AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

March 31, 2014

(Unaudited)

Expressed in United States dollars unless otherwise stated

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2014 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim consolidated 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 consolidated condensed interim financial statements by an entity's auditor.

(Expressed in United States dollars, unless otherwise stated)

	Notes	March 31 2014	December 31 2013
Assets			
Current assets			
Cash and cash equivalents	17	**$ 5,597,943**	$ 20,277,510
Trade and other receivables	3	**5,695,918**	2,130,151
Inventories	4	**5,506,624**	6,070,263
Prepaid expenses and advances		**639,062**	713,039
		17,439,547	29,190,963
Non Current assets			
Property, plant and equipment	5	**64,514,390**	69,965,516
Assets held for sale	6	**5,200,000**	-
Mineral Properties	7	**19,021,810**	19,050,541
Deferred tax asset		**5,263,824**	5,632,765
Long term deposits		**227,902**	227,902
		$ 111,667,473	$ 124,067,687
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	**14,312,061**	15,333,058
Current portion of long-term debt	9	**2,772,526**	2,782,667
Current portion of borrowings	10	**10,522,320**	14,817,219
		27,606,907	32,932,944
Non Current liabilities			
Long-term debt	9	**586,002**	2,457,737
Borrowings	10	**24,161,795**	26,999,441
Derivative liability	11	**10,926,500**	10,932,524
Deferred tax liability		**7,698,724**	7,624,990
Provision for environmental rehabilitation	12	**1,803,460**	1,716,965
		72,783,388	82,664,601
Equity	13		
Share capital		**168,678,333**	168,678,333
Contributed surplus		**32,457,822**	32,329,060
Accumulated other comprehensive loss		**553,320**	(1,295,529)
Deficit		**(162,852,719)**	(158,354,262)
Total equity attributable to equity holders of the parent		**38,836,756**	41,357,602
Non-controlling interest	14	**47,329**	45,484
Total equity		**38,884,085**	41,403,086
		$ 111,667,473	$ 124,067,687

Nature of Operations and Going concern (Note 1)
Commitments and contingencies (Note 16)
Subsequent events (Note 23)

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors:

"Robert J. Tweedy" — ***Director***

"Adrian Aguirre" — ***Director***

Aurcana Corporation

Condensed interim Consolidated Statements of Comprehensive Income

(Expressed in United States dollars, unless otherwise stated)

	Notes		Three months ended March 31, 2014		2013
Revenues					
Mining operations		$	**13,045,780**	$	12,761,811
Costs of sales	19		**9,685,080**		7,968,533
Earnings from mine operations			**3,360,700**		4,793,278
Other items					
Administrative costs	20		**743,247**		1,262,710
Financing expense and others	21		**2,747,373**		45,225
Stock-based compensation	13		**128,762**		1,762,964
Shafter mine Care & Mainteinance cost			**909,482**		-
Foreign exchange loss			**2,290,591**		233,721
Change in fair value of derivatives	11		**(6,024)**		-
Other expenses			**52,879**		15,936
			6,866,310		3,320,556
(Loss) income before income taxes			**(3,505,610)**		1,472,722
Current Income tax expense			**835,283**		916,812
Deferred income tax expense			**155,719**		164,173
Net (loss) income for the period		$	**(4,496,612)**	$	391,737
Other comprehensive (loss), net of tax					
Items that are or may be reclassified subsequently to net income (loss):					
Currency translation adjustment			**1,848,849**		(725,785)
Unrealized gain on Short-term investments			**-**		332,299
Comprehensive (loss) for the period		$	**(2,647,763)**	$	(1,749)
Total net income (loss) attributable to:					
Non-controlling interest			**1,845**		3,998
Equity holders of the Company			**(4,498,457)**		387,739
		$	**(4,496,612)**	$	391,737
Total comprehensive income (loss) attributable to:					
Non-controlling interest			**1,845**		3,998
Equity holders of the Company			**(2,649,608)**		(5,747)
		$	**(2,647,763)**	$	(1,749)
Weighted average number of shares – basic			**58,412,564**		58,393,776
Weighted average number of shares – diluted			**58,412,564**		61,858,751
Net income (loss) per share – basic & diluted					
Basic		$	**(0.08)**	$	0.01
Diluted		$	**(0.08)**	$	0.01

See accompanying notes to these condensed interim consolidated financial statements.

(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, 2012	168,524,625	28,882,425	(2,655,669)	(23,510,416)	171,240,965	44,148	171,285,113
Currency translation adjustment	-	-	(77,794)	-	(77,794)		(77,794)
Unrealized gain (loss) on available for sale investments	-	-	(141,001)	-	(141,001)		(141,001)
Net income for the period	-	-	-	387,739	387,739	3,998	391,737
Shares issued for:					-		-
Exercise of warrants	89,234	(20,579)	-	-	68,655		68,655
Stock-based compensation	-	1,909,498	-	-	1,909,498		1,909,498
Balance, March 31, 2013	168,613,859	30,771,344	(2,874,464)	(23,122,677)	173,388,062	48,146	173,436,208
Currency translation adjustment	-	-	1,292,463	-	1,292,463	-	1,292,463
Reversal of unrealized loss on sale of Short-term investments	-	-	286,472	-	286,472	-	286,472
Unrealized gain (loss) on available for sale investments	-	-	-	-	-	-	-
Net (loss) for the period	-	-	-	(135,231,585)	(135,231,585)	(2,662)	(135,234,247)
Shares issued for:							
Exercise of warrants	64,474	(10,333)	-	-	54,141	-	54,141
Issuance of warrants	-	692,356	-	-	692,356	-	692,356
Stock-based compensation	-	875,693	-	-	875,693	-	875,693
Balance, December 31, 2013	168,678,333	32,329,060	(1,295,529)	(158,354,262)	41,357,602	45,484	41,403,086
Currency translation adjustment	-	-	1,848,849	-	1,848,849	-	1,848,849
Net (loss) for the period	-	-	-	(4,498,457)	(4,498,457)	1,845	(4,496,612)
Stock-based compensation	-	128,762	-	-	128,762	-	128,762
Balance, March 31, 2014	$ 168,678,333	$ 32,457,822	$ 553,320	$ (162,852,719)	$ 38,836,756	$ 47,329	$ 38,884,085

See accompanying notes to these condensed interim consolidated financial statements.

