MANAGEMENT DISCUSSION & ANALYSIS

For the year ended July 31, 2014

Directors and Officers as at October 27, 2014:

Directors:

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

Officers:

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

Contact Name:	Gary Arca
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TSX Symbol:	SAM

Form 51-102-F1

STARCORE INTERNATIONAL MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended July 31, 2014

1. Date of This Report

This MD&A is prepared as of October 27, 2014.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Starcore International Mines Ltd. ("Starcore", or the "Company") for the year ended July 31, 2014. **Monetary amounts throughout this MD&A are shown in thousands of Canadian dollars, unless otherwise stated.**

This MD&A includes certain statements that may be deemed "forward-looking statements". Such statements and information include without limitation: statements regarding timing and amounts of capital expenditures and other assumptions; estimates of future reserves, resources, mineral production and sales; estimates of mine life; estimates of future mining costs, cash costs, minesite costs and other expenses; estimates of future capital expenditures and other cash needs, and expectations as to the funding thereof; statements and information as to the projected development of certain ore deposits, including estimates of exploration, development and production and other capital costs, and estimates of the timing of such exploration, development and production or decisions with respect to such exploration, development and production; estimates of reserves and resources, and statements and information regarding anticipated future exploration; the anticipated timing of events with respect to the Company's minesite and; statements and information regarding the sufficiency of the Company's cash resources. Such statements and information reflect the Company's views as at the date of this document and are subject to certain risks, uncertainties and assumptions, and undue reliance should not be placed on such statements and information. Many factors, known and unknown could cause the actual results to be materially different from those expressed or implied by such forward looking statements and information. Such risks include, but are not limited to: the volatility of prices of gold and other metals; uncertainty of mineral reserves, mineral resources, mineral grades and mineral recovery estimates; uncertainty of future production, capital expenditures, and other costs; currency fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks, risks associated with foreign operations; risks related to title issues; governmental and environmental regulation; 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 subsidiary, Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico. The Company is a public reporting issuer on the Toronto Stock Exchange ("TSX"). The Company is also engaged in owning, acquiring, exploiting, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company has interests in properties which are exclusively located in Mexico.

Recent Events

Fourth Quarter results

In August 2014, the Company announced production results for the fourth quarter of the fiscal year ending July 31, 2014. Over the 3 months, the San Martin mine processed 77,768 tonnes of ore at an average grade of 2.42 g/t gold and 25.73 g/t silver resulting in the production of 5,749 gold equivalent ounces using the actual gold:silver ratio of 64.6:1. This production represents an increase in production of 411 equivalent ounces from the previous quarter.

Mill recoveries averaged 86.7% for gold and 50.7% for silver during the fourth quarter. In terms of the fiscal 2013-2014 year, production totalled 24,037 gold equivalent ounces from 308,610 tonnes milled, consisting of 22,018 ounces of gold and 126,519 ounces of silver using a gold:silver ratio of 62.67:1. Ore grade for the fiscal year averaged 2.55 g/t gold and 24.2 g/t silver with recoveries of 87.1% for gold and 52.7% for silver.

In comparison to the previous 2012-2013 fiscal year: 1,268 more tonnes were milled, gold grade improved 8.5%and gold recovery improved 10.4%. Despite a change in gold:silver price ratio from 54.6:1 to 62.7:1 resulting in lower contribution to equivalent ounces from silver, gold equivalent ounce production was 18% higher than the previous fiscal.

"The production of an average of 2,000 equivalent ounces per month is a significant achievement for the operational team at San Martin resulting from successful exploration, mine planning and plant operation", said Robert Eadie, President and CEO of Starcore. "Congratulations to all involved!"

David Gunning, P.Eng., a director of the Company and Chief Operating Officer, is the Company's qualified person on the project as required under NI 43-101and has prepared the technical information contained in this press release.

Dividend issued

On August 20, 2014, the Company announced that the Board of Directors has declared its first annual dividend in the Company's history. A dividend of $0.02 per share on the Common Shares of the capital of the Company (total of $2,922), was paid on September 30, 2014 to shareholders of record on August 29, 2014.

