Starcore International Mines Ltd.

Interim Consolidated Financial Statements

April 30, 2010

(Unaudited)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE PERIOD ENDED APRIL 30, 2010 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

Starcore International Mines Ltd.
Interim Consolidated Balance Sheets
(in thousands of Canadian dollars) (Unaudited)

		April 30, 2010		July 31, 2009
Assets				
Current				
Cash and cash equivalents (notes 3, 12 and 13)	$	**2,495**	$	1,018
Amounts receivable (note 4)		**1,072**		1,697
Inventory (note 5)		**870**		974
Prepaid expenses and advances		**676**		492
		5,113		4,181
Mining interest, plant and equipment (note 6)		**39,918**		41,269
Mineral properties and deferred exploration costs (note 7)		**806**		806
	$	**45,837**	$	46,256
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**2,516**	$	1,729
Current portion of loan payable (notes 8 and 13)		**4,823**		6,692
		7,339		8,421
Loan payable (notes 8 and 13)		**-**		-
Reclamation and closure cost obligations (note 9)		**1,435**		1,489
Other long-term liabilities (note 10)		**2,554**		2,563
Future income taxes		**8,474**		8,617
		19,802		21,090
Shareholders' Equity				
Share capital (note 11)		**35,245**		33,318
Contributed surplus (note 11)		**9,279**		6,660
Warrants (notes 8 and 11)		**1,252**		3,359
Accumulated other comprehensive loss		**(2,068)**		(586)
Deficit		**(17,673)**		(17,585)
		26,035		25,166
	$	**45,837**	$	46,256

Commitments (notes 7, 8, 9, 10, 11, and 13)
Segmented information (note 14)
Nature of Operations and Going Concern (note 1)

Approved by the Directors:

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

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

Starcore International Mines Ltd.

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

	For the three months ended April 30, **2010**	For the three months ended April 30, 2009	For the nine months ended April 30, **2010**	For the nine months ended April 30, 2009
Revenues (notes 12 and 13)				
Mined ore	**$ 4,198**	$ 3,697	**$ 13,400**	$ 12,974
Purchased concentrate	**402**	1,425	**679**	4,117
	4,600	5,122	**14,079**	17,091
Cost of Sales				
Mined Ore	**3,174**	2,480	**8,164**	8,329
Purchased concentrate	**378**	1,389	**627**	4,026
Reclamation and closure (note 9)	**17**	21	**52**	60
Amortization and depletion	**433**	522	**1,498**	1,797
	4,002	4,412	**10,341**	14,212
Earnings from mining operations	**598**	710	**3,738**	2,879
Administrative Expenses				
Amortization	**12**	15	**35**	44
Stock-based compensation (note 11)	**152**	-	**314**	(99)
Interest on long-term debt (note 8)	**61**	132	**224**	447
Accretion on long-term debt (note 8)	**21**	79	**126**	188
Financing fees	**26**	-	**26**	-
Professional and consulting fees	**86**	84	**272**	206
Management fees and salary	**115**	89	**333**	269
Office, travel and administration	**116**	272	**463**	443
Shareholder relations	**80**	60	**180**	293
Transfer agent and regulatory fees	**25**	16	**34**	24
	(694)	(747)	**(2,007)**	(1,815)
Income (loss) before other income and income taxes	**(96)**	(37)	**1,731**	1,064
Other income				
Foreign exchange loss	**(81)**	(47)	**(18)**	(1,027)
Investment and interest income	**-**	139	**2**	233
Income before income taxes	**(177)**	55	**1,715**	270
Foreign taxes expense	**(546)**	(291)	**(1,487)**	(291)
Future income tax expense	**(148)**	(144)	**(316)**	(490)
Net loss for the period	**(871)**	(380)	**(88)**	(511)
Other Comprehensive income (loss)				
Foreign currency translation adjustment	**(1,412)**	(777)	**(1,482)**	4,515
Comprehensive income (loss) for the period	**$ (2,283)**	$ (1,157)	**$ (1,570)**	$ 4,004
Basic loss per share	**$ (0.01)**	$ (0.01)	**$ (0.00)**	$ (0.01)
Diluted loss per share	**$ (0.01)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Basic and diluted weighted average number of shares outstanding	**82,690,789**	60,690,789	**71,720,094**	60,690,789

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

Starcore International Mines Ltd.
Interim Consolidated Statements of Cash Flows
(in thousands of Canadian dollars) (Unaudited)

