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OUR FOCUS IS STEADFAST.

ANNUAL REPORT 2015

Starcore International Mines Ltd.

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MISSION STATEMENT: To remain a leader in the Mexican mining community and by combining an unwavering commitment to social and environmental stewardship with a proven mineral production and exploration model, in order to build a strong platform of growth.

Starcore International Mines Ltd. is engaged in the acquisition, exploration, development and production of mineral resources in North America, with our precious metals operations focused on Mexico. With a combined total of over 100 years of experience, we have assembled a strategic blend of experienced professionals and seasoned veterans in fields such as: Corporate Finance, International Law, Engineering and Geology. Our focus on corporate transparency and open dialogue has attracted a wealth of experience and expertise to our technical advisory board.

Starcore has relied on the fundamental aspects of our proven exploration and production model at the San Martin gold mine to build a portfolio that will act as our platform for growth. The company now owns a precious metals toll processing business in Matehuala, Mexico, a large moly deposit in Sonora, Mexico and several low risk/high reward exploration properties throughout North America. Our unwavering commitment to remain a leader in operational excellence is tied closely with our commitment to social and environmental stewardship. Our goal is shareholder value – our focus is steadfast.

Letter from the CEO and President

DEAR FELLOW SHAREHOLDERS,

Our primary goal has always been, and continues to be, building shareholder value. And although 2015 was a challenging year, Starcore remained committed to our goal by acquiring three companies, giving our shareholders a portfolio that now consists of precious metals producers and low risk/high reward exploration properties.

Looking back, we are pleased to review the highlights of 2015, which include the following:

- We acquired American Consolidated Minerals, and with it, the Toiyabe Gold Exploration Property in Nevada, the Lone Ranch Property in Washington State and the Sierra Rosario project in Sinaloa, Mexico.
- We acquired Creston Moly Corp. from the Trustee in Bankruptcy. Its most significant asset is the El Creston property, a large moly-copper deposit in Sonora, Mexico.
- We acquired Cortez Gold Corp. and its gold and silver processing plant in Matehuala ("Atliplano"), a historic mining district in Mexico that is home to numerous mining operations.
- We secured a $4.5 million bond financing to advance our exploration program at San Martin and to commence operations at the Altiplano processing plant.
- We ended the year with cash and short-term investments of $5.985 million, in line with our objective of maintaining $5 million as operating capital.

The current outlook for the industry remains mixed, but I believe the outlook for Starcore remains strong. We remain committed to building this company for shareholders by growing our new and existing assets and seizing the accretive opportunities that we will encounter in the coming year.

Specifically, we look to:

- Commence operations and stabilize the precious metals processing business that we have acquired in the Altiplano processing facility.
- Expand the underground exploration program at the San Martin gold mine to find the source of the mineralization and expand our resources.
- Continue to package and organize the data for the significant El Creston Molybdenum deposit project in Sonora, Mexico.

Our work ethic of sustainable and environmentally sensitive mine development continues to make an impact in the Mexican mining community. Our entrepreneurial approach to doing business, our focus on cultural values and the people of our organization, and our commitment to an open dialogue with shareholders will build future increased value.

An investor in the mining industry at this current time requires tremendous patience and understanding. I would like to personally, and on behalf of the team at the mine site and corporate head office, thank you for investing in Starcore.

Our focus remains steadfast.

Robert Eadie

Robert Eadie
President & CEO

1. San Martin Mine
2. Altiplano Processing Plant
3. Toiyabe: Gold Exploration
4. El Creston: Moly Deposit
5. Lone Ranch: Gold Exploration
6. Ajax Project: Moly Deposit
7. Molybrook: Moly Deposit

By the Numbers

US$1,087
PER EqOz AISC

25 TPD
CAPACITY AT ALTIPLANO

19,635
AuEq OUNCES PRODUCED

313
TOTAL EMPLOYEES

$6 MILLION
IN CASH AND SHORT-TERM INVESTMENTS*

18%
EBITDA MARGIN

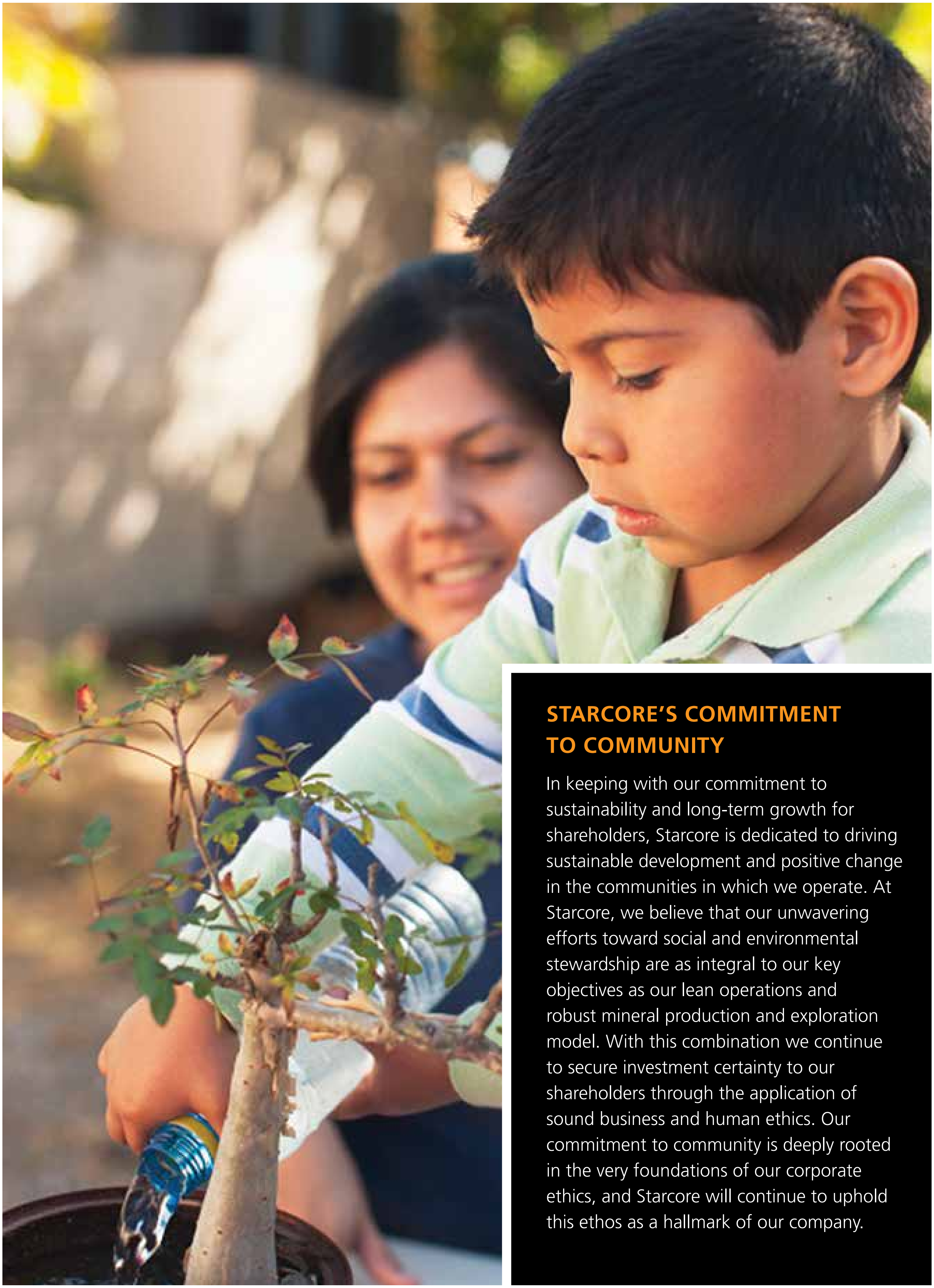
85.1%
GOLD RECOVERY

53.1%
SILVER RECOVERY

311,900
TONNES MILLED

3
COMPANIES ACQUIRED

* At July 31, 2015



STARCORE'S COMMITMENT TO COMMUNITY

In keeping with our commitment to sustainability and long-term growth for shareholders, Starcore is dedicated to driving sustainable development and positive change in the communities in which we operate. At Starcore, we believe that our unwavering efforts toward social and environmental stewardship are as integral to our key objectives as our lean operations and robust mineral production and exploration model. With this combination we continue to secure investment certainty to our shareholders through the application of sound business and human ethics. Our commitment to community is deeply rooted in the very foundations of our corporate ethics, and Starcore will continue to uphold this ethos as a hallmark of our company.

Corporate Social Responsibility

Starcore's management team is committed to driving and developing our companies towards our growth and valuation objectives while maintaining an unwavering commitment to social and environmental stewardship.

PAINT THE TOWN

Through this initiative, Querétaro townsfolk can enhance their homes with the paint colour of their choice. Residents can apply, and Starcore provides the paint to them free of charge. Starcore believes that everyone is entitled to feel pride in themselves and their surroundings, and that this starts with one's home. We are proud to be able to offer many services like this to the residents of Querétaro, a vibrant community of dedicated individuals, and skillful miners.

SUMMER CAMP IN QUERÉTARO

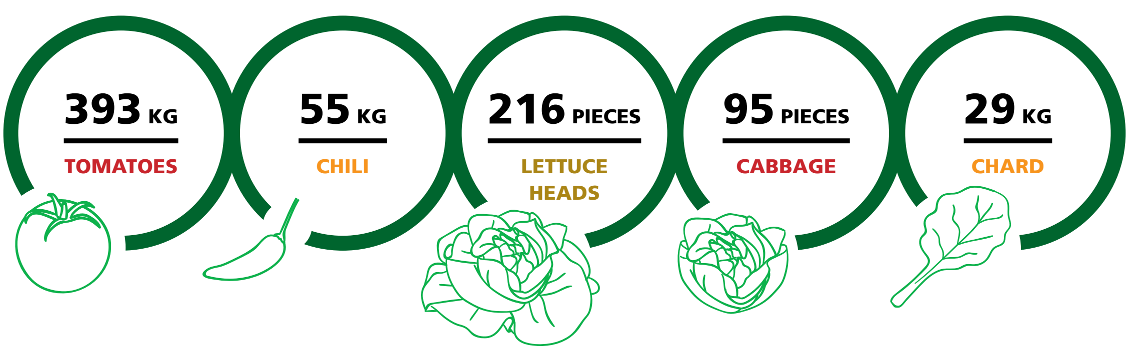
This summer, Starcore's annual camp for children in Querétaro, Mexico, was phenomenal. Over 250 children had the opportunity to learn from dedicated teachers, build friendships, and develop their creativity through mural paintings, field trips, and more. This is one of many ways Starcore looks to make a sustainable difference in the lives of others. Our commitment to sowing the seeds for positive growth in the community around us is not an empty promise. It is a pledge in action throughout our efforts, and it is the foundation of our company operations.

