was shipped primarily to Italpreziosi Precious Metals Refinery in Italy. Doré bars are paid at the gold and silver price established by London Fix at the time of the transaction.

## **20. ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT**

### **20.1 General**

The San Martin mine operates under the policy of zero industrial discharges into the environment. Surface water in the tailings disposal facilities practically zero due to the tailings are filtered before sending to the dam.

Running water in the intermittent streams within the property is tested for mineral elements and contaminants. Some water pumped from the underground workings is discharged in the water storage reservoir at the surface and used later for mineral processing. The following aspects are treated with special care by the company as they represent potential risks to the operation. To reduce the possibility of an incident regarding any of these issues, San Martin has established strict procedures of operation and monitoring in accordance with accepted standards.

- ) The tailing dams require strict environmental and operation control because the proximity to the San Martín community represents a risk.
- ) Testing for water pollutants into creeks near the tailings dams.
- ) Testing of discharge sewage pollutants.
- ) Testing of the combustion gases from laboratory's chimneys and foundry, and lead exposure for lab workers.

### **20.2 Permitting**

Currently, SIM has maintained all the necessary permits for exploration and exploitation at the San Martín mine site (Table 20-1). A Manifestacion de Impacto Ambiental (MIA) was submitted to Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT) in April 2004. The license covers all related to the underground expansion of the mine. In March 2011 approval of a MIA by SEMARNAT allows an expansion for tailings facilities that were not previously required. An amendment for stabilization and expansion was approved by SEMARNAT in early August 2016. Tailings have been tested periodically; last test was in June 14, 2018. The results were presented by Intertek+ABC Analytic, finding all within normal parameters.

A mining concession in Mexico does not confer any ownership of surface rights. However, use of surface rights for exploration and production can be obtained under the terms of various acts and regulations if the concession is on government land. The San Martin concessions are located on Ejido (community or co-op) and private property land, and all the agreements with



the surface owners has been signed which allows SIM access and authorization to complete exploration and mine operations activities.

**Table 20- 1: List of permits of the San Martin Mine**

Permit	Mining Stage	Agency	Status
Environmental Impact Statement (MIA)	Construction/operation abandonment	Secretary of Environmental and Natural Resources (SEMARNAT)	In place
Land use change study	Operation/abandonment	SEMARNAT- General Department of Permitting for Forrestry and Soils	In place
Explosive handling and storage permit	Operation	National Secretary of Defense (SEDENA)	In place
Archeaological Release Letter	Operation	Nation Institute of Srcheology and History (INAH)	In place
Water use concession title	Operation	National Comission of Water (CNA)	In place
Water discharge permit	Operation	National Comission of Water (CNA)	In place
Surface Owners Agreement	Access, direct exploration and drilling	Surface owners	In place
Preventive Environmental Impact Report	Raod conditioning and direct exploration	Secretary of Environmental and Natural Resources (SEMARNAT)	In place

### 20.3 Tailings Dam and Reforestation

A reinforcing berm of compacted fill was built along the downstream toe of the tailings dam to increase the dam safety factor. The downstream side of the reinforcing berm has been constructed at a 2:1 slope. A trench has been excavated and a French drain system constructed on the downstream side of the dam to intercept seepage. The seepage is collected in a sump for recycle back to the mill. The French Drain trench has been backfilled and the area is being re-vegetated.

All the tailings dam construction follows recommendations made by AMEC who visit the site periodically to ensure that construction is adequate. A diversion ditch at the north end of the pond has been completed and all final berms are being re-constructed of compacted tails with waste rock rip-rap exteriors.

The reforestation, in the tailings dam, is done with 22 species of plants produced in the nursery of the mining unit, among shrubs, trees and herbaceous. First the preparation of the land is made placing a layer of inert material (mixture of soil and rock) and on this one layer of vegetal soil, to later make the plantation with a relation of 1 individual by each 2 m<sup>2</sup>, 1 arboreal species for each 4 shrubs and / or herbaceous, taking place mainly in the months of

July and August, when the rains have stabilized to obtain a higher percentage of plant development. The annual average of the reforestation is over 5000 plants (Figure 20-1).



**Figure 20- 1: Reforestation on the NE side of the tailings dam at San Martin**

### **20.3 Social and Community Impact**

SIM considers nearby communities as important stakeholders and, as such, the company pays special attention to their problems and requests for support. A good neighbor and open-door policy characterize the relations with the communities inside and around the area of operations. A company representative interacts with the local authorities frequently.

According to the population and housing census of 2010, the inhabitants in the surrounding communities include 52,401 people living in the 5 locations. Women are 51.3% of the population. Table 20-2 presents population by gender in the communities, and shows the relationship of San Martín with them, whether directly or indirectly.

**Table 20- 2: Neighboring community population at San Martin mine**

Location	Relationship	Population		
		Total	Male	Female
San Martin	Directly	1430	705	725
Peña de Bernal	Directly	3750	1816	1934
Ajuchitlán	Directly	5483	2631	2852
Ezequiel Montes	Indirectly	34724	16373	18356
Colón	Indirectly	7014	3415	3598

The relationship with a community is indirect whenever it has a direct relationship with another mining company. Regardless of the indirect relationship with these communities, San Martín considers that it has a shared commitment with them.

San Martín has a policy of social responsibility based on community development. The tactic used to achieve this strategic principle is focused on:

- ) Education and Employability: Promoting learning opportunities ranging from basic education to technical skills and supporting the creation and development of small business that provide an economic alternative to mining related jobs.
- ) Infrastructure: Supporting construction, improvement or rehabilitation of community facilities, such as the Church, the playgrounds, or the roads.
- ) Health: In partnership with government institutions, SIM promote several health campaigns in the communities such as dental, vaccines, nutrition, pet control, and others.
- ) Sports: Also, in partnership with government institutions and NGOs, SIM supports summer camps for children and in the last two years has sponsored one of the main races that happen in Guanajuato.
- ) Environment: SIM runs different environmental campaigns in the communities, such as the recycling of electronics, the reuse of tires to rehabilitate recreational sites, reforestation initiatives, cleaning up campaigns, and others.
- ) Traditions and Culture: SIM supports throughout the year the different celebrations that happen in the community, such as the day of the miner, mother's day, day of the death, children's day, Christmas celebrations, and others. SIM responds to ongoing requests from the community.

In order to carry out social responsibility actions, San Martín has an internal procedure intended to channel the demands of the local communities, to assess their needs, to prioritize them, and to evaluate donations to be made to improve quality of life.

## **21. CAPITAL AND OPERATING COSTS**

Capital and operating budgets are prepared for each calendar year for the mine by mine staff. These budgets are continuously reviewed against production to ensure profitability. For the third quarter of 2019 operating year the average cost of production was US\$75.72 per tonne milled, including capital allowance. This cost includes all minesite administration. SMI has a

commitment to the community, but also to operating costs. In order to lower costs, the company has had to lower 32% in personnel reduction, in areas that were not critical for production. This staff cut will be reflected in costs in subsequent months.

SMI has some additional admin costs for head office administration and these numbers are well documented in the company's financial statements which are filed quarterly on SEDAR.com.

## **22. ECONOMIC ANALYSIS**

SMI currently has only one operating mine and no other active exploration projects therefore the best economic analysis of the operation can be reviewed in the financials filed by SMI. See quarterly and annual financial statements for SMI on SEDAR.com.

## **23. ADJACENT PROPERTIES**

Exploraciones Mineras La Parreña, S.A. de C.V. (Peñoles) has a claim of 822 hectares, located on the Central-West part of the SIM's concessions. This claim has been cancelled but hasn't been released by the Mexican Mining Bureau. The name of the claim is Colón and is registered with the Title No. 237380 and also the status of this claim is cancelled. Peñoles also holds The Palmita claim, Title 237379, with an area of 99.97 hectares.

Another property is the San Judas Tadeo claim, Title No. 220535, covering 700 hectares. This property is private and has three owners, the main owner is Ciro Feregrino. This property is located to the northeast of the SIM's claims.

## **24. OTHER RELEVANT DATA AND INFORMATION**

This report summarizes all data and information material to the San Martín Mine Project as of September 30, 2019. QP knows of no other relevant technical or other data or information that might materially impact the interpretations and conclusions presented herein, nor of any additional information necessary to make the report more understandable or not misleading.

## **25. INTERPRETATION AND CONCLUSIONS**

### **25.1 Exploration**

Mr. Enriquez has the following conclusions regarding the exploration efforts and potential for the San Martin Mine:

- ) A new interpretation of the exploration model in the district has been proposed by the geologists of the mining unit. I have reviewed this new interpretation and it agrees very well with the interpretation of the location of the mineral, in the San Martin mine, in the eastern limb of a major anticline. This makes the investigation in the Santa Elena area portion increasingly critical and necessary. The west limb of the anticline has not been explored and further research with diamond drilling in that area will be necessary.

Several areas within San Martin would benefit from additional drilling, as the current spacing is insufficient to adequately define the continuity of mineralization for prospective mining. Areas that would benefit from additional drilling to improve confidence in the estimation include Santa Elena NE and the Santa Elena SW, both with potential resources for the future of the mine.

- ) Other areas such as extensions of Cuerpo 28 and the widening of the San Martin structure orebodies within the existing mining operations and would benefit from additional drilling to expand known resources and give extra life to the mine.
- ) QP notes that areas such as Santa Elena NE would benefit from better positioning of drill stations to investigate the spatial position with respect to the known stratigraphy in the east limb of the anticline.

## **25.2 Resource Estimates**

Mr. Enriquez is of the opinion that the Mineral Resource Estimate has been conducted in a manner consistent with industry best practices and that the data and information supporting the stated mineral resources is sufficient for declaration of Inferred classifications of resources. QP has not classified any of the resources in the Measured category due to some uncertainties regarding the data supporting the Mineral Resource Estimate.

These deficiencies include:

- 1) The lack of a historic QA/QC program, which has only been supported by a recent resampling and modern QA/QC program for channel samples and a limited number of holes. This will be required in order to achieve Measured resources which generally are supported by high resolution drilling or sampling data that feature consistently implemented and monitored QA/QC.
- 2) The lack of consistently-implemented down-hole surveys in the historic drilling. Although the survey data doesn't show significant deviations from planned orientations, it would be priority to have all holes surveyed.

## **25.3 Mineral Reserve Estimates**

Mr. Enriquez is of the opinion that the Mineral Reserve Estimate has been conducted in a manner consistent with industry best practices and that the data and information supporting the stated mineral reserves is sufficient for declaration of Proven and Probable classifications of reserves. The San Martin mine is a producing operation with over 27 years of continuous operation. Recent production data was used as a primary source of information to validate or derive, as necessary, the relevant modifying factors used to convert Mineral Resources into Mineral Reserves. The initial production decision was not based on a feasibility study of Mineral Reserves demonstrating economic viability. There is an increased uncertainty and economic and technical risks of failure associated with this production decision. The production schedule associated with this reserve estimate results in mining until September 2019 at an average production of approximately 650 tpd. The tailings storage facility is big enough to support the production of LOM without problem.



## 26. RECOMMENDATIONS

Outside of the currently known reserve/resource, the mineral exploration potential for the San Martín Mine are very good. Parts of the known vein splays beyond the historically mined areas also represent good exploration targets for additional resource tonnage. The concession areas contain many veins and targets for exploration and the QP considers there to be reasonable potential of discovering new veins and extensions, besides those that are currently known. An exploration budget has been developed for 2018 and discussed in the following section.

### 26.1 Exploration Program

Exploration budgets for San Martín are approved for 6,000 meters of drilling for 2020 year. Table 26-1 summarizes the planned 2020 exploration budget for San Martín.

