



AURCANA CORPORATION

Condensed Interim Consolidated Financial Statements

March 31, 2015

(Unaudited)

Expressed in United States dollars unless otherwise stated

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2015 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim consolidated financial reporting.

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

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

	Notes	March 31 2015	December 31 2014
Assets			
Current assets			
Cash and cash equivalents	13	\$ 871,476	\$ 1,606,762
Trade and other receivables	3	3,494,101	4,691,317
Inventories	4	2,314,286	2,255,986
Insurance proceeds receivable	12	4,000,000	4,000,000
Prepaid expenses and advances		526,159	514,180
Prepaid income tax		1,195,377	1,230,803
Assets held for sale		474,386	495,284
		<u>12,875,785</u>	<u>14,794,332</u>
Non Current assets			
Non-current prepaid expenses		508,659	598,554
Property, plant and equipment	5	61,454,508	62,087,730
Mineral Properties	6	17,242,743	17,329,176
Deferred tax asset		2,529,632	2,779,702
		<u>\$ 94,611,327</u>	<u>\$ 97,589,494</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 12,366,092	\$ 12,873,431
Settlement claim payable	12	4,000,000	4,000,000
Current portion of long-term debt		229,475	340,445
Current portion of borrowings	8	9,058,375	9,128,477
		<u>25,653,942</u>	<u>26,342,353</u>
Non Current liabilities			
Long-term debt		-	14,813
Borrowings	8	24,077,876	23,510,079
Derivative liability	9	2,675,261	2,690,031
Deferred tax liability		6,783,805	6,818,737
Provision for environmental rehabilitation		1,924,797	1,946,338
		<u>61,115,681</u>	<u>61,322,351</u>
Equity			
Share capital	10	181,814,354	181,814,354
Contributed surplus		34,260,229	34,256,203
Accumulated other comprehensive income (loss)		854,359	(471,711)
Deficit		(183,466,812)	(179,368,164)
Total equity attributable to equity holders of the parent		<u>33,462,130</u>	<u>36,230,682</u>
Non-controlling interest		<u>33,516</u>	<u>36,461</u>
Total equity		<u>33,495,646</u>	<u>36,267,143</u>
		<u>\$ 94,611,327</u>	<u>\$ 97,589,494</u>

Nature of Operations and Going concern (Note 1)
 Commitments and contingencies (Note 12)

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors:

“Robert J. Tweedy”
Director

“Adrian Aguirre”
Director

Aurcana Corporation

Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in United States dollars, unless otherwise stated)

	Notes	Three months ended March 31,	
		2015	2014
Revenues			
Mining operations	15	\$ 8,037,517	\$ 13,045,780
Cost of sales		6,895,231	8,763,915
Depreciation, depletion and amortization		1,310,587	921,165
Costs of sales	16	8,205,818	9,685,080
Earnings (loss) from mine operations		(168,301)	3,360,700
Other items			
General and administrative costs	17	608,434	743,247
Financing expense and others	18	1,129,319	2,747,373
Stock-based compensation	10	4,026	128,762
Shafter mine care & maintenance costs		423,812	909,482
Foreign exchange loss		1,675,611	2,290,591
Change in fair value of derivatives	9	(14,770)	(6,024)
Severance payments		23,920	-
Loss on sale of equipment		9,898	-
Other expenses		53,913	52,879
		3,914,163	6,866,310
(Loss) before income taxes		(4,082,464)	(3,505,610)
Current Income tax expense		19,129	835,283
Deferred income tax expense (benefit)		-	155,719
Net (loss) for the period		\$ (4,101,593)	\$ (4,496,612)
Items of other comprehensive income			
Items of other comprehensive income that may be reclassified subsequently to net income (loss):			
Currency translation adjustment		1,326,070	1,848,849
Comprehensive (loss) for the period		\$ (2,775,523)	\$ (2,647,763)
Total net income (loss) attributable to:			
Non-controlling interest		(2,945)	1,845
Equity holders of the Company		(4,098,648)	(4,498,457)
		\$ (4,101,593)	\$ (4,496,612)
Total comprehensive income (loss) attributable to:			
Non-controlling interest		(2,945)	1,845
Equity holders of the Company		(2,772,578)	(2,649,608)
		\$ (2,775,523)	\$ (2,647,763)
Weighted average number of shares – basic		84,644,973	58,412,564
Weighted average number of shares – diluted		84,644,973	58,412,564
Net (loss) per share – basic & diluted			
Basic		\$ (0.05)	\$ (0.08)
Diluted		\$ (0.05)	\$ (0.08)

See accompanying notes to these condensed interim consolidated financial statements.

