Starcore International Mines Ltd.

Consolidated Financial Statements

For the year ended July 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Starcore International Mines Ltd.

We have audited the accompanying consolidated financial statements of Starcore International Mines Ltd., which comprise the consolidated statements of financial position as at July 31, 2014 and July 31, 2013, and the consolidated statements of operations and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starcore International Mines Ltd. as at July 31, 2014 and July 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
October 27, 2014
Vancouver Canada

Starcore International Mines Ltd.
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

As at		**July 31, 2014**		July 31, 2013
Assets				
Current				
Cash	**$**	**5,454**	$	5,638
Short-term investments (note 5)		**4,324**		2,710
Amounts receivable (note 6)		**3,409**		1,979
Inventory (note 7)		**2,464**		1,689
Prepaid expenses and advances		**891**		2,425
Total Current Assets		**16,542**		14,441
Non-Current				
Mining interest, plant and equipment (note 8)		**44,488**		42,078
Deferred tax assets (note 18)		**4,064**		3,018
Total Non-Current Assets		**48,552**		45,096
Total Assets	**$**	**65,094**	$	59,537
Liabilities				
Current				
Trade and other payables	**$**	**3,252**	$	1,936
Loan payable (note 9)		**-**		3,479
Total Current Liabilities		**3,252**		5,415
Non-Current				
Rehabilitation and closure cost provision (note 10)		**1,128**		1,053
Deferred tax liabilities (note 18)		**13,167**		10,420
Other long-term liabilities (note 11)		**-**		424
Total Non-Current Liabilities		**14,295**		11,897
Total Liabilities	**$**	**17,547**	$	17,312

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

Starcore International Mines Ltd.
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

As at		July 31, 2014		July 31, 2013
Equity				
Share capital (note 12)	$	**44,023**	$	43,752
Equity reserve		**11,213**		10,754
Foreign currency translation reserve		**(915)**		(2,542)
Accumulated deficit		**(6,774)**		(9,739)
Total Equity		**47,547**		42,225
Total Liabilities and Equity	$	**65,094**	$	59,537

Commitments (notes 12, 14 and 19)
Subsequent events (notes 12 and 19)

Approved by the Directors:

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

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

Starcore International Mines Ltd.
Consolidated Statements of Operations and Comprehensive Income
(in thousands of Canadian dollars except per share amounts)

For the years ended July 31,		**2014**		2013
Revenues				
Mined ore	**$**	**33,136**	$	30,246
Cost of Sales (note 7)				
Mined ore		**18,577**		16,955
Depreciation and depletion		**5,971**		4,993
Total Cost of Sales		**24,548**		21,948
Earnings from mining operations		**8,588**		8,298
Financing costs (net) (note 9)		**(286)**		(1,141)
Foreign exchange gain (loss)		**494**		(306)
Professional and consulting fees		**(402)**		(399)
Management fees and salaries (notes 12 and 14)		**(1,538)**		(1,047)
Office and administration		**(1,467)**		(1,016)
Shareholder relations		**(233)**		(223)
Write-down for obsolete equipment		**(125)**		(113)
Earnings before taxes		**5,031**		4,053
Income tax (provision) recovery (note 18)				
Current		**(601)**		(209)
Deferred		**(1,465)**		858
Earnings for the year		**2,965**		4,702
Other comprehensive income				
Item that may subsequently be reclassified to (loss) income				
Foreign currency translation differences		**1,627**		752
Comprehensive income for the year	**$**	**4,592**	$	5,454
Basic earnings per share (note 17)	**$**	**0.02**	$	0.03
Diluted earnings per share (note 17)	**$**	**0.02**	$	0.03

