MANAGEMENT DISCUSSION & ANALYSIS
For the year ended July 31, 2007

Directors and Officers as at October 29, 2007:

Directors:

Gary Arca
Robert Eadie
Gary Hawthorn
Charles Jeannes
Cory Kent
Hugh (Bert) McPherson
Juan Carlos Galvan Pastoriza
Ken Sumanik
Federico Villasenor

Officers:

Chairman, President & Chief Executive Officer – Robert Eadie
Chief Financial Officer – Gary Arca
Chief Operating Officer – Hugh (Bert) McPherson

Contact Name*:* Robert Eadie

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TSX Symbol: SAM

Form 51-102-F1

STARCORE INTERNATIONAL VENTURES LTD.

MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended July 31, 2007

1. Date of This Report

This MD&A is prepared as of October 29, 2007.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Starcore International Ventures Ltd. ("Starcore", or the "Company") for the year ended July 31, 2007. **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". All statements in this discussion, other than statements of historical facts, that address future mine production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. 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 International Ventures Ltd. (the "Company" or "Starcore") is engaged in exploring, extracting and processing gold and silver through the February 1, 2007 acquisition of Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico, from Luismin S.A. de C.V. ("Luismin"), a wholly owned subsidiary of Goldcorp, Inc. (the "Acquisition") (*see section 4.1*). The Company became a gold and silver producer as a result of the acquisition and has since graduated to the Toronto Stock Exchange ("TSX") board as a public reporting issuer. The Company is also engaged in owning, acquiring, exploiting, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company has interests in properties which are exclusively located in Mexico.

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, 2007		July 31, 2006		July 31, 2005
Revenues	$	18,499	$	-	$	-
Cost of Sales		12,324		-		-
Earnings from mining operations		6,175		-		-
Administrative Expenses		6,850		919		693
Loss before extraordinary items						
(i) Total loss	$	2,218	$	890	$	679
(ii) Loss per share - basic	$	0.06	$	0.07	$	0.07
(iii) Loss per share - diluted	$	0.06	$	0.07	$	0.07
Net loss						
(i) Total loss	$	2,218	$	890	$	679
(ii) Loss per share - basic	$	0.06	$	0.07	$	0.07
(iii) Loss per share - diluted	$	0.06		0.07		0.07
Total assets	$	50,109	$	8,700	$	2,021
Total long-term liabilities	$	18,903		-		-
Cash dividends declared per-share		N/A		N/A		N/A

4. Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the audited consolidated financial statements of the Company and notes attached hereto for the year ended July 31, 2007.

4.1 San Martín Mine, Queretaro, Mexico

Acquisition

Effective February 1, 2007, the Company completed the Acquisition of Bernal, the owner of the San Martin Mine in Queretaro, Mexico, from Luismin, a wholly-owned subsidiary of Goldcorp Inc. In connection with the Acquisition, the Company paid US$24 million and issued 4,729,600 common shares to Luismin. Bernal became a subsidiary of the Company's subsidiary, Starcore Mexicana, S.A. de C.V. with the completion of the Acquisition and Starcore is now, through its wholly-owned subsidiary, the owner of producing mining assets in Mexico.

The Acquisition was funded, in part, through a private placement of 37,400,000 subscription receipts (each a "Subscription Receipt") at a price of $0.50 per Subscription Receipt for gross proceeds of $18,700 (the "Offering"). With the completion of the Acquisition, the conditions to the conversion of the Subscription Receipts were satisfied and each Subscription Receipt was deemed to have been converted into one common share and one-half of one share purchase warrant (a "Warrant"). Each of the 18,700,000 full Warrants is exercisable into one additional common share of the Company for a period of three years from the respective closing of the Offering (7,613,400 warrants expire in August, 2009 and 11,086,600 warrants expire in January, 2010) at an exercise price of $0.80. The Warrants include an early expiry feature which may be triggered should the common shares close above $2.50 over a minimum period of forty-five calendar days. 22,173,200 of the Common Shares were subject to a hold period expiring May 19, 2007. Pursuant to the Offering, the Company incurred cash commissions of $833, issued 447,144 common shares which were subject to a four month hold period expiring June 1, 2007 and granted 879,840 agents warrants entitling the holder to acquire one share at $0.80 for one year with the same early expiry provisions as the warrants issued in the Offering.