	For the three months ended April 30, 2010	2009	For the nine months ended April 30, 2010	2009
Cash provided by				
Operating activities				
Income (loss) for the period	**$ (871)**	$ (380)	**$ (88)**	$ (511)
Items not involving cash				
Amortization and depletion	**445**	537	**1,533**	1,842
Stock-based compensation	**169**	-	**368**	(217)
Accretion on long-term debt	**21**	79	**126**	188
Interest on long-term debt	**58**	-	**79**	-
Employee profit sharing (note 10)	**63**	64	**142**	217
Reclamation and closure cost accretion (note 9)	**17**	21	**52**	60
Future income tax	**149**	144	**318**	490
Other	**-**	(1)	**(2)**	(2)
Change in non-cash working capital items				
Prepaid expenses and advances	**(308)**	47	**(215)**	278
Amounts receivable	**(600)**	670	**165**	1,563
Inventory	**848**	(8)	**57**	447
Accounts payable and accrued liabilities	**571**	609	**1,034**	(2,437)
Total cash provided by operating activities	**562**	1,782	**3,569**	1,918
Financing activities				
Share issuances	**-**	-	**2,200**	-
Share issue costs	**-**	-	**(129)**	-
Loan payable	**(291)**	(837)	**(1,743)**	(1,895)
Total cash provided by (used in) financing activities	**(291)**	(837)	**328**	(1,895)
Investing activities				
Mining interest, plant and equipment net of disposals	**(1,038)**	(1,167)	**(2,601)**	(2,802)
Total cash used in investing activities	**(1,038)**	(1,167)	**(2,601)**	(2,802)
Effect of foreign currency translation on cash	**155**	(198)	**181**	1,317
Net increase (decrease) in cash and cash equivalents	**(612)**	(420)	**1,477**	(1,462)
Cash and cash equivalents, beginning of period	**3,107**	1,848	**1,018**	2,890
Cash and cash equivalents, end of period	**$ 2,495**	$ 1,428	**$ 2,495**	$ 1,428
Supplementary disclosure of cash flow information				
Cash paid for:				
Interest	**$ 61**	$ 132	**$ 224**	$ 447
Income taxes	**$ 546**	$ 291	**$ 1,487**	$ 291

Non-cash transactions - note 11

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

Starcore International Mines Ltd.

Interim Consolidated Statement of Shareholders' Equity for the periods ended April 30, 2010 and July 31, 2009

(in thousands of Canadian dollars, except for number of shares) (Unaudited)

		Shares	Amount	Contributed Surplus	Warrants	Accumulated Other Comprehensive Loss	Deficit	Total
Balance August 1, 2008		60,690,789	33,318	6,828	3,359	(2,750)	(18,496)	22,259
Stock-based compensation		-	-	(168)	-	-	-	(168)
Foreign currency translation		-	-	-	-	2,164	-	2,164
Net income for the year		-	-	-	-	-	911	911
Balance July 31, 2009		60,690,789	33,318	6,660	3,359	(586)	(17,585)	25,166
Issued for cash pursuant to:								
Private placement	- at $0.10	22,000,000	2,200	-	-	-	-	2,200
Agents' and legal fees		-	(273)	-	144	-	-	(129)
Stock-based compensation		-	-	368	-	-	-	368
Expiry of warrants		-	-	2,251	(2,251)	-	-	-
Foreign currency translation		-	-	-	-	(1,482)	-	(1,482)
Net income for the period		-	-	-	-	-	(88)	(88)
Balance April 30, 2010		**82,690,789**	**$ 35,245**	**$ 9,279**	**$ 1,252**	**$ (2,068)**	**$ (17,673)**	**$ 26,035**

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

1. Nature of Operations and Going Concern

Starcore International Mines Ltd. (the "Company" or "Starcore") is engaged in exploring, extracting and processing gold and silver. 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 $28,248 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 represents the purchase of a self sustaining mining operation in Mexico for the Company. 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.

