AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

June 30, 2015

(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 and six months ended June 30, 2015 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 Chartered Professional Accountants of Canada for a review of unaudited consolidated condensed interim financial statements by an entity's auditor.

(Unaudited and expressed in United States dollars)

	Notes	June 30 2015	December 31 2014
Assets			
Current assets			
Cash and cash equivalents	13	$ 292,217	$ 1,606,762
Trade and other receivables	3	2,788,562	4,691,317
Inventories	4	2,144,771	2,255,986
Insurance proceeds receivable	12	-	4,000,000
Prepaid expenses and advances		552,335	514,180
Prepaid income tax		1,163,633	1,230,803
Assets held for sale		287,174	495,284
		7,228,692	14,794,332
Non Current assets			
Non-current prepaid expenses		446,032	598,554
Property, plant and equipment	5	61,035,917	62,087,730
Mineral Properties	6	17,205,449	17,329,176
Deferred tax asset		2,565,278	2,779,702
		$ 88,481,368	$ 97,589,494
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 12,754,428	$ 12,873,431
Settlement claim payable	12	-	4,000,000
Current portion of long-term debt		103,691	340,445
Current portion of borrowings	8	14,494,602	9,128,477
		27,352,721	26,342,353
Non Current liabilities			
Borrowings	8	19,156,013	23,510,079
Derivative liability	9	2,627,929	2,690,031
Deferred tax liability		5,696,371	6,818,737
Provision for environmental rehabilitation		1,908,187	1,946,338
		56,741,221	61,322,351
Equity	10		
Share capital		181,814,354	181,814,354
Contributed surplus		34,260,229	34,256,203
Accumulated other comprehensive income (loss)		873,157	(471,711)
Deficit		(185,238,806)	(179,368,164)
Total equity attributable to equity holders of the parent		31,708,934	36,230,682
Non-controlling interest		31,213	36,461
Total equity		31,740,147	36,267,143
		$ 88,481,368	$ 97,589,494

Nature of Operations and Going concern (Note 1)
Commitments and contingencies (Note 12)

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 Loss

(Expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenues					
Mining operations	15	$ **7,360,294**	$ 9,241,156	$ **15,397,811**	$ 22,286,936
Cost of sales		**6,672,942**	9,701,942	**13,568,173**	18,465,857
Depreciation, depletion and amortization		**1,262,450**	922,043	**2,573,037**	1,843,208
Costs of sales	16	**7,935,392**	10,623,985	**16,141,210**	20,309,065
(Loss) from mine operations		**(575,098)**	(1,382,829)	**(743,399)**	1,977,871
Other items					
General and administrative costs	17	**719,687**	782,257	**1,328,121**	1,525,504
Financing expense and others	18	**1,297,639**	1,634,984	**2,426,958**	4,382,357
Stock-based compensation	10	**-**	91,249	**4,026**	220,011
Shafter mine care & maintenance costs		**68,556**	123,418	**492,368**	1,032,900
Foreign exchange loss		**105,364**	(502,629)	**1,780,975**	1,787,962
Loan and offtake agreement restructure loss and related costs	8, 9	**20,120**	5,592,399	**20,120**	5,592,399
Change in fair value of derivatives	9	**(47,332)**	(943,697)	**(62,102)**	(949,721)
Severance payments		**87,893**	-	**111,813**	-
Loss on sale of equipment		**-**	-	**9,898**	-
Other expenses (income)		**9,040**	4,850	**62,953**	57,729
		2,260,967	6,782,831	**6,175,130**	13,649,141
(Loss) before income taxes		**(2,836,065)**	(8,165,660)	**(6,918,529)**	(11,671,270)
Current Income tax expense		**42,754**	(231,605)	**61,883**	603,678
Deferred income tax (benefit)		**(1,104,522)**	(494,518)	**(1,104,522)**	(338,799)
Net (loss) for the period		$ **(1,774,297)**	$ (7,439,537)	$ **(5,875,890)**	$ (11,936,149)
Items of other comprehensive income					
Items of other comprehensive income that may be reclassified subsequently to net income (loss):					
Currency translation adjustment		**18,798**	(91,359)	**1,344,868**	1,757,490
Comprehensive (loss) for the period		$ **(1,755,499)**	$ (7,530,896)	$ **(4,531,022)**	$ (10,178,659)
Total net income (loss) attributable to:					
Non-controlling interest		**(2,303)**	(2,502)	**(5,248)**	(657)
Equity holders of the Company		**(1,771,994)**	(7,437,035)	**(5,870,642)**	(11,935,492)
		$ **(1,774,297)**	$ (7,439,537)	$ **(5,875,890)**	$ (11,936,149)
Total comprehensive income (loss) attributable to:					
Non-controlling interest		**(2,303)**	(2,502)	**(5,248)**	(657)
Equity holders of the Company		**(1,753,196)**	(7,528,394)	**(4,525,774)**	(10,178,002)
		$ **(1,755,499)**	$ (7,530,896)	$ **(4,531,022)**	$ (10,178,659)
Weighted average number of shares – basic		**84,644,973**	58,409,564	**84,644,973**	58,412,564
Weighted average number of shares – diluted		**84,644,973**	58,409,564	**84,644,973**	58,412,564
Net (loss) per share – basic & diluted					
Basic		$ **(0.02)**	$ (0.13)	$ **(0.07)**	$ (0.20)
Diluted		$ **(0.02)**	$ (0.13)	$ **(0.07)**	$ (0.20)

