

**Starcore International Mines Ltd.**

**Condensed Interim Consolidated Financial Statements**

**For the six months ended January 31, 2014**

**(Unaudited)**

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

The unaudited condensed interim consolidated financial statements for the six months ended January 31, 2014 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	January 31, 2014	July 31, 2013
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 4,126	\$ 5,638
Short-term investments (note 3)	3,221	2,710
Amounts receivable (note 4)	4,162	1,979
Inventory (note 5)	2,149	1,689
Prepaid expenses and advances	1,075	2,425
<b>Total Current Assets</b>	<b>14,733</b>	<b>14,441</b>
<b>Non-Current</b>		
Mining interest, plant and equipment (note 6)	45,929	42,078
Deferred tax assets	2,618	3,018
<b>Total Non-Current Assets</b>	<b>48,547</b>	<b>45,096</b>
<b>Total Assets</b>	<b>\$ 63,280</b>	<b>\$ 59,537</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	\$ 2,139	\$ 1,936
Loan payable (note 7)	-	3,479
<b>Total Current Liabilities</b>	<b>2,139</b>	<b>5,415</b>
<b>Non-Current</b>		
Rehabilitation and closure cost provision (note 8)	1,138	1,053
Deferred tax liabilities	10,721	10,420
Other long-term liabilities (note 9)	424	424
<b>Total Non-Current Liabilities</b>	<b>12,283</b>	<b>11,897</b>
<b>Total Liabilities</b>	<b>\$ 14,422</b>	<b>\$ 17,312</b>

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

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

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	<b>January 31, 2014</b>	July 31, 2013
<b>Equity</b>		
Share capital (note 10)	<b>43,752</b>	43,752
Equity reserve	<b>10,896</b>	10,754
Foreign currency translation reserve	<b>53</b>	(2,542)
Accumulated deficit	<b>(5,843)</b>	(9,739)
<b>Total Equity</b>	<b>48,858</b>	42,225
<b>Total Liabilities and Equity</b>	<b>\$ 63,280</b>	\$ 59,537

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**Commitments (notes 10 and 12)**  
**Subsequent Event (note 10)**

**Approved by the Directors:**

“Robert Eadie” Director

“Gary Arca” Director

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**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		For the six months ended	
	January 31,		January 31,	
	2014	2013	2014	2013
<b>Revenues</b>				
Mined ore	\$ 8,378	\$ 7,233	\$ 17,127	\$ 13,714
<b>Cost of Sales</b> (notes 5 and 10)				
Mined ore	5,990	4,867	11,622	10,097
<b>Earnings from mining operations</b>	<b>2,388</b>	2,366	<b>5,505</b>	3,617
Financing costs (net) (note 7)	(17)	(309)	(243)	(736)
Foreign exchange gain	771	247	782	200
Professional and consulting fees	(158)	(57)	(239)	(110)
Management fees and salaries (note 10)	(599)	(154)	(883)	(609)
Office and administration (note 10)	(478)	(220)	(818)	(446)
Shareholder relations	(99)	(56)	(163)	(134)
Write-down for obsolete equipment and impairment	(2)	(40)	(121)	(40)
<b>Earnings before taxes</b>	<b>1,806</b>	1,777	<b>3,820</b>	1,742
<b>Income tax recovery (expense)</b>	<b>(206)</b>	542	<b>76</b>	231
<b>Earnings for the period</b>	<b>1,600</b>	2,319	<b>3,896</b>	1,973
<b>Other comprehensive income (loss)</b>				
Foreign currency translation differences	2,007	(153)	2,595	390
<b>Comprehensive income for the period</b>	<b>\$ 3,607</b>	\$ 2,166	<b>\$ 6,491</b>	\$ 2,363
<b>Basic income per share (Note 15)</b>	<b>\$ 0.01</b>	\$ 0.02	<b>\$ 0.03</b>	\$ 0.01
<b>Diluted income per share (Note 15)</b>	<b>\$ 0.01</b>	\$ 0.02	<b>\$ 0.03</b>	\$ 0.01

