



AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

September 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	September 30 2018	December 31 2017
Assets			
Current assets			
Cash and cash equivalents	12	\$ 1,899,391	\$ 721,324
Trade and other receivables	3	234,841	256,598
Prepaid expenses and advances	4	124,929	123,912
Prepaid income tax		59,824	57,025
		2,318,985	1,158,859
Non Current assets			
Non-current prepaid expenses	4	5,386	5,558
Property, plant and equipment	5	6,954,384	6,958,512
Mineral Properties	6	10,035,202	10,035,202
		\$ 19,313,957	\$ 18,158,131
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 283,740	\$ 163,939
Deferred revenue	15	98,238	124,937
		381,978	288,876
Non Current liabilities			
Deferred revenue	15	-	66,747
Provision for environmental rehabilitation	8	300,838	300,838
		682,816	656,461
Equity			
Share capital	9	184,385,381	183,084,542
Contributed surplus		37,238,756	36,526,685
Accumulated other comprehensive income		3,144,273	3,036,898
Deficit		(206,148,434)	(205,157,620)
		18,619,976	17,490,505
Total equity attributable to equity holders of the parent		18,619,976	17,490,505
Non-controlling interest		11,165	11,165
Total equity		18,631,141	17,501,670
		\$ 19,313,957	\$ 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 September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Continuing Operations					
Revenues					
Management Fees		\$ 120,000	\$ 120,000	\$ 360,000	\$ 360,000
Royalties	14	32,485	-	32,485	-
Oil & Gas lease	15	31,491	31,491	93,446	93,446
		<u>183,976</u>	<u>151,491</u>	<u>485,931</u>	<u>453,446</u>
Other items					
General and administrative costs	16	250,135	304,002	1,001,089	959,331
Financing expense and others		746	2,658	2,612	4,787
Stock-based compensation		-	-	-	504,373
Shafter mine care & maintenance costs		149,995	206,663	481,542	568,029
Shafter mine geology and exploration		43,103	308,356	181,717	406,114
Project Development		228,885	-	309,029	-
Foreign exchange loss		9,019	153,317	81,647	327,363
Other (income) loss	17	987	-	(580,891)	(410)
		<u>682,870</u>	<u>974,996</u>	<u>1,476,745</u>	<u>2,769,587</u>
Net loss for the period before other comprehensive items		\$ (498,894)	\$ (823,505)	\$ (990,814)	\$ (2,316,141)
Items of other comprehensive income					
Currency translation adjustment		65,682	168,089	107,375	290,059
Comprehensive loss for the period		\$ (433,212)	\$ (655,416)	\$ (883,439)	\$ (2,026,082)
Total net loss attributable to:					
Non-controlling interest		-	(178)	-	(1,765)
Equity holders of the Company		(498,894)	(823,327)	(990,814)	(2,314,376)
		<u>\$ (498,894)</u>	<u>\$ (823,505)</u>	<u>\$ (990,814)</u>	<u>\$ (2,316,141)</u>
Total comprehensive loss attributable to:					
Non-controlling interest		-	(178)	-	(1,765)
Equity holders of the Company		(433,212)	(655,238)	(883,439)	(2,024,317)
		<u>\$ (433,212)</u>	<u>\$ (655,416)</u>	<u>\$ (883,439)</u>	<u>\$ (2,026,082)</u>
Weighted average number of shares – basic		109,989,387	96,273,987	103,860,161	93,866,830
Adjustment for:					
Weighted average number of shares diluted		109,989,387	96,273,987	103,860,161	93,866,830
Earnings (loss) per share					
From continuing and discontinued operations - basic & diluted		\$ -	\$ (0.01)	\$ (0.01)	\$ (0.02)
From continuing operations - basic & diluted		\$ -	\$ (0.01)	\$ (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	-	-	-	290,059	-	290,059	-	290,059
Net loss for the period	-	-	-	-	(2,314,376)	(2,314,376)	(1,765)	(2,316,141)
Shares issued for:								
Private Placement	11,529,014	1,570,076	1,042,633	-	-	2,612,709	-	2,612,709
Share Issue Costs	-	(319,414)	142,417	-	-	(176,997)	-	(176,997)
Balance, September 30, 2017	96,273,987	183,084,542	36,526,685	2,972,219	(205,410,506)	17,172,940	9,856	17,182,796
Currency translation adjustment	-	-	-	64,679	-	64,679	-	64,679
Net loss for the period	-	-	-	-	252,886	252,886	1,309	254,195
Balance, December 31, 2017	96,273,987	183,084,542	36,526,685	3,036,898	(205,157,620)	17,490,505	11,165	17,501,670
Currency translation adjustment	-	-	-	107,375	-	107,375	-	107,375
Net loss for the period	-	-	-	-	(990,814)	(990,814)	-	(990,814)
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, September 30, 2018	109,989,387	\$ 184,385,381	\$ 37,238,756	\$ 3,144,273	\$ (206,148,434)	\$ 18,619,976	\$ 11,165	\$ 18,631,141