See accompanying notes to these condensed interim consolidated financial statements.

(Expressed in United States dollars, unless otherwise stated)

	Share Capital		Contributed	Accumulated Other Comprehensive		Total Equity Attributable to Shareholders of	Non-controlling	Total
	#	$	Surplus	Income (Loss)	Deficit	the Company	Interest	Equity
Balance, December 31, 2013	58,412,564	$ 168,678,333	$ 32,329,060	$ (1,295,529)	$ (158,354,262)	$ 41,357,602	$ 45,484	$ 41,403,086
Currency translation adjustment	-	-	-	1,757,490	-	1,757,490		1,757,490
Net (loss) for the Period	-	-	-		(11,935,492)	(11,935,492)	(657)	(11,936,149)
Shares issued for:							-	
Debt Restructuring	16,499,501	10,333,333	-	-	-	10,333,333	-	10,333,333
Private Placement	9,732,908	3,497,859	1,367,036	-	-	4,864,895	-	4,864,895
Share Issue Costs	-	(336,290)	-	-	-	(336,290)	-	(336,290)
Stock-based compensation	-	-	220,011	-	-	220,011	-	220,011
Balance, June 30, 2014	84,644,973	182,173,235	33,916,107	461,961	(170,289,754)	46,261,549	44,827	46,306,376
Currency translation adjustment	-	-	-	(933,672)	-	(933,672)	-	(933,672)
Net (loss) for the period	-	-	-	-	(9,078,410)	(9,078,410)	(8,366)	(9,086,776)
Shares issued for:								
Debt Restructuring	-	-	-	-	-	-	-	-
Private Placement	-	28,085	140,241	-	-	168,326	-	168,326
Share Issue Costs	-	(386,966)	324,145	-	-	(62,821)	-	(62,821)
Stock-based compensation	-	-	(124,290)	-	-	(124,290)	-	(124,290)
Balance, December 31, 2014	84,644,973	181,814,354	34,256,203	(471,711)	(179,368,164)	36,230,682	36,461	36,267,143
Currency translation adjustment	-	-	-	1,344,868	-	1,344,868	-	1,344,868
Net (loss) for the period	-	-	-	-	(5,870,642)	(5,870,642)	(5,248)	(5,875,890)
Stock-based compensation	-	-	4,026	-	-	4,026	-	4,026
Balance, June 30, 2015	84,644,973	$ 181,814,354	$ 34,260,229	$ 873,157	$ (185,238,806)	$ 31,708,934	$ 31,213	$ 31,740,147

See accompanying notes to these condensed interim consolidated financial statements.

(Expressed in United States dollars, unless otherwise stated)

	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flows from operating activities		
Net (loss) for the period	$ (5,875,890)	$ (11,936,149)
Items not involving cash:		
Depreciation, depletion and amortization	2,575,458	1,843,209
Financing expense and other	2,360,446	4,382,357
Loss on sale of equipment	9,898	-
Amortization of insurance lease operating	145,649	-
Stock-based compensation	4,026	220,011
Unrealized foreign exchange loss	1,985,660	1,674,262
Change in fair value of derivatives	(62,102)	(949,721)
Cost of Orion loan restructure and offtake agreement cancellation	-	5,066,159
Deferred Income Tax expense	(1,104,522)	(338,799)
Operating Cash Flow before movements in working capital items	38,623	(38,671)
Net change to non-cash working capital balances		
Trade and other receivables	1,902,755	(2,195,781)
Inventories	111,215	1,126,935
Prepaid expenses and advances	(31,282)	(89,610)
Accounts payable and accrued liabilities	40,425	(508,115)
Cash provided by operating activities	2,061,736	(1,705,242)
Cash flows from investing activities		
Proceeds from the sale of equipment	11,547	986,119
Purchase of property, plant and equipment	(1,945,588)	(4,482,139)
Cash used in investing activities	(1,934,041)	(3,496,020)
Cash flows from financing activities		
Share capital issued (private placement), net of share issue costs	-	4,528,605
Financing cost and interest	(1,177,849)	(1,729,062)
Payments on borrowings	-	(10,333,333)
Payments on capital equipment contracts	(251,567)	(4,075,741)
Cash provided by financing activities	(1,429,416)	(11,609,531)
Decrease in cash and cash equivalents	(1,301,721)	(16,810,793)
Effect of exchange rate changes on cash	(12,824)	(26,107)
Cash and cash equivalents, beginning of the period	1,606,762	20,277,510
Cash and cash equivalents, end of the period	$ 292,217	$ 3,440,610