The balance of the funding was provided by a US$13 million bank financing (the “Loan”) from Investec Bank (UK) PLC (“Investec”). The loan matures on January 31, 2013 and bears interest at LIBOR plus 3%. In connection with the Loan, the Company issued to Investec detachable warrants (the “Loan Warrants”) exercisable to acquire common shares in the capital of the Company (each a “Warrant Share”) as follows: 12,442,000 Warrant Shares at a price of Cdn$0.76 (or US$0.643) per share exercisable until January 31, 2011; and 6,794,000 warrants exercisable until January 31, 2012 at a price of Cdn$0.87 (or US$0.736), and for a further period of one year if any of the Loan remains outstanding at a price equal to the greater of Cdn$0.87 (or US$0.736) and 160% of the volume weighted average trading price of the Company’s common shares for the five business days before January 31, 2012. The warrants are exercisable at the US dollar amount first to extinguish the debt outstanding. Warrants exercised after the debt was previously extinguished are exercisable at the Canadian dollar amount per share.

The Loan warrants were determined to have a fair value of $1,108, which represents a discount to the total Loan balance and are included as Warrants in shareholders’ equity. The loan discount is accreted and offset as a non-cash charge to the statement of operations over the term of the loan or as the Loan is repaid on a pro-rata basis. In addition, the Company incurred direct cash transaction costs of the Loan financing of $1,120, which were charged to the statement of operations.

The Loan agreement also required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US$731 per ounce. The sales of approximately 1,135 ounces per month occur over the period of the Loan from February 28, 2007 to January 31, 2013. As at July 31, 2007, 75,185 ounces remained under forward sales contracts.

In connection with the Acquisition, effective February 1, 2007, Federico Villaseñor, a Director of Bernal, and Charles Jeannes, Executive Vice President of Goldcorp, have been appointed directors of the Company.

The Company also announced that Hugh (Bert) McPherson has joined the Company as a Director and Chief Operating Officer. Along with the responsibility of co-managing the operations of San Martin, Mr. McPherson will be involved in the evaluation of future projects and acquisitions.

Under the terms of the Acquisition, Luismin has continued to operate the San Martin mine on behalf of the Company until January 31, 2008. The Company will pay all costs incurred by Luismin plus fees for services and overhead. Also, the Company has agreed to grant Goldcorp a security interest over the Bernal mining properties as collateral to ensure that Bernal maintains an agreement to sell all silver produced from the mine to Goldcorp until October, 2029, at the prevailing spot market rate at the time of sale.

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 three units under exploration, as well as an additional exploration property, San Pedrito, located 50 km west of San Martin. Luismin has been operating the mine since 1993 and Starcore will continue to operate the mine over an expected mine life of at least 12 years based on conversion of known resources. Mining at San Martin over the past eight years has been at a rate of approximately 267,000/tonnes per year. Exploration is able to maintain approximately four years reserves replacing those mined with new reserves. Reported production during calendar 2006 was 266,039 tonnes grading 2.82 g Au/t and 52 g Ag/t, resulting in 22,004 oz of gold and 235,805 oz of silver (see *"Production"* section below for 2007 fiscal results).

As of December 31, 2006, reserves and resources at San Martin as reported in "A Technical Review of the San Martin Project for Starcore International Ventures Ltd." dated September 27, 2006, and revised March 23, 2007, prepared by Watts, Griffis & McOuat Limited (the "Technical Report"), 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	320	3.26	33	34	340	41
Probable	713	3.85	48	88	1,100	110
Total Reserve	**1,033**			**122**	**1,440**	**151**
Resource: San Martin Mine						
Inferred	1,881	3.75	58	227	3,508	297
San Pedrito						
Inferred	1,125	0.63	221	23	7,994	183
Total Resource	**3,006**			**250**	**11,502**	**480**

- Total Proven and Probable Mineral Reserves estimated are 1,032,767 tonnes at a grade of 43 g Ag/t and 3.66 g Au/t, yielding approximately 44,574 kg of Ag and 3,784 kg of Au., using cut-off grades based on total operating costs of US$30.18/t and cut off values for silver of US$7.00 per troy ounce and for gold of US$450 per troy ounce;

