

Starcore International Mines Ltd.

Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2015

(Unaudited)

**NOTICE TO READER OF THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

The unaudited condensed interim consolidated financial statements for the three months ended October 31, 2015 have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed or audited by the Company's auditors.

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

As at	October 31, 2015	July 31, 2015
Assets		
Current		
Cash	\$ 4,619	\$ 3,370
Short-term investments (note 4)	2,624	2,615
Amounts receivable (notes 3 and 5)	3,209	3,435
Inventory (note 6)	1,856	2,037
Prepaid expenses and advances (note 3)	1,169	1,349
Total Current Assets	13,477	12,806
Non-Current		
Mining interest, plant and equipment (notes 3 and 7)	54,943	49,846
Exploration and evaluation assets (note 8)	3,496	3,411
Reclamation deposits	165	165
Deferred tax assets	4,731	2,969
Total Non-Current Assets	63,335	56,391
Total Assets	\$ 76,812	\$ 69,197
Liabilities		
Current		
Trade and other payables (note 3)	\$ 3,053	\$ 1,950
Non-Current		
Rehabilitation and closure cost provision (note 10)	1,133	1,162
Loan payable (notes 3 & 9)	1,345	1,305
Deferred tax liabilities	14,229	12,674
Total Non-Current Liabilities	16,707	15,141
Total Liabilities	\$ 19,760	\$ 17,091

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

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

As at	October 31, 2015	July 31, 2015
Equity		
Share capital (notes 3 and 11)	\$ 48,364	\$ 45,354
Shares subscribed (note 11)	2,240	-
Equity reserve	11,173	11,173
Foreign currency translation reserve	4,199	5,065
Accumulated deficit	(8,924)	(9,486)
Total Equity	57,052	52,106
Total Liabilities and Equity	\$ 76,812	\$ 69,197

Commitments (note 13)
Subsequent events (note 17)

Approved by the Directors:

“Robert Eadie” Director

“Gary Arca” Director

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

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

For the three months ended October 31,	2015	2014
Revenues		
Mined ore	\$ 7,704	\$ 7,337
Purchased concentrate	-	332
Total Revenues	7,704	7,669
Cost of Sales		
Mined ore	(4,817)	(5,231)
Purchased concentrate	-	(306)
Depreciation and depletion	(1,751)	(1,681)
Total Cost of Sales	(6,568)	(7,218)
Earnings from mining operations	1,136	451
Financing costs (note 9)	(103)	(22)
Foreign exchange gain	25	274
Professional and consulting fees	(190)	(188)
Management fees and salaries	(216)	(268)
Office and administration	(414)	(290)
Shareholder relations	(10)	(5)
Earnings (loss) before taxes	228	(48)
Income tax recovery		
Current	-	439
Deferred	334	479
Earnings for the period	562	870
Other comprehensive (loss) income		
Item that may subsequently be reclassified to income		
Foreign currency translation differences	(866)	1,201
Comprehensive (loss) income for the period	\$ (304)	\$ 2,071
Basic earnings per share (note 16)	\$ 0.00	\$ 0.01
Diluted earnings per share (note 16)	\$ 0.00	\$ 0.01

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

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

For the three months ended October 31,	2015	2014
Cash provided by		
Operating activities		
Earnings for the period	\$ 562	\$ 870
Items not involving cash:		
Depreciation and depletion (note 7)	1,777	1,791
Income recovery expense	(334)	(918)
Interest on long-term debt (note 9)	37	-
Interest revenue	(8)	(5)
Rehabilitation and closure cost accretion (note 10)	21	22
Share-based payments	-	71
Cash generated by operating activities before working capital changes	2,055	1,831
Change in non-cash working capital items		
Amounts receivable	1,273	(260)
Inventory	595	(11)
Prepaid expenses and advances	459	(352)
Trade and other payables	(1,622)	191
Cash provided by operating activities	2,760	1,399
Financing activities		
Advance (repayment) of loan payable (note 9)	(650)	-
Dividends paid	-	(2,922)
Interest paid (note 9)	(97)	-
Share issuances	-	386
Cash outflows for financing activities	(747)	(2,536)
Investing activities		
Interest received	-	2
Investment in exploration and evaluation assets	(82)	-
Purchase of mining interest, plant and equipment	(1,143)	(1,120)
Cash outflows for investing activities	(1,225)	(1,118)
Total increase (decrease) in cash	788	(2,255)
Effect of foreign exchange rate changes on cash	461	(375)
Cash, beginning of period	3,370	5,454
Cash, end of period	\$ 4,619	\$ 2,824