Aurcana Corporation
Condensed Interim Consolidated Statements of Changes in Equity
(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, 2013	58,412,564	\$ 168,678,333	\$ 32,329,060	\$ (1,295,529)	\$ (158,354,262)	\$ 41,357,602	\$ 45,484	\$ 41,403,086
Currency translation adjustment	-	-	-	1,848,849	-	1,848,849	-	1,848,849
Net (loss) for the Period	-	-	-	-	(4,498,457)	(4,498,457)	1,845	(4,496,612)
Stock-based compensation	-	-	128,762	-	-	128,762	-	128,762
Balance, March 31, 2014	58,412,564	168,678,333	32,457,822	553,320	(162,852,719)	38,836,756	47,329	38,884,085
Currency translation adjustment	-	-	-	(1,025,031)	-	(1,025,031)	-	(1,025,031)
Net (loss) for the period	-	-	-	-	(16,515,445)	(16,515,445)	(10,868)	(16,526,313)
Shares issued for:								
Debt Restructuring	16,499,501	10,333,333	-	-	-	10,333,333	-	10,333,333
Private Placement	9,732,908	3,525,944	1,507,277	-	-	5,033,221	-	5,033,221
Share Issue Costs	-	(723,256)	324,145	-	-	(399,111)	-	(399,111)
Stock-based compensation	-	-	(33,041)	-	-	(33,041)	-	(33,041)
Balance, December 31, 2014	84,644,973	181,814,354	34,256,203	(471,711)	(179,368,164)	36,230,682	36,461	36,267,143
Currency translation adjustment	-	-	-	1,326,070	-	1,326,070	-	1,326,070
Net (loss) for the period	-	-	-	-	(4,098,648)	(4,098,648)	(2,945)	(4,101,593)
Stock-based compensation	-	-	4,026	-	-	4,026	-	4,026
Balance, March 31, 2015	84,644,973	\$ 181,814,354	\$ 34,260,229	\$ 854,359	\$ (183,466,812)	\$ 33,462,130	\$ 33,516	\$ 33,495,646

See accompanying notes to these condensed interim consolidated financial statements.

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

	Three months ended March 31,	
	2015	2014
Cash flows from operating activities		
Net (loss) for the period	\$ (4,101,593)	\$ (4,496,612)
Items not involving cash:		
Depreciation, depletion and amortization	1,310,587	921,165
Financing expense and other	1,111,354	1,804,958
Loss on sale of equipment	9,898	-
Non-cash lease operating costs	73,755	-
Stock-based compensation	4,026	128,762
Unrealized foreign exchange loss	1,702,233	2,307,998
Change in fair value of derivatives	(14,770)	(6,024)
Deferred Income Tax expense	-	229,453
Operating Cash Flow before movements in working capital items	95,490	889,700
Net change to non-cash working capital balances		
Trade and other receivables	1,197,216	(3,565,767)
Inventories	(58,300)	563,639
Prepaid expenses and advances	4,161	73,977
Accounts payable and accrued liabilities	(154,023)	(1,177,086)
Cash provided by operating activities	1,084,544	(3,215,537)
Cash flows from investing activities		
Proceeds from the sale of equipment	-	766,119
Purchase of property, plant and equipment	(1,061,968)	(1,425,225)
Cash used in investing activities	(1,061,968)	(659,106)
Cash flows from financing activities		
Financing cost and interest	(588,925)	-
Payments on borrowings	-	(8,916,667)
Payments on capital equipment contracts	(125,783)	(1,881,876)
Cash provided by financing activities	(714,708)	(10,798,543)
Decrease in cash and cash equivalents	(692,132)	(14,673,186)
Effect of exchange rate changes on cash	(43,154)	(6,381)
Cash and cash equivalents, beginning of the period	1,606,762	20,277,510
Cash and cash equivalents, end of the period	\$ 871,476	\$ 5,597,943

Supplemental Cash Flow information (Note 13)

See accompanying notes to these condensed interim consolidated financial statements.

AURCANA CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (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 production and sale of silver, copper, lead and zinc concentrates and the exploration, development and operation of natural resource properties. The Company’s principal operating unit is the La Negra mine, located in Queretaro State, Mexico and the Company’s main development property is the Shafter silver property (“Shafter”), located in Presidio County, S.W. Texas.

The Company’s shares are listed on the TSX Venture Exchange and the head office, principal address, and registered office is located at Suite 1750-1188 West Georgia Street, Vancouver, B.C., V6E 4A2, Canada. These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business operations. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

These consolidated annual 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. 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, cast significant doubt upon the going concern assumption. The Company had cash and cash equivalents of \$0.9 million, a consolidated working capital deficit of \$12.8 million, consolidated deficit of \$183.5 million and losses of \$4.1 million as at and for the three months ended March 31, 2015.

