AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

June 30, 2011

(Unaudited)

Expressed in United States dollars unless otherwise stated

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(Unaudited, expressed in United States dollars, unless otherwise stated)

	Notes	June 30 2011	December 31 2010
Assets			
Current assets			
Cash and cash equivalents		**$ 18,835,902**	$ 22,176,481
Trade and other receivables	4	**3,535,374**	1,795,700
Inventories	6	**1,925,334**	1,616,874
Short-term investments	7	**642,820**	975,238
Amount receivables	5	**446,429**	-
Prepaid expenses and advances		**104,432**	89,514
		25,490,291	26,653,807
Non Current assets			
Amount receivables	5	**421,835**	820,079
Property, plant and equipment	8	**32,531,783**	11,895,943
Mineral Properties	9	**47,996,406**	47,496,361
Deferred tax asset		**1,239,324**	1,239,324
Long term deposits		**936,196**	-
		$ 108,615,835	$ 88,105,514
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**$ 7,303,994**	$ 5,006,772
Convertible debentures	12	**9,409,108**	7,401,717
Current portion of long-term debt	13	**1,007,289**	236,661
		17,720,391	12,645,150
Deferred revenue	11	**-**	-
Convertible debentures	12	**686,670**	1,999,510
Long-term debt	13	**1,630,429**	-
Provision for environmental rehabilitation	14	**1,492,559**	1,396,514
		21,530,049	16,041,174
Equity	16		
Share capital		**103,303,172**	90,861,167
Contributed Surplus		**23,574,749**	23,075,899
Accumulated other comprehensive income		**16,940**	193,839
Deficit		**(41,029,215)**	(42,820,540)
Total equity attributable to equity holders of the parent		**85,865,646**	71,310,365
Non-controlling interest	15	**1,220,140**	753,975
Total equity		**87,085,786**	72,064,340
		$ 108,615,835	$ 88,105,514

Commitments (Note 18)

Contingency (Note 23)

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors:

____________________ *Director* ____________________ *Director*

Aurcana Corporation

Condensed Interim Consolidated Statements of Operations

(Unaudited, expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues					
Mining operations		**$ 12,392,391**	$ 4,799,744	**$ 23,246,242**	$ 9,297,421
Costs of sales					
Mining operating expenses		**5,958,365**	3,511,333	**10,614,594**	6,719,064
Depreciation and amortization		**592,459**	251,948	**926,884**	483,205
Depletion of mineral properties		**536,578**	408,132	**1,042,605**	771,718
		7,087,402	4,171,413	**12,584,083**	7,973,987
Earnings from mine operations		**5,304,988**	628,331	**10,662,159**	1,323,434
Other items					
Administrative costs	**21**	**2,708,169**	848,060	**6,226,398**	1,632,696
Financing expense and others	**22**	**37,023**	282,378	**118,776**	450,545
Foreign exchange loss		**511,669**	-	**635,039**	-
Loss from trading activity, net		**-**	823,778	**-**	1,137,224
Other expenses (income)		**300,227**	(29,138)	**380,942**	(50,769)
Loss on sale of investments		**-**	97,124	**-**	97,124
		3,557,087	2,022,202	**7,361,155**	3,266,820
Income (loss) before income taxes		**1,747,901**	(1,393,871)	**3,301,004**	(1,943,386)
Income tax expense		**181,103**	-	**1,043,513**	-
Net income (loss) for the period		**$ 1,566,798**	$ (1,393,871)	**$ 2,257,491**	$ (1,943,386)
Attributable to:					
Non-controlling interest		**161,144**	12,676	**466,165**	47,524
Equity holders of the Company		**1,405,655**	(1,406,547)	**1,791,326**	(1,990,910)
		$ 1,566,798	$ (1,393,871)	**$ 2,257,491**	$ (1,943,386)
Weighted average number of shares – basic		**341,697,303**	121,019,270	**334,361,354**	120,829,851
Weighted average number of shares – diluted		**419,364,729**	N/A	**410,944,181**	N/A
Net income (loss) per share – basic & diluted					
Basic		**$ 0.00**	$ (0.01)	**$ 0.01**	$ (0.02)
Diluted		**$ 0.00**	N/A	**$ 0.00**	N/A

See accompanying notes to these condensed interim consolidated financial statements.

(Unaudited, expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Net income (loss) for the period		**$ 1,566,798**	$ (1,393,871)	**$ 2,257,491**	$ (1,943,386)
Currency translation adjustment		**(149,013)**	282,944	**155,520**	(86,444)
Unrealized gain (loss) on available-for-sale investments		**(192,614)**	(113,053)	**(332,418)**	(286,123)
Comprehensive income (loss) for the period		**1,225,171**	(1,223,979)	**2,080,593**	(2,315,953)
Attributable to:					
Non-controlling interest		**161,144**	12,676	**466,165**	47,524
Equity holders of the Company		**1,064,028**	(1,236,656)	**1,614,428**	(2,363,477)
		$ 1,225,171	$ (1,223,979)	**$ 2,080,593**	$ (2,315,953)

See accompanying notes to these condensed interim consolidated financial statements.

(Unaudited, expressed in United States dollars, unless otherwise stated)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity Attributable to Shareholders of the Company	Non-controlling Interest	Total Equity
Balance, January 1, 2010	$ 47,358,524	$ 8,388,348	$ 250,669	$ (32,322,360)	$ 23,675,181	$ 569,289	$ 24,244,470
Currency translation Adjustment	-	-	86,625	-	86,625	-	86,625
Unrealized gain (loss) on available for sale investments	-	-	(286,123)	-	(286,123)	-	(286,123)
Net income (loss) for the period	-	-	-	(1,990,910)	(1,990,910)	47,524	(1,943,386)
Shares issued for:							
Private placement	803,401	515,552	-	-	1,318,953	-	1,318,953
Exercise of options	303,101	(91,343)	-	-	211,759	-	211,759
Exercise of warrants	5,106	-	-	-	5,106	-	5,106
Fair value of warrants issued	-	53,243	-	-	53,243	-	53,243
Share issue costs	(15,317)	-	-	-	(15,317)	-	(15,317)
Stock-based compensation	-	204,382	-	-	204,382	-	204,382
Balance, June 30, 2010	48,454,815	9,070,183	51,171	(34,313,270)	23,262,899	616,813	23,879,712
Currency translation Adjustment	-	-	(418,863)	-	(418,863)	-	(418,863)
Unrealized gain (loss) on available for sale investments	-	-	561,531	-	561,531	-	561,531
Net income (loss) for the period	-	-	-	(8,507,270)	(8,507,270)	137,162	(8,370,108)
Shares issued for:							
Private placement	45,986,222.65	13,617,973	-	-	59,604,195	-	59,604,195
Exercise of options	37,202	(5,902)	-	-	31,300	-	31,300
Exercise of warrants	582,187.93	(59,259)	-	-	522,929	-	522,929
Fair value of warrants issued to Trafigura	-	380,783	-	-	380,783	-	380,783
Fair value of finder fee warrants	-	11,915	-	-	11,915	-	11,915
Share issue costs	(4,199,260)	-	-	-	(4,199,260)	-	(4,199,260)
Stock-based compensation	-	60,206	-	-	60,206	-	60,206
Balance, December 31, 2010	90,861,167	23,075,899	193,839	(42,820,540)	71,310,365	753,975	72,064,340
Currency translation Adjustment	-	-	155,520	-	155,520	-	155,520
Unrealized gain (loss) on available for sale investments	-	-	(332,418)	-	(332,418)	-	(332,418)
Net income (loss) for the period	-	-	-	1,791,326	1,791,326	466,165	2,257,491
Issuance of warrants	(156,825)	156,825	-	-	-	-	-
Shares issued for:					-		
Exercise of warrants	11,837,141	(3,007,227)	-	-	8,829,914	-	8,829,914
Exercise of options	807,874	(306,257)	-	-	501,617	-	501,617
Share issue costs	(46,185)	-	-	-	(46,185)	-	(46,185)
Stock-based compensation	-	3,655,509	-	-	3,655,509	-	3,655,509
Balance, June 30, 2011	$ 103,303,172	$ 23,574,749	$ 16,940	$ (41,029,215)	$ 85,865,646	$ 1,220,140	$ 87,085,786