Non-cash transactions - note 11

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

Starcore International Mines Ltd.**Condensed Interim Consolidated Statements of Changes in Equity for the periods ended October 31, 2014 and 2015****(in thousands of Canadian dollars except for number of shares) – (Unaudited)**

	Number of Shares Outstanding	Share Capital	Subscription Received	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Deficit (note 11)	Total
Balance, July 31, 2014	143,515,465	\$ 44,023	\$ -	\$ 11,213	\$ (915)	\$ (6,774)	\$ 47,547
Issued for cash pursuant to:							
- Exercise of options - at \$0.15	2,575,000	570	-	(184)	-	-	386
Dividends issued	-	-	-	-	-	(2,922)	(2,922)
Share-based payments	-	-	-	71	-	-	71
Foreign currency translation differences	-	-	-	-	1,202	-	1,202
Earnings for the period	-	-	-	-	-	870	870
Balance, October 31, 2014	146,090,465	44,593	-	11,100	287	(8,826)	47,154
Issued for cash pursuant to:							
- Acquisition of AJC - at \$0.13	5,856,382	761	-	-	-	-	761
Share-based payments	-	-	-	73	-	-	73
Foreign currency translation differences	-	-	-	-	4,778	-	4,778
Earnings for the year	-	-	-	-	-	(660)	(660)
Balance, July 31, 2015	151,946,847	45,354	-	11,173	5,065	(9,486)	52,106
Issued for cash pursuant to:							
- Acquisition of CUT - at \$0.105	28,667,550	3,010	-	-	-	-	3,010
Share subscribed	-	-	2,240	-	-	-	2,240
Foreign currency translation differences	-	-	-	-	(866)	-	(866)
Earnings for the period	-	-	-	-	-	562	562
Balance, October 31, 2015	180,614,397	\$ 48,364	\$ 2,240	\$ 11,173	\$ 4,199	\$ (8,924)	\$ 57,052

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

Starcore International Mines Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
(in thousands of Canadian dollars unless otherwise stated) - Unaudited

October 31, 2015

1. Corporate Information

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

Starcore is engaged in extracting and processing gold and silver in Mexico through the San Martin mine in Queretaro, Mexico owned by Compañía Minera Peña de Bernal, S.A. de C.V. (“Bernal”), which was purchased by the Company in 2007. The San Martin mine, which has been in operation since 1993 producing gold and silver, is a self-sustaining mining operation in Mexico and is the Company’s sole source of operating cash flows. The Company is also engaged in acquiring exploration assets in North America directly and through corporate acquisitions (see note 3).

2. Basis of Preparation

a) Statement of Compliance

These unaudited condensed interim consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements, for the three months period ended October 31, 2014, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, and do not include all the information required for full annual financial statement.

These condensed interim financial statements should be read in conjunction with the Company’s 2015 annual financial statements.

The financial statements were authorized for issue by the Board of Directors on December 11, 2015.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value, as explained in the Company’s accounting policies discussed in note 3 of the Company’s July 31, 2015 year-end consolidated financial statements.

The consolidated financial statements are presented in Canadian dollars, which is also the parent company’s functional currency, and all values are rounded to the nearest thousand dollars, unless otherwise indicated.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 of the Company’s July 31, 2015 year-end consolidated financial statements.

Starcore International Mines Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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October 31, 2015

2. Basis of Preparation – (cont’d)

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries, which are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity’s activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. The Company’s wholly-owned subsidiary, Bernal, along with various other subsidiaries, carry out their operations in Mexico, U.S.A. and in Canada.

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

3. Acquisition of Cortez Gold Corp.

On April 28, 2015, the Company signed of a letter of intent with Cortez Gold Corp. (“Cortez or “CUT”) (TSXV: CUT) (the “LOI”) that would see the Company acquire all of the outstanding securities of CUT in an all-share transaction (the “Transaction”) to be completed pursuant to a court approved Plan of Arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”). Under the terms of the planned acquisition, each CUT shareholder would receive three Starcore common shares (a “Starcore Share”) for every one CUT common share (the “CUT Shares”) held by CUT shareholders (the “Exchange Ratio”). Cortez is a Vancouver-based junior resource company that owns a gold and silver processing plant (“Processing Plant”) in Matehuala, Mexico.