Normal Course Issuer Bid

The Company further announced that it had allocated up to $1,000,000 for a normal course issuer bid to purchase common shares of the Company. Purchases will be made on the TSX at the market price at the time of acquisition. Based on current market prices, the Company may purchase up to 6,666,666 common shares of Starcore, representing approximately 4.7 % of the public float of the Company, or 4.6% of the 143,515,465 issued and outstanding shares of the Company as at August 22, 2014.

The Company's normal course issuer bid will commence on August 29, 2014 and terminate on August 28, 2015 or earlier if the number of shares sought in the issuer bid has been obtained. The Company reserves the right to terminate the bid earlier if it feels it is appropriate to do so.

The Company believes that its common shares are undervalued at current market prices based on its current earnings and future prospects and that the repurchase of common shares at current market prices is an appropriate use of corporate funds.

All shares will be purchased on the open market through the facilities of the TSX and alternative Canadian trading platforms, and payment for the shares will be in accordance with TSX policies. The price paid for the shares will be the market price at the time of purchase. Purchasing may be suspended at any time. No purchases will be made other than by means of open market transactions during the term of the normal course issuer bid. The maximum number of shares that may be purchased on a daily basis is 38,125 shares, except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. The shares purchased by the Company will be cancelled. The Company has not made any purchases of its shares in the last 12 months.

Acquisition of American Consolidated Minerals Corp.

On October 1, 2014, the Company signed a definitive arrangement agreement with American Consolidated Minerals Corp. ("AJC") (TSXV: AJC) (the "LOI") that would see the Company acquire all of the outstanding securities of AJC in an all-share transaction to be completed pursuant to a court approved Plan of Arrangement under the Business Corporations Act (British Columbia) (the "Arrangement").

AJC is a Vancouver-based mineral exploration company with three exploration projects located in the United States and Mexico.

Highlights of the Acquisition

- AJC's portfolio of exploration properties presents Starcore with attractive low-risk/high reward exploration opportunities in North America;
- AJC's shareholders will be able to participate in a larger, well capitalized Starcore, which has cash holdings of approximately $9.5 million, a portion of which will be available to fund advancement of the AJC properties;
- The AJC properties will provide SAM with the potential to increase its resource base in North America utilizing the current cash flow of the San Martin mine. There is the potential for any of the AJC properties to have a significant discovery which would greatly increase SAM's resources and have a significant effect on the valuation of SAM with a relatively small capital cost.

AJC Property Portfolio

Toiyabe Property: Nevada, USA:

AJC is currently focused on the Toiyabe property. With an indicated mineral resource of over 173,000 ounces of gold (Summary Report and Mineral Resource Estimate on the Toiyabe Gold Property, Lander County, Nevada, May 27, 2009 by Paul D. Noland, P. Geo., page 24), the Toiyabe Property has demonstrated similar structural characteristics to the Cortez, Cortez Hills and Pipeline deposits, all located within 10 miles of the Toiyabe Property. A drill program encompassing RC and select Core will be developed to target/expand the deeper gold mineralization identified in previous exploration campaigns. There are no property payments required on this property until 2018.

Sierra Rosario: Sinaloa, Mexico:

Located within the historically productive Sierra Madre Occident geological province in the northern Mexican state of Sinaloa, the Sierra Rosario property consists of two large mineral exploration concessions totalling 978.57 hectares. AJC has entered into a joint venture agreement with International Northair Mines to explore the property and currently owns an unencumbered 50% interest in the property.

Lone Ranch: Washington State, USA:

Previous production and exploration work within and just adjacent to this property demonstrate the opportunity for development through exploration of the Lone Ranch property. A HEM survey was flown in 2007 which defined extensive areas of possible mineralized targets. The property is readily accessible and located within 20 miles of the Kettle River Processing facility operated by Kinross. There are no property payments required on this property until 2018.

Acquisition Terms

The LOI provides that AJC shareholders will be entitled to receive one common share of Starcore (a "Starcore Share") for three (3) common shares of AJC (the "AJC Shares") held by such AJC shareholder (the "Exchange Ratio"), subject to adjustment, pursuant to a plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). In addition, each holder of the outstanding stock options and common share purchase warrants of AJC (the "AJC Options") will receive such number of replacement options or warrants of Starcore (the "Starcore Options") based upon the Exchange Ratio, and the exercise price of the replacement Starcore Options will be adjusted based upon the Exchange Ratio.