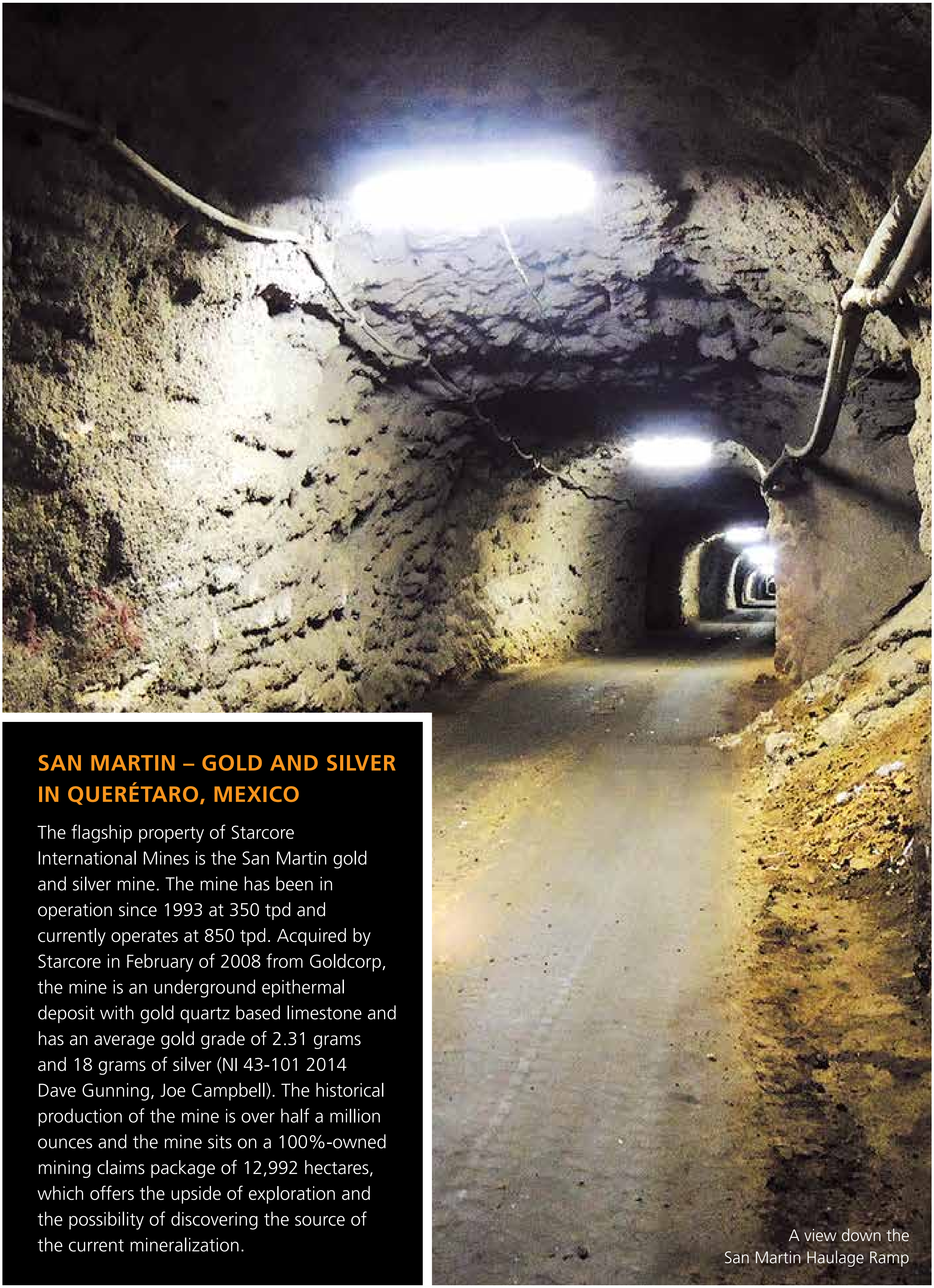
ENVIRONMENTAL STEWARDSHIP

Recognizing that we are all stewards of the natural environment, Starcore has adopted the technology of dry stacked tailings at a considerable added cost to the operations. However, we believe the benefits far outweigh the cost considerations and will bring long-lasting values. This ethic embraces responsible planning and quality management of the resources. The benefits of dry stack tailings include:

- More of the process solutions are recycled within the plant.
- Water consumption is reduced by 80-85% as well as a reduction in windborne dust.
- Risk of discharging harmful solutions to the environment is eliminated.
- Reduced impact on the environment in terms of land area used for tailings, as dry stack facilities require a smaller footprint compared to other surface tailings disposal systems, while creating a much more stable impoundment geotechnically.
- Groundwater contamination through seepage is eliminated
- Land is revegetated with greater efficiency and ease.

VIVERO PRODUCTION





SAN MARTIN – GOLD AND SILVER IN QUERÉTARO, MEXICO

The flagship property of Starcore International Mines is the San Martin gold and silver mine. The mine has been in operation since 1993 at 350 tpd and currently operates at 850 tpd. Acquired by Starcore in February of 2008 from Goldcorp, the mine is an underground epithermal deposit with gold quartz based limestone and has an average gold grade of 2.31 grams and 18 grams of silver (NI 43-101 2014 Dave Gunning, Joe Campbell). The historical production of the mine is over half a million ounces and the mine sits on a 100%-owned mining claims package of 12,992 hectares, which offers the upside of exploration and the possibility of discovering the source of the current mineralization.

A view down the San Martin Haulage Ramp

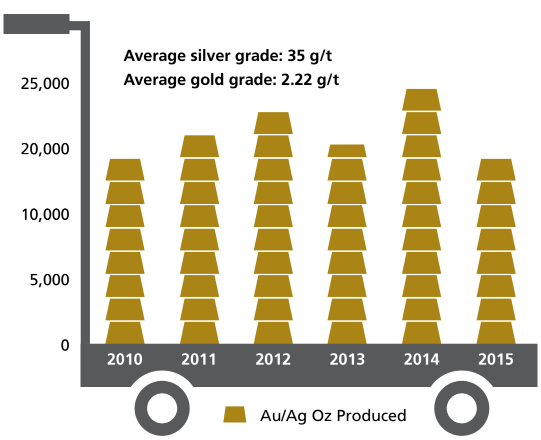
The San Martin Mine Operational Overview 2015

The San Martin mine has completed nearly another year of production. It is expected that by the end of 2015, the mill will have processed roughly 309,000 tons at a head grade of 2.1 g/t gold and 19 g/t silver. During 2015, recoveries have remained above 86% for gold and almost 53% for silver. The production is estimated to be between 19,300 and 19,500 ounces equivalent gold, based on the results at the end of November.

Since Luismin began operations in 1993, the mine has processed more than 5.7 million tons and recovered over 609,000 gold equivalent ounces.

A total of 10,000 metres of diamond drilling will have been completed underground by year end. The drilling is used primarily to guide exploration tunnels to targets of interest. The mine also uses production equipment to drill percussion holes to test for small displacements of known structures.

The year was highlighted by the discovery of a section of manto ore in area 30 that was previously unknown. This small block is expected to contain 20,000 tons at grades of 6 g/t gold and 40 g/t silver. This block was found by drifting and raising in an area where there seemed to be a segment of manto missing.



It has been providing mill feed since July of 2015.

Complex structural geology combined with limited access and depths below surface have made the discovery of these relatively small orebodies difficult but not impossible. The result is that we continue to explore with drilling and drifting to define ore blocks that were missed by the previous operators.

In addition to area 30, we have developed some reserves in the Guadalupe vein at an elevation above where we previously thought that the vein was no longer economic. We do not know where the upper limit of Guadalupe is and continue to define the limits of this vein.

The strong US dollar has meant that our operation has remained profitable in spite of decreasing gold prices. Our costs are almost entirely based in pesos and Canadian dollars. During 2015 total cost and Capex has averaged US$915 per equivalent gold ounce produced or US$60 per tonne milled. These numbers represent a decrease of US$100 per ounce and US$15 per tonne milled from 2014.

Signed "Dave Gunning"

Dave Gunning
COO

Leach tanks ready to receive concentrates

ALTIPLANO PROCESSING FACILITY – MEXICO'S NEWEST TOLL PROCESSOR

With a capacity of 25 tpd and 100% ability to expand, Altiplano provides excellent options for local miners in the area to process their high grade ore and concentrates. Altiplano will provide competitive pricing for the local miners and is in a strategic location for supply in Matehuala, Mexico. Additional revenue streams are expected through the marketing of high-grade tailings to regional smelters at market value.

Project Highlights:

- Designed to process 25 tpd at 90 hours leach time with ability to expand to 50 tpd with extra leaching tanks.
- Strategic service offering for miners to sell their concentrates with competitive processing payment plans.
- Great location – Matehuala has approximately 20 small and medium sized miners that are consistently producing high grade concentrates. Many of these concentrates are currently transported on the highway, 500 metres from our leach tanks, on their way to the smelter (Peñoles) at Torreon.
- Silver and fine gold are produced from the concentrates, which, along with the remnants of gold and silver, will be marketed with foundries or traders.

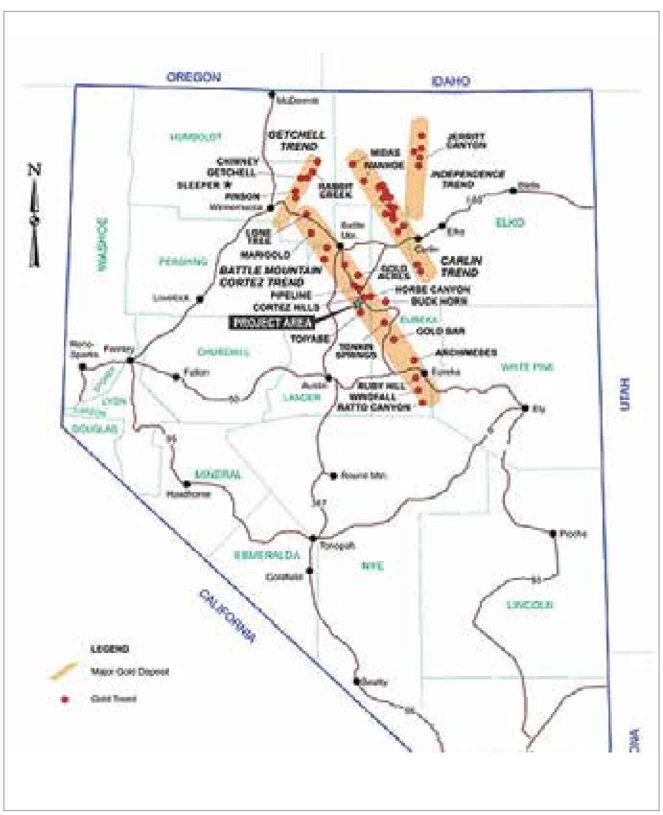
Exploration Project Highlights

EL CRESTON MOLY DEPOSIT

In February 2015, Starcore International Mines, through its acquisition of Creston Moly Corp., acquired a 100% interest in the El Creston Property. The El Creston Property hosts a 5.5 km long x up to 1.5 km wide trend of hydrothermal alteration in which several zones of molybdenum +/- copper +/- silver mineralization occur. At the El Creston Main/Red Hill Zone a significant resource of molybdenum and copper has been outlined. In addition, there are five other zones, Alejandra, A-37, Red Hill West, Red Hill Deep and the West Copper, with potential to host significant resources of molybdenum and/or copper.

TOIYABE GOLD EXPLORATION

Acquired in December 2014, the Toiyabe gold exploration property is located in one of the world's premier gold mining districts of Nevada. The property lies south of significant deposits, namely Cortez Hills, in the Battle Mountain/Cortez Trend, and past work has identified gold mineralization on the property. Starcore believes that the Toiyabe property is a low risk/high reward property that management will look to develop or seek joint venture partners to move it forward.




Management group inspecting construction progress

Why Starcore?

MANAGEMENT DISCUSSION & ANALYSIS
For the year ended July 31, 2015

Directors and Officers as at October 27, 2015:

Directors:

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

Officers:

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

Contact Name:	Gary Arca
Contact e-mail address:	garca@starcore.com
TSX Symbol:	SAM

Suite 750 – 580 Hornby Street, Box 113, Vancouver, British Columbia, Canada V6C 3B6
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Form 51-102-F1

STARCORE INTERNATIONAL MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended July 31, 2015

1. Date of This Report

This MD&A is prepared as of October 27, 2015.

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, 2015. **Monetary amounts throughout this MD&A are shown in thousands of Canadian dollars, unless otherwise stated.**

This MD&A includes certain statements that may be deemed "forward-looking statements". Such statements and information include without limitation: statements regarding timing and amounts of capital expenditures and other assumptions; estimates of future reserves, resources, mineral production and sales; estimates of mine life; estimates of future mining costs, cash costs, minesite costs and other expenses; estimates of future capital expenditures and other cash needs, and expectations as to the funding thereof; statements and information as to the projected development of certain ore deposits, including estimates of exploration, development and production and other capital costs, and estimates of the timing of such exploration, development and production or decisions with respect to such exploration, development and production; estimates of reserves and resources, and statements and information regarding anticipated future exploration; the anticipated timing of events with respect to the Company's minesite and; statements and information regarding the sufficiency of the Company's cash resources. Such statements and information reflect the Company's views as at the date of this document and are subject to certain risks, uncertainties and assumptions, and undue reliance should not be placed on such statements and information. Many factors, known and unknown could cause the actual results to be materially different from those expressed or implied by such forward looking statements and information. Such risks include, but are not limited to: the volatility of prices of gold and other metals; uncertainty of mineral reserves, mineral resources, mineral grades and mineral recovery estimates; uncertainty of future production, capital expenditures, and other costs; currency fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks, risks associated with foreign operations; risks related to title issues; governmental and environmental regulation; and the volatility of the Company's stock price. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

2. Overall Performance

Description of Business

Starcore is engaged in exploring, extracting and processing gold and silver through its wholly-owned subsidiary, Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which owns the San Martin mine in Queretaro, Mexico. The Company is a public reporting issuer on the Toronto Stock Exchange ("TSX"). The Company is also engaged in owning, acquiring, exploiting, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company has interests in properties which are exclusively located in Mexico, USA and Canada.

Financial Highlights for year ending July 31, 2015

- Cash and cash equivalents on hand is $3.4 million at July 31, 2015 compared to $5.5 million at July 31, 2014, due largely to the acquisition of Creston Moly and dividends issued to shareholders;
- Gold and silver sales of $6.6 and $28.1 million for the three and twelve months ended July 31, 2015 compared to $7.7 million and $33.1 million for the three and twelve months ended July 31, 2014, decreases of 14% and 15%, respectively;
- Net income of $0.2 million for the twelve months ended July 31, 2015 compared to net income of $3.0 million for the twelve months ended July 31, 2014;
- Equivalent gold production of 19,635 ounces in year ended July 31, 2015 compared to 24,037 ounces in year ended July 31, 2014, a decrease of 18%;
- Mine operating cash cost is US$903/EqOz for the year ended July 31, 2015 compared to US$750/EqOz for the year ended July 31, 2014, an increase of 20%;
- All-in sustaining costs of US$1,087/EqOz for the year ended July 31, 2015 compared to US$1,093 for the year ended July 31, 2014, a decrease of 1%;
- EBITDA(1) of $4,976 for the year ended July 31, 2015 compared to $11,002 for the year ended July 31, 2014, a decrease of $6,026 or 55%.