(Expressed in United States dollars, unless otherwise stated)

	Three months ended March 31, 2014	2013
Cash flows from operating activities		
Net income (loss) for the period	**$ (4,496,612)**	$ 391,737
Items not involving cash:		
Depreciation, depletion and amortization	**921,165**	721,202
Accretion of amounts receivable	**-**	99,525
Financing expense and others	**1,804,958**	45,225
Stock-based compensation	**128,762**	1,909,498
Unrealized foreign exchange (gain) loss	**2,307,998**	(46,212)
Change in fair value of derivatives	**(6,024)**	-
Deferred Income Tax expense	**229,453**	164,173
Operating Cash Flow before movements in working capital items	**889,700**	3,285,148
Net change to non-cash working capital balances		
Trade and other receivables	**(3,565,767)**	78,789
Inventories	**563,639**	(611,815)
Amounts Receivable	**-**	500,000
Income Taxes Payable	**-**	711,277
Prepaid expenses and advances	**73,977**	(267,837)
Accounts payable and accrued liabilities	**(1,177,086)**	4,040,701
Cash provided by operating activities	**(3,215,537)**	7,736,263
Cash flows from investing activities		
Proceeds from the sale of equipment	**766,119**	-
Purchase of property, plant and equipment	**(1,425,225)**	(14,172,784)
Expenditures on mineral properties	**-**	(311,595)
Long term deposits	**-**	274,712
Cash used in investing activities	**(659,106)**	(14,209,667)
Cash flows from financing activities		
Share capital issued, net of share issue costs	**-**	68,655
Financing cost and interest	**-**	(22,391)
Proceeds from borrowings and capital equipment contracts	**-**	15,000,000
Payments on borrowings and capital equipment contracts	**(10,798,543)**	(566,887)
Cash provided by financing activities	**(10,798,543)**	14,479,377
Increase (decrease) in cash and cash equivalents	**(14,673,186)**	8,005,973
Effect of exchange rate changes on cash	**(6,381)**	(31,582)
Cash and cash equivalents, beginning of the year	**20,277,510**	10,027,622
Cash and cash equivalents, end of the period	**$ 5,597,943**	$ 18,002,013

Supplemental Cash Flow information (Note 17)

See accompanying notes to these condensed interim consolidated financial statements.

1. Nature of Operations and Liquidity

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 development property is the Shafter silver property ("Shafter"), 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.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business operations. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Despite the current liquidity challenges, the La Negra mine is a valuable long-life asset, which is currently producing operating cash flows for the Company.

As at March 31, 2014, the Company had consolidated cash and cash equivalents of $5.6 million, a consolidated working capital deficiency of $10.2 million. The consolidated working capital deficiency is largely a result of the current portion of amounts due under the Company's borrowings (Note 10).

During 2013, MF2 Investment Holding Company (Cayman) Limited, an affiliate of Orion Mine Finance Fund I ("Orion") provided the Company with a $50 million loan (Note 10) and related offtake agreement related to Shafter production to sell silver and gold produced from the Shafter mine to Orion at market prices for either a 6 year period, or until Aurcana has sold a minimum of 27 million oz. of silver, whichever is later, subject to an early buy-out provision. The Loan proceeds were used by the Company to finance the construction and upgrade work for Shafter mine and the balance of the Loan was used to repay certain indebtedness and for operating purposes of the La Negra properties. The loan was for 39 months and required monthly payments commencing 4 months after closing, which occurred September 19, 2013. The loan agreement provided for an early repayment option at any time without charge. Interest payable was set at 3 month US$ LIBOR (subject to a 1% minimum) plus 5.5%. The related offtake agreement required the Company to sell silver and gold produced from the Shafter mine to Orion at the prices selected by Orion as either spot price at the delivery date or an average spot price during the first, second or third week after the delivery date for either a 6 year period, or until Aurcana has sold a minimum of 27 million oz. of silver, whichever is later, subject to an early buy-out provision.

On December 19, 2013, the Company placed the Shafter Mine on care and maintenance and in January 2014 the Company entered into negotiations with Orion to amend the terms of the loan and the offtake agreement.

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

1. Nature of Operations and Liquidity (continued)

Subsequent to March 31, 2014, the Company and Orion reached an agreement to amend the credit facility agreement, terminate the offtake agreement and announced a private placement (note 23).

In March 2013 the Company entered into a short-term loan in the amount of $18 million with one of its concentrate purchasers. As of March 31, 2014, the remaining $4,750,000 balance of this loan was fully paid (note 10).

The Company believes that based on its current cash position, the amendment to the Orion loan, the termination of the Shafter offtake agreement and cash generated from the operation of the La Negra mine, it will have sufficient funds to meet its minimum obligations, including general corporate activities, for at least the next 12 months. Liquidity beyond the twelve month period is dependent on the results of the La Negra mine operations and ongoing prices for silver.

