



***MANAGEMENT DISCUSSION & ANALYSIS***  
For the period ended July 31, 2017

***Directors and Officers as at September 12, 2017:***

***Directors:***

Gary Arca  
Robert Eadie  
Jordan Estra  
Tanya Lutzke  
Cory Kent  
Ken Sumanik  
Federico Villaseñor

***Officers:***

***Executive Chairman, Chief Executive Officer & President*** – Robert Eadie  
***Chief Operating Officer*** - Salvador Garcia  
***Chief Financial Officer*** – Gary Arca  
***Corporate Secretary*** – Cory Kent

***Contact Name:*** Gary Arca  
***Contact e-mail address:*** garca@starcore.com  
***TSX Symbol:*** SAM

*Form 51-102-F1*

# STARCORE INTERNATIONAL MINES LTD.

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the period ended July 31, 2017

### **1. Date of This Report**

This MD&A is prepared as of September 12, 2017.

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited consolidated financial statements of Starcore International Mines Ltd. (“Starcore”, or the “Company”) for the period ended July 31, 2017.

**Monetary amounts throughout this MD&A are shown in thousands of Canadian dollars, unless otherwise stated.**

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

## 2. Overall Performance

### *Description of Business*

Starcore is engaged in exploring, extracting and processing gold and silver through its wholly-owned subsidiaries, Compañía Minera Peña de Bernal, S.A. de C.V. (“Bernal”), which owns the San Martin mine in Queretaro, Mexico and Altiplano GoldSilver S.A. de C.V (“Altiplano”), which owns the gold and silver processing plant in Matehuala, Mexico. The Company is a public reporting issuer on the Toronto Stock Exchange (“TSX”). The Company is also engaged in acquiring mining related operating assets and exploration assets in North America directly and through corporate acquisitions. The Company has interests in properties which are exclusively located in Mexico, USA and Canada.

### *Financial Highlights for period ending July 31, 2017*

- Cash and short-term investments on hand is \$7.4 million at July 31, 2017 compared to \$9.6 million at April 30, 2017;
- Gold and silver sales of \$8.1 million for the three months ended July 31, 2017 compared to \$7.1 million for the three months ended July 31, 2016;
- Net loss of \$294 for the period ended July 31, 2017 compared to net income of \$486 for the three months ended July 31, 2016;
- Equivalent gold production of 3,888 ounces in period ended July 31, 2017 compared to production of 4,206 ounces for the three months ended July 31, 2016;
- Mine operating cash cost is US\$1,052/EqOz for the period ended July 31, 2017 compared to cost of US\$853/EqOz for the three months ended July 31, 2016;
- All-in sustaining costs of US\$1,244/EqOz for the period ended July 31, 2017 compared to costs of US\$1,017/EqOz for the period ended July 31, 2016;
- EBITDA<sup>(1)</sup> of \$443 for the period ended July 31, 2017 compared to \$1,864 for the three months ended July 31, 2016.

### **Reconciliation of Net income to EBITDA**

<b>For the three months ended July 31,</b>	<b>2017</b>	<b>2016</b>
Net income	\$ (294)	\$ 486
Income tax recovery	(685)	(195)
Interest	26	212
Depreciation and depletion	1,396	1,361
<b>EBITDA</b>	<b>\$ 443</b>	<b>\$ 1,864</b>
<b>EBITDA MARGIN<sup>(2)</sup></b>	<b>5.5%</b>	<b>25.9%</b>

(1) EBITDA (“Earnings before Interest, Taxes, Depreciation and Amortization”) is a non-GAAP financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. The Corporation uses this non-GAAP measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

(2) EBITDA MARGIN is a measurement of a company’s operating profitability calculated as EBITDA divided by total revenue. EBITDA MARGIN is a non-GAAP financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. The Corporation uses this non-GAAP measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

### ***Recent News***

#### **Starcore appoints new Chief Operating Officer**

On August 23, 2017, the Company announced the appointment of Mr. Salvador Garcia as Chief Operating Officer responsible for all of Starcore’s operations at the Company’s San Martin Mine in Queretaro, Mexico.

Prior to joining Starcore, Mr. Garcia was most recently Country Manager of Mexico at First Majestic Silver Corp., after serving as First Majestic’s Chief Operating Officer from July 2014 to March 2017. Mr. Garcia has over 39 years of experience in the mining industry in Mexico with extensive experience in development and production including open pit and underground operations. He served as the Vice President of Operations and New Projects at First Majestic Silver Corp. from January 2013 until June 2014. Before joining First Majestic, Mr. Garcia was with Luismin for a period of 20 years prior to its acquisition by Goldcorp, where he held several positions from General Manager to Director of Operations. He was later promoted to the senior management team of Goldcorp where he served as Vice President & General Director for Mexico for five years.

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

“We are proud to have Salvador join our management team as Chief Operating Officer,” said Robert Eadie, President & CEO of Starcore. “He has distinguished himself in Mexico’s mining industry, and with his vast experience in operating mining projects and his work with major mining companies, he adds a depth to our management that will help us propel Starcore to a new level of asset building and growth.”