Reconciliation of Net income to EBITDA

For the year ending July 31,	**2015**	2014
Net Income	$ 210	$ 2,965
Income tax recovery	(1,920)	2,066
Interest	-	-
Depreciation and depletion	6,686	5,971
EBITDA	**$ 4,976**	$ 11,002
EBITDA MARGIN(2)	**18%**	33%

(1) EBITDA ("Earnings before Interest, Taxes, Depreciation and Amortization") is a non-GAAP financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. The Corporation uses this non-GAAP measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

(2) EBITDA MARGIN is a measurement of a company's operating profitability calculated as EBITDA divided by total revenue. EBITDA MARGIN is a non-GAAP financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. The Corporation uses this non-GAAP measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

Recent News

Q4 Review

The Company announced production results for the fiscal 2015 and the 4th quarter, ending July 31, 2015, at its San Martin Mine in Queretaro, Mexico.

During Q4, a total of 77,279 tonnes were milled at an average grade of 2.00 g/t gold and 19 g/t silver resulting in the production of 4,694 gold equivalent ounces. Mill recoveries averaged 86.9% for gold and 57.4% for silver. Equivalent gold ounce calculation is based on the actual daily average gold:silver ratio of 73.01 during the quarter.

Operations have resulted in a 6% increase in equivalent ounce production compared to Q3.

In terms of the fiscal year ended July 31, 2015: The plant achieved 85.1% recovery of gold and 53.1% for silver from the 311,897 tonnes milled during the fiscal year. Head grades averaged 2.14 g/t gold and 18.24 g/t silver resulting in 19,635 equivalent gold ounces of production during the fiscal year. Equivalent gold ounce calculation is based on the actual daily average gold:silver ratio of 71.62 during the fiscal year.

The discovery of previously unknown manto mineralization during early July in area 30 has enabled the mine to maintain head grades to those typical of the last few years. Development continues to define this block of ore while exploration looks for its extension. The location of these high grade zones has been common in the past few years and validates the approach we take in underground exploration.

Closing of Plan of Arrangement

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

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

Debt settlement

Further to its press release of August 10, 2015 announcing the closing of the Company's amalgamation with Cortez Gold Corp., on September 3, 2015, the Company announced that it issued 15,972,810 Subscription Receipts (the "Receipts"), in full and complete settlement of outstanding debt as at July 31, 2015 in the aggregate amount of USD $1,725 owed to certain creditors. The Receipts were issued at a deemed price of $0.14 per Receipt.

The debt relates to outstanding loans that were incurred in 2014 to complete construction of the Altiplano gold and silver processing plant in Matehuala, Mexico, by CUT. The Receipts are subject to a four month hold.

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

Starcore advances funds to Cortez

During the year ended July 31, 2015, the Company advanced Cortez $250 to enable them to purchase the equipment required to commence operations at its Processing Plant. The loan bears interest at 10% and is secured with a floating charge security on the Processing Plant and all of the assets of Cortez, subordinated only to the existing first priority security interest and mortgage held by other Cortez lenders. The loan facility and all interest would have been due if the shareholders of Cortez did not approve the proposed amalgamation.

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, 2015		**July 31, 2014**		July 31, 2013
Revenues	**$**	**28,405**	**$**	**33,136**	$	30,246
Cost of Sales		**(27,760)**		**(24,548)**		(21,948)
Earnings from mining operations		**645**		**8,588**		8,298
Administrative Expenses		**(2,355)**		**(3,557)**		(4,245)
Income tax (expense) recovery		**1,920**		**(2,066)**		649
Total earnings						
(i) Total earnings	**$**	**210**	**$**	**2,965**	$	4,702
(ii) Earnings per share – basic	**$**	**0.00**	**$**	**0.02**	$	0.03
(iii) Earnings per share – diluted	**$**	**0.00**	**$**	**0.02**	$	0.03
Total assets	**$**	**67,197**	**$**	**65,094**	$	59,537
Total long-term liabilities	**$**	**15,141**	**$**	**14,295**	$	11,897

4. Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the audited consolidated financial statements of the Company and notes attached thereto for the year ended July 31, 2015.

4.1 San Martín Mine, Queretaro, Mexico

Reserves

The San Martin Mine, an ISO 9001 certified facility located approximately 50km east of the City of Queretaro, State of Queretaro, Mexico, consists of mining concessions covering 12,992 hectares and includes seven underground mining units and four units under exploration, as well as an additional property, San Pedrito, located 50 km west of San Martin. Luismin (now "Goldcorp Mexico") operated the mine from 1993 to January, 2007 when it was purchased by Starcore, who has been mining at San Martin at a rate of approximately 300,000 tonnes per year. Starcore expects to continue to operate the mine over an expected mine life of at least 5 years based on the current expected conversion of known resources and exploration is able to maintain approximately two years proven and probable reserves replacing those mined with new reserves, such that the total resource remains relatively constant from year to year. The Company last filed on SEDAR results for "RESERVES AND RESOURCES IN THE SAN MARTIN MINE, MEXICO AS OF JULY 31, 2014", dated October 6, 2014, prepared by Joseph Campbell, P. Eng.. (the "Technical Report"), which is also available on the Company website www.starcore.com.

Production

The following table is a summary of mine production statistics for the San Martin mine for the three and twelve months ended July 31, 2015 and for the year ended July 31, 2014.

	Unit of measure	**Actual results for 3 months ended July 31, 2015**	**Actual results for 12 months ended July 31, 2015**	**Actual results for 12 months ended July 31, 2014**
Mine production of gold in dore	*thousand ounces*	**4.3**	**18.3**	**22.0**
Mine production of silver in dore	*thousand ounces*	**27.1**	**97.1**	**126.5**
Total mine production – equivalent ounces	*thousand ounces*	**4.7**	**19.6**	**24.0**
Silver to Gold equivalency ratio		**73:1**	**71.6:1**	**62.7:1**
Mine Gold grade	*grams/tonne*	**2.00**	**2.14**	**2.55**
Mine Silver grade	*grams/tonne*	**19.0**	**18.2**	**24.2**
Mine Gold recovery	*percent*	**86.9%**	**85.1%**	**87.1%**
Mine Silver recovery	*percent*	**57.4%**	**53.1%**	**52.7%**
Milled	*thousands of tonnes*	**77.3**	**311.9**	**308.6**
Mine development, preparation and exploration	*meters*	**1,592**	**6,055**	**6,381**
Mine operating cash cost per tonne milled	*US dollars/tonne*	**52**	**57**	**58**
Mine operating cash cost per equivalent ounce	*US dollars/ounces*	**849**	**903**	**750**
Number of employees and contractors at minesite		**301**	**301**	**330**

During the quarter ended July 31, 2015, the mill operated at a rate of approximately 840 milled tonnes/calendar day. Gold and silver grades in the current quarter were 2.00 g/t and 19.0 g/t, respectively, compared to prior quarter grades of 1.98 g/t and 16.78 g/t. Overall equivalent gold production from the mine of 4,694 ounces was higher than the previous quarter production of 4,429 due to an increase in gold and silver ore grades and slightly higher overall production tonnage of 77,279 tonnes compared to 76,168 tonnes last quarter. Despite an increase in production compared to the prior quarter, the recoveries and ore grades for gold were generally lower than the average for the year ended July 31, 2014, resulting in lower equivalent gold production per quarter compared to the 6,000 ounces per quarter averaged for the July 31, 2014 year.

Production cash costs of the mine for the current quarter were US$849/EqOz. This was lower than the previous quarter amount of US$906/EqOz. due mainly to lower realized costs from actual cost savings in mine development and exploitation and due to a much stronger US Dollar. This year's costs are higher than the prior year average of US$750/EqOz due to both lower average metal production and increased costs at the mine due to a reclassification of certain mine development expenditures which were generally capitalized in the prior year.

Management believes a more conservative expensing of certain costs was appropriate resulting in higher cash costs and lower CAPEX expenditures overall. Operating cash costs of US$52/t, were lower than the prior quarter's US$53/t due mainly to the favourable exchange rate lowering Mexican pesos operating costs. Operating cash costs were lower than the twelve months ended July 31, 2014 of US$58/t due to the favourable US Dollar exchange rate and due to key costs reductions in labour costs, general supply and electrical 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 is continually being assessed by management. Currently, the Company is continuing underground exploration in order to identify higher grade ore zones and has allocated an adequate budget to support year-long exploration, exceeding 11,000 metres of underground exploration drilling for the 2015 calendar year.

During the quarter ended July 31, 2015, the Company incurred approximately US$384 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$292 in the prior quarter.

4.2 Property Activity

San Martin properties – Queretaro, Mexico

The San Martin mine properties are comprised of mining concessions covering 12,992 hectares, excluding the San Pedrito property located approximately 50km west of the San Martin mine. In addition to the ongoing mine exploration and development that is currently being performed in development of the mine, management is continually assessing the potential for further exploration and development of the San Martin properties and continually modifying the exploration budget accordingly.

The mine operates three underground drill rigs to provide information to assist with mine planning in addition to exploration, with the intent of increasing the reserves and resources on the property, and the Company has budgeted approximately 11,000 metres of underground exploration drilling in calendar 2015.

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.

Acquisition of Creston Moly

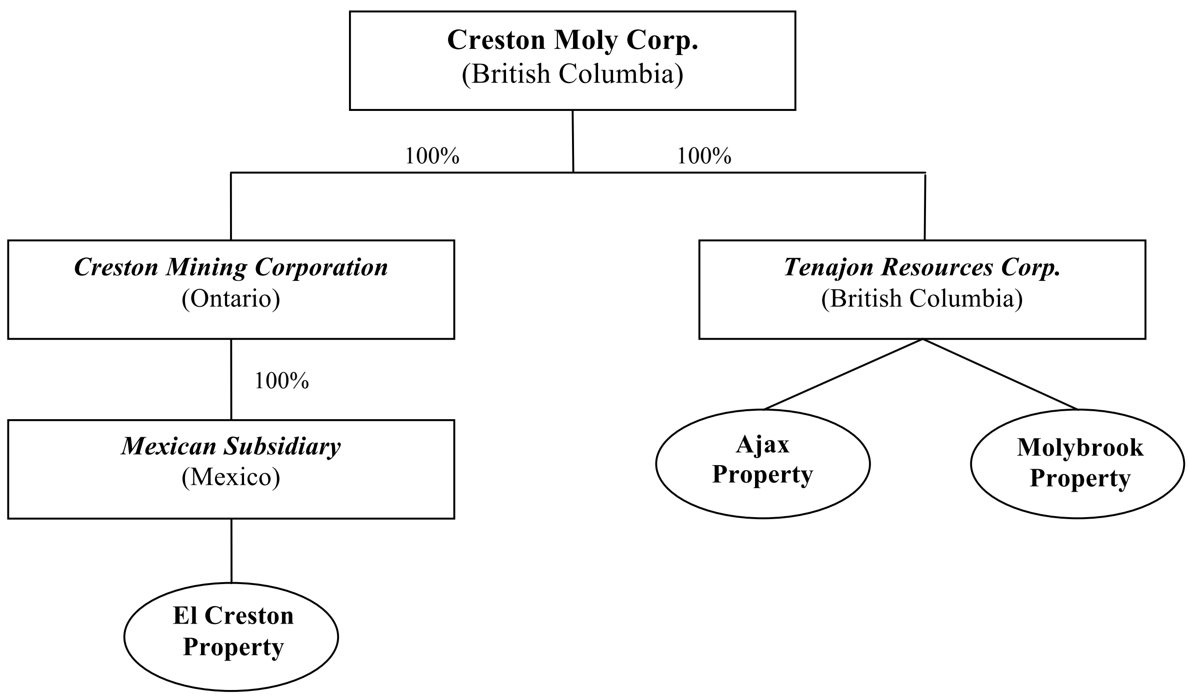
On February 19, 2015, the Company closed the transaction to acquire all of the shares of Creston Moly from Deloitte Restructuring Inc. in its capacity as trustee in bankruptcy of Mercator Minerals Ltd. at a purchase price of CDN $2 Million.

In June, 2011, Mercator Minerals Ltd. ("Mercator"), a TSX listed company, acquired Creston Moly in a cash and shares deal valuing Creston Moly at approximately $194 million. At that time, the Board of Directors of Creston Moly, after receiving the recommendation of its special committee and consultation with its financial and legal advisors, unanimously supported the arrangement whereby Mercator would acquire all of the issued and outstanding common shares of Creston.