- The total Inferred Mineral Resources estimated and not included in the Mineral Reserves stated above are about 1.88 million tonnes at an approximate grade of 60 g Ag/t and 3.75 g Au/t;

- In addition to the Mineral Reserves and Mineral Resources disclosed above, the total Inferred Mineral Resources estimated for San Pedrito are about 1.125 million tonnes at an approximate grade of 221 g Ag/t and 0.63 g Au/t; and

- 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 quarter ended July 31, 2007, represents the Company's second quarter of mining operations and San Martin's 14th year of production. Management of Luismin is operating San Martin under an Interim Services Agreement ("ISA") for up to one year, up to January 31, 2008, or as deemed necessary by Starcore management. During the term of this agreement, Starcore will work to assume responsibility for mine management, operating and capital cost management, revenue arrangements and renegotiating refining agreements and all other activities required in the operation of the mine with a view to a complete handover of mine operations before the end of the January, 2008. Under the terms of the ISA, Luismin will charge a fee for services of direct mine management and for administrative personnel with responsibility over revenue and refinery arrangements, land matters and, corporate services.

Starcore is operating the mine using the budget forecasts developed in conjunction with Luismin management and will be updating production, cost and capital expenditures on an ongoing basis as Starcore management becomes familiar with the San Martin mine operations.

The following table is a summary of mine production statistics for the San Martin mine for the two quarters operated by Starcore to the July 31, 2007 fiscal year-end of Starcore:

(Unaudited)	*Unit of measure*	**Actual results for 3 months ended July 31, 2007**	**Actual results for 6months ended July 31, 2007**
Production of Gold in Dore	*thousand ounces*	**6.9**	**13.6**
Production of Silver in Dore	*thousand ounces*	**65.3**	**126.6**
Equivalent ounces of Gold*	*thousand ounces*	**8.1**	**16.1**
Gold grade	*grams/tonne*	**3.74**	**3.83**
Silver grade	*grams/tonne*	**58**	**58**
Gold recovery	*percent*	**93.5**	**94.1**
Silver recovery	*percent*	**54.4**	**56.8**
Milled	*thousands of tonnes*	**62.2**	**117.7**
Mine development, preparation and exploration	*meters*	**1,326**	**2,606**
Operating Cost per tonne milled	*US dollars/tonne*	**34**	**35**
Operating Cost per Equivalent Ounce	*US dollars/tonne*	**262**	**253**
Number of employees and contractors at minesite		**240**	**240**

* assuming a 50:1 silver to gold equivalency ratio

During the six months ended July 31, 2007, the mill operated at a budgeted capacity of 657 milled tonnes/day. This represents a decrease in milled tonnes/day over the 2006 average rate of approximately 770 tonnes/day and is due mainly to management's efforts to control ore grades and operating costs while achieving the same or better production targets. Gold and silver grades, as a result, were much higher at 3.83 g/t and 58 g/t, respectively, compared with the 2006 grades of 2.82 g/t and 52 g/t.

The Company achieved increased production of approximately 16,100 equivalent ounces and is targeting production of 32,000 equivalent ounces for the calendar year, as compared to approximately 26,500 equivalent ounces reported in calendar 2006. *All 2006 amounts were calculated from the amounts reported in the Technical Report referred to above.*

Production costs of the mine were US$35/tonne, or US$253/EqOz. of gold produced. 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 over the next 3 years. The mine is meeting or exceeding targeted development meters in order to ensure future production. Changes to the plan that may involve increased production and capital investment are continually being assessed by Starcore management and, as such, budgeted figures are not presented for the mine.

During the six months ended July 31, 2007, the Company incurred approximately US$1,765 in mine capital expenditures, including US$1,667 in mine development drifting and drilling, US$86 in machinery and equipment purchases and US$12 on tailings dam remediation.

In addition to the Company's mining operations at San Martin, Starcore has agreements to purchase concentrate ore from two surrounding mines and charges a processing and marketing fee as a reduction of purchase price paid based on assays of the concentrate. These agreements are not binding and may be cancelled or renegotiated based on changing operating conditions.