Currently, there are 17,569,191 AJC Shares, Nil AJC Options and 1,671,416 common share purchase warrants outstanding. In connection with the Transaction, Starcore will issue approximately 5,856,397 Starcore Shares and 557,139 common share purchase warrants. Following completion of the Transaction, former AJC shareholders would hold approximately 4% of the outstanding Starcore Shares.

The Transaction is subject to the execution of a definitive Arrangement Agreement. The definitive agreement will include covenants, representations and warranties customary for transactions such as the Transaction, as well as deal protection measures and provisions for exclusive dealing similar to those contained in the LOI.

Approvals Required

The Transaction will be subject to the approval of the Supreme Court of British Columbia, the TSX and the TSX Venture Exchange. Completion of the Transaction is further subject to the approval by two-thirds of the votes cast by the holders of AJC Shares and AJC Options voting together as a class and who are present and voting at a special meeting of AJC shareholders to be held on November 20, 2014, to consider the Transaction.

Deal Protection Measures

The Letter of Intent includes deal-protection provisions in favour of Starcore, including a non-solicitation covenant from AJC (except for certain unsolicited approaches) and a break fee upon signing the definitive agreement of C$200 if, following an unsolicited superior proposal, AJC wishes to pursue that proposal.

Voting lock-up agreements

Pursuant to the Letter of Intent, AJC has agreed to seek voting agreements from directors, officers and shareholders holding in aggregate a minimum of 25% of the outstanding shares of AJC as a condition to the execution of the definitive Arrangement Agreement.

Board approvals

The Board of Directors of each company has approved the terms of the Transaction. As at October 1, 2014 officers and directors of Starcore held in aggregate 2,038,391 AJC Shares and have agreed to participate in the Transaction.

3. Selected Annual Information

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

		July 31, 2014		July 31, 2013		July 31, 2012
Revenues	**$**	**33,136**	$	30,246	$	57,039
Cost of Sales		**(24,548)**		(21,948)		(35,349)
Earnings from mining operations		**8,588**		8,298		21,690
Administrative Expenses		**(3,557)**		(4,245)		(3,854)
Income tax (expense) recovery		**(2,066)**		649		(3,501)
Total earnings (loss)						
(i) Total earnings	**$**	**2,965**	$	4,702	$	14,335
(ii) Earnings per share – basic	**$**	**0.02**	$	0.03	$	0.11
(iii) Earnings per share – diluted	**$**	**0.02**	$	0.03	$	0.10
Total assets	**$**	**65,094**	$	59,537	$	56,191
Total long-term liabilities	**$**	**14,295**	$	11,897	$	10,871

4. Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the audited consolidated financial statements of the Company and notes attached thereto for the year ended July 31, 2014.

4.1 San Martín Mine, Queretaro, Mexico

Reserves

The San Martin Mine, an ISO 9001 certified facility located approximately 50km east of the City of Queretaro, State of Queretaro, Mexico, consists of mining concessions covering 12,992 hectares and includes seven underground mining units and four units under exploration, as well as an additional property, San Pedrito, located 50 km west of San Martin. Luismin (now "Goldcorp Mexico") operated the mine from 1993 to January, 2007 when it was purchased by Starcore, who has been mining at San Martin at a rate of approximately 300,000/tonnes per year. 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. The Company has filed on SEDAR results for a Reserve estimate for its San Martin Mine in Queretaro, Mexico based on data available on July 31, 2014 and dated October 6, 2014.

The results of the July 31, 2014 estimate were Proven and Probable reserves totalling 486,586 tonnes at a grade of 2.31 g Au/t and 18.5 g Ag/t. In addition to the Proven and Probable Reserves, an Inferred Mineral Resource is estimated as of July 31, 2014 at 898,049 tonnes at an approximate grade of 2.15 g Au/t and 24 g Ag/t. Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and have not demonstrated economic viability.

