



Management Discussion and Analysis for the Quarter ended September 30, 2018

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with Aurcana Corporation’s (the “Company” or “Aurcana”) unaudited condensed interim consolidated financial statements for the nine months ended September 30 2018 and 2017, and the related notes thereto, which have been prepared in accordance with International Financing 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. This MD&A contains “forward-looking statements”, including, but not limited to, statements regarding the Company’s expectations, strategic plans, exploration budgets and mineral resource estimates. The information in this MD&A is current to November 28, 2018.

Cautionary Statement Regarding Forward-Looking Information

This document contains certain forward-looking statements, including statements regarding, metals grades, potential mineralization, exploration results, and any future plans and objectives of Aurcana Corporation. These statements are forward-looking statements that involve various risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to potential mineral grades or tonnages at the Shafter property, mining and processing of mineralized material, achieving projected recovery rates, anticipated production rates and mine life, operating efficiencies, costs and expenditures, changes in mineral resources, and other information that is based on forecasts of future operational or financial results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends” or stating that certain actions, events or results “, “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be “forward-looking statements”. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to materially differ from those reflected in the forward-looking statements.

Actual results may differ materially from results contemplated by the forward-looking statements. Important factors that could differ materially from the Company’s expectations include, among others, risks related to unsuccessful further exploration results, metals prices, fluctuations in currency prices, international operations, conclusions of economic evaluations and changes in project parameters as plans continue to be refined as well as changes in the availability of funding for mineral exploration and development, unanticipated changes in key management personnel and general economic conditions. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and should not place undue reliance on such forward-looking statements. The Company does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf, except as required by applicable law. Accordingly, readers should not place undue reliance on forward-looking statements.

This document includes disclosure of scientific and technical information, as well as information in relation to the estimation of resources, with respect to the Shafter Project. Aurcana’s disclosure of mineral resource information is governed by National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM.

Certain information in this presentation is derived from a report titled “Preliminary Economic Assessment (the “PEA”) and Updated Technical Report on the Shafter Project, Presidio County, Texas”, as amended January 25, 2017. A copy of the report is available on the SEDAR website under Aurcana’s profile at www.sedar.com.

The PEA was updated, with an effective date of July 11, 2018, completed independently by Mine Development Associates, Reno NV, Cementation, Salt Lake City UT, Samuel Engineering, Denver CO and Gault Group, Cortez CO. The PEA is available on the SEDAR under Aurcana’s profile at www.sedar.com.

The scientific and technical information contained in this presentation has been reviewed and approved by Kevin Francis (Registered Member, SME), a Qualified Person as defined by NI 43-101 and an officer of the Company.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources: Disclosure herein uses the terms “Measured”, “Indicated” and “Inferred” Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. “Inferred Mineral Resources” are considered too speculative geologically to have economic considerations applied to them. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies except in limited circumstances. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of a Mineral Resource is economically or legally mineable.

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QUALIFIED PERSON

An officer of the Company, Mr. Kevin Francis, (Registered Member, SME) is a Qualified Person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. He has reviewed and approved the technical information contained herein. Disclosure documents, including technical reports filed by Aurcana can be found under the Company's profile on SEDAR at www.sedar.com.

NATURE OF BUSINESS AND COMPANY DESCRIPTION

Aurcana was incorporated under the laws of Ontario on October 12, 1917 under the name "Cane Silver Mines Limited" and was continued under the Canadian Business Corporations Act on September 14, 1998 under the name Aurcana Corporation. Aurcana is a reporting issuer in British Columbia, Alberta and Ontario. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol AUN and achieved Tier 1 status in October 2008.

Aurcana is engaged in the development of natural resource properties. The Company's principal exploration and development property is the Shafter Silver property (the "Shafter Project"), located in Presidio County, southwest Texas, which is currently on "care and maintenance". The Shafter Project is owned by Rio Grande Mining Company ("RGM") through the Company's 100% owned US subsidiary, Silver Assets Inc.

Basis of presentation and going concern

The accompanying 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 until at least September 30, 2018. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the going concern assumption. 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.

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.

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.

The Corporation's Consolidated Financial Statements and MD&A may be found under the corporation's profile at www.sedar.com and on the Company's website www.aurcana.com. The reader should be aware that historical results are not necessarily indicative of future performance. All financial amounts are expressed in United States dollars, unless otherwise stated.