Shareholders of Cortez approved the Arrangement on July 9, 2015 and, in accordance with the Business Corporations Act (British Columbia), the Arrangement was approved by the British Columbia Supreme Court on August 5, 2015. Pursuant to the Arrangement, the former Cortez shareholders now hold 28,667,550 common shares of Starcore, representing 15.87%, of the 180,614,397 outstanding common shares of Starcore prior to the Arrangement. In addition, each holder of the outstanding common share purchase warrants of CUT (the “CUT Warrants”) may receive such number of replacement warrants of Starcore (the “Starcore Warrants”) based upon the Exchange Ratio and at the exercise price adjusted based upon the Exchange Ratio.

The Company deemed the 28,667,550 shares to be valued at the fair market value on date of issue of \$0.105 per share, for total consideration of \$3,010, which was accounted for as acquisition of assets allocated based on their relative fair values on the closing date. The following purchase price allocation is based on management’s best estimates and assumptions after taking into account all relevant information available. The purchase price has been allocated as follows:

Assets		
Amounts receivable	\$	350
Prepaid expenses and advances		5
Plant, machinery and equipment		6,094
<i>Total assets</i>	\$	6,449
Liabilities		
Less: Trade and other payables	\$	503
Loan payable		2,936
<i>Total liabilities</i>	\$	3,439
Net assets acquired - consideration paid (28,667,550 shares issued at \$0.105 per share)	\$	3,010

Starcore International Mines Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
(in thousands of Canadian dollars unless otherwise stated) - Unaudited

October 31, 2015

4. Short-term Investments

At October 31, 2015, the Company held a Guaranteed Investment Certificate (“GIC”) denominated in USD with a market value of \$2,624 (2015 - \$2,615), earning interest income at 0.2% per annum and maturing on November 5, 2016.

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

5. Amounts Receivable

	October 31, 2015	July 31, 2015
Taxes receivable	\$ 2,973	\$ 3,202
Other	236	233
	\$ 3,209	\$ 3,435

6. Inventory

	October 31, 2015	July 31, 2015
Carrying value of inventory:		
Doré	\$ 927	\$ 1,051
Work-in-process	137	112
Stockpile	44	118
Supplies	748	756
	\$ 1,856	\$ 2,037

Starcore International Mines Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
(in thousands of Canadian dollars unless otherwise stated) - Unaudited

October 31, 2015

7. Mining Interest, Plant and Equipment

	Mining Interest	Plant and Equipment	Corporate Office Equipment	Total
Cost				
Balance, July 31, 2014	\$ 55,859	\$ 14,893	\$ 325	\$ 71,077
Additions	2,038	1,109	152	3,299
Effect of foreign exchange	11,162	3,054	-	14,216
Balance, July 31, 2015	69,059	19,056	477	88,592
Additions	850	176	117	1,143
Acquisition of Cortez	-	6,059	-	6,059
Effect of foreign exchange	659	(179)	-	480
Balance, October 31, 2015	\$ 70,568	\$ 25,112	\$ 594	\$ 96,274
Depreciation				
Balance, July 31, 2014	\$ 20,579	\$ 5,738	\$ 272	\$ 26,589
Depreciation for the year	5,482	1,204	2	6,688
Write-down of equipment	4,219	1,250	-	5,469
Balance, July 31, 2015	30,280	8,192	274	38,746
Depreciation for the period	1,389	317	71	1,777
Effect of foreign exchange	787	21	-	808
Balance, October 31, 2015	\$ 32,456	\$ 8,530	\$ 345	\$ 41,331
Carrying amounts				
Balance, July 31, 2015	\$ 38,779	\$ 10,864	\$ 203	\$ 49,846
Balance, October 31, 2015	\$ 38,112	\$ 16,582	\$ 249	\$ 54,943

Starcore International Mines Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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October 31, 2015

