Starcore International Mines Ltd.

Condensed Interim Consolidated Financial Statements

For the six months ended January 31, 2016

(Unaudited)

NOTICE TO READER OF THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed interim consolidated financial statements for the six months ended January 31, 2016 have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed or audited by the Company's auditors.

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

As at		January 31, 2016		July 31, 2015
Assets				
Current				
Cash	**$**	**3,495**	$	3,370
Short-term Investments (note 4)		**6,996**		2,615
Amounts Receivable (note 5)		**3,191**		3,435
Inventory (note 6)		**1,916**		2,037
Prepaid Expenses and Advances		**1,138**		1,349
Total Current Assets		**16,736**		12,806
Non-Current				
Mining Interest, Plant and Equipment (note 7)		**58,391**		49,846
Exploration and Evaluation Assets (note 8)		**3,904**		3,411
Reclamation Deposits		**165**		165
Deferred Tax Assets		**4,865**		2,969
Total Non-Current Assets		**67,325**		56,391
Total Assets	**$**	**84,061**	$	69,197
Liabilities				
Current				
Trade and other payables	**$**	**1,660**	$	1,950
Current portion of Loan Payable (note 9)		**4,509**		-
Total Current Liabilities		**6,169**		1,950
Non-Current				
Loan Payable (note 9)		**1,483**		1,305
Rehabilitation and Closure Cost Provision (note 10)		**1,155**		1,162
Deferred Tax Liabilities		**15,094**		12,674
Total Non-Current Liabilities		**17,732**		15,141
Total Liabilities	**$**	**23,901**	$	17,091
Equity				
Share Capital (note 11)	**$**	**50,605**	$	45,354
Equity Reserve		**11,173**		11,173
Foreign Currency Translation Reserve		**7,066**		5,065
Accumulated Deficit		**(8,684)**		(9,486)
Total Equity		**60,160**		52,106
Total Liabilities and Equity	**$**	**84,061**	$	69,197

Commitments (notes 10 and 14)
Subsequent event (note 17)

Approved by the Directors:

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

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

Starcore International Mines Ltd.

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

	For the three months ended January 31, 2016	2015	For the six months ended January 31, 2016	2015
Revenues				
Mined ore	**$ 6,954**	$ 7,143	**$ 14,658**	$ 14,480
Purchased concentrate	**-**	-	**-**	332
Total Revenues	**6,954**	7,143	**14,658**	14,812
Cost of Sales (notes 7 and 10)				
Mined ore	**4,627**	5,170	**9,444**	10,401
Purchased concentrate	**-**	-	**-**	306
Depreciation and depletion	**1,657**	1,760	**3,408**	3,441
Total Cost of Sales	**6,284**	6,930	**12,852**	14,148
Earnings from mining operations	**670**	213	**1,806**	664
Financing costs (net) (note 9)	**(149)**	(22)	**(252)**	(44)
Foreign exchange gain	**710**	886	**735**	1,160
Professional and consulting fees	**(284)**	(520)	**(474)**	(708)
Management fees and salaries	**(333)**	(265)	**(549)**	(533)
Office and administration	**(496)**	(304)	**(821)**	(547)
Shareholder relations	**(50)**	(45)	**(60)**	(50)
Transfer agent and regulatory fees	**(68)**	(67)	**(157)**	(114)
Impairment on investment	**-**	(175)	**-**	(175)
Earnings (Loss) before taxes	**-**	(299)	**228**	(347)
Income tax recovery (expense)				
Current	**57**	(85)	**57**	354
Deferred	**183**	268	**517**	747
Earnings (loss) for the period	**240**	(116)	**802**	754
Other comprehensive income				
Foreign currency translation differences	**2,867**	4,403	**2,001**	5,604
Comprehensive income for the period	**$ 3,107**	$ 4,287	**$ 2,803**	$ 6,358
Basic income (loss) per share (Note 16)	**$ 0.00**	$ (0.00)	**$ 0.02**	$ 0.01
Diluted income (loss) per share (Note 16)	**$ 0.00**	$ (0.00)	**$ 0.02**	$ 0.01

