



AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

March 31, 2012

(Unaudited)

Expressed in United States dollars unless otherwise stated

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

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NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2012 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

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

Aurcana Corporation

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

	Notes	March 31 2012	December 31 2011
Assets			
Current assets			
Cash and cash equivalents	16	\$ 30,944,114	\$ 36,560,380
Trade and other receivable	3	4,436,075	3,451,158
Inventories	4	3,137,468	2,359,605
Short-term investments	5	471,178	383,481
Amounts receivable	6	969,705	942,616
Prepaid expenses and advances		307,405	403,999
		40,265,945	44,101,239
Non Current assets			
Property, plant and equipment	7	68,714,179	52,728,808
Mineral Properties	8	58,468,645	55,116,656
Deferred tax asset		1,207,814	1,304,810
Long term deposits		936,196	936,196
		\$ 169,592,779	\$ 154,187,709
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 12,443,598	\$ 9,193,574
Income tax		268,075	119,635
Current portion of long-term debt	10	1,908,344	1,150,164
		14,620,017	10,463,373
Long-term debt	10	2,846,743	1,668,123
Provision for environmental rehabilitation	11	2,756,523	2,738,587
		20,223,283	14,870,083
Equity			
Share capital	12	154,739,709	146,556,711
Contributed Surplus		27,915,926	28,440,706
Accumulated other comprehensive loss		(1,860,658)	(2,262,183)
Deficit		(31,455,695)	(34,845,299)
Total equity attributable to equity holders of the parent		149,339,282	137,889,935
Non-controlling interest	13	30,214	1,427,691
Total equity		149,369,496	139,317,626
		\$ 169,592,779	\$ 154,187,709

Commitments (Note 15)

Subsequent event (Notes 23)

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors:

_____ Director

_____ Director

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

	Notes	Three months ended March 31,	
		2012	2011
Revenues			
Mining operations	18	\$ 11,581,721	\$ 10,853,851
Costs of sales			
Mining operating expenses	19	6,074,281	5,496,681
Earnings from mine operations		5,507,440	5,357,170
Other items			
Administrative costs	20	1,001,868	926,322
Financing expense and others	21	32,733	81,753
Stock-based compensation	12	1,372,909	2,591,906
Foreign exchange loss		323,643	123,370
Other expenses		110,861	80,715
		2,842,014	3,804,066
Income before income taxes		2,665,426	1,553,104
Current Income tax expense		576,303	862,410
Deferred income tax expense		96,996	-
Net income for the Period		\$ 1,992,127	\$ 690,694
Attributable to:			
Non-controlling interest		5,229	305,021
Equity holders of the Company		1,986,898	385,673
		\$ 1,992,127	\$ 690,694
Weighted average number of shares – basic		437,593,436	326,943,895
Weighted average number of shares – diluted		483,456,945	411,632,362
Net income per share – basic & diluted			
Basic		\$ 0.01	\$ 0.00
Diluted		\$ 0.01	\$ 0.00

See accompanying notes to these condensed interim consolidated financial statements.

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

		Three months ended March 31,	
	Notes	2012	2011
Net income for the period		\$ 1,992,127	\$ 690,694
Currency translation adjustment		313,828	304,533
Unrealized gain (loss) on Short-term investments	5	87,697	(139,804)
Comprehensive income for the period		2,393,652	855,423
Attributable to:			
Non-controlling interest		5,229	305,021
Equity holders of the Company		2,388,423	550,402
		\$ 2,393,652	\$ 855,423

See accompanying notes to these condensed interim consolidated financial statements.

