



AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

September 30, 2012

(Unaudited)

Expressed in United States dollars unless otherwise stated

1750 - 1188 West Georgia Street, Vancouver BC V6E 4A2 CANADA

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2012 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

The Company's independent auditor has not audited or performed a review of these financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountant for a review of unaudited condensed consolidated interim financial statements by an entity's auditor.

Aurcana Corporation

Condensed Interim Consolidated Statements of Financial Position
(Unaudited, expressed in United States dollars, unless otherwise stated)

	Notes	September 30 2012	December 31 2011
Assets			
Current assets			
Cash and cash equivalents	16	\$ 13,526,074	\$ 36,560,380
Trade and other receivable	3	6,615,432	3,451,158
Inventories	4	4,315,443	2,359,605
Short-term investments	5	823,952	383,481
Amounts receivable	6	498,585	942,616
Prepaid expenses and advances		861,329	403,999
		26,640,815	44,101,239
Non Current assets			
Property, plant and equipment	7	89,136,123	52,728,808
Mineral Properties	8	67,339,551	55,116,656
Deferred tax asset		1,327,075	1,304,810
Long term deposits		936,196	936,196
		\$ 185,379,760	\$ 154,187,709
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 12,909,171	\$ 9,193,574
Income tax		324,869	119,635
Current portion of long-term debt	10	2,866,623	1,150,164
		16,100,663	10,463,373
Long-term debt	10	3,557,891	1,668,123
Provision for environmental rehabilitation	11	2,782,900	2,738,587
		22,441,454	14,870,083
Equity			
Share capital	12	160,313,077	146,556,711
Contributed Surplus		30,132,549	28,440,706
Accumulated other comprehensive loss		(1,080,572)	(2,262,183)
Deficit		(26,465,606)	(34,845,299)
Total equity attributable to equity holders of the parent		162,899,448	137,889,935
Non-controlling interest	13	38,858	1,427,691
Total equity		162,938,306	139,317,626
		\$ 185,379,760	\$ 154,187,709

Commitments (Note 15)

Subsequent event (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 September 30,		Nine months ended September 30,	
		2012	2011	2012	2011
Revenues					
Mining operations	18	\$ 14,950,026	\$ 12,493,057	\$ 40,638,068	\$ 36,555,359
Costs of sales					
Mining operating expenses	19	8,542,084	5,681,987	23,242,047	19,082,130
Earnings from mine operations		6,407,942	6,811,070	17,396,021	17,473,229
Other items					
Administrative costs	20	833,815	806,463	3,435,064	3,363,599
Financing expense and others	21	14,588	(2,238)	139,806	116,538
Stock-based compensation	12	810,907	1,931,570	4,369,364	5,600,831
Foreign exchange (gain) loss		101,865	(485,874)	(380,625)	149,165
Other expenses		158,598	238,064	537,667	619,006
		1,919,773	2,487,985	8,101,276	9,849,139
Income before income taxes		4,488,169	4,323,085	9,294,745	7,624,090
Current Income tax expense		1,038,802	498,051	2,169,395	1,541,564
Deferred income tax expense		37,623	-	134,490	-
Net income for the Period		\$ 3,411,744	\$ 3,825,034	\$ 6,990,860	\$ 6,082,526
Attributable to:					
Non-controlling interest		5,137	249,721	13,873	715,886
Equity holders of the Company		3,406,607	3,575,313	6,976,987	5,366,640
		\$ 3,411,744	\$ 3,825,034	\$ 6,990,860	\$ 6,082,526
Weighted average number of shares – basic					
		453,540,146	353,731,282	446,599,893	340,888,949
Weighted average number of shares – diluted					
		494,579,204	424,813,640	485,826,398	411,613,016
Net income per share – basic & diluted					
Basic		\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Diluted		\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

See accompanying notes to these condensed interim consolidated financial statements.

Aurcana Corporation
Condensed Interim Consolidated Statements of Comprehensive Income
(Unaudited, expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2012	2011	2012	2011
Net income for the period		\$ 3,595,607	\$ 3,825,034	\$ 6,990,860	\$ 6,082,526
Currency translation adjustment		862,950	(739,212)	741,140	(583,692)
Unrealized gain (loss) on Short-term investments	5	323,019	(203,976)	440,471	(536,394)
Comprehensive income for the period		4,781,576	2,881,846	8,172,471	4,962,440
Attributable to:					
Non-controlling interest		5,137	249,721	13,873	715,886
Equity holders of the Company		4,776,439	2,632,125	8,158,598	4,246,554
		\$ 4,781,576	\$ 2,881,846	\$ 8,172,471	\$ 4,962,440

See accompanying notes to these condensed interim consolidated financial statements.

