



MANAGEMENT DISCUSSION & ANALYSIS

For the period ended October 31, 2011

Directors and Officers as at January 13, 2012:

Directors:

Gary Arca
Robert Eadie
Dave Gunning
Cory Kent
Arturo Prestamo
Jordan Estra
Ken Sumanik
Federico Villaseñor

Officers:

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

<i>Contact Name:</i>	Gary Arca
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<i>TSX Symbol:</i>	SAM

Form 51-102-F1

STARCORE INTERNATIONAL MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Period Ended October 31, 2011

1. Date of This Report

This MD&A is prepared as of January 13, 2012.

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, 2011.

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; the volatility of the Company’s stock price; and risks associated with the Company’s forward sales derivative strategies. 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.

Application of IFRS

The financial information for the Company for the year ending July 31, 2012, will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“Pre-changeover GAAP”). The accompanying condensed interim financial statements for the three month period ended October 31, 2011, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 First-Time Adoption of International Financial Reporting Standards has been applied.

As the condensed interim financial statements are the Company’s first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not

included in the Company's most recent annual financial statements prepared in accordance with pre-changeover GAAP have been included in these financial statements for the comparative annual period. However, the condensed interim financial statements do not include all of the information required for full annual financial statements.

The condensed interim financial statements should be read in conjunction with the Company's 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided Section 12.

2. **Overall Performance**

Description of Business

Starcore is engaged in exploring, extracting and processing gold and silver through its wholly-owned subsidiary, Compañía 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.

The Company's continued existence as a going concern is dependent upon its ability to continue profitable operations. During the period ended October 31, 2011, the cash flows generated from operations and share issuances exceeded cash used in repaying the loan payable and in investing activities by \$862 resulting in the Company's cash balance being \$915. However, the Company had a working capital deficiency of \$10,596 and an accumulated deficit of \$27,837. While these financial statements have been prepared in accordance with the IFRS applicable to a going concern, the adverse conditions below cast doubt as to the Company's ability to continue as a going concern should the loan be immediately payable (see below). In addition, the ability of the Company to generate sufficient cash flows to continue as a going concern is dependent upon many factors including, but not limited to, sufficient ore grade, ore production at the San Martin mine, control of mine production costs, administrative costs and tax costs and upon the market price of metals. Cash flows may also be affected by the ability of the Company to reduce capital expenditures, including mine development, or to restructure debt payments. The Company may also generate cash from future debt or equity financings, however, depending on market conditions; there is no assurance that such financings will be available to the Company.

To date, the Company has made all debt, interest payments and forward contract sales payments due under the Loan Facility Agreement ("Agreement") with Investec Bank (U.K.) Limited ("Investec"), as required by the Agreement. Investec has informed the Company that a triggering event has occurred under the Agreement due to the fact that the Company has not met metal production targets outlined in the original Development Plan dated January 31, 2007. Under the Agreement, a triggering event, unremedied, may lead to a default which may result in Investec taking additional measures to perform ongoing detailed review of mining operations and to control, in conjunction with the Company's management, mine operations and financial matters, including joint control of working capital accounts. Additionally, as at October 31, 2011, July 31, 2011 and August 1, 2010, the Company failed to meet a debt covenant which requires that the current ratio (current assets compared to current liabilities) not fall below 110%. In accordance with reporting requirements, the Company notified Investec and has taken steps to rectify the default. The Company continues to work closely with Investec in providing technical and financial information as requested in order to facilitate the process for Investec to gain comfort with the mining operations and resolve their concerns. Management has reclassified the and management believes that the Company will continue to make Loan principal, interest and forward contract payments in accordance with the requirements of the Agreement to expiry at January 31, 2013.

Management continues working to achieve efficiencies and improved cash flow at the mine and is exploring all opportunities available to the Company to ensure its future success including pursuing efforts to diversify the Company's resource property holdings through acquisition and merger opportunities. While management believes the Company will be able to continue operations in the future, given the uncertainty of the above and other items, there is no assurance that the Company will be able to meet all of its operating costs, forward contract sales, capital expenditures and debt payments in the coming fiscal year (See also Section 6 - Liquidity, Commitments and Going Concern).

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, 2011	July 31, 2010	July 31, 2009
	IFRS	Pre-Changeover GAAP	Pre-Changeover GAAP
Revenues	\$ 39,465	\$ 23,201	\$ 26,556
Cost of Sales	(25,511)	(13,765)	(18,878)
Earnings from mining operations	13,954	9,436	7,678
Administrative Expenses	(15,770)	(2,798)	(2,516)
Other Items	-	(10,718)	(1,770)
Income (loss) before extraordinary items			
(i) Total income (loss)	\$ (4,177)	\$ (3,728)	\$ 4,385
(ii) Income (loss) per share - basic	\$ (0.05)	\$ (0.05)	\$ 0.07
(iii) Income (loss) per share - diluted	\$ (0.05)	\$ (0.05)	\$ 0.04
Net loss			
(i) Total income (loss)	\$ (4,177)	\$ (3,728)	\$ 4,385
(ii) Income (loss) per share - basic	\$ (0.05)	\$ (0.05)	\$ 0.07
(iii) Income (loss) per share - diluted	\$ (0.05)	\$ (0.05)	\$ 0.04
Total assets	\$ 53,405	\$ 45,170	\$ 46,256
Total long-term liabilities	\$ 20,132	\$ 17,242	\$ 18,438

4. Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes attached thereto for the period ended October 31, 2011.