### **3. Selected Annual Information**

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

	Nine months ended		
	April 30, 2017	April 30, 2016	July 31, 2015
Revenues	\$ 27,228	\$ 20,326	\$ 28,405
Cost of Sales	(26,402)	(18,807)	(27,760)
Earnings from mining operations	826	1,519	645
Sale of San Pedrito	7,128	-	-
Administrative Expenses	(3,593)	(3,963)	(2,355)
Income tax recovery	2,861	2,639	1,920
Total earnings			
(i) Total earnings	\$ 7,222	\$ 195	\$ 210
(ii) Earnings per share – basic	\$ 0.15	\$ 0.00	\$ 0.00
(iii) Earnings per share – diluted	\$ 0.15	\$ 0.00	\$ 0.00
Total assets	\$ 82,096	\$ 78,907	\$ 69,197
Total long-term liabilities	\$ 13,036	\$ 13,324	\$ 15,141

### **4. Results of Operations**

#### ***Discussion of Acquisitions, Operations and Financial Condition***

The following should be read in conjunction with the unaudited consolidated financial statements of the Company and notes attached thereto for the period ended July 31, 2017.

#### 4.1 San Martín Mine, Queretaro, Mexico

##### *Reserves*

The San Martin Mine, located approximately 50km east of the City of Queretaro, State of Queretaro, Mexico, consists of mining concessions covering 12,992 hectares and includes seven underground mining units and four units under exploration, as well as an additional property, San Pedrito, located 50 km west of San Martin, which was recently sold. Luismin (now “Goldcorp Mexico”) operated the mine from 1993 to January, 2007 when it was purchased by Starcore. Starcore expects to continue to operate the mine over an expected mine life of at least 5 years based on the current expected conversion of known resources, and exploration is able to maintain approximately two years proven and probable reserves replacing those mined with new reserves, such that the total resource remains relatively constant from year to year. The Company’s last Resource estimate was filed on SEDAR “RESERVES AND RESOURCES IN THE SAN MARTIN MINE, MEXICO AS OF JULY 31, 2014”, dated October 6, 2014, prepared by Joseph Campbell, P. Eng. (the “Technical Report”), which is also available on the Company website [www.starcore.com](http://www.starcore.com).

##### *Production*

The following table is a summary of mine production statistics for the San Martin mine for the periods ended July 31, 2017 and 2016 and for the previous year ended April 30, 2017.

	<i>Unit of measure</i>	<b>Actual results for</b>		
		<b>3 months ended July 31, 2017</b>	<b>3 months ended July 31, 2016</b>	<b>12 months ended April 30, 2017</b>
Mine production of gold in dore	<i>thousand ounces</i>	<b>3.7</b>	<b>4.0</b>	<b>14.2</b>
Mine production of silver in dore	<i>thousand ounces</i>	<b>15.2</b>	<b>15.8</b>	<b>66.1</b>
Total mine production – equivalent ounces	<i>thousand ounces</i>	<b>3.9</b>	<b>4.2</b>	<b>15.2</b>
Silver to Gold equivalency ratio		<b>74.9</b>	<b>71.6</b>	<b>70.2</b>
Mine Gold grade	<i>grams/tonne</i>	<b>1.97</b>	<b>2.17</b>	<b>1.97</b>
Mine Silver grade	<i>grams/tonne</i>	<b>12.6</b>	<b>16.2</b>	<b>16.1</b>
Mine Gold recovery	<i>percent</i>	<b>85.0%</b>	<b>86.6%</b>	<b>81.5%</b>
Mine Silver recovery	<i>percent</i>	<b>51.2%</b>	<b>46.0%</b>	<b>46.5%</b>
Milled	<i>thousands tonnes</i>	<b>69.8</b>	<b>66.1</b>	<b>275.1</b>
Mine development, preparation and exploration	<i>meters</i>	<b>1,190</b>	<b>1,391</b>	<b>5,293</b>
Mine operating cash cost per tonne milled	<i>US dollars/tonne</i>	<b>59</b>	<b>54</b>	<b>53</b>
Mine operating cash cost per equivalent ounce	<i>US dollars</i>	<b>1,052</b>	<b>853</b>	<b>969</b>
Number of employees/contractors at minesite		<b>314</b>	<b>302</b>	<b>314</b>

During the quarter ended July 31, 2017, the mill operated at a rate of approximately 758 milled tonnes/calendar day. Gold and silver grades during the quarter ending July 31, 2017 was 1.97 g/t and 12.6 g/t, respectively, compared to prior year grades of 2.17 g/t and 16.2 g/t, respectively. Overall equivalent gold production from the mine during the period ending July 31, 2017 of 3,888 ounces was lower than the previous period production of 4,206 due mainly to lower grade and recovery percentage from the overall production tonnage of 69,753 tonnes.

Production cash costs of the mine for the current period ending July 31, 2017 were US\$1,052/EqOz. This was higher than the prior comparable period amount of US\$853/EqOz. The increase in production costs was largely due to lower metal production coupled the higher costs incurred in mine development and exploitation.

Operating cash costs of US\$59/t were higher than the prior period of US\$54/t due to higher input costs such as fuel, electricity, chemicals and labour. The mine plan has been developed to ensure the mine is properly developed and mined so as to ensure a constant supply of ore in accordance with currently planned production capacity and ore grades. Changes to the plan that may involve increased production and capital investment are continually being assessed by management. Currently, the Company is continuing underground exploration in order to identify higher grade ore zones and has allocated an adequate budget to support year-long exploration, exceeding 18,000 metres of underground exploration drilling for the 2017 calendar year.