Aurcana Corporation
Condensed Interim Consolidated Statements of Changes in Equity
(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, December 31, 2010	90,861,167	\$ 23,075,899	\$ (1,552,567)	\$ (41,828,429)	\$ 70,556,070	\$ 753,975	\$ 71,310,045
Currency translation adjustment	-	-	(583,692)	-	(583,692)	-	(583,692)
Unrealized gain (loss) on available for sale investments	-	-	(536,394)	-	(536,394)	-	(536,394)
Net income for the period	-	-	-	5,366,640	5,366,640	715,886	6,082,526
Shares issued for:							
Private placement	-	-	-	-	-	-	-
Exercise of warrants	16,025,699	(3,634,058)	-	-	12,391,641	-	12,391,641
Exercise of options	1,827,750	(731,712)	-	-	1,096,038	-	1,096,038
Share issue costs	(46,185)	-	-	-	(46,185)	-	(46,185)
Stock-based compensation	-	5,600,831	-	-	5,600,831	-	5,600,831
Balance, September 30, 2011	108,668,431	24,310,960	(2,672,653)	(36,461,789)	93,844,949	1,469,861	95,314,810
Currency translation adjustment	-	-	465,833	-	465,833	-	465,833
Unrealized gain (loss) on available for sale investments	-	-	(55,363)	-	(55,363)	-	(55,363)
Net income for the period	-	-	-	1,616,490	1,616,490	(42,170)	1,574,320
Shares issued for:							
Private placement	29,126,036	4,455,440	-	-	33,581,476	-	33,581,476
Exercise of warrants	10,901,753	(2,522,706)	-	-	8,379,047	-	8,379,047
Exercise of options	30,709	(14,092)	-	-	16,617	-	16,617
Share issue costs	(2,170,218)	-	-	-	(2,170,218)	-	(2,170,218)
Stock-based compensation	-	2,211,104	-	-	2,211,104	-	2,211,104
Balance, December 31, 2011	146,556,711	28,440,706	(2,262,183)	(34,845,299)	137,889,935	1,427,691	139,317,626
Adjustment of non-controlling interest (note 13)	-	-	-	1,402,706	1,402,706	(1,402,706)	-
Currency translation adjustment	-	-	741,140	-	741,140	-	741,140
Unrealized gain (loss) on available for sale investments	-	-	440,471	-	440,471	-	440,471
Net income for the period	-	-	-	6,976,987	6,976,987	13,873	6,990,860
Shares issued for:							
Exercise of warrants	12,804,148	(3,458,447)	-	-	9,345,701	-	9,345,701
Exercise of options	2,089,811	(820,814)	-	-	1,268,997	-	1,268,997
Issuance of warrants	(1,137,593)	1,137,593	-	-	-	-	-
Stock-based compensation	-	4,833,511	-	-	4,833,511	-	4,833,511
Balance, September 30, 2012	160,313,077	\$ 30,132,549	\$ (1,080,572)	\$ (26,465,606)	\$ 162,899,448	\$ 38,858	\$ 162,938,306

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)

	Nine months ended September 30,	
	2012	2011
Cash flows from operating activities		
Net income for the period	6,990,860	6,082,526
Items not involving cash:		
Depreciation, depletion and amortization	3,763,706	2,950,928
Accretion of amounts receivable	(55,969)	(96,206)
Financing expense and others	139,806	116,538
Stock-based compensation	4,369,364	5,600,831
Unrealized foreign exchange (gain) loss	40,783	(380,343)
Deferred Income Tax expense	(22,265)	-
Operating Cash Flow before movements in working capital items	15,226,285	14,274,274
Net change to non-cash working capital balances		
Trade and other receivables	(3,164,274)	(1,232,791)
Inventories	(1,955,838)	(365,542)
Amounts Receivable	500,000	-
Income Taxes Payable	205,234	(688,298)
Prepaid expenses and advances	(457,330)	(154,709)
Accounts payable and accrued liabilities	3,815,763	650,446
Cash provided by operating activities	14,169,839	12,483,380
Cash flows from investing activities		
Purchase of property, plant and equipment	(40,845,481)	(31,254,381)
Expenditures on mineral properties	(11,648,601)	(3,043,137)
Long term deposits	-	(936,196)
Cash used in investing activities	(52,494,082)	(35,233,714)
Cash flows from financing activities		
Share capital issued, net of share issue costs	11,078,845	13,441,495
Convertible debenture (Payment)	-	(6,539,178)
Financing cost	(95,493)	(51,010)
Advances of notes payable, net	3,606,227	2,121,266
Cash provided by financing activities	14,589,579	8,972,573
Decrease in cash and cash equivalents	(23,734,663)	(13,777,761)
Effect of exchange rate changes on cash	700,357	(150,994)
Cash and cash equivalents, beginning of the year	36,560,380	22,176,481
Cash and cash equivalents, end of the Period	13,526,074	8,247,726