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)

	Nine months ended September 30,	
	2018	2017
Cash flows from operating activities		
Net income (loss) for the period	\$ (990,814)	\$ (2,316,141)
Items not involving cash:		
Depreciation, depletion and amortization	4,128	1,610
Stock-based compensation	-	504,373
Unrealized foreign exchange (income) loss	83,950	309,447
Deferred revenue	(93,446)	(93,446)
Operating cash flow before changes in working capital	(996,182)	(1,594,157)
Net changes to non-cash working capital balances		
Trade and other receivables	21,757	(88,318)
Prepaid expenses and advances	(1,017)	(60,300)
Accounts payable and accrued liabilities	119,801	(302,314)
Cash used in operating activities	(855,641)	(2,045,089)
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	1,157,269	390,623
Effect of exchange rate changes on cash	20,798	16,623
Cash and cash equivalents, beginning of the period	721,324	663,566
Cash and cash equivalents, end of the period	\$ 1,899,391	\$ 1,070,812

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 September 30, 2018, the Company had working capital of \$1.9 million, compared with \$0.9 million as at December 31, 2017. The major components of working capital at September 30, 2018 included \$2.2 million of current assets, and \$0.3 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 November 28, 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**

	September 30	December 31
	2018	2017
Equipment sales receivable	140,000	140,000
Other receivables	94,841	116,598
	\$ 234,841	\$ 256,598

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

4. Prepaid expenses and advances

	September 30	December 31
	2018	2017
Prepaid expenses	\$ 124,804	\$ 114,047
Other	125	9,865
Current portion	124,929	123,912
Non-current portion	5,386	5,558
	\$ 130,315	\$ 129,470

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 & September 30, 2018	\$ 875,000	\$ 2,579,384	\$ 3,500,000	\$ 16,944	\$ 88,698	\$ 37,346	\$ 7,097,372
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	-	-	-	-	-	4,128	4,128
Balance at September 30, 2018	\$ -	\$ -	\$ -	\$ 16,944	\$ 88,698	\$ 37,346	\$ 142,988
Net book value							
Balance at December 31, 2016	\$ 875,000	\$ 2,483,884	\$ 3,500,000	\$ -	\$ -	\$ 5,726	\$ 6,864,610
Balance at December 31, 2017	\$ 875,000	\$ 2,579,384	\$ 3,500,000	\$ -	\$ -	\$ 4,128	\$ 6,958,512
Balance at September 30, 2018	\$ 875,000	\$ 2,579,384	\$ 3,500,000	\$ -	\$ -	\$ -	\$ 6,954,384

* Assets Held For Sale

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 & September 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 & September 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 & September 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

	<u>September 30</u> <u>2018</u>	<u>December 31</u> <u>2017</u>
Salaries, payroll deductions and employee benefits	\$ -	\$ 16,676
Property taxes	72,000	-
Surface Exploration	1,210	14,232
Prepaid insurance	53,047	77,942
Restructuring transaction	95,014	-
Other	62,469	55,089
	<u>\$ 283,740</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 September 30, 2018 and the year ended December 31, 2017 is as follows:

	September 30 2018	December 31 2017
Environmental rehabilitation, beginning of the year	\$ 300,838	\$ 300,838
Change in estimates	-	-
Environmental rehabilitation, end of the period	\$ 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	11,529,014	1,570,076
Share Issue Costs	-	(319,414)
Balance, September 30, 2017 & December 31, 2017	96,273,987	183,084,542
Private placement	13,715,400	1,411,995
Share Issue Costs	-	(111,156)
Balance, September 30, 2018	109,989,387	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, September 30, 2017 & December 31, 2017	8,268,750	0.29
Expired	(68,750)	6.32
Balance, September 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 September 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.

