AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

June 30, 2013

(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 six months ended June 30, 2013 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.

(Expressed in United States dollars, unless otherwise stated)

	Notes	June 30 2013	December 31 2012
Assets			
Current assets			
Cash and cash equivalents	19	**$ 3,008,732**	$ 10,027,622
Trade and other receivables	4	**4,067,867**	3,817,901
Inventories	5	**5,332,417**	4,790,008
Short-term investments	6	**376,669**	715,780
Amounts receivable	7	**-**	599,525
Prepaid expenses and advances	8	**1,304,382**	930,724
		14,090,067	20,881,560
Non Current assets			
Property, plant and equipment	9	**151,036,453**	123,701,038
Mineral Properties	10	**46,241,258**	45,751,535
Deferred tax asset		**507,979**	1,092,186
Long term deposits		**1,037,742**	941,492
		$ 212,913,499	$ 192,367,811
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	**$ 16,271,314**	$ 10,880,576
Income tax payable		**-**	457,397
Current portion of long-term debt	12	**3,377,341**	2,344,771
Note payable	13	**11,750,000**	-
		31,398,655	13,682,744
Long-term debt	12	**4,873,386**	4,737,521
Provision for environmental rehabilitation	14	**2,787,558**	2,662,433
		39,059,599	**21,082,698**
Equity	15		
Share capital		**168,651,518**	168,524,625
Contributed Surplus		**31,360,360**	28,882,425
Accumulated other comprehensive loss		**(3,338,136)**	(2,655,669)
Deficit		**(22,868,838)**	(23,510,416)
Total equity attributable to equity holders of the parent		**173,804,904**	171,240,965
Non-controlling interest	16	**48,996**	44,148
Total equity		**173,853,900**	171,285,113
		$ 212,913,499	$ 192,367,811

Commitments (Note 18)

Subsequent events and contingencies (Note 28)

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 Operations

(Expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenues					
Mining operations	21	**$ 11,337,026**	$ 13,739,509	**$ 24,098,837**	$ 25,688,042
Costs of sales	22	**8,785,925**	8,258,870	**16,754,458**	14,699,963
Earnings from mine operations		**2,551,101**	5,480,639	**7,344,379**	10,988,079
Other items					
Administrative costs	23	**1,268,054**	1,599,380	**2,530,764**	2,601,248
Financing expense and others	24	**252,082**	92,485	**297,307**	125,218
Stock-based compensation	15	**496,484**	2,369,411	**2,259,448**	3,742,320
Foreign exchange (gain) loss		**5,130**	(806,133)	**238,851**	(482,490)
Other expenses		**15,972**	268,208	**31,908**	379,069
		2,037,722	3,523,351	**5,358,278**	6,365,365
Income before income taxes		**513,379**	1,957,288	**1,986,101**	4,622,714
Current Income tax expense		**51,323**	554,290	**968,135**	1,130,593
Deferred income tax expense		**207,367**	(129)	**371,540**	96,867
Net income for the period		**$ 254,689**	$ 1,403,127	**$ 646,426**	$ 3,395,254
Attributable to:					
Non-controlling interest		850	3,507	**4,848**	8,736
Equity holders of the Company		**253,839**	1,399,620	**641,578**	3,386,518
		$ 254,689	$ 1,403,127	**$ 646,426**	$ 3,395,254
Weighted average number of shares – basic	25	**58,405,558**	56,083,418	**58,399,667**	55,387,517
Weighted average number of shares – diluted	25	**58,673,008**	61,391,903	**60,564,805**	60,790,597
Net income per share – basic & diluted					
Basic	25	**$ -**	$ 0.02	**$ 0.01**	$ 0.06
Diluted	25	**$ -**	$ 0.02	**$ 0.01**	$ 0.06

See accompanying notes to these condensed interim consolidated financial statements.

(Expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net income for the period		**$ 254,689**	$ 1,403,127	**$ 646,426**	$ 3,395,254
Items of other comprehensive income that may be reclassified subsequently to net income					
Currency translation adjustment		**(265,562)**	(435,638)	**(343,356)**	(121,810)
Unrealized gain (loss) on Short-term investments	6	**(198,110)**	29,755	**(339,111)**	117,452
Comprehensive income (loss) for the period		**$ (208,983)**	$ 997,244	**$ (36,041)**	$ 3,390,896
Attributable to:					
Non-controlling interest		**$ 850**	$ 3,507	**$ 4,848**	$ 8,736
Equity holders of the Company		**(209,833)**	993,737	**(40,889)**	3,382,160
		$ (208,983)	$ 997,244	**$ (36,041)**	$ 3,390,896

