



AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

June 30, 2018

(Unaudited)

Expressed in United States dollars unless otherwise stated

850-789 West Pender Street, Vancouver BC V6C 1H2 Canada

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Company's interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of financial statements by an entity's auditor.

"Kevin Drover"
President and CEO

"Salvador Huerta"
CFO

Aurcana Corporation
Condensed Interim Consolidated Statements of Financial Position
(Unaudited and expressed in United States dollars)

	Notes	June 30 2018	December 31 2017
Assets			
Current assets			
Cash and cash equivalents	12	\$ 2,334,997	\$ 721,324
Trade and other receivables	3	161,378	256,598
Prepaid expenses and advances	4	72,539	123,912
Prepaid income tax		56,658	57,025
		2,625,572	1,158,859
Non Current assets			
Non-current prepaid expenses	4	5,295	5,558
Property, plant and equipment	5	6,957,709	6,958,512
Mineral Properties	6	10,035,202	10,035,202
		\$ 19,623,778	\$ 18,158,131
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 128,858	\$ 163,939
Deferred revenue	14	124,937	124,937
		253,795	288,876
Non Current liabilities			
Deferred revenue	14	4,792	66,747
Provision for environmental rehabilitation	8	300,838	300,838
		559,425	656,461
Equity			
Share capital	9	184,385,381	183,084,542
Contributed surplus		37,238,756	36,526,685
Accumulated other comprehensive income		3,078,591	3,036,898
Deficit		(205,649,540)	(205,157,620)
Total equity attributable to equity holders of the parent		19,053,188	17,490,505
Non-controlling interest		11,165	11,165
Total equity		19,064,353	17,501,670
		\$ 19,623,778	\$ 18,158,131

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 11)

See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board of Directors:

"Jerry Blackwell"

Director

"Adrian Aguirre"

Director

Aurcana Corporation

Condensed Interim Consolidated Statements of Comprehensive Income
(Un audited and expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Continuing Operations					
Revenues					
Management Fees		\$ 120,000	\$ 120,000	\$ 240,000	\$ 240,000
Oil & Gas lease	14	31,149	31,149	61,955	61,955
		<u>151,149</u>	<u>151,149</u>	<u>301,955</u>	<u>301,955</u>
Other items					
General and administrative costs	15	462,950	328,278	750,954	655,329
Financing expense and others		1,101	944	1,866	2,129
Stock-based compensation		-	504,373	-	504,373
Shafter mine care & maintenance costs		177,274	182,444	331,547	361,366
Shafter mine geology and exploration		76,255	97,758	138,614	97,758
Project Development		60,085	-	80,144	-
Foreign exchange loss		32,403	107,796	72,628	174,046
Other (income) loss	16	(581,878)	(32)	(581,878)	(410)
		<u>228,190</u>	<u>1,221,561</u>	<u>793,875</u>	<u>1,794,591</u>
Net loss for the period before other comprehensive items		\$ (77,041)	\$ (1,070,412)	\$ (491,920)	\$ (1,492,636)
Items of other comprehensive income					
Currency translation adjustment		14,742	71,636	41,693	121,970
Comprehensive loss for the period		\$ (62,299)	\$ (998,776)	\$ (450,227)	\$ (1,370,666)
Total net loss attributable to:					
Non-controlling interest		-	(994)	-	(1,587)
Equity holders of the Company		(77,041)	(1,069,418)	(491,920)	(1,491,049)
		<u>\$ (77,041)</u>	<u>\$ (1,070,412)</u>	<u>\$ (491,920)</u>	<u>\$ (1,492,636)</u>
Total comprehensive loss attributable to:					
Non-controlling interest		-	(994)	-	(1,587)
Equity holders of the Company		(62,299)	(997,782)	(450,227)	(1,369,079)
		<u>\$ (62,299)</u>	<u>\$ (998,776)</u>	<u>\$ (450,227)</u>	<u>\$ (1,370,666)</u>
Weighted average number of shares – basic		105,166,388	96,273,987	100,744,752	92,643,303
Adjustment for:					
Weighted average number of shares diluted		105,166,388	96,273,987	100,744,752	92,643,303
Earnings (loss) per share					
From continuing and discontinued operations - basic & diluted		\$ -	\$ (0.01)	\$ -	\$ (0.02)
From continuing operations - basic & diluted		\$ -	\$ (0.01)	\$ -	\$ (0.02)

See accompanying notes to these consolidated financial statements.