**Table 26 1: Drilling budget for 2020, San Martin and Santa Elena**

Area	DDH Program 2020	
	Metres	Budget US\$
<b>Santa Elena</b>	<b>1,500</b>	\$ 112,500
<b>San José-San Martin</b>	<b>1,000</b>	\$ 65,000
<b>Rhyolitic Dike</b>	<b>1,000</b>	\$ 65,000
<b>Manto 28 body area</b>	<b>1,500</b>	\$ 97,500
<b>HW 30 and 31 bobbies</b>	<b>1,000</b>	\$ 65,000
<b>Total</b>	<b>6,000</b>	<b>\$ 405,000</b>

Diamond drilling program will be carried out with rigs property of SIM. Drilling will be performed underground, with exception of three scout holes recommended for the Santa Elena SW Extension, this to investigate the stratigraphic position on that area.

### 26.2 Geology, Block Modeling, Mineral Resources and Reserve

QP recommends that the continuation of the conversion of all resources into reserves from 2D polygons-blocks be continued. During 2017, considerable progress was made in this regard. Additional modeling efforts should be made to define the mineralized brecciated areas as they have been an import source of economic material encountered in the current operation and could provide additional tonnage to support the mine plan.

Currently SMI utilizes the exploration drilling and chip and muck samples in their resource and reserve calculations. QP recommends that future efforts focus on constructing block models for resource and reserve reporting utilizing only the chip-channel samples from stopes

and drifts as well as exploration and underground drilling results. This will help in keeping data densities consistent in each modeling effort and allow another level into the reconciliation process to compare modeling results.

Although the reconciliations conducted by SIM show good comparisons on planned values versus actual values, the reconciliation process should be improved to include the estimated tonnes and grade from the resource blocks. By comparing the LOM plan monthly to the plant production, the actual physical location of the material mined may be different in the plan versus the actual area that was mined. Due to the many faces that are mined during a day this can only be completed on an average monthly basis to account for the blending of this material at the mill. The monthly surveyed as mined areas should be created and saved monthly for reporting the modeled tonnes for each month.

The model predicted results versus actuals can then be used to determine if dilution factors need to be adjusted or perhaps the resource modeling parameters may require adjustment if there are large variances. On a yearly basis, the mill production should be reconciled to the final doré shipments and resulting adjustment factors should be explained and reported.

As discussed before, there is potential to increase the classification of the estimated mineral resources to Measured status, and to expand the extents of mineralization of economic interest within the San Martin property. The project therefore warrants significant additional investment in exploration with the goals of: (i) increasing confidence in the existing resources, which are potentially amenable to continue underground mining; (ii) expanding the potential open-pit resource base at the Santa Elena SW; and (iii) testing the high-grade vein potential at depth on the possible structure of Santa Elena NE.

The author recommends a drilling program with an estimated total cost of US\$405,000 as outlined in Table 26.1. Prior to significant surface activities, specifically drilling, project-wide digital topography should be obtained (DTM).

Proposed drilling at surface to test the Santa Elena SW includes at least 1500 metres in 2020. This drilling should focus on testing extensions to previously defined mineralization with trenching, including anomalous-grade wide structure within lithologic sedimentary units beneath the porphyritic rhyolite, on the western limb of the anticline that contains mineralization at San Martin.

Extensive specific-gravity testing should be undertaken on all core holes drilled and from underground.

Following completion of the proposed drilling underground and surface, an updated resource estimate should be completed.

As a critical part of the work program summarized above, QP recommends that CMPB undertake the following data capture and evaluation to improve confidence in the project database and, together with the proposed drilling, support the classifications of ore for future resource estimations:

- ) Digital electronic compilation of all comments on the drill logs concerning sample recovery, sample quality, difficult drilling conditions, the intersection of historical workings, all mineralised structures, etc.;
- ) Attempt to resolve questions remaining about the details of the historical drill holes, including the dates drilled, hole types, drilling methods, and companies responsible;
- ) Digital electronic compilation of historical down-hole deviation records, if they can be located;
- ) Digital electronic compilation of original assays sheets from ICP or AA;

- ) Continue to seek records that quantify the tonnages and grades of the various brecciated material types processed and their respective gold and silver recoveries, as such information could be pertinent to future potential processing of different materials;
- ) Digital electronic compilation of Assay's QA/QC data, which exist in paper form;
- ) Attempt to locate any check-assay results or other QA/QC data pertinent to the mine laboratory and compile digitally in a monthly base;

It is also important for CMPB to compile and evaluate geophysical and geochemical data that may exist in the historical records. Insights gained from such an evaluation may be applicable to further exploration drilling of the property, focusing on the Santa Elena area.

Finally, it is recommended that CMPB carry out the underground mine workings and drilling and other work proposed above using a coordinate system compatible with modern-day surveying and GPS measuring devices. The local minegrid and all historical drill-collar locations should be transformed to Universal Transverse Mercator ("UTM") projection. This is a recommendation given before. This will facilitate the siting and surveying of new drill holes and will allow the integration and evaluation of regional and district geophysical data. It is the author's opinion that the San Martin Mine is a project of merit and warrants the proposed program and level of expenditures outlined above.

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## CERTIFICATE

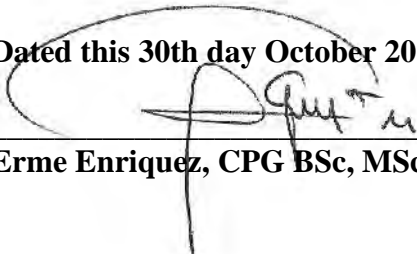
### To Accompany the Report titled

**“Reserves and Resources in the San Martin Mine, Querétaro State, Mexico, as of September 30, 2019” for Starcore International Mines Ltd. dated October 30, 2019**

I, Erme Enriquez, CPG of Alhelí 142, Fracc. Jardines de Durango, Durango, Dgo. Mexico hereby certify that:

1. I am currently an independent consulting geologist.
2. I am a graduate of the Universidad de Sonora having obtained the degree of BSc in 1983 and from Colorado School of Mines obtained the degree of MSc in 1996, both in Geological Engineering.
3. I have been employed in the mining industry continuously since 1983. Since 1985 I have performed resource and reserve estimating in several commodities, including extensive experience in gold and silver and base metals deposits.
4. I am a member of the American Institute of Professional Geologists of United States and use the title of CPG (Certified Professional Geologist). I am also a Fellow of the Society of Economic Geologists (SEG) and a member La Asociación de Ingenieros de Minas Metalurgistas y Geólogos de México (AIMMGM).
5. I have read the definition of “Qualified Person” set out in National Instrument 43-101(NI 43-101) and certify that by reason of my education, affiliation of my professional association and past relevant work experience, I fulfil the requirements to be a “Qualified Person” for the purposes of NI 43-101.
6. I have read the definition of “Independence” set out in NI 43-101 and certify that I do not fulfil the requirements of “Independence” for the purposes of NI 43-101.
7. I have been a reviewer of previous reserve reports on the San Martin Mine from 1998 to 2002 for Minas Luismin, SA de CV.
8. I have visited the San Martin Mine from October 13 to 14 of 2019.
9. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
10. I have read the instrument and Form 43-101F. The Technical Report titled **“Reserves and Resources in the San Marin Mine, Querétaro State, Mexico, as of September 30, 2019”**, which was prepared from information available as of September 30, 2019, and has been prepared in compliance with the instrument and form. I am responsible for this report.
11. I consent to the filing of the Technical Report with and stock exchange and other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

**Dated this 30th day October 2019**

  
**Erme Enriquez, CPG BSc, MSc**



**APPENDIX I**  
**RESERVE BLOCKS BY MINE AREA**

**SAN MARTIN MINE  
SAN JOSÉ I & 2 AREA**



DEPURACIÓN DE RESERVAS PROBADAS (as of September 30, 2019)						
<b>RESEVAS PROBADAS DILUCION (20%)</b>						
Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
SJII4046-1	16993	3.25	1.66	4	1.71	935
SJII4253-1	11322	4.17	1.70	6	1.77	643
SJII549-1A	0	1.73	1.50	8	1.60	0
SJII4060-1	2444	1.24	1.80	10	1.92	151
SJII560-1	4114	2.39	1.46	20	1.70	225
SJII650-1	0	2.28	2.47	25	2.78	0
SJII650-2	4555	2.29	2.46	25	2.77	405
SJII549-1	0	3.12	1.51	13	1.67	0
SJII4095-1	2744	2.02	2.24	6	2.32	204
SJII4060-2	387	2.21	1.99	8	2.08	26
SJII 418-1	1739	2.37	1.70	6	1.78	99
SJII 549-2	3584	1.67	1.74	11	1.87	216
SJII 655-2	6156	2.72	1.76	10	1.89	373
	54,039	2.94	1.78	9	1.89	3,279

DEPURACIÓN DE RESERVAS PROBADAS (as of September 30, 2019)						
<b>RESERVAS PROBABLES DILUCION (20%)</b>						
Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
SJII549-3	6375	3.12	1.51	13	1.67	342
SJII549-3A	4668	1.62	1.60	8	1.69	254
SJII650-3	4280	2.39	2.39	24	2.69	370
SJII 418-2	1326	2.37	1.70	6	1.78	76
SJII 549-4	3367	1.63	1.78	11	1.91	207
SJII 655-4	0	2.72	1.76	10	1.89	0
	20,017	2.31	1.78	13	1.94	1248

PROBADAS + PROBABLES	74,055	2.77	1.78	10	1.90	4,528
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DEPURACIÓN DE RESERVAS PROBADAS (as of September 30, 2019)						
<b>RECURSOS INFERIDOS DILUCION (20%)</b>						
Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
SJII Inf 01	161542	2.79	1.90	11	2.04	10608
	161,542	2.79	1.90	11	2.04	10608

<b>235,597</b>	<b>2.78</b>	<b>1.86</b>	<b>11</b>	<b>2.00</b>	<b>15,136</b>
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**SAN MARTIN MINE  
SAN MARTÍN AREA**