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, 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 16**)	-	-	-	1,402,706	1,402,706	(1,402,706)	-
Currency translation adjustment	-	-	(121,810)	-	(121,810)		(121,810)
Unrealized gain (loss) on available for sale investments	-	-	117,452	-	117,452		117,452
Net income for the period	-	-	-	3,386,517	3,386,517	8,736	3,395,253
Shares issued for:							
Private placement	-	-	-		-		-
Exercise of warrants	9,887,079	(2,642,452)	-		7,244,627		7,244,627
Exercise of options	896,151	(340,178)	-		555,973		555,973
Issuance of warrants	(745,589)	745,589	-		-		-
Tax benefit of share issue costs recognized	-	-	-		-		-
Stock-based compensation	-	3,742,320	-		3,742,320		3,742,320
Balance, June 30, 2012	156,594,352	29,945,985	(2,266,541)	(30,056,076)	154,217,720	33,721	154,251,441
Adjustment of non-controlling interest (**note 16**)	-	-	-	-	-	-	-
Currency translation adjustment	-	-	(603,975)	-	(603,975)	-	(603,975)
Unrealized gain (loss) on available for sale investments	-	-	214,847	-	214,847	-	214,847
Net income for the period	-	-	-	6,545,660	6,545,660	10,427	6,556,087
Shares issued for:							
Exercise of warrants	8,173,737	(2,758,765)	-	-	5,414,972	-	5,414,972
Exercise of options	2,948,851	(1,190,442)	-	-	1,758,409	-	1,758,409
Issuance of warrants	(1,328,275)	1,328,275	-	-	-	-	-
Tax benefit of share issue costs recognized	2,135,960	-	-	-	2,135,960	-	2,135,960
Stock-based compensation	-	1,557,372	-	-	1,557,372	-	1,557,372
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	-	-	(343,356)	-	(343,356)		(343,356)
Unrealized gain (loss) on available for sale investments	-	-	(339,111)	-	(339,111)		(339,111)
Net income for the period	-	-	-	641,578	641,578	4,848	646,426
Shares issued for:							
Exercise of warrants	126,893	(26,967)	-	-	99,926		99,926
Stock-based compensation	-	2,504,902	-	-	2,504,902		2,504,902
Balance, June 30, 2013	168,651,518	31,360,360	$ (3,338,136)	$ (22,868,838)	$ 173,804,904	$ 48,996	$ 173,853,900

See accompanying notes to these condensed interim consolidated financial statements.

(Expressed in United States dollars, unless otherwise stated)

	Six months ended June 30, 2013	2012
Cash flows from operating activities		
Net income for the period	**$ 646,426**	$ 3,395,253
Items not involving cash:		
Depreciation, depletion and amortization	**1,396,920**	2,438,378
Accretion of amounts receivable	**99,525**	(40,627)
Financing expense and others	**297,307**	125,218
Stock-based compensation	**2,504,902**	3,742,320
Unrealized foreign exchange (gain) loss	**(126,260)**	616,044
Deferred Income Tax expense	**371,540**	104,471
Operating Cash Flow before movements in working capital items	**5,190,360**	10,381,057
Net change to non-cash working capital balances		
Trade and other receivables	**(249,966)**	(2,692,893)
Inventories	**(542,409)**	(1,480,339)
Amounts Receivable	**500,000**	-
Income Taxes Payable	**(457,397)**	124,914
Prepaid expenses and advances	**(373,658)**	(457,925)
Accounts payable and accrued liabilities	**6,190,295**	(250,968)
Cash provided by operating activities	**10,257,226**	5,623,846
Cash flows from investing activities		
Purchase of property, plant and equipment	**(29,640,702)**	(27,952,407)
Expenditures on mineral properties	**(340,364)**	(7,308,350)
Long term deposits	**(96,250)**	-
Cash used in investing activities	**(30,077,316)**	(35,260,757)
Cash flows from financing activities		
Share capital issued, net of share issue costs	**99,926**	7,800,600
Financing cost	**(212,731)**	(90,032)
Advances of notes payable and change in debt balance	**12,918,435**	3,144,355
Cash provided by financing activities	**12,805,630**	10,854,923
Increase (decrease) in cash and cash equivalents	**(7,014,461)**	(18,781,988)
Effect of exchange rate changes on cash	**(4,429)**	(737,854)
Cash and cash equivalents, beginning of the year	**10,027,622**	36,560,380
Cash and cash equivalents, end of the period	**$ 3,008,732**	$ 17,040,538

Supplemental Cash Flow information (Note 19)

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, 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 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

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, 2012, except as described in Note 27.

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 do not include all the information and note disclosures required by IFRS for annual financial statements and therefore these condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved for issue by the Board of Directors on August 29, 2013.

3. Liquidity

At June 30, 2013 the Company had a working capital deficiency of $17.4 million (Dec 2012 – working capital of $7.1 million).

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 significant operating cash flows for the Company. The Shafter mine will require further infusion of funds to meet planned production levels.