Aurcana Corporation
Condensed Interim Consolidated Statements of Changes in Equity
(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, 2016	84,744,973	181,833,880	34,837,262	2,682,160	(203,096,130)	16,257,172	11,621	16,268,793
Currency translation adjustment	-	-	-	121,970	-	121,970	-	121,970
Net loss for the period	-	-	-	-	(1,491,049)	(1,491,049)	(1,587)	(1,492,636)
Shares issued for:								
Private Placement	11,529,013	1,570,076	1,042,633	-	-	2,612,709	-	2,612,709
Share Issue Costs	-	(319,414)	142,417	-	-	(176,997)	-	(176,997)
Balance, June 30, 2017	96,273,986	183,084,542	36,526,685	2,804,130	(204,587,179)	17,828,178	10,034	17,838,212
Currency translation adjustment	-	-	-	232,768	-	232,768	-	232,768
Net loss for the period	-	-	-	-	(570,441)	(570,441)	1,131	(569,310)
Shares issued for:								
Stock-based compensation	-	-	-	-	-	-	-	-
Balance, December 31, 2017	96,273,986	183,084,542	36,526,685	3,036,898	(205,157,620)	17,490,505	11,165	17,501,670
Currency translation adjustment	-	-	-	41,693	-	41,693	-	41,693
Net loss for the period	-	-	-	-	(491,920)	(491,920)	-	(491,920)
Shares issued for:								
Private Placement	13,715,400	1,411,995	671,146	-	-	2,083,141	-	2,083,141
Share Issue Costs	-	(111,156)	40,925	-	-	(70,231)	-	(70,231)
Balance, June 30, 2018	109,989,386	\$ 184,385,381	\$ 37,238,756	\$ 3,078,591	\$ (205,649,540)	\$ 19,053,188	\$ 11,165	\$ 19,064,353

See accompanying notes to these consolidated financial statements.

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

	Six months ended June 30,	
	2018	2017
Cash flows from operating activities		
Net income (loss) for the period	\$ (491,920)	\$ (1,492,636)
Items not involving cash:		
Depreciation, depletion and amortization	803	1,554
Stock-based compensation	-	504,373
Unrealized foreign exchange (income) loss	64,661	138,460
Deferred revenue	(61,955)	(61,955)
Operating cash flow before changes in working capital	(488,411)	(910,204)
Net changes to non-cash working capital balances		
Trade and other receivables	95,220	(82,476)
Prepaid expenses and advances	51,636	4,619
Accounts payable and accrued liabilities	(35,081)	(94,959)
Cash used in operating activities	(376,636)	(1,083,020)
Cash flows from financing activities		
Share capital issued	2,124,066	2,612,710
Share Issue Costs	(111,156)	(176,998)
Cash provided by (used in) financing activities	2,012,910	2,435,712
Increase in cash and cash equivalents		
Effect of exchange rate changes on cash	1,636,274	1,352,692
Cash and cash equivalents, beginning of the period	(22,601)	(4,795)
	721,324	663,566
Cash and cash equivalents, end of the period	\$ 2,334,997	\$ 2,011,463

Supplemental Cash Flow information (Note 12)

See accompanying notes to these consolidated financial statements.

AURCANA CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

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

1. Nature of Operations and Going Concern

Aurcana Corporation (the “Company” or “Aurcana”) was originally incorporated in Canada under the laws of Ontario in 1917 and on September 14, 1998 was continued under the *Canada Business Corporations Act* (“CBCA”). The Company is currently engaged in the exploration, development and operation of natural resource properties. The Company’s principal development property is the Shafter silver property (“Shafter”), located in Presidio County, Texas through the Company’s 100% owned US subsidiary, Silver Assets Inc, which is currently on “care and maintenance”.

The Company’s shares are listed on the TSX Venture Exchange and the head office, principal address, and registered office is located at Suite 850-789 West Pender Street, Vancouver, B.C., V6C 1H2, Canada.

