MANAGEMENT DISCUSSION & ANALYSIS
For the quarter ended April 30, 2008

Directors and Officers as at June 10, 2008:

Directors:

Gary Arca
Robert Eadie
Gary Hawthorn
Charles Jeannes
Cory Kent
Juan Carlos Galvan Pastoriza
Arturo Prestamo
Ken Sumanik
Federico Villaseñor

Officers:

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

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Form 51-102-F1

STARCORE INTERNATIONAL MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS
For the Quarter Ended April 30, 2008

1. Date of This Report

This MD&A is prepared as of June 10, 2008.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of Starcore International Mines Ltd. ("Starcore", or the "Company") for the quarter ended April 30, 2008. **Monetary amounts throughout this MD&A are shown in thousands of Canadian dollars, unless otherwise stated.**

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

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. Effective February 1, 2008, the Company changed its name to Starcore International Mines Ltd.

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, 2007		July 31, 2006		July 31, 2005
Revenues	**$**	**18,499**	$	-	$	-
Cost of Sales		**12,324**		-		-
Earnings from mining operations		**6,175**		-		-
Administrative Expenses		**6,850**		919		693
Loss before extraordinary items						
(i) Total loss	**$**	**2,218**	$	890	$	679
(ii) Loss per share - basic	**$**	**0.06**	$	0.07	$	0.07
(iii) Loss per share - diluted	**$**	**0.06**	$	0.07	$	0.07
Net loss						
(i) Total loss	**$**	**2,218**	$	890	$	679
(ii) Loss per share - basic	**$**	**0.06**	$	0.07	$	0.07
(iii) Loss per share - diluted	**$**	**0.06**		0.07		0.07
Total assets	**$**	**50,109**	$	8,700	$	2,021
Total long-term liabilities	**$**	**18,903**		-		-
Cash dividends declared per-share		**N/A**		N/A		N/A

4. Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the unaudited consolidated financial statements of the Company and notes attached hereto for the quarter ended April 30, 2008.

4.1 San Martín Mine, Queretaro, Mexico

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

Under the terms of the Acquisition, Luismin has operated the San Martin mine on behalf of the Company until January 31, 2008. The Company has paid all costs incurred by Luismin plus fees for services and overhead. Also, the Company has agreed to grant Goldcorp a security interest over the Bernal mining properties as collateral to ensure that Bernal maintains an agreement to sell all silver produced from the mine to Goldcorp until October, 2029, at the prevailing spot market rate at the time of sale.

A more detailed discussion of the Acquisition and related consideration, financing and allocation of purchase price can be found in the July 31, 2007 audited consolidated financial statements and management discussion and analysis of the Company which were filed on SEDAR on October 29, 2007.

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 three units under exploration, as well as an additional exploration property, San Pedrito, located 50 km west of San Martin. Luismin has been operating the mine since 1993 and Starcore will continue to operate the mine over an expected mine life of at least 12 years based on conversion of known resources. Mining at San Martin over the past eight years has been at a rate of approximately 267,000/tonnes per year. Exploration is able to maintain approximately four years reserves replacing those mined with new reserves.

As of December 31, 2006, reserves and resources at San Martin as reported in “A Technical Review of the San Martin Project for Starcore International Ventures Ltd.” dated September 27, 2006, and revised March 23, 2007, prepared by Watts, Griffis & McOuat Limited (the “Technical Report”), were as follows:

Classification	Tonnes (000’s)	Gold (g/t)	Silver (g/t)	Gold (000’s of oz)	Silver (000’s of oz)	Gold Equiv. (000’s of oz)
Reserve:						
San Martin Mine						
Proven	320	3.26	33	34	340	41
Probable	713	3.85	48	88	1,100	110
Total Reserve	**1,033**			**122**	**1,440**	**151**
Resource:						
San Martin Mine						
Inferred	1,881	3.75	58	227	3,508	297
San Pedrito						
Inferred	1,125	0.63	221	23	7,994	183
Total Resource	**3,006**			**250**	**11,502**	**480**