OUTLOOK

The Company has sufficient working capital to meet its near-term obligations and continue with the Shafter Project as its principal asset. However, On July 30, 2018 the Company announced a material 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 (“NI 43-101”) of the Canadian Securities Administrators on the RV Mine outlining a Base Case¹ After-Tax Net Present Value using a 5% discount rate (“NPV5”) of \$74.9 million and an After-Tax Internal Rate of Return (“IRR”) of 71.2%.

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 .

CORPORATE DEVELOPMENTS

During the period ended September 30, 2018:

- As part of the Restructuring Transaction, the Company provides Orion certain consulting services by specified officers in connection with the operation of the La Negra mine in consideration for \$40,000 per month for a total period of 12 months starting February 2016, which has been extended on a month-to-month basis.
- The Company continued to meet its obligations to maintain its land holdings at Shafter, all necessary permits were maintained, and the Company succeeded in obtaining a new water discharge permit.
- 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 the Company. 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.

On July 30, 2018 the Company announced a significant transaction as outlined above, in "Outlook".

REVIEW OF FINANCIAL RESULTS

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenues				
Management Fees	\$ 120,000	\$ 120,000	\$ 360,000	\$ 360,000
Royalties	32,485	-	32,485	-
Oil & Gas lease	31,491	31,491	93,446	93,446
	183,976	151,491	485,931	453,446

Royalties were generated primarily from unclaimed assets residing in various State Treasury accounts in USA. During the quarter The Company received 32,485 from these sources. Future Royalty income is anticipated to be much less.

The Company expect less Revenues from these sources for subsequent years

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
	\$ 250,135	\$ 304,002	\$ 1,001,089	\$ 959,331

Other break down:	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Rent and overhead	8,226	12,155	34,667	33,374
Travel and accommodation	3,137	5,555	16,591	16,206
Office	13,348	13,573	33,920	34,959
Other	27,197	29,002	76,445	79,301
Total Other	\$ 51,908	\$ 60,285	\$ 161,623	\$ 163,840

Quarterly Financial Information

The Company's financial statements are reported under IFRS as issued by the IASB. The following tables provide highlights from the Company's financial statements of quarterly results for the past eight quarters inclusive of discontinued operations:

Quarter Ended	September 30 2018	June 30 2018	March 31 2018	December 31 2017
	\$	\$	\$	\$
Revenues from management fees, royalties and oil & gas lease	183,976	151,149	150,806	151,491
Earnings (loss) before income taxes	(498,894)	(77,041)	(414,879)	254,195
Net income (loss) for the period before other comprehensive items	(498,894)	(77,041)	(414,879)	254,195
Comprehensive income (loss) for the Period	(433,212)	(62,299)	(387,928)	318,874
Loss per share	-	-	-	-

Quarter Ended	September 30 2017	June 30 2017	March 31 2017	December 2016
	\$	\$	\$	\$
Revenues from management fees and oil & gas lease	151,491	151,149	150,806	(196,621)
Loss before income taxes	(823,505)	(1,070,412)	(422,224)	(585,333)
Net Loss for the period before other comprehensive items	(823,505)	(1,070,412)	(422,224)	(585,333)
Comprehensive Loss for the Period	(655,416)	(998,776)	(371,890)	(621,459)
Loss per share	(0.01)	(0.01)	-	-

- During the three months ending September 30, 2018:
 - The Company received \$120,000 (2017: \$120,000) for consulting fees in connection with the operation of the La Negra mine, plus \$32,485 for royalties (2017: nil), and recognized \$31,491 (2017: \$31,491) on deferred revenue from oil and gas.
 - Shaft mine care & maintenance costs decreased during the Third quarter of 2018 to \$149,995 compared to the same period of 2017 (\$206,663) due to a decrease of the property taxes, and partial offset with the payments of the mineral lease.
 - Royalties were generated from unclaimed assets residing in various State Treasury accounts in USA. During the quarter The Company received 32,485 from these sources. Future Royalty income is anticipated to be much less.

Management's Discussion and Analysis

Quarterly Report– September 2018

(All figures reported in US Dollars, unless otherwise noted)

- During the three months ending June 30, 2018:
 - The Company received \$120,000 (2017: \$120,000) for consulting fees in connection with the operation of the La Negra mine and recognized \$31,149 (2017: \$31,149) on deferred revenue from oil and gas, plus net proceeds as other income 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.
 - Shafter mine care & maintenance costs decreased during the second quarter of 2018 to \$177,274 compared to the same period of 2017 (\$182,444) due to a decrease of the property taxes, and partial offset with the payments of the mineral lease.