2. Basis of Preparation

These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore, the condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under the historical cost convention, as modified by revaluation of certain financial assets and liabilities.

These financial statements were approved for issue by the Board of Directors on May 30, 2014.

Adoption of new and revised standards and interpretations

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective January 1, 2014. The adoption of these standards did not have a material impact on the financial statements of the Company.

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

2. Basis of Preparation (continued)

Significant accounting judgments and estimates

Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are included in Note 3 to the Company's December 31, 2013 consolidated annual financial statements. Except for the significant accounting judgments and estimates disclosed below, the significant accounting judgments and estimates remain unchanged from December 31, 2013.

(i) Liquidity and going concern assumption

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments, management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include forecasted capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions.

Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern (Note 1).

(ii) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The group uses its judgement to select a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period. The Company has used the silver commodity prices and the related volatility of the silver prices, the company's credit rating and credit risk spread based on the credit rating, market interest rates, and the expected silver delivery schedule from its Shafter mine for the valuation of the Orion loan agreement liability and embedded derivatives and the Orion offtake agreement derivative entered into in September 2013. Management valued the Orion loan prepayment option derivative and the Offtake agreement derivative separately and made the significant judgment that market participants would value these derivatives in a similar way, i.e. without taking into account potential interaction of these derivatives. Management valued these derivatives as at March 31, 2014 taking into account the following probability-weighted scenarios: accelerated repayment of the Orion loan and the offtake agreement or restructure of the Orion loan and the offtake agreement.

The fair value of the derivatives embedded in the Orion loan agreement and the offtake agreement as at March 31, 2014 were $10.9 million. The fair value of the derivatives would be an estimated $0.2 million lower or $0.3 million higher were the credit spread used in the valuation of the derivative liabilities 5% higher or lower from management's estimates, respectively. The fair value of the derivatives would be an estimated $44,252 lower or higher were the probability of the accelerated repayment 5% lower or higher from management's estimates, respectively. The fair value of the derivatives would be an estimated $1,230,232 lower or $1,376,603 higher were the recovery rate in the event of default 10% lower or higher from management's estimates, respectively.

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

3. Trade and Other Receivables

	March 31 2014	December 31 2013
Trade receivables	$ 5,087,488	$ 1,490,116
Other receivables	608,430	640,035
	$ 5,695,918	$ 2,130,151

4. Inventories

	March 31 2014	December 31 2013
Supplies inventory	$ 2,284,978	$ 2,780,146
Stockpile inventory	1,188,256	1,225,096
Concentrates and in-process	2,033,390	2,065,021
	$ 5,506,624	$ 6,070,263

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

5. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Assets Under Construction	Total
Cost								
Balance at December 31, 2012	1,968,013	37,924,027	16,918,361	879,309	540,025	348,289	74,557,177	133,135,201
Additions	586,302	2,527,569	8,312,050	41,230	8,570	18,396	25,254,284	36,748,401
allocation	5,381,812	35,895,215	3,500,000	103,958	348,426	1,526,448	(46,755,859)	-
Change in ARO estimated	-	-	-	-	-	(1,046,610)	-	(1,046,610)
Disposals	-	-	-	(22,251)	-	-	-	(22,251)
Impairment of property, plant and equipment	(1,921,090)	(31,459,938)	-	(278,079)	(373,280)	-	(52,507,951)	(86,540,338)
Balance at December 31, 2013	6,015,037	44,886,873	28,730,411	724,167	523,741	846,523	547,651	82,274,403
Additions	-	97,792	1,245,632	-	-	-	40,799	1,384,223
Reclasification	(2,953,951)	2,936,507	-	17,444	-	-	-	-
Reclasification to assets held for sale	-	(5,200,000)	-	-	-	-	-	(5,200,000)
Disposals	-	(668,719)	-	(97,400)	-	-	-	(766,119)
Balance at March 31, 2014	$ 3,004,322	$ 42,052,453	$ 29,976,043	$ 644,211	$ 523,741	$ 846,523	$ 645,214	$ 77,692,507
Accumulated depreciation								
Balance at December 31, 2012	112,203	8,125,886	432,028	336,591	369,252	58,203	-	9,434,163
Charge for the period	90,643	2,530,201	82,099	82,643	68,668	36,072	-	2,890,326
Disposals	-	-	-	(15,602)	-	-	-	(15,602)
Balance at December 31, 2013	202,846	10,656,087	514,127	403,632	437,920	94,275	-	12,308,887
Charge for the period	44,278	750,290	34,280	23,767	9,270	7,345	-	869,230
Balance at March 31, 2014	$ 247,124	$ 11,406,377	$ 548,407	$ 427,399	$ 447,190	$ 101,620	$ -	$ 13,178,117
Net book value								
Balance at December 31, 2012	$ 1,855,810	$ 29,798,141	$ 16,486,333	$ 542,718	$ 170,773	$ 290,086	$ 74,557,177	$ 123,701,038
Balance at December 31, 2013	$ 5,812,191	$ 34,230,786	$ 28,216,284	$ 320,535	$ 85,821	$ 752,248	$ 547,651	$ 69,965,516
Balance at March 31, 2014	$ 2,757,198	$ 30,646,076	$ 29,427,636	$ 216,812	$ 76,551	$ 744,903	$ 645,214	$ 64,514,390

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

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

6. Assets held for sale

Shafter mine underground mobile equipment and underground support equipment have been presented as held for sale following the approval of Aurcana management to sell this equipment. The equipment is expected to be sold within a year.