- Total Proven and Probable Mineral Reserves estimated are 1,032,767 tonnes at a grade of 43 g Ag/t and 3.66 g Au/t, yielding approximately 44,574 kg of Ag and 3,784 kg of Au., using cut-off grades based on total operating costs of US$30.18/t and cut off values for silver of US$7.00 per troy ounce and for gold of US$450 per troy ounce;
- The total Inferred Mineral Resources estimated and not included in the Mineral Reserves stated above are about 1.88 million tonnes at an approximate grade of 60 g Ag/t and 3.75 g Au/t;
- In addition to the Mineral Reserves and Mineral Resources disclosed above, the total Inferred Mineral Resources estimated for San Pedrito are about 1.125 million tonnes at an approximate grade of 221 g Ag/t and 0.63 g Au/t; and
- A 50:1 silver to gold equivalency ratio was used to calculate gold equivalent ounces.

See the Technical Report, available on SEDAR, for further information on the San Martin Mine. Management is currently updating the reserves and resources with a view to reporting the updated amounts by next quarter.

Production

The quarter ended April 30, 2008, represents the Company’s fifth quarter of mining operations and San Martin’s 15th year of production. Management of Luismin operated San Martin under an Interim Services Agreement (“ISA”) to January 31, 2008. As at February 1, 2008 Starcore has assumed full responsibility for mine management, and all other activities required in the operation of the mine.

The following table is a summary of mine production statistics for the San Martin mine for the quarter ended April 30, 2008 and the cumulative complete year completed January 31, 2008, since acquisition:

(Unaudited)	***Unit of measure***	**Actual results for 3 months ended April 30, 2008**	**Actual results for year ended January 31, 2008**
Production of Gold in Dore	*thousand ounces*	**4.1**	**24.1**
Production of Silver in Dore	*thousand ounces*	**30.3**	**213.1**
Equivalent ounces of Gold*	*thousand ounces*	**4.65**	**28.2**
Gold grade	*grams/tonne*	**2.17**	**3.23**
Silver grade	*grams/tonne*	**24**	**46**
Gold recovery	*percent*	**87**	**90**
Silver recovery	*percent*	**59**	**56**
Milled	*thousands of tonnes*	**67.0**	**258.1**
Mine development, preparation and exploration	*meters*	**1,248**	**5,350**
Operating Cost per tonne milled	*US dollars/tonne*	**34**	**33**
Operating Cost per Equivalent Ounce	*US dollars/tonne*	**487**	**301**
Number of employees and contractors at minesite		**254**	**249**

* assuming a 50:1 silver to gold equivalency ratio

During the quarter ended April 30, 2008, the mill operated at a capacity of approximately 728 milled tonnes/day, which approximates the production in the prior year to January 31, 2008. Gold and silver grades were lower at 2.17 g/t and 24 g/t, respectively, compared with the prior year's grades averaging 3.23 g/t and 46 g/t, respectively; however, the grades in the current quarter have improved over the prior quarter ore grades of 2.04 g/t of gold and 24 g/t of silver, respectively. Overall equivalent gold production was lower at 4,650 ounces, compared to the prior year's average of 7,050 ounces per quarter; however, production this quarter was higher than the previous quarter production of 4,400 ounces. The overall decrease is due to lower ore grades in the quarter. The lower ore grades resulted primarily from a temporary loss of access to ore bodies 30 to 31 as a result of redevelopment of the access ramp during November, December and January. The Company historically mined higher grade ore from these ore bodies and these ore bodies were back into full production by April for ore bodies 30 and 31. The Company increased production on the San Martin ore body to mitigate some of the lower metal production from the loss of the higher grade ore from ore bodies 29 to 31. The Company was also able to exploit resources from the recently discovered Guadalupe vein in the San Martin ore body and extracted 8,115 tonnes grading 3.18 g/t gold and 26 g/t silver.