The Company anticipates that silver and base metal prices will remain under pressure through 2015, which will continue to impact the Company’s margins and liquidity. To improve cash flows, the Company’s principal lender permitted management to make interest only payments and defer payments on the principal amounts owed from January to April 2015 under the current debt facility agreement. The Company is engaged in negotiations with its principal lender to restructure its current debt. In order to address ongoing liquidity concerns, while continuing to be focused on minimizing uncommitted capital expenditures and preserving the Company’s growth options. If it does not do so, or if it fails to secure additional capital or otherwise restructure or refinance its business in order to address its cash requirements through March 31, 2016, then the Company is unlikely to have sufficient capital resources or cash flows from mining operations to be able to satisfy its ongoing obligations and future contractual commitments. As a result, the Company may not be able to continue as a going concern.

If for any reason, the Company is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s consolidated financial statements and such adjustments could be material.

AURCANA CORPORATION

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

2. Basis of Preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2014.

These financial statements were approved for issue by the Board of Directors on **May 13, 2015**.

Use of Estimates and Judgments

Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the Company’s consolidated financial statements are included in Note 3 to the Company’s December 31, 2014 consolidated annual financial statements. Except for the significant accounting judgments and estimates disclosed below, there were no significant changes to the significant accounting judgments and estimates from December 31, 2014.

(i) Liquidity and Going Concern Assumption

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

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

(ii) Fair Value of Derivatives and Other Financial Instruments

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

The Company uses its judgement to select a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period. The Company has used the silver, lead, copper and zinc commodity prices (reduced by the Company’s usual discount to spot price) and the related volatility of the metals’ prices, the Company’s credit rating and credit risk spread based on the credit rating, market interest rates, and the expected copper, lead and zinc concentrates life of mine delivery schedule from its La Negra mine for the valuation of the Orion loan agreement liability and embedded derivatives and the Orion offtake agreement derivative entered into in April, 2014.

AURCANA CORPORATION

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

2. Basis of Preparation (continued)

Management valued the Orion Offtake agreement derivative using the Company's current sales contracts with Glencore as a basis, or a standard contract, to compare with. Management valued the Orion loan prepayment option derivative and the Offtake agreement derivative separately and made the significant judgment that market participants would value these derivatives in a similar way, i.e. without taking into account potential interaction of these derivatives. Management also concluded that a market participant would value the offtake agreement derivative without giving weight to the early termination feature.

Two amendments to the Orion loan agreement during 2014 saw the offtake agreement in relation to the Shafter mine terminated and new offtake agreements signed in relation to the La Negra mine production for a period of 5 years (2017 – 2021). An updated mineral resource estimate was completed in December 2014, which further impacted the fair value of the offtake agreement due to the reduced life of the La Negra mine estimate (Note 8).

The fair value of the derivatives embedded in the amended Orion loan agreement and the offtake agreement as at March 31, 2015 were \$2.7 million (December 31, 2014 - \$2.7 million). The fair value of the derivatives would be an estimated \$34,830 lower or \$35,644 higher were the credit spread used in the valuation of the derivative liabilities 5% higher or lower from management's estimates, respectively.

(iii) Environmental Rehabilitation Provision

The Company's estimate of reclamation costs could change as a result of contractual requirements, laws or regulation, the extent of environmental remediation required or completed, and the means of reclamation or changes in cost estimate. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

(iv) Review of Carrying Value of Assets and Impairment Charges

In the determination of carrying values and impairment charges, management of the Company reviews the recoverable amount (the higher of the fair value less costs to sell or the value in use) in the case of non-financial assets and objective evidence indicating impairment in the case of financial assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Changes in these assumptions may alter the results of non-financial asset and financial asset impairment testing, impairment charges recognized in profit or loss and the resulting carrying amounts of assets. (Note 5 and 19)

(v) Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

AURCANA CORPORATION

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

2. Basis of Preparation (continued)

(vi) Determination of Functional Currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management has determined that the functional currency of Aurcana Corporation is the Canadian dollar and its subsidiaries are the United States dollar.

(vii) Units of Production Depreciation and Useful Life

Estimated recoverable resources are used in determining the amortization of mine specific assets. This results in an amortization charge proportional to the depletion of the anticipated remaining life of mine production.

Each asset's life is assessed annually and considerations are made in regards to both its physical life limitations and present assessments of economically recoverable resources of the mine properties. Such calculations require the use of estimates and assumptions, including the amount of recoverable resources and estimates of future capital expenditure. Changes are accounted for prospectively. An updated mineral resource estimate was completed in December 2014, resulting in a reduced life of mine estimate that will impact the amortization of mine specific assets (Note 6).