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

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

For the six months ended January 31,	**2016**	2015
Cash provided by		
Operating activities		
Earnings for the period	**$ 802**	$ 754
Items not involving cash:		
Depreciation and depletion (note 7)	**3,431**	3,463
Share-based compensation	**-**	111
Interest revenue	**(11)**	(7)
Interest on current & long-term debt (note 9)	**154**	-
Unwinding of discount on long-term debt (note 9)	**20**	-
Rehabilitation and closure cost accretion (note 10)	**41**	41
Write-down for obsolete equipment (note 7)	**3**	-
Impairment on investment	**-**	175
Income tax recovery	**(574)**	(1,101)
Cash generated by operating activities before working capital changes	**3,866**	3,436
Change in non-cash working capital items		
Prepaid expenses and advances	**238**	(222)
Amounts receivable	**619**	981
Inventory	**134**	216
Trade and other payables	**(1,073)**	(880)
Cash provided by operating activities	**3,784**	3,531
Financing activities		
Dividends issued	**-**	(2,922)
Share issuances	**-**	386
Debt borrowings (net) (note 9)	**3,850**	-
Interest paid	**(97)**	-
Financing costs (note 9)	**(90)**	-
Cash outflows for financing activities	**3,663**	(2,536)
Investing activities		
Purchase of short-term investments (note 4)	**(5,575)**	-
Sale of short-term investments (note 4)	**1,408**	-
Interest received	**3**	2
Investment in exploration and evaluation assets (note 8)	**(407)**	-
Investment in subsidiary	**-**	(144)
Purchase of mining interest, plant and equipment (note 7)	**(2,009)**	(2,113)
Cash outflows for investing activities	**(6,580)**	(2,255)
Total increase (decrease) in cash	**867**	(1,260)
Effect of foreign exchange rate changes on cash	**(742)**	(1,029)
Cash, beginning of year	**3,370**	5,454
Cash, end of period	**$ 3,495**	$ 3,165

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

Starcore International Mines Ltd.

Condensed Interim Consolidated Statements of Changes in Equity for the six months ended January 31, 2016 and 2015
(in thousands of Canadian dollars, except for number of shares) – (Unaudited)

		Number of Shares Outstanding	Share Capital	Equity Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total
Balance, July 31, 2014		35,878,915	$ 44,023	$ 11,213	$ (915)	$ (6,774)	$ 47,547
Issued for cash pursuant to:							
- Exercise of options	- at $0.60	643,750	570	(184)	-	-	386
- Acquisition of American Consolidated Minerals	- at $0.52	1,464,095	761	-	-	-	761
Dividends issued		-	-	-	-	(2,922)	(2,922)
Share-based compensation		-	-	111	-	-	111
Foreign currency translation		-	-	-	5,604	-	5,604
Earnings for the period		-	-	-	-	754	754
Balance, January 31, 2015		37,986,760	45,354	11,140	4,689	(8,942)	52,241
Share-based compensation		-	-	33	-	-	33
Foreign currency translation		-	-	-	376	-	376
Earnings for the period		-	-	-	-	(544)	(544)
Balance, July 31, 2015		37,986,760	45,354	11,173	5,065	(9,486)	52,106
Issued for cash pursuant to:							
- Acquisition of Cortez Gold Corp.	- at $0.42	7,166,888	3,010	-	-	-	3,010
- Share subscriptions conversion	- at $0.56	3,993,203	2,241	-	-	-	2,241
Foreign currency translation		-	-	-	2,001	-	2,001
Earnings for the period		-	-	-	-	802	802
Balance, January 31, 2016		**49,146,851**	**$ 50,605**	**$ 11,173**	**$ 7,066**	**$ (8,684)**	**$ 60,160**

The accompanying notes form an integral part of these condensed interim 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

2. Basis of Preparation

a) Statement of Compliance

These unaudited condensed interim consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements, for the six months period ended January 31, 2016, have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, and do not include all the information required for full annual financial statements.