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 July 31,		**2014**		2013
Cash provided by				
Operating activities				
Earnings for the year	**$**	**2,965**	$	4,702
Items not involving cash:				
Depreciation and depletion		**6,004**		5,002
Share-based compensation (note 12)		**466**		261
Interest revenue		**(4)**		(8)
Interest on long-term debt (note 9)		**33**		543
Unwinding of discount on long-term debt (note 9)		**104**		523
Employee profit sharing provision (note 11)		**(424)**		(97)
Rehabilitation and closure cost accretion (note 10)		**84**		77
Write-down for obsolete equipment		**125**		113
Income tax (recovery) expense (note 18)		**2,066**		(649)
Cash generated by operating activities before working capital changes		**11,419**		10,467
Change in non-cash working capital items				
Prepaid expenses and advances		**1,675**		1,151
Amounts receivable		**(1,307)**		1,595
Inventory		**(671)**		788
Trade and other payables		**437**		(17)
Income tax paid		**192**		-
Cash provided by operating activities		**11,745**		13,984
Financing activities				
Share issuances		**19**		497
Repayment of loan payable		**(3,583)**		(4,667)
Interest paid		**(33)**		(543)
Cash outflows for financing activities		**(3,597)**		(4,713)
Investing activities				
Purchase of short-term investments		**3,150**		(2,700)
Sale of short-term investments		**(4,770)**		1,600
Interest received		**4**		10
Purchase of mining interest, plant and equipment		**(5,967)**		(3,828)
Cash outflows for investing activities		**(7,583)**		(4,918)
Total increase/(decrease) in cash		**565**		4,353
Effect of foreign exchange rate changes on cash		**(749)**		(390)
Cash, beginning of year		**5,638**		1,675
Cash, end of year	**$**	**5,454**	$	5,638

Non-cash transactions - note 12

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 July 31, 2014 and 2013
(in thousands of Canadian dollars, except for number of shares)

		Number of Shares Outstanding	Share Capital	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Deficit (Note 11)	Total
Balance, July 31, 2012		139,796,651	$ 43,053	$ 10,620	$ (3,294)	$ (14,441)	$ 35,938
Issued for cash pursuant to:							
Issued as a bonus on financing	- at $0.25	300,000	75	-	-	-	75
Issued for cash pursuant to:							
Exercise of warrants	- at $0.15	3,261,814	613	(124)	-	-	489
Exercise of agent warrants	- at $0.25	32,000	11	(3)	-	-	8
Share-based compensation		-	-	261	-	-	261
Foreign currency translation		-	-	-	752	-	752
Earnings for the year		-	-	-	-	4,702	4,702
Balance, July 31, 2013		143,390,465	43,752	10,754	(2,542)	(9,739)	42,225
Issued for cash pursuant to:							
Exercise of stock options	- at $0.15	125,000	26	(7)	-	-	19
Deferred tax effect of share issue costs		-	245	-	-	-	245
Share-based compensation		-	-	466	-	-	466
Foreign currency translation		-	-	-	1,627	-	1,627
Earnings for the year		-	-	-	-	2,965	2,965
Balance, July 31, 2014		**143,515,465**	**$ 44,023**	**$ 11,213**	**$ (915)**	**$ (6,744)**	**$ 47,547**

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

1. Corporate Information

Starcore International Mines Ltd. is the parent company of its consolidated group (the "Company" or "Starcore") and was incorporated in Canada with its head office located at Suite 750 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6.

Starcore is engaged in extracting, processing and exploring for gold and silver in Mexico. On February 1, 2007, the Company acquired Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico, from Luismin S.A. de C.V. ("Luismin"), a wholly owned subsidiary of Goldcorp, Inc. (the "Acquisition"). Pursuant to the Acquisition, the Company paid US$24 million or $28.2 million and issued 4,729,600 common shares to Luismin at a fair value of US$2 million or $2,365 based upon the Toronto Stock Exchange ("TSX") trading value of the Company's shares at the date of the Agreement. The San Martin mine has been in operation since 1993 producing gold and silver and is a self sustaining mining operation in Mexico. Bernal is the Company's sole source of operating cash flows.

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").

The financial statements were authorized for issue by the Board of Directors on October 21, 2014.

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, Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), along with various other subsidiaries carry out their operations in Mexico and in Canada.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.