In addition to the mine operations at Bernal, the Altiplano processing plant in Matehuala received approximately 37.21 tonnes of concentrate and 24.2 tonnes of slag containing approximately 150 ounces of gold and 25,525 ounces of silver. During the quarter ended July 31, 2017, Altiplano sold 223 ounces of gold and 21,000 ounces of silver.

## 4.2 Property Activity

### San Martin properties – Queretaro, Mexico

The San Martin mine properties are comprised of mining concessions covering 12,992 hectares. In addition to the ongoing mine exploration and development that is currently being performed in development of the mine, management is continually assessing the potential for further exploration and development of the San Martin properties and continually modifying the exploration budget accordingly.

The mine operates three underground drill rigs to provide information to assist with mine planning in addition to exploration, with the intent of increasing the reserves and resources on the property, and the Company is budgeting targets of approximately 18,000 metres of underground exploration drilling in calendar 2017.

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

### San Pedrito

On March 21, 2017, the Company finalized the sale of its San Pedrito Property, a non-core asset located in Queretaro, Mexico for MXN\$ 192,784,331. The San Pedrito property was part of Starcore's original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for US\$26 million. The disposition of San Pedrito was recorded during the year ended April 30, 2017 and a gain of \$7,128 is reported on the Statement of Operations and Comprehensive Income. The gain recorded is net of an allowance for MXN\$ 10.5 million for amounts that management has deemed uncertain for collectability.

The sale covers a total surface area of approximately 74 hectares (740,832 square meters) sold at \$250 pesos per square meter. Payments are staged as follows:

Surface Area in hectares (ha)	Equivalent in square meters (sm)	Mexican Pesos	Canadian Dollars*	Status
55.068 ha	550,685.485 sm	MXN\$ 137,671,371	C\$ 9,640,852	
Interest Received		MXN\$ 7,576,445	C\$ 530,563	
		<b>MXN\$ 145,247,816</b>	<b>C\$ 10,171,415</b>	<b>Payment received</b>
Parcel of 12 ha <sup>1</sup>	120,000.000 sm	MXN\$ 30,000,000	C\$ 2,100,840	Pending clearance
Parcel of 2.014 ha <sup>1</sup>	20,146.059 sm	MXN\$ 5,036,515	C\$ 352,697	Pending clearance
Parcel of 5 ha <sup>1</sup>	50,000.000 sm	MXN\$ 12,500,000	C\$ 875,350	Pending clearance

<sup>1</sup> The remaining three parcels await various confirmations from different local and federal authorities. As the Company receives these confirmations, the buyer will immediately remit the corresponding payment for each parcel of land. It is expected that these clearances will be confirmed within the next 12 months.

\* Based on exchange rate of 14.28 Pesos/CAD\$ as at close of March 21, 2017.

### Altiplano Processing Plant, Matehuala, Mexico

On August 5, 2015, the Company acquired Cortez Gold Corp. ("Cortez") (TSXV: CUT) in an all-share transaction completed pursuant to a court approved Plan of Arrangement under the Business Corporations Act (British Columbia)

(the “Arrangement”). Pursuant to the acquisition, the purchase price was allocated based on management’s best estimates and assumptions, after taking into account all relevant information available. As a result, apart from working capital allocations, \$6,094 was allocated to plant, machinery and equipment.

Altiplano has title to 20 hectares of land in Matehuala, S.L.P., Mexico, and to the buildings and equipment located thereon (the “Processing Plant”). The Processing Plant is a facility which processes third party gold and silver concentrate in Matehuala, Mexico.

Located within a historic mining district in an area that is home to numerous medium-sized mining operations, the Altiplano Plant is designed to employ a cleaner and more economical treatment production process that will enable the facility to offer lower processing rates than those currently available to concentrate producers in the area.

The construction of the Processing Plant was completed in 2015 the Company announced that as of February 15, 2016, the Altiplano plant poured its first doré bar, weighing in at 21.131 kg.

The Company’s management has determined the commencement of commercial production to begin on November 1, 2016. In making this judgement, management has assessed various sources of information including but not limited to operation management expertise, projected cash flow and determining sustainable level of production inputs available. As a result, prior to commencement of commercial production, all of the pre-operational costs and any test production revenue were capitalized to Plant costs. Subsequent to November 1, 2016, the consolidated statements of operations include the operating revenues and expenses from the Altiplano operations.

During Q1 the Altiplano Facility received approximately 37.21 tonnes of concentrate and 24.2 tonnes of slag containing approximately 150 ounces of gold and 25,525 ounces of silver. During the quarter ended July 31, 2017, Altiplano sold 223 ounces of gold and 21,000 ounces of silver.

#### **American Consolidated Minerals Corp.**

On November 20, 2014, the Company announced the approval of the proposed acquisition of American Consolidated Minerals Corp (“AJC”) pursuant to a plan of arrangement (the “Transaction”) by the AJC shareholders.

The Transaction was completed on December 1, 2014 upon the satisfaction of all of the conditions set out in the arrangement agreement entered into by AJC and the Company on October 1, 2014, including approval by the Supreme Court of British Columbia.

Pursuant to the acquisition of AJC, the Company has acquired the right to 3 properties as follows:

#### ***Sierra Rosario, Sinaloa, Mexico***

Pursuant to the acquisition of AJC, the Company acquired a 50% interest in two claims over the 500-hectare Sierra Rosario Property, located in the state of Sinaloa, Mexico. During the year ended July 31, 2015, the Company acquired the remaining 50% interest from the optionor for \$25 and a 1% NSR over the entire property.