4.1 San Martín Mine, Queretaro, Mexico

On February 1, 2007, the Company completed the acquisition of Bernal, the owner and operator of the San Martin Mine in Queretaro, Mexico, from Luismin S.A. de C.V. ("Luismin"), a wholly owned subsidiary of Goldcorp, Inc. (the "Acquisition"). In connection with the Acquisition, the Company paid US\$24 million and issued 4,729,600 common shares to Luismin. Bernal became a subsidiary of the Company's subsidiary, Starcore Mexicana, S.A. de C.V. with the completion of the Acquisition.

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 has been operating the mine since 1993 and Starcore will continue to operate the mine over an expected mine life of at least 7 years based on conversion of known resources. Mining at San Martin over the past ten years has been at a rate of approximately 270,000/tonnes per year. 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 completed on September 10, 2011.

The result of the estimate is Proven and Probable reserves totaling 586,318 tonnes at a grade of 2.29 g Au/t and 39 g Ag/t. In addition to the Proven and Probable Reserves an Inferred Mineral Resource is estimated at 1.31 million tonnes at an approximate grade of 2.37 g Au/t and 27 g Ag/t. Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability.

The estimate was prepared by mine staff under the direction of Starcore COO David R. Gunning P. Eng. and was independently verified by Joe Campbell P. Geo. both of whom are qualified persons under 43-101.

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

- Total mining costs of \$US65 per metric tonne, a gold price of US\$1200 and silver price of US\$24,
- Metal Recoveries of 87% for gold and 60% for silver,
- Resultant cut-off grade of 2 grams per tonne gold equivalent,
- Mining dilution of between 10 and 40% depending on the structure,
- Specific Gravity of 2.55.

The ratio of Probable to Proven Reserves is roughly 2.5:1 and in total there is 57,900 contained gold equivalent ounces. San Martin mines roughly 270,000 tonnes annually but in recent years approximately 50% of production has been from reserves and so the proven and probable reserves outlined above are adequate for at least 2 additional years of production.

The report has been filed on SEDAR and is available on the company website www.imining.com.

As of July 31, 2011, reserves and resources at San Martin as reported in “RESERVES AND RESOURCES IN THE SAN MARTIN MINE, MEXICO AS OF JULY 31, 2011”, dated September 10, 2011 and amended and restated December 19, 2011, prepared by David R. Gunning, P.Eng. and Joe Campbell, P. Geo. (the “Technical Report”), 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)
<i>Reserve:</i>						
<i>San Martin Mine</i>						
Proven	178	2.67	42	15.3	240.0	20.1
Probable	408	2.12	38	27.8	499.2	37.8
Total Reserve	586			43.1	739.2	57.9
<i>Resource:</i>						
<i>San Martin Mine</i>						
Inferred	1,311	2.37	27	99.9	1,138.2	122.7

- Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability.
- A 50:1 silver to gold equivalency ratio was used to calculate gold equivalent ounces.

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 nine months ended October 31, 2011 and the cumulative amounts for the twelve months ended January 31, 2011.

<i>(Unaudited)</i>	<i>Unit of measure</i>	Actual results for 3 months ended October 31, 2011	Actual results for 9 months ended October 31, 2011	Actual results for 12 months ended January 31, 2011
Mine Production of Gold in Dore	<i>thousand ounces</i>	5.0	12.8	15.6
Mine Production of Silver in Dore	<i>thousand ounces</i>	67.4	202.2	170.0
Mine Equivalent ounces of Gold	<i>thousand ounces</i>	6.5	17.6	18.5
Purchased Concentrate Equivalent ounces	<i>thousand ounces</i>	3.4	8.6	2.5
Total Mine Production – Equivalent Ounces	<i>thousand ounces</i>	9.9	26.2	21.0
Silver to Gold Equivalency Ratio		47:1	43:1	60:1
Mine Gold grade	<i>grams/tonne</i>	2.4	2.11	2.05
Mine Silver grade	<i>grams/tonne</i>	41	40	31
Mine Gold recovery	<i>percent</i>	89%	86%	87%
Mine Silver recovery	<i>percent</i>	67%	71%	62%
Milled	<i>thousands of tonnes</i>	75	221	274
Mine development, preparation and exploration	<i>meters</i>	1,732	3,956	4,391
Mine Operating Cost per tonne milled	<i>US dollars/tonne</i>	42	48	39
Mine Operating Cost per Equivalent Ounce	<i>US dollars/ounces</i>	548	635	577
Number of employees and contractors at minesite		308	308	288