(viii) Recovery of Deferred Tax Assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

(i) Orion Loan Restructure

Judgment is required to determine whether amendments or changes of the Orion loan agreements represent extinguishment of an original liability and recognition of a new liability. Management performed assessment of quantitative and qualitative factors to determine the accounting treatment for the amendments and changes to the Orion loan agreements. The amendment of the Original Loan agreement, termination of the Original Offtake agreement and the New Offtake agreements signed in April, 2014 were accounted for as an extinguishment of the Original Loan and related derivative liabilities (Note 8 and 9).

In addition, management applied judgment and determined that the loan agreement and offtake agreements with Orion represent a linked transaction for the accounting purposes.

AURCANA CORPORATION**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****3. Trade and Other Receivables**

	March 31	December 31
	2015	2014
	<u> </u>	<u> </u>
Trade receivables	\$ 2,456,512	\$ 1,929,817
Equipment sales receivable	948,822	2,680,279
Other receivables	88,767	81,221
	<u>\$ 3,494,101</u>	<u>\$ 4,691,317</u>

4. Inventories

	March 31	December 31
	2015	2014
	<u> </u>	<u> </u>
Supplies inventory	\$ 2,238,702	\$ 1,995,136
Stockpile inventory	14,910	76,345
Concentrates and in-process inventory	60,674	184,505
	<u>\$ 2,314,286</u>	<u>\$ 2,255,986</u>

Cost of sales includes change in finished goods inventory for the quarter of \$180,424 (Year ended December 31, 2014: \$2,946,543).

Cost of inventories recognized as expense in cost of sales for the quarter ended March 31, 2015 totalled \$8,205,818 (Year ended December 2014 - \$40,291,539).

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

5. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Assets Under Construction	Total
Balance at December 31, 2013	6,015,037	44,886,873	28,730,411	724,167	523,741	846,523	547,651	82,274,403
Additions	-	4,285,857	4,082,477	16,944	10,364	-	501,657	8,897,299
Reclassification	(2,953,951)	2,936,507	-	17,444	-	-	-	-
Reclassification to assets held for sale	-	(5,200,000)	-	-	-	-	-	(5,200,000)
Disposals	-	(7,142,134)	-	(97,400)	-	-	-	(7,239,534)
Write-down of property, plant and equipment	-	(600,000)	-	-	-	(479,838)	-	(1,079,838)
Balance at December 31, 2014	3,061,086	39,167,103	32,812,888	661,155	534,105	366,685	1,049,308	77,652,330
Additions	-	164,541	341,235	8,950	-	-	77,411	592,137
Balance at March 31, 2015	\$ 3,061,086	\$ 39,331,644	\$ 33,154,123	\$ 670,105	\$ 534,105	\$ 366,685	\$ 1,126,719	\$ 78,244,467
Accumulated depreciation								
Balance at December 31, 2013	202,846	10,656,087	514,127	403,632	437,920	94,275	-	12,308,887
Reclassification	(30,268)	30,268	-	-	-	-	-	-
Charge for the year	132,981	3,209,591	134,242	110,072	51,611	34,670	-	3,673,167
Disposals	-	(417,454)	-	-	-	-	-	(417,454)
Balance at December 31, 2014	305,559	13,478,492	648,369	513,704	489,531	128,945	-	15,564,600
Charge for the period	63,369	1,087,287	44,120	17,948	4,920	7,715	-	1,225,359
Balance at March 31, 2015	\$ 368,928	\$ 14,565,779	\$ 692,489	\$ 531,652	\$ 494,451	\$ 136,660	\$ -	\$ 16,789,959
Net book value								
Balance at December 31, 2013	\$ 5,812,191	\$ 34,230,786	\$ 28,216,284	\$ 320,535	\$ 85,821	\$ 752,248	\$ 547,651	\$ 69,965,516
Balance at December 31, 2014	\$ 2,755,527	\$ 25,688,611	\$ 32,164,519	\$ 147,451	\$ 44,574	\$ 237,740	\$ 1,049,308	\$ 62,087,730
Balance at March 31, 2015	\$ 2,692,158	\$ 24,765,865	\$ 32,461,634	\$ 138,453	\$ 39,654	\$ 230,025	\$ 1,126,719	\$ 61,454,508

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

AURCANA CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

6. Mineral Properties

	La Negra, Mexico, Producing Mine	Shafter, Texas, USA, In Construction	Total
Balance at December 31, 2013	\$ 12,717,017	\$ 15,500,000	\$ 28,217,017
Impairment of mining interests		(1,500,000)	(1,500,000)
Balance at December 31, 2014	12,717,017	14,000,000	26,717,017
Expenditures	-	-	-
Balance at March 31, 2015	\$ 12,717,017	\$ 14,000,000	\$ 26,717,017
Accumulated depletion			
Balance at December 31, 2013	\$ 9,166,476	\$ -	\$ 9,166,476
Charge for the year	221,365	-	221,365
Balance at December 31, 2014	9,387,841	-	9,387,841
Charge for the period	86,433	-	86,433
Balance at March 31, 2015	\$ 9,474,274	\$ -	\$ 9,474,274
Net book value			
Balance at December 31, 2013	\$ 3,550,541	\$ 15,500,000	\$ 19,050,541
Balance at December 31, 2014	\$ 3,329,176	\$ 14,000,000	\$ 17,329,176
Balance at March 31, 2015	\$ 3,242,743	\$ 14,000,000	\$ 17,242,743