### ***Toiyabe, Nevada, USA***

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

Consideration to be paid for the interest is US\$900 and the Company must incur total exploration expenditures of US\$1,025 (US\$1,025 incurred) on the property, by the fifth anniversary of the “New Effective Date” as agreed by MinQuest. The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over Toiyabe or the date that the Company completes a bankable feasibility study on the property. The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of US\$2 million per each 1% of the royalty.

During the period ending October 31, 2016, the Company completed Phase 1 drilling on the Toiyabe property. A total of 3,011 meters of RC/core were drilled in 15 holes. Shallow RC drill holes have identified a possible extension of the near-surface resource and the first deep core hole has identified high-grade gold mineralization (1.5 m of 12.9 g/t Au) at depth.

Reverse Circulation (RC) drilling, including two pre-collar holes, consisted of fifteen holes for a total footage of 2,537 meters. Core drilling totalled 474 meters in two holes. A summary of assay results received to date and a map of drill hole locations can be found on the Company website <https://www.starcore.com>.

Assays from T-1601C, the first deep core hole, show a broad mineralized zone from 254 to 294 meters (40 m) which averages 1.3 g/t Au. This zone includes 3 meters of 7.7 g/t Au (255.4-258.4 m) or 1.5 meters of 12.9 g/t Au (255’4-256.9 m). The mineralized intervals coincide closely with highly altered breccia within broad fault zones.

The RC program targeted a combination of resistivity high anomalies as well as offsets and extensions to mineralization associated with the Courtney fault zones. A near-surface NI43-101 resource of 173,562 contained ounces of gold was published in 2009. Fifteen of the initially proposed RC holes were completed for a total drilling footage of 2,537 meters. Seven of the fifteen RC holes were lost short of targeted horizons. Even with these drilling limitations, fourteen of the fifteen RC holes encountered anomalous gold values as shown in the table above.

All RC drilling samples are collected in 1.5 meter intervals, logged and securely shipped to ALS Chemex Labs Inc. in Reno, Nevada to be analyzed for gold and silver by fire assay. A second sample split is kept on site for possible re-testing or future metallurgy. Standards and blanks are included with the sample submittals and numerous repeat assays conducted. The core is logged, sample intervals marked on the core either in 1.5 meter lengths or geologic/structural breaks, sawed and half core assayed the same as the RC procedure mentioned above.

Richard Kern, Certified Professional Geologist (#11494) is the Qualified Person who has prepared and reviewed the technical information on the Toiyabe property in accordance with NI 43-101 reporting standards.

### ***Lone Ranch, Washington, USA***

Pursuant to the acquisition of AJC, the Company has acquired the right to a 100% undivided interest, subject to a 3% NSR in 73 mining claims located in Ferry County, Washington State, United States of America (“Lone Ranch”) from MinQuest Inc. (“MinQuest”).

Consideration to be paid for the interest is US\$360, and the Company must incur total exploration expenditures of US\$1,225 (\$175 incurred) on the property, by the third anniversary of the “New Effective Date” as agreed by MinQuest. The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over the property or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of US\$1.5 million per each 1% of the royalty. If the Company does not incur the exploration expenditures as specified, the unpaid portions may be paid to the optionor to maintain the option.