8. Exploration and Evaluation Assets

	AJC Properties	Creston Properties	Total
Acquisition costs:			
Balance, August 1, 2014	\$ -	\$ -	\$ -
Acquisition Payments	1,079	2,001	3,080
Balance, July 31, 2015 and October 31, 2015	\$ 1,079	\$ 2,001	\$ 3,080
Exploration costs:			
Balance, August 1, 2014	\$ -	\$ -	\$ -
Geological	2	1	3
Land taxes	10	-	10
Maintenance	13	225	238
Balance, July 31, 2015	\$ 25	\$ 226	\$ 251
Geological	-	30	30
Maintenance	52	-	52
Balance, October 31, 2015	\$ 77	\$ 256	\$ 333
Effect of foreign exchange	83	-	83
Total exploration and evaluation assets			
Balance, July 31, 2015	\$1,184	\$2,227	\$3,411
Balance, October 31, 2015	\$1,239	\$2,257	\$3,496

a) AJC Properties

In November 2014, the Company completed the acquisition of American Consolidated Minerals Corp. (“AJC”) pursuant to a plan of arrangement. The Company issued 5,856,382 shares at \$0.13 per share for total consideration of \$761. Pursuant to the Acquisition of AJC, the Company has acquired an interest in three properties as follows:

i. *Lone Ranch, U.S.A*

The Company has acquired the right to a 100% undivided interest, subject to a 3% net smelter royalty (“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 USD\$410, and the Company must incur total exploration expenditures of USD\$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 Net Smelter Return (“NSR”) (or 1.5%) on the basis of USD\$1,500 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.

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Notes to the Condensed Interim Consolidated Financial Statements
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October 31, 2015

8. Exploration and Evaluation Assets – (cont'd)

a) AJC Properties – (cont'd)

ii. *Toiyabe, U.S.A*

The Company has the right to acquire 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 USD\$900 and the Company must incur total exploration expenditures of USD\$1,025 (USD\$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 USD\$2,000 per each 1% of the royalty.

iii. *Sierra Rosario, Mexico*

The Company acquired a 50% interest in the 978-hectare Sierra Rosario Property, over 2 claims that are located in the state of Sinaloa, Mexico (“Sierra Rosario”). 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.

b) Creston Moly Properties

On February 19, 2015, the Company entered into an agreement to acquire all of the shares of Creston Moly Corp. (“Creston Moly”) from Deloitte Restructuring Inc, in its capacity as trustee in bankruptcy of Mercator Minerals Ltd. (the “Trustee”), at a purchase price of \$2,013 (the “Creston Transaction”).

The Supreme Court of Canada discharged Creston Moly from bankruptcy which was formerly a wholly-owned subsidiary of the Trustee. Creston Moly is a British Columbia company that owns, through its wholly-owned subsidiaries, a 100% interest in three molybdenum-copper projects as follows

i. *El Creston Project, Mexico*

The Company acquired 100% interest in the 11,363 hectare El Creston molybdenum property over 9 claims. The property, centered 145 kilometres northeast of Hermosillo, State of Sonora, Mexico near the village of Opodepe, hosts several zones of porphyry-style molybdenum (“Mo”)/copper (“Cu”) mineralization including the Main and Red Hill Zones. The mineral concessions are subject to a 3% net profits interest retained by the vendors.

ii. *Ajax Project, Canada*

Ajax Molybdenum Property is comprised of 11,718 hectares and is located 13 km north of Alice Arm, British Columbia. The Ajax Property occupies a surface area of approximately 600 by 650 meters and is in the advanced stage of exploration.

The Company maintains a 100% interest in six mineral claims known as the Ajax Claims in B.C.

Starcore International Mines Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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October 31, 2015

8. Exploration and Evaluation Assets – (cont’d)

b) Creston Moly Properties – (cont’d)

iii. *Molybrook Project, Canada*

The Company now owns 100% of 27 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 \$1,500. In addition, the Company acquired:

- The Moly Brook Extension property, which consists of 4 mineral claims and adjoins the southern boundary of the Company’s Moly Brook molybdenum property. The extension property is subject to a 2% NSR, of which 1.5% can be purchased by the Company for \$1,500.
- The Grey River Gold property immediately to the east of the Moly Brook molybdenum property. The property consists of 5 mineral claims and is subject to a 2% NSR, of which 1% can be purchased back for \$1,500.
- The Grey River West property, which consists of 40 mineral claims. The property is subject to a 2% NSR, of which 1% can be purchased back for \$1,500.
- The Moly Brook North which consists of 18 claims which border on the northern side of the Moly Brook Property, and borders the Grey River West property. The property will be subject to a 2% NSR of which 1% can be purchased by the Company for \$1,500. The Company also owned 100% of 51 mineral claims north of the Moly Brook North property. To date, almost all exploration has been completed on the Molybrook Zone where a large porphyry molybdenum deposit has been outlined.