- During the three months ending March 31, 2018:
 - The Company received \$120,000 (2017: \$120,000) for consulting fees in connection with the operation of the La Negra mine and recognized \$30,806 (2017: \$30,806) on deferred revenue, from oil and gas.
 - Shafter mine care & maintenance costs decreased during first quarter of 2018 to \$154,273 compared to the same period of 2017 (\$178,922) due to a decrease on the accrual of the property taxes.

- During the three months ending December 31, 2017:
 - The Company received \$120,000 (2016: \$120,000) for consulting fees in connection with the operation of the La Negra mine and recognized \$31,491 on deferred revenue, from oil and gas show a negative income.
 - Shafter mine care & maintenance costs reflect a negative expense during fourth quarter of 2017 of (\$52,725) as a result of reimbursement of charges from the electrical utility company, compared to the same period of 2016 (\$70,911).

- During the three months ending September 30, 2017:
 - The Company received \$120,000 (2016: \$120,000) for consulting fees in connection with the operation of the La Negra mine and recognized \$31,491 (2016: \$374,469) from referred revenue as part of the Oil & gas lease agreement.
 - Shafter mine care & maintenance costs decreased during third quarter of 2017 to \$206,663 compared to the same period of 2016 (\$368,270) due to a decrease in taxes payable as a result of the payment of taxes owed to the county for tax years 2014 & 2015.

- During the three months ending June 30, 2017:
 - The Company received \$120,000 (2016: \$120,000) for consulting fees in connection with the operation of the La Negra mine and recognized \$31,149 (2016: nil) from referred revenue as part of the Oil & gas lease agreement.
 - Shafter mine care & maintenance costs decreased during second quarter of 2017 to \$180,844 compared to the same period of 2016 (\$211,077) due to a decrease in taxes payable as a result of the repayment of taxes owed to the county for tax years 2014 & 2015. In addition, \$97,758 (nil-2016) of expenses were incurred in preparation for an exploration drilling program.
 - The Company issued 2.95 million options which represent a non-cash cost of \$504,373 as Stock base compensation.

- During the three months ending March 31, 2017, the Company received \$120,000 for consulting fees in connection with the operation of the La Negra mine and recognized \$30,806 (2016: nil) from referred revenue as part of the Oil & gas lease agreement.

Management's Discussion and Analysis

Quarterly Report– September 2018

(All figures reported in US Dollars, unless otherwise noted)

- Shafter mine care & maintenance costs increased during the first three months of 2017 to \$178,922 compared to three months ending March 31, 2016 (\$99,616) owing to adjustments in accounts payable.
- During the three months ending December 31, 2016, the Company received \$120,000 for consulting fees in connection with the operation of the La Negra mine. Due to an adjustment on deferred revenue, the revenues from oil and gas show a negative income.

SHAFTER PROJECT, TEXAS USA

The Company owns the Shafter Project through its subsidiary Rio Grande Mining Company ("RGMC"). The Company continues to maintain the mine, mill and processing equipment at Shafter. On July 30, 2018 the Company announced an updated PEA.

MEASURED & INDICATED RESOURCES				
Class	Cut-off Ounces Silver/Ton	Tons	Grade Ounces Silver/Ton	Contained Ounces Silver
Measured	4.0	100,000	8.73	888,000
Indicated	4.0	1,110,000	9.15	10,171,000
Measured + Indicated	4.0	1,210,000	9.14	11,059,000
INFERRED RESOURCES				
Class	Cut-off Ounces Silver/Ton	Tons	Grade Ounces Silver/Ton	Contained Ounces Silver
Inferred	4.0	870,000	7.47	6,511,000

- Mine Development Associates ("MDA"), an independent mining consulting firm, prepared the resource estimate for Shafter, with an effective date of December 11, 2015. All units of measure are U.S. Customary.
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the estimated Mineral Resources will be converted into Mineral Reserves. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- Mineral Resources are reported at a 4 oz/ton Ag cut-off grade in consideration of potential underground mining and conventional mill processing.
- The Mineral Resource estimate was undertaken by Paul Tietz, CPG of Mine Development Associates, Inc. ("MDA") of Reno, Nevada, a qualified person ("QP") as defined under NI 43-101. The Mineral Resource was estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the Standards Committee on Reserve Definitions and adopted by the CIM Council on May 10, 2014.
- Readers are advised that a Technical Report containing the foregoing resource estimate is available on SEDAR (www.sedar.com). The report is titled "Preliminary Economic Assessment and Updated Technical Report on the Shafter Project, Presidio County, Texas", effective July 11, 2018, prepared by Paul Tietz, CPG, Neil Prens, P.E., Bill Tilley, P.E., Matt Bender, P.E., and Martin J. DeMarse, P.E., each of whom is a "qualified person" and "independent" as such terms are defined in NI 43-101(the "Technical Report").