Supplemental Cash Flow information (Note 16)

See accompanying notes to these condensed interim consolidated financial statements

AURCANA CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

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

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, lead and zinc concentrates and the exploration, development and operation of natural resource properties. The Company's principal operating unit is the La Negra Mine, 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, Canada.

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

The Company is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2011.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The Audit Committee approved the statements on behalf of the Board of Directors on November 9, 2012.

3. Trade and Other Receivable

	September 30	December 31
	2012	2011
Trade receivables	\$ 6,378,252	\$ 2,869,636
Other receivables	237,180	581,522
	\$ 6,615,432	\$ 3,451,158

4. Inventories

	September 30	December 31
	2012	2011
Supplies inventory	\$ 3,216,004	\$ 1,470,244
Stockpile inventory	648,125	763,732
Concentrates and in-process	451,314	125,629
	\$ 4,315,443	\$ 2,359,605

AURCANA CORPORATION**Notes to Condensed Interim Consolidated Financial Statements****(Unaudited, expressed in United States dollars, unless otherwise stated)****5. Short-term investments**

As partial consideration for the sale of Rosario (Note 6), Silvermex issued 1,000,000 common shares to the Company, which had an original fair value of CDN \$400,000. On July 6, 2012, Silvermex was acquired by First Majestic Silver Corp. ("First Majestic"), and 1,000,000 Silvermex shares were converted to 35,500 First Majestic shares.

The 35,500 First Majestic shares are carried at fair market value based on quoted market prices as follows:

	September 30 2012	December 31 2011
Balance beginning of the year	\$ 383,481	\$ 975,238
Unrealized gain (loss)	440,471	(591,757)
Balance end of the period / year	<u>\$ 823,952</u>	<u>\$ 383,481</u>

The unrealized gain (loss) on these securities has been recorded in other comprehensive income.

6. Amounts Receivable

On November 30, 2009, the Company sold its Rosario exploration and development project located in Sinaloa State, Mexico ("Rosario") to Silvermex Resources Inc. ("Silvermex") for cash and share consideration (Note 5) and recorded a loss of \$1,295,063 in the year ended December 31, 2009.

As part of the required cash consideration, the Company is to receive approximately \$1 million USD in two payments of \$500,000. The first payment was due by April 9, 2012 and was received on July 9, 2012 as mutually agreed. The second payment was due by October 9, 2012 (See Note 23 – Subsequent event). 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:

	September 30 2012	December 31 2011
Carrying value, beginning of the year	\$ 942,616	\$ 820,079
Payment Received	(500,000)	-
Accretion for the period / year	55,969	122,537
Carrying value, end of the period / year	<u>\$ 498,585</u>	<u>\$ 942,616</u>

AURCANA CORPORATION
Notes to Condensed Interim Consolidated Financial Statements
(Unaudited, expressed in United States dollars, unless otherwise stated)

7. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Assets under construction	Total
Cost								
Balance at December 31, 2010	\$ 667,243	\$ 10,432,756	\$ 3,014,077	\$ 324,155	\$ 367,300	\$ 110,871	\$ -	\$ 14,916,402
Additions	808,037	15,429,938	5,586,721	409,703	99,006	45,336	20,979,115	43,357,856
Balance at December 31, 2011	1,475,280	25,862,694	8,600,798	733,858	466,306	156,207	20,979,115	58,274,258
Additions	212,335	10,754,782	6,349,639	117,861	36,536	181,737	21,699,804	39,352,694
Balance at September 30, 2012	\$ 1,687,615	\$ 36,617,476	\$ 14,950,437	\$ 851,719	\$ 502,842	\$ 337,944	\$ 42,678,919	\$ 97,626,952
Accumulated depreciation								
Balance at December 31, 2010	\$ 24,931	\$ 2,553,836	\$ -	\$ 166,072	\$ 258,301	\$ 17,320	\$ -	\$ 3,020,460
Charge for the year	28,139	2,116,131	207,232	108,705	52,165	12,618	-	2,524,990
Balance at December 31, 2011	53,070	4,669,967	207,232	274,777	310,466	29,938	-	5,545,450
Charge for the period	43,861	2,593,877	191,825	56,790	40,194	18,832	-	2,945,379
Balance at September 30, 2012	\$ 96,931	\$ 7,263,844	\$ 399,057	\$ 331,567	\$ 350,660	\$ 48,770	\$ -	\$ 8,490,829
Net book value								
Balance at December 31, 2010	\$ 642,312	\$ 7,878,920	\$ 3,014,077	\$ 158,083	\$ 108,999	\$ 93,551	\$ -	\$ 11,895,942
Balance at December 31, 2011	\$ 1,422,210	\$ 21,192,727	\$ 8,393,566	\$ 459,081	\$ 155,840	\$ 126,269	\$ 20,979,115	\$ 52,728,808
Balance at September 30, 2012	\$ 1,590,684	\$ 29,353,632	\$ 14,551,380	\$ 520,152	\$ 152,182	\$ 289,174	\$ 42,678,919	\$ 89,136,123

Mining and plant equipment and assets under construction, which are not in production, are not subject to amortization.

AURCANA CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

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

8. Mineral Properties

Cost	La Negra Mexico Producing Mine	Shafter Texas Mine Under Construction	Shafter Exploration	Total
Balance as at December 31, 2010	\$ 12,717,017	\$ 41,162,737	\$ -	\$ 53,879,754
Expenditures	-	6,643,549	-	6,643,549
Capitalized accretion	-	2,285,520	-	2,285,520
Capitalized interest expense	-	399,775	-	399,775
Balance as at December 31, 2011	\$ 12,717,017	\$ 50,491,581	\$ -	\$ 63,208,598
Expenditures	-	9,874,541	3,166,681	13,041,222
Balance at September 30, 2012	\$ 12,717,017	\$ 60,366,122	\$ 3,166,681	\$ 76,249,820
Accumulated depletion				
Balance as at December 31, 2010	\$ 7,137,688	\$ -	\$ -	\$ 7,137,688
Charge for the year	954,254	-	-	954,254
Balance as at December 31, 2011	\$ 8,091,942	\$ -	\$ -	\$ 8,091,942
Charge for the period	818,327	-	-	818,327
Balance at September 30, 2012	\$ 8,910,269	\$ -	\$ -	\$ 8,910,269
Net book value				
Balance as at December 31, 2010	\$ 5,579,329	\$ 41,162,737	\$ -	\$ 46,742,066
Balance as at December 31, 2011	\$ 4,625,075	\$ 50,491,581	\$ -	\$ 55,116,656
Balance at September 30, 2012	\$ 3,806,748	\$ 60,366,122	\$ 3,166,681	\$ 67,339,551

Mineral properties which are not in production are not subject to amortization.

9. Accounts Payable and Accrued Liabilities

	September 30 2012	December 31 2011
Royalties	\$ 2,240,567	\$ 1,236,338
Salaries, source deductions and employee benefits	1,692,577	904,420
Employees' statutory profit sharing	583,990	708,662
Mine suppliers	2,856,295	1,472,890
Construction in progress and equipment suppliers	2,109,966	3,602,753
Surface Exploration	324,846	-
Expenditures on Mineral Properties	1,392,621	-
Freights	1,022,680	477,269
Other	685,629	791,242
	\$ 12,909,171	\$ 9,193,574

AURCANA CORPORATION**Notes to Condensed Interim Consolidated Financial Statements****(Unaudited expressed in United States dollars, unless otherwise stated)****10. Current and Long-term Debt**