9. Loan Payable

During the year ended July 31, 2015, the Company secured a USD \$1,000 (CDN \$1,305) loan with a lender. The funds will be used to advance the Altiplano Project (note 3). The loan is secured against certain assets of the Company and bears interest at 11% per annum, compounded monthly with interest payment payable monthly on the last business day of each month. The full principal plus accrued interest on the loan shall be repayable to the lender on August 31, 2017.

	Principal	Interest	Total
Balance, July 31, 2015	\$ 1,305	\$ -	\$ 1,305
Interest accrual	-	37	37
Foreign exchange adjustment	3	-	3
Balance, October 31, 2015	\$ 1,308	\$ 37	\$ 1,345

During the period ending October 31, 2015, the Company settled debt that was acquired by acquisition of Cortez (note 3). The Company paid \$650 (USD\$500) and interest of \$97 (USD \$75) to settled debt with its vendors.

Starcore International Mines Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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October 31, 2015

10. Rehabilitation and Closure Cost Provision

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At October 31, 2015, the present value of obligations is estimated at \$1,133 (2015 - \$1,162) based on expected undiscounted cash-flows at the end of the mine life of 19,866,000 Mexican Pesos ("MP") or \$1,571 (2015 - \$1,615), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 8% (2015 - 8%) and an inflation rate of 3.5% (2015 - 3.5%).

Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, closing portals to underground mining areas and other costs.

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

	October 31, 2015	July 31, 2015
Balance, beginning of period	\$ 1,162	\$ 1,128
Accretion expense	21	79
Foreign exchange fluctuation	(50)	(45)
	\$ 1,133	\$ 1,162

11. Share Capital

a. Common Shares

The Company is authorized to issue an unlimited number of common shares, issuable in series.

The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time. All shares are ranked equally with regard to the Company's residual assets.

During the period ended October 31, 2015, the Company issued:

- 28,667,550 shares pursuant to the plan of arrangement at \$0.105 whereby the Company acquire all of the outstanding common shares of CUT (Note 3).

During the year ended July 31, 2015, the Company issued:

- 2,575,000 shares pursuant to the exercise of options at \$0.15 per share for proceeds of \$386. The fair value of the options as determined on the date of issuance, being \$184, was transferred to the Company's share capital from equity reserve on exercise.
- 5,856,382 shares pursuant to the plan of arrangement at \$0.13 per share whereby the Company acquire all of the outstanding common shares of AJC (note 5).

During the year ended July 31, 2014, the Company issued:

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

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Notes to the Condensed Interim Consolidated Financial Statements
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October 31, 2015

11. Share Capital – (cont'd)

b. Warrants

No warrants were issued during the period ended October 31, 2015.

During the year ended July 31, 2015, in conjunction with the acquisition of AJC, the Company issued 557,135 warrants. The fair value of these warrants was minimal and as such, no amount was recorded for the issued warrants. Each warrant entitles the holder to acquire one common share of the Company, at \$0.30 until June 16, 2016. Before the issuance of these warrants there were no warrants outstanding.

The Company calculated the fair value of the share component to be equal of the market price for the shares on the date of AJC acquisition, which was \$0.13 per share.

A summary of the Company's outstanding share purchase warrants at October 31, 2015 and July 31, 2015 and the changes during the period then ended is presented below:

	Number of warrants	Weighted average exercise price
Outstanding at July 31, 2014	-	\$ -
Warrants issued	557,135	0.30
Outstanding at July 31, 2015 and October 31, 2015	557,135	\$ 0.30

A summary of the Company's outstanding warrants at October 31, 2015 is as follows:

Number Outstanding	Weighted Average Price	Weighted Average Life
557,135	\$0.30	0.88

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October 31, 2015

11. Share Capital – (cont'd)

c. Share-based Payments

The Company, in accordance with the policies of the TSX, was previously authorized to grant options to directors, officers, and employees to acquire up to 20% of the amount of common stock outstanding. Options could be granted for a maximum term of 5 years. No options were granted in the period ended October 31, 2015.