These condensed Interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business including the review of dissolving the Mexican subsidiaries not in operations since January 2016. The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Several adverse conditions and material uncertainties, including low metal prices, may cast significant doubt upon the Company’s ability to continue as a going concern. As at June 30, 2018, the Company had working capital of \$2.5 million, compared with \$0.9 million as at December 31, 2017. The major components of working capital at June 30, 2018 included \$2.6 million of current assets, and \$0.1 million in accounts payable.

2. Basis of Preparation

These condensed interim consolidated 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, 2017.

These consolidated financial statements were approved for issue by the Board of Directors on August 21, 2018.

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

3. Trade and Other Receivables

	June 30 2018	December 31 2017
Equipment sales receivable	140,000	140,000
Other receivables	21,378	116,598
	<u>\$ 161,378</u>	<u>\$ 256,598</u>

Equipment sales receivable were amounts held in escrow at June 30, 2018.

4. Prepaid expenses and advances

	June 30 2018	December 31 2017
Prepaid expenses	\$ 71,521	\$ 114,047
Other	1,018	9,865
Current portion	72,539	123,912
Non-current portion	5,295	5,558
	<u>\$ 77,834</u>	<u>\$ 129,470</u>

AURCANA CORPORATION
Notes to Condensed Interim Consolidated Financial Statements
(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	Total
Cost							
Balance at December 31, 2016	875,000	2,483,884	3,500,000	16,944	88,698	37,346	7,001,872
Reclassification from AHFS	-	95,500	-	-	-	-	95,500
Balance at December 31, 2017 & June 30, 2018	<u>\$ 875,000</u>	<u>\$ 2,579,384</u>	<u>\$ 3,500,000</u>	<u>\$ 16,944</u>	<u>\$ 88,698</u>	<u>\$ 37,346</u>	<u>\$ 7,097,372</u>
Accumulated depreciation							
Balance at December 31, 2016	-	-	-	16,944	88,698	31,620	137,262
Charge for the year	-	-	-	-	-	1,598	1,598
Balance at December 31, 2017	-	-	-	16,944	88,698	33,218	138,860
Charge for the period	-	-	-	-	-	803	803
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,944</u>	<u>\$ 88,698</u>	<u>\$ 34,021</u>	<u>\$ 139,663</u>
Net book value							
Balance at December 31, 2016	<u>\$ 875,000</u>	<u>\$ 2,483,884</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,726</u>	<u>\$ 6,864,610</u>
Balance at December 31, 2017	<u>\$ 875,000</u>	<u>\$ 2,579,384</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,128</u>	<u>\$ 6,958,512</u>
Balance at June 30, 2018	<u>\$ 875,000</u>	<u>\$ 2,579,384</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,325</u>	<u>\$ 6,957,709</u>

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

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

6. Mineral Properties

	Shafter, Texas, USA, in Care & Maintenance
Balance at December 31, 2016	<u>\$ 15,500,000</u>
Expenditures	535,202
Balance at December 31, 2017 & June 30, 2018	<u>\$ 16,035,202</u>
 <i>Accumulated depletion</i>	
Balance at December 31, 2016	\$ 6,000,000
Charge for the year	-
Balance at December 31, 2017 & June 30, 2018	<u>\$ 6,000,000</u>
 <i>Net book value</i>	
Balance at December 31, 2016	<u>\$ 9,500,000</u>
Balance at December 31, 2017 & June 30, 2018	<u>\$ 10,035,202</u>

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

7. Accounts Payable and Accrued Liabilities

	June 30 2018	December 31 2017
	<u> </u>	<u> </u>
Salaries, payroll deductions and employee benefits	\$ -	\$ 16,676
Property taxes	42,000	-
Surface Exploration	16,217	14,232
Prepaid insurance	20,182	77,942
Other	50,459	55,089
	<u>\$ 128,858</u>	<u>\$ 163,939</u>

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

8. Provision for Environmental Rehabilitation

In the current Period, the Company has not discounted the value due to uncertainty of when the reclamation will take place. The discounted liability has been recorded at \$300,838 Since December 31st, 2016.

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.