Highlights of the PEA include:

- Base Case* after-tax NPV (5% discount rate) of \$15.8 million, internal rate of return (“IRR”) of 37.0%.
 - Initial capital costs forecast of approximately \$20.6 million, including \$2.3 million contingency.
 - Pre-production development time is less than one year.
 - Mine production of over 3 years.
 - Net average after-tax undiscounted operating cash flow of approximately \$11.0 million per full year of operation.
 - Life of Mine payable production of 6.6 million ounces of silver
 - Average annual silver production during first three years of operation of 1.8 million ounces
 - Life of mine average silver recovery of 85.4%
 - Payback is approximately 1.8 years
- *Base Case uses \$18.50/oz silver.

The PEA contemplates mining to commence in the Presidio mine area accessed by a decline that was established between 2011 and 2013. Mining will generally proceed from Presidio toward the Shafter area and feed the modified existing mill at a rate of 600 tons per day (TPD) or 210,000 tons annually. Mining is planned by room and pillar methods for primary extraction and long hole slashing with partial pillar recovery for secondary extraction. The mine design is based on a 6.8 ounce silver per ton cutoff grade. Stope shapes account for internal dilution. External dilution is added at 10% with an average grade of 5.1 ounce silver per ton (based on 75% of cutoff grade). Primary and secondary extraction account for 78 percent and 11 percent of the resource, respectively, providing an overall extraction of 89 percent. Extraction losses account for the remaining 11%. The extraction rate was developed using planned stopes with widths of 28 feet, with 24 ft by 24 ft pillars.

The total mill throughput in the PEA is estimated to be 748.7 thousand tons, of which 68% are currently classified in the Resource Estimate as measured and indicated mineral resources, and 32% are currently classified as inferred mineral resources. A 6.8 oz/t cutoff grade was reflected in the underground mine design. The cut-off grade incorporates mine and process plant operating costs and recovery data.

Note that 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. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The PEA, with an effective date of July 11, 2018, was completed independently by Mine Development Associates, Reno NV, Cementation, Salt Lake City UT, Samuel Engineering, Denver CO and Gault Group, Cortez CO. Readers are advised that a Technical Report containing the foregoing resource estimate titled “Preliminary Economic Assessment and Updated Technical Report on the Shafter Project, Presidio County, Texas”, prepared by Paul Tietz, CPG, Neil Prenn, P.E., Bill Tilley, P.E., Matt Bender, P.E., and Martin J. DeMarse, P.E., Mssrs. Tietz, Prenn, Tilley, Bender, and DeMarse are Qualified Persons as defined under National Instrument 43-101 is available on SEDAR (www.sedar.com)

LIQUIDITY AND FINANCIAL POSITION

The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities and in particular the price of silver. 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, including metals prices.

Several adverse conditions and material uncertainties, including lower metals prices, cast doubt upon the assumption that the Company will continue as a going concern. The business of mining and exploration involves a high degree of risk and there can be no assurance that future exploration and development of the Shafter property will result in profitable mining operations. The Company currently has finite sources of revenue and will require cash to meet the necessary financing to acquire and complete the development of its mineral properties and for future corporate and administrative expenses. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

On May 8, 2018 the Company completed a non-brokered as announced on April 27, 2018, and issued an aggregate of 13,715,400 units (each a "Unit") at a purchase price of \$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 \$0.30 until May 3, 2021. Aurcana agreed to paid cash finder's fees to arm's length parties totaling CDN\$ 92,480, and agreed to issue an aggregate of 472,400 non-transferable common share purchase warrants to finders, having the same terms as the Warrants issued in the Offering. All securities issued in the Offering are subject to a hold period of four months, expiring September 3, 2018. The Company intends to complete additional financing.

Working capital

The Company had current assets of \$2.2 million, a consolidated working capital of \$1.9 million, consolidated deficit of \$206.1 million and net loss of \$1.0 million as at and for the nine months ended September 30, 2018.