In January 2014, the Company's shareholders voted to cancel the Company's option plan and, as a result, the Company's Board of Directors may not grant further options. The Company's management and directors are reviewing alternative compensation arrangements for the Company's employees and directors. The following is a summary of changes in options from July 31, 2014, 2015 and October 31, 2015:

	Number of Shares	Weighted Average Exercise Price
Balance at July 31, 2014	18,600,000	\$0.23
Exercised	(2,575,000)	\$0.15
Forfeited/expired	(4,640,000)	\$0.16
Outstanding and Exercisable at July 31, 2015 and October 31, 2015	11,385,000	\$0.27

The following is a summary of outstanding stock options at October 31, 2015:

Number Outstanding	Weighted Average Exercise Price	Weighted Average Life
150,000	\$0.15	0.51
400,000	\$0.20	1.21
1,940,000	\$0.25	1.24
3,250,000	\$0.37	1.45
800,000	\$0.25	2.81
275,000	\$0.20	2.81
200,000	\$0.23	2.85
200,000	\$0.25	2.87
4,170,000	\$0.22	3.21
11,385,000	\$0.27	2.22

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October 31, 2015

11. Share Capital – (cont'd)

c. Share-based Payments – (cont'd)

During the period ended October 31, 2015, the Company had share-based compensation expense of Nil (October 31, 2014: \$71), which has been recorded in the statement of comprehensive income and credited to equity reserve. These amounts have been expensed as follows:

<u>For the period ended October 31,</u>	<u>2015</u>	<u>2014</u>
Cost of sales – Mined ore	\$ -	\$ 9
Management fees and salaries	-	55
Office and administration	-	7
	\$ -	\$ 71

d. Share subscription

Debt Settlement

On September 3, 2015, the Company that it issued 15,972,810 Subscription Receipts (the “Receipts”), in full and complete settlement of outstanding debt as at July 31, 2015 in the aggregate amount of USD \$1,725 owed to certain creditors. The Receipts were issued at a deemed price of \$0.14 per Receipt.

The debt relates to outstanding loans that were incurred in 2014 to complete construction of the Altiplano gold and silver processing plant in Matehuala, Mexico, which is owned by Cortez Gold Corp., a wholly-owned subsidiary of the Company (note 3).

The Subscription Receipts are convertible, with no further action required by the creditors, into one common share of the Company upon receipt of shareholder approval at the Company’s annual general meeting to be held in January 2016. If shareholder approval is not received, no shares will be issued and the Receipt holders will receive a cash settlement.

12. Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Cash and short-term investments are carried at their fair value. There are no other material differences between the carrying values and the fair values of any financial assets or liabilities.

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

a) 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 October 31, 2015, the Company had the following financial assets and liabilities denominated in CAD and denominated in MP:

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12. Financial Instruments – (cont'd)

a) Currency Risk – (cont'd)

	CAD Dollars	Mexican Pesos (MP)
Cash	\$ 208	MP 2,510
Other working capital amounts - net	\$ 185	MP 7,725

At October 31, 2015, US dollar amounts were converted at a rate of \$1.308 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP16.531 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 \$145. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately \$56.

b) Interest Rate Risk

The Company's cash earns interest at variable interest rates. While fluctuations in market rates do not have a material impact on the fair value of the Company's cash flows, future cash flows may be affected by interest rate fluctuations. The Company is not significantly exposed to interest rate fluctuations and interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and short-term investments, the balance of which at October 31, 2015 is \$4,619 (July 31, 2015 - \$3,370) and \$2,624 (July 31, 2015 - \$2,615), respectively. Cash of \$2,738 (July 31, 2015 - \$1,371) and short-term investments of \$Nil (July 31, 2015 - \$Nil) are held at a Mexican financial institution, the remainder of \$1,881 (July 31, 2015 - \$1,999) and the short-term investment of \$2,624 (July 31, 2015 - \$2,615) are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. There are no trade receivables owed and the taxes receivable are comprised of Mexican VAT taxes receivable of \$2,942 (July 31, 2015 - \$3,167) and GST receivable of \$31 (July 31, 2015 - \$35), which are subject to review by the respective tax authority.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves. As at October 31, 2015, the Company was holding cash of \$4,619 (July 31, 2015- \$3,370) and short-term investments of \$2,624 (July 31, 2015- \$2,615).