BMO Capital Markets, financial advisor to Creston Moly and its Board, provided a fairness opinion to the effect that the consideration (of $194 million) was fair, from a financial point of view, to the shareholders of Creston Moly.[1] Creston shareholders voted in favour of the acquisition. The most significant asset in this acquisition was the El Creston project in Sonora, Mexico which has been advanced to a completed Preliminary Economic Assessment ("PEA").

On September 5, 2014, pursuant to the *Bankruptcy and Insolvency Act (Canada*), Mercator and Creston Moly were deemed to have filed assignments in bankruptcy. Creston Moly is a British Columbia company that owns, through its subsidiaries, a 100% interest in the following properties:

- The El Creston Project in Sonora, Mexico;
- The Ajax Project in British Columbia; and
- The Molybrook Project in Newfoundland.



El Creston Project, Sonora, Mexico:[2]

The El Creston molybdenum property is located in the State of Sonora, Mexico, 175 kilometres south of the US Border and 145 kilometers northeast of the city of Hermosillo. In 2010, a PEA was prepared on the project by an independent consulting firm. The result of this study indicated that the El Creston molybdenum-copper deposit had a US $561.9million net present value after tax (using an 8% discount rate). The internal rate of return (after tax) was calculated to be 22.3% and a capital cost payback was calculated to be four years.

Other highlights of the report include:

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[1] The information in this report relating to the acquisition of Creston Moly by Mercator has been drawn from documents filed under the Creston Moly Corp. issuer profile on SEDAR, more specifically: Creston's Management Information Circular dated May 9, 2011 and filed on SEDAR on May 16, 2011, and Creston's news release of June 6, 2011 as filed on SEDAR on June 7, 2011.

[2] The technical information in this news release relating to the El Creston Project is based on the technical report entitled "Preliminary Economic Assessment, El Creston Project, Opodepe, Sonora, Mexico", dated December 16, 2010, filed under the Creston Moly Corp. issuer profile on SEDAR.. Information regarding the effective date of the mineral resources, key assumptions, parameters and methods used to estimate the mineral resources, and known risks that materially affect the mineral resources can be found in the technical report.

- ***Large moly-copper deposit in a mining-friendly jurisdiction***. Total Measured and Indicated Resources of 215 million tonnes grading 0.071% Mo and 0.06% Cu, containing 336 Mlbs Mo and 281 Mlbs Cu. Mineral resources that are not mineral reserves do not have demonstrated economic viability;

- ***Initial Capital cost:*** US$655.9million with payback of 4 years, based on metal prices of $15/lb Mo and $2.60/lb Cu. Metal recoveries were estimated at 88% for Mo and 84% for Cu;

- ***Low Operating Cost***: operating cost of $US4.12/lb Mo, net of copper credits, 0.84:1 waste to ore strip ratio within an optimized pit containing an additional 7.6 million tonnes of Inferred Resources responsible for $20M of the NPV;

- ***Excellent infrastructure***: Road accessible with a 230kV power grid within 50 km;

- ***Apart from the PEA,*** recommendations have been made to test known mineralization below the current pit-limiting "Creston Fault" where results such as drill hole EC08-54 returned 241.4m at 0.083% Mo and 0.059% Cu to a depth of 495m in the Red Hill Deep zone.

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 El Creston Project disclosed in this report.

Ajax, British Columbia, Canada[3]

Ajax Molybdenum Property is comprised of 11,718 hectares and is located 13 km north of Alice Arm, British Columbia. The Ajax Property, one of North America's largest undeveloped molybdenum deposits occupying a surface area of approximately 600 by 650 metres, is a world class primary molybdenum property in the advanced stage of exploration.

Molybrook, Newfoundland, Canada[4]

Creston's Molybrook molybdenum property located on the south coast of Newfoundland is centred 2.5 km from the outport of Grey River less than 4 kilometres from a deep water, ice free navigable fjord. The property hosts a 3 km long trend in which at least three zones of at surface molybdenum mineralization occur: Molybrook, Wolf and Chimney Pond. To date, almost all exploration has been completed on the Molybrook Zone where a large porphyry molybdenum deposit has been outlined.

The Company now owns 100% of 27 mineral claims of the Moly Brook molybdenum property, located 2.5 km from the Hamlet of Grey River on the southern coast of Newfoundland, pursuant to the acquisition of Creston Moly Corp. The Moly Brook property is subject to a 2% net smelter royalty ("NSR"), of which 1.5% can be purchased by the Company for $1.5 million. In addition, the Company acquired:

- The Moly Brook Extension property, which consists of 4 mineral claims and adjoins the southern boundary of the Company's Moly Brook molybdenum property. The extension property is subject to a 2% NSR, of which 1.5% can be purchased by the Company for $1.5 million.

- The Grey River Gold property immediately to the east of the Moly Brook molybdenum property. The property consists of 5 mineral claims is subject to a 2% NSR, of which 1% can be purchased back for $1.5 million.

- The Grey River West property, which consists of 40 mineral claims. The property is subject to a 2% NSR, of which 1% can be purchased back for $1.5 million.

[3] Technical information in this report relating to the Ajax Project is based on the NI 43-101 Resource Estimate Press Release entitled "Tenajon Announces 75% Increase in Indicated Molybdenum Resources at Ajax Project", dated May 15, 2008 and the technical report entitled "Update of Resource Estimation, Ajax Property, Alice Arm, British Columbia", dated April 18, 2007, both of which are filed under the Tenajon Resources Corp. issuer profile on SEDAR.

[4] Technical information in this report relating to the Moly Brook property is based on the technical report entitled "Technical Report, Moly Brook Property, Grey River Area, Newfoundland, Canada", dated June 15, 2009, filed under the Tenajon Resources Corp. issuer profile on SEDAR.

- The Moly Brook North which consists of 18 claims which border on the northern side of the Moly Brook Property, and borders the Grey River West property. The property will be subject to a 2% NSR of which 1 % can be purchased by the Company for $1.5 million. The Company also owned 100% of 51 mineral claims north of the Moly Brook North property.

Acquisition of American Consolidated Minerals Corp.

On November 20, 2014, the Company announced the approval of the proposed acquisition of American Consolidated Minerals Corp ("AJC") pursuant to a plan of arrangement (the "Transaction") by the AJC shareholders.

The Transaction was completed on December 1, 2014 upon the satisfaction of all of the conditions set out in the arrangement agreement entered into by AJC and the Company on October 1, 2014, including approval by the Supreme Court of British Columbia.

Pursuant to the acquisition of AJC, the Company has acquired the right to 3 properties as follows:

Sierra Rosario, Sinaloa, Mexico

Pursuant to the acquisition of AJC, the Company acquired a 50% interest in two claims over the 500-hectare Sierra Rosario Property, located in the state of Sinaloa, Mexico.

During the year ended July 31, 2015, the Company acquired the remaining 50% interest from the optionor for $25 and a 1% NSR over the entire property.

Toiyabe, Nevada, USA

Pursuant to the acquisition of AJC, the Company has the right to acquire a 100% undivided interest, subject to a 3% NSR, in 165 mining claims located in Lander County, Nevada, United States of America ("Toiyabe") from MinQuest.

Consideration to be paid for the interest is US$900 and the Company must incur total exploration expenditures of US$1,025 (US$1,025 incurred) on the property, by the fifth anniversary of the "New Effective Date" as agreed by MinQuest. The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over Toiyabe or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of US$2 million per each 1% of the royalty.

Lone Ranch, Washington, USA

Pursuant to the acquisition of AJC, the Company has acquired the right to a 100% undivided interest, subject to a 3% NSR in 73 mining claims located in Ferry County, Washington State, United States of America ("Lone Ranch") from MinQuest Inc. ("MinQuest").

Consideration to be paid for the interest is US$410, and the Company must incur total exploration expenditures of US$1,225 ($175 incurred) on the property, by the third anniversary of the "New Effective Date" as agreed by MinQuest. The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over the property or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of US$1.5 million per each 1% of the royalty. If the Company does not incur the exploration expenditures as specified, the unpaid portions may be paid to the optionor to maintain the option.

4.3 Results of Operations

The Company recorded earnings for the year ended July 31, 2015 of $210 compared with $2,965 for the comparative year ended July 31, 2014. The details of the Company's operating results and related revenues and expenses are as follows:

For the year ended July 31,		2015		2014		Variance
Revenues						
Mined ore	**$**	**28,073**	$	33,136	$	(5,063)
Purchased concentrate		**332**		-		332
Total Revenue		**28,405**		33,136		(4,731)
Cost of Sales						
Mined ore		**(20,768)**		(18,577)		(2,191)
Purchased concentrate		**(306)**		-		(306)
Depreciation and depletion		**(6,686)**		(5,971)		(715)
Total Cost of Sales		**(27,760)**		(24,548)		(3,212)
Earnings from mining operations		**645**		8,588		(7,943)
Financing income (costs)		**3**		(286)		289
Foreign exchange gain		**1,742**		494		1,248
Professional and consulting fees		**(1,115)**		(402)		(713)
Management fees and salaries		**(1,210)**		(1,538)		328
Office and administration		**(1,556)**		(1,467)		(89)
Other expenses		**(91)**		-		(91)
Shareholder relations		**(128)**		(233)		105
Write-down for obsolete equipment		**-**		(125)		125
Earnings (Loss) before taxes		**(1,710)**		5,031		(6,741)
Income tax recovery		**1,920**		(2,066)		3,986
Earnings for the year	**$**	**210**	$	2,965	**$**	**(2,755)**

Overall, revenue from mill production decreased to $28.4 million from $33.1 million in the prior year due mainly to lower metal prices per ounce and the lower metal production in the current year compared to the prior comparative year. During the current year, the Company also generated $332 in revenue from purchased concentrates. Cost of sales increased in the current year due to higher tonnage processed and partly to higher overall mine development costs and costs of labour and supplies, including chemicals and electricity. As a percentage of mined ore revenue, earnings from mining operations decreased to 2% of mined ore revenue compared to 26% in the comparative year, due to higher overall mine costs and lower revenue per ounce as a result of lower gold and silver prices.

Sales of metals for the year ended July 31, 2015 approximated 18,762 ounces of gold and 101,830 ounces of silver sold at average prices in the year of US$1,210 and US$16.87 per ounce, respectively. This is a decrease in sale ounces from the comparative year ended July 31, 2014 where sales of metal approximated 22,018 ounces of gold and 126,519 ounces of silver, sold at higher average prices of US$1,294 and US$21 per ounce, respectively. The overall revenue was lower compared to the prior year due to decrease in the price of gold and silver for the current year and due to the reduced production of metals in the current year.

The total cost of sales above includes non-cash expenses for depreciation and depletion of $6,686, compared to $5,971 in the comparable period last year, which is calculated based on the units of production from the mine over the expected mine production as a denominator. This calculation is based solely on the San Martin mine proven and probable reserves and a percentage of inferred resources in accordance with the Company's policy of recognizing the value of expected Resources which will be converted to Proven and Probable Reserves, as assessed by management.

For the year of operations to July 31, 2015, the Company produced earnings from mine operations of $645 compared to $8,588 for the year ended July 31, 2014. As discussed above, average gold ore grades of 2.14 g/t and silver ore grades of 18.2 g/t for the year ended July 31, 2015 were lower as compared to the July 31, 2014 year where grades averaged 2.55 g/t and 24.2 g/t, respectively. This, in combination with lower recoveries of 85.1% for gold and 53.1% for silver in the current year compared to 87.1% for gold and 52.7% for silver in the prior comparable year ending July 31, 2014, resulted in substantially lower production and revenue.

Costs for the year ended July 31, 2015 were much higher at an average operating cash cost of US$903/EqOz. compared to an average operating cash cost of US$750/EqOz. during the year ended July 31, 2014, resulting in reported mined ore costs which were $3,212 higher at $27,760. Also included in mined ore costs in the current year is non-cash stock based compensation expense of $18 and depletion of $6,686 compared to $48 and $5,971, respectively, for the year ended July 31, 2014. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant.