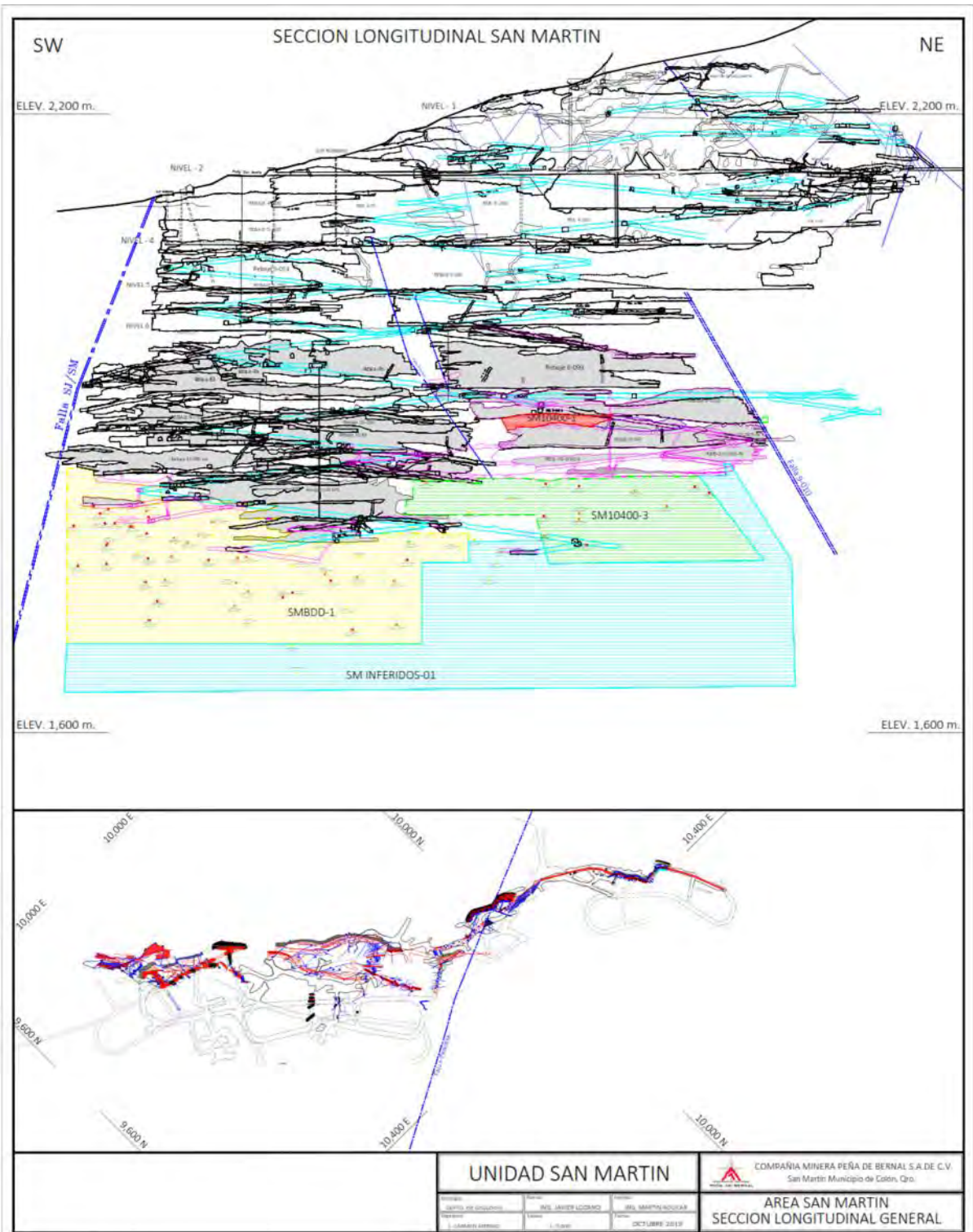
DEPURACIÓN DE RESERVAS PROBADAS (as of September 30, 2019)						
<b>RESEVAS PROBADAS DILUCION (20%)</b>						
Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
SM 10400-1	7991	2.73	2.00	9	2.11	541
SM-N2-2036-1	880	1.18	4.15	14	4.33	122
SM-N2-2036-2	1079	1.18	4.15	14	4.33	150
SM-N2-2035-1	723	2.04	1.38	4	1.43	33
SM-N2-2035-2	729	2.04	1.38	4	1.43	33
	11,402	2.38	2.29	9	2.40	880

DEPURACIÓN DE RESERVAS PROBADAS (as of September 30, 2019)						
<b>RESERVAS PROBABLES DILUCION (20%)</b>						
Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
SM BDD 01	567448	4.52	1.90	10	2.02	36816
GP 12000 C-1	464991	3.44	1.76	16	1.96	29264
SM-N2-2036-3	1152	1.18	4.15	14	4.33	160
SM-N2-2036-4	1153	1.18	4.15	14	4.33	160
SM-N2-2035-3	734	2.04	1.38	4	1.43	34
SM-N2-2035-4	724	2.04	1.38	4	1.43	33
	1,036,202	4.02	1.84	12	2.00	66467
PROBADAS + PROBABLES	1,047,604	4.01	1.85	12	2.00	67,347

DEPURACIÓN DE RESERVAS PROBADAS (as of September 30, 2019)						
<b>RECURSOS INFDICADOS DILUCION (20%)</b>						
Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
SM10400-3	134871	2.04	1.81	10	1.62	7008
	134,871	2.04	1.81	10	1.62	7008

DEPURACIÓN DE RESERVAS PROBADAS (as of September 30, 2019)						
<b>RECURSOS INFERIDOS DILUCION (20%)</b>						
Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
SM Inf 01	737646	4.06	1.81	10	1.93	45737
GP Inf 02	410400	3.44	1.76	16	1.96	25828
SM-N2-INF-2036	20314	1.61	2.39	8	2.49	1625
SM-N2-INF-2036-2	22347	1.61	2.39	8	2.49	1788
	1,190,707	3.76	1.82	12	1.96	74978

2,373,182	3.77	1.83	12	1.96	149,333
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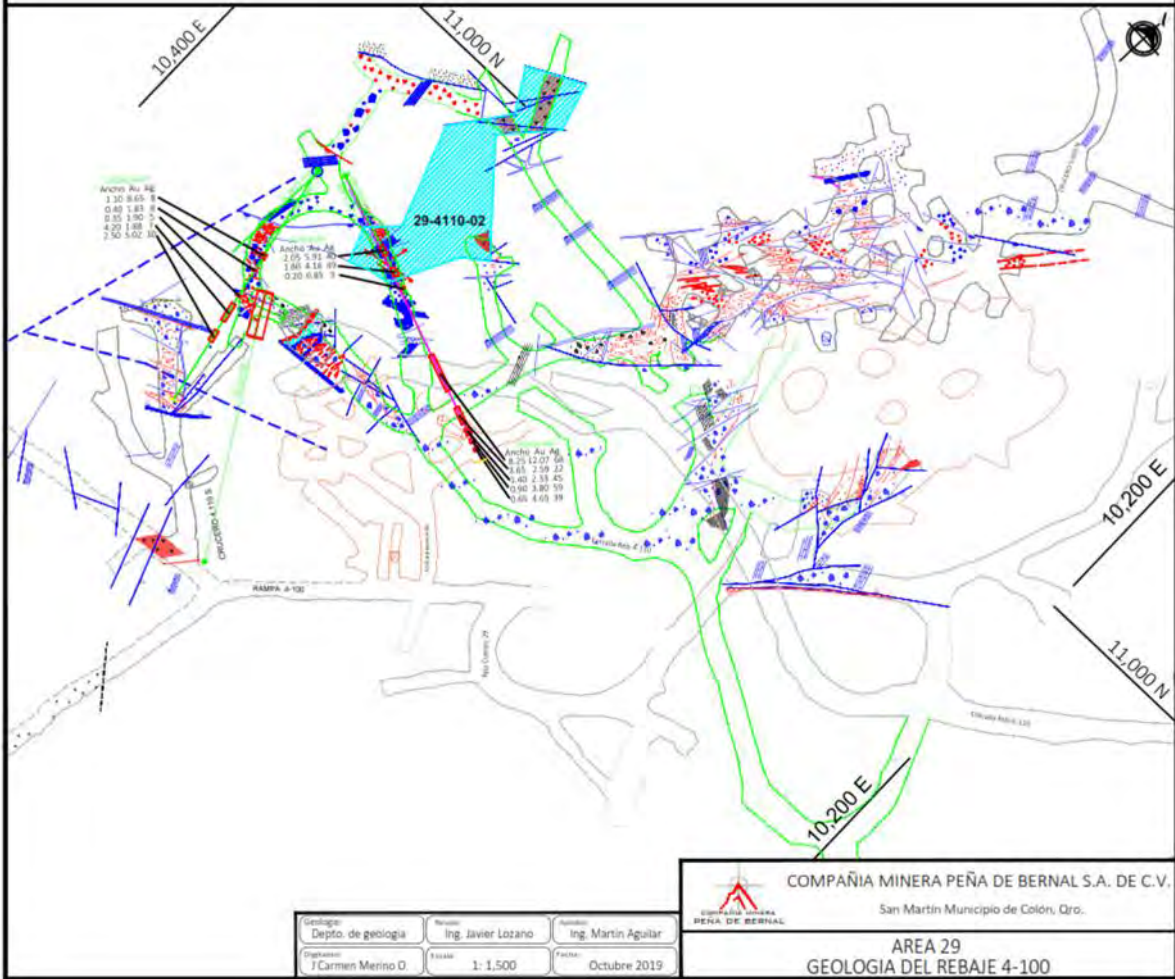
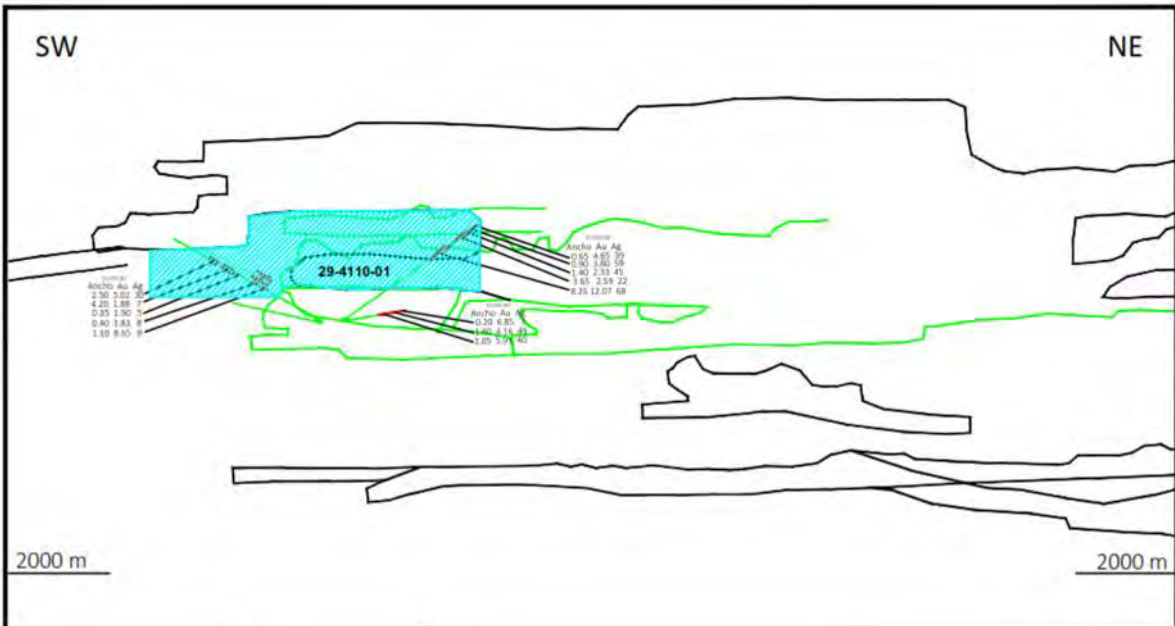
**SAN MARTIN MINE  
CUERPO 28 AREA**