	September 30 2012	December 31 2011
	<u> </u>	<u> </u>
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$74,111 plus interest at 8.9% per annum, maturing April 2014	1,408,097	2,075,091
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$20,098 plus interest at 7.9% per annum, maturing December 2014	542,651	743,196
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$47,219 plus interest at 7.9% per annum, maturing January 2015	1,322,122	-
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$17,601 plus interest at 7.9% per annum, maturing March 2015	528,044	-
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$24,853 plus interest at 7.9% per annum, maturing May 2015	770,434	-
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$23,990 plus interest at 7.9% per annum, maturing May 2015	767,679	-
First National Capital - equipment contract, repayable in monthly payments totalling US\$31,014 plus interest at 7.47% per annum, maturing August 2015	1,085,486	-
Total	\$ 6,424,514	\$ 2,818,287
Current portion	\$ 2,866,623	\$ 1,150,164
Long-term debt	3,557,891	1,668,123
	\$ 6,424,514	\$ 2,818,287

The current portion includes the last three months of 2012 (October to December) and the first nine months of 2013.

AURCANA CORPORATION
Notes to Condensed Interim Consolidated Financial Statements
(Unaudited expressed in United States dollars, unless otherwise stated)

10. Current and Long-term Debt (continued)

Schedule of principal repayments is as follows:

2012	\$ 716,656	\$ 1,150,164
2013	2,866,623	1,130,503
2014	2,273,740	537,620
2015	567,495	-
	<u>\$ 6,424,514</u>	<u>\$ 2,818,287</u>

The net book value of the assets in note 7 under capital lease is \$10,116,639.

11. Provision for Environmental Rehabilitation

The Company has accrued an estimated liability related to reclamation and closure costs at the La Negra Mine based on the total future remediation cost, discounted to September 30, 2012 using a 5.38% discount rate (December 31, 2011 - 6.35%) and a 4.57% inflation rate (December 31, 2011: 3.41%), in the amount of \$1,511,491 (December 31, 2011 - \$1,467,178).

The Company has accrued an initial estimated liability related to reclamation and closure costs at the Shafter mine based on the total future remediation cost, discounted to September 30, 2012 using a 2.0% discount rate (December 31, 2011 – 2.0%) and a 3.2% inflation rate (December 31, 2011 – 3.2%), in the amount of \$1,271,409 (December 31, 2011 - \$1,271,409).

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 periods ended September 30, 2012 and December 31, 2011 is as follows:

	<u>September 30 2012</u>	<u>December 31 2011</u>
Environmental rehabilitation, beginning of the year	\$ 2,738,587	\$ 1,396,514
Addition	-	1,271,409
Accretion	44,313	70,664
Environmental rehabilitation, end of the period / year	<u>\$ 2,782,900</u>	<u>\$ 2,738,587</u>

AURCANA CORPORATION
Notes to Condensed Interim Consolidated Financial Statements
(Unaudited expressed in United States dollars, unless otherwise stated)

12. Equity

Authorized - An unlimited number of common shares

Share issuance details:

	Number of Shares	Amount
Balance, December 31, 2010	322,854,948	\$ 90,861,167
Share issuance costs	-	(46,185)
Exercised warrants	30,806,345	16,025,699
Exercised options	3,175,000	1,827,750
Balance, September 30, 2011	356,836,293	108,668,431
Issued pursuant to private placement	52,853,000	29,126,036
Share issuance costs	-	(2,170,218)
Exercised warrants	20,907,110	10,901,753
Exercised options	170,000	30,709
Balance, December 31, 2011	430,766,403	146,556,711
Issuance of warrants	-	(1,137,593) *
Exercised warrants	22,869,732	12,804,148
Exercised options	3,330,000	2,089,811
Balance, September 30, 2012	456,966,135	\$ 160,313,077

* Upon exercise of 5,398,690 agent compensation options from the financing of December 7, 2010, the Company issued 5,398,690 common shares and an additional 2,699,345 share purchase warrants, which were fair valued at \$1,137,593 using the Black-Scholes model.

On November 15, 2011, Aurcana completed its private placement financing. The private placement offering (the "Offering") of units ("Units") was conducted through a syndicate of agents led by RBC Capital Markets and included, BMO Capital Markets, Dundee Securities Ltd. and Stonecap Securities Inc. (the "Agents"). Pursuant to the Offering, Aurcana sold an aggregate 52,853,000 Units at a price of CDN\$0.65 per Unit for aggregate gross proceeds of approximately CDN\$34.4 million (\$33.6 million).

Each Unit consists of one common share in the capital of the Company (the "Unit Shares") and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each full Warrant will entitle the holder, on exercise, to purchase one additional common share of the Company (a "Warrant Share"), at a price of CDN\$1.00 at any time until the close of business on the day which is 24 months from the date of issue of the Warrant.