Other Items

Changes in other items for the year ended July 31, 2015, resulted in the following significant changes from the year ended July 31, 2014:

- Financing costs during the year decreased by $289 due to the full repayment of the Loan Facility in August, 2013. The Company has not incurred any additional financing costs during the year;
- Office and administration increased by $89 to $1,556 due higher corporate costs relating to loan repayment activity, general regulatory administration and office related costs.
- Shareholder's communication decreased by $105 to $128 due to decreased participation in conventions and events.
- Foreign exchange gain increased by $1,248 to a gain of $1,742 for the year ended July 31, 2015 due to the weakening of the Mexican peso and Canadian dollar in relation to the US dollar, the functional currency of the mining operations. Cash balances are mainly held in US dollars.
- Professional fees increased in the current year by $713 to $1,115 due to increase in tax and audit fees as well as services related to improving mine efficiency and to re-class of certain contractors. The Company also incurred additional legal costs to acquire Creston and AJC during the year ended July 31, 2015.
- Management fees and salaries decreased by $328 to $1,210 due to lower bonuses paid to management in the current year compared to the prior year. Included in management fees and salaries is a non-cash, stock based compensation expense to management and to the members to the Company's technical advisory committee of $120 in the current year, compared to $365 in the prior year.
- The Company recorded an impairment of an investment in a Mexican subsidiary purchased in the current quarter of $175. While the subsidiary has significant tax assets available, management believes a write off of subsidiary costs is warranted based on an impairment analysis of existing assets of the subsidiary.

Sustaining Costs

In conjunction with a non-GAAP initiative being undertaken within the gold mining industry, the Company has adopted an "all-in sustaining cash cost" non-GAAP performance measure that the Company believes more fully defines the total costs associated with producing gold; however this performance measure has no standardized meaning. As the measure seeks to reflect the full cost of equivalent gold production from current operations, new project capital is not included in the calculation. Accordingly it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The Company reports this measure on a sales basis:

(In Canadian Dollars unless indicated) **For the year ended July 31,**		**Sustaining Costs (in 000's)** **2015**		2014		**Sustaining Costs Per Ounce (in $/oz)** **2015**		2014
Total cost of sales cash costs[1]	**$**	**20,768**	$	18,577	**$**	**1,029**	$	780
Total corporate and administration cash costs[2]		**4,006**		3,927		**199**		165
Foreign exchange gain		**(1,742)**		(494)		**(86)**		(21)
Reclamation and closure accretion		**79**		251		**4**		11
Sustaining capital expenditures and exploration		**3,147**		5,967		**156**		251
All-in sustaining cash costs		**26,258**		28,228		**1,302**		1,186
Foreign exchange adjustment		**(4,169)**		(2,215)		**(207)**		(93)
All-in sustaining USD cash costs		**22,089**	$	26,013		**1,095**	$	1,093
Total equivalent ounces sold		**20,181**		23,811				

[1] Excludes non-cash depletion of $6,686 for the year ended July 31, 2015 (July 31, 2014: $5,971) and includes non-cash share-based compensation of $18 (July 31, 2014: $48).
[2] Includes non-cash share-based compensation of $126 for the year ended July 31, 2015 (July 31: 2014: $419).

Cash Flows

Cash flows generated from operating activities were $3,229 during the year ended July 31, 2015, compared to $11,745 for the comparative year ended July 31, 2014. Cash flows from operating activities were determined by removing non-cash expenses from the earnings and adjusting for non-cash working capital amounts. Cash used for financing activities resulted in an outflow of $1,240 mainly due to the dividend paid in the year of $2,922 and debt raised by the Company of $1,289. Cash used for investing activities resulted in an outflow of $3,906 due to investment of $3,299 in mining interest, plant and equipment, $303 in exploration and evaluation assets, and $2,188 in investment in subsidiaries. Overall cash decreased during the year ended July 31, 2015 by $1,917.

Investor Relations Activities

During the year ended July 31, 2015, the Company responded directly to investor inquiries.

Financings, Principal Purposes & Milestones

During the year ended July 31, 2015, the Company did not have any financings.

5. Summary of Quarterly Results

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

	Q4 31-Jul-15	Q3 30-Apr-15	Q2 31-Jan-15	Q1 31-Oct-14
Total Revenue	$ 6,366	$ 7,227	$ 7,143	$ 7,669
Earnings from mining operations	$ (393)	$ 374	$ 213	$ 451
Earnings/(loss)	$ (60)	$ (484)	$ (116)	$ 870
Per share – basic	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.01
Per share – diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.01
	Q4 31-Jul-14	**Q3 30-Apr-14**	**Q2 31-Jan-14**	**Q1 31-Oct-13**
Total Revenue	$ 7,742	$ 8,267	$ 8,378	$ 8,749
Earnings from mining operations	$ 1,126	$ 1,957	$ 2,388	$ 3,117
Earnings (loss)	$ (2,170)	$ 1,239	$ 1,600	$ 2,296
Per share – basic	$ (0.01)	$ 0.01	$ 0.01	$ 0.02
Per share – diluted	$ (0.01)	$ 0.01	$ 0.01	$ 0.02

Discussion

The Company reports loss of $60 for the quarter compared to loss of $2,170 in the comparative quarter ended July 31, 2014. Revenue from mining operations decreased in this quarter to $6,366 from the comparative quarter of $7,742 as a result of lower ore production. For more detailed discussion on the quarterly production results and financial results for the quarter ended July 31, 2015, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

6. Liquidity, Commitments

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

As at July 31, 2015, the Company had the following commitments:

a) As at July 31, 2015, the Company has shared lease commitments for office space of approximately $144 per year, expiring at various dates up to September 2017, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.

b) As at July 31, 2015, the Company has a land lease agreement commitments with respect to the land at the mine site, for $132 per year until December 2017.

c) As at July 31, 2015, the Company has management contracts to officers and directors totaling $600 per year, payable monthly, expiring in January 2017.

Obligations due within twelve months of July 31:	2015	2016-2017	2018 and beyond
Trade and other payables	$ 1,950	$ -	$ -
Rehabilitation and closure cost provision	-	-	1,615

7. Capital Resources

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of $49,846 as at July 31, 2015. The Company is committed to further expenditures of capital required to maintain and to further develop the San Martin mine which management believes will be funded directly from the operating cash flows of the mine.

8. Off Balance Sheet Arrangements

The Company has no off balance sheet transactions.

9. Transactions with Related Parties

There were no material reportable related party transactions.

10. Fourth Quarter

Due to mine operating activity of the San Martin mine discussed throughout this MD&A and as detailed in Section 4.1, the operations and activities are similar to previous quarters which are discussed in *Section 4.3 – Results of Operations*.

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 consolidated financial statements within the next financial year are discussed below:

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

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

b) Rehabilitation Provisions

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

The inflation rate applied to estimated future rehabilitation and closure costs is 3.5% and the discount rate currently applied in the calculation of the net present value of the provision is 8%

c) Impairments

The Company assesses its mining interest, plant and equipment assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

e) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees, and some with non-employees, by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

f) Mineral Reserves and Mineral Resource Estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral reserve and mineral resources based on information compiled by Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. Such information includes geological data on the size, depth and shape of the mineral deposit, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade that comprise the mineral reserves. Changes in the mining reserve or mineral resource estimates may impact the carrying value of mineral properties and deferred development costs, property, plant and equipment, provision for site reclamation and closure, recognition of deferred income tax assets and depreciation and amortization charges.

g) Units of production depletion

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in depreciation charges proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumption, including the amount of recoverable reserves and estimate of future capital expenditure. Changes are accounted for prospectively.

13. Changes in Accounting Policies

Effective August 1, 2014, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB as detailed in Note 3(n) to the audited consolidated financial statements. The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

14. Financial and Other Instruments

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

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

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The primary currency the Company exposed to is the United States dollar which is also the functional currency of the San Martin Mine. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At July 31, 2015 the Company had the following financial assets and liabilities denominated in Canadian dollars (CDN) and denominated in Mexican Pesos:

In '000 of	**CDN Dollars**		**Mexican Pesos (MP)**	
Cash and cash equivalents	$	202	MP	1,555
Other working capital amounts – net	$	183	MP	31,080

At July 31, 2015, US dollar amounts were converted at a rate of $1.305 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP16.064 to $1 US Dollar.

15. Other

15.1 Disclosure of Outstanding Share Capital as at October 27, 2015

	Number	Book Value
Common Shares	**180,614,397**	**$ 48,221**

The following is a summary of changes in options from July 31, 2015 to October 27, 2015:

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
05/06/11	05/06/16	$0.15	150,000	-	-	-	**150,000**	**150,000**
01/16/12	01/16/17	$0.20	400,000	-	-	-	**400,000**	**400,000**
01/27/12	01/27/17	$0.25	1,940,000	-	-	-	**1,940,000**	**1,940,000**
04/13/12	04/13/17	$0.37	3,250,000	-	-	-	**3,250,000**	**3,250,000**
08/22/13	08/22/18	$0.20	275,000	-	-	-	**275,000**	**275,000**
08/22/13	08/22/18	$0.25	800,000	-	-	-	**800,000**	**800,000**
09/06/13	09/06/18	$0.23	200,000	-	-	-	**200,000**	**200,000**
09/12/13	09/12/18	$0.25	200,000	-	-	-	**200,000**	**200,000**
01/15/14	01/15/19	$0.22	4,170,000	-	-	-	**4,170,000**	**4,170,000**
			11,385,000	-	-	-	**11,385,000**	**11,385,000**
Weighted Average Exercise Price			$0.27	-	-	-	**$0.27**	**$0.27**

At October 27, 2015, there were 557,135 warrants exercisable to purchase one common share for each warrant held at $0.30 per share until June 16, 2016.

15.2 Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and forms.

Internal Controls Over Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated 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 consolidated 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 consolidated financial statements or interim financial statements.

There has been no change in the Company's internal control over financial reporting during the Company's year ended July 31, 2015 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.

Starcore International Mines Ltd.

Consolidated Financial Statements

For the years ended July 31, 2015 and 2014

Deloitte LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Starcore International Mines Ltd.

We have audited the accompanying consolidated financial statements of Starcore International Mines Ltd., which comprise the consolidated statements of financial position as at July 31, 2015 and July 31, 2014, and the consolidated statements of operations and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starcore International Mines Ltd. as at July 31, 2015 and July 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
October 29, 2015
Vancouver Canada

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

As at	July 31, 2015	July 31, 2014
Assets		
Current		
Cash	**$ 3,370**	$ 5,454
Short-term investments (note 6)	**2,615**	4,324
Amounts receivable (note 7)	**3,435**	3,409
Inventory (note 8)	**2,037**	2,464
Prepaid expenses and advances (note 20)	**1,349**	891
Total Current Assets	**12,806**	16,542
Non-Current		
Mining interest, plant and equipment (note 9)	**49,846**	44,488
Exploration and evaluation assets (note 10)	**3,411**	-
Reclamation deposits	**165**	-
Deferred tax assets (note 19)	**2,969**	4,064
Total Non-Current Assets	**56,391**	48,552
Total Assets	**$ 69,197**	$ 65,094
Liabilities		
Current		
Trade and other payables	**$ 1,950**	$ 3,252
Total Current Liabilities	**1,950**	3,252
Non-Current		
Rehabilitation and closure cost provision (note 12)	**1,162**	1,128
Loan payable (notes 11 & 20)	**1,305**	-
Deferred tax liabilities (note 19)	**12,674**	13,167
Total Non-Current Liabilities	**15,141**	14,295
Total Liabilities	**$ 17,091**	$ 17,547

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

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

As at		July 31, 2015		July 31, 2014
Equity				
Share capital (note 13)	**$**	**45,354**	$	44,023
Equity reserve		**11,173**		11,213
Foreign currency translation reserve		**5,065**		(915)
Accumulated deficit		**(9,486)**		(6,774)
Total Equity		**52,106**		47,547
Total Liabilities and Equity	**$**	**69,197**	$	65,094

Commitments (notes 13, 15 and 20)
Subsequent events (note 20)

Approved by the Directors:

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

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

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

For the years ended July 31,		2015		2014
Revenues				
Mined ore	$	28,073	$	33,136
Purchased concentrate		332		-
Total Revenues (note 16)		28,405		33,136
Cost of Sales				
Mined ore		20,768		18,577
Purchased concentrate		306		-
Depreciation and depletion		6,686		5,971
Total Cost of Sales		27,760		24,548
Earnings from mining operations		645		8,588
Financing income (costs) (note 11)		3		(286)
Foreign exchange gain		1,742		494
Professional and consulting fees		(1,115)		(402)
Management fees and salaries (notes 14 and 16)		(1,210)		(1,538)
Office and administration		(1,556)		(1,467)
Other expenses		(91)		-
Shareholder relations		(128)		(233)
Write-down for obsolete equipment		-		(125)
(Loss) earnings before taxes		(1,710)		5,031
Income tax recovery (provision) (note 19)				
Current		299		(601)
Deferred		1,621		(1,465)
Earnings for the year		210		2,965
Other comprehensive income				
Item that may subsequently be reclassified to income				
Foreign currency translation differences		5,980		1,627
Comprehensive income for the year	$	6,190	$	4,592
Basic earnings per share (note 18)	$	0.00	$	0.02
Diluted earnings per share (note 18)	$	0.00	$	0.02