In June, 2013, the Company executed an indicative term sheet with RK Mine Finance ("Red Kite"), which set out the terms of a debt financing transaction (the "Financing"), pursuant to which an affiliate of Red Kite would advance to the Company an unsecured 3 year loan facility of US$ 50 million (the "Loan Facility"), and which also provides for the Company and Red Kite entering into a silver and gold off take agreement in respect of production from the Shafter mine. The Financing remains subject to the negotiation of definitive documentation and other conditions precedent. It is anticipated that the closing of the Financing will strengthen Aurcana's balance sheet and provide significant financial flexibility to complete its corporate growth objectives. It is anticipated that proceeds from the Loan Facility of approximately US$ 13 million will be used towards completion of all construction and upgrade work for the Company's Shafter mine and the balance will be used for development of the La Negra mine and working capital purposes.

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

The Company has also entered into a short-term loan in the amount of $15 million with its main concentrate purchaser to help finance the Company through the current upgrades being completed on the Shafter mill and as a bridge until the mine is in production. At June 30, 2013 the unpaid balance was $11,750,000. During the month of July the loan amount and the terms were amended, as described in Note 13.

4. Trade and Other Receivable

	June 30 2013	December 31 2012
Trade receivables	$ 3,285,471	$ 3,207,773
Other receivables	782,396	610,128
	$ 4,067,867	$ 3,817,901

5. Inventories

	June 30 2013	December 31 2012
Supplies inventory	$ 2,755,369	$ 2,997,914
Stockpile inventory	1,245,141	1,014,115
Concentrates and in-process	1,331,907	777,979
	$ 5,332,417	$ 4,790,008

6. Short-term investments

As partial consideration for the sale of Rosario (Note 7), 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 First Majestic shares are carried at fair market value based on quoted market prices as follows:

	June 30 2013	December 31 2012
Balance beginning of the year	$ 715,780	$ 383,481
Unrealized gain (loss)	(339,111)	332,299
Balance end of the period / year	$ 376,669	$ 715,780

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

7. Amounts Receivable

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

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 6).

As part of the required cash consideration, the Company received 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 and paid in full on January 7, 2013 as mutually agreed.

A summary of changes in accounts receivable is presented below:

		June 30 2013		December 31 2012
Carrying value, beginning of the year	**$**	**599,525**	$	942,616
Payment Received		**(500,000)**		(500,000)
Receivable from vendors		**(100,940)**		100,940
Accretion for the period		**1,415**		55,969
Carrying value, end of the period /year	**$**	**-**	$	599,525

8. Prepaid expenses and advances

		June 30 2013		December 31 2012
Prepaid Expenses	**$**	**981,838**	$	817,740
Other		**322,543**		112,984
	$	**1,304,382**	$	930,724

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

9. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Assets Under Construction	Total
Cost								
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	492,733	12,061,333	8,317,563	145,451	73,719	192,082	13,789,397	35,072,278
Transfer from Mineral Properties (Note 10)	-	-	-	-	-	-	39,788,665	39,788,665
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	257,841	955,776	4,324,423	-	7,403	18,396	23,151,245	28,715,084
Balance at June 30, 2013	$ 2,225,854	$ 38,879,803	$ 21,242,784	$ 879,309	$ 547,428	$ 366,685	$ 97,708,422	$ 161,850,285
Accumulated depreciation								
Balance at December 31, 2011	$ 53,070	$ 4,669,967	$ 207,232	$ 274,777	$ 310,466	$ 29,938	$ -	$ 5,545,450
Charge for the year	59,133	3,455,919	224,796	61,814	58,786	28,265	-	3,888,713
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	39,938	1,224,783	14,789	46,311	35,613	18,235	-	1,379,669
Balance at June 30, 2013	$ 152,141	$ 9,350,669	$ 446,817	$ 382,902	$ 404,865	$ 76,438	$ -	$ 10,813,832
Net book value								
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 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 June 30, 2013	$ 2,073,713	$ 29,529,134	$ 20,795,967	$ 496,407	$ 142,563	$ 290,247	$ 97,708,422	$ 151,036,453

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

**Assets under construction for 2013 include net pre-operating expenses for Shafter in the amount of $11.6 million.

***During the period ended June 2013, the Company capitalized interest expense in the amount of $206,736 (for the year ended December 2012 - $409,434) related to the finance contracts for equipment used in the construction of the Shafter mine.

Impairment of property, plant and equipment assets and mining interests

The Company reviews each asset or cash generating unit at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, metal prices, production and grades, operating costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances could alter these projections materially, which could impact the recoverable amount of the assets.

As at June 30, 2013, management of the Company determined that the decline in market capitalization of the Company and the decline in the price of silver metal constituted impairment indicators, and completed an impairment assessment for the Shafter mine a fair value less costs to sell basis.

The key assumptions incorporated in the impairment model included the following:

- Silver Prices ($/Oz) 2013: $22; 2014 to 2016: $25; and 2017 to 2023: $22.
- The Shafter mine is expected to reach its production target of 1500 tpd during 2014.
- Operating costs are estimated based on the Shafter feasibility study.
- Production volume, grades and recoveries from 2015 and beyond are the same as indicated in the Shafter feasibility study.
- Discount rate: 9% after tax rate.

The impairment evaluation did not result in the identification of an impairment loss as of June 30, 2013.