As a result of the lower ore grade and increased milled ore production, production costs of the mine were higher at US$487/EqOz. from the average of US$301/EqOz. over the year ended January 31, 2008, but decreased slightly from US$490/EqOz in the prior quarter. 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 over the next 3 years. The mine is meeting or exceeding targeted development meters in order to ensure future production. Changes to the plan that may involve increased production and capital investment are continually being assessed by Starcore management. Currently, the Company is continuing the development of Guadalupe vein (see Property Activity). Management expects the ore from this zone and of ore bodies 28 to 31, to be of a higher grade and, therefore, the Company should increase metal production over the next quarters.

During the quarter ended April 30, 2008, the Company incurred approximately US$1,392 in mine capital expenditures, including US$837 in mine development drifting and drilling, US$475 in machinery and equipment leases and purchases and US$80 on construction and tailings dam remediation. Additionally, for the year ended January 31, 2008, the Company incurred approximately US$4,094 in mine capital expenditures.

In addition to the Company's mining operations at San Martin, Starcore has agreements to purchase concentrate ore from two surrounding mines and charges a processing and marketing fee as a reduction of purchase price paid based on assays of the concentrate. These agreements are not binding and may be cancelled or renegotiated based on changing operating conditions.

Sales of Metal produced by the milled ore from the mine, along with purchased ore concentrate, over the April 30, 2008, quarter of operations approximated 4,620 ounces of gold and 105,000 ounces of silver sold at average prices in the period of US$782 and US$17.94 per ounce, respectively. The sales of metal over the nine month period ended April 30, 2008 approximated 19,350 ounces of gold and 313,500 ounces of silver sold at average prices in the period of US$740 and US$15.30 per ounce, respectively. The gold average price realized was decreased in the nine month period due to the sale of 10,052 ounces of gold pursuant to existing gold sales contracts which are fixed at US$731 per ounce, payable based on the month end London Metals Exchange spot gold price. The Company has forward sales remaining at April 30, 2008 of 65,132 ounces at the rate of approximately 1,100 ounces per month until January 31, 2013.

4.2 <u>Property Activity</u>

San Martin properties – Queretaro, Mexico

The San Martin mine properties are comprised of mining concessions covering 12,992 hectares, including the San Pedrito property located approximately 50km west of the San Martin mine. In addition to the ongoing mine exploration and development that is currently being performed in development of the mine, management is currently assessing the potential for further exploration and development of the San Martin properties. Exploration plans are continually being evaluated with a view to determining specific targets and an exploration budget.

The Company is continuing to develop and mine the Guadalupe vein at San Martin. Nine underground diamond drill holes (SM – 16 to – 24) have tested the down dip and strike extension of the structure. Four holes intersected the vein with economical values, as reported in the Company's news release dated March 25, 2008 and April 1, 2008. A new diamond drilling station has recently been completed and drilling will commence within the next month.

The cross sections and three dimensional models can be viewed at the Company's website at www.starcore.com.

Mineral Property – Cerro de Dolores

The Company entered into an option agreement effective December 15, 2003, and amended July 23, 2007, with Wheaton River Minerals Ltd. and two of Wheaton's subsidiaries, Luismin and Compañia Minera Astumex, S.A. de C.V. (collectively, "Goldcorp") for the acquisition of up to an 80% interest in the Cerro de Dolores property (the "Agreement") subject to a 3% net smelter return royalty.

In order to exercise an initial option and acquire a 51% interest in the property, the Company must issue a total of 250,000 post consolidation common shares and incur US$1.4 million in exploration expenditures on the property over a four year period as follows:

- 100,000 common shares upon TSX Venture Exchange (the "Exchange") acceptance of the Agreement on June 23, 2004 (issued at $0.50);
- an additional 50,000 common shares (issued at $0.50) and US$300 in exploration expenditures on or before June 23, 2005 (incurred);
- an additional 100,000 common shares (issued at $0.52) and US$300 in exploration expenditures on or before June 23, 2008;
- an additional US$300 in exploration expenditures on or before June 23, 2009; and
- the final US$500 in exploration expenditures on or before June 23, 2010.