These condensed interim financial statements should be read in conjunction with the Company's 2015 annual financial statements.

The financial statements were authorized for issue by the Board of Directors on March 11, 2016.

b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value.

The condensed interim 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 the condensed interim 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 of the Company's July 31, 2015 year-end consolidated financial statements.

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

2. Basis of Preparation – (cont'd)

c) Basis of consolidation

These condensed interim 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. Acquisition of Cortez Gold Corp.

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 (a "Starcore Share") for every one CUT common share (the "CUT Shares") held by CUT shareholders (the "Exchange Ratio"). Cortez is a Vancouver-based junior resource company that owns a gold and silver processing plant ("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. Pursuant to the Arrangement, the former Cortez shareholders hold 7,166,888 common shares of Starcore, representing 15.87%, of the 45,153,599 outstanding common shares of Starcore prior to the Arrangement. In addition, each holder of the outstanding common share purchase warrants of CUT (the "CUT Warrants") may receive such number of replacement warrants of Starcore (the "Starcore Warrants") based upon the Exchange Ratio and at the exercise price adjusted based upon the Exchange Ratio.

The Company deemed the 7,166,888 shares to be valued at the fair market value on date of issue of $0.105 per share, for total consideration of $3,010, which was accounted for as acquisition of assets allocated based on their relative fair values on the closing date. The following purchase price allocation is based on management's best estimates and assumptions after taking into account all relevant information available. The purchase price has been allocated as follows:

Assets		
Amounts receivable	$	350
Prepaid expenses and advances		5
Plant, machinery and equipment		6,094
Total assets	**$**	**6,449**
Liabilities		
Less: Trade and other payables	$	503
Loan payable		2,936
Total liabilities	**$**	**3,439**
Net assets acquired - consideration paid (7,166,888 shares issued at $0.42 per share)	**$**	**3,010**

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

4. Short-term Investments

At January 31, 2016, the Company held a Guaranteed Investment Certificate ("GIC") denominated in CDN and USD with a market value of $4,921 (July 31, 2015 - $2,615), earning interest income at 0.2% per annum and maturing on November 5, 2016. The Company also holds a GIC denominated in Mexican Pesos ("MP") with a market value of $2,075 (July 31, 2015 - $Nil) earning interest at 2.50% per annum on a month to month basis.

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 two financial institutions and as such the Company is exposed to the risks of those financial institutions.

5. Amounts Receivable

	January 31, 2016	July 31, 2015
Taxes receivable	**$ 2,972**	$ 3,202
Other	**219**	233
	$ 3,191	$ 3,435

6. Inventory

	January 31, 2016	July 31, 2015
Carrying value of inventory:		
Doré	**$ 949**	$ 1,051
Work-in-process	**137**	112
Concentrate purchased	**131**	-
Stockpile	**22**	118
Supplies	**677**	756
	$ 1,916	$ 2,037

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

7. Mining Interest, Plant and Equipment

		Mining Interest		Plant and Equipment		Corporate Office Equipment		Total
Cost								
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
Additions		1,147		740		122		2,009
Acquisition of Cortez assets		-		6,040		54		6,094
Write-down of equipment		-		-		(4)		(4)
Effect of foreign exchange		5,903		1,991		-		7,894
Balance, January 31, 2016	**$**	**76,109**	**$**	**27,827**	**$**	**649**	**$**	**104,585**
Depreciation								
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
Depreciation for the period		2,675		661		95		3,431
Write-down of equipment		-		-		(1)		(1)
Effect of foreign exchange		3,338		680		-		4,018
Balance, January 31, 2016	**$**	**36,293**	**$**	**9,533**	**$**	**368**	**$**	**46,194**
Carrying amounts								
Balance, July 31, 2015	$	38,779	$	10,864	$	203	$	49,846
Balance, January 31, 2016	**$**	**39,816**	**$**	**18,294**	**$**	**281**	**$**	**58,391**

