AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

March 31, 2011

(Unaudited)

Expressed in United States dollars unless otherwise stated

1750 - 1188 West Georgia Street, Vancouver BC V6E 4A2 CANADA
PHONE: (604) 331-9333 FAX: (604) 633-9179
www.aurcana.com

Aurcana Corporation

Condensed Interim Consolidated Statements of Financial Position

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

	Notes	**March 31 2011**	December 31 2010	January 1 2010
Assets				
Current assets				
Cash and cash equivalents		**$ 19,793,281**	$ 22,176,481	$ 2,713,843
Trade and other receivables	4	**3,055,815**	1,795,700	1,246,299
Inventories	5	**1,574,218**	1,616,874	1,295,869
Short-term investments	6	**835,434**	975,238	606,581
Prepaid expenses and advances	7	**1,887,999**	89,514	265,517
		27,146,747	26,653,807	6,128,109
Non Current assets				
Trade and other receivables	4	**849,792**	820,079	1,214,454
Property, plant and equipment	8	**16,522,643**	11,895,943	7,532,568
Mineral Properties	9	**48,353,024**	47,496,361	47,379,575
Deferred tax asset		**1,239,324**	1,239,324	-
Long term deposits		**936,238**	-	-
		$ 95,047,768	$ 88,105,514	$ 62,254,706
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	10	**$ 4,337,957**	$ 4,318,474	$ 4,150,315
Income tax payable		**876,690**	688,298	-
Convertible debentures	12	**8,483,986**	7,401,717	-
Current portion of long-term debt	13	**157,700**	236,661	1,323,893
		13,856,333	12,645,150	5,474,208
Deferred revenue	11	**-**	-	21,109,690
Convertible debentures	12	**1,351,346**	1,999,510	7,875,945
Long-term debt	13	**-**	-	2,277,252
Provision for environmental rehabilitation	14	**1,418,356**	1,396,514	1,273,141
Deferred tax liability	14	**-**	-	-
		16,626,035	16,041,174	38,010,236
Equity	16			
Share capital		**95,158,010**	90,861,167	47,358,524
Contributed Surplus		**24,281,027**	23,075,899	8,388,348
Accumulated other comprehensive income		**358,568**	193,839	250,669
Deficit		**(42,434,869)**	(42,820,540)	(32,322,360)
Total equity attributable to equity holders of the parent		**77,362,736**	71,310,365	23,675,181
Non-controlling interest	15	**1,058,996**	753,975	569,289
Total equity		**78,421,733**	72,064,340	24,244,471
		$ 95,047,767	$ 88,105,514	$ 62,254,706

Commitments (Note 18)

Contingency (Note 23)

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors:

____________________ *Director* ____________________ *Director*

Condensed Interim Consolidated Statements of Operations

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

	Notes	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenues			
Mining operations		$ **10,853,851**	$ 4,497,677
Costs of sales			
Mining operating expenses		**4,656,229**	3,207,731
Depreciation and amortization		**334,425**	231,257
Depletion of mineral properties		**506,027**	363,586
		5,496,681	3,802,574
Earnings from mine operations		**5,357,171**	695,103
Other items			
Administrative costs	**21**	**3,518,229**	784,636
Financing expense	**22**	**81,753**	168,167
Foreign exchange loss		**123,370**	-
Loss from trading activity, net		**-**	313,446
Other expenses (income)		**80,715**	(21,631)
		3,804,068	1,244,618
Income (loss) before income taxes		**1,553,103**	(549,515)
Income tax expense		**862,410**	-
Net income (loss) for the period		$ **690,693**	$ (549,515)
Attributable to:			
Non-controlling interest		**305,021**	34,848
Equity holders of the Company		**385,671**	(584,363)
		$ **690,693**	$ (549,515)
Weighted average number of shares – basic		**326,943,895**	120,638,327
Weighted average number of shares – diluted		**411,632,362**	123,210,052
Net income (loss) per share – basic & diluted			
Basic		$ **0.00**	$ (0.00)
Diluted		$ **0.00**	$ (0.00)

See accompanying notes to these condensed interim consolidated financial statements.

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

	Notes	Three months ended March 31, 2011	March 31, 2010
Net income (loss) for the period		**$ 690,693**	$ (549,515)
Currency translation adjustment		**304,533**	(369,388)
Unrealized gain (loss) on available-for-sale investments	**6**	**(139,804)**	(173,070)
Comprehensive income (loss) for the period		**855,422**	(1,091,973)
Attributable to:			
Non-controlling interest		**305,021**	34,848
Equity holders of the Company		**550,400**	(1,126,821)
		$ 855,422	$ (1,091,973)

See accompanying notes to these condensed interim consolidated financial statements.

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

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity Attributable to Shareholders of the Company	Non-controlling Interest	Total Equity
Balance, January 1, 2010	$ 47,358,524	$ 8,388,348	$ 250,669	$ (32,322,360)	$ 23,675,181	$ 569,289	$24,244,470
Currency translation Adjustment	-	-	(369,388)	-	(369,388)	-	(369,388)
Unrealized gain (loss) on available for sale investments	-	-	(173,070)	-	(173,070)	-	(173,070)
Net income (loss) for the period	-	-	-	(584,363)	(584,363)	34,848	(549,515)
Shares issued for:							
Exercise of options	240,375	(91,343)	-	-	149,032	-	149,032
Fair value of warrants issued to Auramet	-	53,243	-	-	53,243	-	53,243
Stock-based compensation	-	142,951	-	-	142,951	-	142,951
Balance, March 31, 2010	47,598,899	8,493,199	(291,789)	(32,906,723)	22,893,587	604,137	23,497,724
Currency translation Adjustment	-	-	37,150	-	37,150	-	37,150
Unrealized gain (loss) on available for sale investments	-	-	448,478	-	448,478	-	448,478
Net income (loss) for the period	-	-	-	(9,913,818)	(9,913,818)	149,838	(9,763,980)
Shares issued for:							
Private placement	46,789,623	14,133,525	-	-	60,923,148	-	60,923,148
Exercise of warrants	587,294	(59,259)	-	-	528,035	-	528,035
Exercise of options	99,928	(5,901)	-	-	94,027	-	94,027
Fair value of warrants issued to Trafigura	-	380,783	-	-	380,783	-	380,783
Fair value of finder fee warrants	-	11,915	-	-	11,915	-	11,915
Share issue costs	(4,214,577)	-	-	-	(4,214,577)	-	(4,214,577)
Stock-based compensation	-	121,637	-	-	121,637	-	121,637
Balance, December 31, 2010	90,861,167	23,075,899	193,839	(42,820,540)	71,310,365	753,975	72,064,340
Currency translation Adjustment	-	-	304,533	-	304,533	-	304,533
Unrealized gain (loss) on available for sale investments	-	-	(139,804)	-	(139,804)	-	(139,804)
Net income (loss) for the period	-	-	-	385,671	385,671	305,021	690,693
Shares issued for:							
Exercise of warrants	3,517,608	(1,133,441)	-	-	2,384,167	-	2,384,167
Exercise of options	779,235	(253,337)	-	-	525,898	-	525,898
Share issue costs	0		-	-	0	-	0
Stock-based compensation	-	2,591,906	-	-	2,591,906	-	2,591,906
Balance, March 31, 2011	$ 95,158,010	$ 24,281,027	$ 358,568	$ (42,434,869)	$ 77,362,736	$1,058,996	$78,421,733