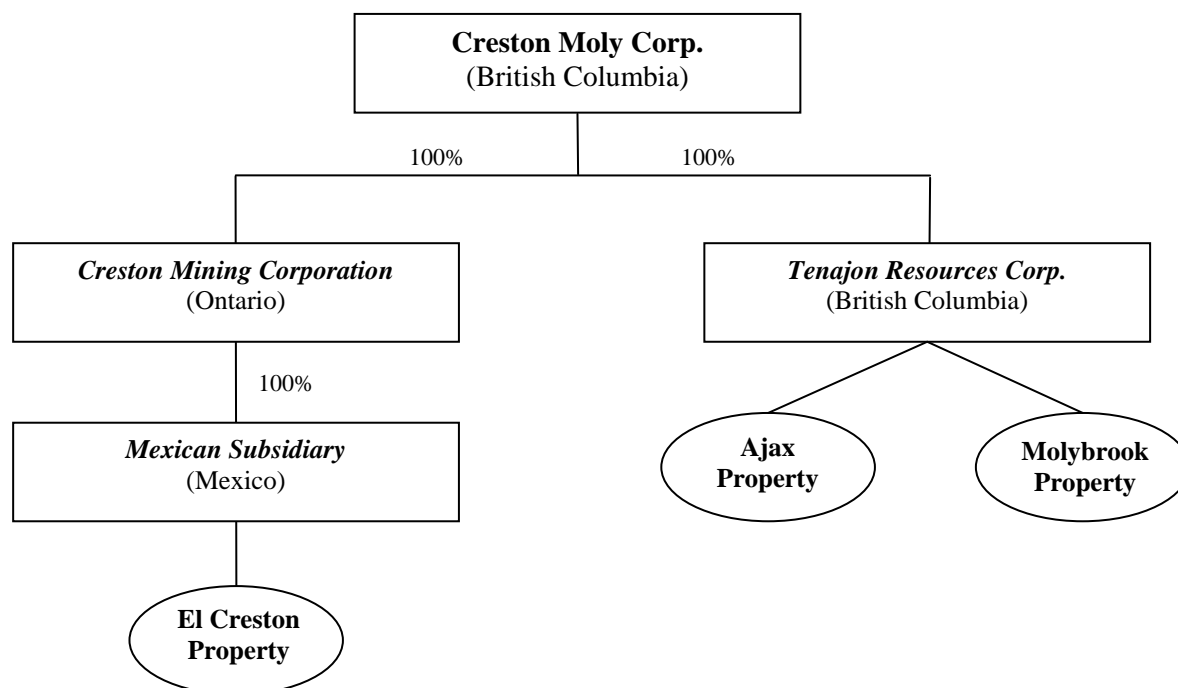
### Creston Moly

On February 19, 2015, the Company acquired all of the shares of Creston Moly from Deloitte Restructuring Inc. in its capacity as trustee in bankruptcy of Mercator Minerals Ltd. at a purchase price of CDN \$2 Million. In June, 2011, Mercator Minerals Ltd. ("Mercator"), a TSX listed company, acquired Creston Moly in a cash and shares deal valuing Creston Moly at approximately \$194 million. At that time, the Board of Directors of Creston Moly, after receiving the recommendation of its special committee and consultation with its financial and legal advisors, unanimously supported the arrangement whereby Mercator would acquire all of the issued and outstanding common shares of Creston.

BMO Capital Markets, financial advisor to Creston Moly and its Board, provided a fairness opinion to the effect that the consideration (of \$194 million) was fair, from a financial point of view, to the shareholders of Creston Moly.<sup>1</sup> Creston shareholders voted in favour of the acquisition. The most significant asset in this acquisition was the El Creston project in Sonora, Mexico which had been advanced to a completed Preliminary Economic Assessment ("PEA").

On September 5, 2014, pursuant to the *Bankruptcy and Insolvency Act (Canada)*, Mercator and Creston Moly were deemed to have filed assignments in bankruptcy. Creston Moly is a British Columbia company that owns, through its subsidiaries, a 100% interest in the following properties:

- The Ajax Project in British Columbia; and
- The Molybrook Project in Newfoundland.
- The El Creston Project in Sonora, Mexico;



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<sup>1</sup> The information in this report relating to the acquisition of Creston Moly by Mercator has been drawn from documents filed under the Creston Moly Corp. issuer profile on SEDAR, more specifically: Creston's Management Information Circular dated May 9, 2011 and filed on SEDAR on May 16, 2011, and Creston's news release of June 6, 2011 as filed on SEDAR on June 7, 2011.

### ***Ajax, British Columbia, Canada<sup>2</sup>***

Ajax Molybdenum Property is comprised of 11,718 hectares and is located 13 km north of Alice Arm, British Columbia. The Ajax Property, one of North America's largest undeveloped molybdenum deposits occupying a surface area of approximately 600 by 650 metres, is a world class primary molybdenum property in the advanced stage of exploration.

### ***Molybrook, Newfoundland, Canada<sup>3</sup>***

Creston's Molybrook molybdenum property located on the south coast of Newfoundland is centred 2.5 km from the outport of Grey River less than 4 kilometres from a deep water, ice free navigable fjord. The property hosts a 3 km long trend in which at least three zones of at surface molybdenum mineralization occur: Molybrook, Wolf and Chimney Pond. To date, almost all exploration has been completed on the Molybrook Zone where a large porphyry molybdenum deposit has been outlined.

The Company owns 100% of the 44 mineral claims of the Moly Brook molybdenum property, located 2.5 km from the Hamlet of Grey River on the southern coast of Newfoundland, pursuant to the acquisition of Creston Moly Corp. The Moly Brook property is subject to a 2% net smelter royalty ("NSR"), of which 1.5% can be purchased by the Company for \$1.5 million.

During the year ended April 30, 2016, the Company reduced its claims to focus of the core project and to reduce its holding costs.

### ***El Creston Project, Sonora, Mexico<sup>4</sup>***

The El Creston molybdenum property is located in the State of Sonora, Mexico, 175 kilometres south of the US Border and 145 kilometers northeast of the city of Hermosillo which has completed a Preliminary Economic Assessment on the property based on zones of porphyry-style molybdenum ("Mo")/Copper ("Cu") mineralization. In 2010, a PEA was prepared on the project by an independent consulting firm. The result of this study indicated that the El Creston molybdenum-copper deposit had a US \$561.9million net present value after tax (using an 8% discount rate). The internal rate of return (after tax) was calculated to be 22.3% and a capital cost payback was calculated to be four years.

Other highlights of the report include:

- ***Large moly-copper deposit in a mining-friendly jurisdiction.*** Total Measured and Indicated Resources of 215 million tonnes grading 0.071% Mo and 0.06% Cu, containing 336 Mlbs Mo and 281 Mlbs Cu. Mineral resources that are not mineral reserves do not have demonstrated economic viability;
- ***Initial Capital cost:*** US\$655.9million with payback of 4 years, based on metal prices of \$15/lb Mo and \$2.60/lb Cu. Metal recoveries were estimated at 88% for Mo and 84% for Cu;
- ***Low Operating Cost:*** operating cost of \$US4.12/lb Mo, net of copper credits, 0.84:1 waste to ore strip ratio within an optimized pit containing an additional 7.6 million tonnes of Inferred Resources responsible for \$20M of the NPV;
- ***Excellent infrastructure:*** Road accessible with a 230kV power grid within 50 km;

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<sup>2</sup> Technical information in this report relating to the Ajax Project is based on the NI 43-101 Resource Estimate Press Release entitled "Tenajon Announces 75% Increase in Indicated Molybdenum Resources at Ajax Project", dated May 15, 2008 and the technical report entitled "Update of Resource Estimation, Ajax Property, Alice Arm, British Columbia", dated April 18, 2007, both of which are filed under the Tenajon Resources Corp. issuer profile on SEDAR.