During the quarter ended October 31, 2011, the mill operated at a rate of approximately 820 milled tonnes/calendar day. Gold and silver grades were 2.4 g/t and 41 g/t, respectively, compared to prior quarter grades of 1.7 g/t and 35 g/t. Overall equivalent gold production from the mine of 6,500 ounces was higher than the previous quarter production of 4,800 ounces and average quarterly production for the year ended January 31, 2011 of 4,625 ounces, due mainly to the superior ore grades mentioned above and improved recovery rates of 89% for the quarter compared to 81% for the previous quarter ended July 31, 2011. Overall metal production, including 3,400 ounces from purchased concentrate, was 9,900 ounces.

Production costs of the mine for the current quarter, excluding purchased concentrate, were US\$548/EqOz. This is lower than the average for the twelve months ended January 31, 2011 which was US\$577/EqOz. The cost was also much lower than the previous quarter amount of \$847/EqOz due to mainly to higher production from improved ore grades and recovery levels. Operating costs of US\$42/t are approaching the cost per tonne of US\$39/t for the twelve month period ended January 31, 2011 and have decreased from the prior quarter's US\$52/t. The reduction is due mainly to the availability of ore requiring less mine preparation and development, also resulting in higher available tonnage for the quarter. Generally, the mine has, during the past 12 months, created many more mineable ore zones causing management to reassess much of the development activity as mineable ores and, thereby, increasing overall mining costs. The offset has been a decrease in mine development capital costs. The mine plan has been developed to ensure the mine is properly developed and mined so as to ensure a constant supply of ore in accordance with currently planned production capacity and ore grades. Changes to the plan that may involve increased production and capital investment are continually being assessed by Starcore management. Currently, the Company is continuing underground exploration in order to identify higher grade ore zones and has allocated a higher budget to support year long exploration, exceeding 11,000 metres of exploration drilling for the 2011 calendar year.

During the quarter ended October 31, 2011, the Company incurred approximately US\$1,628 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\$1,163 in the prior quarter.

In addition to the Company's mining operations at San Martin, Starcore has agreements to purchase concentrate ore and charges a processing and marketing fee as a reduction of purchase price paid based on assays of the concentrate. These agreements are not binding and may be cancelled or renegotiated based on changing operating conditions. Until November 2010, the purchased concentrate had been reduced significantly for eight quarters due to production stoppage at one of the mines that provided the majority of the purchased concentrate. In December 2010, purchased concentrate levels returned to normal levels due to the resumption of activities at the La Guitarra mine owned by Silvermex Resources Inc.

Sales of metals produced by the milled ore from the mine, along with purchased ore concentrate, in the October 31, 2011 quarter of operations approximated 6,510 ounces of gold and 253,985 ounces of silver sold at average prices in the period of US\$1,739 and US\$36 per ounce, respectively.

The gold average price realized, however, is effectively reduced compared to market prices, due to the sale of 3,415 ounces of gold for the three months ended October 31, 2011, pursuant to existing gold sales contracts which are fixed at US\$731 per ounce, payable based on the month end London Metals Exchange spot gold price. The losses realized on these gold sales contracts, reported separately on the Company's statement of operations, amounted to \$3,371 (US\$3,366) for the three months ended October 31, 2011. The Company has forward sales remaining at October 31, 2011 of 17,928 ounces at the rate of approximately 1,195 ounces per month until January 31, 2013. The net unrealized gain / (loss) in the carrying value of these remaining contracts is \$270 for the quarter ended October 31, 2011, and represents the net change in the value of the total value of the remaining forward sales based on the change in the value of gold at October 31, 2011 as compared to July 31, 2011. This amount is included in "Finance costs" on the Company's statement of comprehensive income.

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.

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 net income for the quarter ended October 31, 2011 of \$3,163 as compared with a loss of \$3,398 for the quarter ended October 31, 2010. The details of the Company's operating results and related revenues and expenses are as follows:

For the three months ended October 31,	2011	2010	Variance
Revenues			
Mined ore	\$ 10,610	\$ 6,398	\$ 4,212
Purchased concentrate	9,789	52	9,737
Total Revenues	20,399	6,450	13,949
Cost of Sales			
Mined ore	3,759	3,626	133
Purchased concentrate	9,323	57	9,266
Total Cost of Sales	(13,082)	(3,683)	(9,399)
Earnings from mining operations	7,317	2,767	4,550
Financing costs	(3,378)	(6,261)	2,883
Finance revenue	-	2	(2)
Foreign exchange gain (loss)	339	(77)	416
Impairment	-	(300)	300
Professional and consulting fees	(132)	(153)	21
Management fees and salaries	(108)	(166)	58
Office and administration	(100)	(84)	(16)
Shareholder relations	(63)	(49)	(14)
Earnings (loss) before taxes	3,875	(4,321)	8,196
Provision for income and resource taxes (recovery)	(712)	923	(1,635)
Earnings for the period	\$ 3,163	\$ (3,398)	\$ 6,561