AURCANA CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

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

12. Equity (continued)

Stock options

On June 29, 2011, the Company adopted a new fixed option plan (the “New Plan”), pursuant to which the Company may grant up to 34,698,803 stock options 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.

<u>Stock options</u>	Number of Share Options	Weighted Average Exercise Price per Share (\$CDN)
Balance, December 31, 2010	11,037,500	0.38
Granted	21,475,000	0.72
Exercised	(3,175,000)	0.34
Forfeited, Expired or cancelled	(1,350,000)	0.97
Balance, September 30, 2011	27,987,500	0.62
Granted	450,000	0.70
Exercised	(170,000)	0.10
Forfeited, Expired or cancelled	(400,000)	0.58
Balance, December 31, 2011	27,867,500	0.62
Granted	7,325,000	1.02
Exercised	(3,330,000)	0.38
Forfeited, Expired or cancelled	(2,418,750)	0.69
Balance, September 30, 2012	29,443,750	0.72

The Company’s weighted average share price on the date for the options exercised during the period ended September 30, 2012 was CDN\$0.72 per share, at the same date the number of vested options was 25,014,844 with an average exercise price of CDN\$0.68 per share.

Stock based compensation

For the period ended September 30, 2012 the stock-based compensation expense was \$4,833,511 (September 30, 2011 – \$5,600,831). Fair value of stock options granted as above is calculated using the following weighted average assumptions:

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Risk-free interest rate	1.17%	2.14%
Expected stock price volatility	80.18%	86.79%
Expected dividend yield	n/a	0.00%
Expected option life in years	3.6	4.3

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Notes to Condensed Interim Consolidated Financial Statements
(Unaudited expressed in United States dollars, unless otherwise stated)

12. Equity (continued)

Share Purchase Warrants	Number of Share Warrants
Balance, December 31, 2010	123,273,429
Issued	1,213,474
Exercised	(30,806,345)
Expired	(364,181)
Balance, September 30, 2011	<u>93,316,377</u>
Issued	26,920,403
Exercised	(20,907,110)
Expired	-
Balance, December 31, 2011	<u>99,329,670</u>
Issued ⁽¹⁾	2,699,345
Exercised	(22,869,732)
Expired	-
Balance, September 30, 2012	<u><u>79,159,283</u></u>

(1) The 2,699,345 warrants issued were due to the exercise of 5,398,690 agents compensation units at price of CDN\$0.41.

As of September 30, 2012 details of outstanding warrants are as follows:

Number of	Exercise Price	Expiry Date
2,430,000	\$ 0.40	June 30, 2013
24,960	\$ 0.35	June 30, 2013
45,930,763	\$ 0.41	December 7, 2013
4,347,060	\$ 0.41	December 7, 2012
26,426,500	\$ 1.00	November 29, 2013
<u>79,159,283</u>		

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

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Risk-free interest rate	1.07%	1.02%
Expected stock price volatility	60.31%	75.92%
Expected dividend yield	n/a	n/a
Expected warrant life in years	0.7	1.9

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13. Non-Controlling Interest

The non-controlling interest is comprised of the following:

Balance, December 31, 2010	\$ 753,975
Non-controlling interest's share of profit in La Negra Mine	673,716
Balance, December 31, 2011	<u>1,427,691</u>
Adjustment of non-controlling interest	(1,402,706)
Non-controlling interest's share of profit in La Negra Mine	13,873
Balance at September 30, 2012	<u><u>\$ 38,858</u></u>

On February 17, 2012, the Company increased its ownership in Real de Maconi S.A. de C.V. ("Real Maconi") from 92% to 99.86 % as a result of a recent capital restructure of Real de Maconi. Real de Maconi holds a 99.99% interest (one share representing a .00002% interest is held by a third party) in Minera La Negra S.A. de C.V. which has a 100% interest in the La Negra Mine.

The capital restructure was the result of Real De Maconi's 2010 tax audit wherein the Mexican Tax Authorities required Real de Maconi to reclassify certain accounting transactions resulting in a reclassification and roll back of the capitalization of the equity accounts. The result of the roll back increased Aurcana's ownership of Real de Maconi to 99.86% leaving a non-controlling interest of 0.14% to a third party.

