MANAGEMENT DISCUSSION & ANALYSIS
For the period ended October 31, 2012

Directors and Officers as at December 13, 2012:

Directors:

Gary Arca
Serge Depatie
Robert Eadie
Jordan Estra
Dave Gunning
Michael Gunning
Cory Kent
Ken Sumanik
Federico Villaseñor

Officers:

Executive Chairman, Chief Executive Officer & Interim President – Robert Eadie
Chief Financial Officer – Gary Arca
Chief Operating Officer – Dave Gunning
Corporate Secretary – Cory Kent

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Form 51-102-F1

STARCORE INTERNATIONAL MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Period Ended October 31, 2012

1. Date of This Report

This MD&A is prepared as of December 13, 2012.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements of Starcore International Mines Ltd. ("Starcore", or the "Company") for the period ended October 31, 2012. **Monetary amounts throughout this MD&A are shown in thousands of Canadian dollars, unless otherwise stated.**

This MD&A includes certain statements that may be deemed "forward-looking statements". Such statements and information include without limitation: statements regarding timing and amounts of capital expenditures and other assumptions; estimates of future reserves, resources, mineral production and sales; estimates of mine life; estimates of future mining costs, cash costs, minesite costs and other expenses; estimates of future capital expenditures and other cash needs, and expectations as to the funding thereof; statements and information as to the projected development of certain ore deposits, including estimates of exploration, development and production and other capital costs, and estimates of the timing of such exploration, development and production or decisions with respect to such exploration, development and production; estimates of reserves and resources, and statements and information regarding anticipated future exploration; the anticipated timing of events with respect to the Company's minesite and; statements and information regarding the sufficiency of the Company's cash resources. Such statements and information reflect the Company's views as at the date of this document and are subject to certain risks, uncertainties and assumptions, and undue reliance should not be placed on such statements and information. Many factors, known and unknown could cause the actual results to be materially different from those expressed or implied by such forward looking statements and information. Such risks include, but are not limited to: the volatility of prices of gold and other metals; uncertainty of mineral reserves, mineral resources, mineral grades and mineral recovery estimates; uncertainty of future production, capital expenditures, and other costs; currency fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks, risks associated with foreign operations; risks related to title issues; governmental and environmental regulation; the volatility of the Company's stock price; and risks associated with the Company's forward sales derivative strategies. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

2. Overall Performance

Description of Business

Starcore is engaged in exploring, extracting and processing gold and silver through its wholly-owned subsidiary, Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico. The Company is a public reporting issuer on the Toronto Stock Exchange ("TSX"). The Company is also engaged in owning, acquiring, exploiting, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company has interests in properties which are exclusively located in Mexico.

Recent Events

On December 5, 2012, the Company announced results for a recently completed Reserve estimate for its San Martin Mine in Queretaro, Mexico.

The result of the estimate, effective as of July 31, 2012 is Proven and Probable reserves totalling 651,605 tonnes at a grade of 2.21 g Au/t and 30 g Ag/t. In addition to the Proven and Probable Reserves, an Inferred Mineral Resource is estimated at 998,000 tonnes at an approximate grade of 2.18 g Au/t and 28 g Ag/t. Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability. See Section 4.1 for more detail.

3. Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

		July 31, 2012		July 31, 2011		July 31, 2010
		IFRS		IFRS		Pre-Changeover GAAP
Revenues	**$**	**57,039**	$	39,465	$	23,201
Cost of Sales		**(35,349)**		(25,511)		(13,765)
Earnings from mining operations		**21,690**		13,954		9,436
Administrative Expenses		**(3,854)**		(15,770)		(2,798)
Other Items		**-**		-		(10,718)
Total earnings (loss)						
(i) Total earnings (loss)	**$**	**14,335**	$	(4,177)	$	(3,728)
(ii) Earnings (loss) per share - basic	**$**	**0.11**	$	(0.05)	$	(0.05)
(iii) Earnings (loss) per share - diluted	**$**	**0.10**	$	(0.05)	$	(0.05)
Total assets	**$**	**56,191**	$	53,405	$	45,170
Total long-term liabilities	**$**	**13,095**	$	20,571	$	17,242

4. Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the condensed interim consolidated financial statements of the Company and notes attached thereto for the period ended October 31, 2012.