See accompanying notes to these condensed interim consolidated financial statements.

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

	Three months ended	
	March 31, 2011	March 31, 2010
Cash flows from operating activities		
Net income (loss) for the period	$ **690,693**	$ (549,515)
Items not involving cash:		
Depreciation, depletion and amortization	**840,452**	594,842
Accretion of Convertible Debenture	**45,179**	85,339
Accretion of amount receivable	**(29,713)**	(21,374)
Recognition of deferred revenue	**-**	(313,446)
Financing costs paid in warrants	**21,843**	84,086
Stock-based compensation	**2,591,906**	142,951
Unrealized foreign exchange (gain) loss	**560,299**	(499,321)
Operating Cash Flow before movements in working capital items	**4,720,658**	(476,438)
Net change to non-cash working capital balances		
Trade and other receivables	**(1,260,115)**	78,115
Inventories	**42,656**	(527,946)
Prepaid expenses and advances	**(1,798,485)**	(32,707)
Accounts payable and accrued liabilities	**19,483**	1,204,871
Income tax payable	**188,392**	-
Cash provided by operating activities	**1,912,589**	**245,895**
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,961,125)**	(1,012,393)
Expenditures on mineral properties	**(1,229,530)**	(207,892)
Long term deposits	**(936,238)**	-
Cash used in investing activities	**(7,126,893)**	(1,220,285)
Cash flows from financing activities		
Share capital issued, net of share issue costs	**2,910,065**	149,032
Repayment of notes payable, net	**(78,961)**	(408,759)
Cash provided by (used in) financing activities	**2,831,104**	(259,727)
Decrease in cash and cash equivalents	**(2,383,200)**	**(1,234,116)**
Cash and cash equivalents, beginning of period	**22,176,481**	2,713,844
Cash and cash equivalents, end of period	$ **19,793,281**	$ 1,479,728

See accompanying notes to these condensed interim consolidated financial statements.

1. Governing Statutes and Purpose of the Organization

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

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

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

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. The Company also changed from a Canadian dollar presentation currency to a U.S. dollar presentation currency. The effects of this change are disclosed in note 25 and within the foreign currency accounting policy in note 3.

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

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of June 23, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

3. Summary of Significant Accounting Policies

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The Company's principal accounting policies are outlined below:

Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of Aurcana Corporation and entities controlled by the Company ("its subsidiaries"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

These financial statements include the accounts of: Aurcana Corporation and its wholly-owned subsidiaries, Silver Assets Inc., a U.S. corporation, Cane Silver Inc., a Barbados corporation and Minera Aurcana S.A. de C.V., a Mexican corporation.

Real de Maconi S.A. de C.V. ("Maconi"), a Mexican corporation, is fully consolidated with the Company at 100% of profit or loss and assets and liabilities of Maconi, and recognizes an 8% non-controlling interest in the results of Maconi. Maconi substantively owns 100% of Minera La Negra S.A. de C.V. ("La Negra"), a Mexican Corporation, subject to one nominal share held by a second shareholder in order to comply with Mexican Company Law.

All significant intra-group balances and transactions are eliminated in full on consolidation.

Foreign Currency

The Company changed its presentation currency from Canadian dollars to US dollars effective January 1, 2011. In accordance with IAS 1 *Presentation of financial statements*, comparative information is also presented in US dollars.

(i) Functional and Presentation Currency

The financial statements of each entity in the Company group are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars.

The functional currency of Aurcana Corporation is the Canadian dollar and the functional currency of its Mexican subsidiaries is the United States dollar. The financial statements of the parent company are translated into the U.S. dollar presentation currency as follows:

- Assets and liabilities – at the closing rate at the date of the statement of financial position.
- Income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates).
- All resulting changes are recognized in other comprehensive income as cumulative translation

adjustments.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from the item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income.

When an entity disposes of its entire interest in a foreign operation, or losses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of an entity using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation’s functional currency are recognized in the statement of income.

Stock-based Compensation

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The Company records compensation expense under the plan for all options issued. The fair value of all stock-based awards is estimated using the Black-Scholes option pricing model at the grant date and expensed to operations over each award’s vesting period. None of the Company’s awards call for settlement in cash or other assets. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that the options expire or are cancelled, previously recognized compensation expense associated with such stock options is not reversed.

Mineral Properties

Mineral properties, including options to mineral claims, are stated at cost on a property-by-property basis. The recorded cost of mineral properties is based on acquisition costs incurred to date, less recoveries and write-offs.

Title to mineral properties, concessions, and shareholdings in Canada, U.S.A., Mexico, and Barbados involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history and unregistered prior agreements. Management has investigated the titles to all of its concessions and shareholdings, and, to the best of its knowledge, believes they are in good standing.

(i) Capitalization

All direct and indirect costs relating to the acquisition of mineral properties are capitalized on a basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, or when management has determined that there is impairment in the carrying values of those mineral properties. The Company capitalizes costs if there is significant assurance that the costs are recoverable from the estimated future net cash flow from the processing of the related ore. Capitalized costs, net of any recoveries, are deferred until commercial production is achieved.

Costs associated with commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalized. Development costs incurred on borrowings related to construction or development projects is capitalized until the point when substantially all the activities that are necessary to make the asset ready for its intended use are complete.

(ii) Depreciation

Amortization of mineral properties is based on the units-of-production basis, using estimated proven and probable reserves and a portion of measured and indicated resources expected to be converted to proven and probable reserves. Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property since it has no value to the Company. When significant properties in an area of interest are abandoned, the costs related thereto are charged to income on a pro-rata basis to the total costs to date included in the area, in the year of abandonment.