Aurcana Corporation

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

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity Attributable to Shareholders of the Company	Non- controlling Interest	Total Equity
Balance, December 31, 20110	90,861,167	\$ 23,075,899	\$ (1,552,567)	\$ (41,828,429)	\$ 70,556,070	\$ 753,975	\$ 71,310,045
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 for the period	-	-	-	385,673	385,673	305,021	690,694
Shares issued for:							
Private placement	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Stock-based compensation	-	2,591,906	-	-	2,591,906	-	2,591,906
Balance, March 31, 2011	95,158,010	24,281,027	(1,387,838)	(41,442,756)	76,608,443	1,058,996	77,667,439
Currency translation adjustment	-	-	(422,392)	-	(422,392)	-	(422,392)
Unrealized gain (loss) on available for sale investments	-	-	(451,953)	-	(451,953)	-	(451,953)
Net income for the period	-	-	-	6,597,457	6,597,457	368,695	6,966,152
Shares issued for:							
Private placement	29,126,036	4,455,440	-	-	33,581,476	-	33,581,476
Exercise of warrants	23,409,844	(5,023,323)	-	-	18,386,521	-	18,386,521
Exercise of options	1,079,224	(492,467)	-	-	586,757	-	586,757
Share issue costs	(2,216,403)	-	-	-	(2,216,403)	-	(2,216,403)
Stock-based compensation	-	5,220,029	-	-	5,220,029	-	5,220,029
Balance, December 31, 2011	146,556,711	\$ 28,440,706	\$ (2,262,183)		\$ 137,889,935	\$ 1,427,691	\$ 139,317,626
Adjustment of non-controlling interest (note 13)	-	-	-	1,402,706	1,402,706	(1,402,706)	-
Currency translation adjustment	-	-	313,828	-	313,828	-	313,828
Unrealized gain (loss) on available for sale investments	-	-	87,697	-	87,697	-	87,697
Net income for the period	-	-	-	1,986,898	1,986,898	5,229	1,992,127
Shares issued for:							
Exercise of warrants	7,942,543	(2,058,211)	-	-	5,884,332	-	5,884,332
Exercise of options	621,519	(220,542)	-	-	400,977	-	400,977
Issuance of warrants	(381,064)	381,064	-	-	-	-	-
Stock-based compensation	-	1,372,909	-	-	1,372,909	-	1,372,909
Balance, March 31, 2012	154,739,709	\$ 27,915,926	\$ (1,860,658)	\$ 3,389,604	\$ 149,339,282	\$ 30,214	\$ 149,369,496

See accompanying notes to these condensed interim consolidated financial statements.

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

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities		
Net income for the period	1,992,127	690,694
Items not involving cash:		
Depreciation, depletion and amortization	1,023,123	840,452
Accretion of Convertible Deventure	-	45,179
Accretion of amounts receivable	(27,089)	(29,713)
Financing expense and others	32,733	36,033
Stock-based compensation	1,372,909	2,591,906
Unrealized foreign exchange loss	1,201,457	552,301
Deferred Income Tax expense	96,996	-
Operating Cash Flow before movements in working capital items	5,692,256	4,726,852
Net change to non-cash working capital balances		
Trade and other receivables	(984,917)	(1,260,115)
Inventories	(777,863)	42,656
Income Taxes Payable	148,440	188,392
Prepaid expenses and advances	96,594	(1,798,485)
Accounts payable and accrued liabilities	(2,426,322)	19,483
Cash provided by operating activities	1,748,188	1,918,783
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,088,477)	(4,961,125)
Expenditures on mineral properties	(3,595,660)	(1,229,530)
Long term deposits	-	(936,238)
Cash used in investing activities	(14,684,137)	(7,126,893)
Cash flows from financing activities		
Share capital issued, net of share issue costs	6,285,309	2,910,065
Financing cost	(14,797)	(14,191)
Advances of notes payable, net	1,936,800	(78,961)
Cash provided by financing activities	8,207,312	2,816,913
Decrease in cash and cash equivalents	(4,728,637)	(2,391,197)
Effect of exchange rate changes on cash	(887,629)	7,997
Cash and cash equivalents, beginning of the year	36,560,380	22,176,481
Cash and cash equivalents, end of the Period	30,944,114	19,793,281

Supplemental Cash Flow information (Note 17)

See accompanying notes to these condensed interim consolidated financial statements

AURCANA CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

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

1. Governing Statutes and Purpose of the Organization

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

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

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

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

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

The Audit Committee approved the statements on behalf of the Board of Directors on May 24, 2012.