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

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

For the years ended July 31,	2015	2014
Cash provided by		
Operating activities		
Earnings for the year	$ **210**	$ 2,965
Items not involving cash:		
Depreciation and depletion	**6,688**	6,004
Employee profit sharing provision (note 12)	-	(424)
Other expenses (note 5)	**175**	-
Income tax (recovery) expense (note 19)	**(1,920)**	2,066
Interest on long-term debt (note 11)	-	33
Interest revenue	**(20)**	(4)
Rehabilitation and closure cost accretion (note 12)	**79**	84
Share-based payments (note 13)	**144**	466
Unwinding of discount on long-term debt (note 11)	-	104
Write-down for obsolete equipment	-	125
Cash generated by operating activities before working capital changes	**5,356**	11,419
Change in non-cash working capital items		
Amounts receivable	**-**	(1,307)
Income tax paid	**16**	192
Inventory	**519**	(671)
Prepaid expenses and advances	**(557)**	1,675
Trade and other payables	**(2,105)**	437
Cash provided by operating activities	**3,229**	11,745
Financing activities		
Advance (repayment) of loan payable (note 11)	**1,289**	(3,583)
Dividends paid (note 13)	**(2,922)**	-
Interest received (paid)	**7**	(33)
Share issuances	**386**	19
Cash outflows for financing activities	**(1,240)**	(3,597)
Investing activities		
Cash acquired on acquisition of AJC (note 5)	**4**	-
Interest received	**-**	4
Investment in exploration and evaluation assets	**(303)**	-
Investment in subsidiaries	**(2,188)**	-
Purchase of mining interest, plant and equipment	**(3,299)**	(5,967)
Reclamation deposits	**(122)**	-
Sale (purchase) of short-term investments (note 6)	**2,002**	(1,620)
Cash outflows for investing activities	**(3,906)**	(7,583)
Total (decrease) increase in cash	**(1,917)**	565
Effect of foreign exchange rate changes on cash	**(167)**	(749)
Cash, beginning of year	**5,454**	5,638
Cash, end of year	$ **3,370**	$ 5,454

Non-cash transactions - note 13

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

Starcore International Mines Ltd.
Consolidated Statements of Changes in Equity
For the years ended July 31, 2015 and 2014
(in thousands of Canadian dollars except for number of shares)

		Number of Shares Outstanding	Share Capital	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Deficit (note 11)	Total
Balance, July 31, 2013		143,390,465	$ 43,752	$ 10,754	$ (2,542)	$ (9,739)	$ 42,225
Issued for cash pursuant to:							
- Exercise of options	- at $0.15	125,000	26	(7)	-	-	19
Deferred tax effect of share issue costs		-	245	-	-	-	245
Share-based payments		-	-	466	-	-	466
Foreign currency translation differences		-	-	-	1,627	-	1,627
Earnings for the year		-	-	-	-	2,965	2,965
Balance, July 31, 2014		143,515,465	44,023	11,213	(915)	(6,774)	47,547
Issued for cash pursuant to:							
- Acquisition of AJC	- at $0.13	5,856,382	761	-	-	-	761
- Exercise of options	- at $0.15	2,575,000	570	(184)	-	-	386
Dividends issued		-	-	-	-	(2,922)	(2,922)
Share-based payments		-	-	144	-	-	144
Foreign currency translation differences		-	-	-	5,980	-	5,980
Earnings for the year		-	-	-	-	210	210
Balance, July 31, 2015		**151,946,847**	**$ 45,354**	**$ 11,173**	**$ 5,065**	**$ (9,486)**	**$ 52,106**

The accompanying notes form an integral part of these consolidated 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 and processing gold and silver in Mexico through the San Martin mine in Queretaro, Mexico owned by Compañia Minera Peña de Bernal, S.A. de C.V. ("Bernal"), which was purchased by the Company in 2007. The San Martin mine, which has been in operation since 1993 producing gold and silver, is a self-sustaining mining operation in Mexico and is the Company's sole source of operating cash flows. The Company is also engaged in acquiring exploration assets in North America directly and through corporate acquisitions (see notes 5 and 20).

2. Basis of Preparation

a) Statement of Compliance

These 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").

The financial statements were authorized for issue by the Board of Directors on October 27, 2015.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value, as explained in the Company's accounting policies discussed in note 3.

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

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

c) Basis of Consolidation

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

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

3. Summary of Significant Accounting Policies

The accounting policies set out below were applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Foreign Currency Translation

The functional currency of Starcore, the parent, is the Canadian dollar ("CAD") and the functional currency of its subsidiaries is the United States dollar ("USD") (collectively "Functional Currency"). Foreign currency accounts are translated into the Functional Currency as follows:

- At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the Functional Currency by the use of the exchange rate in effect at that date. At the period end date, unsettled monetary assets and liabilities are translated into the Functional Currency by using the exchange rate in effect at the period end.

Foreign exchange gains and losses are recognized in net earnings and presented in the Consolidated Statement of Operations and Comprehensive Income in accordance with the nature of the transactions to which the foreign currency gains and losses relate, except for foreign exchange gains and losses from translating available-for-sale investments in marketable securities which are recognized in other comprehensive income as part of the total change in fair values of the securities. Unrealized foreign exchange gains and losses on cash and cash equivalent balances denominated in foreign currencies are disclosed separately in the Consolidated Statements of Cash Flows.

b) Foreign Operations

The assets and liabilities of foreign operations with Functional Currencies differing from the presentation currency, including fair value adjustments arising on acquisition, are translated to CAD at exchange rates in effect at the reporting date. The income and expenses of foreign operations with Functional Currencies differing from the presentation currency are translated into CAD at the year-to-date average exchange rates.

The Company's foreign currency differences are recognised and presented in other comprehensive income as a foreign currency translation reserve ("Foreign Currency Translation Reserve"), a component of equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. At July 31, 2015, the Company has no cash equivalents.

d) Short term investments

Short term investments, which consist of fixed term deposits held at a bank with a maturity with a maturity of more than three months at the time of issuance, are recorded at fair value.

3. Summary of Significant Accounting Policies – (cont'd)

e) Revenue Recognition

Revenue from the sale of metals is recognized when the significant risks and rewards of ownership have passed to the buyer, it is probable that economic benefits associated with the transaction will flow to the Company, the sale price can be measured reliably, the Company has no significant continuing involvement and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues from metal concentrate sales are subject to adjustment upon final settlement of metal prices, weights, and assays as of a date that may be up to two weeks after the shipment date. The Company records adjustments to revenues monthly based on quoted forward prices for the expected settlement period. Adjustments for weights and assays are recorded when results are determinable or on final settlement. Accounts receivable for metal concentrate sales are therefore measured at fair value.

f) Inventory

Finished goods and work-in-process are measured at the lower of average cost and net realizable value. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future costs to convert the inventories into saleable form and estimated costs to sell.

Ore extracted from the mines is processed into finished goods (gold and by-products in doré). Costs are included in work-in-process inventory based on current costs incurred up to the point prior to the refining process, including applicable depreciation and depletion of mining interests, and removed at the average cost per recoverable ounce of gold. The average costs of finished goods represent the average costs of work-in-process inventories incurred prior to the refining process, plus applicable refining costs.

Supplies are measured at average cost. In the event that the net realizable value of the finished product, the production of which the supplies are held for use in, is lower than the expected cost of the finished product, the supplies are written down to net realizable value. Replacement costs of supplies are generally used as the best estimate of net realizable value. The costs of inventories sold during the year are presented in the Company's profit and loss.

g) Mining Interest, Plant and Equipment

Mining interests represent capitalized expenditures related to the development of mining properties and related plant and equipment.

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

3. Summary of Significant Accounting Policies – (cont'd)

g) Mining Interest, Plant and Equipment – (cont'd)

Recognition and Measurement – (cont'd)

Mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized. Mine development costs incurred to maintain current production are included in the consolidated statement of operations. Exploration costs relating to the current mine in production are expensed to net income as incurred due to the immediate exploitation of these areas or an immediate determination that they are not exploitable.

Borrowing costs that are directly attributable to the acquisition and preparation for use, are capitalized. Capitalization of borrowing costs, begins when expenditures are incurred and activities are undertaken to prepare the asset for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred.

The capitalization of borrowing costs is discontinued when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Capitalized borrowing costs are amortized over the useful life of the related asset.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial year in which they are incurred.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in the Company's profit or loss as incurred.

Leased Equipment

Leased assets in which the Company receives substantially all of the risks and rewards of ownership of the asset are capitalized as finance leases at the lower of the fair value of the asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded within debt on the statement of financial position.

Assets under operating leases are not capitalized and rental payments are included in earnings based on the terms of the lease.

Derecognition

Upon sale or abandonment, the cost of the property, plant, and equipment and related accumulated depreciation or depletion, are removed from the accounts and any gains or losses thereon are included in operations.

3. Summary of Significant Accounting Policies – (cont'd)

g) Mining Interest, Plant and Equipment – (cont'd)

Depreciation and Impairment

Mining interest, plant and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depletion of mine properties is charged on a unit-of-production basis over proven and probable reserves and resources expected to be converted to reserves. Currently the depletion base is approximately 6 years of expected production. Depreciation of plant and equipment and corporate office equipment, vehicles, software and leaseholds is calculated using the straight-line method, based on the lesser of economic life of the asset and the expected life of mine of approximately 6 years. Where components of an asset have different useful lives, depreciation is calculated on each separate part. Depreciation commences when an asset is available for use. At the end of the each calendar year estimates of proven and probable gold reserves and a portion of resources expected to be converted to reserves are updated and the calculations of amortization of mining interest, plant and equipment is prospectively revised.

The Company reviews and evaluates its mining interests, plant and equipment for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the recoverable value of a cash generating unit is less than the carrying amount of the assets. An impairment loss is measured and recorded based on the greater of the cash generating unit's fair value less cost to sell or its value in use versus its carrying value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

Mining interests, plant and equipment that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statement of operations.

h) Rehabilitation and Closure Cost Provision

The Company records a provision for the estimated future costs of rehabilitation and closure of operating and inactive mines and development projects, which are discounted to net present value using the risk free interest rates applicable to the future cash outflows. Estimates of future costs represent management's best estimates which incorporate assumptions on the effects of inflation, movements in foreign exchange rates and the effects of country and other specific risks associated with the related liabilities. The provision for the Company's rehabilitation and closure cost obligations is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs in the Consolidated Statement of Operations and Comprehensive Income. The provision for rehabilitation and closure cost obligations is re-measured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities, changes to cost estimates and changes to risk free interest rates.

3. Summary of Significant Accounting Policies – (cont'd)

h) Rehabilitation and Closure Cost Provision – (cont'd)

Rehabilitation and closure cost obligations relating to operating mines and development projects are initially recorded with a corresponding increase to the carrying amounts of related mining properties. Changes to the obligations are also accounted for as changes in the carrying amounts of related mining properties, except where a reduction in the obligation is greater than the capitalized rehabilitation and closure costs, in which case, the capitalized rehabilitation and closure costs is reduced to nil and the remaining adjustment is included in production costs in the Consolidated Statement of Operations and Comprehensive Income. Rehabilitation and closure cost obligations related to inactive mines are included in production costs in the Consolidated Statement of Operations and Comprehensive Income on initial recognition and subsequently when re-measured.

i) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying and sampling costs, drilling costs, payments made to contractors, geologists, consultants, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is determined to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the Company's profit or loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". E&E assets are tested for impairment before the assets are transferred to development properties.

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

j) Financial Instruments

Financial instruments are classified as one of the categories below based upon the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses.

3. Summary of Significant Accounting Policies – (cont'd)

j) Financial Instruments – (cont'd)

Loans and Receivables

Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's cash, short-term investments and amounts receivable are all accounted for as loans and receivables.

Available-for-Sale

Non-derivative financial assets not included in the above category are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/ income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, which constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income is recognized in the Company's profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to the Company's profit or loss.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprised of trade and other payables, and loan payable. These liabilities are recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortised cost using the effective interest rate method. This ensures that, any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

3. Summary of Significant Accounting Policies – (cont'd)

j) Financial Instruments – (cont'd)

Fair value hierarchy

Financial instruments recognized at fair value on the consolidated balance sheets must be classified into one of the three following fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted observed in active markets for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability;

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

The Company's financial instruments recognized at fair value consist of short term investments having a fair value of $2,615 (2014 – $4,324) measured in accordance with Level 1.

k) Income Taxes

Current tax and deferred taxes are recognized in the Company's profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

l) Share Capital

Financial instruments issued by the Company are classified as equity, only to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares, share warrant and share options are classified as equity instruments.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds.

3. Summary of Significant Accounting Policies – (cont'd)

m) Profit or Loss per Share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period.

n) Share-based Payments

Where equity-settled share options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to the Company's profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date, are taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the Company's profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

3. Summary of Significant Accounting Policies – (cont'd)

n) Share-based Payments – (cont'd)

Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Where vesting conditions are not satisfied and options are forfeited, the Company reverses the fair value amount of the unvested options which had been recognized over the vesting period.

o) New and Revised Accounting Standards

The following accounting standards have been issued or amended but are not yet effective. The Company has not early adopted these new and amended standards. The Company continues to evaluate the new standards but currently no material impact is expected as a result of the adoptions of these new and amended standards:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets"
- Financial instruments

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments 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 judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

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

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

4. Critical Accounting Estimates and Judgments – (cont'd)

b) Impairments

The Company assesses its mining interest, plant and equipment assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

c) 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 that the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provision may be higher or lower than currently provided.