The following group of assets in Shafter are held for sale:

Asset held for sale		**Value**
Underground mobile equipment	$	4,800,000
Underground support Equipment		400,000
	$	5,200,000

The assets held for sale were written down to their recoverable value of $5,200,000 as at December 31, 2013 as a result of the impairment test performed by management in accordance with IAS 36.

7. Mineral Properties

Cost	La Negra, Mexico, Producing Mine	Shafter, Texas, USA, In Construction	Shafter, Exploration	Total
Balance at December 31, 2012	12,717,017	37,964,850	4,136,498	54,818,365
Expenditures	-	-	985,673	985,673
Impairment of mining interests	-	(22,464,850)	(5,122,171)	(27,587,021)
Balance at December 31, 2013	12,717,017	15,500,000	-	28,217,017
Expenditures	-	-	-	-
Balance at March 31, 2014	$ 12,717,017	$ 15,500,000	$ -	$ 28,217,017
Accumulated depletion				
Balance at December 31, 2012	9,066,830	-	-	9,066,830
Charge for the year	99,646	-	-	99,646
Balance at December 31, 2013	9,166,476	-	-	9,166,476
Change for the period	28,731	-	-	28,731
Balance at March 31, 2014	$ 9,195,207	$ -	$ -	$ 9,195,207
Net book value				
Balance at March 31, 2014	$ 3,521,810	$ 15,500,000	$ -	$ 19,021,810

Mineral properties which are not in production are not subject to amortization. During the year ended December 31, 2012, the Company transferred all costs related to the development and construction of the Shafter project to property, plant and equipment – assets under construction.

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

8. Accounts Payable and Accrued Liabilities

	March 31 2014	December 31 2013
Royalties	$ 2,252,491	$ 1,833,660
Property taxes	1,146,696	2,322,352
Salaries, payroll deductions and employee benefits.	1,615,043	2,044,526
Employees' statutory profit sharing	406,017	332,629
Mine suppliers - operating	6,277,747	6,699,907
Mine suppliers - capital	1,428,724	1,512,181
Other	1,185,343	587,803
	$ 14,312,061	$ 15,333,058

9. Current and Long-term Debt

	March 31 2014	December 31 2013
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US$14,813 plus interest at 7.9% per annum, maturing January 2016	**$ 325,885**	$ 370,324
Republic Bank - Capital equipment contracts, repayable in monthly payments totalling US$34,714 including interest at 8.1% per annum, maturing August 2015	**555,919**	647,619
TAB Bank - Capital equipment contracts, repayable in monthly payments totaling US$158,474 including interest at 6.9% per annum, maturing December 2015 *	**1,927,363**	3,544,957
Macquire Eqipment Finance- Capital equipment contracts, repayable in monthly payments totalling US$16,065 including interest at 3.25% per annum, maturing December 2014	**142,636**	189,434
Atlas Copco - Capital equipment contracts, repayable in monthly payments totalling US$27,115 plus interest at 8.8% per annum, maturing June 2015	**406,725**	**488,070**
Total	**$ 3,358,528**	$ 5,240,404

* During the first quarter of the year, the Company paid to TAB Bank $1.2 million plus the regular monthly payment. The remaining balance was fully paid in May 2014.

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

9. Current and Long-term Debt (continued)

	March 31 2014	December 31 2013
Current portion	**$ 2,772,526**	$ 2,782,667
Long-term debt	**586,002**	2,457,737
	$ 3,358,528	$ 5,240,404

Schedule of principal repayments is as follows:

	March 31 2014	December 31 2013
2014	**$ 2,101,287**	$ 2,782,667
2015	**1,242,427**	2,442,923
2016	**14,814**	14,814
	$ 3,358,528	$ 5,240,404

The net book value of the assets financed by the capital equipment contracts is $11,883,461 (Note 5).

10. Borrowings

(a) Orion

Key commercial terms

On September 19, 2013, the Company executed definitive agreements with MF2 Investment Holding Company (Cayman) Limited, an affiliate of Orion, for a loan in the principal amount of US$50,000,000 and an off-take agreement ("Off-Take"). The Company paid certain transaction fees and costs in the amount of $1,075,000 in establishing the loan facility, including $825,000 paid to Orion and $250,000 paid to third parties.

The loan was advanced on September 19, 2013 and the term of loan is 39 months, with no principal payable until January 31, 2014. Early repayment of the loan may occur at any time without penalty. Interest payable is set at 3 month US$ LIBOR (subject to a 1% minimum) plus 5.5%. Scheduled repayments are disclosed in the table below. Subsequent to March 31, 2014, the Company re-negotiated the terms of this loan (Note 23).

The Company has agreed to sell silver and gold produced from the Shafter mine to Orion under the Off-Take at the prices selected by Orion as either spot price at the delivery date or an average spot price during the first, second or third week after the delivery date, for either a 6 year period, or until Aurcana has sold a minimum of 27 million oz of silver or gold, whichever is later, subject to an early buy-out provision. Subsequent to March 31, 2014, the Company negotiated an early settlement of the Off-Take (Note 23).

10. Borrowings (continued)

Debt host and embedded derivatives

The offtake derivative is a written option and is carried at fair value through profit and loss ("FVTPL"). The Orion loan is a hybrid instrument, containing a debt host component and two embedded derivatives – a prepayment and interest floor options that require separation as derivatives. These features were recorded at fair value with the remainder of the proceeds of transaction allocated to the loan.

The debt host component is classified as other financial liability and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the loan. Accretion of $1.8 million has been recognized for the period ended March 31, 2014.