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

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

<b>For the six months ended January 31,</b>	<b>2014</b>	<b>2013</b>
<b>Cash provided by</b>		
<b>Operating activities</b>		
Earnings for the period	\$ 3,896	\$ 1,973
Items not involving cash:		
Depreciation and depletion	3,083	1,759
Share-based compensation (note 10)	142	240
Interest revenue	(13)	-
Interest on long-term debt (note 7)	33	338
Unwinding of discount on long-term debt (note 7)	104	315
Legal fees paid on financing settlement (note 7)	78	-
Employee profit sharing provision	-	(141)
Rehabilitation and closure cost accretion (note 8)	41	83
Write-down for obsolete equipment	121	-
Income tax recovery	(76)	(231)
Change in non-cash working capital items		
Prepaid expenses and advances	1,551	726
Amounts receivable	(1,914)	1,548
Inventory	(304)	222
Trade and other payables	199	160
<b>Cash provided by operating activities</b>	<b>6,941</b>	<b>6,992</b>
<b>Financing activities</b>		
Share issuances	-	33
Repayment of loan payable	(3,583)	(3,667)
Interest paid	(33)	(338)
Financing costs	(78)	-
<b>Cash outflows for financing activities</b>	<b>(3,694)</b>	<b>(3,972)</b>
<b>Investing activities</b>		
Purchase of short-term investments	(3,063)	(900)
Sale of short-term investments	2,700	1,600
Interest received	4	12
Purchase of mining interest, plant and equipment	(3,415)	(1,735)
<b>Cash outflows for investing activities</b>	<b>(3,774)</b>	<b>(1,023)</b>
<b>Total increase (decrease) in cash</b>	<b>(527)</b>	<b>1,997</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(985)</b>	<b>(52)</b>
<b>Cash, beginning of period</b>	<b>5,638</b>	<b>1,675</b>
<b>Cash, end of period</b>	<b>\$ 4,126</b>	<b>\$ 3,620</b>

Non-cash transactions - note 10

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

**Starcore International Mines Ltd.****Condensed Interim Consolidated Statements of Changes in Equity for the six months ended January 31, 2014 and 2013****(in thousands of Canadian dollars, except for number of shares)****(Unaudited)**

	<b>Number of Shares Outstanding</b>	<b>Share Capital</b>	<b>Equity Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance, July 31, 2012	139,796,651	\$ 43,053	\$ 10,620	\$ (3,294)	\$ (14,441)	\$ 35,938
Issued as a bonus on financing - at \$0.25	300,000	75	-	-	-	75
Issued for cash pursuant to:						
Exercise of warrants - at \$0.15	166,136	32	(7)	-	-	25
Exercise of agent warrants - at \$0.25	32,000	11	(3)	-	-	8
Share-based compensation	-	-	240	-	-	240
Foreign currency translation	-	-	-	390	-	390
Loss for the period	-	-	-	-	1,973	1,973
Balance, January 31, 2013	140,294,787	43,171	10,850	(2,904)	(12,468)	38,649
Issued for cash pursuant to:						
Exercise of warrants - at \$0.15	3,095,678	581	(117)	-	-	464
Share-based compensation	-	-	21	-	-	21
Foreign currency translation	-	-	-	362	-	362
Earnings for the period	-	-	-	-	2,729	2,729
Balance, July 31, 2013	143,390,465	43,752	10,754	(2,542)	(9,739)	42,225
Share-based compensation	-	-	142	-	-	142
Foreign currency translation	-	-	-	2,595	-	2,595
Earnings for the period	-	-	-	-	3,896	3,896
<b>Balance, January 31, 2014</b>	<b>143,390,465</b>	<b>\$ 43,752</b>	<b>\$ 10,896</b>	<b>\$ 53</b>	<b>\$ (5,843)</b>	<b>\$ 48,858</b>

