AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

June 30, 2014

(Unaudited)

Expressed in United States dollars unless otherwise stated

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company for the six months ended June 30, 2014 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim consolidated financial reporting.

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

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

	Notes	June 30 2014	December 31 2013
Assets			
Current assets			
Cash and cash equivalents	17	$ 3,440,610	$ 20,277,510
Trade and other receivables	3	4,325,932	2,130,151
Inventories	4	4,943,328	6,070,263
Prepaid expenses and advances		802,649	713,039
Assets held for sale	6	4,980,000	-
		18,492,519	29,190,963
Non Current assets			
Property, plant and equipment	5	68,812,147	69,965,516
Mineral Properties	7	19,011,885	19,050,541
Deferred tax asset		5,593,316	5,632,765
Long term deposits		104,143	227,902
		$ 112,014,010	$ 124,067,687
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 16,961,991	$ 15,333,058
Current portion of long-term debt	9	992,238	2,782,667
Current portion of borrowings	10	8,743,267	14,817,219
		26,697,496	32,932,944
Non Current liabilities			
Long-term debt	9	172,425	2,457,737
Borrowings	10	26,667,478	26,999,441
Derivative liability	11	3,147,272	10,932,524
Deferred tax liability		7,191,541	7,624,990
Provision for environmental rehabilitation	12	1,831,422	1,716,965
		65,707,634	82,664,601
Equity	13		
Share capital		182,173,235	168,678,333
Contributed surplus		33,916,107	32,329,060
Accumulated other comprehensive (income) loss		461,961	(1,295,529)
Deficit		(170,289,754)	(158,354,262)
Total equity attributable to equity holders of the parent		46,261,549	41,357,602
Non-controlling interest	14	44,827	45,484
Total equity		46,306,376	41,403,086
		$ 112,014,010	$ 124,067,687

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

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors:

"Robert J. Tweedy" — ***Director***

"Adrian Aguirre" — ***Director***

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

	Notes	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenues					
Mining operations		**$ 9,241,156**	$ 11,337,026	**$ 22,286,936**	$ 24,098,837
Costs of sales	19	**10,623,985**	8,785,926	**20,309,065**	16,754,458
Earnings (loss) from mine operations		**(1,382,829)**	2,551,101	**1,977,871**	7,344,379
Other items					
Administrative costs	20	**782,257**	1,268,054	**1,525,504**	2,530,764
Financing expense and others	21	**1,634,984**	252,082	**4,382,357**	297,307
Stock-based compensation	13	**91,249**	496,484	**220,011**	2,259,448
Shafter mine Care & Mainteinance cost		**123,418**	-	**1,032,900**	-
Foreign exchange (income) loss		**(502,629)**	5,130	**1,787,962**	238,851
Change in fair value of derivatives	11	**(943,697)**	-	**(949,721)**	-
Cost of Orion loan restructure and offtake agreement cancellation	10	**5,592,399**	-	**5,592,399**	-
Other expenses (income)		**4,850**	15,972	**57,729**	31,908
		6,782,831	2,037,722	**13,649,141**	5,358,278
Income (loss) before income taxes		**(8,165,660)**	513,379	**(11,671,270)**	1,986,101
Current Income tax expense		**(231,605)**	51,323	**603,678**	968,135
Deferred income tax expense (benefit)		**(494,518)**	207,367	**(338,799)**	371,540
Net income (loss) for the period		**$ (7,439,537)**	$ 254,689	**$ (11,936,149)**	$ 646,426
Items of other comprehensive income					
Items of other comrehensive income that may be reclassified subsequently to net income (loss):					
Currency translation adjustment		**(91,359)**	(265,562)	**1,757,490**	(343,356)
Comprehensive income (loss) for the period		**$ (7,530,896)**	$ (10,873)	**$ (10,178,659)**	$ 303,070
Total net income (loss) attributable to:					
Non-controlling interest		**(2,502)**	850	**(657)**	4,848
Equity holders of the Company		**(7,437,035)**	253,839	**(11,935,492)**	641,578
		$ (7,439,537)	$ 254,689	**$ (11,936,149)**	$ 646,426
Total comprehensive income (loss) attributable to:					
Non-controlling interest		**(2,502)**	850	**(657)**	4,848
Equity holders of the Company		**(7,528,394)**	(11,723)	**(10,178,002)**	(40,889)
		$ (7,530,896)	$ (10,873)	**$ (10,178,659)**	$ (36,041)
Weighted average number of shares – basic		**69,944,224**	58,405,558	**64,210,249**	58,399,667
Weighted average number of shares – diluted		**69,944,224**	58,673,008	**64,210,249**	60,564,805
Net income (loss) per share – basic & diluted					
Basic		**$ (0.11)**	$ -	**$ (0.19)**	$ 0.01
Diluted		**$ (0.11)**	$ -	**$ (0.19)**	$ 0.01

See accompanying notes to these condensed interim consolidated financial statements.

