Starcore International Mines Ltd.

Condensed Interim Consolidated Financial Statements

For the three months ended October31, 2012

(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, 2012 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, 2012		July 31, 2012
Assets				
Current				
Cash	$	**1,673**	$	1,675
Short-term investments (note 3)		**-**		1,612
Amounts receivable (notes 6 and 13)		**4,166**		3,518
Inventory (note 5)		**2,406**		2,432
Prepaid expenses and advances		**2,555**		2,585
Total Current Assets		**10,800**		11,822
Non-Current				
Mining interest, plant and equipment (note 6)		**42,952**		43,060
Deferred tax assets		**1,512**		1,309
Total Non-Current Assets		**44,464**		44,369
Total Assets	$	**55,264**	$	56,191
Liabilities				
Current				
Trade and other payables	$	**2,345**	$	1,684
Loan payable (note 7)		**5,132**		7,698
Current portion of forward contract obligations (note 12)		**-**		-
Total Current Liabilities		**7,477**		9,382
Non-Current				
Rehabilitation and closure cost provision (note 8)		**1,467**		1,505
Deferred tax liabilities		**9,217**		8,866
Other long-term liabilities (note 9)		**2,881**		2,724
Total Non-Current Liabilities		**13,565**		13,095
Total Liabilities		**21,042**		22,477

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

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

		October 31, 2012		July 31, 2012
Equity				
Share capital (note 10)		**43,074**		43,053
Equity reserve		**10,910**		10,620
Foreign currency translation reserve		**(2,751)**		(3,294)
Accumulated deficit		**(17,011)**		(16,665)
Total Equity		**34,222**		33,714
Total Liabilities and Equity	**$**	**55,264**	$	56,191

Commitments (notes 10 and 12)

Approved by the Directors:

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

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

Starcore International Mines Ltd.

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

For the three months ended October 31,		2012		2011
Revenues				
Mined ore	$	**6,481**	$	10,610
Purchased concentrate		**-**		9,789
Total Revenues		**6,481**		20,399
Cost of Sales (note 5)				
Mined ore		**5,230**		3,759
Purchased concentrate		**-**		9,323
Total Cost of Sales		**(5,230)**		(13,082)
Earnings from mining operations		**1,251**		7,317
Financing costs (note 7)		**(427)**		(3,378)
Foreign exchange gain (loss)		**(47)**		339
Professional and consulting fees		**(53)**		(132)
Management fees and salaries		**(455)**		(108)
Office and administration		**(226)**		(100)
Shareholder relations		**(78)**		(63)
Earnings (loss) before taxes		**(35)**		3,875
Income taxes expense		**(311)**		(712)
Earnings (loss) for the period		**(346)**		3,163
Other comprehensive income (loss)				
Foreign currency translation differences		**543**		(101)
Comprehensive income (loss) for the period	$	**197**	$	3,062
Basic income (loss) per share (Note 15)	$	**(0.00)**	$	0.03
Diluted income (loss) per share (Note 15)	$	**(0.00)**	$	0.02

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)

For the three months ended October 31,	2012	2011
Cash provided by		
Operating activities		
Earnings (loss) for the period	**$ (346)**	$ 3,163
Items not involving cash		
Depreciation and depletion	**799**	1,166
Share-based compensation (note 10)	**295**	12
Interest on long-term debt	**203**	39
Unwinding of discount on long-term debt	**184**	65
Employee profit sharing provision (note 9)	**165**	100
Rehabilitation and closure cost accretion (note 8)	**40**	150
Net gain on forward contracts (note 12)	**-**	3,101
Income tax expense	**311**	712
Change in non-cash working capital items		
Prepaid expenses and advances	**20**	(70)
Amounts receivable	**(328)**	(1,278)
Inventory	**16**	(161)
Trade and other payables	**659**	(84)
Taxes paid	**-**	(951)
Cash provided by operating activities	**2,018**	5,964
Financing activities		
Share issuances	**16**	63
Repayment of loan payable	**(2,750)**	(325)
Interest paid	**(203)**	(39)
Realized forward contract settlements	**-**	(3,371)
Cash outflows for financing activities	**(2,937)**	(3,672)
Investing activities		
Purchase of short-term investments	**-**	-
Sale of short-term investments	**1,600**	200
Interest received	**12**	-
Purchase of mining interest, plant and equipment	**(838)**	(1,630)
Cash outflows for investing activities	**774**	(1,430)
Total increase (decrease) in cash	**(145)**	862
Effect of foreign exchange rate changes on cash	**143**	(659)
Cash, beginning of period	**1,675**	712
Cash, end of period	**$ 1,673**	$ 915