See accompanying notes to these condensed interim consolidated financial statements.

Aurcana Corporation

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, expressed in United States dollars, unless otherwise stated)

	Six months ended	
	June 30, 2011	June 30, 2010
Cash flows from operating activities		
Net income (loss) for the period	$ **2,257,491**	$ (1,943,386)
Items not involving cash:		
Depreciation, depletion and amortization	**1,969,489**	483,205
Accretion of amount receivable	**(48,185)**	(42,672)
Recognition of deferred revenue	**-**	(1,137,224)
Financing expense and others	**43,685**	61,686
Stock-based compensation	**3,655,509**	204,382
Unrealized foreign exchange (gain) loss	**822,463**	479,964
Operating Cash Flow before movements in working capital items	**8,700,451**	(1,894,046)
Net change to non-cash working capital balances		
Trade and other receivables	**(1,739,674)**	8,530
Inventories	**(308,460)**	(643,736)
Prepaid expenses and advances	**(14,918)**	(146,788)
Accounts payable and accrued liabilities	**71,134**	3,842,178
Income tax payable	**-**	-
Cash provided by operating activities	**6,708,533**	1,166,138
Cash flows from investing activities		
Purchase of property, plant and equipment	**(19,538,664)**	(2,992,904)
Marketable securities	**-**	329,196
Expenditures on mineral properties	**(1,260,655)**	(509,600)
Long term deposits	**(936,196)**	-
Cash used in investing activities	**(21,735,515)**	(3,173,308)
Cash flows from financing activities		
Share capital issued, net of share issue costs	**9,285,346**	1,520,500
Advances (Repayment) of notes payable, net	**2,401,057**	(700,415)
Cash provided by (used in) financing activities	**11,686,403**	820,085
Decrease in cash and cash equivalents	**(3,340,579)**	(1,187,085)
Cash and cash equivalents, beginning of period	**22,176,481**	2,713,843
Cash and cash equivalents, end of period	$ **18,835,902**	$ 1,526,758

See accompanying notes to these condensed interim consolidated financial statements.

1. Governing Statutes and Purpose of the Organization

Aurcana Corporation (the "Company") was originally incorporated in Canada under the laws of Ontario in 1917 and on September 14, 1998 was continued under the *Canada Business Corporations Act* ("CBCA"). The Company is currently engaged in the production and sale of copper, silver, and zinc and the exploration, development and operation of natural resource properties. The Company's principal operating unit is the La Negra Mine is located in Queretaro State, Mexico and the Company's main developing property is the Shafter Silver Properties located in Presidio County, S.W. Texas.

The Company's shares are listed on the TSX Venture Exchange and the head office, principal address, and registered office is located at Suite 1750-1188 West Georgia Street, Vancouver, B.C., V6E 4A2, and Canada.

2. Basis of Preparation and adoption of International Financial Reporting Standards ("IFRS")

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has reported on this basis in these condensed interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 25, the Company has consistently applied the same accounting policies in its opening IFRS statements of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 25 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and current as of August 15, 2011, the date the Audit Committee approved the statements on behalf of the Board of Directors. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. The Company's IFRS accounting policies were disclosed in Note 3 of the condensed interim consolidated financial statements for the period ended March 31, 2011.

3. New IFRS Pronouncements

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, *Financial instruments - Classification and Measurement*, IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities*, IAS 27, *Separate Financial Statements*, IFRS 13, *Fair Value Measurement* and amended IAS 28, *Investments in Associates and Joint Ventures*. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9, Financial Instruments: Classification and Measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is recorded at fair value through profit or loss.

IFRS 10, Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11, Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 19 – Employee Benefits

In June 2011, the IASB issued an amended version of IAS 19, *Employee Benefits* ("IAS 19"). The amendments to IAS 19 are meant to improve the quality, transparency and comparability of information presented for post-employment benefits. For defined benefit plans, the amendments eliminate the option to defer actuarial gains and losses on the balance sheet through the "corridor method". The amendments also require any remeasurement gains or losses, including actuarial gains and losses, to be recognized immediately and presented in other comprehensive income, eliminating the option to recognize and present these through the income statement. Additional disclosures will also be required to present better information about the characteristics, amounts recognized, and risks related to defined benefit plans. The amendments to IAS 19 are effective for financial years beginning on or after January 1, 2013 with earlier adoption permitted. The Company has not yet begun the process of assessing the impact that the amended standard will have on its consolidated financial statements or whether to early adopt any of the new requirements.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS1, *Presentation of Financial Statements*, IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*. IAS 1 has been amended to require companies to group items within Other Comprehensive Income ("OCI") that may be reclassified to profit or loss. The amendment also reaffirms existing requirements that items in OCI and profit and loss should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 are effective for fiscal years beginning on or after July 1, 2012. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(Unaudited, expressed in United States dollars, unless otherwise stated)

4. Trade and Other Receivables

	June 30 2011	December 31 2010
Trade receivables	**$ 3,237,472**	$ 1,587,613
Other receivables	**297,902**	208,087
	$ 3,535,374	$ 1,795,700

5. Amount Receivables

On November 30, 2009, the Company sold its Rosario exploration and development project located in Sinaloa State, Mexico ("Rosario") to Silvermex Resources Inc. ("Silvermex") and recorded a loss of $1,295,063 in the year ended December 31, 2009.