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

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity Attributable to Shareholders of the Company	Non-controlling Interest	Total Equity
Balance, December 31, 2012	168,524,625	28,882,425	(2,655,669)	(23,510,416)	171,240,965	44,148	171,285,113
Currency translation adjustment	-	-	(343,356)	-	(343,356)		(343,356)
Unrealized gain (loss) on available for sale investments	-	-	(339,111)	-	(339,111)		(339,111)
Net income for the period	-	-	-	641,578	641,578	4,848	646,426
Shares issued for:					-		-
Exercise of warrants	126,893	(26,967)	-	-	99,926		99,926
Stock-based compensation	-	2,504,902	-	-	2,504,902		2,504,902
Balance, June 30, 2013	168,651,518	31,360,360	(3,338,136)	(22,868,838)	173,804,904	48,996	173,853,900
Currency translation adjustment	-	-	1,558,025	-	1,558,025	-	1,558,025
Reversal of unrealized loss on sale of Short-term investments	-	-	484,582	-	484,582	-	484,582
Unrealized gain (loss) on available for sale investments	-	-	-	-	-	-	-
Net (loss) for the period	-	-	-	(135,485,424)	(135,485,424)	(3,512)	(135,488,936)
Shares issued for:							
Exercise of warrants	26,815	(3,945)	-	-	22,870	-	22,870
Issuance of warrants	-	692,356	-	-	692,356	-	692,356
Stock-based compensation	-	280,289	-	-	280,289	-	280,289
Balance, December 31, 2013	168,678,333	32,329,060	(1,295,529)	(158,354,262)	41,357,602	45,484	41,403,086
Currency translation adjustment	-	-	1,757,490	-	1,757,490	-	1,757,490
Net (loss) for the period	-	-	-	(11,935,492)	(11,935,492)	(657)	(11,936,149)
Shares issued for:							
Debt Restructuring	10,333,333	-	-		10,333,333	-	10,333,333
Private Placement	3,497,859	1,367,036	-	-	4,864,895	-	4,864,895
Share Issue Costs	(336,290)	-	-	-	(336,290)	-	(336,290)
Stock-based compensation	-	220,011	-	-	220,011	-	220,011
Balance, June 30, 2014	$ 182,173,235	$ 33,916,107	$ 461,961	$ (170,289,754)	$ 46,261,549	$ 44,827	$ 46,306,376

See accompanying notes to these condensed interim consolidated financial statements.

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

	Six months ended June 30, 2014	2013
Cash flows from operating activities		
Net income (loss) for the period	$ (11,936,149)	$ 646,426
Items not involving cash:		
Depreciation, depletion and amortization	1,843,209	1,396,920
Accretion of amounts receivable	-	99,525
Financing expense and others	4,382,357	297,307
Stock-based compensation	220,011	2,504,902
Unrealized foreign exchange loss (gain)	1,674,262	(126,260)
Change in fair value of derivatives	(949,721)	-
Cost of Orion loan restructure and offtake agreement cancellation	5,066,159	-
Deferred Income Tax expense	(338,799)	371,540
Operating Cash Flow before movements in working capital items	(38,671)	5,190,360
Net change to non-cash working capital balances		
Trade and other receivables	(2,195,781)	(249,966)
Inventories	1,126,935	(542,409)
Amounts Receivable	-	500,000
Income Taxes Payable	-	(457,397)
Prepaid expenses and advances	(89,610)	(373,658)
Accounts payable and accrued liabilities	(508,115)	6,190,295
Cash provided by operating activities	(1,705,242)	10,257,226
Cash flows from investing activities		
Proceeds from the sale of equipment	986,119	-
Purchase of property, plant and equipment	(4,482,139)	(29,640,702)
Expenditures on mineral properties	-	(340,364)
Long term deposits	-	(96,250)
Cash used in investing activities	(3,496,020)	(30,077,316)
Cash flows from financing activities		
Share capital issued (private placement), net of share issue costs	4,528,605	99,926
Financing cost and interest	(1,729,062)	(212,731)
Proceeds from borrowings and capital equipment contracts	-	15,650,760
Payments on borrowings and capital equipment contracts	(14,409,074)	(2,732,325)
Cash provided by financing activities	(11,609,531)	12,805,630
Increase (decrease) in cash and cash equivalents	(16,810,793)	(7,014,461)
Effect of exchange rate changes on cash	(26,107)	(4,429)
Cash and cash equivalents, beginning of the year	20,277,510	10,027,622
Cash and cash equivalents, end of the period	3,440,610	3,008,732

Supplemental Cash Flow information (Note 17)

See accompanying notes to these condensed interim consolidated financial statements.

1. Nature of Operations and Liquidity

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

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

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

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

As at June 30, 2014, the Company had consolidated cash and cash equivalents of $3.4 million, a consolidated working capital deficiency of $8.3 million. The consolidated working capital deficiency is largely a result of the current portion of amounts due under the Company's borrowings (Note 10).

During 2013, MF2 Investment Holding Company (Cayman) Limited, an affiliate of Orion Mine Finance Fund I ("Orion") provided the Company with a $50 million loan and related offtake agreement related to Shafter production to sell silver and gold produced from the Shafter mine to Orion at market prices for either a 6 year period, or until Aurcana has sold a minimum of 27 million oz. of silver, whichever is later, subject to an early buy-out provision. The loan was for 39 months and required monthly payments commencing 4 months after closing, which occurred September 19, 2013. The loan agreement provided for an early repayment option at any time without charge. Interest payable was set at 3 month US$ LIBOR (subject to a 1% minimum) plus 5.5%. On April 29, 2014, the credit facility agreement was amended and restated (Note 10).

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

1. Nature of Operations and Liquidity (continued)

On April 29, 2014, Aurcana entered into an agreement to amend the terms of its US$50,000,000 outstanding unsecured loan (the "Loan") owing to MF2 Investment Holding Company (Cayman) Limited (the "Original Lender"), an affiliate of Orion Mine Finance Group, as originally announced on September 19, 2013. The Original Lender assigned all of its rights and obligations under the original Loan Agreement and related transaction documents to Orion Mine Finance (Master) Fund I LP (the "Lender"), an affiliate of Orion Mine Finance Group. Pursuant to an amended and restated credit facility agreement (the "Amended Credit Facility Agreement") between the Company and the Lender dated April 29, 2014, the principal amount under the Loan has been reduced to US$40,000,000. In consideration for an aggregate debt settlement of US$10,333,333, Aurcana issued 16,499,501 common shares of the Company (the "Settlement Shares") to the Lender at a deemed issue price of US$0.62 or Cdn$0.69, in consideration for reducing the principal amount outstanding under the Loan and terminating the Offtake Agreement in respect of the Shafter Mine. The Loan is to be repaid in 48 equal monthly installments. Early prepayment may occur at any time without charges. Interest on the Loan continues to accrue at a rate equal to LIBOR (subject to a minimum of 1%) plus 5.5% per annum (Note 10). Concurrently, Aurcana entered into offtake agreements with the Lender in respect of copper, zinc and lead concentrate produced at its La Negra mine for the period from January 1, 2017 to December 31, 2020.