14. Related Party Transactions

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

a) Trading transactions

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

	Note	September 30 2012	September 30 2011
Technical and consulting fees	(i)	\$ 171,127	\$ 464,622
General and administrative expenses	(ii)	125,788	92,921
Management fees	(iii)	767,022	829,422
Related party transactions fees		<u><u>\$ 1,063,937</u></u>	<u><u>\$ 1,386,965</u></u>

- i) To companies controlled by officers or directors.
- 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.

AURCANA CORPORATION**Notes to Condensed Interim Consolidated Financial Statements****(Unaudited expressed in United States dollars, unless otherwise stated)****14. Related Party Transactions (continued)**

b) Compensation of key management personnel

	September 30 2012	September 30 2011
Related party transactions fees	\$ 1,063,937	\$ 1,386,965
Directors' fees	149,242	88,692
Officer salaries	182,583	125,806
Share-based payment	4,369,364	4,409,992
	<u>\$ 5,765,126</u>	<u>\$ 6,011,455</u>

15. 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 the end of 2012.

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).

AURCANA CORPORATION**Notes to Condensed Interim Consolidated Financial Statements****(Unaudited expressed in United States dollars, unless otherwise stated)****16. Supplemental Cash Flow Information**

Cash and cash equivalents of the Company are comprised of bank balances and short-term investments, which are convertible to cash, with a term of 90 days or less as follows:

	September 30 2012	December 31 2011
Cash	\$ 5,737,827	\$ 21,243,815
Short-term investments	7,788,247	15,316,565
Cash and cash equivalents	\$ 13,526,074	\$ 36,560,380

Supplemental disclosures of cash flow information:

	September 30 2012	December 31 2011
Cash interest paid	\$ 95,493	\$ 73,290
Income taxes paid	1,964,161	2,052,107

The short-term investments were made on overnight basis and at rates from 0.2% to 1.1% per annum.

Non-cash investing and financing activities are as follows:

	September 30 2012	December 31 2011
Accounts payable related to construction in progress and equipment suppliers	2,109,966	3,602,753
Accrued interest on convertible debt capitalized to mineral property	-	399,775

AURCANA CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

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

17. Segmented Information

The reportable operating segments have been identified as the La Negra mine, the Shafter mine and Corporate, while all other projects and properties have been aggregated into the category "All Other Segments". The Company manages its business, including the allocation of resources and assessment of performance, on a project by project basis, except where the Company's projects are substantially connected and share resources and administrative functions.

September 30, 2012	La Negra	Shafter	Corporate	All other segments	Total
Sales to external customers	\$ 40,638,068	\$ -	\$ -	\$ -	\$ 40,638,068
Mining operating expenses	18,189,412	-	-	-	18,189,412
Royalties	1,288,929	-	-	-	1,288,929
Depreciation and amortization	2,945,379	-	-	-	2,945,379
Depletion of mineral properties	818,327	-	-	-	818,327
Expenses	30,758	166,230	7,538,509	829,926	8,565,423
Income (loss) before income taxes	17,365,263	(166,230)	(7,538,509)	(829,926)	8,830,598
Income tax expense (recovery)	3,736,621	(1,010,422)	(422,314)	-	2,303,885
Net income for the period	13,628,642	844,192	(7,116,195)	(829,926)	6,526,713
Property, plant and equipment	34,008,747	55,073,736	53,640	-	89,136,123
Mineral properties	3,806,748	60,366,122	-	-	64,172,870
Total capital assets	37,815,495	115,439,858	53,640	-	153,308,993
Total assets	47,971,217	122,189,575	15,214,004	4,965	185,379,761
Total liabilities	11,240,301	10,882,344	286,010	32,799	22,441,454

September 30, 2011	La Negra	Shafter	Corporate	All other segments	Total
Sales to external customers	\$ 36,555,359	\$ -	\$ -	\$ -	\$ 36,555,359
Mining operating expenses	14,915,568	-	-	-	14,915,568
Royalties	1,215,634	-	-	-	1,215,634
Depreciation and amortization	1,390,901	-	-	-	1,390,901
Depletion of mineral properties	1,560,027	-	-	-	1,560,027
Expenses	1,071,958	(26,285)	8,482,523	320,943	9,849,139
Income (loss) before income taxes	16,401,271	26,285	(8,482,523)	(320,943)	7,624,090
Income tax expense	1,541,564	-	-	-	1,541,564
Net income for the period	14,859,707	26,285	(8,482,523)	(320,943)	6,082,526
Property, plant and equipment	19,921,824	24,152,937	229,689	-	44,304,450
Mineral properties	4,019,302	45,242,164	-	-	49,261,466
Total capital assets	23,941,126	69,395,101	229,689	-	93,565,916
Total assets	29,944,745	71,165,966	9,319,838	88,909	110,519,458
Total liabilities	6,529,016	4,733,388	3,130,518	57,431	14,450,353