4.1 San Martín Mine, Queretaro, Mexico

Reserves

The San Martin Mine, an ISO 9001 certified facility located approximately 50km east of the City of Queretaro, State of Queretaro, Mexico, consists of mining concessions covering 12,992 hectares and includes seven underground mining units and four units under exploration, as well as an additional property, San Pedrito, located 50 km west of San Martin. Luismin (now "Goldcorp Mexico") operated the mine from 1993 to January, 2007 when it was purchased by Starcore.Who have been mining at San Martin at a rate of approximately 270,000/tonnes per year. Starcore expects to continue to operate the mine over an expected mine life of at least 7 years based on the current expected conversion of known resources ad exploration is able to maintain approximately two to three years proven and probable reserves replacing those mined with new reserves. The Company has filed on SEDAR results for a Reserve estimate for its San Martin Mine in Queretaro, Mexico based on data available on July 31, 2012 and dated December 10, 2012.

The results of the July 31, 2012 estimate were Proven and Probable reserves totalling 651,605 tonnes at a grade of 2.21 g Au/t and 30 g Ag/t. In addition to the Proven and Probable Reserves, an Inferred Mineral Resource is estimated as of July 31, 2012 at 998,584 tonnes at an approximate grade of 2.18 g Au/t and 28 g Ag/t. Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and have not demonstrated economic viability.

The estimate was prepared by mine staff in compliance with NI 43-101. Joe Campbell P. Geo. who is a qualified person as defined by NI 43-101 has verified all information used for the estimate.

The most important assumptions used as the basis of the estimate include:

- Total mining costs of $US72 per metric tonne, a gold price of US$1600 and silver price of US$30,
- Metal Recoveries of 87% for gold and 60% for silver,
- Resultant cut-off grade of 1.6 grams per tonne gold equivalent, escalated by 25% to 2g/t gold equivalent due to historic shortfall of grade coming from mine,
- Mining dilution of between 10 and 40% depending on the structure,
- Specific Gravity of 2.55.

The ratio of Probable to Proven Reserves is roughly 2.1:1 and in total there is 58,751 contained gold equivalent ounces. San Martin milled 308,324 tons since the last resource estimate at an average grade of 2.17g/t gold and 34 g/t silver. The proven and probable reserves outlined above are adequate for 2 additional years of production.

In comparison to the reserves estimated in 2011, this year's estimate has resulted in a modest increase in tonnage by 11% and a slight increase in equivalent ounces, both of which occurred while milling 190,000 tonnes from the reserve area. When put in perspective, the mine exploration team is more than replacing the reserves on a year by year basis.

As of July 31, 2012, reserves and resources at San Martin as reported in "*RESERVES AND RESOURCES IN THE SAN MARTIN MINE, MEXICO AS OF JULY 31, 2012*", dated December 10, 2012, prepared by Joe Campbell, P. Geo. (the "Technical Report"), as filed on SEDAR and available on the Company website www.starcore.com were as follows:

Classification	**Tonnes (000's)**	**Gold (g/t)**	**Silver (g/t)**	**Gold (000's of oz)**	**Silver (000's of oz)**	**Gold Equiv. (000's of oz)**
Reserve:						
San Martin Mine						
Proven	208	2.50	30	16.7	200.5	20.7
Stockpile	10	1.5	12	0.5	3.9	0.6
Probable	434	2.08	30	29.0	418.3	37.5
Total Reserve	**652**			**46.2**	**622.7**	**58.8**
Resource:						
San Martin Mine						
Inferred	999	2.18	28	70.0	899.0	88.2

- Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability.
- A 50:1 silver to gold equivalency ratio was used to calculate gold equivalent ounces.