Revenues included sales of gold and silver at average monthly market prices and based on gold sales contracts as discussed under *section 4.1 - "production"* above. The cost of sales above includes non-cash expenses for depreciation and depletion of \$1,164 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 period of operations to October 31, 2011, produced earnings from mine operations of \$7,317 compared to \$2,767 for the period ended October 31, 2010. Average gold ore grades 2.4 g/t for the period ended October 31, 2011 was higher than the comparative period where grades averaged 2.09 g/t and silver ore grades averaged 41 g/t for the period ended October 31, 2011 compared to 34 g/t for the comparative period. This, combined with higher metal prices and increased production levels for the year, resulted in substantially higher revenue. Costs, for the three months ended October 31, 2011, were slightly lower at an average operating cost of US\$548/EqOz compared to an average operating cost of US\$555/EqOz in the period ended October 31, 2010. When combined with the increase in equivalent ounces produced, the mined ore costs reported were only \$133 higher at \$3,759 as compared to the period ended October 31, 2010 despite the much higher production. Also included in mined ore costs in the current year is non-cash stock based compensation expense of \$10 for the period ended October 31, 2011 compared to \$26 for the period ended October 31, 2010. The Company uses the Black-Scholes option valuation model to calculate the fair

value of share purchase options at the date of grant. In addition, the Company realized a profit of \$466 from the purchase and sale of concentrate ore and an increase in gross revenue of \$9,737 and in cost of sales of \$9,266. This varies from the prior year due to the resumption of purchasing concentrate, as explained above in *section 4.1 - "production"*.

Changes in other items for the period ended October 31, 2011, resulted in the following significant changes from the period ended October 31, 2010:

- Financing costs for the year decreased by \$2,883 to \$3,378. Financing costs include the Company's interest on the Loan of \$39, accretion of the discount on the Loan of \$65 and the Company's forward contract sales of \$3,101 which is discussed below;
- Management fees and salaries decreased by \$58 to \$108 due to the Company operating with fewer management personnel during the quarter;
- Foreign exchange loss decreased by \$416 to a gain of \$339 for the period ended October 31, 2011 due to the weakening of the MXN peso in relation to the US\$, the functional currency of the mining operations;
- Provision for income and resource taxes of \$712 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. Taxes payable by the Company are subject to Mexican tax laws which are changing. These estimates reflect the best estimate of tax liability by the Company based on the existing interpretation of these laws;
- Impairment of \$300 resulted from the acquisition of an entity that has significant Mexican tax assets. The Company acquired the entity for \$300. During the period ended October 31, 2011, the net assets acquired were deemed to be impaired by management.

The net realized and unrealized loss on forward sales contracts included in financing costs of \$3,101 is due to the increase in gold prices from US\$1,621 at July 31, 2011 to US\$1,708, at October 31, 2011. As the Company has consistently settled the obligation through the payment of cash, with the view that this is the more cost effective method of settlement, these gold sales contracts meet the definition of derivatives and changes in market value are recorded in the income as they occur. The effect on the earnings for the period ended October 31, 2011 was to record a loss for the unrealized forward contracts outstanding as at that date (17,928 ounces to January 31, 2013 settled at US\$731 per ounce), net of the future tax benefit.

Cash flows from operating activities were \$2,593 during the period ended October 31, 2011, compared to \$294 for the period ended October 31, 2010. The effect on cash provided by operations, including the increase in earnings from mining operations as discussed above, was reduced by an increase in amounts paid to settle the Company's forward contract obligations. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Overall cash increased during the period ended October 31, 2011 by \$862 compared to a decrease of \$678 in the comparative period ended October 31, 2010.

Investor Relations Activities

During the period ended October 31, 2011, the Company responded directly to investor inquiries.

Financings, Principal Purposes & Milestones

During the period ended October 31, 2011, the Company issued 425,000 shares pursuant to the exercise of share purchase warrants at \$0.15 per share for proceeds of \$63. During the year ended July 31, 2011, the Company completed a non-brokered financing for proceeds of \$2,543. The financing was in the form of 10,170,905 Units at \$0.11 per Unit for proceeds of \$1,119, and 12,947,276 Special Warrants at \$0.11 per Special Warrant for proceeds of \$1,424. Each Special warrant was exercisable into one Unit at no additional cost, subject to shareholder approval which was received on June 3, 2011. Each Unit is comprised of one common share and one-half of one transferable share purchase warrant. Each whole Warrant entitles the holder to acquire one common share of the Company at \$0.15 to April 7, 2013.