3. Trade and Other Receivable

	March 31	December 31
	2012	2011
Trade receivables	\$ 4,114,738	\$ 2,869,636
Other receivables	321,337	581,522
	\$ 4,436,075	\$ 3,451,158

4. Inventories

	March 31	December 31
	2012	2011
Supplies inventory	\$ 2,269,854	\$ 1,540,244
Stockpile inventory	830,886	763,732
Concentrates and in-process	36,728	55,629
	\$ 3,137,468	\$ 2,359,605

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

As partial consideration for the sale of Rosario (Note 6), Silvermex issued 1,000,000 common shares to the Company.

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

	March 31 2012	December 31 2011
	<u> </u>	<u> </u>
Current portion:		
Balance beginning of the year	\$ 383,481	\$ 975,238
Unrealized gain (loss)	<u>87,697</u>	<u>(591,757)</u>
Balance end of the period / year	<u>\$ 471,178</u>	<u>\$ 383,481</u>

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

6. Amounts Receivable

On November 30, 2009, the Company sold its Rosario exploration and development project located in Sinaloa State, Mexico ("Rosario") to Silvermex Resources Inc. ("Silvermex") for cash and share consideration (Note 6) and recorded a loss of \$1,295,063 in the year ended December 31, 2009.

As part of the required cash consideration, the Company is to receive approximately \$1 million USD in two payments of \$500,000. The first payment is due by April 9, 2012 (see Note 23) 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 2012	December 31 2011
	<u> </u>	<u> </u>
Carrying value, beginning of the year	\$ 942,616	\$ 820,079
Accretion for the period / year	<u>27,089</u>	<u>122,537</u>
Carrying value, end of the period / year	<u>\$ 969,705</u>	<u>\$ 942,616</u>

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

7. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Exploration Properties	Vehicles	Computer Equipment	Other	Assets under construction	Total
Cost									
Balance at December 31, 2010	\$ 667,243	\$ 10,432,756	\$ 2,692,404	\$ 321,673	\$ 324,155	\$ 367,300	\$ 110,871	\$ -	\$ 14,916,402
Additions	808,037	15,429,938	4,904,562	682,159	409,703	99,006	45,336	-	43,357,856
Balance at December 31, 2011	1,475,280	25,862,694	7,596,966	1,003,832	733,858	466,306	156,207	20,979,115	58,274,258
Additions	55,153	4,387,758	1,860,259	186,755	12,217	707	108,921	10,153,052	16,764,822
Balance at March 31, 2012	\$ 1,530,433	\$ 30,250,452	\$ 9,457,225	\$ 1,190,587	\$ 746,075	\$ 467,013	\$ 265,128	\$ 31,132,167	\$ 75,039,080
Accumulated depreciation									
Balance at December 31, 2010	\$ 24,931	\$ 2,553,836	\$ -	\$ -	\$ 166,072	\$ 258,301	\$ 17,320	\$ -	\$ 3,020,460
Charge for the year	28,139	2,116,132	207,232	-	108,705	52,165	12,618	-	2,524,991
Balance at December 31, 2011	53,070	4,669,968	207,232	-	274,777	310,466	29,938	-	5,545,451
Charge for the period	-	676,348	57,132	-	19,422	12,880	3,725	-	779,450
Balance at March 31, 2012	\$ 63,013	\$ 5,346,316	\$ 264,364	\$ -	\$ 294,199	\$ 323,346	\$ 33,663	\$ -	\$ 6,324,901
Net book value									
Balance at December 31, 2010	\$ 642,312	\$ 7,878,920	\$ 2,692,404	\$ 321,673	\$ 158,083	\$ 108,999	\$ 93,551	\$ -	\$ 11,895,942
Balance at December 31, 2011	\$ 1,422,210	\$ 21,192,726	\$ 7,389,734	\$ 1,003,832	\$ 459,081	\$ 155,840	\$ 126,269	\$ 20,979,115	\$ 52,728,807
Balance at March 31, 2012	\$ 1,467,420	\$ 24,904,136	\$ 9,192,861	\$ 1,190,587	\$ 451,876	\$ 143,667	\$ 231,465	\$ 31,132,167	\$ 68,714,179