The Company's continued existence as a going concern is dependent upon its ability to continue profitable operations. During the period ended April 30, 2010, the cash flow generated from operations and from share issuances exceeded the cash used in repaying the loan payable and in investing activities by $1,477 bringing the Company's cash balance to $2,495 with a working capital deficiency of $2,226 (see below). The ability of the Company to generate sufficient cash flows to continue as a going concern is dependent upon many factors including, but not limited to, sufficient ore grade, ore production and continued delivery of purchased concentrate at the San Martin mine, control of mine production costs, administrative costs and tax costs and upon the market price of metals. Cash flows may also be affected by the ability of the Company to reduce capital expenditures, including mine development, or to restructure debt payments. The Company may also generate cash from future debt or equity financings, however, depending on market conditions, there is no assurance that such financings will be available to the Company.

To date, the Company has made all debt, interest payments and forward contract sales payments due under the Loan Facility Agreement ("Agreement") with Investec Bank (U.K.) Limited ("Investec") (Note 8), as required by the Agreement. As at the quarter ended January 31, 2009, however, the Company failed to meet a debt covenant which requires that the current ratio (current assets compared to current liabilities) not fall below a ratio of 110%. This represented a default under the Agreement with Investec. The Company received a waiver of this default from Investec at April 30, 2009 on the condition that the Company obtain additional financing by June 30, 2009. The working capital ratio was corrected by June 30th, 2009 and the Company continues to meet the ratio requirement. Investec has also informed the Company that a triggering event has occurred under the Agreement due to the fact that the Company has not met metal production targets outlined in the original Development Plan dated January 31, 2007, made pursuant to the grant of the Loan Facility. Under the Agreement, a triggering event, unremedied, may lead to a default which may result in Investec taking additional measures to perform ongoing detailed review of mining operations and to control, in conjunction with the Company's management, mine operations and financial matters, including joint control of working capital accounts. As a result, the Company may or may not be in default of certain provisions of the Agreement. The Company continues to work closely with Investec in providing technical and financial information as requested in order to facilitate the process for Investec to gain comfort with the mining operations and resolve these issues satisfactorily with Investec. Due to the uncertainty regarding the Agreement status, management believes it is conservative to reclassify the Loan as current on the balance sheet. This reclassification is made to conform to the requirements of EIC-122 and EIC-59 and in no way affects the repayment schedule of the Loan as the Company has not been informed by Investec that the repayment schedule to January 31, 2013 has changed. Management believes that the Company will continue to make Loan principal, interest and forward contract payments in accordance with the requirements of the Agreement and is working with the cooperation of Investec to resolve any issues with the Agreement.

1. Nature of Operations and Going Concern – (cont'd)

Management continues working to achieve efficiencies and improved cash flow at the mine and is exploring all opportunities available to the Company to ensure its future success including pursuing efforts to diversify the Company's resource property holdings through acquisition and merger opportunities. While management believes the Company will be able to continue operations in the future, given the uncertainty of the above and other items, there is no assurance that the Company will be able to meet all of its operating costs, forward contract sales, capital expenditures and debt payments in the coming fiscal year. During the period ended April 30, 2010, the Company completed a private placement for proceeds of $2,200 (see note 11).

These financial statements have been prepared on the basis that the Company will continue as a going concern. No adjustments have been made to reflect the effect on the consolidated balance sheet and consolidated statements of operations and other comprehensive loss and cash flows should this assumption be incorrect and the Company forced to liquidate its assets realize its liabilities prematurely.

2. Interim Reporting

While the information presented in the accompanying financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim period in accordance with Canadian generally accepted accounting principles. It is suggested that these interim unaudited financial statements be read in conjunction with the Company's audited financial statements for the year ended July 31, 2009.

These unaudited interim consolidated financial statements follow the same accounting policies and methods as the Company's most recent annual audited consolidated financial statements. Operating results for the three and nine months ended April 30, 2010 are not necessarily indicative of the results that can be expected for the year ending July 31, 2010.

Recently Released Canadian Accounting Standards

Financial Statement Concepts – Section 1000

In February 2008, the CICA amended portions of Section 1000, "*Financial Statement Concepts*", which the CICA concluded permitted deferral of costs that did not meet the definition of an asset. The amendments apply to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Upon adoption of S.3064 and the amendments to Section 1000 for fiscal years beginning on or after October 1, 2008, capitalized amounts that no longer meet the definition of an asset will be expensed retrospectively. The Company is currently assessing the impact of this standard on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to the Company's fiscal years beginning on or after August 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

3. Cash and Cash Equivalents

Cash equivalents include Guaranteed Investment Certificates and/or Government of Canada Treasury bills with a market value of $1,506 (July 31, 2009 - $407) earning interest income at approximately 0.5% per annum and maturing in March 2011. Substantially all of the Company's cash is held at three financial institutions and as such the Company is exposed to the risks of those financial institutions.