The inflation rate applied to estimated future rehabilitation and closure costs is 3.5% and the discount rate currently applied in the calculation of the net present value of the provision is 8%.

d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

e) Share-based Payment

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.

4. Critical Accounting Estimates and Judgments – (cont'd)

e) Share-based Payment – (cont'd)

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, expected forfeiture rate, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 13.

f) Mineral Reserves and Mineral Resource Estimates

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral reserve and mineral resources based on information compiled by Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. Such information includes geological data on the size, depth and shape of the mineral deposit, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade that comprise the mineral reserves. Changes in the mining reserve or mineral resource estimates may impact the carrying value of mineral properties and deferred development costs, property, plant and equipment, provision for site reclamation and closure, recognition of deferred income tax assets and depreciation and amortization charges.

g) Units of production depletion

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in depreciation charges proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumption, including the amount of recoverable reserves and estimate of future capital expenditure. Changes are accounted for prospectively.

5. Acquisition of Subsidiaries

Acquisition of Creston Moly Corp.

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

The Supreme Court of Canada discharged Creston Moly from bankruptcy which was formerly a wholly-owned subsidiary of the Trustee. Creston Moly is a British Columbia company that owns, through its wholly-owned subsidiaries, a 100% interest in three molybdenum-copper projects (see note 10):

- The El Creston Project in Sonora, Mexico;
- The Ajax Project in British Columbia, Canada; and
- The Molybrook Project in Newfoundland, Canada.

(in thousands of Canadian dollars unless otherwise stated)

5. Acquisition of Subsidiaries – (cont'd)

Acquisition of Creston Moly Corp. – (cont'd)

The Creston Transaction was accounted for as an acquisition of assets. The purchase price of $2,013 has been allocated to the assets acquired based on their relative fair value on the closing date. The purchase price allocation is a result of management's best estimates and assumptions after taking into account all relevant information available.

The purchase price has been allocated entirely to the mineral properties acquired as the Company assumed no liabilities or other assets in the Creston Transaction.

Acquisition of American Consolidated Minerals Corp.

On November 20, 2014, the Company announced the approval of the proposed acquisition of American Consolidated Minerals Corp. ("AJC") by the AJC shareholders pursuant to a plan of arrangement (the "AJC Transaction"). Before the AJC Transaction, AJC and Starcore had directors in common.

AJC shareholders received one common share of the Company (a "Starcore Share") for three (3) common shares of AJC (the "AJC Shares") held by such AJC shareholder (the "Exchange Ratio"). In addition, each holder of the outstanding stock options and common share purchase warrants of AJC (the "AJC Options") received replacement options or warrants of the Company (the "Starcore Options") based upon the Exchange Ratio, and the exercise price of the replacement Starcore Options was adjusted based upon the Exchange Ratio.

The Company issued 5,856,382 shares at $0.13 per share for total consideration of $761. Prior to the acquisition, there were 17,569,191 AJC Shares, Nil AJC Options and 1,671,416 common share purchase warrants outstanding. In connection with the Transaction, the Company issued 5,856,382 Starcore shares, and 557,135 common share purchase warrants. Following completion of the Transaction, former AJC shareholders held less than 4% of the outstanding Company shares and AJC has been de-listed from the TSX Venture Exchange.

The AJC Transaction was accounted for as acquisition of assets. The purchase price of $761 has been allocated to the assets acquired based on their relative fair values on the closing date. The purchase price allocation is a result of management's best estimates and assumptions after taking into account all relevant information available. The purchase price has been allocated as follows:

Assets		
Cash	$	4
Amounts receivable		25
Reclamation deposits		43
Mineral properties (note 10)		1,029
Total assets		**1,101**
Less: Trade and other payables		340
Net assets acquired		**761**
Net assets Consideration:		

Shares (5,856,382 shares issued at $0.13 per share)	$	**761**

6. Short-term Investments

At July 31, 2015, the Company held a Guaranteed Investment Certificate ("GIC") denominated in USD with a market value of $2,615 (2014 - $3,924), earning interest income at 0.2% per annum and maturing on November 5, 2015. The Company no longer holds any GIC's denominated in Mexican Pesos (2014 - $400).

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

7. Amounts Receivable

As at July 31,		**2015**		2014
Taxes receivable	**$**	**3,202**	$	2,856
Trade receivables		**-**		351
Other		**233**		202
	$	**3,435**	$	3,409

8. Inventory

As at July 31,		**2015**		2014
Carrying value of inventory:				
Doré	**$**	**1,051**	$	1,141
Work-in-process		**112**		190
Stockpile		**118**		238
Supplies		**756**		895
	$	**2,037**	$	2,464

(in thousands of Canadian dollars unless otherwise stated)

9. Mining Interest, Plant and Equipment

	Mining Interest	Plant and Equipment	Corporate Office Equipment	Total
Cost				
Balance, July 31, 2013	$ 49,358	$ 11,685	$ 325	$ 61,368
Additions	3,464	2,503	-	5,967
Write-down of equipment	-	(253)	-	(253)
Effect of foreign exchange	3,037	958	-	3,995
Balance, July 31, 2014	55,859	14,893	325	71,077
Additions	2,038	1,109	152	3,299
Effect of foreign exchange	11,162	3,054	-	14,216
Balance, July 31, 2015	**$ 69,059**	**$ 19,056**	**$ 477**	**$ 88,592**
Depreciation				
Balance, July 31, 2013	$ 14,634	$ 4,417	$ 239	$ 19,290
Depreciation for the year	5,012	1,041	33	6,086
Write-down of equipment	-	(129)	-	(129)
Effect of foreign exchange	933	409	-	1,342
Balance, July 31, 2014	20,579	5,738	272	26,589
Depreciation for the year	5,482	1,204	2	6,688
Effect of foreign exchange	4,219	1,250	-	5,469
Balance, July 31, 2015	**$ 30,280**	**$ 8,192**	**$ 274**	**$ 38,746**
Carrying amounts				
Balance, July 31, 2014	$ 35,280	$ 9,155	$ 53	$ 44,488
Balance, July 31, 2015	**$ 38,779**	**$ 10,864**	**$ 203**	**$ 49,846**

(in thousands of Canadian dollars unless otherwise stated)

10. Exploration and Evaluation Assets

	AJC Properties	Creston Properties	Total
Acquisition costs:			
Balance, August 1, 2014	$ -	$ -	$ -
Acquisition Payments	1,079	2,001	3,080
Total option payments	$ 1,079	$ 2,001	$ 3,080
Exploration costs:			
Balance, August 1, 2014	$ -	$ -	$ -
Geological	2	1	3
Land taxes	10	-	10
Maintenance	13	225	238
Total exploration expenditures	25	226	251
Effect of foreign exchange	80	-	80
Balance, July 31, 2015	**$ 1,184**	**$ 2,227**	**$ 3,411**

a) Acquisition of AJC

Pursuant to the Acquisition of AJC (note 5), the Company has acquired the right to 3 properties as follows:

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

The Company has acquired the right to a 100% undivided interest, subject to a 3% net smelter royalty ("NSR"), in 73 mining claims located in Ferry County, Washington State, United States of America ("Lone Ranch") from MinQuest Inc. ("MinQuest"). Consideration to be paid for the interest is USD$410, and the Company must incur total exploration expenditures of USD$1,225 ($175 incurred) on the property, by the third anniversary of the "New Effective Date" as agreed by MinQuest.

The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over the property or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the Net Smelter Return ("NSR") (or 1.5%) on the basis of USD$1,500 per each 1% of the royalty. If the Company does not incur the exploration expenditures as specified, the unpaid portions may be paid to the optionor to maintain the option.

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

a) Acquisition of AJC – (cont'd)

ii) *Toiyabe, U.S.A*

The Company has the right to acquire a 100% undivided interest, subject to a 3% NSR, in 165 mining claims located in Lander County, Nevada, United States of America ("Toiyabe") from MinQuest. Consideration to be paid for the interest is USD$900 and the Company must incur total exploration expenditures of USD$1,025 (USD$1,025 incurred) on the property, by the fifth anniversary of the "New Effective Date" as agreed by MinQuest.

The New Effective Date shall be the earlier of October 15, 2018 or the date the Company enters into a joint venture agreement over Toiyabe or the date that the Company completes a bankable feasibility study on the property.

The optionor has also granted the Company the right to purchase up to one-half of the NSR (or 1.5%) on the basis of USD$2,000 per each 1% of the royalty.

iii) *Sierra Rosario, Mexico*

The Company acquired a 50% interest in the 978-hectare Sierra Rosario Property, over 2 claims that are located in the state of Sinaloa, Mexico ("Sierra Rosario"). During the year ended July 31, 2015, the Company acquired the remaining 50% interest from the optionor for $25 and a 1% NSR over the entire property.

b) Acquisition of Creston Moly

Pursuant to the acquisition of Creston (note 5), the Company has acquired the right to 3 properties as follows:

i) *El Creston Project, Mexico*

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

ii) *Ajax Project, Canada*

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

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

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

b) Acquisition of Creston Moly – (cont'd)

iii) *Molybrook Project, Canada*

The Company now owns 100% of 27 mineral claims of the Moly Brook molybdenum property, located 2.5 km from the Hamlet of Grey River on the southern coast of Newfoundland, pursuant to the acquisition of Creston Moly Corp. The Moly Brook property is subject to a 2% net smelter royalty ("NSR"), of which 1.5% can be purchased by the Company for $1,500. In addition, the Company acquired:

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

11. Loan Payable

During the year ended July 31, 2012, the Company secured an $11 million credit facility (the "Facility") with Sprott Resource Lending. The facility was used to settle the hedge liability originally entered into with Investec Bank PLC pursuant to a Loan Facility entered into on purchase of the mine in 2007. On August 30, 2013, the Company paid the remaining $3,583 of the Facility, settling its obligation in full and without penalty. The Company made payments consisting of $3,583 in repayment of principal and $33 of interest. In the quarter ended October 31, 2013, the remaining $104 of the Discount was recognized as a financing cost in the Company's total earnings and the Company paid $69 in legal fees pursuant to the settlement of the Facility which were recognized in the Consolidated Statements of Operations and Comprehensive Income as incurred.

During the year ended July 31, 2015, the Company secured a USD $1,000 (CDN $1,305) loan with a lender. The funds will be used to advance the Altiplano Project (note 20). The loan is secured against certain assets of the Company and bears interest at 11% per annum, compounded monthly with interest payment payable monthly on the last business day of each month. The full principal plus accrued interest on the loan shall be repayable to the lender on August 31, 2017.

(in thousands of Canadian dollars unless otherwise stated)

11. Loan Payable – (cont'd)

The Company's financing (income) costs for the years ended July 31, 2015 and 2014 as reported on its Consolidated Statement of Operations and Comprehensive Income can be summarized as follows:

For the year ended July 31,	**2015**	2014
Unwinding of discount on rehabilitation and closure accretion (note 12)	**$ 79**	$ 84
Facility discount unwinding	**-**	104
Facility interest expense	**-**	33
Facility settlement legal fees	**-**	69
Interest income	**(53)**	-
Gain on forgiveness of debt	**(9)**	-
Interest revenue	**(20)**	(4)
	$ (3)	$ 286

12. Rehabilitation and Closure Cost Provision

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At July 31, 2015, the present value of obligations is estimated at $1,162 (2014 - $1,128) based on expected undiscounted cash-flows at the end of the mine life of 19,866,000 Mexican Pesos ("MP") or $1,615 (2014 - $1,693), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 8% (2014 – 8%) and an inflation rate of 3.5% (2014 – 3.5%).

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

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

	July 31, 2015	July 31, 2014
Balance, beginning of year	**$ 1,128**	$ 1,053
Accretion expense	**79**	84
Foreign exchange fluctuation	**(45)**	(9)
	$ 1,162	$ 1,128

(in thousands of Canadian dollars unless otherwise stated)

13. Share Capital

a) Common Shares

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

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

During the year ended July 31, 2015, the Company issued:
- 2,575,000 shares pursuant to the exercise of options at $0.15 per share for proceeds of $386. The fair value of the options as determined on the date of issuance, being $184, was transferred to the Company's share capital from equity reserve on exercise.
- 5,856,382 shares pursuant to the plan of arrangement at $0.13 per share whereby the Company acquire all of the outstanding common shares of AJC (note 5).