See the Technical Report, available on SEDAR, for further information on the San Martin Mine.

Production

The following table is a summary of mine production statistics for the San Martin mine for the three ended October 31, 2012 and the cumulative amounts for the fiscal year ended July 31, 2012.

(Unaudited)	*Unit of measure*	**Actual results for 3 months ended October 31, 2012**	**Actual results for 12 months ended July 31, 2012**
Mine production of gold in dore	*thousand ounces*	**3.5**	**18.2**
Mine production of silver in dore	*thousand ounces*	**22.5**	**232**
Mine equivalent ounces of gold	*thousand ounces*	**3.9**	**22.8**
Purchased concentrate equivalent ounces	*thousand ounces*	**-**	**10.3**
Total mine production – equivalent ounces	*thousand ounces*	**3.9**	**33.1**
Silver to Gold equivalency ratio		**54:1**	**51:1**
Mine Gold grade	*grams/tonne*	**2.01**	**2.17**
Mine Silver grade	*grams/tonne*	**16.3**	**33.6**
Mine Gold recovery	*percent*	**69.5%**	**84.4%**
Mine Silver recovery	*percent*	**55.3%**	**69.2%**
Milled	*thousands of tonnes*	**77.4**	**308.3**
Mine development, preparation and exploration	*meters*	**2,273**	**7,258**
Mine operating cash cost per tonne milled	*US dollars/tonne*	**54**	**54**
Mine operating cash cost per equivalent ounce	*US dollars/ounces*	**1,073**	**724**
Number of employees and contractors at minesite		**329**	**334**

During the quarter ended October 31, 2012, the mill operated at a rate of approximately 841 milled tonnes/calendar day. Gold and silver grades were 2.01 g/t and 16 g/t, respectively, compared to prior quarter grades of 2.03 g/t and 25 g/t. Overall equivalent gold production from the mine of 3,900 ounces was lower than the previous quarter production of 4,400 and the average quarterly production for the year ended July 31, 2012 of 5,700 ounces due to much lower gold and silver recoveries in the current quarter coupled with slightly lower ore grade. Ore recoveries decreased significantly during the quarter due to ore characteristics and reclaim water quality. These factors were mitigated late in the quarter and gold recovery has returned to levels in excess of 75%. Overall metal production was also lower due to the cessation of metal production from purchased concentrate as the Company's supplier of purchase concentrate, La Guitarra, recently changed control and ceased shipments to San Martin.

Production cash costs of the mine for the current quarter, excluding purchased concentrate, were US$1,073/EqOz. This was higher than the average for the twelve months ended July 31, 2012 which was US$724/EqOz and comparable to the previous quarter amount of $1,065/EqOz due mainly to lower production from reduced ore recoveries as stated above. Operating cash costs of US$54/t were the same as the average cost for the twelve months ended July 31, 2012 and decreased marginally from the prior quarter's US$61/t due to cost saving measures. Generally, the mine has created more mineable ore zones causing management to reassess much of the development activity as mineable ores and, thereby, increasing overall mining costs. The offset has been a decrease in mine development capital costs. The mine plan has been developed to ensure the mine is properly developed and mined so as to ensure a constant supply of ore in accordance with currently planned production capacity and ore grades. Changes to the plan that may involve increased production and capital investment is continually being assessed by management. Currently, the Company is continuing underground exploration in order to identify higher grade ore zones and has allocated a higher budget to support year long exploration, exceeding 11,000 metres of exploration drilling for the 2012 calendar year.

During the quarter ended October 31, 2012, the Company incurred approximately US$837 in mine capital expenditures, which includes mine development drifting and drilling, machinery and equipment leases and purchases and construction and tailings dam remediation, compared to US$1,071 in the prior quarter.