	September 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	9,732,908
Balance, December 31, 2016	9,732,908
Private placement	11,529,013
Agents' warrants	709,760
Expired	(9,732,908)
Balance, September 30, 2017 & December 31, 2017	12,238,773
Private placement	14,187,800
Balance, September 30, 2018	26,426,573

As of September 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
14,187,800	\$0.30	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	September 30 2018	September 30 2017
Technical and consulting fees	(i)	\$ 58,142	\$ 58,896
General and administrative expenses	(ii)	17,474	17,210
Consulting fees		<u>\$ 75,616</u>	<u>\$ 76,106</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

	September 30 2018	September 30 2017
Consulting fees (as above)	\$ 75,616	\$ 76,106
Officer salaries	480,737	344,195
Stock-based compensation	-	504,373
	<u>\$ 556,353</u>	<u>\$ 924,674</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	\$ 22	\$ 11	\$ 11

12. Supplemental Cash Flow Information

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

	September 30	December 31
	2018	2017
Cash	<u>\$ 1,899,391</u>	<u>\$ 721,324</u>

Supplemental disclosures of cash flow information for the Period and year ended:

	September 30	December 31
	2018	2017
AR from equipment sold held in escrow	<u>\$ 140,000</u>	<u>\$ 140,000</u>

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.

September 30, 2018	Shafter	Corporate and other segments	Total
Sales & Consulting fees to external customers	\$ 93,446	\$ 360,000	\$ 453,446
Royalties	32,485	-	32,485
Shafter mine Care & Maintenance cost	481,542	-	481,542
G&A expenses and other expense (income)	(389,355)	1,384,558	995,203
Loss before income taxes	1,259	(1,024,558)	(1,023,299)
Net income (loss) for the period	1,259	(1,024,558)	(1,023,299)
Property, plant and equipment	6,954,384	-	6,954,384
Mineral properties	10,035,202	-	10,035,202
Total capital assets	16,989,586	-	16,989,586
Total assets	17,471,805	1,842,152	19,313,957
Total liabilities	472,640	210,176	682,816

September 30, 2017	Shafter	Corporate and other segments	Total
Sales & Consulting fees to external customers	\$ 93,446	\$ 360,000	\$ 453,446
Shafter mine Care & Maintenance cost	568,029	-	568,029
G&A expenses and other expense	407,126	1,794,432	2,201,558
Loss before income taxes	(881,709)	(1,434,432)	(2,316,141)
Net income (loss) for the period	(881,709)	(1,434,432)	(2,316,141)
Property, plant and equipment	6,858,884	4,116	6,863,000
Mineral properties	9,500,000	-	9,500,000
Total capital assets	16,358,884	4,116	16,363,000
Total assets	16,538,545	1,429,754	17,968,299
Total liabilities	720,079	65,424	785,503

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

14. Royalties

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Royalties	32,485	-	32,485	-

Royalties were generated primarily from unclaimed assets residing in various State Treasury accounts in USA.

15. 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:

	September 30 <u>2018</u>	December 31 <u>2017</u>
Deferred Revenue Short term	\$ 98,238	\$ 124,937
Deferred Revenue Long term	-	66,747
	<u>98,238</u>	<u>191,684</u>
	Nine months ended September 30,	
	<u>2018</u>	<u>2017</u>
Revenue	<u>93,446</u>	<u>93,446</u>

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

16. General and administrative costs

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and consulting fees	\$ 149,543	\$ 147,665	\$ 485,717	\$ 450,378
Professional fees	25,199	28,546	86,280	127,239
Investor relations	22,500	26,166	88,838	87,319
Marketing and road shows	-	38,330	120,519	118,556
Listing and filing fees	985	3,010	58,112	11,999
Other	51,908	60,285	161,623	163,840
	<u>\$ 250,135</u>	<u>\$ 304,002</u>	<u>\$ 1,001,089</u>	<u>\$ 959,331</u>

17. 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.

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

18. Subsequent events

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

- 1) Material Acquisition and Reverse Take Over:** On July 27, 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**”). On September 20, 2018, the LOI was replaced and superseded by a definitive arrangement agreement in respect of the Proposed Transaction (the “**Arrangement Agreement**”). 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.
- 2)** In connection with the Proposed Transaction, the Company also intends to complete an offering of subscription receipts (the “**Offering**”) to close concurrent with the Proposed Transaction. The 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 late December.

Additional information may be found in disclosure documents filed under the Company’s profile at www.sedar.com.