Current assets

As at September 30, 2018, the Company had current assets in the total amount of total \$2.2 million which includes \$1.9 million as cash and cash equivalents.

Mineral properties, plant and equipment ("PP&E")

PP&E, net of accumulated amortization, of \$6.9 million at September 30, 2018, was in the same amount at December 31, 2017.

Mineral properties (being Shafter), increased from \$9.5 million at September 30, 2017 to \$10.0 million at September 30, 2018; due to the exploration activities.

OUTSTANDING SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

As at November 28, 2018, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	109,989,387
Warrants (average exercise price C\$0.37)	26,426,573
Stock options (average exercise price C\$0.24)	8,200,000
Total common shares (fully diluted)	144,615,960

TRANSACTIONS WITH RELATED PARTIES

The Company's related parties include 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 companies controlled by officers or directors.

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>

Officer salaries Includes the salaries of the President and CEO, and CFO

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

FINANCIAL INSTRUMENTS

The Company and its subsidiaries are exposed to the financial risk related to the fluctuation of foreign exchange rates in currencies other than the functional currency of each entity. A significant change in the currency exchange rates between the local functional currency of each entity and the other currencies it employs could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At September 30, 2018, the Company's Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

		September 30, 2018
Cash and cash equivalents	USD\$	656,179
Accounts payable		(113,840)
	USD\$	<u>542,339</u>
CAD\$ Equivalent		702,058

At September 30, 2018, the Company's Mexican operations (U.S. dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		September 30, 2018
Cash and cash equivalents	MXP\$	47,043
Other receivable		-
Accounts payable		(1,125,415)
	MXP\$	<u>(1,078,372)</u>
USD\$ Equivalent		57,324

Fair value measurements

The Company's financial instruments include cash and cash equivalents, trade and other receivables, amounts receivable, advances, accounts payable and accrued liabilities. The carrying values of these 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.

RISKS AND UNCERTAINTIES

The operations of Aurcana are speculative due to the high risk nature of its business which the exploration and development of mining properties. The following is a brief discussion of the distinctive or special characteristics of Aurcana's operations and industry which may have a material impact on, or constitute risk factors in respect of, Aurcana's financial performance. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial may also impair the Company's operations. The order in which the following risk factors appear does not necessarily reflect management's opinion of their order or priority.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the going concern assumption.

The Company manages liquidity risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

Following the completion of the Restructuring Transaction, the Company no longer holds any assets that are currently generating revenue and will therefore be solely reliant on debt or equity financing to meet its ongoing working capital needs.

Metals Price risk

The value of the Company's securities may be significantly affected by the market price of silver, which is cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances and sales or purchases of silver by holders in response to such factors. Silver prices have been highly volatile over the past several years, and further lower prices and could

negatively impact the value of the Company's securities. Prolonged decreases in the price of silver or other metals could adversely impact the ability of the Company to recommence operations at the Shafter Project. The Company may also curtail or suspend some or all of its exploration activities on the Shafter Project in response to lower silver prices.

Risks related to recommencing mining operations

The Shafter Project is currently on care and maintenance and will require significant expenditures before production can recommence. The economic feasibility of the Shafter Project is based on many factors such as the estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future metals prices, and anticipated capital and operating costs. Many of these factors have changed since the Shafter Project was last in production, and the prior operation of the Shafter Project does not guarantee that future operation will be economically viable. Thus, it is possible that actual capital and operating costs and economic returns will differ significantly from prior operational results.

Any of the following events, among others, could affect the profitability or economic feasibility of the Shafter Project: unanticipated changes in grade and tons of mineralized material to be mined and processed, unanticipated adverse geological conditions, unanticipated metallurgical recovery problems, incorrect data on which engineering assumptions are made, availability and costs of labor, costs of processing and refining facilities, availability of economic sources of power, adequacy of water supply, unanticipated transportation costs, government regulations (including regulations with respect to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, environmental), fluctuations in metals prices, and accidents, labor actions, the availability and delivery of critical equipment, successful re-start of operations, including the achievement of designed mill recover rates and force-majeure events.

It is not unusual in newly restarted mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production.

Risks related to global financial conditions.

Current global financial conditions for mining companies have been affected by a prolonged decline in commodities prices. Access to public financing has been negatively impacted by the prolonged decline in commodities prices, and the resulting decrease in the values of the securities of many mining and mineral exploration and development companies. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company, or at all.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such decreased levels of commodity prices continue, the Company's operations could be adversely impacted and the trading price of the Company's common shares may be adversely affected.