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 periods ended October 31, 2012 and 2011
(in thousands of Canadian dollars, except for number of shares)
(Unaudited)

		Number of Shares Outstanding	Share Capital Amount	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total
Balance, July 31, 2011		105,808,970	$ 36,750	$ 10,240	$ (3,424)	$ (31,000)	$ 12,566
Issued for cash pursuant to:							
Exercise of warrants	- at $0.15	425,000	65	(2)	-	-	63
Share-based compensation		-	-	12	-	-	12
Foreign currency translation		-	-	-	(101)	-	(101)
Earnings for the period		-	-	-	-	3,163	3,163
Balance, October 31, 2011		106,233,970	36,815	10,250	(3,525)	(27,837)	15,703
Issued for cash pursuant to:							
Private placement of units	- at $0.25	9,010,000	1,890	363	-	-	2,253
Exercise of warrants	- at $0.15	18,109,771	3,078	(362)	-	-	2,716
Exercise of agent warrants	- at $0.15	3,892,910	677	(93)	-	-	584
Exercise of options	- at $0.15	1,550,000	345	(112)	-	-	233
Issued as a bonus on financing	- at $0.36	1,000,000	360	-	-	-	360
Share issue costs: Cash		-	(73)	(14)	-	-	(87)
Warrants		-	(39)	39	-	-	-
Share-based compensation		-	-	548	-	-	548
Foreign currency translation		-	-	-	231	-	231
Earnings for the period		-	-	-	-	11,172	11,172
Balance, July 31, 2012		139,796,651	43,053	10,620	(3,294)	(16,665)	33,714
Issued for cash pursuant to:							
Exercise of warrants	- at $0.15	52,500	10	(2)	-	-	8
Exercise of agent warrants	- at $0.25	32,000	11	(3)	-	-	8
Share-based compensation		-	-	295	-	-	295
Foreign currency translation		-	-	-	543	-	543
Loss for the period		-	-	-	-	(346)	(346)
Balance, October 31, 2012		**139,881,151**	**$ 43,074**	**$ 10,910**	**$ (2,751)**	**$ (17,011)**	**$ 34,222**

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

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 Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico, from Luismin S.A. de C.V. ("Luismin"), a wholly owned subsidiary of Goldcorp, Inc. (the "Acquisition"). Pursuant to the Acquisition, the Company paid US$24 million or $28.2 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 ("IASB"). These condensed interim consolidated financial statements, for the three month period ended October 31, 2012, 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 condensed interim financial statements should be read in conjunction with the Company's 2012 annual financial statements.

The financial statements were authorized for issue by the Board of Directors on December 13, 2012.

b) Basis of Measurement

The consolidated 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, 2012 yearend consolidated financial statements.

(in thousands of Canadian dollars unless otherwise stated)

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. Subsidiaries 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 subsidiaries, SAM Servicios Administrativos Mineros, S.A. de C.V. (Mexico), Compañia Minera Peña de Bernal, S.A. de C.V. (Mexico) and 1794598 Ontario Inc. (Canada) carry out their operations in Mexico.

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

3. Short-term Investments

At October 31, 2012, the Company held no Guaranteed Investment Certificates ("GICs"). At July 31, 2012, the Company held a GIC with a market value of $1,612, earning interest income at prime minus 1.8% per annum and maturing on February 4, 2013. This GIC is cashable at the Company's option and is considered to be the same as cash.

The Company's short-term investments are held at one financial institution and as such the Company is exposed to the risks of that financial institution.