Management's calculation of proven and probable reserves is based upon engineering and geological estimates and financial estimates including mineral prices and operating and development costs. The Company depreciates some of its assets over proven and probable mineral reserves. Changes in geological interpretations of the Company's ore bodies and changes in mineral prices and operating costs may change the Company's estimate of proven and probable reserves. It is possible that the Company's estimate of proven and probable reserves could change in the near term and that could result in revised charges for depreciation and depletion in future periods.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization and impairment losses. The cost capitalized is determined by the fair value of consideration given to acquire the asset at the time of acquisition or construction, the direct cost of bringing the asset to the condition necessary for operation, and the estimated future cost of dismantling and removing the asset.

(i) Depreciation

Mining machinery, plant and property are depleted on a unit of production basis, based on estimated recoverable reserves. Estimated recoverable reserves include proven and probable reserves and the portion of mineralized zones expected to be classified as reserves.

Other equipment is amortized on a straight-line basis over their estimated useful lives. Amortization begins when plant and equipment are put into use. The rates of amortization used are as follows:

Plant and equipment	Based on depletion over 5 years
Vehicles	25%
Computer Equipment	30%
Other	10-12%

The depreciation method, useful life and residual values are assessed annually.

(ii) *Exploration and Evaluation Assets*

The Company capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating the mineral reserves on specific properties are capitalized as exploration and evaluation assets.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefit either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Exploration and evaluation expenditures are evaluated annually and classified as mineral properties upon completion of technical feasibility and commercial viability.

Impairment

(i) Impairment for Mineral Properties

The carrying values of mineral properties are reviewed by management for impairment annually, on a property-by-property basis. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. Impairment losses recognized in respects to cash-generating units are allocated to cash generating units, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Impairment losses are recognized in profit and loss for the period it is identified.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

(ii) Impairment for Exploration and Evaluation Assets

Management reviews the carrying amount of exploration and evaluation assets on an annual basis and recognizes impairment based on current exploitation results, and management's assessment of the probability of profitable exploitation at each property or realizable value from disposal of such property. If a project does not prove to be viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off in the year.

Management's assessment of each property's estimated fair value is based on review of other mineral property transactions that have occurred in the same geographic area as that of the properties under review.

(iii) Reversal of Impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Inventories

Mine stores and finished concentrates are valued at the lower of average cost and net realizable value. Cost of finished concentrates inventory includes direct mining and production costs, direct mine overhead costs, amortization and depletion. Cost of sales includes costs of finished concentrates plus shipping costs less amortization and depletion, which is disclosed separately in the statement of operations.

Consumables and supplies, which consist of spare parts and consumable goods used for general repairs and maintenance, are recorded at the lower of cost and net realizable value after adjustment for obsolescence.

Provisions

(i) General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is presented in profit or loss net of any reimbursement. Provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(ii) Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Such costs are discounted to their net present value and are provided for and capitalized at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision.

Revenue

(i) Revenue Recognition

Revenue from the sale of precious metals is recognized upon delivery when significant risks and rewards of ownership of metal or metal-bearing concentrate passes to the buyer, probable that the economic benefits will flow to the Company, revenue can be reliably measured, and collection is reasonably assured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

(ii) Deferred Revenue

Deferred revenue has been recognized to earnings over the estimated silver reserves on a per ounce of silver delivered basis.

Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, held to maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets are classified as FVTPL when the financial asset is held for trading or is designated as FVTPL.

A financial asset is classified as held for trading when it is purchased and incurred with the intention of generating profits in the near term, part of an identified portfolio of financial instruments that the Company manages and has actual pattern of short-term profit-taking; or is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. Transaction costs are expensed in the year in which the costs are incurred. The Company does not have any assets classified as FVTPL investments.

(ii) Held to Maturity Investments

Investments are measured at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the statement of operations over the life of the financial instrument on an effective yield basis. The Company does not have any assets classified as held to maturity investments.

(iii) Available-for-sale Financial Assets

Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect other-than temporary impairment. The Company classifies short-term investments as available-for-sale financial assets.

(iv) Loans and Receivables

Loans and receivables are measured at amortized cost using the effective interest rate method. The Company has cash and cash equivalents, trade and other receivables classified as loans and receivables.

(v) Derecognition of Financial Assets

A financial asset is derecognized when the contractual right to the asset's cash flows expire or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

(vi) Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Evidence of impairment may include indicators that the issuer or counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or it has become probable that the borrower will enter bankruptcy or other financial reorganization.

Impairment for financial assets carried at amortized cost, is the difference between the asset's carrying amount the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. Uncollectible amounts in trade receivables are written off against the allowance account.

Available-for-sale financial assets are impaired if the cost (net of any principal payment and amortizations) is greater than the current fair value, less any impairment previously recognized in profit or loss. The impairment amount is transferred from equity to the income statement. Reversals of non-financial available-for-sale financial assets are not recognized in profit.

For all other financial assets carried at amortized cost in which impairment was previously recognized, if subsequent measurement indicates that the recorded impairment has decreased, and the decrease can be related objectively to an event occurring after the impairment was recognized, then the reversal of the impairment is recognized in the income statement. On the date of the impairment reversal, the carrying value of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

(i) Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost, with any resulting premium or discount from the face value being amortized to income or expense using the effective interest rate method.

The Company has classified short-term notes, convertible debentures, long-term debt, and accounts payable, and accrued liabilities as other financial liabilities.

(ii) Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

Derivatives

All derivative instruments are recorded on the balance sheet at fair value with changes in fair value recorded in the Statement of Operations.

Derivatives may be embedded in other financial instruments (host instruments). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not classified as held for trading. These embedded derivatives are measured at fair value on the balance sheet with subsequent changes in fair value recognized in income. The Company has not identified any embedded derivatives that are required to be accounted for separately from the host contract.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

Short-Term Investments

Short-term investments are classified as “available for sale”, and consist of highly liquid equity securities. These equity securities are initially recorded at fair value. Changes in the market value of these debt and equity securities are recorded as changes to other comprehensive income or loss.

Income (Loss) Per Share

Basic income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed conversion of debt and exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Equity Instruments

The Company records proceeds from share issuances net of issue costs. Shares issued for considerations other than cash are valued at the quoted market price on the date the agreement to issue the shares were reached.