During the year ended July 31, 2014, the Company issued:
- 125,000 shares pursuant to the exercise of options at $0.15 per share for proceeds of $19. The fair value of the options as determined on the date of issuance, being $7, was transferred to the Company's share capital from equity reserve on exercise.

b) Warrants

During the year ended July 31, 2015, in conjunction with the acquisition of AJC (note 5), the Company issued 557,135 warrants. The fair value of these warrants was minimal and as such, no amount was recorded for the issued warrants. Each warrant entitles the holder to acquire one common share of the Company, at $0.30 until June 16, 2016. Before the issuance of these warrants there were no warrants outstanding.

The Company calculated the fair value of the share component to be equal of the market price for the shares on the date of AJC acquisition, which was $0.13 per share. A summary of the Company's outstanding share purchase warrants at July 31, 2015 and 2014 and the changes during the years then ended is presented below:

	Number of warrants	Weighted average exercise price
Outstanding at July 31, 2013	4,505,000	$ 0.35
Warrants expired	(4,505,000)	0.35
Outstanding at July 31, 2014	-	$ -
Warrants issued	**557,135**	**$ 0.30**
Outstanding at July 31, 2015	**557,135**	**$ 0.30**

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

(in thousands of Canadian dollars unless otherwise stated)

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

13. Share Capital – (cont'd)

c) Share-based Payments

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

In January 2014, the Company's shareholders voted to cancel the Company's option plan and, as a result, the Company's Board of Directors may not grant further options. The Company's management and directors are reviewing alternative compensation arrangements for the Company's employees and directors. The following is a summary of changes in options from July 31, 2013, 2014 and 2015:

	Number of Shares	Weighted Average Exercise Price
Balance at July 31, 2013	13,180,000	$0.23
Granted	5,645,000	$0.22
Exercised	(125,000)	$0.15
Forfeited/expired	(100,000)	$0.15
Balance at July 31, 2014	18,600,000	$0.23
Exercised	(2,575,000)	$0.15
Forfeited/expired	(4,640,000)	$0.16
Outstanding and Exercisable at July 31, 2015	**11,385,000**	**$0.27**

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

Number Outstanding	Weighted Average Exercise Price	Weighted Average Life
150,000	$0.15	0.77
400,000	$0.20	1.46
1,940,000	$0.25	1.49
3,250,000	$0.37	1.70
800,000	$0.25	3.06
275,000	$0.20	3.06
200,000	$0.23	3.10
200,000	$0.25	3.12
4,170,000	$0.22	3.46
11,385,000	$0.27	2.47

(in thousands of Canadian dollars unless otherwise stated)

13. Share Capital – (cont'd)

c) Share-based Payments – (cont'd)

The fair values of stock options granted have been estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

	2014
Weighted average share price	$0.22
Weighted average exercise price	$0.22
Risk-free interest rate	1.62%
Expected life	5 years
Expected volatility	74.01%
Expected dividend yield	0%

During the year ended July 31, 2015, the Company had share-based compensation expense of $144 (2014: $466), which has been recorded in the statement of comprehensive income and credited to equity reserve. These amounts have been expensed as follows:

For the year ended July 31,		**2015**		2014
Cost of sales – Mined ore	**$**	**18**	$	48
Management fees and salaries		**120**		365
Office and administration		**6**		53
	$	**144**	$	466

d) Dividend Paid and Declared

During the year ended July 31, 2015, the Board of Directors declared the first annual dividend in the Company's history. A dividend of $0.02 per share (total of $2,922) was paid on the Common Shares of the Company on September 30, 2014 to shareholders of record on August 29, 2014.

14. Financial Instruments

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

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

a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At July 31, 2015, the Company had the following financial assets and liabilities denominated in CAD and denominated in MP:

(in thousands of Canadian dollars unless otherwise stated)

14. Financial Instruments – (cont'd)

a) Currency Risk – (cont'd)

	CAD Dollars	Mexican Pesos (MP)
Cash	$ 202	MP 1,555
Other working capital amounts - net	$ 183	MP 31,080

At July 31, 2015, US dollar amounts were converted at a rate of $1.305 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP16.064 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 $46. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately $21.

b) Interest Rate Risk

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

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

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and short-term investments, the balance of which at July 31, 2015 is $3,370 (2014 - $5,454) and $2,615 (2014 - $4,324), respectively. Cash of $1,371 (2014 - $151) and short-term investments of $Nil (2014 - $400) are held at a Mexican financial institution, the remainder of $1,999 (2014 - $5,303) and the short-term investment of $2,615 (2014 - $3,924) are held at a chartered Canadian financial institution; the Company is exposed to the risks of those financial institutions. There are no trade receivables owed and the taxes receivable are comprised of Mexican VAT taxes receivable of $3,167 and GST receivable of $35, which are subject to review by the respective tax authority.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company accomplishes this by achieving profitable operations and maintaining sufficient cash reserves. As at July 31, 2015, the Company was holding cash of $3,370 (2014 - $5,454) and short-term investments of $2,615 (2014 - $4,324).

(in thousands of Canadian dollars unless otherwise stated)

14. Financial Instruments – (cont'd)

d) Liquidity Risk – (cont'd)

Obligations due within twelve months of July 31,	2015	2016	2017	2018	2019 and beyond
Trade and other payables	$ 1,950	$ -	$ -	$ -	$ -
Reclamation and closure obligations	-	-	-	-	1,615

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

e) Commodity Risk

Mineral prices and marketability fluctuate and any decline in mineral prices may have a negative effect on the Company. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of minerals which may be produced and sold by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its resources to processing facilities and extensive government regulations related to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company. A 10% decrease or increase in metal prices may result in a decrease or increase of USD $2,000 in revenue and net income.

15. Commitments and Related Party Transactions

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

a) As at July 31, 2015, the Company has shared lease commitments for office space of approximately $144 per year, expiring at various dates up to April 2020, which includes minimum lease payments and estimated taxes, but excluded operating costs, taxes and utilities, to expiry.

b) As at July 31, 2015, the Company has a land lease agreement commitment with respect to the land at the mine site, for $132 per year until December 2017.

c) As at July 31, 2015 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)

15. Commitments and Related Party Transactions – (cont'd)

During the years ended July 31, 2015 and 2014, the Company paid the following amounts to key management and directors:

For the year ended July 31,		**2015**		2014
Management fees	**$**	**840**	$	900
Legal fees		**95**		14
Directors fees		**60**		41
Share-based payments		**107**		215
Total	**$**	**1,102**	$	1,170

16. Segmented Information

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

		Mexico		**Canada**		**USA**		**July 31, 2015 Total**
Revenue	$	28,405	$	-	$	-	**$**	**28,405**
Earnings (loss) for the year		2,563		(2,379)		26		**210**
Mining interest, plant and equipment		49,492		273		81		**49,846**
Non-current assets		55,375		2,545		205		**58,125**
Total assets		65,324		4,786		821		**70,931**

		Mexico		**Canada**		**July 31, 2014 Total**
Revenue	$	33,136	$	-	$	33,136
Earnings (loss) for the year		5,859		(2,894)		2,965
Mining interest, plant and equipment		44,429		59		44,488
Total assets		59,020		6,074		65,094

During the years ended July 31, 2015 and 2014, the Company earned all of its revenues from one customer. As at July 31, 2015, the Company does not consider itself to be economically dependent on this customer as transactions with this party can be easily replaced by transactions with other parties on similar terms and conditions. The balance owing from this customer on July 31, 2015 was $Nil (2014 - $351).

17. 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.

(in thousands of Canadian dollars unless otherwise stated)

18. Earnings per Share

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

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

For the year ended July 31,	2015	2014
Issued common share, beginning of year	**143,515,465**	143,390,465
Weighted average issuances	**6,269,985**	53,082
Basic weighted average common shares	**149,785,450**	143,443,547
Effect of dilutive warrants and options	**-**	918,929
Diluted weighted average common shares	**149,785,450**	144,362,476

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

19. Income Taxes

Current and deferred income tax expenses differ from the amount that would result from applying the Canadian statutory income tax rates to the Company's earnings before income taxes. This difference is reconciled as follows:

Year ended July 31,		2015		2014
(Loss) Earnings before income taxes	**$**	**(1,710)**	$	5,031
Canadian statutory income tax rate		**26%**		26%
Income tax expense (recovery) at statutory rate		**(445)**		1,308
Difference from higher statutory tax rates on earnings of foreign subsidiaries		**(147)**		127
Effect of change in substantively enacted tax rate in Mexico on deferred income tax liabilities		**-**		625
Effect of Mexican mining royalty tax (SMD) on deferred income tax liabilities		**-**		2,362
Mexican mining royalty tax (SMD)		**114**		135
Recovery of Mexican flat tax (IETU)		**-**		-
Recognition of previously unrecognized non-capital loss carry forward and other deductible tax benefits		**(1,442)**		(2,305)
Unrecognized benefit of temporary differences and others		**-**		(186)
Income tax (recovery) expense	**$**	**(1,920)**	$	2,066

(in thousands of Canadian dollars unless otherwise stated)

19. Income Taxes – (cont'd)

The Company's statutory rate is 26% for the year ended July 31, 2015 (2014 - 26%). The significant components of the Company's deferred income tax assets and liabilities are as follows:

July 31,		2015		2014
Deferred income tax assets (liabilities):				
Mining interest, plant and equipment	$	(13,096)	$	(13,606)
Payments to defer		(601)		(469)
Insurance		(3)		(21)
Reclamation and closure costs provision		883		689
Expenses reserve		80		81
Pension-fund reserve		63		202
Share issuance costs		-		22
Non-capital losses and other deductible tax benefits		2,969		3,750
Other		-		249
Deferred income tax liabilities, net	$	(9,705)	$	(9,103)

Unrecognized deductible temporary differences, unused tax losses and unused tax credits are attributable to the following:

July 31,		2015		2014
Share issuance costs	$	-	$	-
Net capital losses		369		369
Non-capital losses		1,625		-
Resource pools		640		865
Unrealized foreign exchange losses		-		1,603
	$	2,634	$	2,837

At July 31, 2015, the Company has tax losses of approximately $8,767 (2014 - $4,893) in Canada and $626 (2014 - $Nil) in Mexico available for carry-forward to reduce future years' taxable income, expiring between 2029 and 2033 in Canada. In addition the Company has tax resource pools and other deductible amounts available of $8,953 (July 31, 2014 - $4,978), amortizable at various rates from 100% to 10% without expiry. The Company also has net capital losses, in Canada, of approximately $369 (July 31, 2014 - $369) for carry-forward to reduce future years' taxable capital gains. Deferred income tax assets have been recognized only to the extent the Company believes it is probable they will be utilized in the future.

In accordance with Mexican tax law, Bernal is subject to income tax. Income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through an inflationary component.

Mexico Tax Reform

During December 2013, the 2014 Tax Reform (the "Tax Reform") was published in Mexico's official gazette with changes taking effect January 1, 2014. The Tax Reform included the implementation of a 7.5% Special Mining Duty ("SMD") and a 0.5% Extraordinary Mining Duty ("EMD").

19. Income Taxes – (cont'd)

The Company has taken the position that SMD is an income tax under IAS 12 *Income tax*, as it is calculated based on a form of earnings before income tax less certain specified costs. The EMD is a calculation based on gross revenue and is therefore not considered an income tax. Both the SMD and EMD will be deductible for income tax purposes.

In the year ended July 31, 2014, the effect of this change in the rate at which taxes are determined for SMD resulted in a further one time charge to the provision for deferred taxes, with a corresponding one-time increase to net deferred tax liabilities of $2,362.

Management is currently disputing the SMD, in a joint action lawsuit with other Mexican mining companies, with the applicable Mexican government authority. Management believes that the SMD is unconstitutional and should be overturned. In accordance with IFRS reporting standards, however, the estimated effect of the SMD has been accrued to the current and deferred income tax provisions as stated above. Should the Company be successful in overturning the SMD, in whole or in part, the accrued tax liabilities stated above will be reversed to recovery of income taxes in the applicable period.

20. Subsequent Events

Acquisition of Cortez Gold Corp.

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

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

During the year ended July 31, 2015, the Company advanced Cortez $250 to enable them to purchase the equipment required to commence operations at its processing plant. The loan bears interest at 10% and is secured with a floating charge security on the processing plant and all of the assets of Cortez, subordinated only to the existing first priority security interest and mortgage held by other Cortez lenders. The loan facility and all interest would have been due if the shareholders of Cortez did not approve the proposed amalgamation.

20. Subsequent Events – (cont'd)

Debt Settlement

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

The debt relates to outstanding loans that were incurred in 2014 to complete construction of the Altiplano gold and silver processing plant in Matehuala, Mexico, by CUT. The Receipts are subject to a four month hold.

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

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David Gunning
P. Eng., COO & Director

Gary Arca CPA
Chief Financial Officer & Director

Jordan Estra
Director

Federico Villaseñor
Director

Michael Gunning, BSc (Hons), MSc, PhD, PGeo.
Director

Cory Kent LLB
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