MANAGEMENT DISCUSSION & ANALYSIS
For the period ended January 31, 2015

Directors and Officers as at March 12, 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

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Form 51-102-F1

STARCORE INTERNATIONAL MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Period Ended January 31, 2015

1. Date of This Report

This MD&A is prepared as of March 12, 2015.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Starcore International Mines Ltd. ("Starcore", or the "Company") for the period ended January 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.

Recent News

<u>Acquisition of Creston Moly</u>

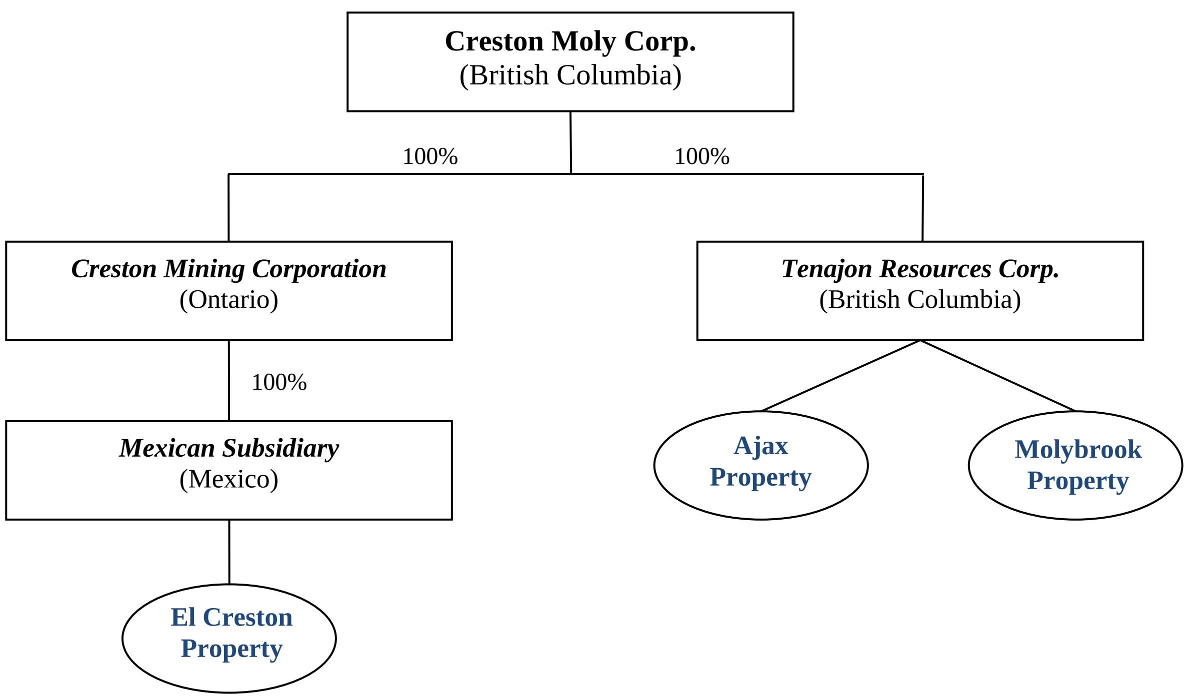
On January 23, 2015, the Company announced that it had entered into an agreement to acquire all of the shares of Creston Moly Corp. ("Creston" or "Creston Moly") from Deloitte Restructuring Inc, in its capacity as trustee in bankruptcy of Mercator Minerals Ltd. (the "Trustee"), at a purchase price of CDN $2 Million (the "Transaction").

On February 19, 2015, the Company closed the transaction to acquire all of the shares of Creston Moly from Deloitte Restructuring Inc.

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 Cdn$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 transaction. 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.



[1] The information in this news release 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.

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:

- ***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 news release.

Ajax, British Columbia:[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[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.

[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.

[3] Technical information in this news release 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 news release 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.