Use of Estimates and Judgments

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are as follows:

(i) Environmental Rehabilitation Provision

The Company's estimate on reclamation costs could change as a result of contractual requirements, laws or regulation, the extent of environmental remediation required or completed, and the means of reclamation or changes in cost estimate. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

(ii) Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

(iii) Determination of Functional Currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, management has determined that the functional currency of Aurcana Corporation is the Canadian dollar and its subsidiaries are the United States dollar.

(iv) Units of Production Depreciation and Useful Life

Estimated recoverable reserves are used in determining the amortization of mine specific assets. This results in an amortization charge proportional to the depletion of the anticipated remaining life of mine production.

Each asset's life is assessed annually and considerations are made in regards to both its physical life limitations and present assessments of economically recoverable reserves of the mine properties. Such calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Changes are accounted for prospectively.

(v) Recovery of Deferred Tax Assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Recent Accounting Announcements

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

The following is a brief summary of the new standards:

IFRS 9, Financial Instruments: Classification and Measurement

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

IFRS 10, Consolidated Financial Statements

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

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

IFRS 11, Joint Arrangements

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

IFRS 12, Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

4. Trade and Other Receivables

	March 31 2011	December 31 2010
Trade receivables	$ 2,580,752	$ 1,587,613
Other receivables	475,063	208,087
	$ 3,055,815	$ 1,795,700

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

Non-current:

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

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

		March 31, 2011		December 31, 2010
Carrying value, beginning	$	820,079	$	732,235
Accretion for the period		29,713		87,844
Carrying value, end	$	849,792	$	820,079

5. Inventories

		March 31 2011		December 31 2010
Supplies inventory		1,044,610		1,045,367
Stockpile inventory		491,457		536,975
Concentrates and in-process		38,150		34,532
	$	1,574,218	$	1,616,874

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

6. Short-term investments

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

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

	March, 31 2011	December 31, 2010
Current portion:		
Balance beginning of period	$ 975,238	$ 1,088,800
Unrealized (loss)	(139,804)	(113,562)
Balance end of period	$ 835,434	$ 975,238

7. Prepaid expenses and advances

Prepaid Expenses and Advances	March 31 2011	December 31 2010
Mine and Equipment advances to vendors on Shafter Project	$ 863,302	$ -
Contractor advances on Shafter Project	899,213	-
Others	125,484	89,514
	$ 1,887,999	$ 89,514

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

8. Property, Plant and Equipment

	Buildings	Mining Plant and Equipment	Other	Vehicles	Computer Equipment	Assets under construction	Total
Cost							
Balance at January 1, 2010	$ 851,497	$ 7,872,178	$ 47,064	$ 438,425	$ 318,646	$ -	$ 9,527,810
Additions	1,108,357	4,012,535	63,807	155,240	48,654	-	5,388,593
Balance at December 31, 2010	1,959,854	11,884,713	110,871	593,665	367,300	-	14,916,403
Additions	413,792	1,242,428	-	390,918	5,846	2,908,141	4,961,125
Balance at March 31, 2011	$ 2,373,646	$13,127,141	$ 110,871	$ 984,583	$ 373,146	$ 2,908,141	$19,877,528
Accumulated depreciation							
Balance at January 1, 2010	$ -	$ 1,681,504	$ 5,409	$ 154,907	$ 153,422	$ -	$ 1,995,242
Charge for the year	-	827,679	11,910	80,750	104,879	-	1,025,218
Balance at December 31, 2010	-	2,509,183	17,319	235,657	258,301	-	3,020,460
Charge for the year	-	292,269	2,757	27,546	11,853	-	334,425
Balance at March 31, 2011	$ -	$ 2,801,452	$ 20,076	$ 263,203	$ 270,154	$ -	$ 3,354,885
Net book value							
Balance at January 1, 2010	$ 851,497	$ 6,190,674	$ 41,655	$ 283,518	$ 165,224	$ -	$ 7,532,568
Balance at December 31, 2010	$ 1,959,854	$ 9,375,530	$ 93,552	$ 358,008	$ 108,999	$ -	$11,895,943
Balance at March 31, 2011	$ 2,373,646	$10,325,689	$ 90,795	$ 721,380	$ 102,992	$ 2,908,141	$16,522,643

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

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

9. Mineral Properties

Cost	La Negra Mexico Producing mine	Shafter Texas Mine under construction	Total
Balance as at January 1, 2010	$ 12,717,017	$ 39,834,953	$ 52,551,970
Expenditures	-	1,052,256	1,052,256
Capitalized interest expense (Note 12)	-	361,462	361,462
Capitalized accretion expense (Note 12)	-	668,361	668,361
Balance as at December 31, 2010	12,717,017	41,917,032	54,634,049
Expenditures	-	1,130,899	1,130,899
Capitalized interest expense (Note 12)	-	98,631	98,631
Capitalized accretion expense (Note 12)	-	133,160	133,160
Balance as at March 31, 2011	$ 12,717,017	$ 43,279,722	$ 55,996,739
Accumulated depletion			
Balance as at January 1, 2010	$ 5,172,395	$ -	$ 5,172,395
Charge for the year	1,965,293	-	1,965,293
Balance as at December 31, 2010	7,137,688	-	7,137,688
Charge for the quarter	506,027	-	506,027
Balance as at March 31, 2011	$ 7,643,715	$ -	$ 7,643,715
Net book value			
Balance as at January 1, 2010	$ 7,544,622	$ 39,834,953	$ 47,379,575
Balance as at December 31, 2010	$ 5,579,329	$ 41,917,032	$ 47,496,361
Balance as at March 31, 2011	$ 5,073,302	$ 43,279,722	$ 48,353,024

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

La Negra Mine, Queretaro State, Mexico

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

Shafter Silver Mine, Texas USA

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

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

10. Accounts Payable and Accrued Liabilities

	March 31, 2011	December 31, 2010
Silver arrears *	$ -	$ 185,295
Convertible debenture interest (Note 12)	283,836	186,205
Royalties	318,755	844,983
Salaries, source deductions and employee benefits	496,996	381,567
Employees' statutory profit sharing	994,421	642,763
Suppliers	826,037	850,612
Explosives	249,060	202,358
Power	187,453	156,434
Other	981,399	868,256
	$4,337,957	$ 4,318,474

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

11. Deferred Revenue

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

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

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

Details are as follows:

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

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

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

12. Convertible Debentures

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

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

The payment terms of the convertible debenture were restructured on March 2011, such that CDN$7,000,000 is due July 15, 2011 and the balance is to be repaid in equal quarterly instalments of CDN$750,000 per quarter commencing on October 15, 2011