3. Summary of Significant Accounting Policies

The accounting policies set out below 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 Canadian dollars ("CAD") and the functional currency of its subsidiaries is United States dollars ("USD") (collectively "the Functional Currency"). Foreign currency accounts are translated into the Functional Currency as follows:

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

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

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 Canadian dollars 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 Canadian dollars 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 ("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 July 31, 2014 and 2013, the Company had no cash equivalents.

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

d) Revenue Recognition

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

Revenues from metal concentrate sales are subject to adjustment upon final settlement of metal prices, weights, and assays as of a date that 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.

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

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

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. Exploration costs relating to the current mine in production are expensed to net income as incurred due to the immediate exploitation of these areas or an immediate determination that they are not exploitable.

Borrowing costs that are directly attributable to the acquisition and preparation for use, are capitalized. Capitalization of borrowing costs, begins when expenditures are incurred and activities are undertaken to prepare the asset for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred.

The capitalization of borrowing costs is discontinued when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Capitalized borrowing costs are amortized over the useful life of the related asset.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be 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

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

Assets under operating leases are not capitalized and rental payments are included in earnings based on the terms of the lease.

Derecognition

Upon sale or abandonment, the cost of the property, plant, and equipment and related accumulated depreciation or depletion, are removed from the accounts and any gains or losses thereon are included in operations.

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

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

The Company reviews and evaluates its mining interests, plant and equipment for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the 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.

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 Income. 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 Income. Rehabilitation and closure cost obligations related to inactive mines are included in production costs in the Consolidated Statement of Operations and Comprehensive Income on initial recognition and subsequently when re-measured.

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

h) Exploration and Evaluation Expenditures

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

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

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

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

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

i) Financial Instruments

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

Loans and Receivables

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

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

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

i) Financial Instruments – (cont'd)

Available-for-Sale

Non-derivative financial assets not included in the above category are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/ income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, which constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income is recognized in the Company's profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to the Company's profit or loss.

Impairment of Financial Assets

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

Financial Liabilities

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

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

Derivative Liabilities

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

The Company has no derivative instruments as at July 31, 2014 and 2013.

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

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.

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

k) Share Capital

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

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

l) Profit or Loss per Share

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

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

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

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.

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.

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

n) New and revised accounting standards

Effective August 1, 2013, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB. The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised standards:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 19R *Employee benefits*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*

Amended standards and interpretations:

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities*

The following accounting standards have been issued 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:

- IFRS 9 *Financial Instruments: Recognition and Measurement*
- IFRS 14 *Regulatory Deferral Accounts*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 21 *Leases*

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.

4. Critical Accounting Estimates and Judgments (cont'd)

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:

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 of 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.

4. Critical Accounting Estimates and Judgments (cont'd)

d) Income Taxes – (cont'd)

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.

e) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees, and some with non-employees, by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, expected forfeiture rate, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

5. Short-term Investments

At July 31, 2014, the Company held a Guaranteed Investment Certificate ("GIC") denominated in United States Dollars ("USD") with a market value of $3,924 (2013 - $2,710), earning interest income at 0.2% per annum and maturing on November 5, 2014. The Company also holds a GIC denominated in Mexican Pesos with a market value of $400 (2013 - $Nil) earning interest income at 2.50% per annum on a month to month basis.

These GICs are cashable at the Company's option and are considered to be highly liquid. The Company's short-term investments are held at two financial institutions and as such the Company is exposed to the risks of those financial institutions.

6. Amounts Receivable

July 31,		**2014**		2013
Taxes receivable	**$**	**2,856**	$	1,741
Trade receivables		**351**		150
Other		**202**		88
	$	**3,409**	$	1,979

7. Inventory

July 31,		**2014**		2013
Carrying value of inventory:				
Doré	**$**	**1,141**	**$**	**717**
Work-in-process		**190**		**139**
Stockpile		**238**		**127**
Supplies		**895**		**706**
	$	**2,464**	**$**	**1,689**

7. Inventory – (cont'd)

For the year ended July 31,	2014	2013
Inventory included in cost of sales:		
Mined ore	**$ 18,577**	$ 16,955