Valuation methodology

The floor option derivative was valued upon initial measurement and subsequent periods using the Black-Scholes model. The prepayment option derivative was valued upon initial measurement and subsequent periods using a methodology, which is based on Monte-Carlo simulation. The default intensity of the Company is generated using a square-root diffusion process. Monte Carlo simulation is a technique that relies on random sampling and is often used when there is no analytic or exact solution to the valuation. Key inputs used by the Company in its valuation include: the USD discount curve, the USD 1 month forward curve, the USD 1 month historical LIBOR rate, the interest rate implied volatility, and the Company's credit spread.

The offtake agreement derivative was decomposed into the sum of cash flows which depends on Comex and London silver prices. Future Comex and London silver prices were generated using a correlated geometric Brownian motion. A Monte Carlo simulation is used to value the offtake written option; this technique relies on random sampling and is often used when there is no analytic or exact solution to the valuation. Key inputs used by the Company in the Monte Carlo simulation include: the USD risk free rate, the silver convenience yield calculated from silver future prices, Comex and London historical silver prices, the historical correlation of the Comex and London silver price return, the silver at-the-money implied volatility.

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

10. Borrowings (continued)

Valuation assumptions

Key unobservable inputs used in the valuation model are the estimated delivery schedule based on the Company's life of mine plan and the credit spread of the Company, the probability of the early acceleration of the loan repayment and expected recovery.

The Company's credit spread as of the inception dates of September 19, 2013 was calibrated by setting the fair value of the credit facility and the silver agreement equal to total proceeds of transaction, resulting in a credit spread of 31.33% as at the inception date ("the calibrated spread"). The credit spread assumption as at March 31, 2014 was 45% given the decreased credit worthiness of the Company and expectations of the accelerated loan repayment. The probability assumption for the scenario of accelerated repayment of the Orion loan and the offtake agreement at March 31, 2014 was 25%, while the probability assumption for the scenario of the restructure of the Orion loan and the offtake agreement was 75%. The expected recovery rate in the event of default was 50% in both scenarios.

Sensitivity of the derivatives valuation to changes in the assumptions

	5% decrease in credit spread	5% increase in credit spread
Increase/(decrease in fair value at March 31, 2014	$254,732	($209,557)

	5% decrease in probability for accelerated repayment	5% increase in probability for accelerated repayment
(Decrease)/increase in fair value at March 31, 2014	($44,252)	$44,252

	10% decrease in recovery	10% increase in recovery
(Decrease)/increase in fair value at March 31, 2014	($1,230,232)	1,376,603

Presentation

Based on the Company's valuation as at March 31, 2014, the fair value of the derivatives decreased by $6,024 since December 31, 2013. The decrease was recorded as other income.

For the year ended December 31, 2013, the Company recorded accretion of $1,784,122 related to Orion loan as a finance cost. To calculate the accretion expense, the Company uses the contract life of 3 years and an effective interest rate of 28.83%.

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

10. Borrowings (continued)

The movements of the amounts due under loan are as follows:

Details are as follows :

	March 31 2014	December 31 2013
Glencore		
Principal advanced	**$ 4,750,000**	$ 18,000,000
Repayments	**4,750,000**	13,250,000
Balance	**$ -**	$ 4,750,000
(a) Orion		
Principal advanced	**$ 37,066,660**	$ 50,000,000
Transaction costs	**-**	1,075,000
Derivative liability	**-**	13,859,899
Fair value of loan	**$ 37,066,660**	$ 35,065,101
Accretion	**1,784,122**	2,001,559
Sub-total	**38,850,782**	37,066,660
Repayments	**4,166,667**	-
Balance	**$ 34,684,115**	$ 37,066,660
Total borrowings	**$ 34,684,115**	$ 41,816,660

(b) Scheduled repayments

Schedule of principal repayments is as follows:

	March 31 2014	December 31 2013
2014	**$ 12,500,001**	$ 21,416,668
2015	**16,666,668**	16,666,668
2016	**16,666,664**	16,666,664
	$ 45,833,333	$ 54,750,000

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

10. Borrowings (continued)

(c) Carrying amounts and fair value of the current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	March 31, 2014	December 31, 2013	**March 31, 2014**	December 31, 2013
Glencore Loan	-	4,750,000	-	4,750,000
Orion Loan	**34,684,115**	37,066,660	**20,316,164**	36,331,611
Derivatives	**10,926,500**	10,932,524	**10,926,500**	10,932,524
Total	**45,610,615**	52,749,184	**31,242,664**	52,014,135

11. Derivatives

As discussed in Note 10, the Company entered in the Loan agreement and the Offtake agreement with Orion. These agreements contain derivatives.The fair value of the derivatives as at March 31, 2014, was $10.9 million. The Company recorded $6 thousand gain on change in fair value of these derivatives in the quarter ended March 31, 2014.

Details are as follows:

Derivative liability – at inception	$13,859,897
Change in fair value	($2,927,373)
Derivative liability – December 31, 2013	$10,932,524
Change in fair value	($6,024)
Derivative liability – March 31, 2014	$10,926,500

12. 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 anticipated total future remediation cost, discounted to March 31, 2014 using a 6.65% discount rate (December 31, 2013 - 5.9%) and a 4.48% inflation rate (December 31, 2013: 3.39%), in the amount of $1,323,622 (December 31, 2012 - $1,083,625).

The Company has accrued an estimated liability related to reclamation and closure costs at the Shafter mine based on the anticipated total future remediation cost in the amount of $479,838 (December 31, 2013 - $479,838). Due to the uncertainty of when the reclamation will take place the Company didn´t apply as of March 2014 any discount rate (December 31, 2013 – nil %) or inflation rate (December 31, 2012 – nil %).

The environmental remediation liability is subject to revision based on future mine resource realization, and other factors which affect the costs incurred at future dates such as inflation and discount rates.