"***We have taken the opportunity to acquire an undervalued project in Creston Moly, which comes with a Preliminary Economic Assessment on El Creston, along with two other high quality projects in Canada" said Robert Eadie, President & CEO of Starcore. "Despite the current state of moly and copper prices, we are looking at an asset that was acquired for $194 million over three years ago. We believe that the outlook for moly and copper will undoubtedly improve in the future, possibly making this a tremendous asset acquisition!***"

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").

The Transaction was approved by AJC shareholders at AJC's Special Meeting held on November 20, 2014.

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.

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. 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 hold less than 4% of the outstanding Company shares and AJC has been de-listed from the TSX Venture Exchange.

The acquisition represents a business combination and has been accounted for using the acquisition method. The fair value of the total consideration transferred and the acquisition fair value of each major class of consideration is as follows:

Assets			
Cash		$	31
Reclamation deposits			43
Exploration and evaluation assets			1,057
Total assets			**1,131**
Less: Liabilities	- Trade and other payables		144
	- Advances payable		37
	- Notes payable		150
	- Rehabilitation provision		39
Total liabilities			**370**
Net assets			**761**
Consideration:			
Shares (5,856,382 shares issued at $0.13 per share)		$	761

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, 2014		July 31, 2013		July 31, 2012
Revenues	**$**	**33,136**	$	30,246	$	57,039
Cost of Sales		**(24,548)**		(21,948)		(35,349)
Earnings from mining operations		**8,588**		8,298		21,690
Administrative Expenses		**(3,557)**		(4,245)		(3,854)
Income tax (expense) recovery		**(2,066)**		649		(3,501)
Total earnings (loss)						
(i) Total earnings	**$**	**2,965**	$	4,702	$	14,335
(ii) Earnings per share – basic	**$**	**0.02**	$	0.03	$	0.11
(iii) Earnings per share – diluted	**$**	**0.02**	$	0.03	$	0.10
Total assets	**$**	**65,094**	$	59,537	$	56,191
Total long-term liabilities	**$**	**14,295**	$	11,897	$	10,871

4. Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes attached thereto for the period ended January 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. The Company has filed on SEDAR results for a Reserve estimate for its San Martin Mine in Queretaro, Mexico based on data available on July 31, 2014 and dated October 6, 2014.

The results of the July 31, 2014 estimate were Proven and Probable reserves totalling 486,586 tonnes at a grade of 2.31 g Au/t and 18.5 g Ag/t. In addition to the Proven and Probable Reserves, an Inferred Mineral Resource is estimated as of July 31, 2014 at 898,049 tonnes at an approximate grade of 2.15 g Au/t and 24 g Ag/t. Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and have not demonstrated economic viability.

In addition to the reserves above are 181,546 tonnes at a grade of 2.98 g/t Au and 32 g/t Ag which is hosted in carbonaceous limestone and requires further assessment to determine the capital investment, if any, necessary to enable normal recovery. Until the costs and recoveries are better understood this material is uncategorized at the moment, however, would result in approximately 20,300 additional equivalent ounces of Proven and Probable reserves. The estimate was prepared by Joseph Campbell P. Eng. in compliance with NI 43-101. Mr. Campbell is a qualified person as defined by NI 43-101 and has verified all information used for the estimate.

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

- Total mining costs of US $74 per metric tonne, a gold price of US$1,250 and silver price of US$19.23,
- Metal Recoveries of 86% for gold and 52% for silver,
- Resultant cut-off grade of 2.2 grams per tonne gold equivalent,
- Mining dilution of between 10% and 30% depending on the structure,
- Specific Gravity of 2.6.

The ratio of Probable to Proven Reserves tonnes is roughly 1.7:1 and in total there are 40,600 contained gold equivalent ounces. The previous reserve estimate at San Martin was compiled as of July 31, 2013 and totalled 705,998 tonnes at 2.53 g/t Au and 23.6 g/t silver (containing 66,520 equivalent ounces of gold). San Martin milled 308,610 tons since the last resource estimate at an average grade of 2.55g/t gold and 24 g/t silver. The proven and probable reserves outlined above are adequate for 1.5 additional years of production.