<sup>3</sup> Technical information in this report relating to the Moly Brook property is based on the technical report entitled "Technical Report, Moly Brook Property, Grey River Area, Newfoundland, Canada", dated June 15, 2009, filed under the Tenajon Resources Corp. issuer profile on SEDAR.

<sup>4</sup> The technical information in this MD&A relating to the El Creston Project is based on the technical report entitled "Preliminary Economic Assessment, El Creston Project, Opodepe, Sonora, Mexico", dated December 16, 2010, filed under the Creston Moly Corp. issuer profile on SEDAR.. Information regarding the effective date of the mineral resources, key assumptions, parameters and methods used to estimate the mineral resources, and known risks that materially affect the mineral resources can be found in the technical report.

- *Apart from the PEA*, recommendations have been made to test known mineralization below the current pit-limiting “Creston Fault” where results such as drill hole EC08-54 returned 241.4m at 0.083% Mo and 0.059% Cu to a depth of 495m in the Red Hill Deep zone.

David Visagie, P.Geo., an independent consultant, is the Company’s qualified person under NI 43-101, and has reviewed and approved the scientific and technical disclosure on the El Creston Project disclosed in this report.

### 4.3 Results of Operations

The Company recorded loss for the period ended July 31, 2017 of \$294 compared with earnings of \$486 for the comparative period ended July 31, 2016. The details of the Company’s operating results and related revenues and expenses are as follows:

<b>For the period ended July 31,</b>	<b>2017</b>	<b>2016</b>	<b>Variance</b>
<b>Revenues</b>			
Mined ore	\$ 6,435	\$ 7,188	\$ (753)
Purchased concentrate	1,660	-	1,660
<b>Total Revenue</b>	<b>8,095</b>	<b>7,188</b>	<b>907</b>
<b>Cost of Sales</b>			
Mined ore	(5,129)	(4,679)	(450)
Purchased concentrate	(1,949)	-	(1,949)
Depreciation and depletion	(1,396)	(1,361)	(35)
<b>Total Cost of Sales</b>	<b>(8,474)</b>	<b>(6,040)</b>	<b>(2,434)</b>
<b>Earnings (Loss) from mining operations</b>	<b>(379)</b>	<b>1,148</b>	<b>(1,527)</b>
Financing costs	(26)	(212)	186
Foreign exchange gain	456	708	(252)
Management fees and salaries	(345)	(366)	21
Office and administration	(403)	(464)	61
Professional and consulting fees	(194)	(390)	196
Shareholder relations	(37)	(75)	38
Transfer agent regulatory fees	(51)	(58)	7
<b>Earnings (loss) before taxes</b>	<b>(979)</b>	<b>291</b>	<b>(1,270)</b>
<b>Income tax recovery</b>			
Deferred	685	195	490
<b>Earnings (loss) for the period</b>	<b>(294)</b>	<b>\$ 486</b>	<b>\$ (780)</b>

Overall, revenue from milled ore decreased by \$0.7 million for the three month period ended July 31, 2017 compared to the comparative period ended July 31, 2016, due mainly to lower metal production from lower tonnage processed and lower gold and silver recovery in the current period compared to the prior period. Sales of metals for the period ended July 31, 2017 approximated 3,737 ounces of gold and 16,900 ounces of silver sold at average prices in the period of US\$1,253 and US\$16.59 per ounce, respectively. This is a decrease in sale ounces from the comparative period ended July 31, 2016 where sales of metal approximated 4,145 ounces of gold and 18,894 ounces of silver, sold at higher average prices of US\$1,285 and US\$18.13 per ounce, respectively.

The total cost of sales above includes non-cash expenses for depreciation and depletion of \$1,396, compared to \$1,361 in the comparable period, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves and a percentage of inferred resources in accordance with the Company’s policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management.

For the period ending July 31, 2017, the Company produced a loss of \$379 in from mine operations compared to earnings of \$1,148 for the period ended July 31, 2016. The loss resulted mainly from a decrease in the sale of metal

ounces when compared to the prior period despite a higher average price for the commodity. The combination of lower grades and recoveries for gold and silver resulted in lower metal production and, therefore, revenue as compared to the prior period.

Costs per ounce for the period ended July 31, 2017 were US\$1,190/EqOz. which are higher than the average operating cash cost of US\$853/EqOz. during the comparable period ended July 31, 2016. This resulted in comparable reported mined ore costs at \$5,129 compared to \$4,679 in the previous comparable period ended July 31, 2016. Mined ore costs increased in the current period due mainly to higher tonnage processed coupled with increased input costs such as fuel, electricity, chemicals and labour.