4. Amounts Receivable

	April 30, 2010	July 31, 2009
Value added tax and Goods and Services Tax	**$ 618**	$ 834
Customers	**232**	825
Recoverable foreign income taxes	**186**	-
Other	**26**	38
	$ 913	$ 1,697

5. Inventory

	April 30, 2010	July 31, 2009
Dore	**$ 345**	$ 396
Work-in-process	**160**	160
Supplies	**365**	418
	$ 870	$ 974

6. Mineral Interest, Plant and Equipment

	April 30, 2010		
	Cost	**Accumulated amortization and depletion**	**Net book value**
Mining interest	$ 38,298	$ 4,574	**$ 33,724**
Plant and equipment	8,487	2,408	**6,079**
Corporate office equipment, vehicles, software and leaseholds	303	188	**115**
	$ 47,088	**$ 7,170**	**$ 39,918**

	July 31, 2009		
	Cost	Accumulated amortization and depletion	Net book value
Mining interest	$ 38,340	$ 3,929	$ 34,411
Plant and equipment	8,672	1,944	6,728
Corporate office equipment, vehicles, software and leaseholds	282	152	130
	$ 47,294	$ 6,025	$ 41,269

7. Mineral Properties and Deferred Exploration Costs

Cerro de Dolores, Mexico

The Company entered into an option agreement effective December 15, 2003, and amended July 23, 2007 with Wheaton River Minerals Ltd. (“Wheaton”) and two of Wheaton’s subsidiaries, Luismin and Compañia Minera Astumex, S.A. de C.V. (collectively, “Goldcorp”) 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 (issued) common shares and incur US $1.4 million in exploration expenditures on the property over a six year period to June 2010. To April 30, 2010, the Company has incurred approximately US$475 in direct work expenditures on the property and was in default of exploration expenditure requirements under the Agreement and is currently renegotiating with Goldcorp. No exploration costs were incurred during the period ended April 30, 2010 or the years ended July 31, 2009 and 2008.

8. Loan Payable

Pursuant to the Acquisition of Bernal (note 1), the Company arranged a US$13 million bank Loan with Investec which is repayable quarterly and matures on April 30, 2013. The Loan bears interest at LIBOR plus 3%, subject to an increase to LIBOR plus 4% upon an event of default, which occurred as at the January 31, 2009 quarter end as discussed below, and is secured by all of the assets of Bernal, all of the shares of Bernal and Starcore Mexicana S.A. de C.V., wholly-owned subsidiaries of the Company, and by a guarantee from the Company. During the period ended April 30, 2010, the effective interest rate to the Company was 4.29% (July 31, 2009 – 5.04%). The Company has the right to repay the Loan at any time without penalty. The Loan consists of two Tranches as follows:

a) Tranche A for US$8million is repayable as to interest and principal each three months with the balance due by July 31, 2010. In connection with the Tranche A Loan, the Company issued 12,442,000 detachable warrants (“Loan warrants”) exercisable to acquire common shares of the Company at a price of $0.76 (or US$0.643) per share until April 30, 2011. The warrants are non-transferable, except by agreement of the Company, and are exercisable first to directly reduce the outstanding Loan balance at the rate of US$0.643 per warrant exercised and, once the Loan balance is repaid, for cash to the Company at the rate of $0.76 per warrant exercised. During the period ended April 30, 2010, the Company has made principal payments on the Tranche A Loan totaling US$1.7 million (July 31, 2009 – US$2.28 million). The balance remaining on Tranche A at April 30, 2010 is US$38.

b) Tranche B for US$5million is repayable as to interest and principal each three months beginning July 31, 2010 for principal, with the balance due by January 31, 2013. In connection with the Tranche B Loan, the Company issued 6,794,000 detachable warrants (“Loan warrants”) exercisable to acquire common shares of the Company at a price of $0.87 (or US$0.736) per share until January 31, 2012. The warrants are non-transferable, except by agreement of the Company, and are exercisable first to directly reduce the outstanding Loan balance at the rate of US$0.736 per warrant exercised and, once the Loan balance is repaid, for cash to the Company at the rate of $0.87 per warrant exercised.

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 April 30, 2010, 40,263 (July 31, 2009 – 48,204) ounces remained under forward sales contracts.