4.2 Property Activity

San Martin properties – Queretaro, Mexico

The San Martin mine properties are comprised of mining concessions covering 12,992 hectares, including the San Pedrito property located approximately 50km west of the San Martin mine. In addition to the ongoing mine exploration and development that is currently being performed in development of the mine, management is continually assessing the potential for further exploration and development of the San Martin properties and continually modifying the exploration budget accordingly. The mine operates three underground drill rigs to provide information to assist with mine planning in addition to exploration, with the intent of increasing the reserves and resources on the property, and the Company has budgeted approximately 11,000 metres of exploration drilling in calendar 2012.

David Gunning, P.Eng., a director of the Company and Chief Operating Officer, is the Company's qualified person under NI 43-101, and has reviewed and approved the scientific and technical disclosure on the San Martin Mine disclosed in this MD&A.

4.3 Results of Operations

The Company recorded a loss for the period ended October 31, 2012 of $346 as compared with earnings of $3,163 for the period ended October 31, 2011. The details of the Company's operating results and related revenues and expenses are as follows:

For the period ended October 31,	**2012**	2011	Variance
Revenues			
Mined ore	**$ 6,481**	$ 10,610	$ (4,129)
Purchased concentrate	**-**	9,789	(9,789)
Total Revenues	**6,481**	20,399	(13,918)
Cost of Sales			
Mined ore	**5,230**	3,759	1,471
Purchased concentrate	**-**	9,323	(9,323)
Total Cost of Sales	**(5,230)**	(13,082)	7,852
Earnings from mining operations	**1,251**	7,317	(6,066)
Financing costs	**(427)**	(3,378)	2,951
Foreign exchange gain (loss)	**(47)**	339	(386)
Professional and consulting fees	**(53)**	(132)	79
Management fees and salaries	**(455)**	(108)	(347)
Office and administration	**(226)**	(100)	(126)
Shareholder relations	**(78)**	(63)	(15)
Earnings (loss) before taxes	**(35)**	3,875	(3,910)
Provision for income and resource taxes	**(311)**	(712)	401
Earnings (loss) for the period	**$ (346)**	$ 3,163	$ (3,509)

Sales of metals produced by the milled ore from the mine in the October 31, 2012 quarter of operations approximated 3,337 ounces of gold and 23,656 ounces of silver sold at average prices in the period of US$1,717 and US$32 per ounce, respectively. This is significantly reduced from comparative quarter ended October 31, 2011 where sales of metal approximated 6,510 ounces of gold and 253,985 ounces of silver were sold at average prices of US$1,739 and US$36 per ounce respectively. This difference was mainly due to the purchase concentrate production of approximately 3,400 ounces in the comparative quarter, and the higher overall ore grade and recovery percentage from mine production.

The cost of sales above includes non-cash expenses for depreciation and depletion of $792, 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 period of operations to October 31, 2012, produced earnings from mine operations of $1,251 compared to $7,317 for the period ended October 31, 2011. Average gold ore grades of 2.01 g/t and silver ore grades of 16 g/t for the period ended October 31, 2012 were diminished from the October 31, 2011 comparative period where grades averaged 2.4 g/t and silver ore grades averaged 41 g/t, which, when combined with higher recoveries of 89% for gold and 67% for silver, resulted in higher production of 6,500 EqOz. With average metal prices $1,717 per ounce for gold and $32 per ounce for silver being substantially the same to the comparative period, the reduced production of metal resulted in substantially lower revenue.

Costs for the period ended October 31, 2012 were higher at an average operating cash cost of US$1,073/EqOz compared to an average operating cash cost of US$548/EqOz in the period ended October 31, 2011. As a result the mined ore costs reported were $1,172 higher at $4,931 as compared to the period ended October 31, 2011. Also included in mined ore costs in the current period is non-cash stock based compensation expense of $29 and depreciation of $792 for the period ended October 31, 2012 compared to $11 and $1,164, respectively for the period ended October 31, 2011. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. In addition, the Company higher gross revenue of $9,789, cost of sales of $9,323 and realized a profit of $466 from the purchase and sale of concentrate in the comparative period compared to none this period due to the cessation of purchasing concentrate in April 2012.