**SAN MARTIN MINE  
CUERPO 29 AREA**



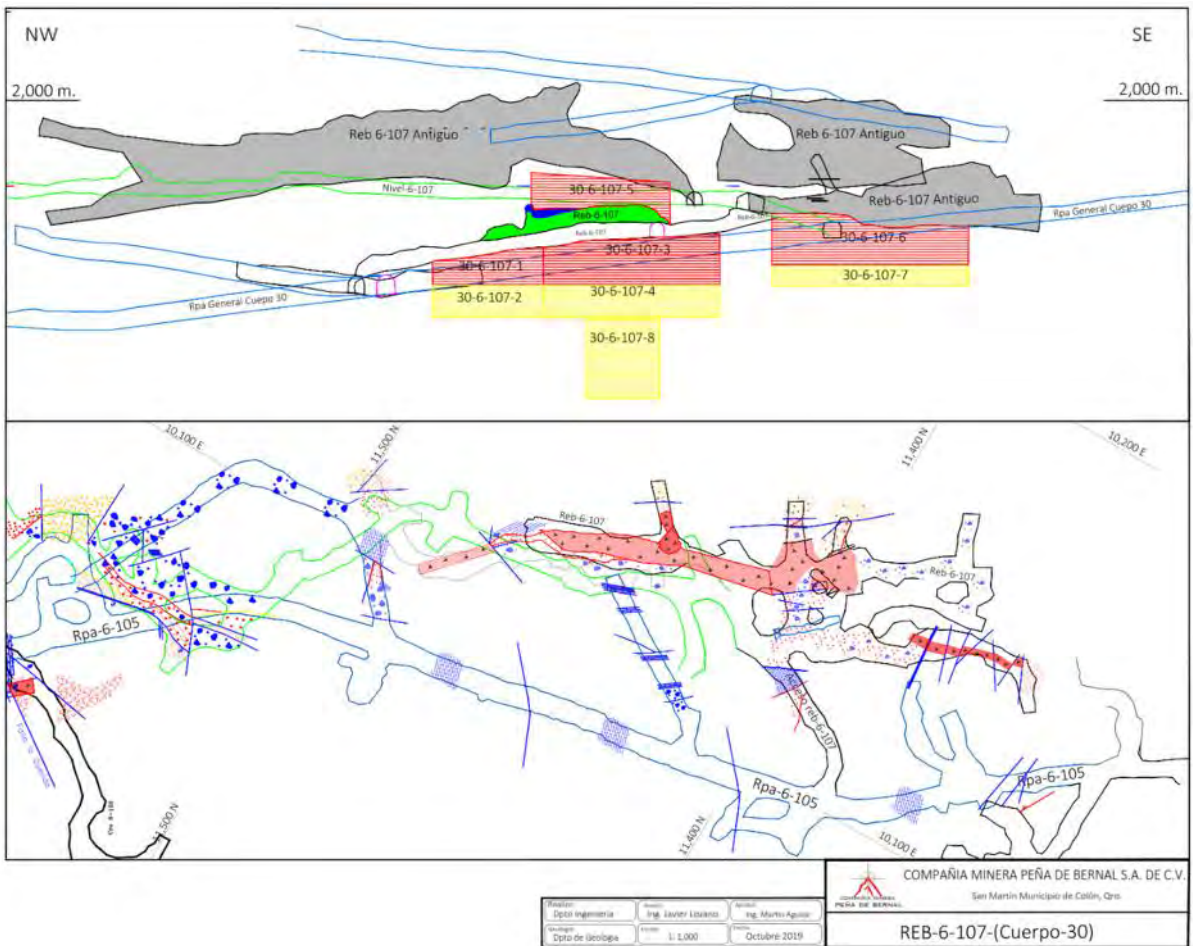






**SAN MARTIN MINE  
CUERPO 30 AREA**





**SAN MARTIN MINE  
CUERPO 31 AREA**

DEPURACIÓN DE RESERVAS PROBADAS (as of September 30, 2019)

**RESEVAS PROBADAS DILUCION (20%)**

Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
318723-1	2338	2.08	4.05	32	4.44	334
318723-2	3348	2.08	4.05	32	4.44	478
313185-2	1270	2.61	3.94	18	4.17	170
	6,956	2.17	4.03	29	4	981

**RESERVAS PROBABLES DILUCION (20%)**

Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
313185-3	1211	2.45	5.93	41	6.43	251
313185-4	9511	2.45	5.93	41	6.43	1967
	10,722	2.45	5.93	41	6	2218

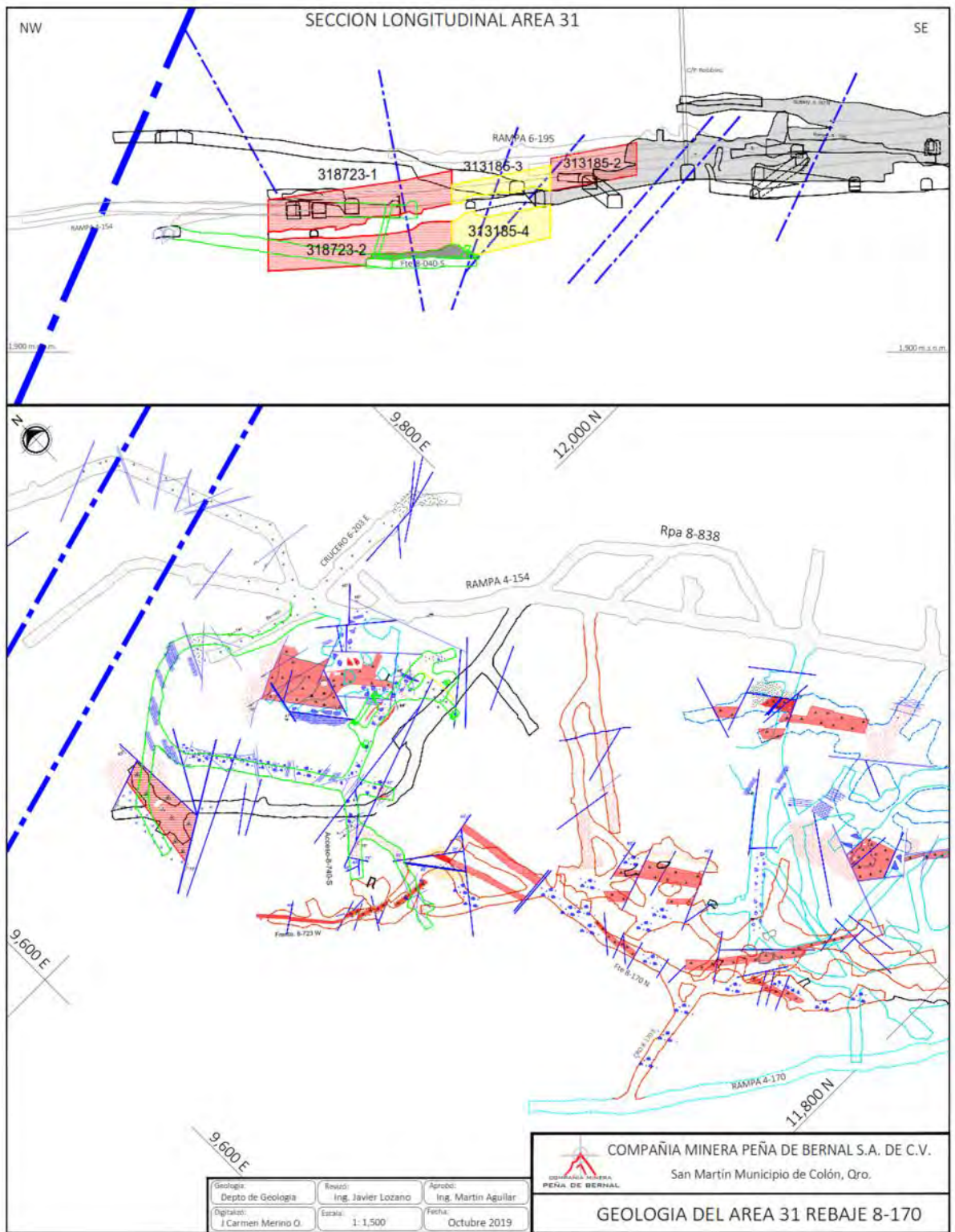
PROBADAS + PROBABLES	17,678	2.34	5.18	36	6	3,199
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**RECURSOS INFERIDOS DILUCION (20%)**

Block	Tons Diluidas	Ancho (m) Diluido	Au	Ag	AuEq	Onzas Totales
						0
	0	0.00	0	0	0	0

	17,678	2.34	5	36	5.63	3,199
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**To: United States Securities and Exchange  
Commission**  
**Re: Starcore International Mines Ltd. (the  
“Company”)**  
**Annual Report on Form 20-F**  
**Consent of Expert**

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This consent is provided in connection with the Company’s Annual Report on Form 20-F to be filed by the Company with the United States Securities and Exchange Commission and any amendments thereto (the “**Registration Statement**”).

I, Erme Enriquez, CPG, MSc of Durango, Mexico, hereby consent to:

- the use of my name in connection with my involvement in the preparation of the technical report entitled *“RESERVES AND RESOURCES IN THE SAN MARTIN MINE, QUERETARO STATE, MEXICO, AS OF SEPTEMBER 30, 2019”*, dated October 30, 2019, (the “**Technical Report**”);
- references to the Technical Report, or portions thereof, in the Annual Report;
- the inclusion of the information derived from the Technical Report in the Annual Report; and
- the identification of myself as the person responsible for ensuring that the technical information contained in the Annual Report is an accurate summary of the original reports and data provided to or developed by the Company.

Dated the 29<sup>th</sup> of July, 2020

  
ERME ENRIQUEZ, CPG, BSc, MSc



**Starcore International Mines Ltd.**  
**Consolidated Financial Statements**  
**For the years ended April 30, 2020 and April 30, 2019**  
**(Audited)**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Directors of  
Starcore International Mines Ltd.

***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated statements of financial position of Starcore International Mines Ltd. (the “Company”), as of April 30, 2020 and 2019, and the related consolidated statements of operations and comprehensive loss, cash flows, and changes in equity for the years ended April 30, 2020, 2019, and 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2020 and 2019, and the results of its operations and its cash flows for the years ended April 30, 2020, 2019, and 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2016.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 24, 2020



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

As at	April 30, 2020	April 30, 2019
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (note 5)	\$ 2,105	\$ 2,549
Amounts receivable (note 6)	2,250	3,096
Inventory (note 7)	1,663	1,488
Prepaid expenses and advances	282	379
<b>Total Current Assets</b>	<b>6,300</b>	7,512
<b>Non-Current</b>		
Mining interest, plant and equipment (note 8)	35,302	37,618
Right-of-use asset (note 10)	1,844	-
Exploration and evaluation assets (note 9)	5,976	5,511
Reclamation deposits	165	165
Deferred tax assets (note 19)	4,826	6,199
<b>Total Non-Current Assets</b>	<b>48,113</b>	49,493
<b>Total Assets</b>	<b>\$ 54,413</b>	\$ 57,005
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	\$ 2,441	\$ 3,399
Current portion of lease liability (note 10)	617	-
Current portion of loans payable (note 11)	3,196	1,507
<b>Total Current Liabilities</b>	<b>6,254</b>	4,906
<b>Non-Current</b>		
Loans payable (note 11)	-	3,081
Rehabilitation and closure cost provision (note 12)	1,014	1,254
Lease liability (note 10)	1,083	-
Deferred tax liabilities (note 19)	8,758	8,728
<b>Total Non-Current Liabilities</b>	<b>10,855</b>	13,063
<b>Total Liabilities</b>	<b>\$ 17,109</b>	\$ 17,969

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

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

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As at	April 30,	April 30,
Equity	2020	2019
Share capital (note 13)	\$ 50,725	\$ 50,725
Equity reserve	11,349	11,349
Foreign currency translation reserve	4,732	2,835
Accumulated deficit	(29,502)	(25,873)
<b>Total Equity</b>	<b>37,304</b>	<b>39,036</b>
<b>Total Liabilities and Equity</b>	<b>\$ 54,413</b>	<b>\$ 57,005</b>

Subsequent events (notes 8 and 11)

Commitments (note 15)

Approved by the Directors:

"Robert Eadie" Director

"Gary Arca" Director

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

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

<b>For the year ended April 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>			
Mining ore	\$ 24,820	\$ 27,053	\$ 21,005
Purchased concentrate	-	5,742	6,802
<b>Total Revenues</b>	<b>24,820</b>	<b>32,795</b>	<b>27,807</b>
<b>Cost of Operations</b>			
Mining ore	(19,150)	(22,975)	(20,672)
Purchased concentrate	-	(5,891)	(7,150)
Depreciation and depletion (note 8 & 10)	(3,686)	(3,893)	(4,913)
<b>Total Cost of Sales</b>	<b>(22,836)</b>	<b>(32,759)</b>	<b>(32,735)</b>
<b>Earnings (Loss) from mining operations</b>	<b>1,984</b>	<b>36</b>	<b>(4,928)</b>
Financing costs (note 11)	(554)	(311)	(61)
Foreign exchange gain (loss)	(369)	(125)	193
Management fees and salaries (notes 13 & 15)	(1,151)	(1,405)	(1,514)
Office and administration	(942)	(1,250)	(1,908)
Professional and consulting fees	(1,000)	(781)	(1,204)
Property investigation costs	-	(54)	(433)
Transfer agent and regulatory fees	(83)	(112)	(166)
Shareholder relations	(297)	(246)	(198)
<b>Loss before taxes and other loss</b>	<b>(2,412)</b>	<b>(4,248)</b>	<b>(10,219)</b>
<b>Other Loss</b>			
Allowance for receivables (note 8)	-	(441)	-
Impairment of Mining Interest, Plant and Equipment (note 8)	-	(4,804)	(6,713)
Disposal of Exploration and Evaluation Asset (note 9)	-	(82)	(1,013)
Loss on Sale of Altiplano (note 8)	(39)	-	-
<b>Total other loss</b>	<b>(39)</b>	<b>(5,327)</b>	<b>(7,726)</b>
<b>Loss before taxes</b>	<b>(2,451)</b>	<b>(9,575)</b>	<b>(17,945)</b>
<b>Income tax recovery (expense) (note 19)</b>			
Deferred	(1,178)	(2,229)	5,945
<b>Loss for the year</b>	<b>(3,629)</b>	<b>(11,804)</b>	<b>(12,000)</b>
<b>Other comprehensive loss (income)</b>			
<b>Item that may subsequently be reclassified to loss</b>			
Foreign currency translation differences	1,897	1,601	(3,975)
<b>Comprehensive loss for the year</b>	<b>\$ (1,732)</b>	<b>\$ (10,203)</b>	<b>\$ (15,975)</b>
<b>Basic loss per share (note 17)</b>	<b>\$ (0.07)</b>	<b>\$ (0.24)</b>	<b>\$ (0.24)</b>
<b>Diluted loss per share (note 17)</b>	<b>\$ (0.07)</b>	<b>\$ (0.24)</b>	<b>\$ (0.24)</b>

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



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

For the years ended April 30,	2020	2019	2018
<b>Cash provided by</b>			
<b>Operating activities</b>			
Loss for the year	\$ (3,629)	\$ (11,804)	\$ (12,000)
Items not involving cash:			
Depreciation and depletion	3,836	3,899	5,032
Income tax (recovery) (note 19)	1,178	2,229	(5,945)
Interest on long-term debt (note 11)	349	325	83
Rehabilitation and closure cost accretion (note 12)	72	90	64
Unwinding of discount on long-term debt (note 11)	115	101	-
Lease accretion (note 10)	89	-	-
Sale of Altiplano (note 6)	39	-	-
Share-based compensation (note 13)	44	(104)	(64)
Impairment of Mining Interest, Plant and Equipment (note 8)	-	4,804	6,713
Allowance for receivables	-	441	-
Loss on disposal of Exploration and Evaluation Asset (note 9)	-	82	1,013
<b>Cash generated by (used in) operating activities before working capital changes</b>	<b>2,093</b>	<b>63</b>	<b>(5,104)</b>
Change in non-cash working capital items			
Amounts receivable	1,022	(1,500)	(475)
Inventory	(216)	1,890	(1,181)
Prepaid expenses and advances	86	(36)	(78)
Trade and other payables	(246)	(425)	826
<b>Cash inflow (outflow) for operating activities</b>	<b>2,739</b>	<b>(8)</b>	<b>(6,012)</b>
<b>Financing activities</b>			
Issuance of shares (note 13)	-	-	125
Advance of loan payable (note 11)	-	2,940	1,283
Repayment of loan payable (note 11)	(1,411)	-	(1,213)
Interest paid (note 11)	(514)	-	(311)
Lease payment and accretion (note 10)	(524)	-	-
<b>Cash inflow (outflow) for financing activities</b>	<b>(2,449)</b>	<b>2,940</b>	<b>(116)</b>
<b>Investing activities</b>			
Cash acquired on sale of San Pedrito (note 8)	-	1,037	832
Cash acquired on sale of Altiplano (note 8)	1,836	-	-
Interest received	-	159	86
Investment in exploration and evaluation assets (note 9)	(427)	(385)	(481)
Purchase of mining interest, plant and equipment (note 8)	(2,687)	(3,152)	(2,190)
Sale of Exploration and Evaluation property (note 9)	-	-	128
Sale of short-term investments (note 5)	-	-	4,022
<b>Cash inflow (outflow) for investing activities</b>	<b>(1,278)</b>	<b>(2,341)</b>	<b>2,397</b>
<b>Total increase (decrease) in cash</b>	<b>(988)</b>	<b>591</b>	<b>(3,731)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>544</b>	<b>(363)</b>	<b>494</b>
<b>Cash, beginning of year</b>	<b>2,549</b>	<b>2,321</b>	<b>5,558</b>
<b>Cash, end of year</b>	<b>\$ 2,105</b>	<b>\$ 2,549</b>	<b>\$ 2,321</b>

Non-cash transactions for year ended April 30, 2020:

- a) \$nil broker warrants on Bond (2019- \$171)
- b) The Company accrued \$303 (2019 - \$883, 2018 - \$1,525) in equipment purchased through Trade payables.

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



**Starcore International Mines Ltd.**  
**Consolidated Statements of Changes in Equity for the years ended**  
**(in thousands of Canadian dollars except for number of shares)**

	<b>Number of Shares Outstanding</b>	<b>Share Capital</b>	<b>Equity Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance, April 30, 2017	49,146,851	\$ 50,605	\$ 11,173	\$ 5,209	\$ (2,069)	\$ 64,918
Issued for cash pursuant to:						
-Private placement at \$0.25 - (note 13)	500,000	120	5	-	-	125
Foreign currency translation differences	-	-	-	(3,975)	-	(3,975)
Loss for the year	-	-	-	-	(12,000)	(12,000)
Balance, April 30, 2018	49,646,851	50,725	11,178	1,234	(14,069)	49,068
Warrants issued (note 13)	-	-	171	-	-	171
Foreign currency translation differences	-	-	-	1,601	-	1,601
Loss for the year	-	-	-	-	(11,804)	(11,804)
Balance, April 30, 2019	49,646,851	50,725	11,349	2,835	(25,873)	39,036
Foreign currency translation differences	-	-	-	1,897	-	1,897
Loss for the year	-	-	-	-	(3,629)	(3,629)
<b>Balance, April 30, 2020</b>	<b>49,646,851</b>	<b>\$ 50,725</b>	<b>\$ 11,349</b>	<b>\$ 4,732</b>	<b>\$ (29,502)</b>	<b>\$ 37,304</b>

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

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

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**April 30, 2020**

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**1. Corporate Information**

Starcore International Mines Ltd. is the parent company of its consolidated group (the “Company” or “Starcore”) and was incorporated in Canada with its head office located at Suite 750 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6.

Starcore is engaged in exploring, extracting and processing gold and silver through its wholly-owned subsidiary, Compañía Minera Peña de Bernal, S.A. de C.V. (“Bernal”), which owns the San Martin mine in Queretaro, Mexico. The Company recently sold Altiplano GoldSilver S.A. de C.V (“Altiplano”), which owns the gold and silver concentrate processing plant in Matehuala, Mexico (see note 8).

The Company is also engaged in acquiring mining related operating assets and exploration assets in North America directly and through corporate acquisitions.

**2. Basis of Preparation**

a) Statement of Compliance

These consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on July 24, 2020.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value, as explained in the Company’s accounting policies discussed in note 3.

The consolidated financial statements are presented in Canadian dollars, which is also the parent company’s functional currency, and all values are rounded to the nearest thousand dollars, unless otherwise indicated.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries, which are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity’s activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. The Company’s wholly-owned subsidiary, Bernal, along with various other subsidiaries, carry out their operations in Mexico, U.S.A. and in Canada.

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

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

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**April 30, 2020**

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**3. Summary of Significant Accounting Policies**

The accounting policies set out below were applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Foreign Currency Translation

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

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

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

b) Foreign Operations

The assets and liabilities of foreign operations with Functional Currencies differing from the presentation currency, including fair value adjustments arising on acquisition, are translated to CAD at exchange rates in effect at the reporting date. The income and expenses of foreign operations with Functional Currencies differing from the presentation currency are translated into CAD at the year-to-date average exchange rates.

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

c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. At April 30, 2020, the Company had no cash equivalents. (At April 30, 2019, the Company had a short-term cash equivalent).

d) Revenue Recognition

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

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

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**April 30, 2020**

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

d) Revenue Recognition – (cont'd)

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

e) Inventory

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

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

Supplies are measured at average cost. In the event that the net realizable value of the finished product, the production of which the supplies are held for use in, is lower than the expected cost of the finished product, the supplies are written down to net realizable value. Replacement costs of supplies are generally used as the best estimate of net realizable value. The costs of inventories sold during the year are presented in the Company's profit and loss.

f) Mining Interest, Plant and Equipment

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

*Recognition and Measurement*

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

Mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized. Mine development costs incurred to maintain current production are included in the consolidated statement of operations and comprehensive loss. Exploration costs relating to the current mine in production are expensed to net income as incurred due to the immediate exploitation of these areas or an immediate determination that they are not exploitable.

Borrowing costs that are directly attributable to the acquisition and preparation for use, are capitalized. Capitalization of borrowing costs begins when expenditures are incurred and activities are undertaken to prepare the asset for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred.

The capitalization of borrowing costs is discontinued when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Capitalized borrowing costs are amortized over the useful life of the related asset.

**April 30, 2020**

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

*Major Maintenance and Repairs*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial year in which they are incurred.

*Subsequent Costs*

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

*Leased Equipment*

"IFRS 16 – Leases" was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Leases are recognized as a right-to-use asset with a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

**April 30, 2020**

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

*Depreciation and Impairment*

Mining interest, plant and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depletion of mine properties is charged on a unit-of-production basis over proven and probable reserves and resources expected to be converted to reserves. Currently the depletion base is approximately 10 years of expected production. Depreciation of plant and equipment and corporate office equipment, vehicles, software and leaseholds is calculated using the straight-line method, based on the lesser of economic life of the asset and the expected life of mine of approximately 10 years. Where components of an asset have different useful lives, depreciation is calculated on each separate part. Depreciation commences when an asset is available for use. At the end of each calendar year estimates of proven and probable gold reserves and a portion of resources expected to be converted to reserves are updated and the calculations of amortization of mining interest, plant and equipment is prospectively revised.

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

Mining interests, plant and equipment that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

**April 30, 2020**

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

g) Rehabilitation and Closure Cost Provision

The Company records a provision for the estimated future costs of rehabilitation and closure of operating and inactive mines and development projects, which are discounted to net present value using the risk-free interest rates applicable to the future cash outflows. Estimates of future costs represent management's best estimates which incorporate assumptions on the effects of inflation, movements in foreign exchange rates and the effects of country and other specific risks associated with the related liabilities. The provision for the Company's rehabilitation and closure cost obligations is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs in the Consolidated Statement of Operations and Comprehensive Loss. The provision for rehabilitation and closure cost obligations is re-measured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities, changes to cost estimates and changes to risk free interest rates.