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

8. Loan Payable – (cont'd)

The Loan is classified as a held-to-maturity liability ($13,867), less the portion relating to the conversion feature ($1,108) which is classified as an equity component. The Loan discount is difference between the face value of the original Loan, US$13,000 or $15,301 less portion of the loan classified as a liability, US$12,059 or $13,867. As a result, the recorded liability to repay the notes is lower than its face value. Using the effective interest rate method and the 11.0% implicit in the calculation, the difference of $1,108, characterized as the note discount is being charged to the consolidated statements of operations and comprehensive income (loss) and added to the liability over the term of the loan or as the Loan is repaid on a pro-rata basis. The accreted amount for the period ended April 30, 2010 was $126 (April 30, 2009 - $188).

	Tranche A Loan	Tranche B Loan	Discount	Accrued Interest	Total
Balance, July 31, 2008	$ 4,072	$ 5,129	$ (724)	$ -	$ 8,477
Payments made during the year	(2,675)	-	-	-	(2,675)
Discount accretion	-	-	260	-	260
Foreign exchange fluctuation	429	259	(58)	-	630
Balance, July 31, 2009	1,826	5,388	(522)	-	6,692
Payments made during the period	(1,743)	-	-	-	(1,743)
Discount accretion	-	-	126		126
Accrued Interest	-	-	-	76	76
Foreign exchange fluctuation	(45)	(309)	26	-	(328)
Balance, April 30, 2010	$ 38	$ 5,079	$ (370)	$ 76	$ 4,823

A summary of the Loans is as follows:

	April 30, 2010	July 31, 2009
Tranche A Loan	**$ 38**	$ 1,826
Tranche B Loan	**5,079**	5,388
	5,117	7,214
Add: Accrued interest	**76**	-
Less: Discount	**(370)**	(522)
	4,823	6,692
Less: Current portion	**(1,209)**	(1,949)
	3,614	4,743
Less: Reclass to current	**(3,614)**	(4,743)
Long-term portion	**$ -**	$ -

Principal due for the fiscal year ended:	
July 31, 2010	**$ 297**
2011	**1,254**
2012	**2,112**
2013	**1,454**
	$ 5,117

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

8. Loan Payable – (cont'd)

The current portion of the Loan Payable above of $1,209 reflects the scheduled payments required to April 30, 2011 under the existing Agreement and includes both the principal and accrued interest payments due over the next twelve months, totaling $1,297, and the discount which is to be accreted over the next twelve months, totaling $88.

To date, the Company has made all debt, interest payments and forward contract sales payments due under the Agreement with Investec, as required by the Agreement. As at the quarter ended January 31, 2009, however, the Company failed to meet a debt covenant which requires that the current ratio (current assets compared to current liabilities) not fall below a ratio of 110%. This represented a default under the Agreement with Investec. The Company received a waiver of this default from Investec at April 30, 2009 on the condition that the Company obtain additional financing or otherwise rectify the default by June 30, 2009. The working capital ratio was corrected by June 30th, 2009 and the Company continues to meet the ratio requirement. Investec has also informed the Company that a triggering event has occurred under the Agreement due to the fact that the Company has not met metal production targets outlined in the original Development Plan dated January 31, 2007, made pursuant to the grant of the Loan Facility. Under the Agreement, a triggering event, unremedied, may lead to a default which may result in Investec taking additional measures to perform ongoing detailed review of mining operations and to control, in conjunction with the Company's management, mine operations and financial matters, including joint control of working capital accounts. As a result, the Company may or may not be in default of certain provisions of the Agreement. The Company continues to work closely with Investec in providing technical and financial information as requested in order to facilitate the process for Investec to gain comfort with the mining operations and resolve these issues satisfactorily with Investec. Due to the uncertainty regarding the Agreement status, management believes it is conservative to reclassify the Loan as current on the balance sheet. This reclassification is made to conform to the requirements of EIC-122 and EIC-59 and in no way affects the repayment schedule of the Loan as the Company has not been informed by Investec that the repayment schedule to January 31, 2013 has changed. Management believes that the Company will continue to make Loan principal, interest and forward contract payments in accordance with the requirements of the Agreement and is working with the cooperation of Investec to resolve any issues with the Agreement.