Changes in other items for the period ended October 31, 2012, resulted in the following significant changes from the year ended October 31, 2011:

- Financing costs for the period decreased by $2,951 to $427. Financing costs include the Company's interest on the Loan of $203, unwinding of the discount on the Loan of $184, reclamation and closure costs of $40. The prior period amount includes the cost of forward sales contract losses due to mark to market adjustments discussed below;
- Management fees and salaries increased by $347 to $455 due primarily to the inclusion of a non-cash, stock based compensation expense to management of $255 and to the addition of members to the Company's technical advisory committee;
- Foreign exchange gain decreased by $386 to a loss of $47 for the period ended October 31, 2012 due to the strengthening of the MXN peso in relation to the US$, the functional currency of the mining operations;
- Provision for income and resource taxes of $311 includes non-cash adjustments at the consolidation of the entities to account for differences between the tax and the accounting base of assets and liabilities. Taxes payable by the Company are subject to Mexican tax laws which are changing. These estimates reflect the best estimate of tax liability by the Company based on the existing interpretation of these laws. Included in amounts receivable and against the provision for income taxes is $325 relating to a refund of 2008 IETU payments. Based on recent tax precedents, management has amended the tax filings for these years to adjust the method in which the forward contract payments are included for IETU calculations;

In the comparative period, financing costs include the net realized and unrealized loss on forward sales contracts of $3,101 due to the settlement of the forward contract liability outstanding at October 31, 2011. The Company consistently settled the obligation through the payment of cash, with the view that this is the more cost effective method of settlement, and these gold sales contracts met the definition of derivatives whereby changes in market value were recorded in the income as they occurred. Forward sales contracts were settled during the year ended July 31, 2012 and as a result the Company reports no gain or loss on these contracts during the period ended October 31, 2012.

Cash flows from operating activities were $2,018 during the period ended October 31, 2012, compared to $5,964 for the period ended October 31, 2011. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Overall cash decreased during the period ended October 31, 2012 by $145 compared to an increase of $862 in the comparative period ended October 31, 2011.

Investor Relations Activities

During the period ended October 31, 2012, the Company responded directly to investor inquiries.

Financings, Principal Purposes & Milestones

During the period ended October 31, 2012, pursuant to the exercise of warrants and agent warrants, the Company issued 84,500 shares at $0.15 and $0.25 per share for proceeds of $16.

5. <u>Summary of Quarterly Results</u>

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q1 31-Oct-12	**Q4 31-Jul-12**	**Q3 30-Apr-12**	**Q2 31-Jan-12**
Total Revenue	$ 6,481	$ 7,626	$ 13,989	$ 15,025
Earnings from mining operations	$ 1,251	$ 3,877	$ 4,972	$ 5,524
Earnings (loss)	$ (346)	$ 3,499	$ 4,172	$ 3,501
Per share – basic	$ (0.00)	$ 0.02	$ 0.03	$ 0.03
Per share – diluted	$ (0.00)	$ 0.02	$ 0.03	$ 0.03

	Q1 31-Oct-11	**Q4 31-Jul-11**	**Q3 30-Apr-11**	**Q2 31-Jan-11**
Total Revenue	$ 20,399	$ 9,501	$ 13,859	$ 9,655
Earnings from mining operations	$ 7,317	$ 2,517	$ 5,162	$ 3,425
Net Income (loss)	$ 3,163	$ (1,194)	$ (1,003)	$ 1,418
Per share – basic	$ 0.03	$ (0.01)	$ (0.01)	$ 0.02
Per share – diluted	$ 0.02	$ (0.01)	$ (0.01)	$ 0.01

Discussion

The Company reports a loss for the quarter of $346 compared to earnings of $3,163 in the comparative quarter ended October 31, 2011. For more detailed discussion on the quarterly production results and financial results for the quarter ended October 31, 2012, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

6. <u>Liquidity, Commitments</u>

The Company expects to continue to receive income and cash flows from the mining operations at San Martin (*section 4.1*). Management expects that this will result in sufficient working capital and liquidity for the Company for the next twelve months.