Details are as follows:

Balance, January 1, 2010	$ 7,875,945
Accretion for the year	1,525,282
Balance, December 31, 2010	9,401,227
Accretion for the period	434,105
Balance, March 31, 2011	$ 9,835,332

Current portion	$ 7,401,717
Non - current	1,999,510
Balance, December 31, 2010	$ 9,401,227
Current portion	$ 8,483,986
Non - current	1,351,346
Balance, March 31, 2011	$ 9,835,332

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

13. Long-term Debt

	March 31 2011	December 31 2010
Atlas Copco - Capital equipment contracts, repayable in quarterly payments totalling US$60,000 at 8.78% per annum, maturing December 2011 and secured by the related equipment	**$ 157,700**	$ 236,661
Current portion	**$ 157,700**	$ 236,661
Long-term debt	**$ -**	$ -

14. Provision for Environment Rehabilitation

The Company has accrued an estimated liability related to reclamation and closure costs based on the total future remediation cost, discounted to March 31, 2011 using a 7.25% discount factor and a 4.4% inflation factor, in the amount of $1,418,356 (December 31, 2010 - $1,396,514. The Company has recorded an accretion expense of $21,842 (December 31, 2010 - $123,373) to the statement of operations for the three months ended March 31, 2011. The balance of the estimated costs will be accrued over the expected mine life of five years, based upon recovery only of proven and probable reserve ounces. The liability is subject to revision based on future mine resource realization, and other factors which affect the costs incurred at future dates.

The provision for environment rehabilitation for the three months ended March 31, 2011 and year ended December 31, 2010 are as follows:

	March 31 2011	December 31 2010
Enviromental rehabilitation, beginning of period	**$ 1,396,513**	$ 1,273,141
Accretion	**21,843**	123,372
Enviromental rehabilitation, end of period	**$ 1,418,356**	$ 1,396,513

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

15. Non-Controlling Interest

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

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

The non-controlling interest is comprised of the following:

Balance, January 1, 2010	$ 569,289
Non-controlling interest's share of profit in La Negra Mine	34,848
Balance, March 31, 2010	604,137
Non-controlling interest's share of profit in La Negra Mine	149,838
Balance, December 31, 2010	753,975
Non-controlling interest's share of profit in La Negra Mine	305,021
Balance, March 31, 2011	$1,058,996

16. Equity Instruments

Authorized - An unlimited number of common shares

Share issuance details:

	Number of Shares	Amount
Balance, January 1, 2010	120,171,660	$ 47,358,524
Issued pursuant to private placement	200,033,380	60,923,148
Share issuance costs	-	(4,214,577)
Exercised warrants	1,574,908	587,294
Exercised options	1,075,000	340,303
Fair value of warrants issued in private placement	-	(14,133,525)
Balance, December 31, 2010	322,854,948	90,861,167
Exercised warrants	7,110,282	3,517,608
Exercised options	1,685,000	779,235
Balance, March 31, 2011	331,650,230	$ 95,158,010

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

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

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

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

Stock options

The Company has a Rolling Stock Option Plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

	Number of Share Options
Balance, January 1, 2010	12,012,500
Granted	1,500,000
Forfeited	-
Exercised	(1,075,000)
Expired or cancelled	(1,400,000)
Balance, December 31, 2010	11,037,500
Granted	9,850,000
Forfeited	
Exercised	(1,685,000)
Expired or cancelled	
Balance, March 31, 2011	19,202,500

The weighted average exercised price of the stock options outstanding at March 31, 2011 was CDN$ 0.58 (December 31, 2010 CDN$0.38) and the weighted average remaining life of the options is 4.8 (December 31, 2010 3.1 years).

As of March 31, 2011 details of outstanding stock options are as follows:

Outstanding	Vested	CDN$ Exercise Price	Expiry Date
500,000	500,000	0.590	August 18, 2011
500,000	500,000	0.590	August 24, 2011
912,500	912,500	1.500	March 22, 2012
150,000	150,000	1.650	March 30, 2012
100,000	100,000	0.640	December 12, 2012
150,000	150,000	0.580	May 15, 2013
1,025,000	1,025,000	0.310	September 9, 2013
350,000	350,000	0.130	January 16, 2009
3,215,000	2,840,000	0.100	August 13, 2009
1,400,000	1,400,000	0.285	December 18, 2009
700,000	700,000	0.275	February 12, 2015
350,000	350,000	0.250	July 5, 2010
350,000	350,000	0.610	January 14, 2016
150,000	150,000	0.690	February 3, 2012
9,100,000	4,000,000	0.760	February 22, 2016
250,000	0	0.860	March 18, 2012
19,202,500	13,477,500		

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

16. Equity Instruments (continued)

As of March 31, 2011 details of outstanding warrants are as follows:

		Number of Share Warrants
Balance, January 1, 2010		6,208,560
Issued pursuant to private placement		103,259,172
Issued to Auramet		300,000
Issued as finders' fee		108,000
Issued to Trafigura		2,125,203
Issued as agents' fee	(i)	12,847,402
Exercised		(1,574,908)
Balance, December 31, 2010		123,273,429
Exercised		(7,110,282)
Balance, March 31, 2011		116,163,147

	Number of		CDN$ Exercise Price	Expiry Date
	1,355,751	$	0.35	May 16, 2011
	55,862	$	0.30	May 16, 2011
	300,000	$	0.35	March 2, 2013
	4,805,000	$	0.40	June 30, 2013
	24,960	$	0.35	June 30, 2013
	96,774,172	$	0.41	July 12, 2013
(i)	12,847,402	$	0.41	July 12, 2012
	116,163,147			

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

	March 31 , 2011	December 31,
Risk-free interest	n/a	1.27%
Expected stock	n/a	115.92%
Expected dividend	n/a	0.00%
Expected warrant	n/a	1.9

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

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

Stock-based compensation

For the quarter ended March 31 the stock-based compensation expense was $2,591,906 (2010 - $142,591). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	March 31 , 2011	December 31, 2010
Risk-free interest rate	2.33%	1.91%
Expected stock price	89.47%	85.08%
Expected dividend yield	0	0
Expected option life in years	4.7	3.7

17. Related Party Transactions

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

a) Trading transactions

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

	Note	March 31 2011 (3 months)	March 31 2010 (3 months)
Technical and consulting fees	(i)	$ 100,600	$ 92,850
General and administrative expenses	(ii)	28,125	31,820
Management fees	(iii)	90,000	75,000
		$ 218,725	$ 199,670