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

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

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**January 31, 2014**

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**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, processing and exploring for gold and silver in Mexico. On February 1, 2007, the Company acquired Compañía Minera Peña de Bernal, S.A. de C.V. (“Bernal”), which owns the San Martin mine in Queretaro, Mexico, from Luismin S.A. de C.V. (“Luismin”), a wholly owned subsidiary of Goldcorp, Inc. (the “Acquisition”). Pursuant to the Acquisition, the Company paid US\$24 million or \$28.2 million and issued 4,729,600 common shares to Luismin at a fair value of US\$2 million or \$2,365 based upon the Toronto Stock Exchange (“TSX”) trading value of the Company’s shares at the date of the Agreement. The San Martin mine has been in operation since 1993 producing gold and silver and is a self sustaining mining operation in Mexico. Bernal is the Company’s sole source of operating cash flows.

**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. These condensed interim consolidated financial statements, for the six month period ended January 31, 2014, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, and do not include all of the information required for full annual financial statements.

These unaudited condensed interim financial statements should be read in conjunction with the Company’s 2013 annual financial statements.

The financial statements were authorized for issue by the Board of Directors on March 3, 2014.

**b) Basis of Measurement**

These financial statements have been prepared on a historical cost basis, except for the revaluation of held-for-trading financial assets and other financial liabilities.

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 judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement 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, 2013 yearend consolidated financial statements.

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

**January 31, 2014**

**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, Compañía Minera Peña de Bernal, S.A. de C.V. ("Bernal") along with various other subsidiaries carry out their operations in Mexico and in Canada.

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

**3. Short-term Investments**

At January 31, 2014, the Company held a Guaranteed Investment Certificate ("GIC") denominated in United States Dollars ("USD") with a market value of \$1,557 (July 31, 2013 - \$2,710), earning interest income at 0.2% per annum and maturing on November 5, 2014. The Company also holds a GIC denominated in Mexican Pesos with a market value of \$1,663 (July 31, 2013 - \$Nil) earning interest income at 3.3% per annum on a month to month basis. These GIC are cashable at the Company's option and are considered to be highly liquid. The Company's short-term investments are held at two financial institutions and as such the Company is exposed to the risks of those financial institutions.

**4. Amounts Receivable**

	<b>January 31, 2014</b>	<b>July 31, 2013</b>
Taxes receivable	\$ 2,476	\$ 1,741
Trade receivables	1,642	150
Other	44	88
	<b>\$ 4,162</b>	<b>\$ 1,979</b>

**5. Inventory**

	<b>January 31, 2014</b>	<b>July 31, 2013</b>
Carrying value of inventory:		
Doré	\$ 1,026	\$ 717
Work-in-process	196	139
Stockpile	242	127
Supplies	685	706
	<b>\$ 2,149</b>	<b>\$ 1,689</b>

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

**January 31, 2014**

**5. Inventory – (cont'd)**

<b>For the six months ended January 31,</b>	<b>2014</b>	<b>2013</b>
Inventory included in cost of sales	\$ <b>8,500</b>	\$ 8,338