In comparison to the reserves estimated in 2013, this year's estimate has resulted in a decrease in tonnage and in equivalent ounces both of which occurred while milling 253,000 tonnes from the reserve area. When put in perspective the mine replaced 30% of the reserves mined during the year despite increasing the cutoff grade by 10%.

As of July 31, 2014, reserves and resources at San Martin as reported in "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"), as filed on SEDAR and available on the Company website www.starcore.com 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	180	2.31	19	13.4	110.0	15.1
Probable	307	2.31	18	22.8	177.7	25.5
Total Reserve	**487**	**2.31**	**19**	**36.2**	**287.7**	**40.6**
Resource:						
San Martin Mine						
Inferred	898	2.15	24	62.1	693	72.8

- Inferred Mineral Resources are not known to the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability.
- A 65:1 silver to gold equivalency ratio was used to calculate gold equivalent ounces.
- The reserves above exclude approximately 20,300 equivalent ounces of metal contained in carbonaceous limestone discussed above.

See the Technical Report, available on SEDAR, for further information on the San Martin Mine.

Production

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

	Unit of measure	Actual results for 3 months ended January 31, 2015	Actual results for 6 months ended January 31, 2015	Actual results for 12 months ended July 31, 2014
Mine production of gold in dore	*thousand ounces*	**4.8**	**9.8**	**22.0**
Mine production of silver in dore	*thousand ounces*	**23.5**	**49.4**	**126.5**
Total mine production – equivalent ounces	*thousand ounces*	**5.1**	**10.5**	**24.0**
Silver to Gold equivalency ratio		**73.6:1**	**70.4:1**	**62.7:1**
Mine Gold grade	*grams/tonne*	**2.22**	**2.29**	**2.55**
Mine Silver grade	*grams/tonne*	**18.91**	**18.6**	**24.2**
Mine Gold recovery	*percent*	**84.4%**	**84.1%**	**87.1%**
Mine Silver recovery	*percent*	**48.4%**	**52.2%**	**52.7%**
Milled	*thousands of tonnes*	**79.8**	**158.4**	**308.6**
Mine development, preparation and exploration	*meters*	**1,596**	**3,087**	**6,381**
Mine operating cash cost per tonne milled	*US dollars/tonne*	**60**	**61**	**58**
Mine operating cash cost per equivalent ounce	*US dollars/ounces*	**936**	**926**	**750**
Number of employees and contractors at minesite		**299**	**299**	**330**

During the quarter ended January 31, 2015, the mill operated at a rate of approximately 868 milled tonnes/calendar day. Gold and silver grades in the current quarter were 2.22 g/t and 18.91 g/t, respectively, compared to prior quarter grades of 2.36 g/t and 18.2 g/t. Overall equivalent gold production from the mine of 5,130 ounces was lower than the previous quarter production of 5,382 due to a decrease in gold and silver ore grades, despite higher overall production tonnage of 79,815 tonnes compared to 78,635 tonnes last 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 6,009 ounces per quarter averaged for the July 31, 2014 year.

Production cash costs of the mine for the current quarter were US$936/EqOz. This was higher than the previous quarter amount of US$916/EqOz. due mainly to lower production of metal. This quarter's costs are higher than the prior year average of US$750/EqOz due to both lower average metal production and increasing costs at the mine and 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$60/t, were lower than the prior quarter's US$63/t due mainly to the favourable exchange rate lowering Mexican pesos operating costs. Operating cash costs were still higher than the twelve months ended July 31, 2014 of US$58/t due to higher labour costs, general supply and electrical costs and to the reclassification of certain development costs as stated above. 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 2014 calendar year.