Subsequent to October 31, 2011, 11,582,500 shares were issued pursuant to the exercise of agent warrants and warrants at \$0.15 per share for proceeds of \$1,737. Subsequent to October 31, 2011, 500,000 options were exercised at \$0.15 for proceeds of \$75.

Finders' fees applied in this transaction in the form of a cash commission of \$148 and 2,147,910 non-transferable Agent Warrants.

5. Summary of Quarterly Results

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

	Q1 31-Oct-11 IFRS	Q4 31-Jul-11 IFRS	Q3 30-Apr-11 IFRS	Q2 31-Jan-11 IFRS	Q1 31-Oct-10 IFRS
Total Revenue	\$ 20,399	\$ 9,501	\$ 13,859	\$ 9,655	\$ 6,450
Earnings from mining operations	\$ 7,317	\$ 2,517	\$ 5,162	\$ 3,508	\$ 2,767
Earnings (loss)	\$ 3,163	\$ (1,194)	\$ (1,003)	\$ 1,418	\$ (3,398)
Per share – basic	\$ 0.03	\$ (0.01)	\$ (0.01)	\$ 0.02	\$ (0.04)
Per share – diluted	\$ 0.02	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ (0.04)

	Q4 31-Jul-10 Pre- Changeover GAAP	Q3 30-Apr-10 Pre- Changeover GAAP	Q2 31-Jan-10 Pre- Changeover GAAP
Total Revenue	\$ 5,402	\$ 5,933	\$ 6,039
Earnings from mining operations	\$ 1,981	\$ 1,931	\$ 2,876
Net Income (loss)	\$ 707	\$ (2,753)	\$ (11)
Per share – basic	\$ 0.01	\$ (0.03)	\$ (0.00)
Per share – diluted	\$ 0.01	\$ (0.03)	\$ (0.00)

Discussion

The Company reports earnings for the quarter of \$3,163 compared to a loss of \$3,398 in the comparative quarter ended October 31, 2010. The earnings from mining operations were increased during the current quarter due to higher metal prices in the quarter compared to the prior year. While average gold ore grades of 2.4 g/t for the three months ended October 31, 2011 was higher than the comparative period where grades averaged 2.09 g/t and silver ore grades averaged 41 g/t for the three months ended October 31, 2011 compared to 34 g/t for the comparative period. This, combined with higher metal prices and increased production levels for the quarter, resulted in higher revenues. Revenue also increased due to the sale of metal produced from purchased concentrate. Earnings from mining operations increased substantially in this quarter to \$7,317 from the prior quarter of \$2,767 as a result. For more detailed discussion on the quarterly production results and financial results for the quarter ended October 31, 2011, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

6. Liquidity, Commitments and Going Concern

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

The Company's continued existence as a going concern is dependent upon its ability to continue profitable operations. During the period ended October 31, 2011, the cash flow generated from operations and share issuances exceeded cash used in repaying the loan payable and in investing activities by \$862 bringing the Company's cash balance to

\$915. However, the Company had a working capital deficiency of \$10,596 and an accumulated deficit of \$27,837. While these financial statements have been prepared in accordance with the IFRS applicable to a going concern, the adverse conditions below cast doubt as to the Company's ability to continue as a going concern should the loan be immediately payable (see below). In addition, the ability of the Company to generate sufficient cash flows to continue as a going concern is dependent upon many factors including, but not limited to, sufficient ore grade, ore production at the San Martin mine, control of mine production costs, administrative costs and tax costs and upon the market price of metals. Cash flows may also be affected by the ability of the Company to reduce capital expenditures, including mine development, or to restructure debt payments. The Company may also generate cash from future debt or equity financings, however, depending on market conditions; there is no assurance that such financings will be available to the Company.

To date, the Company has made all debt, interest payments and forward contract sales payments due under the Agreement with Investec as required by the Agreement. Investec has informed the Company that a triggering event has occurred under the Agreement due to the fact that the Company has not met metal production targets outlined in the original Development Plan dated January 31, 2007. Under the Agreement, a triggering event, unremedied, may lead to a default which may result in Investec taking additional measures to perform ongoing detailed review of mining operations and to control, in conjunction with the Company's management, mine operations and financial matters, including joint control of working capital accounts. Additionally, as at October 31, 2011, July 31, 2011 and August 1, 2010, the Company failed to meet a debt covenant which requires that the current ratio (current assets compared to current liabilities) not fall below 110%. In accordance with reporting requirements, the Company notified Investec and has taken steps to rectify the default. The Company continues to work closely with Investec in providing technical and financial information as requested in order to facilitate the process for Investec to gain comfort with the mining operations and resolve their concerns. Management has reclassified the Loan as current on the balance sheet. This reclassification does not affect the repayment schedule of the Loan and management believes that the Company will continue to make Loan principal, interest and forward contract payments in accordance with the requirements of the Agreement expiry at January 31, 2013.