As partial consideration, the Company is to receive approximately $1 million USD in two payments of $500,000. The first payment is due by April 9, 2012 and the second payment is due by October 9, 2012. The carrying value of this receivable is calculated using a 12% discount rate and will be accreted up to its principal balance over the term of the receivable using the effective interest method. A summary of changes in accounts receivable is presented below:

	June 30, 2011	December 31, 2010
Carrying value, January 1,	**$ 820,079**	$ 729,189
Accretion for the Period	**48,185**	21,374
Carrying value, June 30,	**$ 868,264**	$ 750,563

	June 30, 2011	December 31, 2010
Current	**$ 446,429**	$ -
Non - Current	**421,835**	820,079
Carrying value, June 30,	**$ 868,264**	$ 820,079

(Unaudited, expressed in United States dollars, unless otherwise stated)

6. Inventories

	June 30 2011	December 31 2010
Supplies inventory	**$ 1,385,993**	$ 1,045,367
Stockpile inventory	**488,868**	536,975
Concentrates and in-process	**50,473**	34,532
	$ 1,925,334	$ 1,616,874

7. Short-term investments

As partial consideration for the sale of Rosario (Note 4), at the earlier of commencement of commercial production at Rosario or within 24 months from October 2009, Silvermex will issue an additional 1,000,000 common shares. These shares are recorded as short term investments as they represent future payments to be received on or before October 2011. The unrealized loss on these securities has been recorded in other comprehensive income.

The 1,000,000 Silvermex shares to be received are carried at fair market value based on quoted market prices as follows:

	June, 30 2011	December 31, 2010
Current portion:		
Balance beginning of period	**$ 975,238**	$ 1,088,800
Unrealized (loss)	**(332,418)**	(113,562)
Balance end of period	**$ 642,820**	$ 975,238

(Unaudited, expressed in United States dollars, unless otherwise stated)

8. Property, Plant and Equipment

	Buildings	Mining Plant and Equipment	Vehicles	Computer Equipment	Other	Assets under construction	Total
Cost							
Balance at January 1, 2010	$ 851,497	$ 7,872,178	$ 438,425	$ 318,646	$ 47,064	$ -	$ 9,527,810
Additions	1,108,357	4,012,535	155,240	48,654	63,807	-	5,388,593
Balance at December 31, 2010	1,959,854	11,884,713	593,665	367,300	110,871	-	14,916,403
Additions	8,809,939	9,049,407	455,535	46,700	-	3,172,897	21,562,724
Balance at June 30, 2011	$10,769,793	$20,934,120	$ 1,049,200	$ 414,000	$ 139,117	$ 3,172,897	$36,479,127
Accumulated depreciation							
Balance at January 1, 2010	$ -	$ 1,681,504	$ 154,907	$ 153,422	$ 5,409	$ -	$ 1,995,242
Charge for the year	-	827,679	80,750	104,879	11,910	-	1,025,218
Balance at December 31, 2010	-	2,509,183	235,657	258,301	17,319	-	3,020,460
Charge for the year	-	838,536	58,417	24,272	5,660	-	926,884
Balance at June 30, 2011	$ -	$ 3,347,719	$ 294,074	$ 282,573	$ 22,979	$ -	$ 3,947,344
Net book value							
Balance at January 1, 2010	$ 851,497	$ 6,190,674	$ 283,518	$ 165,224	$ 41,655	$ -	$ 7,532,568
Balance at December 31, 2010	$ 1,959,854	$ 9,375,530	$ 358,008	$ 108,999	$ 93,552	$ -	$11,895,943
Balance at June 30, 2011	$10,769,793	$17,586,401	$ 755,127	$ 131,427	$ 116,139	$ 3,172,897	$32,531,783

Mining and plant equipment not in production is not subject to amortization in the year.

(Unaudited, expressed in United States dollars, unless otherwise stated)

9. Mineral Properties

Cost	La Negra Mexico Producing mine	Shafter Texas Mine under construction	Total
Balance as at January 1, 2010	$ 12,717,017	$ 39,834,953	$ 52,551,970
Expenditures	-	1,052,256	1,052,256
Capitalized interest expense (Note 12)	-	361,462	361,462
Capitalized accretion expense (Note 12)	-	668,361	668,361
Balance as at December 31, 2010	12,717,017	41,917,032	54,634,049
Expenditures	-	1,260,655	1,260,655
Capitalized interest expense (Note 12)	-	202,028	202,028
Capitalized accretion expense (Note 12)	-	79,967	79,967
Balance as at June 30, 2011	$ 12,717,017	$ 43,459,682	$ 56,176,699
Accumulated depletion			
Balance as at January 1, 2010	$ 5,172,395	$ -	$ 5,172,395
Charge for the year	1,965,293	-	1,965,293
Balance as at December 31, 2010	7,137,688	-	7,137,688
Charge for the period	1,042,605	-	1,042,605
Balance as at June 30, 2011	$ 8,180,293	$ -	$ 8,180,293
Net book value			
Balance as at January 1, 2010	$ 7,544,622	$ 39,834,953	$ 47,379,575
Balance as at December 31, 2010	$ 5,579,329	$ 41,917,032	$ 47,496,361
Balance as at June 30, 2011	$ 4,536,724	$ 43,459,682	$ 47,996,406

(Unaudited, expressed in United States dollars, unless otherwise stated)

La Negra Mine, Queretaro State, Mexico

In March 2006, the Company entered into an agreement with Reyna Mining & Engineering S.A. de C.V. (“Reyna”) to operate the La Negra mine in Queretaro State, Mexico as held in the Company’s subsidiary, Minera La Negra. The agreement was initially on the basis of 80% for the Company and 20% for Reyna. During the year ended December 31, 2009, the Company diluted Reyna’s ownership interest to 8%.

Shafter Silver Mine, Texas USA

On July 15, 2008, the Company closed the acquisition of 100% of the Shafter silver mine (Shafter) from Silver Standard Resources Inc. (“Silver Standard”). Shafter is located in Presidio County, southwest Texas.

To acquire Shafter Aurcana paid Silver Standard US$23 million in cash; issued 15 million Aurcana common shares (fair value $6,900,000); and issued a $10 million convertible debenture paying a 3% coupon with a three year term and convertible into 6.62 million Aurcana common shares at $1.51 per share.