Supplemental Cash Flow information (Note 13)

See accompanying notes to these condensed interim consolidated financial statements.

1. Nature of Operations and going concern

Aurcana Corporation (the “Company” or “Aurcana”) 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 silver, copper, 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 250-1090 West Georgia Street, Vancouver, B.C., V6E 3V7, 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.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business. The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the going concern assumption. The Company had cash and cash equivalents of $0.3 million, a consolidated working capital deficit of $20.1 million, consolidated deficit of $185.2 million and losses of $5.9 million as at and for the six months ended June 30, 2015.

The Company anticipates that silver and base metals prices will remain under pressure through 2015, which will continue to impact the Company’s margins and liquidity. To improve its short-term liquidity, the Company’s principal lender permitted the Company to make interest only payments and defer until August 2015, payments on the principal amount owed from January to July 2015 under its current debt facility agreement. The Company is engaged in discussions with its principal lender to restructure its current debt In order to address ongoing liquidity concerns, while continuing to be focused on minimizing uncommitted capital expenditures and preserving the Company’s growth options. If it does not do so, or if it fails to secure additional capital or otherwise restructure or refinance its business in order to address its cash requirements through June 30, 2016, then the Company is unlikely to have sufficient capital resources or cash flows from mining operations to be able to satisfy its ongoing obligations and future contractual commitments. As a result, the Company may not be able to continue as a going concern.

If for any reason, the Company is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s consolidated financial statements and such adjustments could be material.

(Expressed in United States dollars, unless otherwise stated)

2. Basis of Preparation

These 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 interim financial statements do not include all the information required for a complete set of IFRS statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2014.

These financial statements were approved for issue by the Board of Directors on August 11, 2015.

Use of Estimates and Judgments

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, 2014 consolidated annual financial statements. There were no significant changes to the significant accounting judgments and estimates from December 31, 2014.

3. Trade and Other Receivables

	June 30 2015	December 31 2014
Trade receivables	**$ 2,117,164**	$ 1,929,817
Equipment sales receivable	**542,184**	2,680,279
Other receivables	**129,214**	81,221
	$ 2,788,562	$ 4,691,317

4. Inventories

	June 30 2015	December 31 2014
Supplies inventory	**$ 2,122,092**	$ 1,995,136
Stockpile inventory	**17,668**	76,345
Concentrates and in-process inventory	**5,011**	184,505
	$ 2,144,771	$ 2,255,986

Cost of sales includes change in finished goods inventory for the six months ended June 30, 2015 of $230,547 (Year ended December 31, 2014: $2,946,543).

Cost of inventories recognized as expense in cost of sales for the six months ended June 30, 2015 totalled $16,141,209 (Year ended December 2014: $40,291,539).