Management continues working to achieve efficiencies and improved cash flow at the mine and is exploring all opportunities available to the Company to ensure its future success including pursuing efforts to diversify the Company's resource property holdings through acquisition and merger opportunities. While management believes the Company will be able to continue operations in the future, given the uncertainty of the above and other items, there is no assurance that the Company will be able to meet all of its operating costs, forward contract sales, capital expenditures and debt payments in the coming fiscal year. Subsequent to October 31, 2011, the Company issued 12,082,500 and received \$1,812 pursuant to the exercise of options, warrants and agent warrants

The Company has the following commitments:

- a) A term of the Loan requires that the Company fund a Debt Service Reserve Account ("DSRA") at October 31, 2011, which will maintain a balance equal to six months loan principal and interest at all times. The required funding commitment at October 31, 2011, is approximately US\$1,040 in accordance with the Loan repayment schedule. The Company used all but \$49 of this account to fund loan principal payments during the year ended July 31, 2008. The Company is required to refund the DSRA as soon as excess operating funds are available from mine operations. The principal due over the next twelve months ended October 31, 2012 is \$2,462 and is in addition to the funding of the DSRA.
- b) In addition to funding of the DSRA account, as stated above, principal due over future fiscal years are as follows:

Principal due for the fiscal year ended:	
July 31, 2012	\$ 1,750
2013	1,424
	\$ 3,174

- c) As at October 31, 2011, the Company has management contracts to officers and directors totalling \$300 per year, payable monthly, expiring in January, 2013.
- d) The Loan agreement entered into on the Acquisition required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US\$731 per ounce until January, 2013. These gold sales contracts meet the definition of derivatives because, although the obligation may be met by the physical delivery of gold, historically it has been more economical to settle these obligations with cash. The fair value of the remaining gold sales contracts for the sale of 17,928 ounces to January 31, 2013, as at October 31, 2011 was negative US\$18,965 (July 31, 2011 - US\$19,235) based on a gold value of US\$1,708 per ounce (July 31, 2011 – US\$1,621).

Future obligations due at October 31,	2011	2012	2013	2014	2015 and beyond
Accounts Payable and accrued liabilities	\$ 6,563	\$ -	\$ -	\$ -	\$ -
Note payable	100	-	-	-	-
Loan payable *	2,535	-	-	-	-
Forward contract obligations	15,296	3,606	-	-	-
Reclamation and closure obligations	-	-	-	-	1,568
Other long-term liabilities	-	-	-	-	2,845

*Loan payable is shown as current (*see Section 2*), however, payment schedule is currently to January 2013 as shown above

7. **Capital Resources**

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of \$41,250 as at October 31, 2011. 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 cash flow 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. **First Quarter**

Due to mine operating activity upon the acquisition 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.

11. **Proposed Transactions**

N/A

12. **Critical Accounting Estimates**

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

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

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim 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 5.0% and the discount rate currently applied in the calculation of the net present value of the provision is 11.0%

c) 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.

d) 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

The Company's financial statements for the year ending July 31, 2012, are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was August 1, 2010 (the "Transition Date"). IFRS 1 requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be July 31, 2012. However, it also provides certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to Transition to IFRS, the Company prepared its financial statements in accordance with Pre-changeover GAAP.

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Pre-changeover GAAP.

Optional Exemptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from Pre-changeover GAAP to IFRS are as follows:

Business Combinations

The Company elected to not retrospectively apply IFRS 3 Business Combinations to any business combinations, as no business combinations had occurred prior to its Transition Date.

Share-Based Payment Transactions

The Company has elected to not retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that are unvested at the Transition Date.

Compound Financial Instruments

The Company has elected to not retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the Transition Date.

Changes in Existing Decommissioning, Restoration and Similar Liabilities

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As a result, the Company has re-measured the provisions at August 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.

Borrowing Costs

The Company has elected to not apply the transitional provisions of IAS 23 Borrowing Costs, which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

Mandatory Exemptions

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements of IAS 39 Financial Instruments: Recognition and Measurement, prospectively from the Transition Date. As a result, any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with Pre-changeover GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under Pre-changeover GAAP were not revised for the application of IFRS except where necessary to reflect any differences in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to reverse estimates.

Reconciliation of Pre-Changeover GAAP Equity and Comprehensive Loss to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position as shown below have resulted in reclassifications of various amounts on statements of comprehensive income and the statement of cash flows, however as there have been no material adjustments to the earnings from operations or net cash flows, no reconciliation of the statements of comprehensive income and statement of cash flows has been prepared.

i) Foreign Denominated Warrants

In conjunction with the Loan, the Company issued 19,236,000 detachable share purchase warrants which were exercisable in USD to the extent that the Loan was still outstanding and thereafter in CAD.