10. Accounts Payable and Accrued Liabilities

	June 30, 2011	December 31, 2010
Silver arrears *	$ -	$ 185,295
Convertible debenture interest (Note 12)	397,680	186,205
Royalties	689,716	844,983
Salaries, source deductions and employee benefits	777,866	381,567
Employees’ statutory profit sharing	832,534	642,763
Suppliers	1,635,700	850,612
Explosives	213,647	202,358
Power	211,032	156,434
Machinery and equipment vendors	2,024,060	428,525
Income Tax	-	688,298
Other	521,760	439,731
	$7,303,994	$ 5,006,772

*Represents 6,017 ounces of silver owed to Silver Wheaton at December 31, 2010 (paid in January 2011)

11. Deferred Revenue

In June 2008, the Company agreed to sell to Silver Wheaton (Caymans) Ltd. (“Silver Wheaton”) 50% of the silver metal produced from ore extracted during the mine-life at La Negra under a Silver Stream Purchase Agreement ("SPA"). The SPA was made in consideration of a prepayment to Cane Silver Inc., a 100% owned subsidiary of the Company, of US$25 million in cash. A fee per ounce of silver of US$3.90 was also payable to Cane.

(Unaudited, expressed in United States dollars, unless otherwise stated)

During the year ended December 31, 2010 the Company negotiated the termination of the SPA in consideration of a $US 25 million payment (paid) and recorded a loss on termination of $7,570,872. The Company also agreed to deliver sufficient silver to repay the amount accrued for silver deliveries in arrears to Silver Wheaton in the amount of 212,017 ounces, of which 206,000 ounces were delivered in December 2010 and 6,017 ounces were delivered in January 2011 (Note 10). The termination of the SPA eliminates the Company's obligation to deliver 50% of its future silver production to Silver Wheaton.

Details are as follows:

	US Dollars	Canadian Dollars
Balance, January 1, 2010	$ 21,109,690	$ 22,185,697
Recognized as revenue	(3,447,626)	(3,641,671)
Contract termination	(17,662,064)	(17,370,107)
Realized foreign exchange gain	-	(1,173,919)
Balance, December 31, 2010	$ -	$ -
Balance, June 30, 2011	$ -	$ -

Loss on termination of silver sale agreement:		
Termination payment	$ 25,000,000	$ 24,813,154
Deferred revenue balance at termination	(17,662,064)	(17,370,107)
Legal fees	232,936	238,263
Loss on termination	$ 7,570,872	$ 7,681,310

12. Convertible Debenture

In July 2008, the Company issued a convertible debenture to Silver Standard as part of the purchase price to acquire Shafter (Note 9). The convertible debenture is unsecured, has a CDN$10 million face value, bears interest at 1.5% per annum for the first year and 4% per annum for the 2 following years, is convertible into common shares of the Company at CDN$1.51 per share and was due in full on July 15, 2011.

Under IFRS, the Company has recorded the fair value of the conversion option on the residual basis at $2,864,729 and recorded this amount in "contributed surplus". The convertible liability was discounted by $12% to yield an effective interest rate of 12% on the debt portion of the instrument. The Company capitalizes the interest and the accretion expense to Shafter, the purchase of which was financed by the convertible debenture.

(Unaudited, expressed in United States dollars, unless otherwise stated)

In April 2011, the terms of the debenture were amended. Under the terms of the amended Convertible Debenture:

- The maturity date of the Debenture is extended form July 15, 2011 to July 15, 2012;
- The Company has agreed to repay an aggregate of $7,000,000 of the principal owing under the Debenture on or before July 15, 2011 (paid); the remaining $3,000,000 principal balance will be repaid in equal quarterly instalments of $750,000 per quarter commencing on October 15, 2011;
- The rate of interest on the principal outstanding after July 15, 2011 will be 9% per annum; and
- The Company may prepay the Debenture at any time prior to maturity without penalty.

Details are as follows:

Balance, January 1, 2010	$ 7,875,945
Accretion for the year	1,525,282
Balance, December 31, 2010	9,401,227
Accretion for the period	694,551
Balance, June 30, 2011	$ 10,095,778

Current portion	$ 7,401,717
Non - current	1,999,510
Balance, December 31, 2010	$ 9,401,227
Current portion	$ 9,409,108
Non - current	686,670
Balance, June 30, 2011	$ 10,095,778

(Unaudited, expressed in United States dollars, unless otherwise stated)

13. Long-term Debt

	June 30 2011	December 31 2010
Atlas Copco - Capital equipment contracts, repayable in quarterly payments totalling US$60,000 at 8.78% per annum, maturing December 2011 and secured by the related equipment	$ 117,964	$ 236,661
Sandvick - Capital equipment contracts, repayable in monthly payments totalling US$74,111 at 8.9% per annum, maturing April 2014	2,519,753	-
Total	$ 2,637,718	$ 236,661
Current portion	$ 1,007,289	$ 236,661
Long-term debt	1,630,429	-
	$ 2,637,718	$ 236,661

14. Provision for Environment Rehabilitation

The Company has accrued an estimated liability related to reclamation and closure costs of La Negra Mine based on the total future remediation cost, discounted to June 30, 2011 using a 7.25% discount factor and a 4.4% inflation factor, in the amount of $1,492,559 (December 31, 2010 - $1,396,514. The Company has recorded an accretion expense of $96,046 included $52,361 from Shafter mine (December 31, 2010 - $123,373) to the statement of operations for the six months ended June 30, 2011. The balance of the estimated costs will be accrued over the expected mine life of five years, based upon recovery only of proven and probable reserve ounces. The liability is subject to revision based on future mine resource realization, and other factors which affect the costs incurred at future dates.

The provision for environment rehabilitation for the six months ended June 30, 2011 and year ended December 31, 2010 are as follows:

	June 30 2011	December 31 2010
Enviromental rehabilitation, beginning of period	$ 1,396,513	$ 1,273,141
Accretion	96,046	123,372
Enviromental rehabilitation, end of period	$ 1,492,559	$ 1,396,513

(Unaudited, expressed in United States dollars, unless otherwise stated)

15. Non-Controlling Interest

During the year ended December 31, 2009, the Company diluted its former joint venture partner from a 20% interest in Maconi to an 8% minority interest. Pursuant to the terms of the former joint venture agreement under which the Maconi joint venture operated, and prior to the dilution, any funding by the corporation, as to 80%, should be matched by a 20% contribution by the joint venture partner. As a result of the non-contribution by the joint venture partner, the Company elected to dilute the joint venture partner, resulting in the joint venture partner holding a non-controlling interest.

Prior to the dilution, the Company recognized 80% of the profit or loss of Maconi. Subsequent to the dilution, the Company consolidates 100% of the profit or loss of Maconi, and recognizes an 8% non-controlling interest. All amounts previously booked as receivable from the former joint venture partner were eliminated upon the dilution.