9. Reclamation and Closure Cost Obligations

The Company's asset retirement obligations consist of reclamation and closure costs for mines. The present value of obligations is currently estimated at $1,435 (July 31, 2009: $1,489) reflecting discounted payments assumed at the end of the mine life of 30,878 Mexican pesos ("MP") or $2,529 which the Company estimates calculated annually over 10 to 12 years. Such liability was determined using a credit-adjusted risk free rate of 8%, an inflation rate of 4%, and undiscounted cash flows required to settle the obligation is approximately $2,529.

Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs.

Changes to the reclamation and closure cost balance during the period are as follows:

		April 30, 2010		July 31, 2009
Balance, beginning of year	**$**	**1,489**	$	1,708
Accretion expense		**52**		121
Foreign exchange fluctuation		**(106)**		(340)
	$	**1,435**	$	1,489

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

10. 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 will become payable as the Company's Mexican subsidiary earns taxable income.

11. Share Capital

a) Authorized

Unlimited common shares with no par value.

b) Shares issued

During the period ended April 30, 2010, the Company completed a non-brokered financing for proceeds of $2.2 million. The financing was in the form of 22,000,000 Units at $0.10 per Unit, each Unit comprised of one common share and one-half of one transferable share purchase warrant. Each whole Warrant entitles the holder to acquire one common share of the Company at $0.15 to November 26, 2010 and January 22, 2011. The warrants have been deemed to have no intrinsic value and, as such, no amount was allocated to the warrants.

A finder's fee applied in this transaction in the form of a cash commission of $129 and 1,842,500 nontransferable Agent Warrants, each Agent Warrant entitling the holder to acquire one common share of the Company at a price of $0.15 to November 26, 2010. Share issue costs include $144 allocated to the fair value of Agents' Warrants.

The fair value of agents' warrants was determined using the Black-Scholes model with the following weighted-average assumptions:

Dividend rate	0.00%
Expected life	1 year
Weighted average annual volatility	86%
Weighted average risk free interest rate	1.34%

The fair values of Agents' Warrants have been excluded from the statement of cash flows.

All securities issued pursuant to the private placement are subject to a four month hold period to March 27, 2010.

No common shares were issued during the year ended July 31, 2009.

c) Options Outstanding

During the year ended July 31, 2009, all of the outstanding stock options were forfeited by holders. During the period ended April 30, 2010, the Company granted directors, officers, employees and consultants incentive stock options, entitling them to purchase up to 9,500,000 common shares at $0.15 and $0.21 per share for 5 years. A summary of the Company's outstanding stock options as of April 30, 2010 and July 31, 2009 and the changes during the periods then ended is presented below:

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

11. Share Capital – (cont'd)

c) Options Outstanding – (cont'd)

	Number of options	Weighted average exercise price
Outstanding at July 31, 2008	7,869,822	$0.84
Options forfeited	(7,869,822)	$0.84
Outstanding at July 31, 2009	Nil	N/A
Options granted	10,300,000	$0.16
Options forfeited	(860,000)	$0.16
Outstanding at April 30, 2010	**9,440,000**	**$0.16**
Exercisable at April 30, 2010	**Nil**	**N/A**

At April 30, 2010, there were 9,440,000 share purchase options outstanding, entitling the holders thereof the right to purchase one common share for each option held, as follows:

Number of Shares	Exercisable	Exercise Price	Time to Expiry	Expiry Date
7,640,000	Nil	$0.15	4.53 years	November 9, 2014
1,000,000	Nil	$0.21	4.70 years	January 10, 2015
400,000	Nil	$0.15	4.91 years	March 26, 2015
400,000	Nil	$0.15	4.92 years	April 1, 2015
9,440,000	**Nil**	**$0.16**	**4.58 years**	

d) Stock Based Compensation

The Company, in accordance with the policies of the TSX, is authorized to grant options to directors, officers, and employees to acquire up to 20% of the amount of common stock outstanding. Options may be granted for a maximum term of 5 years. Optioned shares will vest and may be exercised in accordance with the vesting provisions set out as follows:

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

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

11. Share Capital – (cont'd)

d) Stock Based Compensation – (cont'd)

The fair value of options granted during the past three fiscal years was estimated using the Black-Scholes option-pricing model with the following assumptions at date of grant:

	April 30, 2010	Year ended, July 31, 2009	2008
Number of options granted	10,300,000	n/a	1,250,000
Fair value	$824	n/a	$576
Dividend Rate	n/a	n/a	$0
Risk free interest rate	2.43%	n/a	4.28%
Expected life	5 years	n/a	5 years
Expected annual volatility	80%	n/a	82%
Average strike price	$0.16	n/a	$0.95
Weighted average fair value per option	$0.08	n/a	$0.46