(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
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	-	4,285,857	4,082,477	16,944	10,364	-	501,657	8,897,299
Reclassification	(2,953,951)	2,936,507	-	17,444	-	-	-	-
Reclassification to assets held for sale	-	(5,200,000)	-	-	-	-	-	(5,200,000)
Disposals	-	(7,142,134)	-	(97,400)	-	-	-	(7,239,534)
Write-down of property, plant and equipment	-	(600,000)	-	-	-	(479,838)	-	(1,079,838)
Balance at December 31, 2014	3,061,086	39,167,103	32,812,888	661,155	534,105	366,685	1,049,308	77,652,330
Additions	-	135,715	921,565	8,950	-	-	147,023	1,213,253
Reclassification	36,613	-	-	-	-	-	(36,613)	-
Reclassification from assets held for sale	-	198,212	-	-	-	-	-	198,212
Disposals	-	-	-	(11,547)	-	-	-	(11,547)
Balance at June 30, 2015	$ 3,097,699	$ 39,501,030	$ 33,734,453	$ 658,558	$ 534,105	$ 366,685	$ 1,159,718	$ 79,052,248
Accumulated depreciation								
Balance at December 31, 2013	202,846	10,656,087	514,127	403,632	437,920	94,275	-	12,308,887
Reclassification	(30,268)	30,268	-	-	-	-	-	-
Charge for the year	132,981	3,209,591	134,242	110,072	51,611	34,670	-	3,673,167
Disposals	-	(417,454)	-	-	-	-	-	(417,454)
Balance at December 31, 2014	305,559	13,478,492	648,369	513,704	489,531	128,945	-	15,564,600
Charge for the period	125,476	2,185,678	88,189	33,700	9,355	15,280	-	2,457,678
Disposals	-	-	-	(5,947)	-	-	-	(5,947)
Balance at June 30, 2015	$ 431,035	$ 15,664,170	$ 736,558	$ 541,457	$ 498,886	$ 144,225	$ -	$ 18,016,331
Net book value								
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 December 31, 2014	$ 2,755,527	$ 25,688,611	$ 32,164,519	$ 147,451	$ 44,574	$ 237,740	$ 1,049,308	$ 62,087,730
Balance at June 30, 2015	$ 2,666,664	$ 23,836,860	$ 32,997,895	$ 117,101	$ 35,219	$ 222,460	$ 1,159,718	$ 61,035,917

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

(Expressed in United States dollars, unless otherwise stated)

6. Mineral Properties

	La Negra, Mexico, Producing Mine	Shafter, Texas, USA, in Care & Maintenance	Total
Balance at December 31, 2013	$ 12,717,017	$ 15,500,000	$ 28,217,017
Impairment of mining interests		(1,500,000)	(1,500,000)
Balance at December 31, 2014	12,717,017	14,000,000	26,717,017
Expenditures	-	-	-
Balance at June 30, 2015	$ 12,717,017	$ 14,000,000	$ 26,717,017
Accumulated depletion			
Balance at December 31, 2013	$ 9,166,476	$ -	$ 9,166,476
Charge for the year	221,365	-	221,365
Balance at December 31, 2014	9,387,841	-	9,387,841
Charge for the period	123,727	-	123,727
Balance at June 30, 2015	$ 9,511,568	$ -	$ 9,511,568
Net book value			
Balance at December 31, 2013	$ 3,550,541	$ 15,500,000	$ 19,050,541
Balance at December 31, 2014	$ 3,329,176	$ 14,000,000	$ 17,329,176
Balance at June 30, 2015	$ 3,205,449	$ 14,000,000	$ 17,205,449

Mineral properties subject to depreciation on the basis of unit of production method will not have depreciation when there is no production.

7. Accounts Payable and Accrued Liabilities

	June 30 2015	December 31 2014
Property taxes	$ 614,236	$ 588,659
Salaries, payroll deductions and employee benefits	1,611,962	1,390,934
Employees' statutory profit sharing	33,982	39,096
Mine suppliers - operating	5,124,900	4,850,236
Mine suppliers - capital	648,433	1,292,079
Other	4,720,915	4,712,427
	$ 12,754,428	$ 12,873,431

(Expressed in United States dollars, unless otherwise stated)

8. Borrowings

Interest on the Company's debt facility agreement accrues at a rate equal to LIBOR (subject to a minimum of 1%) plus 5.5% per annum. The loan is to be repaid in equal monthly installments with the last payment due in April 2018. Early prepayment may occur at any time without charges.

Aurcana entered into offtake agreements with its principal lender in respect of 100% of the copper, zinc and lead concentrates produced at its La Negra mine for the period from January 1, 2017 to December 31, 2021 (concentrates also have silver content). The Company agreed to sell the concentrates at the prices selected by the principal lender as an average day spot price for any one of the 10 days following the delivery.

The Company's principal lender permitted the Company to make interest only payments and defer until August 2015, payments on the principal amount owed from January to July 2015 under the current debt facility agreement. The Company is engaged in discussions with its principal lender to restructure its current debt In order to address ongoing liquidity concerns.

Accretion of $0.5 million has been recognized for the quarter ended June 30, 2015.