Proposed Exploration Program and Future Plans

As at April 30, 2008 the Company has incurred approximately US$475 in direct work expenditures on the property. Management has estimated that the Company will incur the required exploration expenditures on the property in the remainder of this fiscal year.

Developments

In June, 2005, the Company announced that it had completed the surface sampling and short hole percussion drilling program. 332 surface samples were taken and 1136 meters were drilled in 87 holes. The work program was divided between the El Transito deposit and the investigation of “outside targets” which had been identified by previous operators but never subjected to modern exploration. At El Transito, 25 surface samples were taken and 32 short holes drilled in an effort to locate and evaluate the mineralization along strike to the northeast. Samples from this program will also be used for metallurgical testing. The existing resource at El Transito has been estimated by previous operators at 479,897 tonnes grading 147 grams per tonne silver, 1.9% lead and 5.9% zinc. This is an historical estimate and is not compliant with NI 43-101. Drilling during Phase 1 at El Transito was restricted by rig capability to the upper zinc-rich portions. Several of the prospects tested demonstrated sufficient grade and strike and depth continuity to represent legitimate targets for diamond drilling. The majority are in east-west structural zones in limestone overlying phyllitic rocks similar to those which host the El Transito Deposit and may represent important “leakage anomalies” caused by buried replacement-style mineralization.

4.3 Results of Operations

The loss for the nine months ended April 30, 2008 was $1,172 as compared with a loss of $2,495 for the nine months ended April 30, 2007. The details of the Company's operating results and related revenues and expenses are as follows:

For the nine months ended April 30,	2008	2007	Variance
Revenues			
Mined ore	$ **12,393**	$ 6,393	$ **6,000**
Purchased ore	**7,674**	2,874	**4,800**
	20,067	9,267	**10,800**
Cost of Sales			
Mined Ore	**7,166**	2,654	**4,512**
Purchased ore	**7,502**	2,641	**4,861**
Reclamation and closure	**55**	19	**(14)**
Amortization and depletion	**1,623**	744	**879**
	16,346	6,058	**10,288**
Earnings from mining operations	**3,721**	3,209	**512**
Administrative Expenses			
Amortization	**29**	15	**14**
Stock-based compensation	**1,107**	1,520	**(413)**
Interest on long-term debt	**624**	313	**309**
Financing fees	**118**	1,221	**(1,103)**
Professional and consulting fees	**221**	178	**43**
Management fees and salary	**537**	134	**403**
Office, travel and miscellaneous	**817**	536	**281**
Shareholder relations	**367**	605	**(238)**
Transfer agent and regulatory fees	**38**	90	**(52)**
	3,858	4,613	**(755)**
Income (loss) before other income (expense) and taxes	**(137)**	(1,404)	**1,267**
Other income (expense)			
Foreign exchange	**28**	(44)	**72**
Investment and interest income	**99**	274	**(175)**
Write-off of mineral property	**-**	(239)	**239**
Current income taxes	**12**	(33)	**(45)**
Future income tax	**1,150**	(1,049)	**(2,199)**
Net income (loss) for the period	$ **(1,172)**	$ (2,495)	$ **1,323**

During the period ended April 30, 2008, the Company had earnings from mining operations of $3,639. Revenues included sales of gold and silver at spot market prices and based on gold sales contracts as discussed under *section 4.1 - "production"* above. The Company also earned a net profit of $172 from the purchase and sale of ore concentrate from surrounding mines. The cost of sales above includes non-cash costs for reclamation, amortization and depletion of $1,623 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 (excluding San Pedrito) 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.