(i) To companies controlled by directors or officers.
(ii) To a company controlled by corporate secretary for
(iii) To a company controlled by CEO for management

b) Compensation of key management personnel

The remuneration of directors, officers and other members of key management personnel during the three month period ending March 31, 2011 and 2010 are as follows:

	Note	March 31 2011	March 31 2010
Salaries and directors' fees	(i)	$ 254,350	$ 259,670
Share-based payment	(ii)	2,591,906	56,280
		$ 2,846,256	$ 315,950

(i) Salaries and directors' fees include consulting and management fees disclosed in Note 19 (a)

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

18. Commitments

Supply agreement

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

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

Office Lease

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

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

19. Supplemental Cash Flow Information

	March 31 2011	March 31 2010
Cash interest paid	**$ 14,191**	$ 51,985
Income taxes paid	**688,298**	
Supplemental disclosures of non-cash investing and financing activities:		
Accretion of convertible debt capitalized to mineral property (Note9)	**133,160**	164,123
Accrued interest on convertible debt capitalized to mineral property (Note 9)	**98,631**	100,000

20. Segmented Information

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

Geographic Segments

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

	Canada	USA	Mexico	Total
March 31, 2011				
Segment (loss) income	$ (2,731,222)	$ (9,118)	$ 3,476,752	$ 736,412
Segment revenues	-	-	10,853,851	10,853,851
Segment property, plant and equipment	229,696	3,763,338	12,529,609	16,522,643
Segment Mineral properties	-	42,117,998	5,073,302	47,191,300
Total capital assets	1,079,488	46,817,575	18,842,234	66,739,297
Total segment assets	21,935,598	48,566,945	23,383,502	93,886,044
December 31, 2010				
Segment (loss) income	$ (13,361,214)	$ (40,150)	$ 2,287,306	$ (11,114,058)
Segment revenues	-	-	26,144,936	26,144,936
Segment property, plant and equipment	231,153	855,197	10,809,593	11,895,943
Segment Mineral properties		40,755,308	5,579,329	46,334,637
Total capital assets	981,716	41,610,505	17,697,762	60,289,983
Total segment assets	24,388,161	41,664,640	20,890,989	86,943,790

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

21. Administrative costs

	March 31, 2011	March 31, 2010
Administrative costs[1]	**$ 626,107**	$ 420,590
Stock-based compensation (note 16)	**2,591,906**	142,951
Professional fees	**86,525**	149,943
Investor relations	**173,347**	60,061
Listing and filing fees	**40,344**	11,091
	$ 3,518,229	$ 784,636

[1] Administrative costs break down:

	Quarter ended March 31 2011	2010
Management fees *	$ 90,000	$ 75,000
Rent and overhead	37,165	24,493
Travel and accommodation**	125,655	39,897
Office	31,803	22,356
Insurance	6,577	5,924
Admin, salaries and Consulting fees	220,031	242,484
Directors Fees	32,000	-
Other	82,875	36,000
	$ 626,106	$ 446,154

22. Financing expense

	March 31, 2011	March 31, 2010
Accretion of convertible debenture (note 12)	**$ 45,719**	$ 85,339
Accretion of asset retirement provision (note 14)	**21,843**	30,843
Financing expense and bank charges	**14,191**	51,985
	$ 81,753	$ 168,167

23. Contingency

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

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

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

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

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

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

Aurcana’s application is scheduled for hearing in the British Columbia Supreme Court on July 12, 2011.

24 Events after the reporting day

The Company and Silver Standard Resources Inc. ("Silver Standard") have agreed to restructure the terms of the $10,000,000 convertible debenture (the "Debenture"), (note 12), which the Company issued to Silver Standard on July 15, 2008. The Debenture has a three year term, and bears interest at a rate of 1.5% in the first year, and 4% thereafter. Under the terms of the amended Convertible Debenture:

- The maturity date of the Debenture is extended form July 15, 2011 to July 15, 2012;
- The Company has agreed to repay an aggregate of $7,000,000 of the principal owing under the Debenture on or before July 15, 2011;

- The remaining $3,000,000 principal balance will be repaid in equal quarterly instalments of $750,000 per quarter commencing on October 15, 2011;
- The rate of interest on the principal outstanding after July 15, 2011 will be 9% per annum; and
- The Company may prepay the Debenture at any time prior to maturity without penalty.

25. First-Time Adoption of IFRS

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

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

a) Business Combinations

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

b) Cumulative Translation Differences

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

c) Share-Based Payments

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

d) Decommissioning Liabilities

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

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

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

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

f) *Assets and Liabilities of Subsidiaries and Associates*

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

g) *Estimates*

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

IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement and disclosure. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in changes to the Company's reported condensed consolidated statement of operations and financial position. In order to allow financial statement users to better understand these changes, the Company's Canadian GAAP opening statement of financial position at January 1, 2010, statement of comprehensive (loss) income, statement of changes in equity, and statement of cash flows for the three month period ended March 31, 2011, and statement of financial position at December 31, 2010 have been reconciled to IFRS, along with explanations of the resulting differences.