AURCANA CORPORATION
Notes to Consolidated Financial Statements
(Expressed in United States dollars, unless otherwise stated)

10. Mineral Properties

Cost	La Negra Mexico Producing Mine	Shafter Texas, USA In Construction	Shafter Exploration	Total
Balance at December 31, 2011	$ 12,717,017	$ 50,491,581	$ -	$ 63,208,598
Expenditures	-	27,261,934	4,136,498	31,398,432
Transfer to Assets Under Construction (Note 9)	-	(39,788,665)	-	(39,788,665)
Balance at December 31, 2012	12,717,017	37,964,850	4,136,498	54,818,365
Expenditures	-	-	499,278	499,278
Balance at June 30, 2013	$ 12,717,017	$ 37,964,850	$ 4,635,776	$ 55,317,643
Accumulated depletion				
Balance at December 31, 2011	$ 8,091,942	$ -	$ -	$ 8,091,942
Charge for the year	974,888	-	-	974,888
Balance at December 31, 2012	9,066,830	-	-	9,066,830
Charge for the period	9,555	-	-	9,555
Balance at June 30, 2013	$ 9,076,385	$ -	$ -	$ 9,076,385
Net book value				
Balance at December 31, 2011	$ 4,625,075	$ 50,491,581	$ -	$ 55,116,656
Balance at December 31, 2012	$ 3,650,187	$ 37,964,850	$ 4,136,498	$ 45,751,535
Balance at June 30, 2013	$ 3,640,632	$ 37,964,850	$ 4,635,776	$ 46,241,258

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. The remaining balance of $37,964,850 represents the costs of acquiring the mineral property.

11. Accounts Payable and Accrued Liabilities

	June 30 2013	December 31 2012
Royalties	**$ 1,156,678**	$ 451,555
Property taxes	**1,232,352**	962,352
Salaries, payroll deductions and employee benefits	**2,402,484**	1,381,833
Employees' statutory profit sharing	**325,292**	1,052,643
Mine suppliers - operating	**7,402,703**	3,219,189
Mine suppliers - capital	**2,779,208**	3,704,826
Other	**972,597**	108,178
	$ 16,271,314	$ 10,880,576

(Expressed in United States dollars, unless otherwise stated)

12. Current and Long-term Debt

	June 30 2013	December 31 2012
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US$14,813 plus interest at 7.9% per annum, maturing December 2015	**$459,200**	533,266
Republic Bank - Capital equipment contracts, repayable in monthly payments totalling US$34,714 including interest at 8.1% per annum, maturing August 2015	**825,583**	1,031,250
TAB Bank - Capital equipment contracts, repayable in monthly payments totalling US$158,474 including interest at 6.9% per annum, maturing December 2015	**4,358,090**	5,143,926
Macquire Eqipment Finance- Capital equipment contracts, repayable in monthly payments totalling US$16,065 plus interest at 3.25% per annum, maturing December 2014	**281,858**	373,850
Atlas Copco - Capital equipment contracts, repayable in monthly payments totalling US$27,115 plus interest at 8.8% per annum, maturing June 2015	**650,760**	-
First National Capital - Capital equipment contracts, repayable in monthly payments totalling US$60,711 including interest at 8.7% per annum, maturing January 2016	**1,675,236**	**-**
Total	**$ 8,250,727**	**$ 7,082,292**

(Expressed in United States dollars, unless otherwise stated)

12. Current and Long-term Debt (continued)

	June 30 2013	December 31 2012
Current portion	**$ 3,377,341**	$ 2,344,771
Long-term debt	**4,873,386**	4,737,521
	$ 8,250,727	$ 7,082,292

In assets under construction, the Company capitalized interest expenses in the amount of $99,513 in the second quarter and $206,736 in the first six months of 2013, for the leases of Shafter (Note 9).

Schedule of principal repayments is as follows:

2013	**$ 1,627,037**	$ 2,344,771
2014	**3,415,465**	2,457,287
2015	**3,133,161**	2,280,234
2016	**75,064**	-
	$ 8,250,727	$ 7,082,292

The net book value of the assets financed by the capital equipment contracts is $13,558,697 (Note 9).

13. Note Payable

The Company, through its subsidiary Minera La Negra, has arranged a US$15 million credit facility with its concentrate buyer on production from the La Negra mine. Under this facility US$15 million was received on March 28, 2013, with periodic repayments scheduled through to December 31, 2013. The loan is unsecured, bears interest at the three months US Libor rate plus 4.50% per annum. Subsequent to June 30, 2013, the Company received an additional $3,000,000 and the repayment terms have been amended (Note 28).

As at June 30, 2013, the repayment schedule was as follows (Note 28):

Month	**Amount**
July	$ 1,750,000
August	1,750,000
September	1,750,000
October	2,000,000
November	2,000,000
December	2,500,000
	$ 11,750,000

(Expressed in United States dollars, unless otherwise stated)

14. 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 June 30, 2013 using a 5.57% discount rate (December 31, 2012 - 5.21%) and a 4.95% inflation rate (December 31, 2011: 3.57%), in the amount of $1,208,750 (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 total future remediation cost, discounted to June 30, 2013 using a 2.53% discount rate (December 31, 2012 – 2.53%) and a 2.1% inflation rate (December 31, 2012 – 2.1%), in the amount of $1,578,808 (December 31, 2012 - $1,578,808).