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

8. Exploration and Evaluation Assets

	AJC Properties	**Creston Properties**	**Total**
Acquisition costs:			
Balance, August 1, 2014	$ -	$ -	$ -
Acquisition Payments	1,079	2,001	3,080
Balance, July 31, 2015 and January 31, 2016	$ 1,079	$ 2,001	$ 3,080
Exploration costs:			
Balance, August 1, 2014	$ -	$ -	$ -
Geological	2	1	3
Land taxes	10	-	10
Maintenance	13	225	238
Balance, July 31, 2015	$ 25	$ 226	$ 251
Geological	-	57	57
Legal fees	-	201	201
Maintenance	61	88	149
Balance, January 31, 2016	**$ 86**	**$ 572**	**$ 658**
Effect of foreign exchange	110	56	166
Total exploration and evaluation assets			
Balance, July 31, 2015	$ 1,184	$ 2,227	$ 3,411
Balance, January 31, 2016	**$ 1,275**	**$ 2,629**	**$ 3,904**

a) American Consolidated Minerals ("AJC") properties

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 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.

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

a) AJC properties – (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) Creston Moly ("Creston") properties

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.

8. Exploration and evaluation assets – (cont'd)

b) Creston properties – (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% 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.

9. Loan payable

In November, 2015, the Company completed a private placement of secured bonds in the aggregate principal amount of CDN $4,500 ("the Bonds"). The Bonds bear interest of 8% per annum, payable on November 12, 2016. The Bonds are secured against all of the Company's asset that ranks pari passu with the existing debt obligations of the Company.

The proceeds from the sale of the Bonds will be used primarily for the purchase of concentrates for treatment at the Altiplano processing plant in Matehuala, Mexico owned by Starcore's wholly-owned subsidiary, Cortez Gold Corp., and for mine and mill upgrades at Starcore's San Martin Mine.

During the year ended July 31, 2015, the Company secured a USD $1,000 (CDN $1,305) loan with a lender. The funds were used to advance the Altiplano Project (note 3). 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) – (Unaudited)

9. Loan payable – (cont'd)

	Principal	Interest	Discount	Total
Balance, July 31, 2015	$ 1,305	$ -	$ -	$ 1,305
Financing, November 17, 2015	4,500	-	(90)	4,410
Interest accrual	-	154	-	154
Unwinding of discount	-	-	20	20
Foreign exchange adjustment	103	-	-	103
Balance, January 31, 2016	**$ 5,908**	**$ 154**	**$ (70)**	**$ 5,992**

	January 31, 2016	July 31, 2015
Non-Current	**$ 1,483**	$ 1,305
Current	**4,509**	-
	$ 5,992	$ 1,305

During the period ending January 31, 2016, the Company settled debt that was acquired by acquisition of Cortez (note 3). The Company paid $650 (USD$500) and interest of $97 (USD $75) to settled debt with its vendors.

10. Rehabilitation and Closure Cost Provision

The Company's asset retirement obligations consist of reclamation and closure costs for the mine. At January 31, 2016, the present value of obligations is estimated at $1,155 (July 31, 2015 - $1,162) based on expected undiscounted cash-flows at the end of the mine life of 19,195,000 MP or $1,485 (July 31, 2015 - $1,615), which is calculated annually over 5 to 10 years. Such liability was determined using a discount rate of 8% (July 31, 2015 – 8%) and an inflation rate of 3.5% (July 31, 2015 – 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 period are as follows:

	January 31, 2016	July 31, 2015
Balance, beginning of year	**$ 1,162**	$ 1,128
Accretion expense	**41**	79
Foreign exchange fluctuation	**(48)**	(45)
	$ 1,155	$ 1,162

11. 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.

In December 2015, the Company's Board of Directors approved a resolution consolidating the Company's share capital on the basis of one new share for up to every four outstanding shares of the Company. The Company received acceptance from regulatory authorities and commenced trading on a consolidated basis effective December 14, 2015. The 4:1 share consolidation has been presented throughout the consolidated financial statements retroactively.