On June 20, 2014 the Company issued an aggregate of 9,200,000 units (each unit a "Unit") of the Company at a purchase price of Cdn$0.55 per Unit (the "Purchase Price") for gross proceeds to the Company of Cdn$5,060,000. Each Unit consists of one common share (a "Share") of the Company and one common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase an additional common share (a "Warrant Share") of the Company at an exercise price of Cdn$0.80 per Warrant Share for a period of 36 months from the closing of the Offering. The Company paid to the Underwriter a commission of 6% of the gross proceeds of the Offering which was paid by the issuance of an aggregate of 532,908 Units. In addition, the Company issued to the Underwriter a compensation warrant which entitles the Underwriter to purchase up to 532,908 common shares of the Company (equal to 6% of the number of Units sold under the Offering), exercisable at the Purchase Price for a period of 24 months from the Closing.

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

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

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

2. Basis of Preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2013.

These interim financial statements were authorised for issue by the board of directors of the Company on August 28, 2014.

Adoption of new and revised standards and interpretations

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

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

Recent accounting pronouncements
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The required adoption date for IFRS 15 is the annual period beginning on or after January 1, 2017, with early adoption permitted. We are in the process of analyzing IFRS 15 and determining the effect on our consolidated financial statement as a result of adopting this standard.

Significant accounting judgments and estimates

Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are included in Note 3 to the Company's December 31, 2013 consolidated annual financial statements. Except for the significant accounting judgments and estimates disclosed below, there were no significant changes to the significant accounting judgments and estimates from December 31, 2013.

2. Basis of Preparation (continued)

(i) Liquidity and going concern assumption

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

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

(ii) Fair Value of Derivatives and Other Financial Instruments

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

The group uses its judgement to select a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period. The Company has used the silver, lead, copper and zinc commodity prices (reduced by the Company's usual discount to spot price) and the related volatility of the metals' prices, the Company's credit rating and credit risk spread based on the credit rating, market interest rates, and the expected copper, lead and zinc concentrates life of mine delivery schedule from its La Negra mine for the valuation of the Orion loan agreement liability and embedded derivatives and the Orion offtake agreement derivative entered into in April, 2014. Management valued the Orion loan prepayment option derivative and the Offtake agreement derivative separately and made the significant judgment that market participants would value these derivatives in a similar way, i.e. without taking into account potential interaction of these derivatives. Management valued the Orion Offtake agreement derivative using the Company's current sales contracts with Glencore as a basis, or a standard contract, to compare with.

The fair value of the derivatives embedded in the Orion loan agreement and the offtake agreement as at June 30, 2014 were $ 3.1 million. The fair value of the derivatives would be an estimated $ 0.1 million lower or $ 0.2 million higher were the credit spread used in the valuation of the derivative liabilities 5% higher or lower from management's estimates, respectively.

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

3. Trade and Other Receivables

	June 30 2014	December 31 2013
Trade receivables	**$ 3,616,494**	$ 1,490,116
Other receivables	**709,438**	640,035
	$ 4,325,932	$ 2,130,151

4. Inventories

	June 30 2014	December 31 2013
Supplies inventory	**$ 2,504,539**	$ 2,780,146
Stockpile inventory	**612,021**	1,225,096
Concentrates and in-process inventory	**1,826,768**	2,065,021
	$ 4,943,328	$ 6,070,263

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

5. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Assets Under Construction	Total
Cost								
Balance at December 31, 2012	1,968,013	37,924,027	16,918,361	879,309	540,025	348,289	74,557,177	133,135,201
Additions	586,302	2,527,569	8,312,050	41,230	8,570	18,396	25,254,284	36,748,401
allocation	5,381,812	35,895,215	3,500,000	103,958	348,426	1,526,448	(46,755,859)	-
Change in ARO estimated	-	-	-	-	-	(1,046,610)	-	(1,046,610)
Disposals	-	-	-	(22,251)	-	-	-	(22,251)
Impairment of property, plant and equipment	(1,921,090)	(31,459,938)	-	(278,079)	(373,280)	-	(52,507,951)	(86,540,338)
Balance at December 31, 2013	6,015,037	44,886,873	28,730,411	724,167	523,741	846,523	547,651	82,274,403
Additions	-	3,947,393	2,544,904	-	-	-	140,330	6,632,627
Reclasification	(2,953,951)	2,936,507	-	17,444	-	-	-	-
Reclasification to assets held for sale	-	(4,980,000)	-	-	-	-	-	(4,980,000)
Disposals	-	(888,719)	-	(97,400)	-	-	-	(986,119)
Balance at June 30, 2014	$ 3,061,086	$ 45,902,054	$ 31,275,315	$ 644,211	$ 523,741	$ 846,523	$ 687,981	$ 82,940,911
Accumulated depreciation								
Balance at December 31, 2012	112,203	8,125,886	432,028	336,591	369,252	58,203	-	9,434,163
Charge for the period	90,643	2,530,201	82,099	82,643	68,668	36,072	-	2,890,326
Disposals	-	-	-	(15,602)	-	-	-	(15,602)
Balance at December 31, 2013	202,846	10,656,087	514,127	403,632	437,920	94,275	-	12,308,887
Charge for the period	89,289	1,567,217	68,310	48,697	28,816	17,548	-	1,819,877
Balance at June 30, 2014	$ 292,135	$ 12,223,304	$ 582,437	$ 452,329	$ 466,736	$ 111,823	$ -	$ 14,128,764
Net book value								
Balance at December 31, 2012	$ 1,855,810	$ 29,798,141	$ 16,486,333	$ 542,718	$ 170,773	$ 290,086	$ 74,557,177	$ 123,701,038
Balance at December 31, 2013	$ 5,812,191	$ 34,230,786	$ 28,216,284	$ 320,535	$ 85,821	$ 752,248	$ 547,651	$ 69,965,516
Balance at June 30, 2014	$ 2,768,951	$ 33,678,750	$ 30,692,878	$ 191,882	$ 57,005	$ 734,700	$ 687,981	$ 68,812,147