Due to the acquisition of the San Martin mine on February 1, 2007, the Company's activities are significantly different from those of the comparative period ended April 30, 2007. During the period ended April 30, 2007, the Company had acquired San Martin and, in addition to nine months of expenditures related only to corporate office activities, had incurred $1,121 of San Martin acquisition costs. Operations included only one quarter of mine operations at April 30, 2007, compared to three quarters to April 30, 2008. The one quarter of operations to April 30, 2007, produced earnings from mine operations of $3,209 compared to $3,721 for the three quarters ended April 30, 2008. This was due mainly to significantly higher ore grades averaging 3.93 g/t gold and 58 g/t of silver at an average cost of US$244/EqOz compared to grades of approximately

2.54 g/t and 32 g/t, respectively, in the current nine month period ended April 30, 2008, at an average cost of US$390/EqOz.

Cost increases for the period ended April 30, 2008 related to the ongoing operational activity of the Company due to this acquisition include:

- Office, travel and miscellaneous expenses of $817, an increase of $281 over the prior year;
- Professional and consulting fees of $221 and management fees of $530, increases of $43 and $403, respectively, due to the employment of services of additional officers as well as the use of consultants since the commencement of mine operations;
- Transfer agent and regulatory fees of $38, a decrease of $52 over the prior period due to the acquisition and financing costs incurred concurrent with the mine acquisition in January 2007; and
- Current and future income taxes of $1,162, includes non-cash adjustments at the consolidation of the entities to account for differences between the tax and the accounting base of assets and liabilities. It has not been determined if Bernal will be liable for Mexican corporate income taxes due to the application of existing losses carried forward from prior years and additional temporary taxable deductions available to the company.

The next most significant administrative expense was the non-cash stock based compensation expense of $1,107 for the period ended April 30, 2008, representing a decrease of $413 over the comparative period. This amount reflects the fair value calculated of the stock options granted and vested during the period. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. The decrease over the prior period was due mainly to the higher up front April 30, 2007, expense recognized on the fair value of 8,605,822 options granted on December 20, 2006, January 22, 2007, February 2, 2007 and July 10, 2007, and 1,250,000 options granted on October 24, 2007 which were estimated to be $5,209 and $567 respectively amortized over 18 months in accordance with Company vesting policy.

Corporate activity for the period ended April 30, 2008, resulted in the following significant changes from the period ended April 30, 2007 as follows:

- Shareholder relations of $367, a decrease of $238 due to higher promotional activities, conferences and travel incurred due to the acquisition of the mine in 2007;
- Interest expense on long term debt increased by $311 to $624 as April 30, 2007 included only three months of interest on US$13million of debt compared to nine months of interest on approximately US$10million of debt for the period ended April 30, 2008;
- Financing fees decreased by $1,103 to $118 as the complete cost of acquisition financing of $1,121 was expensed in the quarter ended April 30, 2007;
- Investment and interest income of $99, a decrease of $175 as the Company had significant funds on hand at April 30, 2007 related to the acquisition of Bernal.

Cash flow from operating activities was $3,906 during the period ended April 30, 2008, and $1,356 for the quarter then ended. Cash flow increased in the current quarter to $1,356 from $1,048 in the second quarter due mainly to higher cash flow from mine operations. Cash flow from operating activities is determined by removing non-cash expenses from the net loss and adjusting for non-cash working capital amounts. Overall cash and equivalents decreased during the nine months ended April 30, 2008 by $4,703 due mainly to the payment of US$3,578 of debt principal and the investment in mining interest, plant and equipment and in mineral properties of $4,661.

Investor Relations Activities

During the period ended April 30, 2008, the Company directly responded to investor inquiries. The Company also engaged the services of Michael Baybak and Company Inc. To conduct institutionally-oriented investor relations programs on behalf of the Company for three months to December 2007 at US$3.5 per month.