	June 30 2015	December 31 2014
Fair value of amended loan	**$ 32,638,556**	$ 35,538,573
Accretion	**1,012,059**	1,484,763
Repayments	**-**	(4,384,780)
Total Borrowings	**$ 33,650,615**	$ 32,638,556

Schedule of principal repayments is as follows:

	June 30 2015
2015	**10,872,455**
2016	**10,872,455**
2017	**10,872,455**
2018	**3,624,151**
	$ 36,241,516

(Expressed in United States dollars, unless otherwise stated)

8. Borrowings (continued)

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

	Carrying amount		Fair value	
	June 30, 2015	December 31, 2014	**June 30, 2015**	December 31, 2014
Orion Loan	33,650,615	32,638,556	31,929,135	31,836,912
Derivatives (note 9)	2,627,929	2,690,031	2,627,929	2,690,031
Total	**36,278,544**	35,328,587	**34,557,064**	34,526,943

These financial instruments are classified under level 3 hierarchy, as they are not based on observable market data.

9. Derivatives

The Company's debt facility agreement includes offtake agreements with the lender that contain derivatives.

Valuation methodology

The floor option derivative was valued upon initial measurement and subsequent periods using the Bloomberg swap valuation template. The prepayment option derivative was valued upon initial measurement and subsequent periods using a methodology, which is based on Monte-Carlo simulation. The default intensities of the Company are 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 and the USD 1 month forward curve.

The offtake agreement derivative was decomposed into the sum of cash flows which depends on silver, copper, zinc and lead prices. Future metals prices were estimated using consensus analyst forecasts of top tier financial institutions. Key inputs used by the Company include: the USD risk free rate, historical silver, copper, zinc and lead prices and the Company's standard discount to spot price.

Valuation assumptions

The Company's credit spread as of the inception date of the Original Loan 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") of the Original Loan and Original Offtake. The spread as at April 30, 2014 and December 31, 2014 is based on the market borrowing interest rate for the Company of 15.4%.

(Expressed in United States dollars, unless otherwise stated)

9. Derivatives (continued)

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 June 30, 2015	$34,934	($34,136)

The fair value of the derivatives as at June 30, 2015 is as follows:

Derivative liability under the Amended Loan and New Offtake agreement at April 30, 2014	$3,944,891
Change in fair value as a result of loan modification	631,771
Change in fair value	(1,886,631)
Derivative liability – December 31, 2014	$2,690,031
Change in fair value	(62,102)
Derivative liability – June 30, 2015	$2,627,929

10. Equity

Authorized - An unlimited number of common shares with no par value.

Stock options
On August 25, 2014 the TSX Venture Exchange approved an amendment to the Company's Stock Option Plan (the "Plan"), which is a fixed plan, to increase the maximum number of shares reserved for issuance to directors, officers, employees and consultants of the Company under the Plan to 8,379,852 common shares. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines and the terms of the Plan. The maximum number of common shares reserved for issuance remains less than 10% of the total issued and outstanding common shares of the Company.

Stock options	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share ($CDN)
Balance, December 31, 2013	3,459,374	5.89
Expired	(120,311)	7.29
Forfeited	(10,938)	8.16
Balance, June 30, 2014	3,328,125	5.82
Expired	(893,750)	4.91
Forfeited	(18,750)	6.32
Balance, December 31, 2014	2,415,625	6.23
Expired	(1,031,250)	6.22
Balance, June 30, 2015	1,384,375	6.24

(Expressed in United States dollars, unless otherwise stated)

10. Equity (continued)

Outstanding	Vested		Exercise Price ($CDN)	Expiry Date
43,750	43,750	$	4.88	January 14, 2016
415,625	415,625	$	6.08	February 22, 2016
9,375	9,375	$	6.08	May 4, 2016
487,500	487,500	$	5.52	May 30, 2016
18,750	18,750	$	5.60	December 5, 2016
240,625	240,625	$	8.16	June 11, 2017
12,500	12,500	$	7.76	December 6, 2017
156,250	156,250	$	6.32	February 28, 2018
1,384,375	1,384,375	$	6.24	

Stock based compensation

For the period ended June 30, 2015, the stock-based compensation expense was $4,026 (2014: $220,011).

Warrants

As at June 30, 2015, details of outstanding common share purchase warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
532,908	$0.55	June 20, 2016
9,732,908	$0.80	June 20, 2017
10,265,816		

(Expressed in United States dollars, unless otherwise stated)

11. 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	June 30 2015	June 30 2014
Technical and consulting fees	(i)	$ 19,329	$ 25,620
Management fees	(ii)	-	210,553
Consulting fees		$ 19,329	$ 236,173

i) To a company controlled by a director of the Company.
ii) To a company controlled by the former President and CEO for management services performed.