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

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

6. Assets held for sale

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

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

Asset held for sale	**Value**
Underground mobile equipment	$ 4,580,000
Underground support Equipment	400,000
	$ 4,980,000

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

7. Mineral Properties

	La Negra, Mexico, Producing Mine	Shafter, Texas, USA, In Construction	Shafter, Exploration	Total
Balance at December 31, 2012	12,717,017	37,964,850	4,136,498	54,818,365
Expenditures	-	-	985,673	985,673
Impairment of mining interests	-	(22,464,850)	(5,122,171)	(27,587,021)
Balance at December 31, 2013	12,717,017	15,500,000	-	28,217,017
Expenditures	-	-	-	-
Balance at June 30, 2014	$ 12,717,017	$ 15,500,000	$ -	$ 28,217,017
Accumulated depletion				
Balance at December 31, 2012	9,066,830	-	-	9,066,830
Charge for the year	99,646	-	-	99,646
Balance at December 31, 2013	9,166,476	-	-	9,166,476
Charge for the period	38,656	-	-	38,656
Balance at June 30, 2014	$ 9,205,132	$ -	$ -	$ 9,205,132
Net book value				
Balance at December 31, 2012	$ 3,650,187	$ 37,964,850	$ 4,136,498	$ 45,751,535
Balance at December 31, 2013	$ 3,550,541	$ 15,500,000	$ -	$ 19,050,541
Balance at June 30, 2014	$ 3,511,885	$ 15,500,000	$ -	$ 19,011,885

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

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

8. Accounts Payable and Accrued Liabilities

	June 30 2014	December 31 2013
Royalties	$ 2,556,719	$ 1,833,660
Property taxes	1,384,115	2,322,352
Salaries, payroll deductions and employee benefits.	1,675,389	2,044,526
Employees' statutory profit sharing	162,391	332,629
Mine suppliers - operating	7,526,737	6,699,907
Mine suppliers - capital	3,453,362	1,512,181
Other	203,278	587,803
	$ 16,961,991	$ 15,333,058

9. Current and Long-term Debt

	June 30 2014	December 31 2013
Sandvik - Capital equipment contracts, repayable in monthly payments totalling US$14,813 plus interest at 7.9% per annum, maturing January 2016	**$ 281,446**	**$ 370,324**
Republic Bank - Capital equipment contracts, repayable in monthly payments totalling US$34,714 including interest at 8.1% per annum, maturing August 2015	**462,357**	**647,619**
TAB Bank - Capital equipment contracts, repayable in monthly payments totaling US$158,474 including interest at 6.9% per annum, maturing December 2015 *	**-**	**3,544,957**
Macquire Eqipment Finance- Capital equipment contracts, repayable in monthly payments totalling US$16,065 including interest at 3.25% per annum, maturing December 2014	**95,480**	**189,434**
Atlas Copco - Capital equipment contracts, repayable in monthly payments totalling US$27,115 plus interest at 8.8% per annum, maturing June 2015	**325,380**	**488,070**
Total	**$ 1,164,663**	**$ 5,240,404**

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

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

9. Current and Long-term Debt (continued)

	June 30 2014	December 31 2013
Current portion	**$ 992,238**	$ 2,782,667
Long-term debt	**172,425**	2,457,737
	$ 1,164,663	$ 5,240,404

Schedule of principal repayments is as follows:	June 30 2014	December 31 2013
2014	**$ 539,905**	$ 2,782,667
2015	**609,944**	2,442,923
2016	**14,814**	14,814
	$ 1,164,663	$ 5,240,404

The net book value of the assets financed by the capital equipment contracts is $10,766,961 (Note 5).

10. Borrowings

(a) Orion

Key commercial terms

On September 19, 2013, the Company executed definitive agreements with MF2 Investment Holding Company (Cayman) Limited, an affiliate of Orion Mine Finance Group (hereinafter referred to together with its affiliates as “Orion”), for a loan in the principal amount of US$50,000,000 (“Original Loan”) and an off-take agreement (“Original Off-take”). The Company paid certain transaction fees and costs in the amount of $1,075,000 in establishing the loan facility, including $825,000 paid to Orion and $250,000 paid to third parties.

The loan was advanced on September 19, 2013 and the term of loan was 39 months, with no principal payable until January 31, 2014. Early repayment of the loan might occur at any time without penalty. Interest payable was set at 3 month US$ LIBOR (subject to a 1% minimum) plus 5.5%. The Loan proceeds were used by the Company to finance the construction and upgrade work for Shafter mine and the balance of the Loan was used to repay certain indebtedness and for operating purposes of the La Negra properties.