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

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

8. Mineral Properties

Cost	La Negra	Shafter	Total
	Mexico	Texas	
	Producing mine	Mine under construction	
Balance as at December 31, 2010	\$ 12,717,017	\$ 41,162,737	\$ 53,879,754
Expenditures	-	6,643,549	6,643,549
Capitalized accretion	-	2,285,520	2,285,520
Capitalized interest expense	-	399,775	399,775
Balance as at December 31, 2011	12,717,017	50,491,581	63,208,598
Expenditures	-	3,595,660	3,595,660
Balance as at March 31, 2012	\$ 12,717,017	\$ 54,087,241	\$ 66,804,258

Accumulated depletion

Balance as at December 31, 2010	\$ 7,137,688	\$ -	\$ 7,137,688
Charge for the year	954,254	-	954,254
Balance as at December 31, 2011	8,091,942	-	8,091,942
Charge for the period	243,671	-	243,671
Balance as at March 31, 2012	\$ 8,335,613	\$ -	\$ 8,335,613

Net book value

Balance as at December 31, 2010	\$ 5,579,329	\$ 41,162,737	\$ 46,742,066
Balance as at December 31, 2011	\$ 4,625,075	\$ 50,491,581	\$ 55,116,656
Balance as at March 31, 2012	\$ 4,381,404	\$ 54,087,241	\$ 58,468,645

9. Accounts Payable and Accrued Liabilities

	March 31	December 31
	2012	2011
Royalties	\$ 1,661,840	\$ 1,236,338
Salaries, source deductions and employee benefits	1,022,944	904,420
Employees' statutory profit sharing	968,197	708,662
Mine suppliers	2,318,566	1,472,890
Construction in progress suppliers	5,676,346	3,602,753
Other	795,705	1,268,511
	\$ 12,443,598	\$ 9,193,574

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

10. Current and Long-term Debt

	March 31	December 31
	2012	2011
	<u> </u>	<u> </u>
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$74,111 at 8.9% per annum, maturing April 2014	1,852,760	2,075,091
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$20,098 at 7.9% per annum, maturing December 2014	663,240	743,196
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$47,219 at 7.9% per annum, maturing January 2015	1,605,434	-
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US\$17,601 at 7.9% per annum, maturing March 2015	633,653	-
Total	<u>\$ 4,755,087</u>	<u>\$ 2,818,287</u>
Current portion	\$ 1,908,344	\$ 1,150,164
Long-term debt	<u>2,846,743</u>	<u>1,668,123</u>
	<u>\$ 4,755,087</u>	<u>\$ 2,818,287</u>

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

Schedule principal repayments are as follows:

2012	\$ 1,431,258	\$ 1,150,164
2013	1,908,345	1,130,503
2014	1,315,462	537,620
2015	100,022	-
	<u>\$ 4,755,087</u>	<u>\$ 2,818,287</u>

The net book value of the assets in note 7 under capital lease is \$6,931,508

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

11. Provision for Environmental Rehabilitation

The Company has accrued an estimated liability related to reclamation and closure costs at the La Negra Mine based on the total future remediation cost, discounted to March 31, 2012 using a 6.35% discount factor (December 31, 2011 - 6.35%) and a 3.41% inflation factor (December 31, 2011: 3.41%), in the amount of \$1,485,114 (December 31, 2011 - \$1,467,178).

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

The liability is subject to revision based on future mine resource realization, and other factors which affect the costs incurred at future dates.