**6. Mining Interest, Plant and Equipment**

	<b>Mining Interest</b>	<b>Plant and Equipment</b>	<b>Corporate Office Equipment</b>	<b>Total</b>
<b>Cost</b>				
Balance, July 31, 2012	\$ 45,978	\$ 10,956	\$ 243	\$ 57,177
Additions	2,819	927	82	3,828
Write-down of equipment	-	(246)	-	(246)
Change in ARO assumptions	(586)	-	-	(586)
Effect of foreign exchange	1,147	48	-	1,195
Balance, July 31, 2013	49,358	11,685	325	61,368
Additions	2,340	1,075	-	3,415
Write-down of equipment	-	(246)	-	(246)
Effect of foreign exchange	4,218	1,262	-	5,480
<b>Balance, January 31, 2014</b>	<b>\$ 55,916</b>	<b>\$ 13,776</b>	<b>\$ 325</b>	<b>\$ 70,017</b>
<b>Depreciation</b>				
Balance, July 31, 2012	\$ 10,160	\$ 3,749	\$ 208	\$ 14,117
Depreciation for the year	4,144	827	31	5,002
Write-down of equipment	-	(133)	-	(133)
Effect of foreign exchange	330	(26)	-	304
Balance, July 31, 2013	14,634	4,417	239	19,290
Depreciation for the period	2,575	499	10	3,084
Write-down of equipment	-	(125)	-	(125)
Effect of foreign exchange	1,312	528	-	1,840
<b>Balance, January 31, 2014</b>	<b>\$ 18,520</b>	<b>\$ 5,319</b>	<b>\$ 249</b>	<b>\$ 24,088</b>
<b>Carrying amounts</b>				
Balance, July 31, 2013	\$ 34,724	\$ 7,268	\$ 86	\$ 42,078
<b>Balance, January 31, 2014</b>	<b>\$ 37,396</b>	<b>\$ 8,457</b>	<b>\$ 76</b>	<b>\$ 45,929</b>

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

**January 31, 2014**

**7. Loan Payable**

During the year ended July 31, 2012, the Company secured an \$11 million credit facility (the “Facility”) with Sprott Resource Lending. The facility was used to settle the hedge liability originally entered into with Investec Bank PLC (“Investec”) pursuant to a Loan Facility entered into on purchase of the mine in 2007. The Facility bore interest at 11% per annum, payable monthly, with monthly principal payments of \$917 to be made commencing May 31, 2012 and amended to \$Nil on December 19, 2012, with the final payment amended to a balloon payment on October 31, 2013. The Facility was guaranteed by the Company’s wholly owned subsidiary, Bernal, and was secured by a fixed and floating charge and specific registration over all of the assets of the Company and Bernal, including the San Martin gold and silver mine in Queretaro, Mexico, and a pledge of all of the shares of Bernal held by the Company.

On August 30, 2013, the Company paid the remaining \$3,583 of the Facility, settling its obligation in full and without penalty.

In consideration for the Facility, the Company paid structuring fees, finder’s fees and legal fees of \$376 and issued 1,000,000 common shares. The fair value of the shares has been determined to be equal to the market price on the date of grant, being \$0.36 per share or \$360. Subject to the amendment on December 19, 2012, the Company issued an additional 300,000 shares with a market value of \$0.25 per share totaling \$75. The Facility was classified as an other financial liability at amortized cost of \$11,000, less the fair value of the shares, structuring, finder’s and legal fees, totaling \$811 (the “Discount”). As a result, the recorded liability to repay the Facility was lower than its face value.

The Discount was being charged to the Company’s profit and loss and added to the liability over the life of the Facility. On August 30, 2013, pursuant to the full payment of the Facility and thereby settling its obligation in full, the Company made payments consisting of \$3,583 in repayment of principal (January 31, 2013: \$3,667) and \$33 of interest (January 31, 2013: \$315). Over the period, the remaining \$104 (January 31, 2013: \$75) of the Discount was recognized as a financing cost in the Company’s total earnings.

	<b>Principal</b>	<b>Discount</b>	<b>Total</b>
Balance, July 31, 2012	\$ 8,250	\$ (552)	\$ 7,698
Amendment, December 19, 2012	-	(75)	(75)
Payments made during the year	(4,667)	-	(4,667)
Unwinding of discount	-	523	523
Balance, July 31, 2013	3,583	(104)	3,479
Payments made during the period	(3,583)	-	(3,583)
Unwinding of discount	-	104	104
<b>Balance, January 31, 2014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

During the period ended January 31, 2014, the Company paid \$78 in legal fees pursuant to the settlement of the Facility.