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

10. Borrowings (continued)

On April 29, 2014, Aurcana entered into an agreement to amend the terms of its US$50,000,000 Original Loan Pursuant to an amended and restated credit facility agreement (the "Amended Loan") between the Company and Orion dated April 29, 2014, the principal amount under the Loan has been reduced to US$40,000,000. In consideration for an aggregate debt settlement of US$10,333,333, Aurcana issued 16,499,501 common shares of the Company to Orion at an issue price of US$0.62 or Cdn$0.69, in consideration for reducing the principal amount outstanding under the Original Loan and terminating the Original Offtake agreement in respect of the Shafter Mine. The Loan is to be repaid in 48 equal monthly installments. Early prepayment may occur at any time without charges. Interest on the Loan continues to accrue at a rate equal to LIBOR (subject to a minimum of 1%) plus 5.5% per annum. The Loan continues to be guaranteed by Aurcana's subsidiaries and is also be secured against all of the Company's and its subsidiaries' present and future assets.

Concurrently, Aurcana entered into offtake agreements ("New Offtakes") with Orion in respect of the 100% of the copper, zinc and lead concentrates produced at its La Negra mine for the period from January 1, 2017 to December 31, 2020 (concentrates also have silver content). The Company has agreed to sell the concentrates to Orion under the New Offtakes at the prices selected by Orion as an average spot price at any of the 10 days after the delivery.

Loan restructure

The amendment of the Original Loan agreement, termination of the Original Offtake agreement and the New Offtake agreements signed were accounted for as an extinguishment of the Original Loan and related derivative liabilities and the Original Offtake derivative and recognition of the new liabilities. The Original Loan was a hybrid instrument, containing a debt host component and two embedded derivatives – a prepayment and interest floor options that require separation as derivatives and that were recorded at fair value. The Original Offtake agreement contained a written price option derivative that was carried at fair value.

Immediately before the restructure the carrying value of the Original Orion Loan debt host was $35.3 million, fair value of the Original Offtake derivative and the Original Loan prepayment and interest rate floor derivatives was $10.1 million. Fair value of the Amended Loan debt host as at the date of the restructure was $36.8 million and the fair value of the Offtake and Amended Loan derivative liabilities was $3.1 million. The Company also issued shares with a fair value of $10.3 million in consideration for the settlement of the Original Loan and termination of the Original Offtake agreement. As a result the Company recognised a cost of $4.5 million on the extinguishment of the original off-take agreement. The Company also incurred $0.5 million of legal fees and other costs related to the restructure which were expensed.

Debt host and embedded derivatives

The New Offtake derivative is a written option and is carried at fair value through profit and loss ("FVTPL"). The Amended Orion loan is a hybrid instrument, containing a debt host component and two embedded derivatives – a prepayment and interest floor options that require separation as derivatives. These features were recorded at fair value at origination.

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

10. Borrowings (continued)

The debt host component is classified as other financial liability and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the loan. Accretion of $0.8 million has been recognized for the quarter ended June 30, 2014.

Valuation methodology

The floor option derivative was valued upon initial measurement and subsequent periods using the Bloomberg swap valuation template. The prepayment option derivative was valued upon initial measurement and subsequent periods using a methodology, which is based on Monte-Carlo simulation. The default intensities of the Company are generated using a square root diffusion process. Monte Carlo simulation is a technique that relies on random sampling and is often used when there is no analytic or exact solution to the valuation. Key inputs used by the Company in its valuation include: the USD discount curve, the USD 1 month forward curve.

The offtake agreement derivative was decomposed into the sum of cash flows which depends on silver, copper, zinc and lead prices. Future metals prices were generated using a correlated geometric Brownian motion process. Key inputs used by the Company in the Monte Carlo simulation include: the USD risk free rate, the silver, copper, zinc and lead convenience yield calculated from the metals' future prices, historical silver, copper, zinc and lead prices, the Company's standard discount to spot price, the silver, copper, zinc and lead implied volatility and historical return correlations.

Valuation assumptions

Key unobservable inputs used in the valuation model are the estimated delivery schedule based on the Company's life of mine plan and the credit spread of the Company.

The Company's credit spread as of the inception date of the Original Loan of September 19, 2013 was calibrated by setting the fair value of the credit facility and the silver agreement equal to total proceeds of transaction, resulting in a credit spread of 31.33% as at the inception date ("the calibrated spread") of the Original Orion Loan and Offtake. The spread as at April 30, 2014 and June 30, 2014 is based on the market borrowing interest rate for the Company of 11%.

Sensitivity of the derivatives valuation to changes in the assumptions

	5% decrease in credit spread	5% increase in credit spread
Increase/(decrease in fair value at June 30, 2014	$177,715	($131,133)

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

10. Borrowings (continued)

Presentation

Based on the Company's valuation as at June 30, 2014, the fair value of the derivatives decreased by $0.9 during the quarter ended June 30, 2014. The decrease was recorded as other income.

For the quarter ended June 30, 2014, the Company recorded accretion of $ 824,940 related to Orion loan as a finance cost. To calculate the accretion expense, the Company uses the contract life of 3 years and an effective interest rate of 11 %.