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

The provision for environmental rehabilitation for the period ended March 2014 and year 2013 is as follows:

	March 31 2014	December 31 2013
Environmental rehabilitation, beginning of the year	**$ 1,716,965**	$ 2,662,433
Addition (Reduction) and change in estimates	**65,659**	(1,014,590)
Accretion	**20,836**	69,122
Enviromental rehabilitation, end of the period	**$ 1,803,460**	$ 1,716,965

13. Equity

Authorized - An unlimited number of common shares

Share issuance details:

	Number of Common Shares	Amount
Balance, December 31, 2012	58,378,465	168,524,625
Exercised warrants	21,099	89,234
Balance, March 31, 2013	58,399,564	168,613,859
Exercised warrants	13,000	64,474
Balance, December 31, 2013	58,412,564	168,678,333
Exercised warrants	-	-
Balance, March 31, 2014	58,412,564	$ 168,678,333

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

13. Equity (continued)

Stock options

On May 25, 2012, the Company amended a fixed stock option plan (the "Amended Plan"), pursuant to which the Company may grant up to stock options exercisable to acquire up to 5,608,997 common shares 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.

Stock options	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share ($CDN)
Balance, December 31, 2012	3,514,844	5.89
Granted	525,000	6.32
Exercised	-	-
Expired	(5,469)	8.16
Forfeited	-	-
Balance, March 31, 2013	4,034,375	5.94
Granted	-	-
Exercised	-	-
Expired	(448,031)	6.02
Forfeited	(126,970)	7.78
Balance, December 31, 2013	3,459,374	5.87
Granted	-	-
Exercised	-	-
Expired	(85,937)	7.45
Forfeited	(10,937)	8.16
Balance, March 31, 2014	3,362,500	5.83

At March 31, 2014, the number of vested options was 3,214,323, with an average exercise price of CDN$5.83 per share.

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

13. Equity (continued)

Outstanding	Vested	Exercise Price ($CDN)	Expiry Date
225,000	225,000	$0.80	August 13, 2014
65,625	65,625	$2.28	December 18, 2014
9,375	9,375	$2.20	February 12, 2015
43,750	43,750	$4.88	January 14, 2016
865,625	865,625	$6.08	February 22, 2016
9,375	9,375	$6.08	May 4, 2016
987,500	987,500	$5.52	May 30, 2016
15,625	15,625	$5.36	September 27, 2016
37,500	37,500	$5.60	December 5, 2016
584,375	517,969	$8.16	June 11, 2017
18,750	18,750	$8.16	June 12, 2017
18,750	14,063	$7.44	August 14, 2017
43,750	43,750	$7.76	December 6, 2017
412,500	346,875	$6.32	February 28, 2018
25,000	13,542	$6.32	February 28, 2015
3,362,500	3,214,323	$5.83	

Stock based compensation

For the period ended March 31, 2014 the stock-based compensation expense was $128,762 (2013: $1,909,498). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	March 31, 2014	December 31, 2013
Risk-free interest rate	-	1.24%
Expected stock price volatility	-	79.98%
Expected dividend yield	-	n/a
Expected option life in years	-	4.9

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

13. Equity (continued)

Common Share Purchase Warrants	Number of Common Share Warrants
Balance, December 31, 2012	9,142,762
Issued	-
Exercised	(21,098)
Expired	-
Balance, March 31, 2013	9,121,664
Issued	1,000,000
Exercised	(13,000)
Expired	(3,303,433)
Balance, December 31, 2013	6,805,231
Issued	-
Exercised	-
Expired	-
Balance, March 31, 2014	6,805,231

As of March 31, 2014 details of outstanding warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
1,000,000	$2.31	September 26, 2014
5,511,481	$2.04	December 7, 2014
293,750	$2.49	June 30, 2015
6,805,231		

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

14. Non-Controlling Interest

The non-controlling interest is comprised of the following:

Balance, December 31, 2012	$	44,148
Non-controlling interest's share of profit in La Negra Mine		1,336
Balance, December 31, 2013		45,484
Non-controlling interest's share of profit in La Negra Mine		1,845
Balance, March 31, 2014	$	47,329

15. Related Party Transactions

Except as noted elsewhere in these 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		March 31 2014		March 31 2013
Technical and consulting fees	(i)	$	-	$	110,047
Management fees	(ii)		100,442		122,175
Consulting fees		$	100,442	$	232,222

i) To companies controlled by officers or directors.
ii) To a company controlled by the President & CEO for management services performed.

15. Related Party Transactions (continued)

b) Compensation of key management personnel

	March 31 2014	March 31 2013
Consulting fees	$ 100,442	$ 232,222
Directors' fees	36,064	72,917
Officer salaries	77,021	77,381
Stock-based compensation	128,762	1,909,498
	$ 342,289	$ 2,292,018

16. Commitments and contingencies

Supply agreements

On March 2011, La Negra signed a sales contract with Glencore, whereby Glencore's Mexican subsidiary (Metagri), agreed to purchase 100% of lead concentrate to be produced at the La Negra mine until the end of 2013. Prices set in both agreements are based on the average of the month in which the shipment is made as per the published prices in the Metal Bulletin in London in US dollars. During July 2013, the agreement with Glencore was extended for 2014 and amended to include lead, copper and zinc concentrates.

As of March 2014, the Company has a commitment in the amount of $1,212,663 to an equipment manufacturer in order to acquire a raise bore machine for La Negra mine.