The Company also processed purchased concentrate at the newly commissioned Altiplano plant and in the San Martin mine in the period ended July 31, 2017 for revenue of \$1,660 and cost of purchasing concentrate of \$1,949, for a net loss of \$289. The net loss is due mainly to the fixed cost of the facility in light of the facility not achieving a break-even level of production from purchase and processing of concentrates and other materials. As the Altiplano facility is relatively new, management is building supplier networks and relationships to purchase concentrate and other materials to increase production.

#### ***Other Items***

Changes in other items for the three month period ended July 31, 2017, resulted in the following significant changes from the three month period ended July 31, 2016:

- Financing costs during the period decreased by \$186 due to the Company not incurring interest on debt which was repaid in the prior year ended April 30, 2017;
- Office and administration decreased by \$61 due higher corporate costs relating to general regulatory administration and office related costs in the prior period.
- Management fees and salaries decreased by \$21 primarily due to the higher costs related to share based compensation in the prior year;
- Foreign exchange gain decreased by \$252 for the period ended July 31, 2017. The decrease relates primarily to the strengthening of the Mexican peso and Canadian dollar and weakening of the US dollar, the functional currency of the mining operations;
- Professional and consulting fees decreased by \$196 to \$194 due to higher fees charged in relations to legal, tax and audit fees (related to the 20F filing requirements) in the prior period;
- Deferred Income Tax Recovery increased by \$490 due to the Company recognizing its ability to use additional, previously unrecognized, non-capital loss carry forwards in the current and future periods.

#### ***Sustaining Costs***

In conjunction with a non-GAAP initiative being undertaken within the gold mining industry, the Company has adopted an “all-in sustaining cash cost” non-GAAP performance measure that the Company believes more fully defines the total costs associated with producing gold; however this performance measure has no standardized meaning. As the measure seeks to reflect the full cost of equivalent gold production from current operations, new project capital is not included in the calculation. Accordingly it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The Company reports this measure on a sales basis:

<i>(In Canadian Dollars unless indicated)</i> For the period ended July 31,	Sustaining Costs (in 000's)		Sustaining Costs Per Ounce (in \$/oz)	
	2017	2016	2017	2016
Total cost of sales cash costs <sup>1</sup>	\$ 5,129	\$ 4,679	\$ 1,294	\$ 1,061
Total corporate and administration cash costs <sup>2</sup>	1,037	1,353	262	307
Foreign exchange gain	(456)	(708)	(115)	(160)
Reclamation and closure accretion	22	19	5	4
Sustaining capital expenditures and exploration <sup>3</sup>	767	468	194	106
All-in sustaining cash costs	6,499	5,918	1,640	1,318
Foreign exchange adjustment	(1,568)	(1,351)	(396)	(301)
<b>All-in sustaining USD cash costs</b>	<b>\$ 4,931</b>	<b>\$ 4,567</b>	<b>\$ 1,244</b>	<b>\$ 1,017</b>
Total equivalent ounces sold	3,963	4,411		

<sup>1</sup> Excludes non-cash depletion of \$1,396 for the three months ended July 31, 2017 (July 31, 2016: \$1,361).

<sup>2</sup> Includes share-based compensation of \$38 for the period ended July 31, 2017 (July 31, 2016: \$Nil).

<sup>3</sup> Certain capital expenditures costs that are non-sustaining costs have been excluded in accordance with AISC guidelines. This includes capital costs of Altiplano processing plant costs of \$33 (2016 - \$ 107).

### Cash Flows

Cash flows spent on operating activities were \$1,235 during the period ended July 31, 2017, compared to cash inflow of \$99 for the comparative period ended July 31, 2016. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Cash flows received from investing activities were \$2,637 primarily due to sale of short term investment of \$3,645 and spent on investment in mining interest, plant and equipment for \$776 and investment in exploration and evaluation assets of \$232. Overall cash increased during the period ended July 31, 2017 by \$1,402.

### Investor Relations Activities

During the period ended July 31, 2017, the Company responded directly to investor inquiries.

### Financings, Principal Purposes & Milestones

During the period ended July 31, 2017, the Company did not have any financings

## 5. Summary of Quarterly Results

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

	Q1 31-Jul-17	Q4 30-Apr-17	Q3 31-Jan-17	Q2 31-Oct-16
Total Revenue	\$ 8,095	\$ 6,815	\$ 6,164	\$ 7,061
Earnings (loss) from mining operations	\$ (379)	\$ (1,096)	\$ (495)	\$ 1,269
Earnings (loss) for period	\$ (294)	\$ 8,095	\$ (1,546)	\$ 187
Per share – basic	\$ (0.01)	\$ 0.17	\$ (0.03)	\$ 0.00
Per share – diluted	\$ (0.01)	\$ 0.17	\$ (0.03)	\$ 0.00

	31-Jul-16	30-Apr-16	31-Jan-16	31-Oct-15
Total Revenue	\$ 7,188	\$ 5,668	\$ 6,954	\$ 7,704
Earnings (loss) from mining operations	\$ 1,148	\$ (287)	\$ 670	\$ 1,136
Earnings (loss) for period	\$ 486	\$ (283)	\$ 240	\$ 562
Per share – basic	\$ 0.01	\$ (0.01)	\$ 0.00	\$ 0.01
Per share – diluted	\$ 0.01	\$ (0.01)	\$ 0.00	\$ 0.01