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

**January 31, 2014**

**7. Loan Payable – (cont'd)**

The Company's financing costs for the periods ended January 31, 2014 and 2013 as reported on its Consolidated Statement of Operations and Comprehensive Income can be summarized as follows:

<b>For the six months ended January 31,</b>	<b>2014</b>	<b>2013</b>
Unwinding of discount on rehabilitation and closure accretion (Note 8)	\$ 41	\$ 83
Facility discount unwinding	104	315
Facility interest expense	33	338
Facility settlement legal fees	78	-
Interest revenue	(13)	-
	<b>\$ 243</b>	<b>\$ 736</b>

**8. Rehabilitation and Closure Cost Provision**

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At January 31, 2014, the present value of obligations is estimated at \$1,138 (July 31, 2013 - \$1,053) based on expected undiscounted cash-flows at the end of the mine life of 21,282,000 Mexican pesos ("MP") or \$1,771 (July 31, 2013 - \$1,705), which is calculated annually over 6 to 11 years. Such liability was determined using a discount rate of 8% (July 31, 2013 - 8%) and an inflation rate of 3.5% (July 31, 2013 - 8%).

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

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

	<b>January 31, 2014</b>	<b>July 31, 2013</b>
Balance, beginning of year	\$ 1,053	\$ 1,505
Accretion expense	41	77
Revisions to assumptions and estimates	-	(586)
Foreign exchange fluctuation	44	57
	<b>\$ 1,138</b>	<b>\$ 1,053</b>

**9. Other Long – Term Liabilities**

Under Mexican tax laws, the Company's Mexican subsidiary is required to remit 10% of taxable income to employees as statutory profit-sharing. The provision for profit-sharing is based on accounting income and the amounts are payable based on the Company's Mexican subsidiary earning taxable income. Management has accrued amounts which may be payable based on prior years that have not been settled or are in dispute.

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

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**January 31, 2014**

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**10. 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. No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual assets.

No shares were issued during the period ended January 31, 2014.

During the year ended July 31, 2013, the Company issued:

- 300,000 shares pursuant to the amendment of the Facility agreement at \$0.25 per share or \$75 (Note 7);
- 166,136 shares pursuant to the exercise of share purchase warrants at \$0.15 per share for proceeds of \$25. The fair value of the warrants as determined on the date of issuance, being \$7, was transferred to the Company's share capital from equity reserve on exercise;
- 32,000 shares pursuant to the exercise of share purchase agent warrants at \$0.25 per share for proceeds of \$8. The fair value of the warrants as determined on the date of issuance, being \$3, was transferred to the Company's share capital from equity reserve on exercise.

b) Warrants

A summary of the Company's outstanding share purchase warrants at January 31, 2014 and July 31, 2013 and the changes during the periods then ended is presented below:

	Number of warrants	Weighted average exercise price	Equity reserve Amount
Outstanding at July 31, 2012	8,231,614	\$ 0.27	\$ 948
Warrants exercised	(3,261,814)	\$ 0.15	(124)
Agent Warrants exercised	(32,000)	\$ 0.25	(3)
Agent Warrants expired	(432,800)	\$ 0.25	-
Outstanding at July 31, 2013	4,505,000	\$ 0.35	821
Warrants expired	(4,505,000)	\$ 0.35	(821)
<b>Outstanding at January 31, 2014</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>

During the period ended January 31, 2014 no warrants were issued (July 31, 2013 - Nil) and 4,505,000 warrants expired.

At January 31, 2014 there were no warrants outstanding.