A class action has been filed in the Ontario Superior Court of Justice naming the Company and certain officers of the Company as defendants. The plaintiff asserts that certain of the Company's news releases misrepresented the production level at the Shafter Property. The plaintiff seeks to certify a class action on behalf of a class that purchased the Company's publicly traded securities between December 14, 2012 and May 17, 2013 and seeks damages on behalf of that class in the sum of $50 million or such other sum as the court finds appropriate. The Company intends to vigorously dispute these allegations. Management has not disclosed the amount of any provision or expected insurance recovery as the net amount of these is not expected to be material and to disclose the amounts could be prejudicial.

Off Balance sheet arrangements – None applicable.

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)

16. Commitments and contingencies (continued)

Shafter equipment operating lease

On June 30, 2013 the Company signed an operating lease agreement for mining equipment for Shafter in the amount of $1,227,024 with a term of 30 months and $44,467 equal payments.

La Negra equipment operating lease.

The company has an operating lease agreement for La Negra in the amount of $1,954,756 with a term of 36 months and $55,295 equal payments; signed on September 24, 2013.

17. 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 an initial term of 90 days or less as follows:

	March 31 2014	December 31 2013
Cash	**$ 5,562,518**	$ 20,239,721
Short-term investments	**35,425**	37,789
Cash and cash equivalents	**$ 5,597,943**	$ 20,277,510

Supplemental disclosures of cash flow information:

	March 31 2014	December 31 2013
Cash interest paid	**$ 942,415**	$ 2,755,333
Tax installments paid	**-**	2,434,972

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

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

17. Supplemental Cash Flow Information (continued)

Non-cash investing and financing activities are as follows:

	March 31 2014	December 31 2013
Increase (decrease) in accounts payable related to construction in progress and equipment suppliers	**$ (83,457)**	$ (2,192,645)
Interest on debt capitalized to Construction in progress	**-**	318,427

18. Segmented Information

The reportable operating segments have been identified as the La Negra mine, the Shafter Property and Corporate and 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.

March 31, 2014	La Negra	Shafter	Corporate and other segments	Total
Sales to external customers	$ 13,045,780	$ -	$ -	$ 13,045,780
Mining operating expenses	7,905,978	-	-	7,905,978
Royalties	350,108	-	-	350,108
Freight and delivery	507,829	-	-	507,829
Depreciation and amortization	892,434	-	-	892,434
Depletion of mineral properties	28,731	-	-	28,731
Gross income	3,360,700	-	-	3,360,700
Shafter production delay and other costs	-	909,482	-	909,482
General and administrative expenses	391,807	146,667	5,418,354	5,956,828
Intersegment charges (recovery)	1,066,181	-	(1,066,181)	-
Income (loss) before income taxes	1,902,712	(1,056,149)	(4,352,173)	(3,505,610)
Income tax expense	815,854	-	175,148	991,002
Net income (loss) for the year	1,086,858	(1,056,149)	(4,527,321)	(4,496,612)
Property, plant and equipment	52,014,653	12,444,947	54,790	64,514,390
Mineral properties	3,521,810	15,500,000	-	19,021,810
Total capital assets	55,536,463	27,944,947	54,790	83,536,200
Total assets	66,949,169	34,121,660	10,596,644	111,667,473
Total liabilities	21,267,289	5,586,694	45,929,405	72,783,388

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

18. Segmented Information (continued)

March 31, 2013	La Negra	Shafter	Corporate and other segments	Total
Sales to external customers	$ 12,761,811	$ -	$ -	$ 12,761,811
Mining operating expenses	6,628,949	-	-	6,628,949
Royalties	317,839	-	-	317,839
Freight and delivery	300,543	-	-	300,543
Depreciation and amortization	687,148	-	-	687,148
Depletion of mineral properties	34,054	-	-	34,054
Gross income	4,793,278	-	-	4,793,278
General and administrative expenses	271,682	179,695	2,869,179	3,320,556
Intersegment charges (recovery)	1,054,640	2,356,760	(3,411,400)	-
Income (loss) before income taxes	3,496,543	(2,536,455)	512,634	1,472,722
Income tax expense (recovery)	1,067,672	-	13,313	1,080,985
Net income for the year	2,428,871	(2,536,455)	499,321	391,737
Property, plant and equipment	42,126,109	93,307,214	55,409	135,488,732
Mineral properties	3,616,133	42,412,943	-	46,029,076
Total capital assets	45,742,242	135,720,157	55,409	181,517,808
Total assets	48,516,801	140,972,377	22,539,711	212,028,889
Total liabilities	27,470,163	10,801,394	321,124	38,592,681

19. Cost of Sales

	Three months ended March 31,	
	2014	2013
Mine and Mill supplies	**$ 3,171,898**	$ 2,204,692
Power	**852,899**	635,238
Salaries and benefits	**3,709,211**	3,450,635
Profit Sharing Employees	**171,970**	338,384
Royalties	**350,108**	317,839
Freight and delivery	**507,829**	300,543
Depreciation and amortization	**892,434**	687,148
Depletion of mineral properties	**28,731**	34,054
Total Cost of Sales	**$ 9,685,080**	$ 7,968,533

Cost of sales includes change in finished goods inventory for the year for $(31,631) (2013: $361,182).