b) Compensation of key management personnel

	Note	June 30 2015	June 30 2014
Consulting fees (as above)		$ 19,329	$ 236,173
Directors' fees		106,056	86,433
Officer salaries	(iii)	242,876	153,477
Stock-based compensation		4,026	220,011
		$ 372,287	$ 696,094

iii) Includes the salaries of the President and CEO, and CFO of the Company for the six months ended June 30, 2015.

c) Transactions with principal lender:

	June 30 2015	June 30 2014
Repayment of loan principal	$ -	$ 5,833,333
Payment of interest	1,177,849	1,218,750
Loss on offtake agreement cancelation	-	4,500,000
	$ 1,177,849	$ 11,552,083

12. Commitments and contingencies

Supply agreements
In March 2011, the Company signed a contract with Metagri S.A. de C.V. ("Metagri") (a subsidiary of Glencore) whereby Metagri agreed to purchase 100% of the lead concentrate to be produced at the La Negra mine until the end of 2013. During 2013, the agreement with Metagri was extended to 2016 and amended to include all lead, copper and zinc concentrates.

On April 29, 2014, Aurcana entered into new offtake agreements with its principal 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. In order to improve Aurcana's liquidity in the short term, the principal lender agreed to waive principal and interest payments on the Amended Loan for July 31st, August 31st, and September 30th 2014, amounting to approximately $3.1 million. This amount was amortized over the remainder of the loan period commencing October 2014. In return, the Company extended the new offtake agreements by one year to 2021.

In January 2015, the Company signed a contract with Mercuria S.A. de C.V. whereby Mercuria agreed to purchase 100% of the copper concentrate to be produced at the La Negra mine during 2015. The Company was granted permission by Metragri to sell the copper concentrate to Mercuria during 2015.

Shafter equipment operating lease
On December 1, 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 equal payments of $44,467. During the quarter ended March 31, 2015, the Company signed an early lease termination agreement with the lessor. Under the terms of the agreement, the Company paid $100,000 to the lessor and will make 15 monthly payments of $10,000 each with the first payment due April 1, 2015. The outstanding balance as at June 30, 2015 was $120,000.

La Negra equipment operating lease
In December, 2014, the Company entered into an operating lease agreement with a third party for equipment to be used at the La Negra Mine with a total value of $2.5 million. The lease terms call for equal monthly payments over a 36 month term.

Property Taxes
Included in accounts payable is $0.6 million in property taxes owed on the Shafter property for 2013 and 2014. Subsequent to the quarter ended June 30, 2015, the Company and state officials agreed on a payment plan to settle the outstanding balance through 24 equal monthly payments of $28,000 commencing July 30, 2015.

12. Commitments and contingencies (continued)

Class action

In February 2015, the Company entered into an agreement (the "Settlement Agreement") to settle the class action litigation commenced by Nunzio Cardillo and John Witiluk in the Ontario Superior Court of Justice (the "Action") against the Company and two former executives of the Company (the "Settlement"). The Settlement provides for the full and final settlement, release and dismissal of all claims brought under the Action. The Settlement was subject to a number of customary conditions, including the receipt of court approval of the Settlement, which approval was received on April 10, 2015.

Under the terms of the Settlement, the Company agreed to pay an aggregate of $4,000,000 (the "Settlement Amount"), which amount, net of legal fees and other costs, will be divided among members of the plaintiff class on a pro rata basis. The Settlement Amount was fully funded by insurance maintained by the Company.

The Company elected to enter into the Settlement in order to avoid the expense, burden and inconvenience associated with the continuance of the Action. The Settlement does not constitute an admission by the Company of any violation of law or other wrongdoing.

A schedule of commitments due by period is as follows ($000s):

	Total	2015	2016	2017	2018	2019
	$	$	$	$	$	$
Operating leases	$1,975	$395	$790	$790	$ Nil	$ Nil
Rent	297	54	108	108	27	Nil
Total	$2,272	$449	$898	$898	$27	$ Nil

Claims by the Company

The Company commenced a claim against a third party with regards to previous royalty charges against the Company's mining operations. The Company asserts that it is not responsible for these amounts and has not made any related payments for 2013 and 2014. An amount payable of $3.2 million, not-inclusive of interest, is included in accounts payable and accrued liabilities to reflect the amount owing for 2013 and 2014 should the Company not be successful in its claim. No amounts have been recognized or accrued for the six months ended June 30, 2015.