The provision for environment rehabilitation for the Periods ended March 31, 2012 and 2011 are as follows:

	March 31	December 31
	2012	2011
	<u> </u>	<u> </u>
Environmental rehabilitation, beginning of the year	\$ 2,738,587	\$ 1,396,514
Addition	-	1,271,409
Accretion	17,936	70,664
Environmental rehabilitation, end of the period / year	<u>\$ 2,756,523</u>	<u>\$ 2,738,587</u>

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

12. Equity

Authorized - An unlimited number of common shares

Share issuance details:

	Number of Shares	Amount
Balance, December 31, 2010	322,854,948	\$ 90,861,167
Issued pursuant to private placement	-	-
Share issuance costs	-	-
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
Issued pursuant to private placement	52,853,000	29,126,036
Share issuance costs	-	(2,216,403)
Exercised warrants	44,603,173	23,409,844
Exercised options	1,660,000	1,079,224
Balance, December 31, 2011	430,766,403	146,556,711
Issuance of warrants	-	(381,064) *
Exercised warrants	14,394,558	7,942,543
Exercised options	1,680,000	621,519
Balance, March 31, 2012	446,840,961	\$ 154,739,709

* Upon exercise of 1,915,000 agent compensation options from the financing of December 7, 2010, the Company issued 1,915,000 common shares and an additional 957,500 share purchase warrants, which were fair valued at \$381,064 using the Black-Scholes model.

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

Each Unit consists of one common share in the capital of the Company (the "Unit Shares") and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each full Warrant will entitle the holder, on exercise, to purchase one additional common share of the Company (a "Warrant Share"), at a price of CDN\$1.00 at any time until the close of business on the day which is 24 months from the date of issue of the Warrant. All securities issued in connection with the Offering were subject to a hold period in Canada which expired on March 30, 2012.

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

12. Equity (continued)

Stock options

On June 29, 2011, the Company adopted a new fixed option plan (the “New Plan”), pursuant to which the Company may grant up to 34,698,803 stock options to directors, officers, employees and consultants. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

<u>Stock options</u>	Number of Share Options	Weighted Average Exercise Price per Share
Balance, December 31, 2010	11,037,500	0.38
Granted	9,850,000	0.76
Exercised	(1,685,000)	0.29
Forfeited, Expired or cancelled	-	-
Balance, March 31, 2011	19,202,500	0.58
Granted	12,075,000	0.69
Exercised	(1,660,000)	0.37
Forfeited, Expired or cancelled	(1,750,000)	0.88
Balance, December 31, 2011	27,867,500	0.62
Granted	-	-
Exercised	(1,680,000)	0.24
Forfeited, Expired or cancelled	(1,437,500)	1.13
Balance, March 31, 2012	24,750,000	\$ 0.62

The Company’s weighted average share price on the date for the options exercised during the period ended March 31, 2012 was CDN\$0.90 per share, at the same date the number of vested options was 21,056,250 with an average exercise price of CDN\$0.61 per share

Stock based compensation

For the period ended March 31, 2012 the stock-based compensation expense was \$1,372,909 (March 31, 2011 - \$2,591,906).

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

12. Equity (continued)

<u>Share purchase warrants</u>	Number of Share Warrants
Balance, December 31, 2010	123,273,429
Issued	-
Exercised	(7,110,282)
Expired	-
Balance, March 31, 2011	<u>116,163,147</u>
Issued pursuant to private placements	28,133,877
Exercised	(44,603,173)
Expired	(364,181)
Balance, December 31, 2011	<u>99,329,670</u>
Issued ⁽¹⁾	957,500
Exercised	(14,394,558)
Expired	-
Balance, March 31, 2012	<u><u>85,892,612</u></u>

(1) The 957,500 warrants issued were pursuant to the exercise of 1,915,000 agents compensation units at price of CDN\$0.41.

Number of	Exercise	Expiry Date
3,356,000	\$ 0.40	June 30, 2013
24,960	\$ 0.35	June 30, 2013
48,309,509	\$ 0.41	December 7, 2013
7,775,643	\$ 0.41	December 7, 2012
<u>26,426,500</u>	\$ 1.00	November 29, 2013
<u><u>85,892,612</u></u>		

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

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Risk-free interest rate	1.11%	1.02%
Expected stock price volatility	64.64%	75.92%
Expected dividend yield	n/a	n/a
Expected warrant life in years	0.8	1.9

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13. Non-Controlling Interest

The non-controlling interest is comprised of the following:

Balance, December 31, 2010	\$ 753,975
Non-controlling interest's share of profit in La Negra Mine	<u>673,716</u>
Balance, December 31, 2011	1,427,691
Adjustment of non-controlling interest	(1,402,706)
Non-controlling interest's share of profit in La Negra Mine	<u>5,229</u>
Balance, March 31, 2012	<u><u>\$ 30,214</u></u>

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

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

14. Related Party Transactions

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

a) Trading transactions

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

	Note	March 31 2012	March 31 2011
Technical and consulting fees	(i)	\$ 67,591	\$ 100,600
General and administrative expenses	(ii)	39,798	28,125
Management fees	(iii)	<u>97,403</u>	<u>90,000</u>
Related party transactions fees		<u><u>\$ 204,792</u></u>	<u><u>\$ 218,725</u></u>

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

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14. Related Party Transactions (continued)

b) Compensation of key management personnel

	Note	March 31 2012	March 31 2011
Related party transactions fees		\$ 204,792	\$ 218,725
Directors' fees		29,471	32,000
Officer salaries		53,946	45,000
Share-based payment		1,372,909	2,591,906
		<u>\$ 1,661,118</u>	<u>\$ 2,887,631</u>

15. Commitments

Supply agreement

On November 14, 2006, La Negra signed a purchase contract with Trafigura Beheer B.V. ("Trafigura") whereby Trafigura agreed to purchase 100%, evenly spread from January to December, of copper concentrate to be produced during the years 2007, 2008 and 2009 by the La Negra Mine. Prices are based on the published prices in the Metal Bulletin in London in US dollars of the following month of shipment is made. In August 2010 the copper purchase contract was extended till the end of 2012.

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

Office Lease

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

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16. Supplemental Cash Flow Information

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

	March 31	December 31
	2012	2011
	<u> </u>	<u> </u>
Cash	\$ 20,319,943	\$ 21,243,815
Short-term investments	10,624,171	15,316,565
Cash and cash equivalents	<u>\$ 30,944,114</u>	<u>\$ 36,560,380</u>
Supplemental disclosures of cash flow information:	March 31	December 31
	2012	2011
	<u> </u>	<u> </u>
Cash interest paid	\$ 14,797	\$ 73,290
Income taxes paid	<u>524,859</u>	<u>2,052,107</u>

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

Non-cash investing and financing activities are as follows:

	March 31	December 31
	2012	2011
	<u> </u>	<u> </u>
Accounts payable related to construction in progress suppliers	5,676,346	3,602,753
Accrued interest on convertible debt capitalized to mineral property	-	399,775

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17. Segmented Information

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

March 31, 2012	La Negra	Shafter	Corporate	All other segments	Total
Sales to external customers	\$ 11,581,721	\$ -	\$ -	\$ -	\$ 11,581,721
Mining operating expenses	5,051,158	-	-	-	5,051,158
Depreciation and amortization	779,452	-	-	-	779,452
Depletion of mineral properties	243,671	-	-	-	243,671
Gross income	5,507,440	-	-	-	5,507,440
Expenses	556,230	69,959	2,089,734	126,091	2,842,014
income (loss) before income taxes	4,951,210	(69,959)	(2,089,734)	(126,091)	2,665,426
Income tax expense	673,299	-	-	-	673,299
Net income for the period	4,277,911	(69,959)	(2,089,734)	(126,091)	1,992,127
Property, plant and equipment	28,288,865	40,373,731	51,583	-	68,714,179
Segment Mineral properties	4,381,405	54,087,241	-	-	58,468,646
Total capital assets	32,670,270	94,460,972	51,583	-	127,182,825
Total segment assets	41,665,787	97,198,516	30,675,316	53,160	169,592,779
Total liabilities	9,196,938	10,701,363	297,825	27,157	20,223,283