During the period ended April 30, 2010, the Company has stock-based compensation expense of $368 (April 30, 2009: recovery of $217), which has been recorded in the statement of operations and debited (April 30, 2009: credited) to contributed surplus. Of these amounts, an increase of $54 (2009 – reduction of $118) to Cost of Sales – Mined ore and Administrative Expenses – Stock-based compensation increased by $314 (2009 – reduced by $99).

e) Warrants Outstanding

Pursuant to the $2.2 million financing during the period ended April 30, 2010, the Company issued 7,500,000 and 3,500,000 warrants, each warrant entitles the holder to acquire one common share of the Company at $0.15 to November 26, 2010 and January 22, 2011 respectively.

In conjunction with the financing, the Company issued 1,842,500 warrants to agents, exercisable at $0.15 until November 26, 2010

Pursuant to the Loan financing, the Company issued 19,236,000 detachable warrants exercisable to acquire common shares of the Company. Of these warrants, 12,442,000 warrants are exercisable at a price of Cdn$0.76 (or US$0.643) per share until January 31, 2011, and 6,794,000 warrants are exercisable until January 31, 2012, at a price of Cdn$0.87 (or US$0.736), and for a further period of one year, if any of the Loan remains outstanding, at a price equal to the greater of Cdn$0.87 (or US$0.736) and 160% of the volume weighted average trading price of the Company's common shares for the five business days before January 31, 2012.

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

11. Share Capital - (cont'd)

e) Warrants Outstanding

The fair value of the 19,236,000 warrants issued pursuant to the Loan was estimated to be $1,108 which was equal to the discount calculated on the Loan. This value of the 19,236,000 warrants has been recorded in the statement of operations and credited to warrants on the balance sheet.

A summary of the Company's outstanding share purchase warrants at April 30, 2010 and July 31, 2009 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted average Exercise price
Outstanding and exercisable at July 31, 2009	37,238,857	$ 0.80
Warrants cancelled/expired	(18,002,857)	$ 0.80
Warrants issued	12,842,500	$ 0.15
Outstanding and exercisable at April 30, 2010	**32,078,500**	**$ 0.54**

During the period ended April 30, 2010, $2,251 representing the fair value of 18,002,857 warrants which expired in the period, was transferred from Warrants to Contributed Surplus, this amount has been excluded from the statement of cash flows.

12. Financial 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. Cash and cash equivalents are carried at their fair value. The fair values of amounts receivable, and accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments. Based on a market price of LIBOR plus 6%, the fair value of the loan payable at April 30, 2010 was $4,870 (July 31, 2009 - $6,450). Other than previously mentioned there are no other 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 April 30, 2010 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 and cash equivalents	$ 1,666	MP (138)
Other working capital amounts - net	$ 62	MP 1,105
Long-term Liabilities	$ -	MP 31,589

12. Financial Instruments – (cont'd)

At April 30, 2010 US dollar amounts were converted at a rate of $1.016 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP12.370 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 $1,600. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately $940.

Interest Rate Risk

The Company's cash earns interest and its loan payable accrues interest at variable interest rates. While fluctuations in market rates do not have a significant impact on the fair value of the Company's cash flows, such fluctuations could have a moderate impact on the fair value of the loan payable as of April 30, 2010. Future cash flows will be affected by interest rate fluctuations. 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.

The Company's exposure to interest rate fluctuations is moderate. A 1% increase or decrease in the interest rate will decrease or increase annual net income by approximately $55.

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, the balance of which at April 30, 2010 is $2,495. Cash and cash equivalents of $2,506 are held, primarily, at a chartered Canadian financial institution, the remainder of $(11) is held at a Mexican financial institution. All trade receivables are owing from two customers and are receivable in US dollars

Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves. As at April 30, 2010, the Company was holding cash of $2,495. The Company's accounts payable and accrued liabilities and current portion of its loan payable are due in the short term. Long-term obligations include the Company's loan payable, reclamation and closure cost obligations, other long-term liabilities and future income taxes. Prudent management of liquidity risk requires the regular review of existing and future loan covenants to meet expected expenditures and obligations under the Agreement (see Note 1). Although the Company was in default of a loan covenant during the year ended July 31, 2009, the Company has corrected the issue of default and continues to make all debt, interest payments and forward contract sales payments as required under the Agreement with Investec. Management believes that profits generated from the mine will be sufficient to meet its financial obligations and management believes that the Company will be able to meet all existing loan covenants in the future.