(Expressed in United States dollars, unless otherwise stated)

13. 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 2015	December 31 2014
Cash	**$ 288,482**	$ 1,602,720
Short-term investments	**3,735**	4,042
Cash and cash equivalents	**$ 292,217**	$ 1,606,762

Supplemental disclosures of cash flow information for the year ended:

	June 30 2015	December 31 2014
Cash interest paid	**$ 1,244,361**	$ 3,219,236
Amounts receivable for equipment sold	**542,184**	2,680,279

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

Non-cash investing and financing activities are as follows:

	June 30 2015	December 31 2014
Decrease in accounts payable related to construction in progress and equipment suppliers	**$ (643,646)**	$ (220,102)

(Expressed in United States dollars, unless otherwise stated)

14. 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.

June 30, 2015	La Negra	Shafter	Corporate and other segments	Total
Sales to external customers	$ 15,397,811	$ -	$ -	$ 15,397,811
Mining operating expenses	12,741,729	-	-	12,741,729
Freight and delivery	826,444	-	-	826,444
Depreciation and amortization	2,449,310	-		2,449,310
Depletion of mineral properties	123,727	-	-	123,727
Earnings (loss) from mine operations	(743,399)	-	-	(743,399)
Shafter mine Care & Maintenance cost	-	492,368	-	492,368
G&A expenses and other (income) expense	150,756	163,696	5,368,310	5,682,762
Intersegment charges (recovery)	2,298,004	-	(2,298,004)	-
Income (loss) before income taxes	(3,192,159)	(656,064)	(3,070,306)	(6,918,529)
Income tax expense (recovery)	(1,104,522)	1,321	60,562	(1,042,639)
Net income (loss) for the period	(2,087,637)	(657,385)	(3,130,868)	(5,875,890)
Property, plant and equipment	49,376,364	11,629,721	29,833	61,035,918
Mineral properties	3,205,449	14,000,000	-	17,205,449
Total capital assets	52,581,813	25,629,721	29,833	78,241,367
Total assets	59,720,293	25,931,035	2,830,040	88,481,368
Total liabilities	19,146,403	1,338,483	36,256,335	56,741,221

June 30, 2014	La Negra	Shafter	Corporate and other segments	Total
Sales to external customers	$ 22,286,936	$ -	$ -	$ 22,286,936
Mining operating expenses	16,782,020	-	-	16,782,020
Royalties	612,581	-	-	612,581
Freight and delivery	1,071,256	-	-	1,071,256
Depreciation and amortization	1,804,553	-		1,804,553
Depletion of mineral properties	38,655	-	-	38,655
Gross income	1,977,871	-	-	1,977,871
Shafter production delay and other costs	-	1,032,900	-	1,032,900
General and administrative expenses	444,374	135,943	12,035,924	12,616,241
Intersegment charges (recovery)	2,182,986	-	(2,182,986)	-
Income (loss) before income taxes	(649,489)	(1,168,843)	(9,852,938)	(11,671,270)
Income tax expense	204,646	-	60,233	264,879
Net income (loss) for the year	(854,135)	(1,168,843)	(9,913,171)	(11,936,149)
Property, plant and equipment	56,143,734	12,628,947	39,466	68,812,147
Mineral properties	3,511,885	15,500,000	-	19,011,885
Total capital assets	59,655,619	28,128,947	39,466	87,824,032
Total assets	69,008,058	34,246,078	8,759,874	112,014,010
Total liabilities	22,858,863	3,009,564	39,839,207	65,707,634

(Expressed in United States dollars, unless otherwise stated)

15. Revenue from mining operations

Revenues:	**Three months ended June 30,**				**Six months ended June 30,**			
La Negra mine		**2015**		2014		**2015**		2014
Gross revenues from mining operations	**$**	**9,971,459**	$	12,407,361	**$**	**21,046,873**	$	29,546,009
Deductions treatment charges, refining and smelting charges deducted by the customers		**2,611,165**		3,166,205		**5,649,062**		7,259,073
Revenues from mining operations	**$**	**7,360,294**	$	9,241,156	**$**	**15,397,811**	$	22,286,936
Net Revenues by customer:								
Customer "A"	**$**	**3,644,854**	$	-	**$**	**8,010,513**	$	-
Customer "B"		**3,715,440**		9,241,156		**7,387,298**		22,286,936
Revenues from mining operations	**$**	**7,360,294**	$	9,241,156	**$**	**15,397,811**	$	22,286,936