In addition to the reserves above are 181,546 tonnes at a grade of 2.98 g/t Au and 32 g/t Ag which is hosted in carbonaceous limestone and requires further assessment to determine the capital investment, if any, necessary to enable normal recovery. Until the costs and recoveries are better understood this material is uncategorized at the moment, however, would result in approximately 20,300 additional equivalent ounces of Proven and Probable reserves. The estimate was prepared by Joseph Campbell P. Eng. in compliance with NI 43-101. Mr. Campbell is a qualified person as defined by NI 43-101 and has verified all information used for the estimate.

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

- Total mining costs of US $74 per metric tonne, a gold price of US$1,250 and silver price of US$19.23,
- Metal Recoveries of 86% for gold and 52% for silver,
- Resultant cut-off grade of 2.2 grams per tonne gold equivalent,
- Mining dilution of between 10% and 30% depending on the structure,
- Specific Gravity of 2.6.

The ratio of Probable to Proven Reserves tonnes is roughly 1.7:1 and in total there are 40,600 contained gold equivalent ounces. The previous reserve estimate at San Martin was compiled as of July 31, 2013 and totalled 705,998 tonnes at 2.53 g/t Au and 23.6 g/t silver (containing 66,520 equivalent ounces of gold). San Martin milled 308,610 tons since the last resource estimate at an average grade of 2.55g/t gold and 24 g/t silver. The proven and probable reserves outlined above are adequate for 1.5 additional years of production.

In comparison to the reserves estimated in 2013, this year's estimate has resulted in a decrease in tonnage and in equivalent ounces both of which occurred while milling 253,000 tonnes from the reserve area. When put in perspective the mine replaced 30% of the reserves mined during the year despite increasing the cutoff grade by 10%.

As of July 31, 2014, reserves and resources at San Martin as reported in "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"), as filed on SEDAR and available on the Company website www.starcore.com were as follows:

Classification	Tonnes (000's)	Gold (g/t)	Silver (g/t)	Gold (000's of oz)	Silver (000's of oz)	Gold Equiv. (000's of oz)
Reserve:						
San Martin Mine						
Proven	180	2.31	19	13.4	110.0	15.1
Probable	307	2.31	18	22.8	177.7	25.5
Total Reserve	**487**	**2.31**	**19**	**36.2**	**287.7**	**40.6**
Resource:						
San Martin Mine						
Inferred	898	2.15	24	62.1	693	72.8

- Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability.
- A 65:1 silver to gold equivalency ratio was used to calculate gold equivalent ounces.
- The reserves above exclude approximately 20,300 equivalent ounces of metal contained in carbonaceous limestone discussed above.

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

Production

The following table is a summary of mine production statistics for the San Martin mine for the three and twelve months ended July 31, 2014 and for the year ended July 31, 2013.

(Audited)	*Unit of measure*	**Actual results for 3 months ended July 31, 2014**	**Actual results for 12 months ended July 31, 2014**	**Actual results for 12 months ended July 31, 2013**
Mine production of gold in dore	*thousand ounces*	**5.24**	**22.0**	**18.2**
Mine production of silver in dore	*thousand ounces*	**32.59**	**126.5**	**110**
Total mine production – equivalent ounces	*thousand ounces*	**5.75**	**24.0**	**20.1**
Silver to Gold equivalency ratio		**64.6:1**	**62.7:1**	**57:1**
Mine Gold grade	*grams/tonne*	**2.42**	**2.55**	**2.36**
Mine Silver grade	*grams/tonne*	**25.7**	**24.2**	**21.0**
Mine Gold recovery	*percent*	**86.7%**	**87.1%**	**77.9%**
Mine Silver recovery	*percent*	**50.7%**	**52.7%**	**53.7%**
Milled	*thousands of tonnes*	**77.8**	**308.6**	**307.3**
Mine development, preparation and exploration	*meters*	**1,539**	**6,381**	**7,838**
Mine operating cash cost per tonne milled	*US dollars/tonne*	**63**	**58**	**55**
Mine operating cash cost per equivalent ounce	*US dollars/ounces*	**856**	**750**	**844**
Number of employees and contractors at minesite		**330**	**330**	**317**