The 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.

The provision for environmental rehabilitation for the period ended June 2013 and year 2012 is as follows:

	June 30 2013	December 31 2012
Environmental rehabilitation, beginning of the year	**$ 2,662,433**	$ 2,738,587
Addition (Reduction)	**40,549**	(107,939)
Accretion	**84,576**	31,785
Enviromental rehabilitation, end of the period	**$ 2,787,558**	$ 2,662,433

(Expressed in United States dollars, unless otherwise stated)

15. Equity

Authorized - An unlimited number of common shares

Share issuance details:

	Number of Shares		Amount	
Balance, December 31, 2011	53,845,800	$	146,556,711	
Tax benefit of share issuance costs recognized	-		-	
Issuance of warrants	-		(745,589)	*
Exercised warrants	2,218,868		9,887,079	
Exercised options	266,250		896,151	
Balance, June 30, 2012	56,330,918		156,594,352	
Tax benefit of share issuance costs recognized	-		2,135,960	
Issuance of warrants	-		(1,328,275)	
Exercised warrants	1,641,479		8,173,737	
Exercised options	406,250		2,948,851	
Balance, December 31, 2012	58,378,647		168,524,625	
Exercised warrants	31,099		126,893	
Balance, June 30, 2013	58,409,746	$	168,651,518	

* Upon exercise of 239,375 agent compensation options from the financing of December 7, 2010, the Company issued 239,375 common shares and an additional 119,688 share purchase warrants, which were fair valued at $745,589 using the Black-Scholes model.

Effective April 30, 2013, following the approval of the shareholders on March 28, 2013 and after the acceptance of the TSX Venture Exchange, Company's common shares are trading on a basis of eight (8) pre-consolidated Common Shares for each one (1) post-consolidation Common Share.

Aurcana's listed warrants to purchase Common Shares continued to trade on the Exchange. The Warrants were consolidated on the basis of eight (8) existing Warrants ("Pre-Consolidation Warrants") for one (1) new Warrant ("Post-Consolidation Warrant"), with any fractional Post-Consolidation Warrant rounded down to the nearest whole number. Post-Consolidation Warrants have an exercise price of $8.00 and may be exercised at any time up until November 29, 2013.

(Expressed in United States dollars, unless otherwise stated)

15. Equity (continued)

During the year ended December 31, 2012, the Company met the recognition criteria and recorded the benefit of certain tax assets, including those related to historic share issuance costs. As a result, the Company recognized a credit of $2,135,960 against share capital in the year ended December 31, 2012.

Stock options
On May 25, 2012, the Company amended a fixed option plan (the "Amended Plan"), pursuant to which the Company may grant up to 5,608,998 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.

Stock options	Number of Share Options	Weighted Average Exercise Price per Share ($CDN)
Balance, December 31, 2011	3,483,438	4.96
Granted	896,875	8.16
Exercised	(266,250)	2.10
Expired	(164,063)	8.90
Forfeited	(28,125)	5.87
Balance, June 30, 2012	3,921,875	5.71
Granted	168,750	7.72
Exercised	(406,250)	4.04
Expired	(46,094)	3.82
Forfeited	(123,438)	7.54
Balance, December 31, 2012	3,514,844	5.97
Granted	525,000	6.32
Exercised	-	
Expired	(49,219)	8.16
Forfeited	(11,719)	8.16
Balance, June 30, 2013	3,978,906	5.98

At June 30, 2013, the number of vested options was 3,492,318 with an average exercise price of CDN$5.77 per share.

(Expressed in United States dollars, unless otherwise stated)

15. Equity (continued)

Outstanding	Vested	Exercise Price ($CDN)	Expiry Date
50,000	50,000	2.48	September 9, 2013
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
946,875	946,875	6.08	February 22, 2016
9,375	9,375	6.08	May 4, 2016
1,087,500	1,087,500	5.52	May 30, 2016
18,750	18,750	6.32	September 12, 2016
56,250	49,219	5.36	September 27, 2016
37,500	37,500	5.60	December 5, 2016
735,156	545,703	8.16	June 12, 2017
18,750	7,031	7.44	August 14, 2017
150,000	37,500	7.76	December 6, 2017
500,000	350,781	6.32	February 28, 2018
25,000	8,333	6.32	February 28, 2015
3,978,906	3,492,318	5.77	

Stock based compensation

For the period ended June 30, 2013 the stock-based compensation expense was $2,504,902 (2012: $5,299,692). The stock-based compensation was allocated to operations in the amount of $2,259,448 (2012: $4,807,807) and to construction in progress in the amount of $245,454 (2012: $ 491,885). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	June 30, 2013	December 31, 2012
Risk-free interest rate	1.24%	1.20%
Expected stock price volatility	79.98%	80.16%
Expected dividend yield	n/a	n/a
Expected option life in years	3.2	3.4