Sales of Metal produced by the milled ore from the mine, along with purchased ore concentrate, over the two quarters of operations approximated 18,600 ounces of gold and 276,000 ounces of silver sold at average prices in the period of US$663 and US$13.27 per ounce, respectively. In addition, the Company realized an additional US$431 for the sale of 6,691 ounces of gold pursuant to existing gold sales contracts which are fixed at US$731 per ounce, payable based on the month end London Metals Exchange spot gold price.

4.2 <u>Property Activity</u>

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 currently assessing the potential for further exploration and development of the San Martin properties. Exploration plans are continually being evaluated with a view to determining specific targets and an exploration budget.

Mineral Property – Cerro de Dolores

The Company entered into an option agreement effective December 15, 2003, and amended July 23, 2007, with Wheaton River Minerals Ltd. and two of Wheaton's subsidiaries, Luismin and Compañia Minera Astumex, S.A. de C.V. (collectively, "Goldcorp") for the acquisition of up to an 80% interest in the Cerro de Dolores property (the "Agreement") subject to a 3% net smelter return royalty.

In order to exercise an initial option and acquire a 51% interest in the property, the Company must issue a total of 250,000 post consolidation common shares and incur US$1.4 million in exploration expenditures on the property over a four year period as follows:

- 100,000 common shares upon TSX Venture Exchange (the "Exchange") acceptance of the Agreement on June 23, 2004 (issued at $0.50);

- an additional 50,000 common shares (issued at $0.50) and US$300 in exploration expenditures on or before June 23, 2005 (incurred);
- an additional 100,000 common shares (issued subsequent to July 31, 2007) and US$300 in exploration expenditures on or before June 23, 2008;
- an additional US$300 in exploration expenditures on or before June 23, 2009; and
- the final US$500 in exploration expenditures on or before June 23, 2010.

Proposed Exploration Program and Future Plans

The Company has renegotiated with Goldcorp to extend the time for completing the additional work expenditures, as described above, and to July 31, 2007 the Company has incurred approximately US$475 in direct work expenditures on the property. Management has estimated that the Company will incur up to US$500 in exploration expenditures on the property in the next fiscal year.

Developments

In June, 2005, the Company announced that it had completed the surface sampling and short hole percussion drilling program. 332 surface samples were taken and 1136 meters were drilled in 87 holes. The work program was divided between the El Transito deposit and the investigation of "outside targets" which had been identified by previous operators but never subjected to modern exploration. At El Transito, 25 surface samples were taken and 32 short holes drilled in an effort to locate and evaluate the mineralization along strike to the northeast. Samples from this program will also be used for metallurgical testing. The existing resource at El Transito has been estimated by previous operators at 479,897 tonnes grading 147 grams per tonne silver, 1.9% lead and 5.9% zinc. This is an historical estimate and is not compliant with NI 43-101. Drilling during Phase 1 at El Transito was restricted by rig capability to the upper zinc-rich portions. Several of the prospects tested demonstrated sufficient grade and strike and depth continuity to represent legitimate targets for diamond drilling. The majority are in east-west structural zones in limestone overlying phyllitic rocks similar to those which host the El Transito Deposit and may represent important "leakage anomalies" caused by buried replacement-style mineralization.

<u>Mineral Property – Black Silver</u>

In January, 2005, as amended January 10, 2006, the Company entered into an option agreement to acquire a 100% interest in the Black Silver Property located in southern Arizona. During the year ended July 31, 2007, Management of the Company has decided to abandon this option and recognized a loss of $239 on the write-off of the Mineral property and related deferred exploration costs.

4.3 Results of Operations

The loss for the year ended July 30, 2007 was $2,218 as compared with a loss of $890 for the year ended July 31, 2006. The details of the Company's operating results and related revenues and expenses are as follows:

For the year ended July 31,		2007		2006		Variance
Revenues						
Mined ore	**$**	**12,457**	$	-	**$**	**12,457**
Purchased ore		**6,042**		-		**6,042**
		18,499		-		**18,499**
Cost of Sales						
Mined Ore		**5,135**		-		**5,135**
Purchased ore		**5,753**		-		**5,753**
Reclamation and closure		**25**		-		**25**
Amortization and depletion		**1,411**		-		**1,411**
		(12,324)		-		**(12,324)**
Earnings from mining operations		**6,175**		-		**6,175**
Administrative Expenses						
Amortization		**26**		12		**14**
Stock-based compensation		**2,473**		291		**2,182**
Interest on long-term debt		**613**		-		**613**
Financing fees		**1,208**		10		**1,198**
Professional and consulting fees		**400**		213		**187**
Management fees and salary		**296**		33		**263**
Office, travel and miscellaneous		**964**		256		**708**
Shareholder relations		**666**		85		**581**
Transfer agent and regulatory fees		**204**		19		**185**
		(6,850)		(919)		**(5,931)**
Loss before other income (expense) and taxes		**(675)**		(919)		**244**
Other income (expense)						
Foreign exchange		**(58)**		(2)		**(56)**
Investment and interest income		**323**		31		**292**
Write-off of Mineral property		**(239)**		-		**(239)**
Foreign taxes		**(32)**		-		**(32)**
Future income tax		**(1,537)**		-		**(1,537)**
Net loss for the year	**$**	**(2,218)**	$	(890)	**$**	**(1,328)**

During the six months of mining operations, the Company had earnings from mining operations of $6,175. Revenues included sales of gold and silver at spot market prices and based on gold sales contracts as discussed under *section 4.1 - "production"* above. The Company also earned a net profit of $289 from the purchase and sale of ore concentrate from surrounding mines. The cost of sales above includes non-cash costs for reclamation, amortization and depletion of $1,436 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 (excluding San Pedrito) 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.

During the year ended July 31, 2007, the Company incurred significant costs related to the Acquisition of Bernal, including increased Administrative expenditures and costs not necessarily capitalized to the Acquisition consideration. The most significant costs related to the Loan financing fees composed of cash costs of $1,120, which included lender fees of US$415, commissions of US$260 and legal fees of approximately US$365. In addition, the Loan warrants were determined to have a fair value of $1,108, of which $88 was accreted as a non-cash charge to the statement of operations during the period in accordance with the Company's accounting policy. Total cash and non-cash financing fees charged to the statement of operations was $1,208. The Company also incurred and accrued $613 in interest expense related to this loan.

Other cost increases for the year ended July 31, 2007, related to the Acquisition and increased related corporate activity include:

- Office, travel and miscellaneous expenses of $964, an increase of $708 over the prior year;
- Professional and consulting fees of $400 and management fees of $296, increases of $187 and $263, respectively, due to the employment of services of additional officers (CFO and COO) as well as the use of consultants to assist in the transition to mine operations;
- Transfer agent and regulatory fees of $204, an increase of $185 over the prior period; and
- Future income taxes of $1,537, which are non-cash adjustments at the consolidation of the entities to account for differences between the tax and the accounting base of assets and liabilities. While Bernal (which has a December 31 year end) is liable for an asset tax and has expensed $32 in relation to this tax, it has not been determined if Bernal will be liable for Mexican income taxes due to existing losses available from prior years and additional temporary taxable deductions available to the company.

The next most significant expense was the non-cash stock based compensation expense of $2,473 for the year ended July 31, 2007, representing an increase of $2,182 over the prior year. This amount reflects the fair value calculated of the stock options granted and vested during the period. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. The increase over the prior period was due mainly to the expense recognized on the fair value of 8,605,822 options granted on December 20, 2006, January 22, 2007, February 2, 2007 and July 10, 2007, which was estimated to be $5,209 amortized over 18 months in accordance with Company vesting policy.

Corporate activity for the year ended July 31, 2007, resulted in the following significant changes from the year ended July 31, 2006 as follows:

- Shareholder relations of $666, an increase of $581 as the Company undertook extensive promotional activity, including conferences and travel. The Company also entered into an agreement with a consulting firm to conduct institutionally-oriented investor relations programs on behalf of the Company. In consideration, the Company has agreed to pay a monthly retainer of US$7. During the year ended July 31, 2007, this firm incurred over US$225 in mailings of shareholder information relating to the acquisition of the San Martin mine and the related financing;

- Investment and interest income of $323, an increase of $292 as the Company maintained significant funds in escrow pursuant to the financing of the San Martin mine, as well as current cash balances on hand of approximately $8.4 million, in excess of funds on hand in the previous year.