8. Mining Interest, Plant and Equipment

	Mining Interest	Plant and Equipment	Corporate Office Equipment	Total
Cost				
Balance, July 31, 2012	$ 45,978	$ 10,956	$ 243	$ 57,177
Additions	2,819	927	82	3,828
Write-down of equipment	-	(246)	-	(246)
Change in ARO assumptions	(586)	-	-	(586)
Effect of foreign exchange	1,147	48	-	1,195
Balance, July 31, 2013	49,358	11,685	325	61,368
Additions	3,464	2,503	-	5,967
Write-down of equipment	-	(253)	-	(253)
Effect of foreign exchange	3,037	958	-	3,995
Balance, July 31, 2014	**$ 55,859**	**$ 14,893**	**$ 325**	**$ 71,077**
Depreciation				
Balance, July 31, 2012	$ 10,160	$ 3,749	$ 208	$ 14,117
Depreciation for the year	4,144	827	31	5,002
Write-down of equipment	-	(133)	-	(133)
Effect of foreign exchange	330	(26)	-	304
Balance, July 31, 2013	14,634	4,417	239	19,290
Depreciation for the year	5,012	1,041	33	6,086
Write-down of equipment	-	(129)	-	(129)
Effect of foreign exchange	933	409	-	1,342
Balance, July 31, 2014	**$ 20,579**	**$ 5,738**	**$ 272**	**$ 26,589**
Carrying amounts				
Balance, July 31, 2013	$ 34,724	$ 7,268	$ 86	$ 42,078
Balance, July 31, 2014	**$ 35,280**	**$ 9,155**	**$ 53**	**$ 44,488**

9. Loan payable

During the year ended July 31, 2012, the Company secured an $11 million credit facility (the “Facility”) with Sprott Resource Lending. The facility was used to settle the hedge liability originally entered into with Investec Bank PLC (“Investec”) pursuant to a Loan Facility entered into on purchase of the mine in 2007. The Facility bore interest at 11% per annum, payable monthly, with monthly principal payments of $917 to be made commencing May 31, 2012 and amended to $Nil on December 19, 2012, with the final payment amended to a balloon payment on October 31, 2013. The Facility was guaranteed by the Company's wholly owned subsidiary, Bernal, and was secured by a fixed and floating charge and specific registration over all of the assets of the Company and Bernal, including the San Martin gold and silver mine in Queretaro, Mexico, and a pledge of all of the shares of Bernal held by the Company.

On August 30, 2013, the Company paid the remaining $3,583 of the Facility, settling its obligation in full and without penalty.

In consideration for the Facility, the Company paid structuring fees, finder’s fees and legal fees of $376 and issued 1,000,000 common shares. The fair value of the shares has been determined to be equal to the market price on the date of grant, being $0.36 per share or $360. Subject to the amendment on December 19, 2012, the Company issued an additional 300,000 shares with a market value of $0.25 per share totaling $75. The Facility was classified as an other financial liability at amortized cost of $11,000, less the fair value of the shares, structuring, finder’s and legal fees, totaling $811 (the “Discount”). As a result, the recorded liability to repay the Facility was lower than its face value.

The Discount was being charged to the Company’s profit and loss and added to the liability over the life of the Facility. On August 30, 2013, pursuant to the full payment of the Facility and thereby settling its obligation in full, the Company made payments consisting of $3,583 in repayment of principal (2013: $4,667) and $33 of interest (2013: $543). Over the year, the remaining $104 (2013: $523) of the Discount was recognized as a financing cost in the Company’s total earnings.

	Principal	Discount	Total
Balance, July 31, 2012	$ 8,250	$ (552)	$ 7,698
Financing, May 17, 2012	-	(75)	(75)
Payments made during the year	(4,667)	-	(4,667)
Unwinding of discount	-	523	523
Balance, July 31, 2013	3,583	(104)	3,479
Payments made during the year	(3,583)	-	(3,583)
Unwinding of discount	-	104	104
Balance, July 31, 2014	**$ -**	**$ -**	**$ -**

During the year ended July 31, 2014, the Company paid $69 (2013 - $Nil) in legal fees pursuant to the settlement of the Facility which were recognized in the Consolidated Statements of Operations and Comprehensive Income as incurred.