The non-controlling interest is comprised of the following:

Balance, January 1, 2010	$ 569,289
Non-controlling interest's share of profit in La Negra Mine	47,525
Balance, June 30, 2010	616,814
Non-controlling interest's share of profit in La Negra Mine	137,161
Balance, December 31, 2010	753,975
Non-controlling interest's share of profit in La Negra Mine	466,165
Balance, June 30, 2011	$1,220,140

16. Equity

Authorized - An unlimited number of common shares

Share issuance details:

	Number of Shares	Amount
Balance, January 1, 2010	120,171,660	$ 47,358,524
Issued pursuant to private placement	200,033,380	60,923,148
Share issuance costs	-	(4,214,577)
Exercised warrants	1,574,908	587,294
Exercised options	1,075,000	340,303
Fair value of warrants issued in private placement	-	(14,133,525)
Balance, December 31, 2010	322,854,948	$ 90,861,167
Issued pursuant to private placement	-	-
Share issurance costs	-	(46,185)
Exercised warrants	22,298,077	11,680,316
Exercised options	1,835,000	807,874
Balance, June 30, 2011	346,988,025	$103,303,172

On December 7, 2010, the Company completed a fully subscribed Equity Offering (the "Offering"). The Company has issued 193,548,387 units (the "Units") at a purchase price of CDN$0.31 per Unit for gross proceeds of CDN$60,000,000. Each Unit consists of one common share (a "Share") of the Company and one half of one common share purchase warrant. Each whole common share purchase warrant (a "Warrant") permits the holder thereof to purchase a further common share (a "Warrant Share") of the Company for a period of 36 months from the closing of the Offering at a purchase price of CDN$0.41 per Warrant Share. Sunel Securities Inc., its US placement agent, Sunrise Securities Corp. and its sub-agents (collectively, the "Agent") acted as lead agent on the Offering. The Company paid to the Agent a cash commission of CDN$3,969,674, representing 7% of the gross proceeds of the Offering generated by the Agent, and issued to the Agent 12,805,262 compensation options (the "Compensation Options"), which is equal to 7% of the number of Units sold by the Agent pursuant to the Offering. Each Compensation Option is exercisable into one broker's unit (a "Broker's Unit") at a price of CDN$0.41per Broker's Unit for a period of 24 months from the closing date of the Offering. Each Broker's Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Broker's Warrant"). Each Broker's Warrant entitles the holder to purchase one common share in the capital of the Company (a "Broker's Warrant Share") for a period of 24 months from the closing of the Offering at a purchase price of CDN$0.41 per Broker's Warrant Share. In addition, the Company paid commissions of CDN$13,020 cash and issued 42,000 warrants ("Compensation Warrant") Each Compensation Warrant entitles the holder to purchase one common share in the capital of the Company (a "Compensation Share") for a period of 24 months from the closing of the Offering at a purchase price of CDN$0.41per Compensation Warrant Share.

On July 5, 2010 and July 26, 2010, the Company completed the second and third tranches of the Financing by issuing 720,000 and 340,000 units, respectively, for gross proceeds of CDN$265,000. The units issued were under the same terms as the Units.

On June 30, 2010, the Company completed the first tranche of a non-brokered private placement by issuing 5,425,000 units (each a “Unit”) at a price of CDN$0.25 per Unit, for gross proceeds of CDN$1,356,250 (the “Financing”). Each Unit consisted of one common share of the Company and one common share purchase warrant (each a “Warrant”), with each warrant entitling the holder to purchase one common share of the Company at a price of CDN$0.40 per share expiring on June 30, 2013. Cash of CDN$12,600 was accrued and 50,400 warrants on the same terms as the Warrants were issued as Finders’ fees.

Stock options

The Company has adopted a new 10% fixed option plan (the “New Plan”), pursuant to which the Company may grant up to 34,698,802 stock options, representing 10% of the issued and outstanding share capital of the Company as at June 29, 2011 to directors, officers, employees and consultants. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

(Unaudited, expressed in United States dollars, unless otherwise stated)

	Number of Share Options
Balance, January 1, 2010	12,012,500
Granted	1,500,000
Forfeited	-
Exercised	(1,075,000)
Expired or cancelled	(1,400,000)
Balance, December 31, 2010	11,037,500
Granted	20,225,000
Forfeited	(250,000)
Exercised	(1,835,000)
Expired or cancelled	-
Balance, June 30, 2011	29,177,500

The weighted average exercised price of the stock options outstanding at June 30, 2011 was$ 0.58 (December 31, 2010 CDN$0.38) and the weighted average remaining life of the options is 4.5 years (December 31, 2010 3.1 years).
The weighted average fare value per option granted during 2011 is CDN$0.18

As of June 30, 2011 details of outstanding stock options are as follows:

Outstanding	Vested	Exercise Price (C$)	Expiry Date
500,000	500,000	$ 0.5900	August 18, 2011
500,000	500,000	$ 0.5900	August 24, 2011
912,500	912,500	$ 1.5000	March 22, 2012
150,000	150,000	$ 1.6500	March 30, 2012
100,000	100,000	$ 0.6400	December 12, 2012
150,000	150,000	$ 0.5800	May 15, 2013
1,025,000	1,025,000	$ 0.3100	September 9, 2013
350,000	350,000	$ 0.1300	January 16, 2014
3,065,000	2,877,500	$ 0.1000	August 13, 2014
1,400,000	1,400,000	$ 0.2850	December 18, 2014
700,000	700,000	$ 0.2750	February 12, 2015
350,000	350,000	$ 0.2500	July 5, 2015
350,000	350,000	$ 0.6100	January 14, 2016
150,000	150,000	$ 0.6900	February 3, 2012
8,850,000	4,000,000	$ 0.7600	February 22, 2016
250,000	62,500	$ 0.8600	March 18, 2012
75,000	-	$ 0.7600	May 4, 2016
10,300,000	-	$ 0.6900	May 30, 2016
29,177,500	13,577,500		

(Unaudited, expressed in United States dollars, unless otherwise stated)

16. Equity (continued)

		Number of Share Warrants
Balance, January 1, 2010		6,208,560
Issued pursuant to private placement		103,259,172
Issued to Auramet		300,000
Issued as agents' fee	(i)	12,847,402
Exercised		(1,574,908)
Balance, December 31, 2010		123,273,429
Issued		404,023
Exercised		(22,341,327)
Expired or cancelled		(64,182)
Balance, June 30, 2011		101,271,943

The fair value of share purchase warrants issued as per above is calculated using the following weighted average assumptions:

	Number of Warrants	Exercise Price (CDN)	Expiry Date	Amount (CDN)
	300,000	$ 0.35	March 2, 2013	$ 105,000
	4,585,000	$ 0.40	June 30, 2013	$ 1,834,000
	24,960	$ 0.35	June 30, 2013	$ 8,736
	84,145,156	$ 0.41	July 12, 2013	$ 34,499,514
(i)	12,216,827	$ 0.41	July 12, 2012	$ 5,008,899
	101,271,943			

(i) In this total are 12,805,262 compensation options, which allow the holder to acquire one common share and one-half of a share purchase warrant for a period of 24 months from the closing date of the Offering at CDN $0.41 per compensation option.