During the quarter ended January 31, 2015, the Company incurred approximately US$320 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$977 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, including the San Pedrito property located approximately 50km west of the San Martin mine. In addition to the ongoing mine exploration and development that is currently being performed in development of the mine, management is continually assessing the potential for further exploration and development of the San Martin properties and continually modifying the exploration budget accordingly. The mine operates three underground drill rigs to provide information to assist with mine planning in addition to exploration, with the intent of increasing the reserves and resources on the property, and the Company has budgeted approximately 11,000 metres of underground exploration drilling in calendar 2014.

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 American Consolidated Minerals Corp.

Pursuant to the acquisition of AJC (*see section 2.0),* the Company has acquired the right to 3 properties as follows:

Sierra Rosario

Pursuant to the acquisition of AJC, the Company acquired a 50% interest in the 500-hectare Sierra Rosario Property, located in the state of Sinaloa, Mexico ("Sierra Rosario"). Subsequent to January 31, 2015, the Company acquired the remaining 50% interest from the optionor for $25 and a 1% NSR over the entire property.

Toiyabe

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$2,000 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.

Lone Ranch

Pursuant to the acquisition of American Consolidated Minerals Corp ("AJC") (Note 11), 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 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$1,500 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.

4.3 Results of Operations

The Company recorded earnings for the three month period ended January 31, 2015 of $754 as compared with $3,896 for the comparative period ended January 31, 2014. The details of the Company's operating results and related revenues and expenses are as follows:

For the nine months ended January 31,	**2015**	2014	Variance
Revenues			
Mined ore	**$ 14,480**	$ 17,127	$ (2,647)
Purchased concentrate	**332**	-	332
Total Revenue	**14,812**	17,127	(2,315)
Cost of Sales			
Mined ore	**(10,401)**	(8,513)	(1,888)
Purchased concentrate	**(306)**	-	(306)
Depreciation and depletion	**(3,441)**	(3,109)	(332)
Total Cost of Sales	**(14,148)**	(11,622)	(2,526)
Earnings from mining operations	**664**	5,505	(4,841)
Financing costs (net)	**(44)**	(243)	199
Foreign exchange gain	**1,160**	782	378
Professional and consulting fees	**(708)**	(239)	(469)
Management fees and salaries	**(533)**	(883)	350
Office and administration	**(661)**	(818)	157
Shareholder relations	**(50)**	(163)	113
Impairment on investment	**(175)**	-	(175)
Write-down for obsolete equipment	**-**	(121)	121
Earnings (Loss) before taxes	**(347)**	3,820	(4,167)
Income tax recovery	**1,101**	76	1,025
Earnings for the period	**$ 754**	$ 3,896	$ (3,142)

Overall, revenue from mill production decreased to $14.8 million from $17.1 million in the prior period due mainly to lower metal prices per ounce and to the lower metal production from the lower gold and silver recovery in the current period compared to the prior comparative period. During the current period, the Company also generated $332 in revenue from purchased concentrates. Cost of sales increased in the current period 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, earning from mining operations decreased to 5% of mined ore revenue compared to 32% in the comparative period, 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 quarter ended January 31, 2013 approximated 10,130 ounces of gold and 51,644 ounces of silver sold at average prices in the period of US$1,233 and US$17.64 per ounce, respectively. This is a decrease in sale ounces from the comparative period ended January 31, 2014 where sales of metal approximated 11,688 ounces of gold and 66,128 ounces of silver, sold at higher average prices of US$1,289 and US$21 per ounce, respectively. The overall revenue was lower compared to the prior period due to decrease in the price of gold and silver for the current period and due to the reduced production of metals in the current period.