Investor Relations Activities

During the year ended July 31, 2007, the Company directly responded to investor inquiries. A director of the Company and two consultants acted as spokespersons responding to any shareholder or investor calls. The Company engaged the services of these two consultants specifically for Shareholder communication and marketing services at approximately $8 per month.

During the year ended July 31, 2007, the Company engaged the firm of Michael Baybak and Company, Inc. (“MBC”) to conduct institutionally-oriented investor relations programs on behalf of the Company. Headed by Mr. Michael Baybak, MBC is a long-term institutional and media investor relations specialist in the natural resource sector, with a focus on introducing Canadian resource companies of merit to broader institutional and retail investor audiences. In consideration of the services to be provided, the Company agreed to pay MBC a monthly retainer of US$7 for a period of one-year, with a right of termination after the first five months. In addition, the Company has allocated to a principal of MBC, incentive stock options in an aggregate amount of 600,000 shares at an exercise price of $1.06 per share. This agreement was terminated by the Company in August, 2007 and renegotiated commencing October, 2007 for an additional three months at US$3.5 per month.

Financings, Principal Purposes & Milestones

In addition to the financing pursuant to the acquisition of the San Martin mine discussed in *section 4.1*, the Company completed a non-brokered private placement with RMB Australia Holdings Ltd., for the issuance of 1,785,714 units of Starcore (the “Units”) at a price of $0.56 per Unit, for gross proceeds of $1,000. Each Unit is composed of one common share of the Company and one-half of one non-transferable common share purchase warrant (the “Warrant”). Each Warrant is exercisable into one additional common share for a period of three (3) years from the closing date of the private placement at an exercise price of $0.80. The warrants will include an early expiry feature which the Company may trigger should the common shares close above $2.50 over a minimum period of forty-five calendar days. The Company paid a cash commission of $60 pursuant to the private placement.

During the year ended July 31, 2007, The Company issued 975,000 shares at $0.40 to $0.68 for proceeds of $404 pursuant to the exercise of share purchase options, and 2,535,332 shares at $0.60 to $0.80 for proceeds of $1,599 pursuant to the exercise of warrants.

5. Summary of Quarterly Results

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

	Q4 31-Jul-07	Q3 30-Apr-07	Q2 31-Jan-07	Q1 31-Oct-06	Q4 31-Jul-06	Q3 30-Apr-06	Q2 31-Jan-06	Q1 31-Oct-05
Total Revenue	$ 9,232	$ 9,267	$ -	$ -	$ -	$ -	$ -	$ -
Earnings from mining operations	$ 3,121	$ 3,054	$ -	$ -	$ -	$ -	$ -	$ -
Net Income (loss):								
Total	$ 352	$ (1,683)	$ (779)	$ (108)	$ (330)	$ (190)	$ (164)	$ (206)
Per share – basic	$ 0.01	$ (0.03)	$ (0.06)	$ (0.01)	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.02)
Per share - diluted	$ 0.00	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A

Discussion

The Company reports a total net income of $352 for the fourth quarter and basic and fully diluted net income of $0.01 and $0.00 per share, respectively. The fourth quarter ended July 31, 2007 was the first in which the Company reported a net income. For discussion on the quarterly production results and financial results for the year ended July 31, 2007, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

6. Liquidity

The Company expects to continue to receive income and cash flow from the mining operations at San Martin (*section 4.1*). This, coupled with recent financings, has resulted in sufficient working capital and liquidity to the Company.

A term of the Loan financing requires that the Company fund a Debt Service Reserve Account ("DSRA") which will maintain a balance equal to six months loan principal and interest at all times. The required funding commitment at July 31, 2007, was approximately US$3,640 and reduces in subsequent quarters as principal payments decrease in accordance with the Loan repayment schedule. The Company anticipates that it will have sufficient funds on hand in order to fund the DSRA over the next year in addition to making its loan principal and interest payments. The principal and interest due over the next year ended July 31, 2008 of $4,132 is shown as a current liability on the Company's balance sheet and is included in the working capital of the Company at July 31, 2007. Subsequent to July 31, 2007 the Company prepaid the October 31, 2007 and January 31, 2008 principal payments on the Loan of $3,120 from the DSRA account, leaving a net required balance of US$420. This prepayment was made to save approximately US$125 in interest payments. As a result of this prepayment, principal payments required in the next fiscal year under the Loan agreement are US$455 on each of April 30, 2008 and July 31, 2008.