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

**January 31, 2014**

**10. Share Capital - (cont'd)**

c) Share-based Payments

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

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

The following is a summary of changes in options from July 31, 2013 to January 31, 2014:

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		
11/09/09	11/09/14	\$0.15	6,000,000	-	-	(60,000)	<b>5,940,000</b>	<b>5,940,000</b>
01/10/10	01/10/15	\$0.21	1,000,000	-	-	-	<b>1,000,000</b>	<b>1,000,000</b>
03/26/10	03/26/15	\$0.15	400,000	-	-	-	<b>400,000</b>	<b>400,000</b>
05/06/11	05/06/16	\$0.15	190,000	-	-	(20,000)	<b>170,000</b>	<b>170,000</b>
01/16/12	01/16/17	\$0.20	400,000	-	-	-	<b>400,000</b>	<b>400,000</b>
01/27/12	01/27/17	\$0.25	1,940,000	-	-	-	<b>1,940,000</b>	<b>1,940,000</b>
04/13/12	04/13/17	\$0.37	3,250,000	-	-	-	<b>3,250,000</b>	<b>3,250,000</b>
08/22/13	08/22/18	\$0.20	-	275,000	-	-	<b>275,000</b>	<b>91,667</b>
08/22/13	08/22/18	\$0.25	-	800,000	-	-	<b>800,000</b>	<b>266,667</b>
09/06/13	09/06/18	\$0.23	-	200,000	-	-	<b>200,000</b>	<b>66,667</b>
09/12/13	09/12/18	\$0.25	-	200,000	-	-	<b>200,000</b>	<b>66,667</b>
01/15/14	01/15/19	\$0.22	-	4,170,000	-	-	<b>4,170,000</b>	<b>-</b>
			<b>13,180,000</b>	<b>5,645,000</b>	<b>-</b>	<b>(80,000)</b>	<b>18,745,000</b>	<b>13,591,668</b>
Weighted Average Exercise Price			<b>\$0.22</b>	<b>\$0.22</b>	<b>-</b>	<b>\$0.15</b>	<b>\$0.23</b>	<b>\$0.23</b>

The following is a summary of changes in options from July 31, 2012 to July 31, 2013:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Year			Closing	Closing, Vested and Exercisable
				Granted	Exercised	Cancelled/ Forfeited		
11/09/09	11/09/14	\$0.15	6,000,000	-	-	-	6,000,000	6,000,000
01/10/10	01/10/15	\$0.21	1,000,000	-	-	-	1,000,000	1,000,000
03/26/10	03/26/15	\$0.15	400,000	-	-	-	400,000	400,000
05/06/11	05/06/16	\$0.15	210,000	-	-	(20,000)	190,000	190,000
01/16/12	01/16/17	\$0.20	450,000	-	-	(50,000)	400,000	400,000
01/27/12	01/27/17	\$0.25	1,995,000	-	-	(55,000)	1,940,000	1,940,000
04/13/12	04/13/17	\$0.37	3,250,000	-	-	-	3,250,000	2,166,664
			<b>13,305,000</b>	<b>-</b>	<b>-</b>	<b>(125,000)</b>	<b>13,180,000</b>	<b>12,096,664</b>
Weighted Average Exercise Price			<b>\$0.22</b>	<b>-</b>	<b>-</b>	<b>\$0.21</b>	<b>\$0.23</b>	<b>\$0.21</b>

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**10. Share Capital - (cont'd)**

c) Share-based Payments – (cont'd)

During the period ended January 31, 2014, the Company has share-based compensation expense of \$142 (January 31, 2013: \$240), which has been recorded in the statement of comprehensive income and credited to equity reserve. These amounts have been expensed as follows:

For the period ended January 31,	2014	2013
Cost of Sales – Mined ore	\$ 16	\$ 35
Management fees and salaries	106	205
Office and administration	20	-
	\$ 142	\$ 240

The fair value of options granted during the period has been estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: Exercise price - \$0.22, expected volatility - 72.56%, option life - 4.96 years, expected dividends - \$Nil, and risk free interest rate - 1.62%.

Subsequent to period ending January 31, 2014, 125,000 options were exercised by a consultant.

**11. 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 differences between the carrying values and the fair values of any financial assets or liabilities.