The total cost of sales above includes non-cash expenses for depreciation and depletion of $3,441, compared to $3,109 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 period of operations to January 31, 2015, the Company produced earnings from mine operations of $664 compared to $5,505 for the period ended January 31, 2014. As discussed above, average gold ore grades of 2.29 g/t and silver ore grades of 18.6 g/t for the period ended January 31, 2015 were significantly lower as compared to the January 31, 2014 period where grades averaged 2.71 g/t and 24.12 g/t, respectively. This, in combination with lower recoveries of 84.1% for gold and 52.2% for silver in the current period compared to 87.6% for gold and 54.3% for silver in the prior comparable period ending January 31, 2014, resulted in substantially lower production and revenue.

Costs for the period ended January 31, 2015 were much higher at an average operating cash cost of US$966/EqOz. compared to an average operating cash cost of US$670/EqOz. during the period ended January 31, 2014, resulting in reported mined ore costs which were $1,888 higher at $10,401. Also included in mined ore costs in the current period is non-cash stock based compensation expense of $13 and depletion of $3,441 compared to $16 and $3,109, respectively, for the quarter ended January 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 period ended January 31, 2015, resulted in the following significant changes from the period ended January 31, 2014:

- Financing costs during the period decreased by $199 to $44 due to the full repayment of the Loan Facility in August, 2013. The Company has not incur any additional financing costs during the period;
- Office and administration decreased by $157 to $661 due higher corporate costs in the prior comparative period relating to loan repayment activity, general regulatory administration and office related costs.
- Shareholder's communication decreased by $113 to $50 due to decreased participation in conventions and events.
- Foreign exchange gain increased by $378 to a gain of $1,160 for the period ended January 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 period by $469 to $708 due to increase in tax and audit fees as well as services related to improving mine efficiency and to reclass of certain contractors.
- Management fees and salaries decreased by $350 to $533 due mainly to the bonuses paid to management in the prior year comparative period. No additional bonuses have been paid in the current fiscal period.
- 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 period ended January 31,**	**Sustaining Costs (in 000's)** **2015**	2014	**Sustaining Costs Per Ounce (in $/oz)** **2015**	2014
Total cost of sales cash costs[1]	**$ 10,369**	$ 8,609	**$ 954**	$ 673
Total corporate and administration cash costs[2]	**1,959**	2,346	**180**	184
Foreign exchange gain	**(1,160)**	(782)	**(107)**	(61)
Reclamation and closure accretion	**136**	122	**12**	10
Sustaining capital expenditures and exploration	**2,017**	3,415	**186**	267
All-in sustaining cash costs	**13,321**	13,710	**1,226**	1,073
Foreign exchange adjustment	**(1,576)**	(689)	**(145)**	(53)
All-in sustaining USD cash costs	**$ 11,744**	$ 13,021	**$ 1,081**	$ 1,020
Total equivalent ounces sold	**10,869**	12,768		

[1] Excludes non-cash depletion of $3,441 for the period ended January 31, 2015 (January 31, 2014: $3,013) and includes non-cash share-based compensation of $13 (January 31, 2014: $16).
[2] Includes non-cash share-based compensation of $98 for the period ended January 31, 2015 (January 31: 2014: $126).

Cash Flows

Cash flows generated from operating activities were $3,531 during the period ended January 31, 2015, compared to $6,941 for the comparative period ended January 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 $2,505 due to the dividend paid in the period of $2,922. Cash used for investing activities resulted in an outflow of $2,286 due to investment in mining interest, plant and equipment and investment in subsidiaries. Overall cash decreased during the six months ended January 31, 2015 by $1,260.

Investor Relations Activities

During the period ended January 31, 2015, the Company responded directly to investor inquiries.