9. Loan Payable – (cont'd)

The Company's financing costs (net) for the years ended July 31, 2014 and 2013 as reported on its Consolidated Statement of Operations and Comprehensive Income can be summarized as follows:

For the year ended July 31,	2014	2013
Unwinding of discount on rehabilitation and closure accretion (Note 10)	**$ 84**	$ 77
Facility discount unwinding	**104**	523
Facility interest expense	**33**	543
Facility settlement legal fees	**69**	-
Interest revenue	**(4)**	(2)
	$ 286	$ 1,141

10. Rehabilitation and Closure Cost Provision

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At July 31, 2014, the present value of obligations is estimated at $1,128 (2013 - $1,053) based on expected undiscounted cash-flows at the end of the mine life of 20,564,000 Mexican pesos ("MP") or $1,693 (2013 - $1,705), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 8% (2013 – 8%), an inflation rate of 3.5% (2013 – 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:

	July 31, 2014	July 31, 2013
Balance, beginning of year	**$ 1,053**	$ 1,505
Accretion expense	**84**	77
Revision to assumptions and estimates	**-**	(586)
Foreign exchange fluctuation	**(9)**	57
	$ 1,128	$ 1,053

11. Other Long – Term Liabilities

Under Mexican tax laws, the Company's Mexican subsidiary is required to remit 10% of taxable income to employees as statutory profit-sharing. The provision for profit-sharing is based on accounting income and the amounts are payable based on the Company's Mexican subsidiary earning taxable income.

12. 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 July 31, 2014, the Company issued:
- 125,000 shares pursuant to the exercise of stock options at $0.15 per share for proceeds of $19. The fair value of the options as determined on the date of issuance, being $7, was transferred to the Company's share capital from equity reserve on exercise.

During the year ended July 31, 2014, the Company adjusted the deferred tax effect on share issuance costs which resulted in an adjustment of $244.

During the year ended July 31, 2013, the Company issued:
- 300,000 shares pursuant to the amendment of the Facility agreement at $0.25 per share or $75 (Note 9);
- 3,261,814 shares pursuant to the exercise of share purchase warrants at $0.15 per share for proceeds of $489. The fair value of the warrants as determined on the date of issuance, being $124, was transferred to the Company's share capital from equity reserve on exercise;
- 32,000 shares pursuant to the exercise of share purchase agent warrants at $0.25 per share for proceeds of $8. The fair value of the warrants as determined on the date of issuance, being $3, was transferred to the Company's share capital from equity reserve on exercise.

b) Warrants

A summary of the Company's outstanding share purchase warrants at July 31, 2014 and 2013 and the changes during the years then ended is presented below:

	Number of warrants	Weighted average exercise price	Equity reserve Amount
Outstanding at July 31, 2012	8,231,614	$ 0.27	$ 948
Warrants exercised	(3,261,814)	0.15	(124)
Agent Warrants exercised	(32,000)	0.25	(3)
Agent Warrants expired	(432,800)	0.25	-
Outstanding at July 31, 2013	4,505,000	0.35	821
Warrants expired	(4,505,000)	0.35	(821)
Outstanding at July 31, 2014	**-**	**$ -**	**$ -**

During the year ended July 31, 2014, 4,505,000 warrants expired unexercised.

12. Share Capital - (cont'd)

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 common stock outstanding. Options could be granted for a maximum term of 5 years. Optioned shares will vest and may be exercised in accordance with the vesting provisions set out as follows:

(a) 1/3 of the options granted will vest six months after the grant date;
(b) A further 1/3 of the options granted will vest twelve months after the grant date; and
(c) The remaining 1/3 of the options granted will vest eighteen months after the grant date.