March 31, 2011	La Negra	Shafter	Corporate	All other segments	Total
Sales to external customers	\$ 10,853,851	\$ -	\$ -	\$ -	\$ 10,853,851
Mining operating expenses	4,656,229	-	-	-	4,656,229
Depreciation and amortization	334,425	-	-	-	334,425
Depletion of mineral properties	506,027	-	-	-	506,027
Gross income	5,357,170	-	-	-	5,357,170
Expenses	163,662	14,454	3,614,946	11,004	3,804,066
income (loss) before income taxes	5,193,508	(14,454)	(3,614,946)	(11,004)	1,553,104
Income tax expense	862,410	-	-	-	862,410
Net income for the period	4,331,098	(14,454)	(3,614,946)	(11,004)	690,694
Property, plant and equipment	12,529,610	3,763,338	229,695	-	16,522,643
Segment Mineral properties	5,073,302	43,279,722	-	-	48,353,024
Total capital assets	17,602,912	47,043,060	229,695	-	64,875,667
Total segment assets	22,747,446	50,332,458	21,655,404	312,460	95,047,768
Total liabilities	5,758,357	482,378	10,355,024	30,276	16,626,035

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18. Revenues

	<u>Three months ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
Revenues from mining operations:		
Mining operations	<u>\$ 11,581,721</u>	<u>\$ 10,853,851</u>
	<u>Three months ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
Gross revenues from Mining operations (\$million)	\$ 14.6	\$ 13.2
Deductions T.C., refining and smelting charges deducted by the customers	<u>2.7</u>	<u>2.0</u>
Net Revenues before Royalties	<u>11.9</u>	<u>11.2</u>
Royalties	<u>0.3</u>	<u>0.3</u>
Revenues from mining operations	<u>11.6</u>	<u>10.9</u>
Net Revenues by customer:		
Trafigura (Corminmex)	\$ 6.0	\$ 11.2
Glencore (Metagri)	<u>5.9</u>	<u>-</u>
	<u>11.9</u>	<u>11.2</u>

19. Mining operating expenses

	<u>Three months ended March 31,</u>	
Notes	<u>2012</u>	<u>2011</u>
Mine and Mill supplies	\$ 1,973,099	\$ 2,077,862
Power	423,703	370,491
Salaries and benefits	2,368,579	1,971,477
Freight and delivery	<u>285,777</u>	<u>236,399</u>
Sub-total	5,051,158	4,656,229
Depreciation and amortization	779,452	334,425
Depletion of mineral properties	<u>243,671</u>	<u>506,027</u>
	<u>\$ 6,074,281</u>	<u>\$ 5,496,681</u>

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20. Administrative costs

	<u>Three months ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
Administrative costs[1]	\$ 666,298	\$ 626,106
Professional fees	44,119	86,525
Investor relations	250,622	173,347
Listing and filing fees	40,829	40,344
	<u>\$ 1,001,868</u>	<u>\$ 926,322</u>

	<u>Three months ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
[1] Administrative costs break down:		
Management fees	\$ 97,935	\$ 90,000
Rent and overhead	37,792	37,165
Travel and accommodation	91,108	125,655
Office	38,909	31,803
Insurance	49,431	6,577
Salaries and Consulting fees	211,579	220,031
Directors Fees	29,471	32,000
Other	110,073	82,875
	<u>\$ 666,298</u>	<u>\$ 626,106</u>

21. Financing expense

	<u>Three months ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
Accretion of provision for environmental rehabilitation (note 11)	\$ 17,936	\$ 21,843
Accretion of Convertible debenture	-	45,719
Financing expense and bank charges	14,797	14,191
	<u>\$ 32,733</u>	<u>\$ 81,753</u>

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22 Earnings per Share

	Three months ended March 31,	
	2012	2011
Net income for the year attributable to equity holders of the Company	\$ 1,986,898	\$ 385,673
Weighted average number of shares – basic	437,593,436	326,943,895
Adjustment for:		
Share options	6,983,330	6,089,338
Warrants	38,880,179	78,599,129
Weighted average number of shares – diluted	483,456,945	411,632,362

23. Subsequent event:

Silvermex payment due on April 9, 2012 in the amount of \$500,000 (note 6) was mutually agreed to be extended for three additional months, now due on July 9, 2012.