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

	June 30 2014	December 31 2013
Glencore		
Principal advanced	**$ 4,750,000**	$ 18,000,000
Repayments	**4,750,000**	13,250,000
Balance	**$ -**	$ 4,750,000
Orion		
Principal advanced Original loan	**$ 37,066,660**	$ 50,000,000
Transaction costs	**-**	1,075,000
Derivative liability	**-**	13,859,899
Fair value of Original loan	**37,066,660**	35,065,101
Accretion	**2,369,058**	2,001,559
Sub-total	**39,435,718**	37,066,660
Repayments	**4,166,667**	-
Sub-total	**35,269,051**	37,066,660
Extinguishment of Original loan	**(35,269,051)**	-
Balance	**$ -**	$ 37,066,660
Principal advanced New loan	**$ 40,000,000**	$ -
Transaction costs	**-**	-
Derivative liability	**3,162,592**	-
Fair value of Original loan	**36,837,408**	-
Accretion	**240,003**	-
Sub-total	**37,077,411**	-
Repayments	**1,666,666**	-
Balance	**$ 35,410,745**	$ -
Total Borrowings	**$ 35,410,745**	$ 41,816,660

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

10. Borrowings (continued)

(b) Scheduled repayments

Schedule of principal repayments is as follows:

	June 30 2014	December 31 2013
2014	**4,999,998**	21,416,668
2015	**9,999,996**	16,666,668
2016	**9,999,996**	16,666,664
2017	**9,999,996**	-
2018	**3,333,347**	-
	$ 38,333,333	$ 54,750,000

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

	Carrying amount		Fair value	
	June 30, 2014	December 31, 2013	**June 30, 2014**	December 31, 2013
Glencore Loan	-	4,750,000	-	4,750,000
Orion Loan	35,410,745	37,066,660	35,410,745	36,331,611
Derivatives	3,147,272	10,932,524	3,147,272	10,932,524
Total	**38,558,017**	52,749,184	**38,558,017**	52,014,135

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

11. Derivatives

As discussed in Note 10, the Company entered in the Amended Loan agreement and the New Offtake agreement with Orion. These agreements contain derivatives.The fair value of the derivatives as at June 30, 2014, was $3.1 million. The Company recorded $0.8 million gain on change in fair value of the derivatives in the quarter ended June 30, 2014.

Details are as follows:

Derivative liability – at inception	$13,859,897
Change in fair value	($2,927,373)
Derivative liability – December 31, 2013	$10,932,524
Change in fair value	($6,024)
Derivative liability – March 31, 2014	$10,926,500
Change in fair value	($789,904)
Derivative liability under the Original Orion Loan and Offtake agreement at April 30, 2014	$10,136,596
Derivative liability under the Amended Orion Loan and Offtake agreement at April 30, 2014	$ 3,162,592
Change in fair value	($15,320)
Derivative liability – June 30, 2014	$3,147,272

12. Provision for Environmental Rehabilitation

The Company has accrued an estimated liability related to reclamation and closure costs at the La Negra mine based on the anticipated total future remediation cost, discounted to June 30, 2014 using a 6.85% discount rate (December 31, 2013 - 5.9%) and a 5.13% inflation rate (December 31, 2013: 3.39%), in the amount of $1,351,584 (December 31, 2013 - $1,237,127).

The Company has accrued an estimated liability related to reclamation and closure costs at the Shafter mine based on the anticipated total future remediation cost in the amount of $479,838 (December 31, 2013 - $479,838). Due to the uncertainty of when the reclamation will take place the Company didn´t apply as of June 30, 2014 any discount rate (December 31, 2013 – nil %) or inflation rate (December 31, 2012 – nil %).

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

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

102. Provision for Environmental Rehabilitation (continued)

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

	June 30 2014	December 31 2013
Environmental rehabilitation, beginning of the year	**$ 1,716,965**	$ 2,662,433
Addition (Reduction) and change in estimates	**70,224**	(1,014,590)
Accretion	**44,233**	69,122
Enviromental rehabilitation, end of the period	**$ 1,831,422**	$ 1,716,965

13. Equity

Authorized - An unlimited number of common shares

Share issuance details:

	Number of Common Shares	Amount
Balance, December 31, 2012	58,378,465	$ 168,524,625
Exercised warrants	31,099	126,893
Balance, June 30, 2013	58,409,564	168,651,518
Exercised warrants	3,000	26,815
Balance, December 31, 2013	58,412,564	168,678,333
Debt restructuring	16,499,501	10,333,333
Private placement	9,732,908	3,161,569
Balance, June 30, 2014	84,644,973	$ 182,173,235

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

13. Equity (continued)

Stock options
On May 25, 2012, the Company amended a fixed stock option plan (the "Amended Plan"), pursuant to which the Company may grant up to stock options exercisable to acquire up to 5,608,997 common shares to directors, officers, employees and consultants. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

Stock options	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share ($CDN)
Balance, December 31, 2012	3,514,844	5.89
Granted	525,000	6.32
Exercised	-	-
Expired	(49,219)	8.16
Forfeited	(11,719)	8.16
Balance, June 30, 2013	3,978,906	5.98
Granted	-	-
Exercised	-	-
Expired	(404,281)	5.78
Forfeited	(115,251)	7.75
Balance, December 31, 2013	3,459,374	5.89
Granted	-	-
Exercised	-	-
Expired	(120,311)	7.29
Forfeited	(10,938)	8.16
Balance, June 30, 2014	3,328,125	5.82

At June 30, 2014, the number of vested options was 3,179,948, with an average exercise price of CDN$5.82 per share.