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

	March 31 2015	December 31 2014
Property taxes	\$ 591,186	\$ 588,659
Salaries, payroll deductions and employee benefits	1,285,621	1,390,934
Employees' statutory profit sharing	37,970	39,096
Mine suppliers - operating	5,071,352	4,850,236
Mine suppliers - capital	856,318	1,292,079
Other	4,523,645	4,712,427
	<u>\$ 12,366,092</u>	<u>\$ 12,873,431</u>

AURCANA CORPORATION**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in United States dollars, unless otherwise stated)****8. Borrowings**

Interest on the Company's debt facility agreement accrues at a rate equal to LIBOR (subject to a minimum of 1%) plus 5.5% per annum. The loan is to be repaid in equal monthly installments with the last payment due in April 2018. Early prepayment may occur at any time without charges.

Aurcana entered into offtake agreements with the lender in respect of 100% of the copper, zinc and lead concentrates produced at its La Negra mine for the period from January 1, 2017 to December 31, 2021 (concentrates also have silver content). The Company agreed to sell the concentrates at the prices selected by the lender as an average day spot price for any one of the 10 days following the delivery.

During the quarter ended March 31, 2015, Orion permitted management to make interest only payments and defer payments on the principal amounts owed from January to April 2015 under the current debt facility agreement. The Company is currently engaged in negotiations with its principal lender to restructure its current debt in order to address ongoing liquidity concerns.

Accretion of \$0.5 million has been recognized for the quarter ended March 31, 2015.

	March 31 2015	December 31 2014
Fair value of amended loan	\$ 32,638,556	\$ 35,538,573
Accretion	497,695	1,484,763
Repayments	-	(4,384,780)
Total Borrowings	\$ 33,136,251	\$ 32,638,556

Schedule of principal repayments is as follows:

	March 31 2015
2015	8,154,338
2016	10,872,456
2017	10,872,456
2018	6,342,266
	\$ 36,241,516

AURCANA CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
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8. Borrowings (continued)

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

	Carrying amount		Fair value	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Orion Loan	33,136,251	32,638,556	31,592,477	31,836,912
Derivatives (note 9)	2,675,261	2,690,031	2,675,261	2,690,031
Total	35,811,512	35,328,587	34,267,738	34,526,943

*These financial instruments are classified under level 3 hierarchy, as they are not based on observable market data.

9. Derivatives

The Company's debt facility agreement includes offtake agreements with the lender that contain derivatives.

Valuation methodology

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

The offtake agreement derivative was decomposed into the sum of cash flows which depends on silver, copper, zinc and lead prices. Future metals prices were estimated using consensus analyst forecasts of top tier financial institutions. Key inputs used by the Company include: the USD risk free rate, historical silver, copper, zinc and lead prices and the Company's standard discount to spot price.

Valuation assumptions

The Company's credit spread as of the inception date of the Original Loan of September 19, 2013 was calibrated by setting the fair value of the credit facility and the silver agreement equal to total proceeds of transaction, resulting in a credit spread of 31.33% as at the inception date ("the calibrated spread") of the Original Loan and Original Offtake. The spread as at April 30, 2014 and December 31, 2014 is based on the market borrowing interest rate for the Company of 15.4%.

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

9. Derivatives (continued)

Sensitivity of the derivatives valuation to changes in the assumptions

	5% decrease in credit spread	5% increase in credit spread
Increase/(decrease) in fair value at March 31, 2015	\$35,644	(\$34,830)

The fair value of the derivatives as at March 31, 2015 is as follows:

Derivative liability under the Amended Loan and New Offtake agreement at April 30, 2014	\$3,944,891
Change in fair value as a result of loan modification	631,771
Change in fair value	(1,886,631)
Derivative liability – December 31, 2014	\$2,690,031
Change in fair value	(14,770)
Derivative liability – March 31, 2015	\$2,675,261

10. Equity

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

Stock options

On August 25, 2014 the TSX Venture Exchange approved an amendment to the Company's Stock Option Plan (the "Plan"), which is a fixed plan, to increase the maximum number of shares reserved for issuance to directors, officers, employees and consultants of the Company under the Plan to 8,379,852 common shares. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines and the terms of the Plan. The maximum number of common shares reserved for issuance remains less than 10% of the total issued and outstanding common shares of the Company.