In January, 2014, the Company's shareholders voted to cancel the Company's stock 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 from July 31, 2013 to July 31, 2014:

	Number of Shares	Weighted Average Exercise Price
Balance at July 31, 2012	13,305,000	$0.22
Forfeited/expired	(125,000)	$0.21
Balance at July 31, 2013	13,180,000	$0.23
Granted	5,645,000	$0.22
Exercised	(125,000)	$0.15
Forfeited/expired	(100,000)	$0.15
Outstanding at July 31, 2014	**18,600,000**	**$0.23**
Exercisable at July 31, 2014	**14,836,667**	**$0.23**

The following is a summary of outstanding stock options at July 31, 2014:

Number Outstanding	Weighted Average Price	Weighted Average Life
5,815,000	$0.15	0.28
1,000,000	$0.21	0.45
400,000	$0.15	0.65
150,000	$0.15	1.77
400,000	$0.20	2.46
1,940,000	$0.25	2.49
3,250,000	$0.37	2.70
800,000	$0.25	4.06
275,000	$0.20	4.06
200,000	$0.23	4.10
200,000	$0.25	4.12
4,170,000	$0.22	4.46
18,600,000	$0.23	2.25

12. Share Capital - (cont'd)

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

The fair value of stock options granted during the year, have been estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

	2014	2013
Weighted average share price	$0.22	-
Weighted average exercise price	$0.22	-
Risk-free interest rate	1.62%	-
Expected life	5 years	-
Expected volatility	74.01%	-
Expected dividend yield	0%	-

During the year ended July 31, 2014, the Company had share-based compensation expense of $467 (2013: $261), which has been recorded in the statement of comprehensive income and credited to equity reserve. These amounts have been expensed as follows:

For the year ended July 31,		**2014**		2013
Cost of Sales – Mined ore	**$**	**48**	$	42
Management fees and salaries		**365**		221
Office and administration		**54**		(1)
Shareholder relations		**-**		(1)
	$	**467**	$	261

Subsequent to the year ended July 31, 2014, 2,575,000 options were exercised at $0.15 per option for net proceeds of $386 and 500,000 options at $0.21 were cancelled by the Company.

d) Dividend Paid and Declared

Subsequent to the year ended July 31, 2014, the Board of Directors declared the first annual dividend in the Company's history. A dividend of $0.02 per share (total of $2,922) was paid on the Common Shares of the capital of the Company on September 30, 2014 to shareholders of record on August 29, 2014.

13. 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 short-term investments are carried at their fair value. There are no other material differences between the carrying values and the fair values of any financial assets or liabilities.

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

Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At July 31, 2014, the Company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos (MP):

	In '000 of CDN Dollars		In '000 of Mexican Pesos (MP)	
Cash & Cash Equivalents	$	471	MP	6,316
Other working capital amounts - net	$	126	MP	3,484

At July 31, 2014, US dollar amounts were converted at a rate of $1.089 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP13.24 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 $489. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately $274.

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.

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, the balance of which at July 31, 2014 is $5,454 (2013 - $5,638) and $4,324 (2013 - $2,710), respectively. Cash of $151 (2013 - $102) and short-term investments of $400 are held at a Mexican financial institution, the remainder of $5,303 (2013 - $5,536) and the short-term investment of $3,924 (2013 - $2,710) are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. All trade receivables are owed from three customers and are receivable in US dollars.

13. Financial Instruments – (cont'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 July 31, 2014, the Company was holding cash of $5,454 (2013 - $5,638) and short-term investments of $4,324 (2013 - $2,710).

Obligations due within twelve months of July 31,	2014	2015	2016	2017	2018 and beyond
Trade and other payables	$ 3,252	$ -	$ -	$ -	$ -
Reclamation and closure obligations	-	-	-	-	1,693

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.

14. Commitments

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at July 31, 2014:

a) As at July 31, 2014, the Company has shared lease commitments for office space of approximately $160 per year, expiring at various dates up to September 2017, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.

b) As at July 31, 2014, the Company has a land lease agreement commitments with respect to the land at the mine site, for $132 per year until December 2017.

c) As at July 31, 2014, the Company has management contracts to officers and directors totaling $600 per year, payable monthly, expiring in January 2017.