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

13. Equity (continued)

Outstanding	Vested		Exercise Price ($CDN)	Expiry Date
225,000	225,000	$	0.80	August 13, 2014
65,625	65,625	$	2.28	December 18, 2014
9,375	9,375	$	2.20	February 12, 2015
43,750	43,750	$	4.88	January 14, 2016
865,625	865,625	$	6.08	February 22, 2016
9,375	9,375	$	6.08	May 4, 2016
987,500	987,500	$	5.52	May 30, 2016
37,500	37,500	$	5.60	December 5, 2016
584,375	517,969	$	8.16	June 11, 2017
18,750	14,063	$	7.44	August 14, 2017
43,750	43,750	$	7.76	December 6, 2017
412,500	346,875	$	6.32	February 28, 2018
25,000	13,542	$	6.32	February 28, 2015
3,328,125	3,179,948	$	5.82	

Stock based compensation

For the period ended June 30, 2014 the stock-based compensation expense was $220,011 (2013: $2,504,902). The fair value of stock options granted as above is calculated using the following weighted average assumptions:

	June 30, 2014	December 31, 2013
Risk-free interest rate	-	1.24%
Expected stock price volatility	-	79.98%
Expected dividend yield	-	n/a
Expected option life in years	-	4.9

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

13. Equity (continued)

Common Share Purchase Warrants	Number of Common Share Warrants
Balance, December 31, 2012	9,142,762
Issued	-
Exercised	(31,098)
Expired	-
Balance, June 30, 2013	9,111,664
Issued	1,000,000
Exercised	(3,000)
Expired	(3,303,433)
Balance, December 31, 2013	6,805,231
Issued	9,732,908
Exercised	-
Expired	-
Balance, June 30, 2014	16,538,139

As of June 30, 2014 details of outstanding warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
1,000,000	$2.31	September 26, 2014
5,511,481	$2.04	December 7, 2014
293,750	$2.49	June 30, 2015
9,200,000	$0.80	June 20, 2017
532,908	$0.55	June 20, 2016
16,538,139		

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

	June 30, 2014	December 31, 2013
Risk-free interest rate	1.12%	1.21%
Expected stock price volatility	66.14%	101.42%
Expected dividend yield	n/a	n/a
Expected warrant life in years	2.9	1.0

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

14. Non-Controlling Interest

The non-controlling interest is comprised of the following:

Balance, December 31, 2012	$	44,148
Non-controlling interest's share of profit in La Negra Mine		4,848
Balance, June 30, 2013		48,996
Non-controlling interest's share of (loss) in La Negra Mine		(3,512)
Balance, December 31, 2013		45,484
Non-controlling interest's share of profit in La Negra Mine		(657)
Balance, June 30, 2014	$	44,827

15. Related Party Transactions

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

a) Trading transactions

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

	Note		June 30 2014		June 30 2013
Technical and consulting fees	(i)	$	25,620	$	237,672
Management fees	(ii)		210,553		242,420
Consulting fees		$	236,173	$	480,092

i) To companies controlled by officers or directors.
ii) To a company controlled by the former President & CEO for management services performed (On July 9, 2014 Kevin Drover has been appointed as the new President & CEO of the Company).

15. Related Party Transactions (continued)

b) Compensation of key management personnel

	June 30 2014	June 30 2013
Consulting fees	$ 236,173	$ 480,092
Directors' fees	86,433	140,407
Officer salaries	153,477	153,574
Stock-based compensation	220,011	2,504,902
	$ 696,094	$ 3,278,975

c) As a result of the Orion loan amendment the Company issued shares to Orion Mine Finance (Master) Fund I LP (Note 10) which became a related party to the Company. Transactions with Orion:

	June 30 2014	June 30 2013
Repayment of loan principal	$ 5,833,333	$ -
Payment of interest	1,218,750	-
Loss on offtake agreement cancelation	4,500,000	-
	$ 11,552,083	$ -

16. Commitments and contingencies

Supply agreements

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

On April 29, 2014, Aurcana entered into an agreement to amend the terms of its US$50,000,000 outstanding unsecured loan (the "Loan") owing to MF2 Investment Holding Company (Cayman) Limited (the "Original Lender"), an affiliate of Orion Mine Finance Group, as originally announced on September 19, 2013. The Original Lender assigned all of its rights and obligations under the original Loan Agreement and related transaction documents to Orion Mine Finance (Master) Fund I LP (the "Lender"), an affiliate of Orion Mine Finance Group. Pursuant to an amended and restated credit facility agreement (the "Amended Credit Facility Agreement") between the Company and the Lender dated April 29, 2014, the principal amount under the Loan has been reduced to US$40,000,000. In consideration for an aggregate debt settlement of US$10,333,333, Aurcana issued 16,499,501 common shares of the Company (the "Settlement Shares") to the Lender at an issue price of US$0.62 or Cdn$0.69, in consideration for reducing the principal amount outstanding under the Loan and terminating the Offtake Agreement in respect of the Shafter Mine. The Loan is to be repaid in 48 equal monthly installments. Early prepayment may occur at any time without charges. Interest on the Loan continues to accrue at a rate equal to LIBOR (subject to a minimum of 1%) plus 5.5% per annum. Concurrently, Aurcana entered into offtake agreements with the Lender in respect of copper, zinc and lead concentrate produced at its La Negra mine for the period from January 1, 2017 to December 31, 2020.

16. Commitments and contingencies (continued)

Office Lease

Effective May 1, 2010, the Company leases office space which expires on April 30, 2015. The minimum annual payments are $93,340.

Shafter equipment operating lease

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

La Negra equipment operating lease.

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

Class action

A class action has been filed in the Ontario Superior Court of Justice naming the Company and two former officers of the Company as defendants. The plaintiffs assert that certain of the Company's news releases misrepresented the production level at the Shafter Property. The plaintiffs also assert that the Company had reasonable grounds to believe, and therefore ought to have disclosed, that the resource estimates in respect of Shafter published by the Company between June 2012 and October 2013 were incorrect. The plaintiff seeks to certify a class action on behalf of a class that purchased the Company's publicly traded securities between June 11, 2012 to December 19, 2013, and seeks damages on behalf of that class in the sum of $150 million or such other sum as the court finds appropriate. The Company intends to vigorously dispute these allegations. Management has not disclosed the amount of any provision or expected insurance recovery as the net amount of these is not expected to be material and to disclose the amounts could be prejudicial."

Off Balance sheet arrangements – None applicable other than the operating lease commitments disclosed.