Financings, Principal Purposes & Milestones

During the nine months April 30, 2008, the Company issued 100,000 common shares at a fair value of $0.52 pursuant to the Cerro de Dolores property option agreement.

5. Summary of Quarterly Results

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

	Q3 30-Apr-08	Q2 31-Jan-08	Q1 31-Oct-07	Q4 31-Jul-07	Q3 30-Apr-07	Q2 31-Jan-07	Q1 31-Oct-06	Q4 31-Jul-06
Total Revenue	$ 7,218	$ 5,224	$ 7,625	$ 9,232	$ 9,267	$ -	$ -	$ -
Earnings from mining operations	$ 1,226	$ 420	$ 2,075	$ 3,121	$ 3,054	$ -	$ -	$ -
Net Income (loss):								
Total	$ 218	$ (1,883)	$ (639)	$ 352	$ (1,683)	$ (782)	$ (108)	$ (330)
Per share – basic and diluted	$ 0.00	$ (0.03)	$ (0.01)	$ 0.01	$ (0.03)	$ (0.06)	$ (0.01)	$ (0.03)

Discussion

The Company reports income for the quarter of $218 compared to loss in the prior quarter ended January 31, 2008 of $1,883. The improved results for the quarter result mainly from the reduction of administrative expenses, including lower stock based compensation costs of $260 compared to $958 in the prior quarter, coupled with improved earnings from mining operations of $1,226 compared to $420 in the prior quarter. The improved earnings from mining operations were due mainly to improved ore grades and higher production. For more detailed discussion on the quarterly production results and financial results for the period ended April 30, 2008, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

6. Liquidity

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

A term of the US$13 million (US$3,575 was repaid in the nine months ended April 30, 2008) Loan financing undertaken pursuant to the Acquisition requires that the Company fund a Debt Service Reserve Account ("DSRA"), which will maintain a balance equal to six months loan principal and interest at all times. Investec has agreed to a fixed funding commitment of US$500. The Company anticipates that it will have sufficient funds on hand in order to fund the DSRA over the next year in addition to making its loan principal and interest payments. The principal due over the twelve months ended April 30, 2009 of $1,904 is shown as a current liability on the Company's balance sheet and is included in the working capital of the Company at April 30, 2008.

As at April 30, 2008, the Company had a working capital of $938. The Company's historical capital needs have been met by equity subscriptions. The Company may require additional financing to fund future acquisitions and exploration; however, future operating cash flow is expected to be generated from the San Martin mine. The Company anticipates funding future acquisitions, property investigations, exploration programs and anticipated administrative and overhead expenses through operating cash flow and, possibly, through additional equity subscriptions, such as private placements, and through the exercise of warrants and options. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions or exercise of warrants and options will be possible at the times required or desired by the Company.

The Company has the following commitments:

a) In addition to funding of the DSRA account, as stated above, principal due over future fiscal years are as follows:

Principal due for the fiscal year ended:		
July 31, 2008	$	**458**
2009		**2,290**
2010		**1,964**
2011		**1,244**
2012		**2,094**
2013		**1,443**
	$	**9,493**

b) In order to exercise an initial option and acquire a 51% interest in Cerro de Dolores, the Company must issue a total of 250,000 common shares and incur US$1.4 million in exploration expenditures on the property over a four year period as follows:

- 100,000 common shares upon TSX Venture Exchange (the "Exchange") acceptance of the Agreement on June 23, 2004 (issued at $0.50);
- an additional 50,000 common shares (issued at $0.50) and US$300 in exploration expenditures on or before June 23, 2005 (incurred);
- an additional 100,000 common shares (issued at $0.52) and US$300 in exploration expenditures on or before June 23, 2008;
- an additional US$300 in exploration expenditures on or before June 23, 2009; and
- the final US$500 in exploration expenditures on or before June 23, 2010.