Under Pre-changeover GAAP, the Loan discount was determined as being the difference between the face value of the original Loan, US\$13,000 or \$15,301 less the portion of the loan classified as a liability, US\$12,059 or \$13,867. Using the effective interest rate method and the 11.0% implicit in the calculation, the difference of \$1,108, was characterized as the note discount which was charged to the consolidated statements of comprehensive income (loss) and added to the liability over the term of the Loan or as the Loan is repaid. The \$1,108 discount was allocated to contributed surplus as being the value assigned to the warrants.

Under IFRS, share purchase warrants issued with exercise prices denominated in foreign currencies are classified and presented as derivative liabilities and measured at fair value. The fair value of the warrants calculated under IFRS was, \$2,953 using the Black-Scholes method of valuation. Subsequent to initial recognition, the fair value of the warrants would have been recalculated with any fluctuations being included in the Company's profit or loss.

As of July 31, 2011 and August 1, 2010, the fair value of the foreign denominated warrants was \$Nil. In the conversion from Pre-changeover GAAP to IFRS, contributed surplus was reduced by \$1,108 and accumulated deficit was increased for the full amount due to the current fair value of the warrants being \$Nil. The Loan balance, shown net of the discount is reduced \$589 at August 1, 2010 and \$452, at July 31, 2011 for the increase in the discount as discussed above.

ii) Deferred Income Taxes

Under Pre-changeover GAAP, current and non-current future income tax assets and liabilities were grouped to the extent that they would be applicable against one another as they were realized. IFRS requires current and non-current deferred tax items to be presented separately and similarly, requires the segregation of deferred tax assets and liabilities.

Reconciliation of Statement of Financial Position as at August 1, 2010 – Transition Date

	Note	August 1, 2010 Pre-Changeover	Effect of Transition to IFRS	August 1, 2010 IFRS
Assets				
Current				
Cash		\$ 824		\$ 824
Short-term investments		761		761
Amounts receivable		1,150		1,150
Inventory		1,065		1,065
Prepaid expenses and advances		832		832
Deferred tax asset - current	(ii)	-	2,496	2,496
Total Current Assets		4,632		7,128
Non-Current				
Mining interest, plant and equipment		40,538		40,538
Deferred tax asset – non-current	(ii)	-	5,216	5,216
Total Non-Current Assets		40,538		45,754
Total Assets		\$ 45,170		\$ 52,882
Liabilities				
Current				
Trade and other payables		\$ 3,300		\$ 3,300
Note payable		-		-
Current portion of loan payable	(i)	4,526	(589)	3,937
Current portion of forward contract obligations		6,228		6,228
Deferred tax liability - current	(ii)	-	549	549
Total Current Liabilities		14,054		14,014
Non-Current				
Loan payable		-		-
Forward contract obligations		10,104		10,104
Rehabilitation and closure cost provision		1,275		1,275
Deferred tax liability – non-current	(ii)	3,230	7,163	10,393
Other long-term liabilities		2,633		2,633
Total Non-Current Liabilities		17,242		24,405
Total Liabilities		31,296		38,419
Shareholders' Equity				
Share capital		34,909		34,909
Contributed surplus	(i)	10,656	(1,108)	9,548
Translation reserve	(i)	(2,970)	(201)	(3,171)
Accumulated deficit	(i)	(28,721)	1,898	(26,823)
Total Shareholders' Equity		13,874		14,463
Total Liabilities and Shareholders' Equity		\$ 45,170		\$ 52,882

Reconciliation of Statement of Financial Position as at October 31, 2010 – Transition Date

	Note	October 31, 2010 Pre-Changeover	Effect of Transition to IFRS	October 31, 2010 IFRS
Assets				
Current				
Cash		\$ 342		\$ 342
Short-term investments		461		461
Amounts receivable		1,322		1,322
Inventory		1,091		1,091
Prepaid expenses and advances		1,198		1,198
Deferred tax asset - current	(ii)	-	2,194	2,194
Total Current Assets		4,414		6,608
Non-Current				
Mining interest, plant and equipment		42,267		42,267
Deferred tax asset – non-current	(ii)	-	4,029	4,029
Total Non-Current Assets		42,267		46,296
Total Assets		\$ 46,681		\$ 52,904
Liabilities				
Current				
Trade and other payables		\$ 3,370		\$ 3,370
Note payable		200		200
Current portion of loan payable	(i)	4,405	(573)	3,832
Current portion of forward contract obligations		9,276		9,276
Deferred tax liability - current	(ii)	-	482	482
Total Current Liabilities		17,251		17,160
Non-Current				
Loan payable		-		-
Forward contract obligations		12,019		12,019
Rehabilitation and closure cost provision		1,355		1,355
Deferred tax liability – non-current	(ii)	2,018	5,741	7,759
Other long-term liabilities		2,748		2,748
Total Non-Current Liabilities		18,140		23,881
Total Liabilities		35,391		41,041
Shareholders' Equity				
Share capital		34,909		34,909
Contributed surplus	(i)	10,776	(1,108)	9,668
Translation reserve	(i)	(2,313)	(180)	(2,493)
Accumulated deficit	(i)	(32,082)	1,861	(30,221)
Total Shareholders' Equity		11,290		11,863
Total Liabilities and Shareholders' Equity		\$ 46,681		\$ 52,904