(Expressed in United States dollars, unless otherwise stated)

15. Equity (continued)

Share Purchase Warrants	Number of Share Warrants
Balance, December 31, 2011	12,416,209
Issued (1)	227,683
Exercised	(2,218,868)
Expired	-
Balance, June 30, 2012	10,425,023
Issued (1)	359,233
Exercised	(1,641,479)
Expired	-
Balance, December 31, 2012	9,142,777
Issued	-
Exercised	(31,099)
Expired	(3,120)
Balance, June 30, 2013	9,108,559

(1) The 586,916 warrants issued were due to the exercise of 674,836 agents compensation units at a price of CDN$3.28.

As of June 30, 2013 details of outstanding warrants are as follows:

Number of		Exercise Price	Expiry Date
3,303,312	$	8.00	November 29, 2013
5,511,497	$	3.28	December 7, 2013
293,750	$	2.49	June 30, 2015
9,108,559			

(Expressed in United States dollars, unless otherwise stated)

16. Non-Controlling Interest

The non-controlling interest is comprised of the following:

Balance, December 31, 2011	$	1,427,691
Adjustment of non-controlling interest		(1,402,706)
Non-controlling interest's share of profit in La Negra Mine		8,736
Balance, June 30, 2012		33,721
Non-controlling interest's share of profit in La Negra Mine		10,427
Balance, December 31, 2012		44,148
Non-controlling interest's share of profit in La Negra Mine		4,848
Balance, June 30, 2013	$	48,996

The capital restructure of Real de Maconi, S.A. de C.V. ("Real de Maconi") was a result of a 2010 tax audit conducted by the Mexican Tax Authority (the "Tax Authority"). The Tax Authority requested that Real de Maconi to reclassify an accounting transaction classified as a capitalization in favor of a third party. The transaction was previously classified as interest of same third party and as that said party failed to submit to the Tax Authority the evidence of any deposit made for that matter, said transaction had to be considered income for Real de Maconi, generating the corresponding tax thereof.

Therefore a reclassification was made through a roll back of the equity accounts, thereby increasing the Company's ownership in Real de Maconi to 99.86% and leaving a non-controlling interest of 0.14% to a third party in compliance with the tax audit conducted by the Tax Authority.

17. 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		June 30 2013		June 30 2012
Technical and consulting fees	(i)	$	237,672	$	122,979
General and administrative expenses	(ii)		-		92,920
Management fees	(iii)		242,420		646,433
Related party transactions fees		$	480,092	$	862,332

i) To companies controlled by officers or directors.
ii) To a company controlled by the former corporate secretary for management services performed as an officer.
iii) To a company controlled by the President & CEO for management services performed.

17. Related Party Transactions (continued)

During the quarter ended June 30, 2013, there were no significant transactions with related parties outside of the ordinary course of business when measured at fair value.

b) Compensation of key management personnel

	June 30 2013	June 30 2012
Related party transactions fees	$ 480,092	$ 862,332
Directors' fees	140,407	97,527
Officer salaries	153,574	107,388
Stock-based compensation	2,504,902	3,742,320
	$ 3,278,975	$ 4,809,567

18. Commitments

Supply agreements

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 and zinc concentrate to be produced during the years 2007, 2008, 2009 and extended until the end of 2013. 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 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. Prices are based on the published prices in the Metal Bulletin in London in US dollars of the following month of shipment is made. During July 2013, agreement with Glencore was amended to include lead, copper and zinc concentrates (Note 28).

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).

(Expressed in United States dollars, unless otherwise stated)

19. 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:

	June 30 2013	December 31 2012
Cash	**$ 2,681,606**	$ 3,313,406
Short-term investments	**327,126**	6,714,216
Cash and cash equivalents	**$ 3,008,732**	$ 10,027,622

Supplemental disclosures of cash flow information:

	June 30 2013	December 31 2012
Cash interest paid	**$ 212,731**	$ 116,925
Income taxes paid	**1,425,532**	2,583,234

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:

	June 30 2013	December 31 2012
Increase (decrease) in accounts payable related to construction in progress and equipment suppliers	**$ (925,618)**	$ 946,890
Interest on debt capitalized to construction in progress	**206,736**	409,434

(Expressed in United States dollars, unless otherwise stated)