The provision for environmental rehabilitation for the period ended June 30, 2018 and the year ended December 31, 2017 is as follows:

	June 30 2018	December 31 2017
Environmental rehabilitation, beginning of the year	\$ 300,838	\$ 300,838
Change in estimates	-	-
Environmental rehabilitation, end of the year	\$ 300,838	\$ 300,838

9. Equity

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

Share issuance details:

	Number of Common Shares	Amount
Balance, December 31, 2016	84,744,973	181,833,880
Private placement	11,529,013	1,570,076
Share Issue Costs	-	(319,414)
Balance, June 30, 2017 & December 31, 2017	96,273,986	183,084,542
Private placement	13,715,400	1,411,995
Share Issue Costs	-	(111,156)
Balance, June 30, 2018	109,989,386	184,385,381

On February 14, 2017, the Company issued an aggregate of 11,529,014 units (each a "Unit") at a purchase price of \$CDN 0.30 per Unit, raising gross proceeds of \$CDN 3,458,704. Each Unit consists of one common share (a "Common Share") and one transferable common share purchase warrant (a "Warrant") of Aurcana. Each Warrant will be exercisable to acquire one additional Common Share at an exercise price of \$CDN 0.45 until February 27, 2020.

AURCANA CORPORATION**Notes to Condensed Interim Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****9. Equity (continued)**

On April 27, 2018, the Company issued an aggregate of 13,715,400 units (each a “Unit”) at a purchase price of \$CDN 0.20 per Unit, raising gross proceeds of \$CDN 2,743,080. Each Unit consists of one common share (a “Common Share”) and one transferable common share purchase warrant (a “Warrant”) of Aurcana. Each Warrant will be exercisable to acquire one additional Common Share at an exercise price of \$CDN 0.30 until May 3, 2021.

Stock options

On June 27, 2017, the shareholders of the Company approved an amendment to the Company's fixed Stock Option Plan (the “Plan”) to increase the number of options authorized to be issued from 8,379,852 to 14,441,098.

<u>Stock options</u>	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share (\$CDN)
Balance, December 31, 2016	5,406,250	0.39
Granted	2,950,000	0.32
Expired	(87,500)	8.16
Balance, June 30, 2017 & December 31, 2017	8,268,750	0.29
Expired	(68,750)	6.32
Balance, June 30, 2018	8,200,000	0.24

9. Equity (continued)Stock options

Outstanding	Vested	Exercise Price (\$CDN)	Expiry Date
4,850,000	4,850,000	\$ 0.17	March 2, 2021
400,000	400,000	\$ 0.40	August 5, 2021
2,950,000	2,950,000	\$ 0.32	April 27, 2022
8,200,000	8,200,000	\$ 0.24	

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

9. Equity (continued)

Stock based compensation

For the period ended June 30, 2018 the stock-based compensation expense was \$nil (2017: \$504,373). Fair value of stock options granted as above is calculated using the following weighted average assumptions.

	June 30	December 31
	2018	2017
Risk-free interest rate	-	0.70%
Expected stock price volatility	-	95.35%
Expected dividend yield	-	n/a
Expected option life in years	-	4

Warrants

	Number of Common Share Warrants
Common Share Purchase Warrants	
Balance, December 31, 2016	9,732,908
Private placement	11,529,013
Agents' warrants	709,760
Expired	(9,732,908)
Balance, June 30, 2017 & December 31, 2017	12,238,773
Private placement	14,187,800
Balance, June 30, 2018	<u>26,426,573</u>

As of June 30, 2018, details of outstanding common shares purchase warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
12,238,773	\$0.45	February 27, 2020
<u>14,187,800</u>	<u>\$0.30</u>	May 3, 2021
26,426,573	\$0.37	

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

10. 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 2018	June 30 2017
Technical and consulting fees	(i)	\$ 44,412	\$ 43,693
General and administrative expenses	(ii)	<u>11,736</u>	<u>11,242</u>
Consulting fees		<u>\$ 56,149</u>	<u>\$ 54,935</u>

- i) To a company controlled by a director of the Company.
- ii) To a company controlled by the corporate secretary for management services performed as an officer.

b) Compensation of key management personnel

	June 30 2018	June 30 2017
Consulting fees (as above)	\$ 56,149	\$ 54,935
Officer salaries	322,223	277,225
Stock-based compensation	-	504,373
	<u>\$ 378,372</u>	<u>\$ 836,533</u>

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

11. Commitments and contingencies

Head office lease

The head office has a monthly lease cost of \$3,571 for a period of 36 months, expiring March 31, 2019.