h) *Provision for Environmental Rehabilitation*

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

i) *Exploration and Evaluation Assets*

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

j) *Deferred Tax Liability*

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

k) *Other Comprehensive Income (Loss)*

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

l) *Convertible debt*

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

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

25. First-Time Adoption of IFRS (continued)

a) The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP January 1, 2010 CDN$	Canadian GAAP January 1, 2010 USD$	Note	Effect of Transition to IFRS January 1, 2010 USD$	**IFRS January 1, 2010 USD $**
Assets					
Current assets					
Cash and cash equivalents	$ 2,852,174	$ 2,713,843		$ -	**$ 2,713,843**
Trade and other receivables	1,309,825	1,246,299		-	**1,246,299**
Inventories	1,361,922	1,295,869		-	**1,295,869**
Short-term investments	1,147,500	1,088,800		-	**1,088,800**
Prepaid expenses and advances	279,051	265,517		-	**265,517**
	6,950,472	6,610,328		-	**6,610,328**
Non Current assets					
Trade and other receivables	766,357	732,235		-	**732,235**
Property, plant and equipment	7,916,519	7,532,568		-	**7,532,568**
Mineral Properties	63,978,122	60,875,183	(j) (l)	(13,495,608)	**47,379,575**
Total assets	$ 79,611,470	$ 75,750,314		$ (13,495,608)	**$ 62,254,706**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ 4,361,865	$ 4,150,315		$ -	**$ 4,150,315**
Notes Payables current portion	1,391,375	1,323,893		-	**1,323,893**
	5,753,240	5,474,208		-	**5,474,208**
Notes payables Long-term	2,393,328	2,277,252		-	**2,277,252**
Deferred revenue	22,185,697	21,109,691		-	**21,109,691**
Convertible debentures	8,919,003	8,486,431	(l)	(610,486)	**7,875,945**
Provision for environmental rehabilation	1,338,036	1,273,141		-	**1,273,141**
Deferred tax liability	16,754,344	15,941,758	(j)	(15,941,758)	**-**
Total liabilities	57,343,648	54,562,481		(16,552,244)	**38,010,237**
Non-controlling interest	598,307	569,289		-	**569,289**
Shareholders' Equity					
Issued capital	55,684,504	47,358,524		-	**47,358,524**
Contributed Surplus	7,077,058	6,419,038		1,969,310	**8,388,348**
Translation adjustment on change in					**-**
presentation currency	-	1,805,733	(j)	(1,805,733)	**-**
Other comprehensive income	286,250	250,669		-	**250,669**
Deficit	(41,378,297)	(35,215,420)	(j) (l)	2,893,060	**(32,322,360)**
Total equity attributable to equity holders of the parent	21,669,515	20,618,544		3,056,637	**23,675,181**
Total liabilities and equity	$ 79,611,470	$ 75,750,314		$ (13,495,608)	**$ 62,254,706**

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

25 First-Time Adoption of IFRS (continued)

b) The Company's Canadian GAAP statement of operations and statement of comprehensive (loss) income for the three month period ended March 31, 2010 has been reconciled to IFRS as follows:

	Three Months Ended March 31, 2010				
	Canadian GAAP CDN$	Canadian GAAP USD$	Note	Effect of transition to IFRS USD$	**IFRS USD$**
Revenues					
Mining operations	$ 4,677,771	$ 4,497,677		$ -	**$ 4,497,677**
Costs of sales					
Mining operating expenses	3,336,174	3,207,731		-	**3,207,731**
Depreciation and amortization	240,517	231,257		-	**231,257**
Depletion of mineral properties	485,156	363,586		-	**363,586**
	4,061,847	3,802,574		-	**3,802,574**
Earnings from mine operations	615,924	695,103		-	**695,103**
Other items					
Administrative costs	816,055	784,636		-	**784,636**
Financing expense	86,144	82,828	(I)	85,339	**168,167**
Foreign exchange (gain) loss	(1,291,315)	-		-	**-**
Loss from trading activity, net	325,997	313,446		-	**313,446**
Other expenses (income)	(22,497)	(21,631)		-	**(21,631)**
	(85,616)	1,159,279		85,339	**1,244,618**
Income (loss) before income taxes	701,540	(464,176)		(85,339)	**(549,515)**
Net income (loss) for the period	$ 701,540	$ (464,176)		$ (85,339)	**$ (549,515)**
Attributable to:					
Non-controlling interest	36,243	34,848			**34,848**
Equity holders of the Company	665,297	(499,024)			**(584,363)**
	$ 701,540	$ (464,176)			**$ (549,515)**

	Three Months Ended March 31, 2010				
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)	Canadian GAAP CDN$	Canadian GAAP USD$	Note	Effect of transition to IFRS USD$	**IFRS USD$**
Net income (loss) for the period	$ 701,540	$ (464,176)		$ (85,339)	**$ (549,515)**
Currency translation adjustment		(369,388)		369,388	**-**
Unrealized gain (loss) on available-for-sale investments	(180,000)	(173,070)			**(173,070)**
Comprehensive income (loss) for the period	521,540	(1,006,634)		284,049	**(722,585)**
Attributable to:					
Non-controlling interest	36,243	34,848			**34,848**
Equity holders of the Company	485,297	(1,041,482)		284,049	**(757,433)**
	$ 521,540	$ (1,006,634)		$ 284,049	**$ (722,585)**

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

25. First-Time Adoption of IFRS (continued)

c) The Company's Canadian GAAP statement of operations and statement of comprehensive (loss) income for the twelve month period ended December 31, 2010 has been reconciled to IFRS as follows:

	Year Ended December 31, 2010				
	Canadian GAAP CDN$	Canadian GAAP USD$	Note	Effect of transition to IFRS USD$	**IFRS USD$**
Revenues					
Mining operations	$ 26,936,880	$ 26,144,936		$ -	**$ 26,144,936**
Costs of sales					
Mining operating expenses	16,190,854	15,714,843		-	**15,714,843**
Depreciation and amortization	1,056,159	1,025,219		-	**1,025,219**
Depletion of mineral properties	2,022,672	1,965,293		-	**1,965,293**
	19,269,685	18,705,355		-	**18,705,355**
Earnings from mine operations	7,667,195	7,439,581		-	**7,439,581**
Other items					
Administrative costs	3,274,083	3,177,826		-	**3,177,826**
Bank Charges/Interest and Finincing	387,708	438,070	(I)	304,051	**742,121**
Profit sharing and other non-income taxes	648,593	629,524		-	**629,524**
Foreign exchange (gain) loss	(1,518,127)	326,544		-	**326,544**
Loss from trading activity, net	5,195,815	5,043,058		-	**5,043,058**
Loss on termination of silver sale contract	7,681,310	7,455,479		-	**7,455,479**
Loan extension fees	392,317	380,783		-	**380,783**
Other expenses (income)	95,083	92,288		-	**92,288**
Impairment of property, plant and equipment	177,594	172,373		-	**172,373**
Loss on sale of investments	122,745	119,136		-	**119,136**
	16,457,121	17,835,081		304,051	**18,139,132**
Loss before income taxes	(8,789,926)	(10,395,500)		(304,051)	**(10,699,551)**
Income tax recovery (expense)	(740,324)	(718,558)			**(718,558)**
Deferred income tax recovery (expense)	3,476,088	3,373,891		(3,373,891)	-
Loss for the period	$ (6,054,162)	$ (7,740,167)		$ (3,677,942)	**$ (11,418,109)**
Attributable to:					
Non-controlling interest	190,280	184,686			**184,686**
Equity holders of the Company	(6,244,442)	(7,924,853)			**(11,602,795)**
	$ (6,054,162)	$ (7,740,167)			**$ (11,418,109)**