During the quarter ended July 31, 2014, the mill operated at a rate of approximately 845 milled tonnes/calendar day. Gold and silver grades in the current quarter were 2.42 g/t and 25.7 g/t, respectively, compared to prior quarter grades of 2.34 g/t and 22.9 g/t. Overall equivalent gold production from the mine of 5,749 ounces was higher than the previous quarter production of 5,338 due to increase in gold and silver ore grades and recoveries and higher overall production tonnage of 77,768 tonnes compared to 75,400 tonnes last quarter. The recoveries and ore grades for gold were generally higher than the average for the year ended July 31, 2013, resulting in higher equivalent gold production of 6,000 ounces per quarter compared to the 5,000 ounces per quarter averaged for the July 31, 2013 year.

Production cash costs of the mine for the current quarter were US$856/EqOz. This was higher than the previous quarter amount of US$833/EqOz. due mainly to higher costs incurred for production of stopes and backfilling operations. This quarter's costs are higher than the prior year average of US$844/EqOz due to increasing costs at the mine. Operating cash costs of US$63/t, increased from the prior quarter's US$59/t and were higher than the twelve months ended July 31, 2013 of US$55/t due to higher labour costs, general supply and electrical costs along with the increased stope and backfill operations stated above. The mine plan has been developed to ensure the mine is properly developed and mined so as to ensure a constant supply of ore in accordance with currently planned production capacity and ore grades. Changes to the plan that may involve increased production and capital investment is continually being assessed by management. Currently, the Company is continuing underground exploration in order to identify higher grade ore zones and has allocated an adequate budget to support year-long exploration, exceeding 11,000 metres of underground exploration drilling for the 2014 calendar year.

During the quarter ended July 31, 2014, the Company incurred approximately US$947 in mine capital expenditures, which includes mine development drifting and drilling, machinery and equipment leases and purchases and construction and tailings dam remediation, compared to US$1,248 in the prior quarter.

4.2 Property Activity

San Martin properties – Queretaro, Mexico

The San Martin mine properties are comprised of mining concessions covering 12,992 hectares, including the San Pedrito property located approximately 50km west of the San Martin mine. In addition to the ongoing mine exploration and development that is currently being performed in development of the mine, management is continually assessing the potential for further exploration and development of the San Martin properties and continually modifying the exploration budget accordingly. The mine operates three underground drill rigs to provide information to assist with mine planning in addition to exploration, with the intent of increasing the reserves and resources on the property, and the Company has budgeted approximately 11,000 metres of underground exploration drilling in calendar 2014.

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

4.3 Results of Operations

The Company recorded earnings for the year ended July 31, 2014 of $2,832 as compared with $4,702 for the year ended July 31, 2013. The details of the Company's operating results and related revenues and expenses are as follows:

For the year ended July 31,	**2014**	2013	Variance
Revenues			
Mined ore	**$ 33,136**	$ 30,246	$ 2,890
Cost of Sales			
Mined ore	**18,577**	16,955	1,622
Depreciation and depletion	**5,971**	4,993	978
Earnings from mining operations	**8,588**	8,298	290
Financing costs, (net)	**(286)**	(1,141)	855
Foreign exchange gain (loss)	**494**	(306)	800
Professional and consulting fees	**(402)**	(399)	(3)
Management fees and salaries	**(1,538)**	(1,047)	(491)
Office and administration	**(1,467)**	(1,016)	(451)
Shareholder relations	**(233)**	(223)	(10)
Write-down for obsolete equipment	**(125)**	(113)	(12)
Earnings before taxes	**5,031**	4,053	978
Income tax (provision) recovery	**(2,066)**	649	(2,715)
Earnings for the year	**$ 2,965**	$ 4,702	$ (1,737)

Overall, revenue from mill production increased to $33.1 million from $30.3 million in the prior year due to the higher metal production and higher gold and silver recovery in the current year compared to the prior year. Cost of sales increased comparatively as production increased in the current year due to higher tonnage processed and partly to higher overall mine development costs and costs of labour and supplies, including chemicals and electricity. As a percentage of mined ore revenue, earning from mining operations decreased to 26% of mined ore revenue compared to 27% in the comparative year, due to higher overall mine costs and lower revenue per ounce due to lower gold and silver prices.