7. <u>Capital Resources</u>

The capital resources of the Company are the mining interests, plant and equipment as well as the mineral properties, with amortized historical costs of $37,318 and $806 as at April 30, 2008, respectively. The Company is committed to further expenditures of capital required to maintain and to further develop the San Martin mine which management believes will be funded directly from the cash flow of the mine. In addition, the Company is committed to capital expenditures required to maintain Mineral properties in good standing, as detailed in *Section 4*.2.

8. <u>Off Balance Sheet Arrangements</u>

In conjunction with the Acquisition, the Company has agreed to grant Goldcorp Inc. a security interest over the Bernal mining properties as collateral to ensure that Bernal maintains an agreement to sell all silver produced from the mine to Goldcorp Inc. until October, 2029, at the prevailing spot market rate at the time of the silver sale.

The Loan agreement entered into on the Acquisition required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US$731 per ounce until January, 2013. These gold sales contracts are excluded from the definition of derivatives because the obligation will be met by the physical delivery of gold and the Company's practices, productive capacity and delivery intentions are consistent with the definition of normal sales contracts in accordance with the Company's Revenue Recognition Policy in Note 2 of the Company's annual audited consolidated financial statements at July 31, 2007. The Mark-to-market value of the remaining gold sales contracts as at April 30, 2008 for the sale of 65,132 ounces to January 31, 2013, was negative $12,292.

9. Transactions with Related Parties

There were no material reportable Related Party transactions.

10. Third Quarter

The third quarter results differ significantly from prior year quarters but is comparable to the previous 3 quarters due to mine operating activity upon the acquisition of the San Martin mine discussed throughout this MD&A. While mine operating activity is comparable to the prior four quarters, ending January 31, 2008, the acquisition of the mining operations, as detailed in Section 4.1, resulted in significant operating expenses unique to these quarters.

11. Critical Accounting Estimates

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Pursuant to the Acquisition of Bernal, the Company has adopted many accounting policies which were not formerly applicable or material to report, which are presented in notes 2, 3, 11 and 14 of the Company's July 31, 2007 audited consolidated financial statements.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of these financial statements requires management to make estimates and assumptions. The most significant ones include, but are not limited to: the recoverability of amounts receivable; mining asset economic life and expected life of mine, including estimated recoverable tonnes of ore from the mine; quantities of proven and probable gold reserves; the value of mineralized material beyond proven and probable reserves; future costs and expenses to produce proven and probable reserves; future commodity prices and foreign currency exchange rates; the estimated realizable value of inventories; the future cost of asset retirement obligations; the anticipated costs of reclamation and closure cost obligations; the amounts of contingencies; and assumptions used in the accounting for employee stock options such as volatility, expected term and risk free interest rate. Using these estimates and assumptions, management makes various decisions in preparing the financial statements including:

- The treatment of mine development costs as either an asset or an expense;
- Whether long-lived assets are impaired, and if so, estimates of the fair value of those assets and any corresponding impairment charge;
- The ability to realize deferred income tax assets;
- The useful lives of long-lived assets and the measurement of amortization;
- The fair value of asset retirement obligations;
- The likelihood of loss contingencies occurring and the amount of any potential loss;
- Whether investments are impaired; and
- The amount of stock option expense.
- Financial instruments

As the estimation process is inherently uncertain, actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the financial statements. The accounting policies of the Company as presented in notes 2, 3, 11 and 14 of the Company's July 31, 2007 audited consolidated financial statements should be reviewed in conjunction with the critical estimates identified by management above.

Management has identified the following critical accounting policies and estimates as described in the Notes mentioned above:

Income taxes

Income taxes are accounted for using the future income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

Mining interest, plant and equipment

Mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued. Mine development costs incurred to maintain current production are included in 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.

Depletion of mine properties is charged on a unit-of-production basis over proven and probable reserves and a portion of resources expected to be converted to reserves. Depreciation of plant and equipment is calculated based on the lesser of economic life or expected life of mine. 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.