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

Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At January 31, 2014, the Company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos (MP):

	In '000 of CDN Dollars	In '000 of Mexican Pesos (MP)
Cash	\$ 289	MP 20,473
Other working capital amounts - net	\$ 69	MP (4,098)
Long-term liabilities	\$ -	MP 5,094

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**11. Financial Instruments – (cont'd)**

At January 31, 2014, US dollar amounts were converted at a rate of \$1.11 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP13.36 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 \$873. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately \$336.

Interest Rate Risk

The Company's cash earns interest at variable interest rates. While fluctuations in market rates do not have a significant impact on the fair value of the Company's cash flows, future cash flows will 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.

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 investment, the balance of which at January 31, 2014 is \$5,789 and \$1,557, respectively. Cash of \$3,493 is held at a Mexican financial institution, the remainder of \$2,296 and the short-term investment of \$1,557 are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. All trade receivables are owed from three customers and are receivable in US dollars.

Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves. As at January 31, 2014, the Company was holding cash of \$4,126 and short-term investments of \$3,221.

Obligations due within twelve months of January 31,	2014	2015	2016	2017	2018 and beyond
Trade and other payables	\$ 2,139	\$ -	\$ -	\$ -	\$ -
Reclamation and closure obligations	-	-	-	-	1,711
Other long-term liabilities	-	-	-	-	424

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.

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**12. Commitments**

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at January 31, 2014:

- a) As at January 31, 2014, the Company has shared lease commitments for office space, of \$107 per year until February 2015, which included minimum lease payments, and estimated taxes, but excluded operating costs, to expiry.
- b) As at January 31, 2014, the Company has management contracts to officers and directors totaling \$600 per year, payable monthly, expiring in January 2017.
- c) As at January 31, 2014, the Company has a land lease agreement commitments with respect to the land at the mine site, for \$96 per year until June 2016.

**13. Segmented Information**

During the period ended January 31, 2014, 100% of the Company's reportable sales were to two third parties. The balance owing from these customer on January 31, 2014 was \$1,642 (July 31, 2013 - \$150). The Company operates in two reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	<b>Mexico</b>		<b>Canada</b>		<b>January 31, 2014</b>	
					<b>Total</b>	
Revenue	\$	17,127	\$	-	\$	<b>17,127</b>
Earnings (loss) for the period		5,572		(1,676)		<b>3,896</b>
Mining interest, plant and equipment		45,860		69		<b>45,929</b>
Total assets		59,258		4,022		<b>63,280</b>

  

	<b>Mexico</b>		<b>Canada</b>		<b>January 31, 2013</b>	
					<b>Total</b>	
Revenue	\$	13,714	\$	-	\$	13,714
Earnings (loss) for the period		3,357		(1,384)		1,973

  

	<b>Mexico</b>		<b>Canada</b>		<b>July 31, 2013</b>	
					<b>Total</b>	
Mining interest, plant and equipment		41,992		86		42,078
Total assets		55,241		4,296		59,537

**14. 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.

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**January 31, 2014**

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**15. Earnings per Share**

The Company calculates the basic and diluted income (loss) per common share using the weighted average number of common shares outstanding during each period and the diluted income (loss) 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 loss per share, being the weighted average number of common shares, is calculated as follows:

	For the three months ended		For the six months ended	
	January 31,		January 31,	
	2014	2013	2014	2013
Issued common share, beginning of period,	<b>143,390,465</b>	139,796,651	<b>143,390,465</b>	139,796,651
Weighted average issuances	-	215,120	-	142,010
Basic weighted average common shares	<b>143,390,465</b>	140,011,771	<b>143,390,465</b>	139,938,661
Effect of dilutive warrants and options	<b>8,185,000</b>	11,005,677	<b>8,185,000</b>	11,005,677
Diluted weighted average common shares	<b>151,575,465</b>	151,017,448	<b>151,575,465</b>	150,944,338

Vested share purchase options and warrants totalling 5,590,000 in aggregate and unvested share purchase options outstanding of 4,970,000 at January 31, 2014, were not included in the computation of diluted earnings per share.