Reconciliation of Statement of Financial Position as at July 31, 2011 – Transition Date

	Note	July 31, 2011 Pre-Changeover	Effect of Transition to IFRS	July 31, 2011 IFRS
Assets				
Current				
Cash		\$ 712		\$ 712
Short-term investments		1,250		1,250
Amounts receivable		1,779		1,779
Inventory		2,199		2,199
Prepaid expenses and advances		1,593		1,593
Deferred tax asset - current	(ii)	-	3,404	3,404
Total Current Assets		7,533		10,937
Non-Current				
Mining interest, plant and equipment		39,104		39,104
Deferred tax asset – non-current	(ii)	-	3,364	3,364
Total Non-Current Assets		39,104		42,468
Total Assets		\$ 46,637		\$ 53,405
Liabilities				
Current				
Trade and other payables		\$ 6,372		\$ 6,372
Note payable		100		100
Current portion of loan payable	(i)	3,111	(452)	2,659
Current portion of forward contract obligations		11,137		11,137
Deferred tax liability - current	(ii)	-	439	439
Total Current Liabilities		20,720		20,707
Non-Current				
Loan payable		-		-
Forward contract obligations		7,242		7,242
Rehabilitation and closure cost provision		1,473		1,473
Deferred tax liability – non-current	(ii)	2,456	6,329	8,785
Other long-term liabilities		2,632		2,632
Total Non-Current Liabilities		13,803		20,132
Total Liabilities		34,523		40,839
Shareholders' Equity				
Share capital		36,750		36,750
Contributed surplus	(i)	11,348	(1,108)	10,240
Translation reserve	(i)	(3,240)	(184)	(3,424)
Accumulated deficit	(i)	(32,744)	1,744	(31,000)
Total Shareholders' Equity		12,114		12,566
Total Liabilities and Shareholders' Equity		\$ 46,637		\$ 53,405

14. Financial and Other Instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the 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 Company does not use derivative instruments to reduce its exposure to foreign currency risk. At October 31, 2011 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	\$ 187	MP 46
Other working capital amounts - net	\$ 1,073	MP (11,171)
Long-term Liabilities	\$ -	MP 37,541

At October 31, 2011, US dollar amounts were converted at a rate of \$0.997 Canadian dollars to \$1 US dollar and Mexican Pesos were converted at a rate of MP13.212 to \$1 US Dollar.

The Loan agreement entered into on the Acquisition required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US\$731 per ounce until January, 2013. These gold sales contracts meet the definition of derivatives because, although the obligation may be met by the physical delivery of gold, historically it has been more economical to settle these obligations with cash. The fair value of the remaining gold sales contracts for the sale of 17,928 ounces to January 31, 2013, as at October 31, 2011 was negative US\$18,965 (July 31, 2011 - US\$19,235) based on a gold value of US\$1,708 per ounce (July 31, 2011 – US\$1,621)

15. Other

15.1 Disclosure of Outstanding Share Capital as at January 13, 2012

	Number	Book Value
Common Shares	118,066,470	\$38,590

The following summarizes changes in options from July 31, 2011 to October 31, 2011, subsequent to October 31, 2011, 500,000 options were exercised at \$0.15:

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	7,050,000	-	-	250,000	6,800,000	6,800,000
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	500,000
05/06/11	05/06/16	\$0.15	210,000	-	-	-	210,000	-
			9,410,000	-	-	250,000	9,160,000	8,700,000
Weighted Average Exercise Price			\$0.16	-	-	\$0.15	\$0.16	\$0.16

During the period ended October 31, 2011, 425,000 shares were issued pursuant to the exercise of share purchase warrants at \$0.15 per share for proceeds of \$63. As at October 31, 2011, the following warrants were outstanding and exercisable to purchase one common share for each warrant held:

Number of Shares	Exercise Price	Expiry Date
11,905,000	\$0.15	November 26, 2011
2,147,910	\$0.15	April 7, 2012
6,794,000	\$0.87	January 31, 2013
11,559,085	\$0.15	April 7, 2013
32,405,995	\$0.30	

Subsequent to October 31, 2011, 11,832,500 shares were issued pursuant to the exercise of share purchase options, agent warrants and warrants at \$0.15 per share for proceeds of \$1,775.

15.2 **Disclosure Controls and Procedures**

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 period ended October 31, 2011 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.