16. Cost of Sales

	Three months ended June 30,				**Six months ended June 30,**			
		2015		**2014**		**2015**		**2014**
Mine and mill supplies	$	2,801,558	$	3,328,730	**$**	**5,582,594**	$	6,434,724
Power		363,492		812,252		**895,744**		1,665,151
Wages, salaries and benefits		2,750,344		3,949,797		**5,480,759**		7,659,008
Profit sharing employees		-		(5,717)		**-**		166,253
Royalties		-		262,473		**-**		612,581
Freight and delivery		434,910		563,427		**826,444**		1,071,256
Change in inventories		50,123		790,980		**230,547**		856,884
Operating lease		272,514		-		**552,084**		-
Depreciation and amortization		1,225,156		912,119		**2,449,310**		1,804,553
Depletion of mineral properties		37,294		9,924		**123,727**		38,655
Total cost of sales	$	7,935,391	$	10,623,985	**$**	**16,141,209**	$	20,309,065

(Expressed in United States dollars, unless otherwise stated)

17. General and administrative costs

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Salaries and consulting fees	$ 398,520	$ 323,846	$ 748,695	$ 702,120
Professional fees	93,430	120,296	177,569	227,798
Investor relations	30,613	45,912	55,968	84,909
Marketing	6,272	14,408	14,181	60,801
Listing and filing fees	25,285	84,853	34,313	95,862
Other	165,567	192,942	297,395	354,014
	$ 719,687	$ 782,257	$ 1,328,121	$ 1,525,504

18. Financing expense and other

	Three months ended June 30, 2015	nths ended June 30, 2014	Six months ended June 30, 2015	nths ended June 30, 2014
Accretion of provision for environmental rehabilitation	$ 25,804	$ 23,397	$ 50,538	$ 44,233
Accretion of Orion loan (Note 8)	514,364	824,940	1,012,059	2,609,062
Financing expense and bank charges	757,471	786,647	1,364,361	1,729,062
	$ 1,297,639	$ 1,634,984	$ 2,426,958	$ 4,382,357

19. Impairment

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 of disposal and value in use.

The determination of fair value less cost of disposal 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, 2015, management of the Company determined that the decline in market capitalization of the Company and the decline in the price of silver and copper metals constituted impairment indicators for the La Negra mine.

(Expressed in United States dollars, unless otherwise stated)

19. Impairment (continued)

La Negra mine

The recoverable amount of the La Negra mine is based on its future after-tax cashflows expected to be derived from its mineral resources value-in-use. The projected cash flows used in impairment testing are significantly affected by changes in assumptions for metal prices, future capital expenditures, changes in the amount of recoverable resources, and exploration potential, production costs estimates, discount rates, inflation and exchange rates. The Company's testing resulted in no impairment losses for the La Negra mine and incorporated the following assumptions:

(i) Weighted average cost of capital

Projected cash flows were discounted using an after-tax discount rate of 9% which represented the Company’s weighted average cost of capital and which included estimates for risk-free interest rates, market value of the Company’s equity, market return on equity, share volatility and debt-to-equity financing ratio.

(ii) Pricing assumptions

Metal pricing included in the cash flow projections for the next five years is based on consensus analyst pricing. The metal prices assumptions used in the Company's impairment assessment were as follows:

	2015	2016	2017	2018	LT
Precious Metals					
Silver Price (US$/oz)	$17.03	$17.70	$18.31	$18.93	$19.15
Base & Other Metals					
Copper Price (US$/lb)	$2.76	$2.90	$3.04	$3.21	$3.02
Lead Price (US$/lb)	$0.89	$0.96	$0.99	$1.01	$0.95
Zinc Price (US$/lb)	$1.01	$1.12	$1.21	$1.26	$1.06

(iii) Life of mine (“LOM”)

As a result of an updated LOM which included revised levels of mineralization, the projected LOM for La Negra was reduced to five years for the purposes of the impairment test.

(iv) Sensitivity

The Company undertook a sensitivity analysis to identify the impact of changes in long-term metal pricing and production costs relative to current assumptions that would cause La Negra’s carrying amount to exceed its recoverable amount.

The Company determined that a reduction in metal prices of 4.1% would cause the recoverable amount to equal the carrying value, although, this could be partially offset by the impact on prices of certain other inputs. An increase of 6.9% in production cost assumptions would also cause the recoverable amount to equal the carrying value.

(Expressed in United States dollars, unless otherwise stated)

20. 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 June 30, 2015:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ (2,627,929)	$ -	$ -	$ (2,627,929)	Level 3
	$ (2,627,929)	**$ -**	**$ -**	**$ (2,627,929)**	

The following table summarizes the fair value hierarchy, as of December 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	$ (2,690,031)	$ -	$ -	$ (2,690,031)	Level 3
	$ (2,690,031)	**$ -**	**$ -**	**$ (2,690,031)**	

The carrying value and fair value of trade and other receivable and accounts payable and accrued liabilities as of June 30, 2015 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 9.