During the years ended July 31, 2014 and 2013, the Company paid the following amounts to key management and directors:

For the year ended July 31,	**2014**	2013
Management fees	**$ 900**	$ 600
Legal fees	**14**	15
Directors fees	**41**	96
Technical advisory committee	**-**	9
Share-based payments	**215**	143
Total	**$ 1,170**	$ 863

The Company also reimburses a private company owned by a director for direct expenditures made on behalf of the Company, including, but not limited to, expenditures for office expenses, rent, salaries and communications.

15. Segmented Information

During the year ended July 31, 2014, 100% of the Company's reportable sales were to three third parties and only two parties provided more than 10% of the Company's total revenue. The balance owing from these customers on July 31, 2014 was $351 (July 31, 2013 - $150). The Company operates in two reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	Mexico	Canada	July 31, 2014 Total
Revenue	$ 33,136	$ -	**$ 33,136**
Earnings (loss) for the year	5,859	(2,894)	**2,965**
Mining interest, plant and equipment	44,429	59	**44,488**
Total assets	59,020	6,074	**65,094**

	Mexico	Canada	July 31, 2013 Total
Revenue	$ 30,246	$ -	$ 30,246
Earnings (loss) for the year	7,442	(2,740)	4,702
Mining interest, plant and equipment	41,992	86	42,078
Total assets	55,241	4,296	59,537

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.

17. Earnings per Share

The Company calculates the basic and diluted income (loss) per common share using the weighted average number of common shares outstanding during each period and the diluted income (loss) per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year.

The denominator for the calculation of loss per share, being the weighted average number of common shares, is calculated as follows:

For the year ended July 31,	**2014**	2013
Issued common share, beginning of year	**143,390,465**	139,796,651
Weighted average issuances	**53,082**	1,472,976
Basic weighted average common shares	**143,443,547**	141,269,627
Effect of dilutive warrants and options	**918,929**	3,383,448
Diluted weighted average common shares	**144,362,476**	144,653,075

Vested share purchase options totalling 8,471,667 and unvested share purchase options outstanding of 3,763,333, at July 31, 2014, were not included in the computation of diluted earnings per share.

18. 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:

Year ended July 31,		**2014**		2013
Earnings (loss) before income taxes	**$**	**5,032**	$	4,053
Canadian statutory income tax rate		**26%**		25.33%
Income tax expense (recovery) at statutory rate		**1,308**		1,027
Difference from higher statutory tax rates on earnings of foreign subsidiaries		**127**		171
Effect of change in substantively enacted tax rate in Mexico on deferred income tax liabilities		**625**		-
Effect of Mexican mining royalty tax (SMD) on deferred income tax liabilities		**2,362**		-
Mexican mining royalty tax (SMD)		**135**		
Recovery of Mexican flat tax (IETU)		**-**		(991)
Recognition of previously unrecognized non-capital loss carry forward and other deductible tax benefits		**(2,305)**		(934)
Unrecognized benefit of temporary differences and others		**(186)**		78
Income tax expense(recovery)	**$**	**2,066**	$	(649)

The Company's statutory rate is 26% for the year ended July 31, 2014 (2013: 25.33%). The significant components of the Company's deferred income tax assets and liabilities are as follows:

July 31,		**2014**		2013
Deferred income tax assets (liabilities):				
Mining interest, plant and equipment	**$**	**(13,606)**	$	(8,326)
Payments to defer		**(469)**		(399)
Insurance		**(21)**		(46)
Reclamation and closure costs provision		**689**		599
Expenses reserve		**81**		103
Pension-fund reserve		**202**		87
Share issuance costs		**22**		23
Non-capital losses and other deductible tax benefits		**3,750**		121
Other		**249**		436
Deferred income tax liabilities, net	**$**	**(9,103)**	$	(7,402)

18. Income Taxes – (cont'd)

Unrecognized deductible temporary differences, unused tax losses and unused tax credits are attributable to the following:

July 31,		**2014**		2013
Share issuance costs	**$**	**-**	$	171
Net capital losses		**369**		369
Non-capital losses		**-**		6,531
Resource pools		**865**		6,436
Unrealized foreign exchange losses		**1,603**		2,142
	$	**2,837**	$	15,649

At July 31, 2014, the Company has tax losses of approximately $4,893 (July 31, 2013: $4,171) in Canada and $Nil (July 31, 2013: $Nil) in Mexico available for carry-forward to reduce future years' taxable income, expiring between 2027 and 2033 in Canada. In addition the Company has tax resource pools and other deductible amounts available of $4,978 (July 31, 2013: $6,436), amortizable at various rates from 100% to 10% without expiry. The Company also has net capital losses, in Canada, of approximately $369 (July 31, 2013: $369) for carry-forward to reduce future years' taxable capital gains. Deferred income tax assets have been recognized only to the extent the Company believes it is probable they will be utilized in the future.

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 eliminates the gradual tax rate reduction to 28% that was enacted in 2012. As a result, the tax rate for 2014 and thereafter will remain at 30%. Mexican tax law also required a calculation of Business Flat Tax ("IETU") which has been repealed.

The Tax Reform also 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.

The effect of this change in the rate at which taxes are determined was to add an additional $625 to the deferred tax provision with a corresponding increase to net deferred tax liabilities. The SMD resulted in a further one time charge to the provision for deferred taxes, with a corresponding one-time increase to net deferred tax liabilities of $2,362.

18. Income Taxes – (cont'd)

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.

19. Subsequent Events

Normal Course Issuer Bid

On August 26, 2014, the Company received approval from TSX for normal course issuer bid to purchase common shares of the Company. Company has allocated up to $1,000,000 for purchases of its common stock. Based on current market prices, Company may purchase up to 6,666,666 common shares, representing 4.7% of the public float (143,515,465 as at August 22, 2014).

The Company's normal course issuer bid will commence on August 29, 2014 and terminate on August 28, 2015 or earlier if the number of shares sought in the issuer bid has been obtained. The Company reserves the right to terminate the bid earlier if it feels it is appropriate to do so.

Acquisition of American Consolidated Minerals Corp.

On October 1, 2014, the Company signed a definitive arrangement agreement with American Consolidated Minerals Corp. ("AJC") (TSXV: AJC) (the "LOI") that would see the Company acquire all of the outstanding securities of AJC in an all-share transaction to be completed pursuant to a court approved Plan of Arrangement under the Business Corporations Act (British Columbia) (the "Arrangement").

AJC is a Vancouver-based mineral exploration company with three exploration projects located in the United States and Mexico.

The LOI provides that AJC shareholders will be entitled to receive one common share of the Company (a "Starcore Share") for three (3) common shares of AJC (the "AJC Shares") held by such AJC shareholder (the "Exchange Ratio"), subject to adjustment, pursuant to the Arrangement. In addition, each holder of the outstanding stock options and common share purchase warrants of AJC (the "AJC Options") will receive such number of replacement options or warrants of the Company (the "Starcore Options") based upon the Exchange Ratio, and the exercise price of the replacement Starcore Options will be adjusted based upon the Exchange Ratio. Currently, there are 17,569,191 AJC Shares, Nil AJC Options and 1,671,416 common share purchase warrants outstanding. In connection with the Transaction, the Company will issue approximately 5,856,397 Starcore Shares, and 557,139 common share purchase warrants. Following completion of the Transaction, former AJC shareholders would hold less than 4% of the outstanding Company shares.

The Transaction will be subject to the approval of the Supreme Court of British Columbia, the TSX and the TSX Venture Exchange. Completion of the Transaction is further subject to the approval by two-thirds of the votes cast by the holders of AJC Shares and AJC Options voting together as a class and who are present and voting at a special meeting of AJC shareholders to be called to consider the Transaction.

The Letter of Intent includes deal-protection provisions in favour of Starcore, including a non-solicitation covenant from AJC (except for certain unsolicited approaches) and a break fee upon signing the definitive agreement of $200,000 if, following an unsolicited superior proposal, AJC wishes to pursue that proposal.