4. Amounts Receivable

	October 31, 2012	July 31, 2012
Taxes receivable	**$ 3,515**	$ 3,330
Customers	**628**	141
Other	**23**	47
	$ 4,166	$ 3,518

5. Inventory

	October 31, 2012	July 31, 2012
Carrying value of inventory:		
Doré	**$ 1,300**	$ 1,585
Work-in-process	**160**	160
Supplies	**946**	687
	$ 2,406	$ 2,432

(in thousands of Canadian dollars unless otherwise stated)

5. Inventory – (cont'd)

For the three months ended October 31,	2012	2011
Inventory included in cost of sales:		
Mined ore	**$ 4,438**	$ 2,770
Purchased concentrate	**-**	9,148
	$ 4,438	$ 11,918

6. Mining Interest, Plant and Equipment

	Mining Interest	Plant and Equipment	Corporate Office Equipment	Total
Cost				
Balance July 31, 2011	$ 39,789	$ 8,424	$ 232	$ 48,445
Additions	4,235	2,126	11	6,372
Effect of foreign exchange	1,954	406	-	2,360
Balance July 31, 2012	45,978	10,956	243	57,177
Additions	633	196	-	829
Effect of foreign exchange	(186)	(42)	-	(228)
Balance October 31, 2012	**$ 46,425**	**$ 11,110**	**$ 243**	**$ 57,778**
Depreciation				
Balance July 31, 2011	$ 6,182	$ 2,978	$ 181	$ 9,341
Depreciation for the year	3,825	628	27	4,480
Effect of foreign exchange	153	143	-	296
Balance July 31, 2012	10,160	3,749	208	14,117
Depreciation for the period	573	219	7	799
Effect of foreign exchange	(77)	(13)	-	(90)
Balance October 31, 2012	**$ 10,656**	**$ 3,955**	**$ 215**	**$ 14,826**
Carrying amounts				
Balance July 31, 2012	$ 35,818	$ 7,207	$ 35	$ 43,060
Balance October 31, 2012	**$ 35,679**	**$ 7,155**	**$ 28**	**$ 42,952**

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 bears interest at 11% per annum, compounded and payable monthly, with monthly principal payments of $917 to be made commencing May 31, 2012, with the final payment due on or before April 30, 2013. The Facility may be repaid in full without penalty.

(in thousands of Canadian dollars unless otherwise stated)

7. Loan Payable – (cont'd)

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. The Facility is guaranteed by the Company's wholly owned subsidiary, Bernal, and will be 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.

The Facility has been 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 $736 (the "Discount"). As a result, the recorded liability to repay the Facility was lower than its face value.

The Discount is being charged to the Company's profit and loss and added to the liability as the Loan is repaid. During the period ended October 31, 2012, the Company made payments totaling $2,953 (year ended July 31, 2012: $2,999), consisting of $2,750 repayment of principal (year ended July 31, 2012: $2,750) and $203 of interest (year ended July 31, 2012: $249). As a result of the repayments, $184 of the discount was recognized as a financing cost in the Company's total earnings.

	Principal	**Discount**	**Total**
Balance, July 31, 2011	$ -	$ -	$ -
Financing, May 17, 2012	11,000	(736)	10,264
Payments made during the year	(2,750)	-	(2,750)
Unwinding of discount	-	184	184
Balance, July 31, 2012	8,250	(552)	7,698
Payments made during the period	(2,750)	-	(2,750)
Unwinding of discount	-	184	184
Balance, October 31, 2012	$ 5,500	$ (368)	$ 5,132

The Company's financing costs for the years ended July 31, 2012 and 2011 as reported on its Consolidated Statement of Operations and Comprehensive Income (Loss) can be summarized as follows:

For the period ended October 31,	**2012**	2011
Rehabilitation and closure accretion (Note 8)	**$ 40**	$ 150
Investec Loan unwinding of discount	**-**	65
Investec Loan interest expense	**-**	39
Investec Loan financing cost	**-**	23
Facility discount unwinding	**184**	-
Facility interest expense	**203**	-
Net loss on forward contract obligations (Note 14)	**-**	3,101
	$ 427	$ 3,378

(in thousands of Canadian dollars unless otherwise stated)

8. Rehabilitation and Closure Cost Provision

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At October 31, 2012, the present value of obligations is estimated at $1,528 (July 31, 2012 - $1,505) based on expected undiscounted cash-flows at the end of the mine life of 37,855,000 Mexican pesos ("MP") or $2,820 (July 31, 2012 - $2,858), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 11% (July 31, 2012 – 11%), an inflation rate of 5% (July 31, 2012 – 5%).