As at July 31, 2007, the Company had a working capital of $6,257. The Company's historical capital needs have been met by equity subscriptions. The Company may require additional financing to fund future acquisitions and exploration, however, future operating cash flow is expected to be generated from the San Martin mine. The Company anticipates funding future acquisitions, property investigations, exploration programs and anticipated administrative and overhead expenses through operating cash flow and, possibly, through additional equity subscriptions, such as private placements, and through the exercise of warrants and options. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions or exercise of warrants and options will be possible at the times required or desired by the Company.

The Company has the following commitments:

a) A term of the Loan financing (see note 10 of the financial statements) requires that the Company fund a Debt Service Reserve Account ("DSRA") at July 31, 2007, which will maintain a balance equal to six months loan principal and interest at all times. The required funding commitment at July 31, 2007, is approximately US$3,640 and reduces in subsequent quarters as principal payments decrease in accordance with the Loan repayment schedule. The in addition to the funding of the DSRA principal due over the five years are as follows:

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

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

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

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

	$
July 31, 2008	271

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

e) In order to exercise an initial option and acquire a 51% interest in Cerro de Dolores, the Company must issue a total of 250,000 post consolidation common shares and incur US$1.4 million in exploration expenditures on the property over a four year period as follows:

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

- the final US$500 in exploration expenditures on or before June 23, 2010.

7. Capital Resources

The capital resources of the Company are the mining interests, plant and equipment as well as the mineral properties, with historical costs of $36,180 and $754 as at July 31, 2007, respectively. 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 cash flow of the mine. In addition, the Company is committed to capital expenditures required to maintain Mineral properties in good standing, as detailed in *Section 4*.2.

8. Off Balance Sheet Arrangements

In conjunction with the Acquisition, the Company has agreed to grant Goldcorp Inc. a security interest over the Bernal mining properties as collateral to ensure that Bernal maintains an agreement to sell all silver produced from the mine to Goldcorp Inc. until October, 2029, at the prevailing spot market rate at the time of the silver sale.

The Loan agreement entered into on the Acquisition required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US$731 per ounce until January, 2013. These gold sales contracts are excluded from the definition of derivatives because the obligation will be met by the physical delivery of gold and the Company's practices, productive capacity and delivery intentions are consistent with the definition of normal sales contracts in accordance with the Company's Revenue Recognition Policy in Note 2 of the Company's financial statements. The Mark-to-market value of the remaining gold sales contracts for the sale of 75,185 ounces to January 31, 2013, as at July 31, 2007 was negative $1,852.

9. Transactions with Related Parties

There were no material reportable Related Party.

10. Fourth Quarter

The fourth quarter results differ significantly from other quarters, due to mine operating activity upon the acquisition of the San Martin mine discussed throughout this MD&A. While comparable to the third quarter in mine operating activity, the third quarter acquisition of the mining operations, as detailed in Section 4.1, resulted in significant acquisition and financing expenditures in that period which are unique to the third quarter.

11. Critical Accounting Estimates

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Pursuant to the Acquisition of Bernal, the Company has adopted many accounting policies which were not formerly applicable or material to report, which are presented in notes 2, 3, 11 and 14 of the Company's July 31, 2007 audited consolidated financial statements.

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

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

As the estimation process is inherently uncertain, actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the financial statements. The accounting policies of the Company as presented in notes 2, 3, 11 and 14 of the Company's July 31, 2007 audited consolidated financial statements should be reviewed in conjunction with the critical estimates identified by management above.

Management has identified the following critical accounting policies and estimates as described in the Notes mentioned above:

Income taxes

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

Mining interest, plant and equipment

Mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued. Mine development costs incurred to maintain current production are included in operations. Exploration costs relating to the current mine in production are expensed to net income as incurred due to the immediate exploitation of these areas or an immediate determination that they are not exploitable.

Depletion of mine properties is charged on a unit-of-production basis over proven and probable reserves and a portion of resources expected to be converted to reserves. Depreciation of plant and equipment is calculated based on the lesser of economic life or expected life of mine. At the end of the each calendar year estimates of proven and probable gold reserves and a portion of resources expected to be converted to reserves are updated and the calculations of amortization of mining interest, plant and equipment is prospectively revised.