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

	Commitments due by year (000's)		
	Total	2018	2019
	\$	\$	\$
Rent	\$ 32	\$ 21	\$ 11

12. Supplemental Cash Flow Information

Cash and cash equivalents of the Company are comprised of bank balances as follows:

	June 30 2018	December 31 2017
Cash	\$ 2,334,997	\$ 721,324

Supplemental disclosures of cash flow information for the year ended:

	June 30 2018	December 31 2017
AR from equipment sold held in escrow	\$ 140,000	\$ 140,000

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

13. Segmented Information

The reportable operating segments have been identified as the Shafter Project, 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, 2018	Shafter	Corporate and other segments	Total
Sales & Consulting fees to external customers	\$ 61,955	\$ 240,000	\$ 301,955
Shafter mine Care & Maintenance cost	331,547	-	331,547
G&A expenses and other expense (income)	(443,784)	906,112	462,328
Loss before income taxes	174,192	(666,112)	(491,920)
Net income (loss) for the year	174,192	(666,112)	(491,920)
Property, plant and equipment	6,954,384	3,325	6,957,709
Mineral properties	10,035,202	-	10,035,202
Total capital assets	16,989,586	3,325	16,992,911
Total assets	17,635,616	1,988,162	19,623,778
Total liabilities	500,240	59,185	559,425

June 30, 2017	Shafter	Corporate and other segments	Total
Sales & Consulting fees to external customers	\$ 61,955	\$ 240,000	\$ 301,955
Shafter mine Care & Maintenance cost	361,366	-	361,366
G&A expenses and other expense	98,511	1,334,714	1,433,225
Loss before income taxes	(397,922)	(1,094,714)	(1,492,636)
Net income (loss) for the year	(397,922)	(1,094,714)	(1,492,636)
Property, plant and equipment	6,858,884	4,172	6,863,056
Mineral properties	9,500,000	-	9,500,000
Total capital assets	16,358,884	4,172	16,363,056
Total assets	16,553,842	2,308,719	18,862,561
Total liabilities	676,414	347,935	1,024,349

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

14. Oil and Gas lease

On July 15, 2016 Silver Assets, Inc. (“SAI”), has entered into a term assignment agreement (the “Assignment”) with a privately-owned, Texas-based oil and gas firm (the “Assignee”). Under the Assignment, three contiguous oil and gas leases (the “Leases”) have been assigned by SAI to the Assignee for a three-year term, plus any further period during which oil or gas production takes place on the Leases. SAI has retained a Net Revenue Interest Royalty in respect of the Leases that may provide up to 25% of the net revenues therefrom. In consideration of the Assignment, the Assignee made a cash payment of US\$374,469.41 to SAI. The Leases total 564 “mineral acres” and are located approximately 200 miles northeast of the Company’s Shafter project, in the Permian Basin of West Texas, near Midland. The lease proceeds were allocated as follows:

	June 30 2018	December 31 2017
Deferred Revenue Short term	\$ 124,937	\$ 124,937
Deferred Revenue Long term	4,792	66,747
	129,729	191,684
	Six months ended June 30, 2018	2017
Revenue	61,955	61,955

15. General and administrative costs

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Salaries and consulting fees	\$ 178,497	\$ 143,141	\$ 336,174	\$ 302,713
Professional fees	36,064	46,229	61,081	98,693
Investor relations	43,838	31,153	66,338	61,153
Marketing and road shows	101,852	51,199	120,519	80,226
Listing and filing fees	42,491	5,882	57,127	8,989
Other	60,208	50,674	109,715	103,555
	\$ 462,950	\$ 328,278	\$ 750,954	\$ 655,329

AURCANA CORPORATION

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

16. Other (income) loss

In June 2018 the Company received net proceeds of \$582,651 from a mediated settlement of its eminent domain dispute against Trans-Pecos Pipeline, LLC (“Trans Pecos”) at the Shafter Silver Project in Presidio County, Texas. Cash proceeds are net of all fees and expenses incurred.