<u>Stock options</u>	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share (\$CDN)
Balance, December 31, 2013	3,459,374	5.87
Expired	(85,937)	7.45
Forfeited	(10,937)	8.16
Balance, March 31, 2014	3,362,500	5.83
Expired	(928,124)	4.56
Forfeited	(18,751)	3.99
Balance, December 31, 2014	2,415,625	6.23
Expired	(1,031,250)	6.22
Balance, March 31, 2015	1,384,375	6.24

AURCANA CORPORATION**Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in United States dollars, unless otherwise stated)****10. Equity (continued)**

Outstanding	Vested	Exercise Price (\$CDN)	Expiry Date
43,750	43,750	\$ 4.88	January 14, 2016
415,625	415,625	\$ 6.08	February 22, 2016
9,375	9,375	\$ 6.08	May 4, 2016
487,500	487,500	\$ 5.52	May 30, 2016
18,750	18,750	\$ 5.60	December 5, 2016
240,625	240,625	\$ 8.16	June 11, 2017
12,500	12,500	\$ 7.76	December 6, 2017
156,250	156,250	\$ 6.32	February 28, 2018
1,384,375	1,384,375	\$ 6.24	

Stock based compensation

For the period ended March 31, 2015 the stock-based compensation expense was \$4,026 (2014: \$128,762).

Warrants

As at March 31, 2015 details of outstanding common shares purchase warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
293,750	\$2.49	June 30, 2015
532,908	\$0.55	June 20, 2016
9,732,908	\$0.80	June 20, 2017
10,559,566		

AURCANA CORPORATION**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****11. 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	March 31 2015	March 31 2014
Technical and consulting fees	(i)	\$ 7,714	\$ -
Management fees	(ii)	-	100,442
Consulting fees		<u>\$ 7,714</u>	<u>\$ 100,442</u>

- i) To companies controlled by officers or directors.
- ii) To a company controlled by the former President and CEO for management services performed.

b) Compensation of key management personnel

	March 31 2015	March 31 2014
Consulting fees	\$ 7,714	\$ 100,442
Directors' fees	56,196	36,064
Officer salaries *	120,851	77,021
Stock-based compensation	4,026	128,762
	<u>\$ 188,787</u>	<u>\$ 342,289</u>

*Officer salaries includes the salary of the President and CEO of the Company for the quarter ended March 31, 2015 (Q1, 2014 – Nil).

c) Transactions with principal lender:

	March 31 2015	March 31 2014
Payment of interest	<u>\$ 588,925</u>	<u>-</u>

AURCANA CORPORATION

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

12. Commitments and contingencies

Supply agreements

In March 2011, the Company signed a contract with Metagri S.A. de C.V. (a subsidiary of Glencore) whereby Metagri agreed to purchase 100% of the lead concentrate to be produced at the La Negra mine until the end of 2013. During 2013, the agreement with Metagri was extended to 2016 and amended to include all lead, copper and zinc concentrates.

Prices paid are based on the average of the month in which the shipment is made, determined by prices (US dollars) published in the Metal Bulletin in London Metals Exchange or the London Bullion Market.

On April 29, 2014, Aurcana entered into the New Offtake Agreements with Orion in respect of copper, zinc and lead concentrate produced at its La Negra mine for the period from January 1, 2017 to December 31, 2020. In order to improve Aurcana's liquidity in the short term, Orion has agreed to waive principal and interest payments on the Amended Loan for July 31st, August 31st, and September 30th amounting to approximately \$3.1 million. This amount will be amortized over the remainder of the loan period commencing October 2014. In return, the Company has extended the New Offtakes by one year to 2021.

In January 2015, the Company signed a contract with Mercuria S.A. de C.V. whereby Mercuria agreed to purchase 100% of the copper concentrate to be produced at the La Negra mine during 2015. The Company was granted permission by Metragri to sell the copper concentrate to Mercuria during 2015.

Shafter equipment operating lease

On December 1, 2013 the Company signed an operating lease agreement for mining equipment for Shafter in the amount of \$1,227,024 with a term of 30 months and \$44,467 equal payments. During the quarter ended March 31, 2015, the Company signed an early lease termination agreement with the lessor. Under the terms of the agreement, the Company paid \$100,000 to the lessor and will make 15 monthly payments of \$10,000 each with the first payment due April 1, 2015.

La Negra equipment operating lease

In December, 2014, the Company entered into an operating lease agreement with a third party for equipment to be used at the La Negra Mine with a total value of \$2.5 million. The lease terms call for equal monthly payments over a 36 month term.