20. Segmented Information

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

June 30, 2013	La Negra	Shafter	Corporate and other segments	Total
Sales to external customers	$ 24,098,837	$ -	$ -	$ 24,098,837
Mining operating expenses	13,854,710	-	-	13,854,710
Royalties	608,265	-	-	608,265
Freight and delivery	894,563	-	-	894,563
Depreciation and amortization	1,379,669	-	-	1,379,669
Depletion of mineral properties	17,251	-	-	17,251
Gross income	7,344,379	-	-	7,344,379
General and administrative expenses	526,681	309,954	4,521,643	5,358,278
Intersegment charges (recovery)	1,917,046	-	(1,917,046)	-
Income (loss) before income taxes	4,916,390	(309,954)	(2,620,335)	1,986,101
Income tax expense	1,407,657	-	(67,982)	1,339,675
Net income for the period	3,508,733	(309,954)	(2,552,353)	646,426
Property, plant and equipment	45,099,050	105,867,602	69,801	151,036,453
Mineral properties	3,640,632	42,600,626	-	46,241,258
Total capital assets	48,739,682	148,468,228	69,801	197,277,711
Total assets	51,269,420	156,017,907	5,626,172	212,913,499
Total liabilities	25,323,598	13,494,293	241,708	39,059,599

June 30, 2012	La Negra	Shafter	Corporate and other segments	Total
Sales to external customers	$ 25,688,042	$ -	$ -	$ 25,688,042
Mining operating expenses	10,769,052	-	-	10,769,052
Royalties	833,225	-	-	833,225
Freight and delivery	659,308	-	-	659,308
Depreciation and amortization	1,868,222	-	-	1,868,222
Depletion of mineral properties	570,156	-	-	570,156
Gross income	10,988,079	-	-	10,988,079
General and administrative expenses	(1,447,377)	(2,749,456)	10,562,199	6,365,366
Intersegment charges (recovery)	1,773,063	2,883,686	(4,656,749)	-
Income (loss) before income taxes	10,662,393	(134,230)	(5,905,450)	4,622,713
Income tax expense (recovery)	2,154,985	(505,211)	(422,314)	1,227,460
Net income for the period	8,507,408	370,981	(5,483,136)	3,395,253
Property, plant and equipment	30,204,147	48,686,687	53,930	78,944,764
Mineral properties	4,054,919	58,894,691	-	62,949,610
Total capital assets	34,259,066	107,581,378	53,930	141,894,374
Total assets	43,802,468	110,110,648	19,488,426	173,401,542
Total liabilities	8,404,284	10,160,704	585,113	19,150,101

21. Revenues

	Three months ended June 30,				Six months ended June 30,			
		2013		2012		**2013**		2012
Revenues from mining operations	**$**	**11,337,026**	$	13,739,509	**$**	**24,098,837**	$	25,688,042
Figures in $million:								
Gross revenues from Mining operations	**$**	**14.1**	$	17.1	**$**	**29.1**	$	31.7
Deductions T.C., refining and smelting charges deducted by the customers		**2.8**		3.3		**5.0**		6.0
Revenues from mining operations	**$**	**11.3**	$	13.8	**$**	**24.1**	$	25.7
Net Revenues by customer:								
Customer "A"	**$**	**6.9**	$	7.4	**$**	**14.0**	$	13.4
Customer "B"		**4.4**		6.4		**10.1**	$	12.3
Revenues from mining operations	**$**	**11.3**	$	13.8	**$**	**24.1**	$	25.7

22. Cost of Sales

	Three months ended June 30,				Six months ended June 30,			
		2013		2012		**2013**		2012
Mine and Mill supplies	**$**	**2,908,969**	$	2,610,434	**$**	**5,113,661**	$	4,391,432
Power		**612,267**		454,963		**1,247,505**		878,666
Salaries and benefits		**3,676,494**		2,753,511		**7,127,129**		5,122,090
Profit Sharing Employees		**28,031**		184,763		**366,415**		376,864
Royalties		**290,426**		466,413		**608,265**		833,225
Freight and delivery		**594,020**		373,531		**894,563**		659,308
Depletion, depreciation and amortization		**675,718**		1,415,255		**1,396,920**		2,438,378
Total Cost of Sales	**$**	**8,785,925**	$	8,258,870	**$**	**16,754,458**	$	14,699,963

Cost of sales includes change in finished goods inventory for the six months of the year for $553,928 (2011: $(15,082)).

(Expressed in United States dollars, unless otherwise stated)

23. Administrative costs

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Administrative costs[1]	**$ 741,868**	$ 1,163,880	**$ 1,485,188**	$ 1,830,178
Professional fees	**215,661**	74,933	**378,396**	119,052
Investor relations	**126,865**	143,011	**257,540**	241,052
Marketing	**150,966**	177,283	**308,762**	329,864
Listing and filing fees	**32,694**	40,273	**100,878**	81,102
	$ 1,268,054	$ 1,599,380	**$ 2,530,764**	$ 2,601,248

[1] Administrative costs break down:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Management fees	**$ 120,245**	$ 548,498	**$ 242,420**	$ 646,433
Rent and overhead	**46,063**	36,341	**92,090**	74,133
Travel and accommodation	**45,682**	73,348	**149,517**	164,456
Office	**57,559**	114,813	**145,257**	153,722
Salaries and Consulting fees	**286,558**	222,903	**537,573**	434,482
Directors Fees	**67,490**	68,056	**140,407**	97,527
Other	**118,271**	99,921	**177,924**	259,425
	$ 741,868	$ 1,163,880	**$ 1,485,188**	$ 1,830,178