Costs related to property acquisitions are capitalized. When it is determined that a property is not economically viable, the capitalized costs are written off. The economic viability of properties are determined based on expected future cash flows. Future cash flows are estimated based on expected future production quantities and costs, commodity prices, interest rates, and annual operating and capital expenditures.

Reclamation and closure cost obligations

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company has recorded a liability for the estimated reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs, discounted to net present value. Such estimates are, however, subject to change based on negotiations with regulatory authorities, or changes in laws and regulations.

Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's shares, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate, as determined at the grant date. The estimated fair value of awards of stock-based compensation are charged to expense over their vesting period, with offsetting amounts recognized as contributed surplus. Options granted to consultants are revalued each vesting date, using the Black Scholes model, and charged over the next vesting period accordingly. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Black-Scholes option valuation model, as with other models, require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

12. Changes in Accounting Policies Including Initial Adoption

There have been no changes or initial adoptions of accounting policies in the quarter ended April 30, 2008

13. Financial and Other Instruments

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

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

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 April 30, 2008 the company had the following financial assets and liabilities denominated in US dollars and denominated in Mexican Pesos:

	In '000 of US Dollars		In '000 of Mexican Pesos (MP)
Cash and equivalents	$	1,752	MP 24,127
Other working capital amounts - net	$	(17)	MP 8,836
Long-term Liabilities	$	8,680	MP 98,293

At April 30, 2008 US dollar amounts were converted at a rate of $1.0072 Canadian dollars to 1 US dollar and Mexican Pesos were converted at a rate of 10.4873 MP to 1 US Dollar.

The Loan agreement entered into on the Acquisition required that the Company enter into a forward sales agreement for the sale of 81,876 ounces of gold at a price of US$731 per ounce until January, 2013. These gold sales contracts are excluded from the definition of derivatives because the obligation will be met by the physical delivery of gold and the Company's practices, productive capacity and delivery intentions are consistent with the definition of normal sales contracts in accordance with the Company's Revenue Recognition Policy. The Mark-to-market value of the remaining gold sales contracts as at April 30, 2008 for the sale of 65,132 ounces to January 31, 2013, was negative $12,292.

14. Other

14.1 Disclosure of Outstanding Share Capital

	Number	Book Value
Common Shares	**60,690,789**	**$33,318**

There were 9,269,822 incentive stock options outstanding as at April 30, 2008 with an average exercise price of $0.86 per stock option and with expiry dates from March, 2010, to October, 2012.

There were 37,238,857 share purchase warrants outstanding as at April 30, 2008 with an average exercise price of $0.80 per warrant and with expiry dates from August 2009 to February, 2012, with a possibility of the Loan Tranche B warrants being extended to February, 2013. During the nine months ended April 30, 2008, 879,840 agent warrants expired unexercised and 1,200,000 warrants were cancelled by the holder.

14.2 Disclosure Controls and Procedures

Disclosure Controls and Procedures

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

Internal Controls Over Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

There has been no change in the Company's internal control over financial reporting during the Company's quarter ended April 30, 2008 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.

14.3 Additional disclosure

The Company was a TSX venture issuer that had not had significant revenue from operations in either of its last two financial years. The Company has capitalized all expenditures relating to the exploration of its mineral properties. Details of mineral properties and deferred exploration costs for the properties are as follows:

	April 30, 2008	July 31, 2007
Cerro de Dolores - Actual Expenditures		
Acquisition costs	**$ 177**	$ 125
Assaying & sampling	**53**	53
Consulting fees (Geological & Engineering)	**168**	168
Drilling	**113**	113
Field work, equipment & rental	**31**	31
General & admin	**88**	88
Labour	**28**	28
Legal fees, licenses, maps & reports	**8**	8
Property taxes	**18**	18
Road construction	**33**	33
Site visits	**51**	51
Travel & transportation	**38**	38
Total Mineral Properties and Deferred Exploration Costs	**$ 806**	**$ 754**