Rehabilitation and closure cost obligations relating to operating mines and development projects are initially recorded with a corresponding increase to the carrying amounts of related mining properties. Changes to the obligations are also accounted for as changes in the carrying amounts of related mining properties, except where a reduction in the obligation is greater than the capitalized rehabilitation and closure costs, in which case, the capitalized rehabilitation and closure costs is reduced to nil and the remaining adjustment is included in production costs in the Consolidated Statement of Operations and Comprehensive Loss. Rehabilitation and closure cost obligations related to inactive mines are included in production costs in the Consolidated Statement of Operations and Comprehensive Loss on initial recognition and subsequently when re-measured.

h) Exploration and Evaluation Expenditures

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

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

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

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

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

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

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**April 30, 2020**

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

i) Financial Instruments

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

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

*Recognition*

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

*Classification and Measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.



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

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**April 30, 2020**

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

i) Financial Instruments – (cont'd)

*Classification and Measurement* – (cont'd)

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets consist of cash and cash equivalents, which is classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in profit or loss and amounts receivable, which is classified at amortized cost. The Company's financial liabilities consist of trade and other payables and loans payable, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit or loss.

*Impairment*

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Fair value hierarchy

Financial instruments recognized at fair value on the consolidated balance sheets must be classified into one of the three following fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted observed in active markets) for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability;

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

j) Income Taxes

Current tax and deferred taxes are recognized in the Company's profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

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

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

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**April 30, 2020**

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

j) Income Taxes – (cont'd)

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

k) Share Capital

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

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

l) Profit or Loss per Share

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

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

m) Share-based Payments

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

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

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

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

**April 30, 2020**

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

m) Share-based Payments – (cont'd)

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations. All equity-settled share based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Where vesting conditions are not satisfied and options are forfeited, the Company reverses the fair value amount of the unvested options which had been recognized over the vesting period.

n) New and Revised Accounting Standards

The following accounting standards have been issued or amended but are not yet effective. The Company has not early adopted these new and amended standards. The Company continues to evaluate the new standards but currently no material impact is expected as a result of the adoptions of these new and amended standards:

- IAS 1 "Presentation of Financial Statements"
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- IAS 16 "Property, Plant and Equipment"
- IFRS 9 "Financial Instruments"

**4. Critical Accounting Estimates and Judgments**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

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

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**April 30, 2020**

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

a) Economic Recoverability and Profitability of Future Economic Benefits of Mining Interests

Management has determined that mining interests, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

b) Impairments

The Company assesses its mining interest, plant and equipment assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

c) Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time that the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provision may be higher or lower than currently provided.

The inflation rate applied to estimated future rehabilitation and closure costs is 3.5% and the discount rate currently applied in the calculation of the net present value of the provision is 8%.

d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

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

**April 30, 2020**

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

e) Mineral Reserves and Mineral Resource Estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral reserve and mineral resources based on information compiled by Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. Such information includes geological data on the size, depth and shape of the mineral deposit, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade that comprise the mineral reserves. Changes in the mining reserve or mineral resource estimates may impact the carrying value of mineral properties and deferred development costs, property, plant and equipment, provision for site reclamation and closure, recognition of deferred income tax assets and depreciation and amortization charges.

f) Units of production depletion

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in depreciation charges proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumption, including the amount of recoverable reserves and estimate of future capital expenditure. Changes are accounted for prospectively.

**5. Cash and Cash Equivalents**

At April 30, 2020, the Company's Guaranteed Investment Certificate ("GIC") had a market value of \$nil (April 30, 2019 - \$1,011).

**6. Amounts Receivable**

	April 30, 2020	April 30, 2019
Taxes receivable	\$ 1,152	\$ 2,486
Trades receivable	736	394
Sale of Altiplano (Note 8)	279	-
Other	83	216
	<b>\$ 2,250</b>	<b>\$ 3,096</b>

**7. Inventory**

	April 30, 2020	April 30, 2019
Carrying value of inventory:		
Doré	\$ 680	\$ 467
Work-in-process	185	130
Stockpile	43	53
Supplies	755	838
	<b>\$ 1,663</b>	<b>\$ 1,488</b>

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**April 30, 2020**

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

	Mining Interest	Plant and Equipment Mining	Plant and Equipment Altiplano	Corporate Office Equipment	Total
<b>Cost</b>					
Balance, April 30, 2018	\$ 64,358	\$ 23,176	\$ 6,654	\$ 692	\$ 94,880
Additions	1,338	1,055	92	25	2,510
Impairment write-down	-	-	(5,576)	(2)	(5,578)
Effect of foreign exchange	2,734	1,238	876	-	4,848
Balance, April 30, 2019	68,430	25,469	2,046	715	96,660
Additions	1,613	251	-	10	1,874
Sale of Altiplano	-	-	(2,137)	-	(2,137)
Effect of foreign exchange	2,733	883	91	-	3,707
<b>Balance, April 30, 2020</b>	<b>\$ 72,776</b>	<b>\$ 26,603</b>	<b>\$ -</b>	<b>\$ 725</b>	<b>\$ 100,104</b>
<b>Depreciation</b>					
Balance, April 30, 2018	\$ 40,312	\$ 11,919	\$ 650	\$ 523	\$ 53,404
Depreciation for the year	1,923	1,768	118	90	3,899
Impairment write-down	-	-	(774)	-	(774)
Effect of foreign exchange	1,701	806	6	-	2,513
Balance, April 30, 2019	43,936	14,493	-	613	59,042
Depreciation for the year	1,374	1,851	-	78	3,303
Impairment write-down	-	-	-	-	-
Effect of foreign exchange	1,814	643	-	-	2,457
<b>Balance, April 30, 2020</b>	<b>\$ 47,124</b>	<b>\$ 16,987</b>	<b>\$ -</b>	<b>\$ 691</b>	<b>\$ 64,802</b>
<b>Carrying amounts</b>					
<b>Balance, April 30, 2019</b>	<b>\$ 24,494</b>	<b>\$ 10,976</b>	<b>\$ 2,046</b>	<b>\$ 102</b>	<b>\$ 37,618</b>
<b>Balance, April 30, 2020</b>	<b>\$ 25,652</b>	<b>\$ 9,616</b>	<b>\$ -</b>	<b>\$ 34</b>	<b>\$ 35,302</b>

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**Starcore International Mines Ltd.**  
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**April 30, 2020**

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**8 Mining Interest, Plant and Equipment – (cont'd)**

Sale of Altiplano Facility

On August 5, 2015, the Company acquired Cortez Gold Corp. (“Cortez”) in an all-share transaction completed pursuant to a court approved Plan of Arrangement under the Business Corporations Act (British Columbia). Cortez, through its subsidiary, Altiplano, owns and manages the Altiplano facility which processes third party gold and silver concentrate in Matehuala, Mexico.

The Company accepted an offer on July 5, 2019, to purchase 100% of the shares of Altiplano for US\$1.6 million. The stock purchase agreement requires the payment of the US\$1.6 million in instalments as to US\$0.5 million on closing (received), US\$0.5 million on August 31, 2019 (received), and US\$0.2 million each 3 months from November 30, 2019 (received two payments, and third was received subsequent to April 30, 2020) to May 31, 2020. As a result, management had written down the plant and land at April 30, 2019 to US \$1,600, less estimated selling costs of \$100. The Company recorded an impairment of \$4,804 to the Statements of Operations and Comprehensive Loss during the year ended April 30, 2019. Remaining working capital amounts of Altiplano of \$39 have been expensed to the income statement in the current period.

Sale of San Pedrito

On March 21, 2017, the Company finalized the sale of its San Pedrito Property, a non-core asset located in Queretaro, Mexico for Mexican Pesos (“MXN\$”) 192,784,331 and reported a gain of \$7,128 on the Statement of Operations and Comprehensive Loss during the year ended April 30, 2017. During the prior year ending April 30, 2019, the Company received MXN\$ 15,000,000 (\$1,027) and interest of MXN\$ 2,300,000 (\$159) on 6 ha of the remaining 14 ha of parcels to be paid and made an allowance for the remaining receivable of \$441 to the Statements of Operations and Comprehensive Loss.

**9. Exploration and Evaluation Assets**

a) American Consolidated Minerals (“AJC”) properties

Pursuant to the Acquisition of AJC, the Company has acquired the rights to exploration properties as follows:

i) *Toiyabe, U.S.A*

The Company has the right to acquire a 100% undivided interest, subject to a 3% NSR, in 165 mining claims located in Lander County, Nevada, United States of America (“Toiyabe”) from MinQuest. Consideration to be paid for the interest is USD\$900 (payable over 5 years commencing October 19, 2018) and the Company must incur total exploration expenditures of USD\$1,025 on the property by October 19, 2018 (incurred) as agreed by MinQuest. MinQuest is a mineral exploration and project development company. Annual payments commencing October 19, 2018 are \$60 (paid), \$80 (paid), \$100, \$120, \$140 and \$400 respectively. The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of USD \$2,000 per each 1% of the royalty.

ii) *Lone Ranch, U.S.A*

The Company acquired the right to a 100% undivided interest, in 73 mining claims located in Ferry County, Washington State, United States of America. During the prior year ended April 30, 2019, management decided to abandon the property and all costs associated with this property were written off in the Statements of Operations and Comprehensive Loss.

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**Starcore International Mines Ltd.**  
**Notes to the Consolidated Financial Statements**  
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**April 30, 2020**

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**9 Exploration and Evaluation Assets – (cont'd)**

a) American Consolidated Minerals (“AJC”) properties – (cont'd)

iii) *Sierra Rosario, Mexico*

The Company acquired a 100% interest in the 978-hectare Sierra Rosario Property, over 2 claims that are located in the state of Sinaloa, Mexico. During the year ended April 30, 2019, the Company completed the sale of the property for proceeds of \$128 (\$100 USD). The excess of property costs over the recovered amount of \$1,013 (2018 - \$Nil; 2017 - \$Nil) was recognized as a loss in the Statement of Profit or Loss and Other Comprehensive Income (Loss) in the year ended April 30, 2018.

b) Creston Moly (“Creston”) properties

Pursuant to the Acquisition of Creston the Company has acquired the rights to three exploration properties as follows:

i) *El Creston Project, Mexico*

The Company acquired a 100% interest in the nine mineral claims known as the El Creston molybdenum property located northeast of Hermosillo, State of Sonora, Mexico, which has completed a Preliminary Economic Assessment on the property based on zones of porphyry-style molybdenum (“Mo”)/copper (“Cu”) mineralization. The mineral concessions are subject to a 3% net profits interest.

ii) *Ajax Project, Canada*

The Company acquired a 100% interest in six mineral claims known as the Ajax molybdenum property located in B.C.

c) Santa Fe property

On November 21, 2017, the Company announced it had entered into a Letter of Intent (“LOI”) with third parties to acquire the Santa Fe property located in the state of Sinaloa, Mexico. During the year ended April 30, 2018, the Company completed its due diligence and decided not to proceed with the acquisition. The Santa Fe property investigation costs of \$433, as well as costs on other properties being investigated, were expensed as property investigation costs in the prior year.