	Year Ended December 31, 2010				
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)	Canadian GAAP CDN$	Canadian GAAP USD$	Note	Effect of transition to IFRS USD$	**IFRS USD$**
Net income (loss) for the period	$ (6,054,162)	$ (7,740,167)		$ (3,677,942)	**$ (11,418,109)**
Currency translation adjustment		(332,238)		332,238	-
Unrealized gain (loss) on available-for-sale investments	283,750	275,408			**275,408**
Comprehensive income (loss) for the period	(5,770,412)	(7,796,997)		(3,345,704)	**(11,142,701)**
Attributable to:					
Non-controlling interest	190,280	184,686			**184,686**
Equity holders of the Company	(5,960,692)	(7,981,683)		(3,345,704)	**(11,327,387)**
	$ (5,770,412)	$ (7,796,997)		$ (3,345,704)	**$ (11,142,701)**

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

25. First-Time Adoption of IFRS (continued)

d) The Company's Canadian GAAP statement of financial position at March 31, 2010 has been reconciled to IFRS as follows:

	Canadian GAAP March 31, 2010 CDN$	Canadian GAAP March 31, 2010 USD$	Note	Effect of Transition to IFRS March 31, 2010 USD$	**IFRS March 31, 2010 USD $**
Assets					
Current assets					
Cash and cash equivalents	$ 1,503,178	$ 1,479,728		$ -	**$ 1,479,728**
Trade and other receivables	1,186,696	1,168,184		-	**1,168,184**
Inventories	1,852,717	1,823,815		-	**1,823,815**
Short-term investments	967,500	952,407		-	**952,407**
Prepaid expenses and advances	302,950	298,224		-	**298,224**
	5,813,041	5,722,358		-	**5,722,358**
Non Current assets					
Trade and other receivables	765,178	753,241		-	**753,241**
Investments	-	-		-	**-**
Marketable securities - long term	-	-		-	**-**
Property, plant and equipment	8,729,438	8,314,190		-	**8,314,190**
Exploration and evaluation assets	-	-		-	**-**
Mineral Properties	63,930,951	60,877,294	(j) (l)	(13,495,608)	**47,381,686**
Deferred tax asset	-	-		-	**-**
Long term deposits	-	-		-	**-**
Total assets	$ 79,238,608	$ $ 75,667,083		$ (13,495,608)	**$ 62,171,475**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ 5,440,051	$ 5,355,186		$ -	**$ 5,355,186**
Income tax payable	-	-		-	**-**
Notes Payables current portion	1,234,795	1,215,532		-	**1,215,532**
Convertible deventure current portion	-	-		-	**-**
	6,674,846	6,570,718		-	**6,570,718**
Notes payables Long-term	2,008,182	1,976,854		-	**1,976,854**
Deferred revenue	20,729,292	20,405,915		-	**20,405,915**
Convertible debentures	9,083,126	8,941,429	(l)	(525,147)	**8,416,282**
Provision for environmental rehabilation	1,333,463	1,303,984		-	**1,303,984**
Deferred tax liability	16,261,287	15,941,758	(j)	(15,941,758)	**-**
Total liabilities	56,090,196	55,140,658		(16,466,905)	**38,673,753**
Non-controlling interest	634,550	604,137		-	**604,137**
Shareholders' Equity					
Issued capital	55,934,504	47,598,899		-	**47,598,899**
Contributed Surplus	7,186,108	6,523,889		1,969,310	**8,493,199**
Currency translation adjustment		(369,388)	(j)	369,388	**-**
Accumulated other comprehensive income	106,250	77,599		(369,388)	**(291,789)**
Deficit	(40,713,000)	(33,908,711)	(j) (l)	1,001,988	**(32,906,723)**
Total equity attributable to equity holders of the parent	22,513,862	19,922,288		2,971,298	**22,893,586**
Total liabilities and equity	$ 79,238,608	$ $ 75,667,083		$ (13,495,608)	**$ 62,171,475**

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

25. First-Time Adoption of IFRS (continued)

e) The Company's Canadian GAAP statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

	Canadian GAAP December 31, 2010 CDN$	Canadian GAAP December 31, 2010 USD$	Note	Effect of Transition to IFRS December 31, 2010 USD$	**IFRS December 31, 2010 USD $**
Assets					
Current assets					
Cash and cash equivalents	$ 22,057,371	$ 22,176,481		$ -	**$ 22,176,481**
Trade and other receivables	1,786,055	1,795,700		-	**1,795,700**
Inventories	1,608,190	1,616,874		-	**1,616,874**
Short-term investments	970,000	975,238		-	**975,238**
Prepaid expenses and advances	89,033	89,514		-	**89,514**
	26,510,649	26,653,807		-	**26,653,807**
Non Current assets					
Trade and other receivables	815,674	820,079		-	**820,079**
Property, plant and equipment	12,362,789	11,895,943		-	**11,895,943**
Mineral Properties	64,250,514	60,991,969	(j) (l)	(13,495,608)	**47,496,361**
Deferred tax asset	1,232,668	1,239,324		-	**1,239,324**
Total assets	$ 105,172,294	$ $ 101,601,122		$ (13,495,608)	**$ 88,105,514**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ 4,295,279	$ 4,318,474		$ -	**$ 4,318,474**
Income tax payable	684,601	688,298		-	**688,298**
Notes Payables current portion	235,390	236,661		-	**236,661**
Convertible deventure current portion	7,666,752	7,708,152	(l)	(306,435)	**7,401,717**
	12,882,022	12,951,585		(306,435)	**12,645,150**
Convertible debentures	1,988,771	1,999,510			**1,999,510**
Provision for environmental rehabilation	1,385,480	1,396,514		-	**1,396,514**
Deferred tax liability	13,599,048	13,672,483	(j)	(13,672,483)	**-**
Total liabilities	29,855,321	30,020,092		(13,978,918)	**16,041,174**
Non-controlling interest	788,587	753,975		-	**753,975**
Shareholders' Equity					
Issued capital	99,657,659	90,861,167		-	**90,861,167**
Contributed Surplus	21,923,466	21,106,589		1,969,310	**23,075,899**
Currency translation adjustment	-	(332,238)	(j)	332,238	**-**
Accumulated other comprehensive income	570,000	526,077		(332,238)	**193,839**
Deficit	(47,622,739)	(41,334,540)	(j) (l)	(1,486,000)	**(42,820,540)**
Total equity attributable to equity holders of the parent	74,528,386	70,827,055		483,310	**71,310,365**
Total liabilities and equity	$ 105,172,294	$ $ 101,601,122		$ (13,495,608)	**$ 88,105,514**