As at October 31, 2012, the Company had the following commitments:

a) As at October 31, 2012, the Company has management contracts with officers and directors totalling $600 per year, payable monthly, expiring in January, 2017.

b) The Company has secured an $11 million credit facility with Sprott Resource Lending. The outstanding principal balance at October 31, 2012 was $5,500. The Facility bears interest at 11% per annum, compounded and payable monthly, with monthly principal payments of $917, with the final payment due on or before April 30, 2013. The Facility may be repaid in full without penalty.

Obligations due within twelve months of October 31,	2012	2013-2015	2016 and beyond
Trade and other payables	$ 2,345	$ -	$ -
Loan payable	5,132	-	-
Rehabilitation and closure cost provision	-	-	1,467
Other long-term liabilities	-	-	2,881

7. Capital Resources

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of $42,952 as at October 31, 2012. The Company is committed to further expenditures of capital required to maintain and to further develop the San Martin mine which management believes will be funded directly from the operating cash flows of the mine.

8. Off Balance Sheet Arrangements

The Company has no off balance sheet transactions.

9. Transactions with Related Parties

There were no material reportable related party transactions.

10. First Quarter

Due to mine operating activity of the San Martin mine discussed throughout this MD&A and as detailed in Section 4.1, the operations and activities are similar to previous quarters (see section 5).

11. Proposed Transactions

N/A

12. Critical Accounting Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements 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 judgements 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) 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 for.

The inflation rate applied to estimated future rehabilitation and closure costs is 5% and the discount rate currently applied in the calculation of the net present value of the provision is 11%

c) 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.

d) 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, volatility and dividend yield and making assumptions about them.

13. Changes in Accounting Policies

N/A

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

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

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At October 31, 2012 the company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos:

	In '000 of CDN Dollars	In '000 of Mexican Pesos (MP)
Cash and cash equivalents	$ 521	MP 254
Other working capital amounts - net	$ (45)	MP 36,347
Long-term Liabilities	$ 5,500	MP 38

At October 31, 2012, US dollar amounts were converted at a rate of $0.999 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP13.45 to $1 US Dollar.

15. Other

15.1 Disclosure of Outstanding Share Capital as at December 13, 2012

	Number	Book Value
Common Shares	**139,881,151**	**$43,074**

The following is a summary of changes in options from July 31, 2012 to October 31, 2012:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Period: Granted	Exercised	Cancelled/ Forfeited	Closing	Closing, Vested and Exercisable
11/09/09	11/09/14	$0.15	6,000,000	-	-	-	**6,000,000**	**6,000,000**
01/10/10	01/10/15	$0.21	1,000,000	-	-	-	**1,000,000**	**1,000,000**
03/26/10	03/26/15	$0.15	400,000	-	-	-	**400,000**	**400,000**
10/06/10	10/06/15	$0.15	-	-	-	-	**-**	**-**
05/06/11	05/06/16	$0.15	210,000	-	-	-	**210,000**	**139,996**
01/16/12	01/16/17	$0.20	450,000	-	-	-	**450,000**	**149,998**
01/27/12	01/27/17	$0.25	1,995,000	-	-	-	**1,995,000**	**664,991**
04/13/12	04/13/17	$0.37	3,250,000	-	-	-	**3,250,000**	**1,083,330**
			13,305,000	-	-	-	**13,305,000**	**9,438,315**
Weighted Average Exercise Price			$0.22				**$0.22**	**$0.19**

At October 31, 2012, there were 8,147,114 warrants exercisable to purchase one common share for each warrant held as follows:

Number of Shares	Exercise Price	Expiry Date
432,800	$0.25	January 30, 2013
3,209,314	$0.15	April 7, 2013
4,505,000	$0.35	January 30, 2014
8,147,114	**$0.27**	

15.2 Disclosure Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and forms.

Internal Controls Over Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

There has been no change in the Company's internal control over financial reporting during the Company's period ended October 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.