Costs related to property acquisitions are capitalized. When it is determined that a property is not economically viable, the capitalized costs are written off. The economic viability of properties are determined based on expected future cash flows. Future cash flows are estimated based on expected future production quantities and costs, commodity prices, interest rates, and annual operating and capital expenditures.

Reclamation and closure cost obligations

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

Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's shares, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate, as determined at the grant date. The estimated fair value of awards of stock-based compensation are charged to expense over their vesting period, with offsetting amounts recognized as contributed surplus. Options granted to consultants are revalued each vesting date, using the Black Scholes model, and charged over the next vesting period accordingly. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

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

12. Changes in Accounting Policies Including Initial Adoption

Effective August 1, 2006 the Company adopted the provisions of Section 1530 *comprehensive income,* Section 3831 *non-monetary transactions,* Section 3855 *financial instruments –recognition and measurement,* and Section 3865 *hedges*. Other accounting policies of the Company as presented in notes 2, 3, 11 and 14 of the Company's July 31, 2007 audited consolidated financial statements which have been initially adopted as a result of the Acquisition of Bernal include:

- Revenue recognition
- Inventories and cost of sales
- Foreign currency translation
- Mining interest, plant and equipment
- Reclamation and closure cost obligations

13. Financial and Other Instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

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

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At July 31, 2007 the company had the following financial assets and liabilities:

	In 000's of US Dollars		In 000's of Mexican Pesos (MP)	
Cash and equivalents	$	5,132	MP	3,122
Other working capital amounts - net	$	106	MP	1,814
Long-term Liabilities	$	13,000	MP	84,096

At July 31, 2007, US dollar amounts were converted at a rate of 1.0667 Canadian dollars to 1 US dollar and Mexican Pesos were converted at a rate of 10.9812 MP to 1 US Dollar.

The Loan agreement entered into on the Acquisition required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US$731 per ounce until January, 2013. These gold sales contracts are excluded from the definition of derivatives because the obligation will be met by the physical delivery of gold and the Company's practices, productive capacity and delivery intentions are consistent with the definition of normal sales contracts in accordance with the Company's Revenue Recognition Policy in Note 2 of the audited consolidated financial statements.

14. Other

14.1 Disclosure of Outstanding Share Capital

	Number	Book Value
Common Shares	**60,590,789**	**$37,711**

There were 9,569,822 incentive stock options outstanding as at July 31, 2007 with an average exercise price of $0.89 per stock option and with expiry dates from March, 2010, to July, 2012.

There were 39,318,697 share purchase warrants outstanding as at July 31, 2007 with an average exercise price of $0.80 per warrant and with expiry dates from August 2009 to February, 2012, with a possibility of the Loan Tranche B warrants being extended to February, 2013.

14.2 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 supervisions 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 generally accepted accounting principles ("GAAP"). 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 GAAP; 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 year ended July 31, 2007 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.

14.3 Additional disclosure

The Company was a TSX venture issuer that had not had significant revenue from operations in either of its last two financial years. The Company has capitalized all expenditures relating to the exploration of its mineral properties. Details of mineral properties and deferred exploration costs for the properties are as follows:

	July 31, 2007	July 31, 2006
Cerro de Dolores - Actual Expenditures		
Acquisition costs	**$ 125**	$ 125
Assaying & sampling	**53**	52
Consulting fees (Geological & Engineering)	**168**	161
Drilling	**113**	113
Field work, equipment & rental	**31**	31
General & admin	**88**	71
Labour	**28**	28
Legal fees, licenses, maps & reports	**8**	8
Property taxes	**18**	18
Road construction	**33**	33
Site visits	**51**	51
Travel & transportation	**38**	28
	754	719
Black Silver - Actual Expenditures		
Acquisition costs	**29**	29
Assaying & sampling	**17**	14
Consulting	**49**	48
Drilling	**114**	114
License fees	**5**	**-**
Site visits	**7**	7
Staking	**8**	8
Travel & transportation	**10**	
	239	220
Write-off of mineral property	**(239)**	-
Total Mineral Properties and Deferred Exploration Costs	**$ 754**	**$ 939**