### ***Discussion***

The Company reports loss of \$294 for the quarter compared to earnings of \$486 in the comparative quarter ended July 31, 2016. Revenue from operations increased in this quarter to \$8,095 from the comparative quarter of \$7,188 as a result of sale of concentrate from the Company's Processing Plant. For more detailed discussion on the quarterly production results and financial results for the quarter ended July 31, 2017, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

### **6. Liquidity and Commitments**

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

As at July 31, 2017, the Company had the following commitments:

- As at July 31, 2017, the Company has shared lease commitments for office space of approximately \$144 per year, expiring at various dates up to April 2020, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.
- As at July 31, 2017, the Company has a land lease agreement commitment with respect to the land at the mine site, for \$132 per year until December 2017. The Company also has ongoing commitments on the exploration and evaluation assets of approximately \$220 per year.
- As at July 31, 2017, the Company has management contracts to officers and directors totaling \$600 per year, payable monthly, expiring in January 2020.
- During the year ended July 31, 2015, the Company secured a \$1,305 (USD \$1,000) loan with a lender. The loan is secured against certain assets of the Company and bears interest at 11% per annum, compounded monthly. The full principal plus accrued interest on the loan was repaid to the lender subsequent to July 31, 2017, on the due date of August 31, 2017.

Obligations due within twelve months of July 31:	2017	2018-2019	2020 and beyond
Trade and other payables	\$ 3,058	\$ -	\$ -
Current portion of loan payable	1,573	-	-
Rehabilitation and closure cost provision	-	-	1,299

### **7. Capital Resources**

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of \$47,621 as at July 31, 2017. The Company is committed to further expenditures of capital required to maintain and to further develop the San Martin mine which management believes will be funded directly from the operating cash flows of the mine.

### **8. Off Balance Sheet Arrangements**

The Company has no off balance sheet transactions.

**9. Transactions with Related Parties**

There were no other material reportable related party transactions during the period ending July 31, 2017.

**10. First Quarter**

Due to mine operating activity of the San Martin mine discussed throughout this MD&A and as detailed in Section 4.1, the operations and activities are similar to previous quarters which are discussed in *Section 4.3 – Results of Operations*.

**11. Proposed Transactions**

N/A

**12. Critical Accounting Estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the current financial period are discussed below:

a) Economic Recoverability and Profitability of Future Economic Benefits of Mining Interests

Management has determined that mining interests, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

b) Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provision may be higher or lower than currently provided for. The inflation rate applied to estimated future rehabilitation and closure costs is 3.5% and the discount rate currently applied in the calculation of the net present value of the provision is 8%

c) Impairments

The Company assesses its mining interest, plant and equipment assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

e) Share-Based Payment Transactions

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

f) Mineral Reserves and Mineral Resource Estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral reserve and mineral resources based on information compiled by Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. Such information includes geological data on the size, depth and shape of the mineral deposit, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade that comprise the mineral reserves. Changes in the mining reserve or mineral resource estimates may impact the carrying value of mineral properties and deferred development costs, property, plant and equipment, provision for site reclamation and closure, recognition of deferred income tax assets and depreciation and amortization charges.

g) Units of production depletion

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in depreciation charges proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumption, including the amount of recoverable reserves and estimate of future capital expenditure. Changes are accounted for prospectively.

13. Changes in Accounting Policies

N/A

14. Financial and Other Instruments

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

In the normal course of business, the Company's assets, liabilities and forecasted transactions are impacted by various



market risks, including currency risks associated with inventory, revenues, cost of sales, capital expenditures, interest earned on cash and the interest rate risk associated with floating rate debt.

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The primary currency the Company exposed to is the United States dollar which is also the functional currency of the San Martin Mine. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At July 31, 2017 the Company had the following financial assets and liabilities denominated in CDN and denominated in Mexican Pesos:

In '000 of	CDN Dollars	Mexican Pesos (MP)
Cash	\$ 605	MP 4,924
Other working capital amounts – net	\$ (128)	MP 31,465

At July 31, 2017, US dollar amounts were converted at a rate of \$1.2488 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP17.82 to \$1 US Dollar.

## 15. Other

### 15.1 Disclosure of Outstanding Share Capital as at September 12, 2017

	Number	Book Value
<b>Common Shares</b>	<b>49,146,851</b>	<b>\$ 50,605</b>

The following is a summary of changes in options from July 31, 2017 to **September 12, 2017**:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Period			Closing	Closing, Vested and Exercisable
				Granted	Exercised	Cancelled/ Forfeited		
08/22/13	08/22/18	\$1.00	200,000	-	-	200,000	-	-
08/22/13	08/22/18	\$0.80	50,000	-	-	-	50,000	50,000
09/06/13	09/06/18	\$0.92	50,000	-	-	-	50,000	50,000
09/12/13	09/12/18	\$1.00	50,000	-	-	-	50,000	50,000
01/15/14	01/15/19	\$0.88	998,750	-	-	175,000	823,750	823,750
			1,348,750	-	-	375,000	973,750	973,750
Weighted Average Exercise Price			\$0.90	-	-	\$0.94	\$0.88	\$0.90

### 15.2 Disclosure Controls and Procedures

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

#### Internal Controls Over Financial Reporting

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual consolidated financial statements or interim financial statements.

There has been no change in the Company's internal control over financial reporting during the Company's period ended July 31, 2017 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.