Sales of metals produced by the milled ore from the mine for the year ended July 31, 2014 approximated 22,018 ounces of gold and 126,519 ounces of silver sold at average prices in the year of US$1,294 and US$21 per ounce, respectively. This is a significant increase in sale ounces from the comparative year ended July 31, 2013 where sales of metal approximated 17,779 ounces of gold and 109,503 ounces of silver, albeit sold at higher average prices of US$1,545 and US$27 per ounce, respectively. The higher overall revenue, despite the reduced price of gold and silver for the current year, was mainly due to dramatically improved recovery rates in the year, at which time the Company was in the process of resolving issues caused by carbonaceous ore. This carbonaceous ore issue, which resulted in reduced quantities available for sale, was rectified by the second quarter of the prior year and as a result, the Company's production quantities and sales have recovered to normal levels.

The cost of sales above includes non-cash expenses for depreciation and depletion of $5,971, compared to $4,993 in the comparable period last year, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves and a percentage of inferred resources in accordance with the Company's policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management.

The year of operations to July 31, 2014, produced earnings from mine operations of $8,588 compared to $8,298 for the year ended July 31, 2013. As discussed above, average gold ore grades of 2.55 g/t and silver ore grades of 24.2 g/t for the year ended July 31, 2014 were significantly better as compared to the July 31, 2013 year where grades averaged 2.36 g/t and 21.0 g/t, respectively. The combination of higher recoveries of 87.1% for gold and 52.7% for silver, despite a lower metal price per ounce, resulted in substantially higher production and revenue as compared to the prior year.

Costs for the year ended July 31, 2014 were much lower at an average operating cash cost of US$750/EqOz. compared to an average operating cash cost of US$844/EqOz. during the year ended July 31, 2013. Despite the lower average operating cash cost, mined ore costs increased by $1,622 to $18,577 during the year ended July 31, 2014 compared to $16,955 during the year ending July 31, 2013. The increase is due mainly to the higher costs discussed above Also included in mined ore costs in the current period is non-cash stock based compensation expense of $48 and depletion of $5,971 compared to $42 and $4,993, respectively, for the year ended July 31, 2013. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant.

Other Items

Changes in other items for the year ended July 31, 2014, resulted in the following significant changes from the year ended July 31, 2013:

- Financing costs for the year decreased by $855 to $286 due to repayment of the Loan Facility in August, 2013. Financing costs for this period include the Company's interest on the Loan of $33, unwinding of the discount on the Loan of $104, legal fees on the settlement of the Loan of $69 and reclamation and closure costs of $84;
- Management fees and salaries increased by $491 to $1,538. Included in management fees and salaries is a non-cash, stock based compensation expense to management and to the members to the Company's technical advisory committee of $143 in the comparative year, compared to $215 in the current year. Current year Management fees and salaries increased mainly due to $300 in bonuses to management which were not paid in the comparative period and to the addition of an exploration officer in mid 2013 to manage the Company's step out exploration program;
- Office and administration increased by $361 to $1,467 due mainly to additional costs associated with travel of approximately $110 due to more corporate visits to the mine by the current officers and the exploration manager

and to additional travel associated with corporate promotion. In addition, there have been amounts re-classed from mine management costs in the current year for certain individuals of approximately $81, additional legal and corporate costs of $44 associated with additional activity in this period related to loan repayment activity and general regulatory administration and office and related costs increases of $126;

- Foreign exchange gain increased by $800 to a gain of $494 for the period ended July 31, 2014 due to the weakening of the MXN peso in relation to the US dollar, the functional currency of the mining operations, and to strengthening of the Canadian dollar over certain income and expense transactions;
- Income tax recovery change of $2,715 includes non-cash adjustments at the consolidation of the entities to account for differences between the tax and the accounting base of assets and liabilities. During December 2013, the 2014 Tax Reform (the “Tax Reform”) in Mexico created a 7.5% Special Mining Duty (“SMD”) and a 0.5% Extraordinary Mining Duty (“EMD”). The Company has taken the position that the SMD is an income tax under International Accounting Standard 12 – Income Taxes (“IAS 12”), as it is calculated based on a form of earnings before income taxes less certain specified costs. The EMD is a calculation based on gross revenues and is therefore not considered an income tax. Both the SMD and EMD will be deductible for income tax purposes. As a result of these changes being enacted in 2013, the Company recognized a one-time non-cash deferred income tax expense of $2.4 million due to the future income tax impact of the SMD.