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

20. Administrative costs

	Three months ended March 31,	
	2014	2013
Administrative costs[1]	**$ 539,346**	$ 743,320
Professional fees	**107,502**	162,735
Investor relations	**38,997**	130,675
Marketing	**46,393**	157,796
Listing and filing fees	**11,009**	68,184
	$ 743,247	$ 1,262,710

[1] Administrative costs break down:

	2014	2013
Management fees	**$ 100,442**	$ 122,175
Rent and overhead	**37,596**	46,027
Travel and accommodation	**27,198**	103,835
Office	**27,105**	87,698
Salaries and Consulting fees	**241,768**	251,015
Directors Fees	**36,064**	72,917
Other	**69,173**	59,653
	$ 539,346	$ 743,320

21. Financing expense

	Three months ended March 31,	
	2014	2013
Accretion of provision for environmental rehabilitation (note 12)	**$ 20,836**	$ 22,834
Accretion of Orion loan (Note 10)	**1,784,122**	-
Financing expense and bank charges	**942,415**	22,391
	$ 2,747,373	$ 45,225

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

22. Fair value measurements

The Company's financial instruments include cash and cash equivalents, trade and other receivables, short-term investments, amounts receivable, accounts payable and accrued liabilities, borrowings, embedded derivative liability and long-term debt. The carrying values of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term nature of these amounts.

The Company classifies the fair value of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

The following table summarizes the fair value hierarchy, as of March 31, 2014:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ (10,926,500)	$ -	$ -	$(10,926,500)	Level 3
Borrowings	-	-	(34,684,115)	(34,684,115)	n/a
Capital lease	-	-	(3,358,528)	(3,358,528)	n/a
	$ (10,926,500)	**$ -**	**$ (38,042,643)**	**$(48,969,143)**	

The following table summarizes the fair value hierarchy, as of December 31, 2013:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ (10,932,524)	$ -	$ -	$(10,932,524)	Level 3
Borrowings	-	-	(41,816,660)	(41,816,660)	n/a
Capital lease	-	-	(5,240,404)	(5,240,404)	n/a
	$ (10,932,524)	**$ -**	**$ (47,057,064)**	**$(57,989,588)**	

The carrying value and fair value of trade and other receivable and accounts payable and accrued liabilities as of March 31, 2014 are approximately the same. The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

The valuation technique used in the determination of fair values within Level 3 of the hierarchy, and the key unobservable inputs used in the valuation model are disclosed in Note 10.

23. Subsequent events

a) On April 29, 2014, Aurcana entered into an agreement to amend the terms of its US$50,000,000 outstanding unsecured loan (the "Loan") owing to MF2 Investment Holding Company (Cayman) Limited (the "Original Lender"), an affiliate of Orion Mine Finance Group, as originally announced on September 19, 2013. The Original Lender assigned all of its rights and obligations under the original Loan Agreement and related transaction documents to Orion Mine Finance (Master) Fund I LP (the "Lender"), an affiliate of Orion Mine Finance Group. Pursuant to an amended and restated credit facility agreement (the "Amended Credit Facility Agreement") between the Company and the Lender dated April 29, 2014, the principal amount under the Loan has been reduced to US$40,000,000. In consideration for an aggregate debt settlement of US$10,333,333, Aurcana issued 16,499,501 common shares of the Company (the "Settlement Shares") to the Lender at a deemed issue price of US$0.62 or Cdn$0.69, in consideration for reducing the principal amount outstanding under the Loan and terminating the Offtake Agreement in respect of the Shafter Mine. The Settlement Shares are subject to a hold period under applicable securities laws expiring four months and one day following the date of their issuance and were deposited in escrow on closing pursuant to the terms of a voluntary escrow agreement, to be released in quarterly installments over a period of 12 months from closing, subject to earlier release in certain circumstances. The Loan is to be repaid in 48 equal monthly installments. Early prepayment may occur at any time without charges. Interest on the Loan continues to accrue at a rate equal to LIBOR (subject to a minimum of 1%) plus 5.5% per annum. The Loan continues to be guaranteed by Aurcana's subsidiaries and is also be secured against all of the Company's and its subsidiaries' present and future assets. Concurrently, Aurcana entered into offtake agreements with the Lender in respect of copper, zinc and lead concentrate produced at its La Negra mine for the period from January 1, 2017 to December 31, 2020.

b) The Company entered into an engagement letter with Dundee Securities Ltd. (the "Underwriter"), pursuant to which the Underwriter has agreed to act as a sole underwriter in connection with a marketed underwritten private placement of an aggregate of up to 8,000,000 units (each unit a "Unit") of the Company at a purchase price of Cdn$0.65 per Unit (the "Purchase Price") for aggregate gross proceeds to the Company of up to Cdn$5,200,000 (the "Offering") as announced April 29, 2014. Each Unit will consist of one common share (a "Share") of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase an additional common share (a "Warrant Share") of the Company at an exercise price of Cdn$0.90 per Warrant Share for a period of 24 months from the closing of the Offering.In addition, the Company will grant to the Underwriter an option (the "Over-Allotment Option") to purchase up to an additional 1,200,000 Units (for additional gross proceed of Cdn$780,000) exercisable at the Purchase Price at any time in whole or in part up to 48 hours prior to the closing date. If this option is exercised in full, the aggregate gross proceeds of the Offering to Aurcana will be Cdn$5,980,000. In consideration for the services provided by the Underwriter to the Company under the Offering, the Company will pay to the Underwriter a commission of 6% of the gross proceeds raised under the Offering, including any Units sold under the Over-Allotment Option payable by the issuance of Units. In addition, the Company will issue to the Underwriter a compensation warrant which entitles the Underwriter to purchase such number of common shares of the Company as is equal to 6% of the number of Units sold under the Offering, including any Units sold under the Over-Allotment Option, exercisable at the Purchase Price for a period of 24 months from the Closing.Completion of the Offering is subject to the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange. All securities issued in connection with the Offering will be subject to a hold period under applicable securities laws expiring four months and one day following issuance of the securities. There is no guarantee that the private placement can be completed.