Financings, Principal Purposes & Milestones

During the period ended January 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:

	Q2 31-Jan-15	**Q1 31-Oct-14**	**Q4 31-Jul-14**	**Q3 30-Apr-14**
Total Revenue	$ 7,143	$ 7,669	$ 7,742	$ 8,267
Earnings from mining operations	$ 213	$ 451	$ 1,126	$ 1,957
Earnings/(loss)	$ (116)	$ 870	$ (2,170)	$ 1,239
Per share – basic	$ (0.01)	$ 0.01	$ (0.01)	$ 0.01
Per share – diluted	$ (0.01)	$ 0.01	$ (0.01)	$ 0.01

	Q2 31-Jan-14	Q1 31-Oct-13	Q4 31-Jul-13	Q3 30-Apr-13
Total Revenue	$ 8,378	$ 8,749	$ 9,660	$ 6,872
Earnings from mining operations	$ 2,388	$ 3,117	$ 2,356	$ 2,325
Earnings (loss)	$ 1,600	$ 2,296	$ 1,212	$ 1,517
Per share – basic	$ 0.01	$ 0.02	$ 0.01	$ 0.01
Per share – diluted	$ 0.01	$ 0.02	$ 0.01	$ 0.01

Discussion

The Company reports loss of $116 for the quarter compared to earnings of $1,600 in the comparative quarter ended January 31, 2014. Revenue from mining operations decreased in this quarter to $7,143 from the comparative quarter of $8,378 as a result of lower ore production. For more detailed discussion on the quarterly production results and financial results for the quarter ended January 31, 2015, please refer to *Sections 4.1 and 4.3 under "Results of Operations"*.

6. <u>Liquidity, Commitments</u>

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 January 31, 2015, the Company had the following commitments:

a) As at January 31, 2015, the Company has shared lease commitments for office space of approximately $160 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 January 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 January 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 January 31:	2015	2016-2017	2018 and beyond
Trade and other payables	$ 2,402	$ -	$ -
Rehabilitation and closure cost provision	-	-	1,681

7. <u>Capital Resources</u>

The capital resources of the Company are the mining interests, plant and equipment, with an amortized historical cost of $50,477 as at January 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. <u>Off Balance Sheet Arrangements</u>

The Company has no off balance sheet transactions.

9. <u>Transactions with Related Parties</u>

There were no material reportable related party transactions.

10. Second 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.

13. Changes in Accounting Policies

N/A

14. Financial and Other 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. 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 January 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	$	128	MP	1,023
Other working capital amounts – net	$	358	MP	55,476

At January 31, 2015, US dollar amounts were converted at a rate of $1.127 Canadian dollars to $1 US dollar and Mexican Pesos were converted at a rate of MP13.48 to $1 US Dollar.

15. Other

15.1 Disclosure of Outstanding Share Capital as at March __, 2015

	Number	Book Value
Common Shares	**151,946,847**	**$ 45,354**

The following is a summary of changes in options from October 31, 2014 to March 12, 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
11/09/09	11/09/14	$0.15	3,140,000	-	-	(3,140,000)	**-**	**-**
11/23/09	11/23/14	$0.15	100,000	-	-	-	**100,000**	**100,000**
01/10/10	01/10/15	$0.21	500,000	-	-	-	**500,000**	**500,000**
03/26/10	03/26/15	$0.15	400,000	-	-	-	**400,000**	**400,000**
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**	**183,333**
08/22/13	08/22/18	$0.25	800,000	-	-	-	**800,000**	**533,333**
09/06/13	09/06/18	$0.23	200,000	-	-	-	**200,000**	**133,334**
09/12/13	09/12/18	$0.25	200,000	-	-	-	**200,000**	**133,334**
01/15/14	01/15/19	$0.22	4,170,000	-	-	-	**4,170,000**	**1,390,000**
			15,525,000	-	-	(3,140,000)	**12,385,000**	**9,113,334**
Weighted Average Exercise Price			$0.24	-	-	$0.15	**$0.26**	**$0.28**

At March 12, 2015, there were 557,135 warrants exercisable to purchase one common share for each warrant held at $0.30 per share until January 30, 2014.

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 financial statements for external purposes in accordance with IFRS. The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

There has been no change in the Company's internal control over financial reporting during the Company's period ended January 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.