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:

(In Canadian Dollars unless indicated)	**Sustaining Costs (in 000’s)**		**Sustaining Costs Per Ounce (in $/oz)**	
For the year ended July 31,	**2014**	2013	**2014**	2013
Total cost of sales cash costs[1]	**$ 18,577**	$ 16,955	**$ 780**	$ 859
Total corporate and administration cash costs[2]	**3,927**	2,685	**165**	136
Foreign exchange (gain) loss	**(494)**	306	**(21)**	16
Reclamation and closure accretion	**251**	77	**11**	4
Sustaining capital expenditures and exploration	**5,967**	3,746	**251**	190
All-in sustaining cash costs	**28,228**	23,769	**1,186**	1,205
Foreign exchange adjustment	**(2,215)**	(211)	**(93)**	(11)
All-in sustaining USD cash costs	**$ 26,013**	$ 23,558	**$ 1,093**	$ 1,194
Total equivalent ounces sold	**23,811**	19,727		

[1] Excludes non-cash depletion of $5,971 for the year ended July 31, 2014 (2013: $4,993) and includes non-cash share-based compensation of $48 (2013: $42).

[2] Includes non-cash share-based compensation of $419 for the year ended July 31, 2014 (2013: $219).

Cash Flows

Cash flows from operating activities were $11,745 during the year ended July 31, 2014, compared to $13,984 for the year ended July 31, 2013. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Cash used for financing activities resulted in an outflow of $3,597 due to the repayment of the Loan Facility during the year ended July 31, 2014. Cash used for investing activities resulted in an outflow of $7,583 purchase of short term investments and investment in mining interest, plant and equipment. Overall cash increased during the twelve months ended July 31, 2014 by $565.

Investor Relations Activities

During the year ended July 31, 2014, the Company responded directly to investor inquiries.

Financings, Principal Purposes & Milestones

During the year ended July 31, 2014, the Company settled the remaining $3.6 million balance of its loan Facility (see section 6 – Liquidity and Commitments).

5. Summary of Quarterly Results

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

	Q4 31-Jul-14	**Q3 30-Apr-14**	**Q2 31-Jan-14**	**Q1 31-Oct-13**
Total Revenue	$ 7,742	$ 8,267	$ 8,378	$ 8,749
Earnings from mining operations	$ 1,126	$ 1,957	$ 2,388	$ 3,117
Earnings/(loss)	$ (2,170)	$ 1,239	$ 1,600	$ 2,296
Per share – basic	$ (0.01)	$ 0.01	$ 0.01	$ 0.02
Per share – diluted	$ (0.01)	$ 0.01	$ 0.01	$ 0.02
	Q4 31-Jul-13	**Q3 30-Apr-13**	**Q2 31-Jan-13**	**Q1 31-Oct-12**
Total Revenue	$ 9,660	$ 6,872	$ 7,233	$ 6,481
Earnings from mining operations	$ 2,356	$ 2,325	$ 2,366	$ 1,251
Earnings (loss)	$ 1,212	$ 1,517	$ 2,319	$ (346)
Per share – basic	$ 0.01	$ 0.01	$ 0.02	$ (0.00)
Per share – diluted	$ 0.01	$ 0.01	$ 0.02	$ (0.00)

Discussion

The Company reports a loss for the quarter of $2,170 compared to earnings of $1,212 in the comparative quarter ended July 31, 2013. The main reason for this loss is the accrual of deferred taxes of $2,987 in the current quarter as a result of the change in the Mexican tax rate to 30% from 28% ($625) and to the enacted SMD ($2,362) discussed in *Section 4.3 – Results of Operations – Other Items*, above. For more detailed discussion on the quarterly production results and financial results for the quarter ended July 31, 2014, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

6. Liquidity, 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, 2014, the Company had the following commitments:

a) As at July 31, 2014, the Company has shared lease commitments for office space of approximately $160 per year, expiring at various dates up to September 2017, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.

b) As at July 31, 2014, the Company has a land lease agreement commitments with respect to the land at the mine site, for $132 per year until December 2017.

c) As at July 31, 2014, the Company has management contracts to officers and directors totaling $600 per year, payable monthly, expiring in January 2017.