**Starcore International Mines Ltd.**  
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**9. Exploration and Evaluation Assets – (cont'd)**

	AJC Properties	Creston Properties	Total
<b>Acquisition costs:</b>			
<b>Balance, April 30, 2020, 2019 and 2018</b>	<b>\$ 36</b>	<b>\$ 2,001</b>	<b>\$ 2,037</b>
<b>Exploration costs:</b>			
Balance, April 30, 2018	\$ 1,809	\$ 1,331	\$ 3,140
Geological	22	1	23
Maintenance	121	273	394
Property Disposition	(82)	-	(82)
Recovery of property cost	(32)	-	(32)
Foreign Exchange	22	9	31
Balance, April 30, 2019	\$ 1,860	\$ 1,614	\$ 3,474
Maintenance	147	280	427
Exploration cost	1	-	1
Foreign Exchange	-	37	37
<b>Balance, April 30, 2020</b>	<b>\$ 2,008</b>	<b>\$ 1,931</b>	<b>\$ 3,939</b>
<b>Total Exploration and evaluation assets</b>			
Balance, April 30, 2019	\$ 1,896	\$ 3,615	\$ 5,511
<b>Balance, April 30, 2020</b>	<b>\$ 2,044</b>	<b>\$ 3,932</b>	<b>\$ 5,976</b>

**10. Leases**

Effective May 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for the year ended April 30, 2019 has not been restated. Comparative amounts for the year ended April 30, 2019 remains as previously reported under IAS 17 and related interpretations.

**Starcore International Mines Ltd.**  
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**10. Leases – (cont’d)**

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liabilities. Lease liabilities have been measured by discounting future lease payments at the incremental borrowing rate at May 1, 2019. The incremental borrowing rate applied was 8% per annum and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment. On adoption of IFRS 16, the Company recognized lease liabilities in relation its head office in Canada and machinery in Mexico. Using a discount rate of 8%, the Company recognized additions to lease liabilities and right-of-use assets of \$2,302. The right-of-use asset was amortized on a straight-line basis of \$533 and there was a foreign exchange gain of \$75. The following is a reconciliation of the changes in the lease liabilities:

	Starcore	Bernal	Total
Opening balance	\$ —	\$ —	\$ —
Lease liabilities recognized on adoption of IFRS 16	312	427	739
Additions	-	1,329	1,329
Lease accretion	23	66	89
Payments	(66)	(459)	(525)
Foreign exchange	-	68	68
<b>Lease liabilities</b>	<b>\$ 269</b>	<b>\$ 1,431</b>	<b>\$ 1,700</b>

**11. Loan Payable**

On June 18, 2018, the Company completed a private placement of secured bonds in the aggregate principal amount of \$3,000 (the “Bonds”) less structuring and finder’s fees of \$60 cash and \$171 attributed to finders warrants, totaling \$231 (the “Discount”). The Bonds bear interest at 8% per annum, payable on maturity, and mature on June 18, 2020. The Bonds are secured by a charge over all of the Company’s assets. Subsequent to the year ended April 30, 2020, the Bonds were paid out with accrued interest.

The Company has issued 3,000,000 warrants to the bond holders, each warrant entitling the bond holders to acquire one share of Starcore at a price of \$0.20, expiring on June 18, 2021. The Company determined a value of \$171 on the warrants, which was included in the Discount, based on the Black-Scholes model with the following assumptions:

Stock price	\$ 0.17
Exercise price	\$ 0.20
Dividend rate	0%
Expected Life	3 years
Expected annual volatility	56%
Risk-free rate	1.45%

During the year ended April 30, 2018, the Company secured \$1,282 (USD \$1,000) loan (“Loan”) with a lender. The Loan is secured against certain assets of the Company and bears interest at 8% per annum, compounded and paid annually. The interest on the loan was paid to the lender on October 25, 2019, and the lender agreed to extend the loan for additional 6 months to April 25, 2020. On April 25, 2020, the loan amount was repaid along with interest for a total repayment of US\$1,040,000.

**Starcore International Mines Ltd.**  
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**11 Loan Payable – (cont'd)**

Changes to the loans payable balance during the year ending April 30, 2019 and the year ending April 30, 2020 are as follows:

	Principal	Interest	Discount	Total
Balance, April 30, 2018	\$ 1,282	\$ 52	\$ -	\$ 1,334
Financing, June 18, 2018	3,000	-	(231)	2,769
Discount	-	-	101	101
Interest accrual	-	325	-	325
Foreign exchange adjustment	59	-	-	59
Balance, April 30, 2019	4,341	377	(130)	4,588
Discount	-	-	115	115
Interest paid	-	(514)	-	(514)
Interest accrual	-	349	-	349
Loan repayment	(1,411)	-	-	(1,411)
Foreign exchange adjustment	69	-	-	69
<b>Balance, April 30, 2020</b>	<b>\$ 2,999</b>	<b>\$ 212</b>	<b>\$ (15)</b>	<b>\$ 3,196</b>

	April 30, 2020	April 30, 2019
Current	\$ 3,196	\$ 1,507
Non-Current	\$ -	\$ 3,081
	<b>\$ 3,196</b>	<b>\$ 4,588</b>

**Starcore International Mines Ltd.**  
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**April 30, 2020**

**11. Loan Payable – (cont'd)**

The Company's financing costs for the year ended April 30, 2020, 2019, and 2018 as reported on its Consolidated Statement of Operations and Comprehensive Loss can be summarized as follows:

<b>For the year ended April 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Unwinding of discount on rehabilitation and closure accretion (note 12)	\$ 72	\$ 90	\$ 64
Discount unwinding on debt repaid (note 11)	115	101	-
Lease accretion	23	-	-
San Pedrito Interest (note 8)	-	(159)	-
Interest on diesel equipment lease	3	21	-
Interest expense on debt (note 11)	349	325	83
Interest revenue	(8)	(67)	(86)
	<b>\$ 554</b>	<b>\$ 311</b>	<b>\$ 61</b>

**12. Rehabilitation and Closure Cost Provision**

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At April 30, 2020, the present value of obligations is estimated at \$1,014 (April 30, 2019 - \$1,254) based on expected undiscounted cash-flows at the end of the mine life of MXN\$17,740 or \$1,028 (April 30, 2019 - \$1,278), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 8% (April 30, 2019 – 8%) and an inflation rate of 3.5% (April 30, 2019 – 3.5%).

Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, closing portals to underground mining areas and other costs.

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

	<b>April 30, 2020</b>	<b>April 30, 2019</b>
Balance, beginning of period	\$ 1,254	\$ 1,162
Accretion expense	72	90
Foreign exchange fluctuation	(312)	2
	<b>\$ 1,014</b>	<b>\$ 1,254</b>

**13. Share Capital**

a) Common Shares

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

The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time. All shares are ranked equally with regard to the Company's residual assets.

During the year ended April 30, 2020 and April 30, 2019, the Company did not issue any common shares.

**Starcore International Mines Ltd.**  
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**13. Share Capital – (cont'd)**

b) Warrants

A summary of the Company's outstanding share purchase warrants at April 30, 2020 and April 30, 2019 and the changes during the period ended is presented below:

	Number of warrants	Weighted average exercise price
Outstanding at April 30, 2018	250,000	\$ 0.30
Warrants issued	3,000,000	0.20
<b>Outstanding at April 30, 2019 April 30, 2020</b>	<b>3,250,000</b>	<b>\$ 0.21</b>

During the year ending April 30, 2019, the Company issued 3,000,000 warrants exercisable at \$0.20 expiring June 18, 2021. These warrants were issued in conjunction with the issuance of the Bond (see note 11). A summary of the Company's outstanding share purchase warrants is presented below:

	Number of Warrants	Exercise Price	Expiry Date
	250,000	\$ 0.30	March 7, 2022
	3,000,000	\$ 0.20	June 18, 2021

c) Share-based Payments

The Company, in accordance with the policies of the TSX, was previously authorized to grant options to directors, officers, and employees to acquire up to 20% of the amount of stock outstanding. In January 2014, the Company's shareholders voted to cancel the Company's option plan and, as a result, the Company's Board of Directors may not grant further options. The Company's management and directors are reviewing alternative compensation arrangements for the Company's employees and directors.

The following is a summary of changes in options, which are still outstanding, for the periods ending April 30, 2020 and April 30, 2019:

	Number of Shares	Weighted Average Exercise Price
Balance at April 30, 2018	948,750	\$ 0.88
Forfeited/expired	(948,750)	0.88
<b>Outstanding and Exercisable at April 30, 2019 and April 30, 2020</b>	<b>-</b>	<b>\$ -</b>

During the year ended April 30, 2019, 948,750 options exercisable at \$0.88 expired unexercised.

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**13. Share Capital – (cont'd)**

d) Deferred Share Units (“DSU”) & Restricted Share Units (“RSU”)

Effective August 1, 2016, The Board of Directors approved the adoption of a Restricted Share Unit and Deferred Share Unit Plan (the “RSU/DSU Plan”) as part of the Company’s compensation arrangements for directors, officers, employees or consultants of the Company or a related entity of the Company. Although the RSU/DSU Plan is share-based, all vested RSUs and DSUs will be settled in cash. No common shares will be issued.

RSU

The RSU plan is for eligible members of the Board of Directors, eligible employees and eligible contractors. The RSUs vest over a period of three years from the date of grant, vesting as to one-third at the end of each calendar year. In addition to the vesting period, the Company has also set Performance Conditions that will accompany vested RSUs.

The Performance Conditions to be met are established by the Board at the time of grant of the RSU. RSUs that are permitted to be carried over to the succeeding years shall expire no later than August 1st of the third calendar year after the year in which the RSUs have been granted and will be terminated to the extent the performance objectives or other vesting criteria have not been met. The RSU share plan transactions during the year were as follows:

	Units
Outstanding at April 30, 2018	1,241,250
Expired	(58,750)
Exercised	(117,500)
Cancelled	(33,125)
Outstanding at April 30, 2019	1,031,875
Expired	(701,875)
<b>Outstanding at April 30, 2020</b>	<b>330,000</b>

Management has determined that 50% of the RSU’s will be deemed payable on the vesting dates based on current performance criteria measures. As such only 50% of the RSU’s have been valued at fair value of \$0.09 (2019 - \$0.075) per share. The liability portion for the year ended April 30, 2020 is \$30 (April 30, 2019 - \$33) which has been included under Trades and Other Payables on the Statement of Financial Position. No RSU’s were granted in the current fiscal year.

DSU

The Company introduced a DSU plan for eligible directors. The DSUs are paid in full in the form of a lump sum payment no later than August 1st of the calendar year immediately following the calendar year of termination of service. DSU Awards going forward will vest on each anniversary date of the grant over a period of 3 years. The DSU share plan transactions during the period were as follows:

	Units
<b>Outstanding at April 30, 2018, April 30, 2019 and April 30, 2020</b>	<b>1,010,000</b>

Based on the fair value of \$0.09 (2019 - \$0.075) per share, the Company has recorded a liability of \$90 under Trades and Other Payable on the Statement of Financial Position (April 30, 2019 - \$69).

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**Starcore International Mines Ltd.**  
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**April 30, 2020**

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**14. Financial Instruments**

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Cash and cash equivalents are carried at their fair value. There are no material differences between the carrying values and the fair values of any other financial assets or liabilities. In the normal course of business, the Company's assets, liabilities and future transactions are impacted by various market risks, including currency risks associated with inventory, revenues, cost of sales, capital expenditures, interest earned on cash and the interest rate risk associated with floating rate debt.

a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At April 30, 2020, the Company had the following financial assets and liabilities denominated in CAD and denominated in MXN\$:

	<b>CAD</b>	<b>MXN\$</b>
Cash	\$ 293	\$ 11,325
Other working capital amounts – net	(119)	6,066
Long-term liabilities	\$ (3,196)	\$ -

At April 30, 2020, US dollar amounts were converted at a rate of \$1.3934 Canadian dollars to \$1 US dollar and MXN\$ were converted at a rate of MXN\$24.0671 to \$1 US Dollar. A 10% increase or decrease in the US dollar exchange may increase or decrease annual earnings from mining operations by approximately \$650. A 10% increase or decrease in the MXN\$ exchange rate will decrease or increase annual earnings from mining operations by approximately \$213.

b) Interest Rate Risk

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

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

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and cash equivalents, the balance of which at April 30, 2020 is \$2,105 (April 30, 2019 - \$2,549).