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12. Financial Instruments – (cont'd)

d) Liquidity Risk – (cont'd)

Obligations due within twelve months of October 31,	2015	2016	2017	2018	2019 and beyond
Trade and other payables	\$ 3,053	\$ -	\$ -	\$ -	\$ -
Reclamation and closure obligations	-	-	-	-	1,571

The Company's trade and other payables are due in the short term. Long-term obligations include the Company's reclamation and closure cost obligations, other long-term liabilities and deferred income taxes. Management believes that profits generated from the mine will be sufficient to meet its financial obligations.

e) Commodity Risk

Mineral prices and marketability fluctuate and any decline in mineral prices may have a negative effect on the Company. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of minerals which may be produced and sold by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its resources to processing facilities and extensive government regulations related to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company. A 10% decrease or increase in metal prices may result in a decrease or increase of USD \$700 in revenue and net income.

13. Commitments and Related Party Transactions

Except as disclosed elsewhere in these interim condensed consolidated financial statements, the Company has the following commitments outstanding at October 31, 2015:

- a. As at October 31, 2015, 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.
- b. As at October 31, 2015, the Company has a land lease agreement commitment with respect to the land at the mine site, for \$132 per year until December 2017.
- c. As at October 31, 2015 the Company has management contracts to officers and directors totaling \$840 per year, payable monthly, expiring in January 2017.

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14. Segmented Information

The Company operates in three reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	Mexico	Canada	USA	October 31, 2015 Total
Revenue	\$ 7,704	\$ -	\$ -	\$ 7,704
Earnings (loss) for the period	1,195	(626)	(7)	562
Mining interest, plant and equipment	54,654	289	-	54,943
Non-current assets	60,584	2,494	257	63,335
Total assets	71,657	4,342	813	76,812

	Mexico	Canada	USA	October 31, 2014 Total
Revenue	\$ 7,669	\$ -	\$ -	\$ 7,669
Earnings (loss) for the period	1,213	(343)	-	870

	Mexico	Canada	USA	July 31, 2015 Total
Revenue	\$ 28,405	\$ -	\$ -	\$ 28,405
Earnings (loss) for the year	2,563	(2,379)	26	210
Mining interest, plant and equipment	49,492	273	81	49,846
Non-current assets	53,642	2,545	205	56,391
Total assets	63,590	4,786	821	69,197

During the period ended October 31, 2015, the Company earned all of its revenues from one customer. As at October 31, 2015, the Company does not consider itself to be economically dependent on this customer as transactions with this party can be easily replaced by transactions with other parties on similar terms and conditions. The balance owing from this customer on October 31, 2015 was \$Nil (July 31, 2015 - \$Nil).

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 changes in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

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16. Earnings per Share

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

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

For the period ended October 31,	2015	2014
Issued common share, beginning of year	151,946,847	143,515,465
Weighted average issuances	26,486,323	1,829,620
Basic weighted average common shares	178,433,170	145,345,085
Effect of dilutive warrants and options	-	-
Diluted weighted average common shares	178,433,170	145,345,085

Vested share purchase options totalling 11,385,000 at October 31, 2015, were not included in the computation of diluted earnings per share as the effect was anti-dilutive.

17. Subsequent Events

a. Private placement of secured bonds

On November 17, the Company announced that it had completed a private placement of secured bonds in the aggregate principal amount of CDN\$4.5 million (the "Bonds"). The Bonds bear interest of 8% per annum, payable on maturity at November 12, 2016. The Bonds will be secured by a charge over all of the Company's assets that ranks pari passu with the existing debt obligations of the Company. The Company has agreed that it will not incur any additional debt obligations without first obtaining the consent of the holders of the Bonds, and will set aside any proceeds received from asset sales in excess of \$250,000 towards repayment of the Bonds.

b. Share consolidation

Subsequent to the period ending October 31, 2015, the Company's Board of Directors approved a resolution consolidating the Company's share capital on the basis of every four shares of the Company being consolidated to one share. The Company's condensed interim consolidated financial statements do not reflect this change. The proposed share consolidation is subject to acceptance by the Toronto Stock Exchange. The Company does not intend to undergo a name change in conjunction with the proposed consolidation.