The fair value of share purchase warrants issued as per above is calculated using the following weighted average assumptions:

	June 30, 2011	December 31, 2010
Risk-free interest rate	**1.60%**	1.27%
Expected stock price volatility	**82.86%**	115.92%
Expected dividend yield	**n/a**	0.00%
Expected warrant life in years	**1.3**	1.9

(Unaudited, expressed in United States dollars, unless otherwise stated)

Stock-based compensation

For the six months ended June 30, 2011, the stock-based compensation expense was $3,669,261 (2010 - $204,382). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	June 30, 2011	December 31, 2010
Risk-free interest rate	**2.21%**	1.91%
Expected stock price volatility	**87.09%**	85.08%
Expected dividend yield	**-**	-
Expected option life in years	**4.7**	3.7

17. Related Party Transactions

Except as noted elsewhere in these condensed consolidated financial statements, the Company was involved in the following related party transactions:

a) Trading transactions

The Company's related parties consist of companies owned by executive officers and directors as follows:

	Note	June 30 2011 (6 months)	June 30 2010 (6 months)
Technical and consulting fees	(i)	$ 350,536	$ 179,280
General and administrative expenses	(ii)	40,913	49,038
Management fees	(iii)	730,269	145,050
		$ 1,121,718	$ 373,369

(i) To companies controlled by officers and directors (Ron Nichols; Ken Collison). Includes Senior VP termination fees.
(ii) To a company controlled by corporate secretary for management services performed as an officer.
(iii) To a company controlled by President & CEO for management services performed. Includes non - recurrent 2009 & 2010 bonus, approved on April 2011.

b) Compensation of key management personnel

The remuneration of directors, officers and other members of key management personnel during the six months period ending June 30, 2011 and 2010 are as follows:

	Note		June 30 2011		June 30 2010
Salaries and directors' fees	(i)	$	1,060,075	$	482,115
Share-based payment	(ii)		3,057,754		115,551
		$	4,117,829	$	597,666

(i) Salaries and directors' fees include consulting and management fees disclosed in Note 17 (a)

(ii) Share-based payments are the fair value of options granted to key management personnel

18. Commitments

Supply agreement

On November 14, 2006, La Negra signed a purchase contract with Trafigura Beheer B.V. ("Trafigura") whereby Trafigura agreed to purchase 100%, evenly spread from January to December, of copper concentrate to be produced during the years 2007, 2008 and 2009 by the La Negra Mine. Prices are based on the published prices in the Metal Bulletin in London in US dollars of the following month of shipment is made. In August 2010 the copper purchase contract was extended to 2012 and the parties agreed to review the zinc purchase contract by the end of 2011.

On March 2011, la Negra signed a purchase contract with Glencore, whereby Glencore's Mexican subsidiary (Metagri), agreed to purchase 100% of lead concentrate to be produced during the years 2011 and 2012. Prices are based on the published prices in the Metal Bulletin in London in US dollars no later than within five days of the monthly lot.

Office Lease

Effective May 1, 2010, the Company executed a lease for new office space for a period of 60 months, expiring on April 30, 2015. The minimum annual payments are $86,160 (May 1, 2010 to April 30, 2012), $89,750 (May 1, 2012 to April 30, 2013) and $93,340 (May 1, 2013 to April 30, 2015).

(Unaudited, expressed in United States dollars, unless otherwise stated)

19. Supplemental Cash Flow Information

Supplemental disclosures of cash flow information:

	June 30 2011	June 30 2010
Cash interest paid	**$ 55,800**	$ 157,759
Income taxes paid	**531,432**	1,310

Supplemental disclosures of non-cash investing and financing activities:

	June 30 2011	June 30 2010
Accretion of convertible debt capitalized to mineral property (Note9)	**79,967**	173,906
Accrued interest on convertible debt capitalized to mineral property (Note 9)	**202,028**	193,400

20. Segmented Information

The Company's activities include the exploration, acquisition, development and operation of mineral properties. As such, management has concluded that it has one operating segments and three geographic segments.

Geographic Segments

The Company has three geographic segments: Canada, United States and Mexico.
The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

	Canada	USA	Mexico	Total
June 30, 2011				
Segment (loss) income	$ (2,901,170)	$ (102,135)	$ 5,260,796	$ 2,257,491
Segment revenues	-	-	23,246,242	23,246,242
Segment property, plant and equipment	231,614	13,854,457	15,281,713	29,367,784
Segment Mineral properties	-	43,328,514	12,226,110	55,554,624
Total capital assets	231,614	57,182,971	27,507,823	84,922,408
Total segment assets	21,448,579	61,014,106	26,021,983	108,484,668
December 31, 2010				
Segment (loss) income	$ (13,361,214)	$ (40,150)	$ 2,287,306	$ (11,114,058)
Segment revenues	-	-	26,144,936	26,144,936
Segment property, plant and equipment	231,153	855,197	10,809,593	11,895,943
Segment Mineral properties		40,755,308	5,579,329	46,334,637
Total capital assets	981,716	41,610,505	17,697,762	60,289,983
Total segment assets	24,388,161	41,664,640	20,890,989	86,943,790

(Unaudited, expressed in United States dollars, unless otherwise stated)

21. Administrative costs

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Administrative costs[1]	$1,170,610	$463,984	$1,796,717	$884,574
Stock-based compensation (note 16)	1,077,355	61,431	3,669,261	204,382
Professional fees	201,616	200,694	288,141	350,637
Investor relations	215,593	98,104	388,940	158,165
Listing and filing fees	42,994	23,847	83,338	34,938
	$2,708,169	$848,060	$6,226,398	$1,632,696

[1] Administrative costs break down:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Management fees *	$640,269	$90,325	$730,269	$165,325
Rent and overhead	34,428	20,962	71,593	45,455
Travel and accommodation **	96,306	40,300	221,961	80,197
Office	58,526	41,690	90,329	64,046
Insurance	6,891	5,600	13,468	11,524
Admin, salaries and Consulting fees ***	266,745	235,272	486,777	477,756
Directors Fees	8,950	-	40,950	-
Other	58,495	29,836	141,370	40,272
	$1,170,610	$463,984	$1,796,717	$884,574

* Management fees - President & CEO includes non – recurrent 2009 and 2010 bonuses approved on April 2011

** More road shows were done to promote value of Aurcana

*** Includes Senior VP termination's fees

22. Financing expense

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Accretion of asset retirement provision (note 14)	21,842	56,407	43,685	61,686
Financing expense and bank charges	15,181	225,971	75,091	388,859
	$37,023	$282,378	$118,776	$450,545

23. Contingency

On October 26, 2010, the Company entered into two non-binding term sheets (the "Non-Binding Term Sheets") with Sprott Asset Management LP ("SAM") and Sprott Resource Lending Partnership ("SLP") with respect to a credit facility. The Company's only obligations to SAM and SLP if the Company did not proceed with the credit facility described in the Non-Binding Term Sheets related to privacy, confidentiality, jurisdiction and the payment of legal fees and other out of pocket expenses.