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

17. Supplemental Cash Flow Information

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

	June 30 2014	December 31 2013
Cash	**$ 3,436,179**	$ 20,239,721
Short-term investments	**4,431**	37,789
Cash and cash equivalents	**$ 3,440,610**	$ 20,277,510

Supplemental disclosures of cash flow information for six months ended:

	June 30 2014	June 30 2013
Cash interest paid	**$ 1,729,062**	$ 212,731
Tax installments paid	**-**	1,425,532

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

On April 29, 2014, Aurcana amend the terms of its US$50,000,000 outstanding unsecured loan and restated the credit facility agreement with Orion. The principal amount under the Loan has been reduced to US$40,000,000. In consideration for an aggregate debt settlement of US$10,333,333, Aurcana issued 16,499,501 common shares of the Company to the Lender at a deemed issue price of US$0.62 or Cdn$0.69, in consideration for reducing the principal amount outstanding under the Loan and terminating the Offtake Agreement in respect of the Shafter Mine. As a result of this transaction, no cash was involved.

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

17. Supplemental Cash Flow Information (continued)

Non-cash investing and financing activities are as follows:

	June 30 2014	June 30 2013
Increase (decrease) in accounts payable related to construction in progress and equipment suppliers	**$ 1,941,181**	$ (925,618)
Interest on debt capitalized to Construction in progress	**-**	206,376

18. Segmented Information

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

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

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

18. Segmented Information (continued)

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

19. Cost of Sales

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Mine and Mill supplies	$ 4,119,710	$ 2,908,969	$ 7,291,608	$ 5,113,661
Power	812,252	612,267	1,665,151	1,247,505
Salaries and benefits	3,949,797	3,676,494	7,659,008	7,127,129
Profit Sharing Employees	(5,717)	28,031	166,253	366,415
Royalties	262,473	290,426	612,581	608,265
Freight and delivery	563,427	594,020	1,071,256	894,563
Depreciation and amortization	912,119	658,468	1,804,553	1,379,669
Depletion of mineral properties	9,924	8,626	38,655	17,251
Total Cost of Sales	$ 10,623,985	$ 8,777,300	$ 20,309,065	$ 16,754,458

Cost of sales includes change in finished goods inventory for the year for $(238,253) (2013: $553,928).

As part of the Cost of Sales, during the quarter ended June 30, 2014, La Negra mine recorded in this period non-recurrent expenses in the amount of $300k thousand due to for the repairs of the motor of one of the three ball mills. Additional costs were incurred in the second quarter 2014 for handling and transportation to move copper and zinc concentrates from former buyer to the new one.

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

20. Administrative costs

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Administrative costs[1]	$ 516,788	$ 741,868	$ 1,056,134	$ 1,485,188
Professional fees	120,296	215,661	227,798	378,396
Investor relations	45,912	126,865	84,909	257,540
Marketing	14,408	150,966	60,801	308,762
Listing and filing fees	84,853	32,694	95,862	100,878
	$ 782,257	$ 1,268,054	$ 1,525,504	$ 2,530,764

[1] Administrative costs break down:

Management fees	$ 110,111	$ 120,245	$ 210,553	$ 242,420
Rent and overhead	37,759	46,063	75,355	92,090
Travel and accommodation	16,156	45,682	43,354	149,517
Office	20,705	57,559	47,810	145,257
Salaries and Consulting fees	163,366	286,558	405,134	537,573
Directors Fees	50,369	67,490	86,433	140,407
Other	118,322	118,271	187,495	177,924
	$ 516,788	$ 741,868	$ 1,056,134	$ 1,485,188

21. Financing expense

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Accretion of provision for environmental rehabilitation	$ 23,397	$ 61,742	$ 44,233	$ 84,576
Accretion of Orion loan (Note 10)	824,940	-	2,609,062	-
Financing expense and bank charges	786,647	190,340	1,729,062	212,731
	$ 1,634,984	$ 252,082	$ 4,382,357	$ 297,307

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

22. Fair value measurements

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

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

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

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	$ (3,147,272)	$ -	$ -	$ (3,147,272)	Level 3
Borrowings	-	-	(35,410,745)	(35,410,745)	n/a
Capital lease	-	-	(1,164,663)	(1,164,663)	n/a
	$ (3,147,272)	**$ -**	**$ (36,575,408)**	**$(39,722,680)**	

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

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

The carrying value and fair value of trade and other receivable and accounts payable and accrued liabilities as of June 30, 2014 are approximately the same. The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

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

23. Subsequent events

Management has initiated a review of all facets of the company including capital expenditures, staffing levels, cost controls, and has commissioned a new resource estimate. At La Negra the immediate focus will be on cost reductions, productivity and efficiency improvements, reducing mining dilution and improving grade estimation practices and control.

In order to improve Aurcana's liquidity in the short term, Orion has agreed to waive principal and interest payments on their loan for July 31st, August 31st, and September 30th amounting to approximately $ 3.1 million. This amount will be amortized over the remainder of the loan period commencing October 2014. In return, the Company has extended the "Offtake agreement" by one year.

Subsequent to June 30, 2014 the Company announced a change in senior management. Lenic Rodriguez left his position effective July 19, 2014 and Mr. Kevin Drover was appointed President and CEO at that time.

On July 17, 2014 Mr. Jose Manuel Borquez has been appointed as a Director of Aurcana Corporation.

On August 12, 2014, Donna Moroney was appointed Corporate Secretary of the Company.

On August 25, 2014 the TSX Venture Exchange approved an amendment to the Company's Stock Option Plan (the "Plan"), which is a fixed plan, to increase the number of shares reserved for issuance under the Plan to 8,379,852 The number reserved for issuance remains less than 10% of the total issued and outstanding shares of the Company.