During the period ended January 31, 2016, the following transactions were recorded:

- On September 3, 2015, the Company issued 3,993,202 Subscription Receipts (the "Receipts"), to settle the 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 $0.56 per Receipt. The Receipts were convertible into one common share of the Company upon receipt of shareholder approval. On January 19, 2015, the shareholders approved the conversion of the Receipts into common shares and as a result the Company issued 3,993,203 shares to the Receipt holders.

- 7,166,887 shares were issued pursuant to the plan of arrangement at $0.42 whereby the Company acquire all of the outstanding common shares of Cortez Gold Corp.

During the year ended July 31, 2015, the Company issued:

- 643,750 shares pursuant to the exercise of options at $0.60 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.

- 1,464,095 shares pursuant to the plan of arrangement at $0.52 whereby the Company acquire all of the outstanding common shares of AJC.

b) Warrants

During the year ended July 31, 2015, the Company issued 139,284 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 $1.20 until June 16, 2016.

No warrants were issued during the period ended January 31, 2016.

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

11. Share Capital – (cont'd)

b) Warrants – (cont'd)

A summary of the Company's outstanding share purchase warrants at January 31, 2016 and July 31, 2015 and the changes during the period then ended is presented below:

	Number of warrants	Weighted average exercise price
Outstanding at July 31, 2014	-	$ -
Warrants issued	139,284	1.20
Outstanding at July 31, 2015 & January 31, 2016	**139,284**	**$ 1.20**

A summary of the Company's outstanding warrants at January 31, 2016 is as follows:

Number Outstanding	Weighted Average Price	Weighted Average Life
139,284	$1.20	0.38

c) Dividend Paid and Declared

During the year ended July 31, 2015, 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.

d) 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 period ended January 31, 2016.

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, 2014, 2015 and January 31, 2016:

	Number of Shares	Weighted Average Exercise Price
Balance at July 31, 2014	4,650,000	$0.92
Exercised	(643,750)	$0.60
Forfeited/expired	(1,160,000)	$0.64
Outstanding and Exercisable at July 31, 2015 & January 31, 2016	**2,846,250**	**$1.08**

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

11. Share Capital – (cont'd)

d) Share-based Payments – (cont'd)

The following is a summary of the Company's outstanding options at January 31, 2016:

Number Outstanding	Weighted Average Exercise Price	Weighted Average Life
37,500	$0.60	0.26
100,000	$0.80	0.96
485,000	$1.00	0.99
812,500	$1.48	1.20
200,000	$1.00	2.56
68,750	$0.80	2.56
50,000	$0.92	2.60
50,000	$1.00	2.61
1,042,500	$0.88	2.96
2,846,250	$1.07	1.93

During the period ended January 31, 2016, the Company had share-based compensation expense of $nil (January 31, 2015: $111). These amounts have been expensed as follows:

For the period ended January 31,	**2016**	2015
Cost of Sales – Mined ore	**$** -	$ 13
Management fees and salaries	-	92
Office and administration	-	6
	$ -	$ 111

12. 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.

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

12. Financial Instruments – (cont'd)

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 January 31, 2016, the Company had the following financial assets and liabilities denominated in CAD and denominated in MP:

In '000 of	CDN Dollars		MP	
Cash	$	830	MP	22,263
Long term liabilities	$	4,509		-
Other working capital amounts - net	$	3,492	MP	90,150

At January 31, 2016, US dollar amounts were converted at a rate of $1.408 Canadian dollars to $1 US dollar and MP were converted at a rate of MP18.21 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 $213. A 10% increase or decrease in the MP exchange rate will decrease or increase annual earnings from mining operations by approximately $78.

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 January 31, 2016 is $3,495 (July 31, 2015 - $3,370) and $6,996 (July 31, 2015 - $2,615), respectively. Cash of $1,943 (July 31, 2015 - $1,371) and short-term investments of $2,075 (July 31, 2015 - $Nil) are held at a Mexican financial institution, the remainder of $1,552 (July 31, 2015 - $1,999) and the short-term investment of $4,921 (July 31, 2015 - $2,615) 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 $2,931 and GST receivable of $41, which are subject to review by the respective tax authority.