24. Financing expense

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Accretion of provision for environmental rehabilitation	**$ 61,742**	$ 17,250	**$ 84,576**	$ 35,186
Financing expense and bank charges	**190,340**	75,235	**212,731**	90,032
	$ 252,082	$ 92,485	**$ 297,307**	$ 125,218

(Expressed in United States dollars, unless otherwise stated)

25. Earnings per Share

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Net income for the period attributable to equity holders of the Company	**$ 253,839**	$ 1,399,620	**$ 641,578**	$ 3,386,518
Weighted average number of shares – basic	**58,405,558**	56,083,418	**58,399,667**	55,387,517
Adjustment for:				
Share options	**201,985**	869,745	**251,868**	855,577
Warrants	**65,465**	4,438,740	**1,913,270**	4,547,503
Weighted average number of shares – diluted	**58,673,008**	61,391,903	**60,564,805**	60,790,597
Earnings per share:				
Basic	**$ 0.00**	$ 0.02	**$ 0.01**	$ 0.06
Diluted	**$ 0.00**	$ 0.02	**$ 0.01**	$ 0.06

26. Fair value measurements

The Company’s financial instruments include cash and cash equivalents, trade and other receivables, short-term investments, amounts receivable, advances, accounts payable and accrued liabilities and other long-term debt. The carrying values of cash and cash equivalents, trade and other receivables, advances 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.

(Expressed in United States dollars, unless otherwise stated)

26 Fair value measurements (continued)

The following table summarizes the fair value hierarchy, as of June 30, 2013:

	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Assets					
Cash and cash equivalents	-	$ 3,008,732	-	$ 3,008,732	n/a
Trade and other receivable	-	4,067,867	-	4,067,867	n/a
Short-term investments	376,669	-	-	376,669	Level 1
Amounts receivable	-	-	-	-	n/a
	$ 376,669	**$ 7,076,599**	**-**	**$ 7,453,268**	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(16,271,314)	(16,271,314)	n/a
Note payable	-	-	(11,750,000)	(11,750,000)	n/a
Long Term Debt	-	-	(8,250,727)	(8,250,727)	n/a
	$ 376,669	**$ 7,076,599**	**$ (36,272,041)**	**$ (28,818,773)**	

The following table summarizes the fair value hierarchy, as of December 31, 2012:

	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Assets					
Cash and cash equivalents	-	$ 10,027,622	-	$ 10,027,622	n/a
Trade and other receivable	-	3,817,901	-	3,817,901	n/a
Short-term investments	715,780	-	-	715,780	Level 1
Amounts receivable	-	599,525	-	599,525	n/a
	$ 715,780	**$ 14,445,048**	**-**	**$ 15,160,828**	
Financial Liabilities					
Accounts payable and accrued liabilities	-	-	(10,880,576)	(10,880,576)	n/a
Long Term Debt	-	-	(7,082,292)	(7,082,292)	n/a
	$ 715,780	**$ 14,445,048**	**$ (17,962,868)**	**$ (2,802,040)**	

There were no material differences between the carrying value and fair value of long-term assets and liabilities as of June 30, 2013. 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.

27. Adoption of New and Amended IFRS Pronouncements

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities

The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financial statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement

The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure 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.

The adoption of IFRS 13 did not have an effect on the Company's condensed interim consolidated financial statements for the current period. The disclosure requirements of IFRS 13 will be incorporated in the annual consolidated financial statements for the year ended December 31, 2013.

iii) Amendment to IAS 1, Presentation of Financial Statements

The Company adopted the amendments to IAS 1 which required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

iv) Amendment to IAS 34, Interim financial reporting

The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed interim consolidated financial statements.

27 Adoption of New and Amended IFRS Pronouncements (continued)

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements

The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements

The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement 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 venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

28. Subsequent events and contingencies

- 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 mine. 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 April 11, 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.

- During July 2013, the Company received an additional $3,000,000 from Glencore and postponed repayment of the July installment in the amount of $1,750,000. The sales agreement with Glencore was also amended to include lead, copper and zinc concentrates and extended until 2016. Prices set in the 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 of the following month of shipment is made. Loan repayment terms have been amended as follows:

(Expressed in United States dollars, unless otherwise stated)

Previous Repayment Schedule:

Month	**Amount**
July 2013	$ 1,750,000
August 2013	1,750,000
September 2013	1,750,000
October 2013	2,000,000
November 2013	2,000,000
December 2013	2,500,000
Old Balance	$ 11,750,000
Additional Funds	3,000,000
Amended Balance	$ 14,750,000

Amended Repayment Schedule:

Month	**Amount**
August 2013	1,750,000
September 2013	1,750,000
October 2013	2,000,000
November 2013	2,000,000
December 2013	2,500,000
January 2014	1,750,000
February 2014	1,500,000
March 2014	1,500,000
	$ 14,750,000