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

12. Financial Instruments – (cont'd)

Liquidity Risk – (cont'd)

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 may 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 audited financial statements for the year ended July 31, 2009. The fair value of the remaining gold sales contracts for the sale of 40,263 ounces to January 31, 2013, as at April 30, 2010 was negative US$15,877 (July 31, 2009 - US$11,614) based on a gold value of US$1,113 per ounce (July 31, 2009 – US$936).

13. Commitments

a) A term of the Loan financing (note 8) requires that the Company fund a Debt Service Reserve Account ("DSRA") at April 30, 2010, which will maintain a balance equal to six months loan principal and interest at all times. The required funding commitment at April 30, 2010, is approximately US$585 in accordance with the Loan repayment schedule. The Company has used all but $49 of this account to fund loan principal payments during the year ended July 31, 2008. The Company is required to refund the DSRA as soon as excess operating funds are available from mine operations. The principal due over the next twelve months ended January 31, 2011 is $1,209 (see Note 8) and is in addition to the funding of the DSRA.

b) As at April 30, 2010, the Company has shared lease commitments for office space, of $97, which included minimum lease payments, estimated taxes and excluding operating costs to expiry in February 2010.

c) As at April 30, 2010, the Company has management contracts to officers and directors totaling $300 per year, payable monthly, expiring in January, 2013.

d) Pursuant to the Acquisition agreement (note 1), the Company has granted Goldcorp Inc. a subordinated 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.

14. Segmented Information

During the period ended April 30, 2010, 100% of the Company's reportable sales were to two third parties. The Company operates in two reportable geographical and three operating segments. Selected financial information by geographical segment is as follows:

	Mexico	Canada	April 30, 2010 Total
Revenue	$ 14,079	$ -	**$ 14,079**
Amortization and depletion	1,498	23	**1,533**
Interest on long term debt	224	-	**224**
Earnings (loss) for the year	1,354	(1,442)	**(88)**
Mining interest, plant and equipment	39,803	115	**39,918**
Mineral properties and deferred exploration costs	806	-	**806**
Segment assets	43,956	1,881	**45,837**

(in thousands of Canadian dollars unless otherwise stated) (Unaudited)

14. Segmented Information – (cont'd)

	Mexico	Canada	April 30, 2009 Total
Revenue	$ 17,091	$ -	$ 17,091
Amortization and depletion	1,797	44	1,841
Interest on long term debt	447	-	447
Earnings (loss) for the year	(8)	(503)	(511)

	Mexico	Canada	July 31, 2009 Total
Mining interest, plant and equipment	$ 41,139	$ 130	$ 41,269
Mineral properties and deferred exploration costs	806	-	806
Segment assets	45,491	765	46,256

Selected financial information by operating segments is as follows:

	Mining Operations	**Exploration & Development**	**Corporate**	**April 30, 2010 Total**
Revenue	$ 14,079	$ -	$ -	**$ 14,079**
Amortization and depletion	1,498	-	35	**1,533**
Interest on long term debt	224	-	-	**224**
Earnings (loss) for the year	1,354	-	(1,442)	**(88)**
Mining interest, plant and equipment	39,803	-	115	**39,918**
Mineral properties and deferred exploration costs	-	806	-	**806**
Segment assets	43,150	806	1,881	**45,837**

	Mining Operations	Exploration & Development	Corporate	January 31, 2009 Total
Revenue	$ 17,091	$ -	$ -	$ 17,091
Amortization and depletion	1,797	-	44	1,841
Interest on long term debt	447	-	-	447
Earnings (loss) for the year	(8)	-	(503)	(511)

	Mining Operations	Exploration & Development	Corporate	July 31, 2009 Total
Mining interest, plant and equipment	$ 41,139	$ -	$ 130	$ 41,269
Mineral properties and deferred exploration costs	-	806	-	806
Segment assets	44,685	806	765	46,256

During the period ended April 30, 2010, 100% (January 31, 2009 – 100%) of revenue of the Company was earned from two (2008 – two) customers. The balance owing from these customers on April 30, 2010 was $618 (July 31, 2009 - $825).

15. 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 shareholders' 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.