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:

	October31, 2012	July 31, 2012
Balance, beginning of period	**$ 1,505**	$ 1,473
Accretion expense	**40**	148
Foreign exchange fluctuation	**(17)**	(116)
Revisions in assumptions, estimates and liabilities incurred	**-**	-
	$ 1,528	$ 1,505

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.

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 are 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.

During the period ended October 31, 2012, the Company issued:

- 52,500 shares pursuant to the exercise of share purchase warrants at $0.15 per share for proceeds of $10. The fair value of the warrants as determined on the date of issuance, being $2, 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 $11. 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;

10. Share Capital - (cont'd)

a) Common Shares – (cont'd)

During the period ended July 31, 2012, the Company issued:

- 1,000,000 shares pursuant to the $11,000 credit facility (Note 7). 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;
- 18,534,771 shares pursuant to the exercise of share purchase warrants at $0.15 per share for proceeds of $2,780. The fair value of the warrants as determined on the date of issuance, being $363, was transferred to the Company's share capital from equity reserve on exercise;
- 3,892,910 shares pursuant to the exercise of agent warrants at $0.15 per share for proceeds of $584. The fair value of the warrants as determined on the date of issuance, being $93, was transferred to the Company's share capital from equity reserve on exercise; and
- 1,550,000 shares pursuant to the exercise of share purchase options at $0.15 per share for proceeds of $233. The fair value of the warrants as determined on the date of issuance, being $112, was transferred to the Company's share capital from equity reserve on exercise.

On January 30, 2012, the Company completed a non-brokered financing for the issuance of 9,010,000 Units at $0.25 per Unit for proceeds of $2,253. Each Unit consisted of one share and one half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional share of the Company at $0.35 until January 30, 2014. The $2,253 proceeds of the financing were allocated to the shares and warrants, pro rata, using the market value of the shares on the date of issuance and the fair value of the warrants. As a result, share capital increased by $1,890 and equity reserve increased by $363.

The fair value of the warrants was determined using the Black-Scholes model using an expected annual volatility of 84% over a 2 year expected life and a risk free interest rate of 0.95%.

Agents' fees applied in this transaction were in the form of a cash commission of $87 and 464,800 nontransferable Agent Warrants entitling the holder to acquire one common share of the Company at a price of $0.25 to January 30, 2013. Cash commissions were allocated $73 to share capital and $14 to warrants. Share issue costs include $39 allocated to the fair value of Agents' Warrants issued and $7 has been allocated to Warrants.

b) Warrants

No warrants were issued during the period ended October 31, 2012.

Pursuant to the financing during the year ended July 31, 2012, the Company issued 4,505,000 warrants; each warrant entitles the holder to acquire one common share of the Company at $0.35 until January 30, 2014.

In conjunction with the 2012 financing, the Company issued 464,800 warrants to agents, exercisable at $0.25 until January 30, 2013.

(in thousands of Canadian dollars unless otherwise stated)

10. Share Capital – (cont'd)

b) Warrants – (cont'd)

A summary of the Company's outstanding share purchase warrants at October 31, 2012 and July 31, 2012 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, 2011	32,830,995	$ 0.30	$ 1,016
Warrants issued for private placement	4,505,000	$ 0.35	363
Cash paid to agents allocated to warrants	-	-	(14)
Warrants issued to agents	464,800	$ 0.25	39
Warrants exercised	(18,534,771)	$ 0.15	(363)
Agent Warrants exercised	(3,892,910)	$ 0.15	(93)
Warrants expired	(347,500)	$ 0.15	-
US Denominated warrants expired	(6,794,000)	$ 0.76	-
Outstanding at July 31, 2012	8,231,614	$ 0.27	948
Warrants exercised	(84,500)	$ 0.15	(5)
Outstanding at October 31, 2012	**8,147,114**	**$ 0.27**	**$ 943**