Credit risk

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits and accounts receivable. The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with banks of investment grade.

The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties.

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Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A-" grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies. Likewise, it is the Company's policy to deal with banking counterparties for derivatives who are rated "A-" grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at September 30, 2018, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

Shareholder Dilution

It is likely that additional capital required by the Company will be raised through the issuance of additional equity securities, resulting in dilution to the Company's shareholders.

Mining risks and insurance

The business of mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes in the regulatory environment, cave-ins and flooding. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Any payments made with regards to such liabilities may have a material adverse effect on Aurcana's financial performance and results of operations. The Company carries insurance to protect itself against certain risks of mining and processing to the extent that is economically feasible, but which may not provide adequate coverage in all circumstances.

Uncertainty of mineral resources and reserves

Mineral reserves and mineral resources are estimates of the size and grade of deposits based on limited sampling and on certain assumptions and parameters. No assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery of payable metals will be realized. The grade of mineralized material actually recovered by the Company may differ from the estimated grades of the mineral reserves and mineral resources. Prolonged declines in the market price of silver, copper, lead or zinc may render mineral resources containing relatively lower grades of mineralization uneconomic to exploit and could materially reduce the Company's reserves. Should such reductions occur, the Company could be required to take a material write-down of its investment in mining properties or delay or discontinue the development of new projects, resulting in increased net losses and reduced cash flow. Market price fluctuations, as well as increased production costs or reduced recovery rates, may render mineral resources containing relatively lower grades of mineralization uneconomical to recover and may ultimately result in a restatement of mineral resources. Short-term factors relating to mineral resources, such as the need for orderly development of a mineralized deposit or the processing of new or different grades, may impair the profitability of a mine in any period. Mineral resources are not revised in response to short-term cyclical price variations in metal markets.

Reclamation obligations

Reclamation requirements may change and do vary depending on the location and the government regulatory body, but they are similar in that they aim to minimize long term effects of exploration and mining disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. The Company calculates its estimates of the ultimate reclamation liability based on current laws and regulations and the expected future costs to be incurred in reclaiming, restoring and closing its operating

mine sites. It is possible that the Company's estimate of its ultimate reclamation liability could change in the near term due to possible changes in laws and regulations and changes in cost estimates.

Exploration risks

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site

Whether any mineral deposit is commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices which are highly cyclical and government regulations, including mineral development and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Aurcana not receiving an adequate return on invested capital.

Conflicting interests

Some of the directors and officers of Aurcana also serve as directors and/or officers of other companies involved in mineral resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by such directors and officers involving Aurcana will be made in accordance with their duties and obligations to deal fairly and in good faith to Aurcana and such other companies. In addition, such directors and officers are required, subject to applicable corporate laws, to declare and refrain from voting on any matter in which such directors and officers may have a conflict of interest.

Permitting and title

Major operating permits for the Shafter Project remain in place.

Aurcana's property may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect or defects do exist, it is possible that Aurcana may lose all, or a portion, of its interest in the affected mineral claims. Aurcana has no present knowledge of any defect in the title of any of the properties in which the Company has an interest.

Management services

The success of Aurcana depends to a large extent on the ability and judgment of the senior management of Aurcana and upon Aurcana's ability to retain the services of senior management. The loss of their services may have a material adverse effect on Aurcana.

Market influences

The Company's common shares are listed for trading on the TSX Venture Exchange. Shareholders of the Company may be unable to sell significant quantities of the Common Shares into the public trading markets without a significant reduction in the price of the shares. The market price of the Common Shares may be affected significantly by factors such as changes in the Company's operating results, the availability of financings, fluctuations in the price of metals, the interest of investors, traders and others mine public companies and general market conditions. In recent years the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small capitalization mine companies similar to the Company, have experienced wide fluctuations, which have not necessarily been related to operating performance, underlying asset values or future prospects. There can be no assurance that future fluctuations in the price of the Company's shares will not occur.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Controls and procedures

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument 52-109 – Certification of disclosure in an Issuer's Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Disclosure controls and procedures

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the IFRS.

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The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in Multinational Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional information on the Company can be found on SEDAR at www.sedar.com under Aurcana Corporation's Issuer Profile as well as at the Company's website at www.aurcana.com.