**Starcore International Mines Ltd.**  
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**April 30, 2020**

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

c) Credit Risk – (cont’d)

Cash of \$953 (April 30, 2019 - \$349) are held at a Mexican financial institution, cash of \$905 (April 30, 2019 – \$1,037) is held at a US financial institution and the remainder of \$247 (April 30, 2019 - \$151) and the cash equivalent of \$nil (April 30, 2019 - \$1,011) are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. The taxes receivable are comprised of Mexican VAT taxes receivable of \$1,073 (April 30, 2019 - \$2,462) and GST receivable of \$79 (April 30, 2019 - \$24), which are subject to review by the respective tax authority.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company’s objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves. As at April 30, 2020, the Company was holding cash of \$2,105 (April 30, 2019- \$2,549).

Obligations due within twelve months of April 30,	2020	2021	2022	2023 and beyond
Trade and other payables	\$ 2,441	\$ -	\$ -	\$ -
Loan payable	3,196	-	-	-
Reclamation and closure obligations	\$ -	\$ -	\$ -	\$ 1,014

The Company’s trade and other payables are due in the short term. Long-term obligations include the Company’s reclamation and closure cost obligations, other long-term liabilities and deferred income taxes. Management believes that profits generated from the mine will be sufficient to meet its financial obligations.

e) Commodity Risk

Mineral prices and marketability fluctuate and any decline in mineral prices may have a negative effect on the Company. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of minerals which may be produced and sold by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its resources to processing facilities and extensive government regulations related to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company. A 10% decrease or increase in metal prices may result in a decrease or increase of \$2,482 in revenue and net income.



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**Starcore International Mines Ltd.**  
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**April 30, 2020**

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**15. Commitments and Related Party Transactions**

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at April 30, 2020:

- a) As at April 30, 2020, the Company has shared lease commitments for office space of approximately \$144 per year, expiring at various dates up to April 2025, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.
- b) As at April 30, 2020, the Company has a land lease agreement commitment with respect to the land at the mine site, for \$132 per year which is currently being renegotiated. The Company also has ongoing commitments on the exploration and evaluation assets of approximately \$260 per year increasing over the next 5 years for the AJC properties (see Note 9).
- c) As at April 30, 2020, the Company has management contracts to officers and directors totaling \$450 per year, payable monthly, expiring in April 2022 and US\$236 per year, payable monthly, expiring in August 2021.

The Company paid the following amounts to key management and directors in the years:

<b>For the year ended April 30,</b>	<b>2020</b>	2019	2018
Management fees	\$ 838	\$ 943	\$ 1,112
Legal fees	23	3	64
Directors fees	72	82	86
<b>Total</b>	<b>\$ 933</b>	<b>\$ 1,028</b>	<b>\$ 1,262</b>

**16. Capital Disclosures**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in the consolidated statements of changes in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements and there were no changes to the capital management in the period ended April 30, 2020.

**17. Earnings per Share**

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

The denominator for the calculation of income per share, being the weighted average number of common shares, is calculated as follows as 49,646,851 shares for 2020 and 2019 (2018 – 49,220,824). As at April 30, 2020 and April 30, 2019, all stock options and warrants outstanding were excluded from dilutive weighted average shares outstanding as they were anti-dilutive.

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**18. Segmented Information**

The Company operates in three reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	Mexico			Total	Canada	USA	April 30, 2020 Total
	Bernal	Cortez/Altiplano	Other				
Revenue							
Mined Ore	\$ 24,820	\$ —	\$ —	\$ 24,820	\$ —	\$ —	\$ 24,820
Cost of sales:							
Mined Ore	(19,150)	—	—	(19,150)	—	—	(19,150)
Depreciation	(3,686)	—	—	(3,686)	—	—	(3,686)
Earnings from operations	1,984	—	—	1,984	—	—	1,984
Corporate costs and taxes	(3,022)	(31)	43	(3,010)	(2,534)	(30)	(5,574)
Sale of Altiplano	—	(39)	—	(39)	—	—	(39)
Loss for the year	(1,038)	(70)	43	(1,065)	(2,534)	(30)	(3,629)
Mining interest, plant and equipment	35,268	—	—	35,268	34	—	35,302
Non-Current Assets	39,511	—	3,186	42,697	3,207	2,209	48,113
Total assets	\$ 44,829	\$ 48	\$ 3,392	\$ 48,269	\$ 3,930	\$ 2,214	\$ 54,413

	Mexico			Total	Canada	USA	April 30, 2019 Total
	Bernal	Cortez/Altiplano	Other				
Revenue							
Mined Ore	\$ 27,053	\$ —	\$ —	\$ 27,053	\$ —	\$ —	\$ 27,053
Purchase Concentrate	1,633	4,109	—	5,742	—	—	5,742
Cost of sales:							
Mined Ore	(22,975)	—	—	(22,975)	—	—	(22,975)
Purchase Concentrate	(1,550)	(4,341)	—	(5,891)	—	—	(5,891)
Depreciation	(3,775)	(118)	—	(3,893)	—	—	(3,893)
Earnings (loss) from operations	386	(350)	—	36	—	—	36
Corporate costs and taxes	(2,999)	(972)	(161)	(4,132)	(2,357)	(24)	(6,513)
Bad debt expense San Pedrito	(441)	—	—	(441)	—	—	(441)
Write off Mining Interest	—	(4,804)	—	(4,804)	—	—	(4,804)
Disposal of Exploration and Evaluation	—	—	—	—	—	(82)	(82)
Loss for the year	(3,054)	(6,126)	(161)	(9,341)	(2,357)	(106)	(11,804)
Mining interest, plant and equipment	35,470	2,046	—	37,516	102	—	37,618
Total assets	\$ 44,956	\$ 2,228	\$ 3,517	\$ 50,701	\$ 4,219	\$ 2,085	\$ 57,005

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**18. Segmented Information – (cont'd)**

	Bernal	Mexico Altiplano	Other	Total	Canada	USA	April 30, 2018 Total
<b>Revenue</b>							
Mined Ore	\$ 21,005	\$ —	\$ —	\$ 21,005	\$ —	\$ —	\$ 21,005
Purchase Concentrate	3,976	2,826	—	6,802	—	—	6,802
<b>Cost of sales:</b>							
Mined Ore	(20,532)	—	(140)	(20,672)	—	—	(20,672)
Purchase Concentrate	(3,654)	(3,496)	—	(7,150)	—	—	(7,150)
Depreciation	(4,492)	(421)	—	(4,913)	—	—	(4,913)
Earnings (loss) from operations	(3,697)	(1,091)	(140)	(4,928)	—	—	(4,928)
Corporate costs and taxes	4,343	294	(409)	4,228	(3,586)	12	654
Write off Mining Interest	(6,713)	—	—	(6,713)	—	—	(6,713)
Disposal of Exploration and Evaluation	(1,079)	—	118	(961)	—	(52)	(1,013)
Loss for the year	(7,145)	(797)	(432)	(8,374)	(3,586)	(40)	(12,000)
Mining interest, plant and equipment	35,302	6,005	1	41,308	168	—	41,476
<b>Total assets</b>	<b>\$ 48,614</b>	<b>\$ 8,095</b>	<b>\$ 3,930</b>	<b>\$ 60,639</b>	<b>\$ 3,537</b>	<b>\$ 2,150</b>	<b>\$ 66,326</b>

During the period ended April 30, 2020, the Company earned all of its revenues from one customer. As at April 30, 2020, the Company does not consider itself to be economically dependent on this customer as transactions with this party can be easily replaced by transactions with other parties on similar terms and conditions. The balance owing from this customer on April 30, 2020 was \$736 (April 30, 2019 - \$514).

**19. Income Taxes**

Current and deferred income tax expenses differ from the amount that would result from applying the Canadian statutory income tax rates to the Company's earnings before income taxes. This difference is reconciled as follows:

<b>For the year ended April 30,</b>	<b>2020</b>	2019	2018
Loss before income taxes	\$ (2,451)	\$ (9,575)	\$ (17,945)
Income tax expense (recovery) at statutory rate	(662)	(2,532)	(5,981)
Difference from higher statutory tax rates on earnings of foreign subsidiaries	822	1,749	(917)
Losses expired	742	1,426	-
Permanent Difference	60	1,550	-
Effect of Mexican mining royalty tax (SMD) on deferred income tax liabilities	(473)	-	(375)
Recognition of previously unrecognized non-capital loss carry forward and other deductible tax benefits	689	36	1,328
<b>Income tax (recovery) expense</b>	<b>\$ 1,178</b>	<b>\$ 2,229</b>	<b>\$ (5,945)</b>

In September 2017, the British Columbia (BC) Provincial Government of Canada proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been measured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate to 27% (2019 - 27%; 2018 -27%).

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**19. Income Taxes – (cont’d)**

The significant components of the Company’s deferred income tax assets and liabilities are as follows:

	<b>April 30, 2020</b>	April 30, 2019
Deferred income tax assets (liabilities):		
Mining interest, plant and equipment	\$ (6,110)	\$ (6,787)
Payments to defer	(15)	(286)
Insurance	(38)	(16)
Reclamation and closure costs provision	638	991
Exploration assets	(223)	932
Expenses reserve	82	120
Pension-fund reserve	60	118
Deferred mining tax	(1,168)	(1,641)
Non-capital losses and other deductible tax benefits	2,227	3,504
Plant and equipment	627	536
Other	(12)	—
Deferred income tax liabilities, net	\$ (3,932)	\$ (2,529)

	<b>April 30, 2020</b>	April 30, 2019
Non-Capital losses	\$ 18,722	\$ 11,586
Property and equipment	1,704	1,828
Exploration and evaluation assets	10,905	22,240
	\$ 31,331	\$ 35,654

The Non-Capital losses are set to expire between 2026 and 2038 while the remaining loss carry forwards have no set expiry date. In accordance with Mexican tax law, Bernal is subject to income tax. 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.

**Mexico Tax Reform**

During December 2013, the 2014 Tax Reform (the “Tax Reform”) was published in Mexico’s official gazette with changes taking effect January 1, 2014. The Tax Reform included the implementation of a 7.5% Special Mining Duty (“SMD”) and a 0.5% Extraordinary Mining Duty (“EMD”). The Company has taken the position that SMD is an income tax under IAS 12 *Income tax*, as it is calculated based on a form of earnings before income tax less certain specified costs. The EMD is a calculation based on gross revenue and is therefore not considered an income tax. Both the SMD and EMD will be deductible for income tax purposes.

Management is currently disputing the SMD, in a joint action lawsuit with other Mexican mining companies, with the applicable Mexican government authority. Management believes that the SMD is unconstitutional and should be overturned. In accordance with IFRS reporting standards, however, the estimated effect of the SMD has been accrued to the current and deferred income tax provisions as stated above. Should the Company be successful in overturning the SMD, in whole or in part, the accrued tax liabilities stated above will be reversed to recovery of income taxes in the applicable period.