AURCANA CORPORATION

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

12. Commitments and contingencies (continued)

Class action

In February 2015, the Company entered into an agreement (the “Settlement Agreement”) to settle the class action litigation commenced by Nunzio Cardillo and John Wituluk in the Ontario Superior Court of Justice (the “Action”) against the Company and two former executives of the Company (the “Settlement”). The Settlement provides for the full and final settlement, release and dismissal of all claims brought under the Action. The Settlement is subject to a number of customary conditions, including the receipt of court approval of the Settlement, which approval was received on April 10, 2015.

Under the terms of the Settlement, the Company has agreed pay an aggregate of \$4,000,000 (the “Settlement Amount”), which amount, net of legal fees and other costs, will be divided among members of the plaintiff class on a pro rata basis, assuming the remaining conditions under the settlement agreement are met. The Settlement Amount is being fully funded by insurance maintained by the Company, and the Company does not anticipate that the payment of the Settlement Amount will have any effect on the Company’s cash position or operations.

The Company elected to enter into the Settlement in order to avoid the expense, burden and inconvenience associated with the continuance of the Action. The Settlement does not constitute an admission by the Company of any violation of law or other wrongdoing.

Claims by the Company

The Company commenced a claim against a third party with regards to royalty payments made between 2007 and 2012. The Company asserts these payments were not required and is seeking full recovery. The Company did not make any payments for 2013 and 2014 but recognized an amount payable of \$3.2 million in accounts payable and accrued liabilities to reflect the amount owing should the Company not be successful in its claim. No amounts have been recognized or accrued for the quarter ended March 31, 2015.

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

	Total	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$
Operating leases	\$2,898	\$1,009	\$1,078	\$811	\$ Nil	\$ Nil
Rent	337	85	108	108	36	Nil
Total	\$3,235	\$1,094	\$1,186	\$919	\$36	\$ Nil

AURCANA CORPORATION**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****13. Supplemental Cash Flow Information**

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

	March 31 2015	March 31 2014
Cash	\$ 867,774	\$ 5,562,518
Short-term investments	3,702	35,425
Cash and cash equivalents	<u>\$ 871,476</u>	<u>\$ 5,597,943</u>

Supplemental disclosures of cash flow information for the year ended:

	March 31 2015	March 31 2014
Cash interest paid	\$ 606,890	\$ 942,415
Amounts receivable for equipment sold	<u>948,822</u>	<u>-</u>

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

Non-cash investing and financing activities are as follows:

	March 31 2015	March 31 2014
Decrease in accounts payable related to construction in progress and equipment suppliers	\$ (435,761)	\$ (83,457)

AURCANA CORPORATION

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

14. Segmented Information

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

March 31, 2015	La Negra	Shafter	Corporate and other segments	Total
Sales to external customers	\$ 8,037,517	\$ -	\$ -	\$ 8,037,517
Mining operating expenses	6,224,127	-	-	6,224,127
Freight and delivery	391,534	-	-	391,534
Depreciation and amortization	1,224,154	-	-	1,224,154
Depletion of mineral properties	86,433	-	-	86,433
Earnings (loss) from mine operations	(168,301)	-	-	(168,301)
Shafter mine Care & Maintenance cost	-	273,812	-	273,812
G&A expenses and other (income) expense	(72,688)	160,758	3,552,281	3,640,351
Intersegment charges (recovery)	1,137,431	-	(1,137,431)	-
Income (loss) before income taxes	(1,233,044)	(434,570)	(2,414,850)	(4,082,464)
Income tax expense (recovery)	-	-	19,129	19,129
Net income (loss) for the year	(1,233,044)	(434,570)	(2,433,979)	(4,101,593)
Property, plant and equipment	49,980,950	11,442,509	31,049	61,454,508
Mineral properties	3,242,743	14,000,000	-	17,242,743
Total capital assets	53,223,693	25,442,509	31,049	78,697,251
Total assets	60,527,933	25,996,201	8,087,193	94,611,327
Total liabilities	18,930,858	1,385,539	40,799,284	61,115,681

March 31, 2014	La Negra	Shafter	Corporate and other segments	Total
Sales to external customers	\$ 13,045,780	\$ -	\$ -	\$ 13,045,780
Mining operating expenses	7,905,978	-	-	7,905,978
Royalties	350,108	-	-	350,108
Freight and delivery	507,829	-	-	507,829
Depreciation and amortization	892,434	-	-	892,434
Depletion of mineral properties	28,731	-	-	28,731
Earnings (loss) from mine operations	3,360,700	-	-	3,360,700
Shafter production delay and other costs	-	909,482	-	909,482
General and administrative expenses	391,807	146,667	5,418,354	5,956,828
Intersegment charges (recovery)	1,066,181	-	(1,066,181)	-
Income (loss) before income taxes	1,902,712	(1,056,149)	(4,352,173)	(3,505,610)
Income tax expense	815,854	-	175,148	991,002
Net income (loss) for the year	1,086,858	(1,056,149)	(4,527,321)	(4,496,612)
Property, plant and equipment	52,014,653	12,444,947	54,790	64,514,390
Mineral properties	3,521,810	15,500,000	-	19,021,810
Total capital assets	55,536,463	27,944,947	54,790	83,536,200
Total assets	66,949,169	34,121,660	10,596,644	111,667,473
Total liabilities	21,267,289	5,586,694	45,929,405	72,783,388