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

12. Financial Instruments – (cont'd)

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 January 31, 2016, the Company was holding cash of $3,495 (July 31, 2015 - $3,370) and short-term investments of $6,996 (July 31, 2015 - $2,615).

Obligations due within twelve months of January 31,	2016	2017	2018	2019	2020 and beyond
Trade and other payables	$ 1,660	$ -	$ -	$ -	$ -
Current portion of loan payable	4,509	-	-	-	-
Non-current portion of loan payable	-	1,483	-	-	-
Reclamation and closure obligations	-	-	-	-	1,155

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 $1,100 in revenue and net income.

13. Commitments

Except as disclosed elsewhere in these consolidated financial statements, the Company has the following commitments outstanding at January 31, 2016:

a) As at January 31, 2016, 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 January 31, 2016, the Company has a land lease agreement commitment with respect to the land at the mine site, for $132 per year until December 2017. The Company also has ongoing commitments on the exploration and evaluation assets of approximately $220 per year.

c) As at January 31, 2016, 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) – (Unaudited)

14. Capital Disclosures

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the consolidated statements of changes in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

15. 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	January 31, 2016 Total
Revenue	**$ 14,658**	**$ -**	**$ -**	**$ 14,658**
Earnings (loss) for the period	**(1,715)**	**2,492**	**25**	**802**
Mining interest, plant and equipment	**58,110**	**281**	**-**	**58,391**
Non-Current assets	**64,605**	**2,464**	**256**	**67,325**
Total assets	**76,406**	**5,618**	**2,037**	**84,061**

	Mexico	Canada	USA	January 31, 2015 Total
Revenue	$ 14,812	$ -	-	$ 14,812
Earnings (loss) for the period	1,467	(713)	-	754

	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	53,642	2,545	205	56,391
Total assets	63,590	4,786	821	69,197

During the period ended January 31, 2016, the Company earned all of its revenues from one customer. As at January 31, 2016, 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 January 31, 2016 was $Nil (July 31, 2015 - $Nil).

(in thousands of Canadian dollars unless otherwise stated) – (Unaudited)

16. Earnings per Share

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

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

	For the three months ended January 31,		For the six months ended January 31,	
	2016	2015	**2016**	2015
Issued common share, beginning of period	**45,153,648**	36,522,616	**37,986,761**	35,878,866
Weighted average issuances	**520,853**	970,759	**7,154,660**	1,035,957
Basic weighted average common shares	**45,674,501**	37,493,375	**45,141,421**	36,914,823
Effect of dilutive warrants and options	**-**	-	**-**	-
Diluted weighted average common shares	**45,674,501**	37,493,375	**45,141,421**	36,914,823

Vested share purchase options totalling 2,846,250 and share purchase warrants totalling 139,284 at January 31, 2016 were not included in the computation of diluted earnings per share as the effect was anti-dilutive.

17. Subsequent event

Subsequent to the period ending January 31, 2016, the Company entered into a Binding Agreement (“Agreement”) to sell the San Pedrito Property located in Queretaro, Mexico. The sale is expected to net the Company approximately USD $7 Million. The Agreement requires the buyer to deposit 50 million Mexican Pesos (“MP”) (approximately USD $2.8 million), which has been received in trust pending various confirmations, including compliance with state and municipal regulations and evidence that the property is in good standing.

The agreement is subject to a 50 million MP penalty clause in case of non-performance that will be effective if either the purchaser does not pay the owed amount when all the conditions have been met or if the Company does not wish to continue with the sale. Upon receipt of the required confirmations, the agreement provides for the subject conditions to be removed and the balance of funds to be paid immediately to the Company.

The San Pedrito property was part of Starcore’s original acquisition in 2007, when the Company acquired the San Martin Mine from Goldcorp for USD $26 million.