On November 19, 2010, on the basis of the Non-Binding Term Sheets, the Company announced a proposed US$25M credit facility, involving SAM and SLP, to provide additional funding to advance the Company's Shafter Project in Texas. Between November 2010 and March 2011, the Company sought to reach a binding agreement with SAM and SLP concerning the terms of the credit facility but the negotiations were ultimately unsuccessful. On March 30, 2011, the Company`s Board of Directors did not approve the terms of the proposed credit facility with SAM and SLP.

On April 15, 2011, Aurcana was served with a Notice of Civil Claim filed in the British Columbia Supreme Court by SAM and SLP seeking damages against Aurcana for breach of good faith negotiations and making a claim for:

- Specific performance of the financing including payment to SAM and SLP standby fees calculated on the current price of silver;
- Damages for Breach of Contract and misrepresentation;
- Accounting for profits and benefits;
- Punitive and exemplary damages; and
- Interests and costs and such other relief.

The Company has acted in good faith on behalf of its shareholders and in accordance with the terms of the Non-Binding Term Sheets and will vigorously defend the claim as it is the Company's belief that it was under no obligation to proceed with the credit facility and therefore no liability has been recorded as at March 31, 2011.

On May 25th, 2011, counsel for Aurcana served upon counsel for SAM and SLP a Notice of Application and affidavit materials seeking an order that the plaintiffs' claim be dismissed with costs.

Aurcana's application was scheduled for hearing on July 12, 2011, but was adjourned and is now scheduled for hearing on September 9, 2011.

24. First-Time Adoption of IFRS

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, provides guidance for the initial adoption of IFRS. IFRS 1 requires retrospective application of the standards in the transition statement of financial position, with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following exemptions to its opening statement of financial position:

a) *Business Combinations*

IFRS 1 provides the option to apply IFRS 3R, *Business Combinations*, retrospectively or prospectively from the Transition Date. The Company elected to adopt IFRS 3R effective January 1, 2010. The standard had no material impact on the consolidated financial statements.

b) *Cumulative Translation Differences*

IFRS 1 allows the Company to set the currency translation adjustment, which is included in accumulated other comprehensive income, to zero at January 1, 2010 and adjust deficit by the same amount. If, subsequent to adoption, a foreign operation is disposed of the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

c) *Share-Based Payments*

IFRS 1 permits the application of IFRS 2, *Share-based Payments*, to equity instruments granted on or before November 7, 2002, that had not vested by the Transition Date. The Company elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that had not vested by the Transition Date.

d) *Decommissioning Liabilities*

IFRS 1 provides the option to measure the restoration provision at the Transition Date in accordance with the requirements of IAS 37. Accordingly the Company re-measured the provisions as at Transition Date under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date which the liability first arose. The Company did this using its best estimates of the historical risk-free discount rates, and recalculated the accumulated amortization and depletion under IFRS up to the transition date.

e) *Deemed cost of property, plant and equipment*

IFRS 1 provides the option to measure individual items of property, plant and equipment at the Transition Date at fair value and use that fair value as its deemed cost.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

f) Assets and Liabilities of Subsidiaries and Associates

In accordance with IFRS 1, if a parent company adopts IFRS subsequent to its subsidiary or associate adopting IFRS, the assets and liabilities of the subsidiary or associate are to be included in the consolidated financial statements at the same carrying amounts as in the financial statements of the subsidiary or associate.

g) Estimates

In accordance with IFRS 1, an entity's estimates at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

h) Provision for Environmental Rehabilitation

The Company has revalued the provision for environmental rehabilitation using the risk-free rate as of the date of transition. Canadian GAAP had previously allowed for the use of a credit adjusted rate in discounting the liability. The Company will re-calculate the amount of the obligation at each reporting period using the risk-free rate.

i) Exploration and Evaluation Assets

IFRS requires the Company to make judgments about whether to present property, plant and equipment items separately on the basis of the nature and liquidity of an asset, function of an asset within the entity, and the amounts, nature and timing of liabilities. As a result, the Company has distinguished its exploration and evaluation assets from its property, plant and equipment assets.

j) Deferred Tax Liability

IFRS requires all deferred tax assets and liabilities to be classified as non-current whereas Canadian GAAP allowed for classification as a current item if appropriate.

k) Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes changes in the currency translation adjustment ("CTA"). Due to other IFRS adjustments, the balances that are used to calculate the CTA are different which affects the CTA balance and other comprehensive income (loss) under IFRS.

l) *Convertible debt*

As required, the Company has changed the method of determining the fair value of the debt and equity components from a relative fair value approach to the required residual approach. Under the residual approach, the debt is fair valued and the residual is assigned as the fair value of the equity component.

A reconciliation of assets, liabilities, equity, comprehensive income and cash flows of the Company from those reported under Canadian GAAP to IFRS at January 1, 2010, December 31 2010 and March 31,2010 were disclosed in Note 25 of the condensed interim consolidated financial statements for the period ended March 31, 2011.

The changes made to the consolidated statements of operations and the consolidated statements of financial position have resulted in the reclassification of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, and accordingly no reconciliations have been prepared. Reconciliations of assets, liabilities, equity, and comprehensive income of the Company at June 30, 2010 from those reported under Canadian GAAP to IFRS are as follows:

(Unaudited, expressed in United States dollars, unless otherwise stated)

24 First-Time Adoption of IFRS (continued)

a) The Company's Canadian GAAP statement of operations and statement of comprehensive (loss) income for the three month period ended June 30, 2010 has been reconciled to IFRS as follows:

	Three Months Ended June 30, 2010					Six Months Ended June 30, 2010				
	Canadian GAAP CDN$	Canadian GAAP USD$	Note	Effect of transition to IFRS USD$	**IFRS USD$**	Canadian GAAP CDN$	Canadian GAAP USD$	Note	Effect of transition to IFRS USD$	**IFRS USD$**
Revenues										
Mining operations	$ 4,935,470	$ 4,799,744		$ -	**$ 4,799,744**	$ 9,613,241	$ 9,297,421			**$ 9,297,421**
Costs of sales										
Mining operating expenses	3,610,625	3,511,333		-	**3,511,333**	6,946,799	6,719,064		-	**6,719,064**
Depreciation and amortization	259,072	251,948		-	**251,948**	499,589	483,205		-	**483,205**
Depletion of mineral properties	419,673	408,132		-	**408,132**	904,829	771,718		-	**771,718**
	4,289,370	4,171,413		-	**4,171,412**	8,351,217	7,973,987		-	**7,973,986**
Earnings from mine operations	646,100	628,331		-	**628,332**	1,262,024	1,323,434		-	**1,323,435**
Other items										
Administrative costs	872,340	848,060		-	**848,060**	1,688,395	1,632,696		-	**1,632,696**
Financing expense	79,488	193,812	(I)	88,567	**282,378**	165,632	276,640	(I)	173,905	**450,545**
Foreign exchange (gain) loss	1,914,167	-		-	**-**	622,852	-		-	**-**
Loss from trading activity, net	847,072	823,778		-	**823,778**	1,173,069	1,137,224		-	**1,137,224**
Other expenses (income)	(29,962)	(29,138)		-	**(29,138)**	(52,459)	(50,769)		-	**(50,769)**
Loss on sale of investments	99,870	97,124		-	**97,124**	99,870	97,124		-	**97,124**
	3,782,975	1,933,636		88,567	**2,022,201**	3,697,359	3,092,915		173,905	**3,266,819**
Income (loss) before income taxes	(3,136,875)	(1,305,305)		(88,567)	**(1,393,870)**	(2,435,335)	(1,769,481)		(173,905)	**(1,943,383)**
Net income (loss) for the period	$ (3,136,875)	$ (1,305,305)		$ (88,567)	**$ (1,393,870)**	$ (2,435,335)	$ (1,769,481)		$ (173,905)	**$ (1,943,383)**
Attributable to:										
Non-controlling interest	13,035	12,676		-	**12,676**	49,278	47,524			**47,524**
Equity holders of the Company	(3,149,909)	(1,317,981)		-	**(1,406,545)**	(2,484,613)	(1,817,005)			**(1,990,907)**
	$ (3,136,875)	$ (1,305,305)			**$ (1,393,870)**	$ (2,435,335)	$ (1,769,481)			**$ (1,943,383)**

	Three Months Ended June 30, 2010					Six Months Ended June 30, 2010				
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)	Canadian GAAP CDN$	Canadian GAAP USD$	Note	Effect of transition to IFRS USD$	**IFRS USD$**	Canadian GAAP CDN$	Canadian GAAP USD$	Note	Effect of transition to IFRS USD$	**IFRS USD$**
Net income (loss) for the period	$ (3,136,875)	$ (1,305,305)		$ (88,567)	**$ (1,393,870)**	$ (2,435,335)	$ (1,769,481)		$ (173,905)	**$ (1,943,383)**
Currency translation adjustment	-	(290,406)		290,406	**-**		(659,794)		659,794	**-**
Unrealized gain (loss) on available-for-sale investments	-	(113,053)		-	**-**	(180,000)	(286,123)			**(286,123)**
Comprehensive income (loss) for the period	(3,136,875)	(1,708,764)		201,839	**(1,393,870)**	(2,615,335)	(2,715,398)		485,889	**(2,229,506)**
Attributable to:										
Non-controlling interest	13,035	12,676		-	**12,676**	49,278	47,524			**47,524**
Equity holders of the Company	(3,149,910)	(1,721,440)		201,839	**(1,406,546)**	(2,664,613)	(2,762,922)		485,889	**(2,277,030)**
	$ (3,136,875)	$ (1,708,764)		$ 201,839	**$ (1,393,870)**	$ (2,615,335)	$ (2,715,398)		$ 485,889	**$ (2,229,506)**

(Unaudited, expressed in United States dollars, unless otherwise stated)

24. First-Time Adoption of IFRS (continued)

b) The Company's Canadian GAAP statement of financial position at June 30, 2010 has been reconciled to IFRS as follows:

	Canadian GAAP June 30, 2010 CDN$	Canadian GAAP June 30, 2010 USD$	Note	Effect of Transition to IFRS June 30, 2010 USD$	**IFRS June 30, 2010 USD $**
Assets					
Current assets					
Cash and cash equivalents	$ 1,625,422	$ 1,526,759		$ -	**$ 1,526,759**
Trade and other receivables	1,317,757	1,237,769		-	**1,237,769**
Inventories	2,064,947	1,939,605		-	**1,939,605**
Short-term investments		-		-	**-**
Prepaid expenses and advances	438,949	412,305		-	**412,305**
	5,447,075	5,116,438		-	**5,116,438**
Non Current assets					
Trade and other receivables	824,984	774,907		-	**774,907**
Investments	390,000	366,327		-	**366,327**
Marketable securities - long term				-	**-**
Property, plant and equipment	10,506,452	10,042,267		-	**10,042,267**
Exploration and evaluation assets				-	**-**
Mineral Properties	64,125,549	60,978,489	(j) (l)	(13,495,608)	**47,482,881**
Deferred tax asset				-	**-**
Long term deposits				-	**-**
Total assets	$ 81,294,060	$ 77,278,428		$ (13,495,608)	**$ 63,782,820**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ 8,508,989	$ 7,992,493		$ -	**$ 7,992,493**
Income tax payable				-	**-**
Notes Payables current portion	1,309,440	1,229,957		-	**1,229,957**
Convertible deventure current portion				-	**-**
	9,818,429	9,222,450		-	**9,222,450**
Notes payables Long-term	1,778,743	1,670,773		-	**1,670,773**
Deferred revenue	20,681,032	19,425,693		-	**19,425,693**
Convertible debentures	9,247,249	8,685,941	(l)	(436,580)	**8,249,361**
Provision for environmental rehabilation	1,357,408	1,334,827		-	**1,334,827**
Deferred tax liability	17,042,494	15,941,758	(j)	(15,941,758)	**-**
Total liabilities	59,925,355	56,281,443		(16,378,338)	**39,903,105**
Non-controlling interest	647,585	616,813		-	**616,813**
Shareholders' Equity					
Issued capital	57,344,754	48,454,815		-	**48,454,815**
Contributed Surplus	7,249,276	7,100,873	(j)	1,969,310	**9,070,183**
Currency translation adjustment		(86,445)		86,445	**-**
Accumulated other comprehensive income	(10,000)	137,616		(86,445)	**51,171**
Deficit	(43,862,910)	- (35,226,687)	(j) (l)	913,420	**(34,313,268)**
Total equity attributable to equity holders of the parent	20,721,120	20,380,172		2,882,730	**23,262,902**
Total liabilities and equity	$ 81,294,060	$ 77,278,428		$ (13,495,608)	**$ 63,782,820**