At October 31, 2012, there were 8,147,114 warrants exercisable to purchase one common share for each warrant held as follows:

Number of Shares	Exercise Price	Expiry Date
432,800	$0.25	January 30, 2013
3,209,314	$0.15	April 7, 2013
4,505,000	$0.35	January 30, 2014
8,147,114	**$0.27**	

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 up to 20% of the amount of common stock outstanding. Options may be granted for a maximum term of 5 years. Optioned shares will vest and may be exercised in accordance with the vesting provisions set out as follows:

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

(in thousands of Canadian dollars unless otherwise stated)

10. Share Capital - (cont'd)

c) Share-based Payments – (cont'd)

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

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Period Granted	During the Period Exercised	During the Period Cancelled/ Forfeited	Closing	Closing, Vested and Exercisable
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**
10/06/10	10/06/15	$0.15	-	-	-	-	**-**	**-**
05/06/11	05/06/16	$0.15	210,000	-	-	-	**210,000**	**139,996**
01/16/12	01/16/17	$0.20	450,000	-	-	-	**450,000**	**149,998**
01/27/12	01/27/17	$0.25	1,995,000	-	-	-	**1,995,000**	**664,991**
04/13/12	04/13/17	$0.37	3,250,000	-	-	-	**3,250,000**	**1,083,330**
			13,305,000	-	-	-	**13,305,000**	**9,438,315**
Weighted Average Exercise Price			$0.22				**$0.22**	**$0.19**

The following is a summary of changes in options from July 31, 2011 to July 31, 2012:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Year Granted	During the Year Exercised	During the Year Cancelled/ Forfeited	Closing	Closing, Vested and Exercisable
11/09/09	11/09/14	$0.15	7,050,000	-	(800,000)	(250,000)	**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**
10/06/10	10/06/15	$0.15	750,000	-	(750,000)	-	**-**	**-**
05/06/11	05/06/16	$0.15	210,000	-	-	-	**210,000**	**139,996**
01/16/12	01/16/17	$0.20	-	700,000	-	(250,000)	**450,000**	**149,998**
01/27/12	01/27/17	$0.25	-	2,160,000	-	(165,000)	**1,995,000**	**664,991**
04/13/12	04/13/17	$0.37	-	3,250,000	-	-	**3,250,000**	**-**
			9,410,000	6,110,000	(1,550,000)	(665,000)	**13,305,000**	**8,354,985**
Weighted Average Exercise Price			$0.16	$0.31	$0.15	$0.19	**$0.22**	**$0.17**

(in thousands of Canadian dollars unless otherwise stated)

10. Share Capital - (cont'd)

c) Share-based Payments – (cont'd)

During the period ended October 31, 2012, the Company has stock-based compensation expense of $295 (October 31, 2011: $12), 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 October 31,		**2012**		2011
Cost of Sales – Mined ore	**$**	**29**	$	11
Professional and consulting fees		**-**		-
Management fees and salaries		**255**		1
Office and administration		**9**		-
Shareholder relations		**2**		-
	$	**295**	$	12

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 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 October 31, 2012, 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	$	521	MP	254
Other working capital amounts - net	$	(45)	MP	36,347
Long-term liabilities	$	5,500	MP	38

At October 31, 2012, US dollar amounts were converted at a rate of $0.999 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP13.45 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 $2,100. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately $2,100.

(in thousands of Canadian dollars unless otherwise stated)

11. Financial Instruments – (cont'd)

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. Interest rate risk consists of two components:

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

The Company is not significantly exposed to interest rate fluctuations.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at October 31, 2012 is $1,673. Cash of $19 is held at a Mexican financial institution, the remainder of $1,654 is held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. All trade receivables are owing from one customer and are receivable in US dollars.

Having settled its short-term investments during the period ended October 31, 2012, the Company is not exposed to credit risk with respect to its short-term investments. All short-term investments were held at a Canadian financial institution.

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, 2012, the Company was holding cash of $1,673.