Obligations due within twelve months of July 31:	2014	2015-2016	2018 and beyond
Trade and other payables	$ 3,252	$ -	$ -
Rehabilitation and closure cost provision	-	-	1,693

7. Capital Resources

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of $44,488 as at July 31, 2014. The Company is committed to further expenditures of capital required to maintain and to further develop the San Martin mine which management believes will be funded directly from the operating cash flows of the mine.

8. Off Balance Sheet Arrangements

The Company has no off balance sheet transactions.

9. Transactions with Related Parties

There were no material reportable related party transactions.

10. Fourth Quarter

Due to mine operating activity of the San Martin mine discussed throughout this MD&A and as detailed in Section 4.1, the operations and activities are similar to previous quarters (see section 5) except for the change in tax rates enacted during the year which are discussed in *Section 4.3 – Results of Operations – Other Items.*

11. Proposed Transactions

During the year ended July 31, 2014, the Company proposed the acquisition of American Consolidated Minerals Corp. (please refer to *Section 2 – Recent News)*

12. Critical Accounting Estimates

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

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

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

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

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

b) Rehabilitation Provisions

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

The inflation rate applied to estimated future rehabilitation and closure costs is 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.

13. Changes in Accounting Policies

Effective August 1, 2013, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB as detailed in Note 3(n) to the Financial Statements. The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

14. Financial and Other Instruments

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

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

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The 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, 2014 the Company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos:

	In '000 of CDN Dollars		In '000 of Mexican Pesos (MP)	
Cash and cash equivalents	$	471	MP	6,316
Other working capital amounts – net	$	126	MP	3,484

At July 31, 2014, US dollar amounts were converted at a rate of $1.089 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP13.24 to $1 US Dollar.

15. Other

15.1 Disclosure of Outstanding Share Capital as at October 27, 2014

	Number	Book Value
Common Shares	**143,515,465**	**$ 44,351**

The following is a summary of changes in options from August 1, 2014 to October 27, 2014:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Period Granted	Exercised	Cancelled/ Forfeited	Closing	Closing, Vested and Exercisable
11/09/09	11/09/14	$0.15	5,815,000	-	(2,575,000)	-	**3,240,000**	**3,240,000**
01/10/10	01/10/15	$0.21	1,000,000	-	-	(500,000)	**500,000**	**500,000**
03/26/10	03/26/15	$0.15	400,000	-	-	-	**400,000**	**400,000**
05/06/11	05/06/16	$0.15	150,000	-	-	-	**150,000**	**150,000**
01/16/12	01/16/17	$0.20	400,000	-	-	-	**400,000**	**400,000**
01/27/12	01/27/17	$0.25	1,940,000	-	-	-	**1,940,000**	**1,940,000**
04/13/12	04/13/17	$0.37	3,250,000	-	-	-	**3,250,000**	**3,250,000**
08/22/13	08/22/18	$0.20	275,000	-	-	-	**275,000**	**183,333**
08/22/13	08/22/18	$0.25	800,000	-	-	-	**800,000**	**533,333**
09/06/13	09/06/18	$0.23	200,000	-	-	-	**200,000**	**133,334**
09/12/13	09/12/18	$0.25	200,000	-	-	-	**200,000**	**133,334**
01/15/14	01/15/19	$0.22	4,170,000	-	-	-	**4,170,000**	**1,389,994**
			18,600,000	-	(2,575,000)	(500,000)	**15,525,000**	**12,253,328**
Weighted Average Exercise Price			$0.23	$0.22	$0.15	$0.21	**$0.23**	**$0.23**

At October 27, 2014, there were no warrants outstanding.

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 financial statements for external purposes in accordance with IFRS. The Company's controls include policies and procedures that:

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

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

There has been no change in the Company's internal control over financial reporting during the Company's year ended July 31, 2014 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.