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Notes to Condensed Interim Consolidated Financial Statements
(Unaudited expressed in United States dollars, unless otherwise stated)
18. Revenues

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues from mining operations	\$ 14,950,026	\$ 12,493,057	\$ 40,638,068	\$ 36,555,359
Figures in \$million:				
Gross revenues from Mining operations	\$ 18.4	\$ 15.1	\$ 50.1	\$ 44.0
Deductions T.C., refining and smelting charges deducted by the customers	3.4	2.6	9.4	7.5
Revenues from mining operations	\$ 15.0	\$ 12.5	\$ 40.7	\$ 36.5
Net Revenues by customer:				
Trafigura (Corminmex)	\$ 8.3	\$ 5.8	\$ 21.7	\$ 23.1
Glencore (Metagri)	6.7	6.7	19.0	13.4
Revenues from mining operations	\$ 15.0	\$ 12.5	\$ 40.7	\$ 36.5

19. Cost of Sales

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Mine and Mill supplies	\$ 2,937,785	\$ 1,191,859	\$ 7,706,081	\$ 6,036,306
Power	588,285	418,777	1,466,951	1,197,410
Salaries and benefits	2,853,962	2,443,075	7,976,052	6,945,841
Freight and delivery	381,020	247,263	1,040,328	736,011
Royalties	455,704	399,574	1,288,929	1,215,634
Depreciation and amortization	1,077,157	464,017	2,945,379	1,390,901
Depletion of mineral properties	248,171	517,422	818,327	1,560,027
Total Cost of Sales	\$ 8,542,084	\$ 5,681,987	\$ 23,242,047	\$ 19,082,130

AURCANA CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

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

20. Administrative costs

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Administrative costs[1]	\$ 682,083	\$ 569,914	\$ 2,512,261	\$ 2,366,631
Professional fees	25,486	105,012	144,538	393,153
Investor relations	122,418	103,286	693,335	492,226
Listing and filing fees	3,828	28,251	84,930	111,589
	\$ 833,815	\$ 806,463	\$ 3,435,064	\$ 3,363,599

[1] Administrative costs break down:

Management fees	\$ 120,589	\$ 99,153	\$ 767,022	\$ 829,422
Rent and overhead	39,476	37,903	113,609	109,496
Travel and accommodation	62,351	59,992	226,807	281,953
Office	20,452	30,784	174,174	121,113
Insurance	69,730	5,047	125,971	18,515
Salaries and Consulting fees	270,269	226,910	704,751	713,687
Directors Fees	51,715	47,742	149,242	88,692
Other	47,501	62,382	250,685	203,752
	\$ 682,083	\$ 569,914	\$ 2,512,261	\$ 2,366,631

21. Financing expense

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Accretion of provision for environmental rehabilitation	\$ 9,127	\$ 21,843	\$ 44,313	\$ 65,528
Accretion of Convertible debenture	-	-	-	-
Financing expense and bank charges	5,461	(24,081)	95,493	51,010
	\$ 14,588	\$ (2,238)	\$ 139,806	\$ 116,538

AURCANA CORPORATION**Notes to Condensed Interim Consolidated Financial Statements****(Unaudited expressed in United States dollars, unless otherwise stated)****22. Earnings per Share**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income for the year attributable to equity holders of the Company	<u>\$ 3,406,607</u>	<u>\$ 3,575,313</u>	<u>\$ 6,976,987</u>	<u>\$ 5,366,640</u>
Weighted average number of shares – basic	453,540,146	353,731,282	446,599,893	340,888,949
Adjustment for:				
Share options	7,082,383	5,158,107	6,325,364	5,478,063
Warrants	33,956,675	65,924,251	32,901,141	65,246,004
Weighted average number of shares – diluted	494,579,204	424,813,640	485,826,398	411,613,016
Earnings per share:				
Basic	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

23. Subsequent event

The payment due from First Majestic (former “Silvermex”) on October 9, 2012 in the amount of \$500,000 (note 6) was mutually agreed to be extended for three additional months to January 9, 2013.