Obligations due within twelve months of October 31,	2012	2013	2014	2015	2016 and beyond
Trade and other payables	$ 2,345	$ -	$ -	$ -	$ -
Loan payable	5,132	-	-	-	-
Reclamation and closure obligations	-	-	-	-	1,467
Other long-term liabilities	-	-	-	-	2,881

The Company's trade and other payables and current portion of its Loan Facility obligations 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. Prudent management of liquidity risk requires the regular review of existing and future loan covenants to meet expected expenditures and obligations under the Facility (see notes 1 and 7). The Company continues to make all debt and interest payments as required under the Loan Facility. Management believes that profits generated from the mine will be sufficient to meet its financial obligations and management believes that the Company will be able to meet all existing loan covenants in the future.

(in thousands of Canadian dollars unless otherwise stated)

12. Commitments

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at October 31, 2012:

Forward Sales Contracts

During the year ended July 31, 2012, the Company settled the Investec Loan agreement and the forward sales agreement, entered into on the Acquisition, which required that the Company sell of 81,876 ounces of gold at a price of US$731 per ounce until January, 2013. These gold sales contracts met the definition of derivatives because, although the obligation may have been met by the physical delivery of gold, historically it had been more economical to settle these obligations with cash. As a result of settling the remaining gold sales contracts during the year ended July 31, 2012, there were no remaining gold sales contracts as at October 31, 2012 and as such the fair value was US$Nil (July 31, 2012 – US$Nil). Changes to the Company's forward contract obligations for the year ended July 31, 2012 are as follows:

	USD	**CAD**
Balance, August 1, 2010	$ (15,883)	$ (16,332)
Unrealised forward contract loss	(3,352)	(3,357)
Foreign exchange fluctuation	-	1,310
Balance, July 31, 2011	(19,235)	(18,379)
Unrealised forward contract gain (loss)	19,235	19,291
Foreign exchange fluctuation	-	(912)
Balance, July 31, 2012 and October 31, 2012	**$ -**	**$ -**

Effectiveness of the forward contracts against the price of gold for the period ended October 31, 2012 and 2011:

For the three months ended October 31,	**2012**	2011
Net unrealised forward contract gain (loss)	$ -	$ 270
Realised forward contract loss	-	(3,371)
Net loss on forward contract obligations	**$ -**	$ (3,101)

Other Commitments

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at October 31, 2012:

a) As at October 31, 2012, the Company has shared lease commitments for office space, of $101 until February 2013 and $107 thereafter until February 2015, which included minimum lease payments, and estimated taxes, but excluded operating costs, to expiry in February 2013.

b) As at October 31, 2012, the Company has management contracts to officers and directors totaling $600 per year, payable monthly, expiring in January 2017.

(in thousands of Canadian dollars unless otherwise stated)

13. Segmented Information

During the period ended October 31, 2012, 100% of the Company's reportable sales were to one third party. The balance owing from this customer on October 31, 2012 was $621 (July 31, 2012 - $141). The Company operates in two reportable geographical and one operating segment. Selected financial information by geographical segment is as follows:

	Mexico	Canada	October 31, 2012 Total
Revenue	$ 6,481	$ -	**$ 6,481**
Earnings (loss) for the period	591	(937)	**(346)**
Mining interest, plant and equipment	42,924	28	**42,952**
Total assets	54,343	921	**55,264**

	Mexico	Canada	October 31, 2011 Total
Revenue	$ 20,399	$ -	$ 20,399
Earnings (loss) for the year	3,508	(345)	3,163
	Mexico	**Canada**	**July 31, 2012 Total**
Mining interest, plant and equipment	43,025	35	43,060
Total assets	53,756	2,435	56,191

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. The Company is not subject to externally imposed capital requirements.

15. Earnings and Loss 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:

(in thousands of Canadian dollars unless otherwise stated)

15. Earnings and Loss per Share – (cont'd)

Three months ended October 31,	**2012**	2011
Issued common shares at August 1,	**139,796,651**	105,808,970
Weighted average issuances	**70,321**	194,022
Basic weighted average common shares	**139,866,972**	106,002,992
Effect of dilutive warrants and options	**-**	41,565,995
Diluted weighted average common shares	**139,866,972**	147,568,987

Vested share purchase options and warrants totalling 17,585,429 in aggregate and unvested share purchase options outstanding of 3,866,685, at October 31, 2012, were not included in the computation of diluted earnings per share.