Trans Pecos constructed a pipeline to transport natural gas between the Permian Basin and Presidio, Texas for delivery to customers in Presidio and Chihuahua, Mexico. The route of the pipeline crossed the Shafter property, owned by Rio Grande Mining Company (“RGMC”), a wholly-owned subsidiary of Aurcana. The Company had been in discussions with representatives of Trans Pecos concerning safety, the near and long-term impacts of a pipeline on the Company and Shafter, and alternate routes for the pipeline easement.

In March 2016 the Company was made aware that Trans Pecos filed a lawsuit against RGMC to acquire the proposed easement through exercise of its alleged power of eminent domain. The Company engaged counsel to challenge the public use of the pipeline project and, in the alternative, to ensure it received fair compensation for the impact of the proposed pipeline on the market value of the property and the Company’s Shafter operations. In June 2018 the Company entered into a Permanent Easement Agreement granting the requested easement to Trans Pecos. The proposed settlement included the cash compensation for the land taken by Trans Pecos, industry-standard indemnity clauses against future damages, certain limitations on blasting parameters within a measured set-back from the pipeline right-of-way, and rights of access to the Company’s roads at Shafter.

The pipeline is now built and operational. The pipeline right-of-way does not impact on any proposed resumption of operations at Shafter and should be of long-term benefit to the economy of Presidio County and its citizens.

17. Subsequent events

On July 30, 2018 the Company announced Transformational Transaction as follows:

- 1) Material Acquisition and Reverse Take Over:** Subsequent to June 30, 2018 the Company entered into an agreement (“LOI”) with Lascaux Resource Capital Fund I LP and certain wholly-owned investment vehicles (collectively, the “**LRC Group**”) pursuant to which the Company intends to effect a business combination that will result in the Company acquiring all of the issued and outstanding shares of common stock of Ouray Silver Mines, Inc. a corporation incorporated under the laws of Colorado (“**Ouray**”) and together with the LRC Group, the “**OSM Group**”) on a debt free basis in exchange for newly issued common shares of the Company (collectively, the “**Proposed Transaction**”). Ouray is a private company wholly owned by the LRC Group. The OSM Group owns 100% of the Revenue-Virginus Mine (“**RV Mine**”) in Ouray, Colorado which is a fully permitted past producing (last production 2015) polymetallic deposit that derived the majority of its revenue from silver. In June 2018, SRK Consulting (U.S.), Inc. completed a feasibility study of the RV Mine in compliance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects

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(Expressed in United States dollars, unless otherwise stated)

- 2) In connection with the Proposed Transaction, The Company also intends to complete an offering of subscription receipts to raise gross proceeds of not less than CDN\$10 million (the “**Offering**”) to close concurrent with the Proposed Transaction. Terms and the ultimate size of the Offering will be announced when finalized. The Proposed Transaction is contemplated to be completed by a Plan of Arrangement pursuant to the Business Corporations Act (British Columbia) (the “**Plan**”). The Parties target closing the Proposed Transaction in early November.
- 3) **Equipment Purchase Agreement:** The Company has entered into a purchase agreement (the “Equipment Purchase Agreement”) with entities controlled by Orion Mine Finance to purchase equipment owned by the Orion and that are located at the Company’s wholly-owned Shafter Mine (the “**SP Mine**”) in Texas. The consideration paid under the Equipment Purchase Agreement will total \$4.5 million, of which \$500,000 will be paid in cash and the remainder of which will be paid by the issuance of 23,894,535 pre-Share Consolidation shares of the Company, which will be issued to Orion under the Plan of Arrangement.
- 4) **Updated PEA for the SP Mine:** The Company received results of an updated PEA for the SP Mine with an effective date of July 11, 2018 based on the Company’s current mineral resource estimate dated December 11, 2015 (the “Resource Estimate”). The Resource Estimate was combined with an updated capital cost (in part based on the Equipment Purchase Agreement), updated operating cost, and an optimized mine plan. The updated PEA demonstrates a reasonably robust project that is highly leveraged to the price of silver bullion. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the economic results described in the PEA will be realized. See the Company’s news release of July 30, 2018 for further information. The updated PEA technical report will be available on SEDAR within 45 days of July 30, 2018

Additional information may be found in disclosure documents filed under the Company’s profile at www.sedar.com as well as at www.aurcana.com/resources/news/nr-20180730.pdf