AURCANA CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

15. Revenue from mining operations

Revenues: La Negra mine	Three months ended March 31,	
	2015	2014
Gross revenues from mining operations	\$ 11,083,095	\$ 17,138,648
Deductions treatment charges, refining and smelting charges deducted by the customers	3,045,578	4,092,868
Revenues from mining operations	\$ 8,037,517	\$ 13,045,780
Net Revenues by customer:		
Customer "A"	\$ 4,365,659	\$ -
Customer "B"	3,671,858	13,045,780
Revenues from mining operations	\$ 8,037,517	\$ 13,045,780

16. Cost of Sales

	Three months ended March 31,	
	2015	2014
Mine and mill supplies	\$ 2,781,036	\$ 3,105,994
Power	532,252	852,899
Wages, salaries and benefits	2,730,415	3,709,211
Profit sharing employees	-	171,970
Royalties	-	350,108
Freight and delivery	391,534	507,829
Change in inventories	180,424	65,904
Operating lease	279,570	-
Depreciation and amortization	1,224,154	892,434
Depletion of mineral properties	86,433	28,731
Total cost of sales	\$ 8,205,818	\$ 9,685,080

AURCANA CORPORATION**Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in United States dollars, unless otherwise stated)****17. General and administrative costs**

	Three months ended March 31,	
	2015	2014
Salaries and fees	\$ 350,175	\$ 378,274
Professional fees	84,139	107,502
Investor relations	25,355	38,997
Marketing	7,909	46,393
Listing and filing fees	9,028	11,009
Other	131,828	161,072
	<u>\$ 608,434</u>	<u>\$ 743,247</u>

18. Financing expense and other

	Three months ended March 31,	
	2015	2014
Accretion of provision for environmental rehabilitation	\$ 24,734	\$ 20,836
Accretion of Orion loan (Note 8)	497,695	1,784,122
Financing expense and bank charges	606,890	942,415
	<u>\$ 1,129,319</u>	<u>\$ 2,747,373</u>

19. Impairment

The Company reviews each asset or cash generating unit at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs of disposal and value in use.

The determination of fair value less cost of disposal and value in use requires management to make estimates and assumptions about expected production and sales volumes, metal prices, production and grades, operating costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances could alter these projections materially, which could impact the recoverable amount of the assets.

As at March 31, 2015, management of the Company determined that the decline in market capitalization of the Company, the decline in the price of silver and copper metals, and the decrease in the La Negra mine resources estimate constituted impairment indicators for the La Negra mine.

AURCANA CORPORATION

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

19. Impairment (continued)

La Negra mine

The recoverable amount of the La Negra mine is based on its future after-tax cashflows expected to be derived from its mineral reserves value-in-use. The projected cash flows used in impairment testing are significantly affected by changes in assumptions for metal prices, future capital expenditures, changes in the amount of recoverable reserves, resources, and exploration potential, production costs estimates, discount rates, inflation and exchange rates. The Company's testing resulted in no impairment losses for the La Negra mine and incorporated the following assumptions:

(i) Weighted average cost of capital

Projected cash flows were discounted using an after-tax discount rate of 9% which represented the Company's weighted average cost of capital and which included estimates for risk-free interest rates, market value of the Company's equity, market return on equity, share volatility and debt-to-equity financing ratio.

(ii) Pricing assumptions

Metal pricing included in the cash flow projections for the next five years is based on consensus analyst pricing. The metal prices assumptions used in the Company's impairment assessment were as follows:

	2015	2016	2017	2018	2019-2020
<u>Precious Metals</u>					
Silver Price (US\$/oz)	\$17.15	\$17.97	\$18.80	\$19.24	\$19.08
<u>Base & Other Metals</u>					
Copper Price (US\$/lb)	\$2.80	\$2.97	\$3.11	\$3.24	\$2.91
Lead Price (US\$/lb)	\$0.93	\$0.99	\$1.02	\$1.00	\$0.92
Zinc Price (US\$/lb)	\$1.04	\$1.13	\$1.19	\$1.19	\$1.01

(iii) Life of mine ("LOM")

As a result of an updated LOM which included lower forecast ore tonnes mined and reduced grades, the projected LOM for La Negra was reduced to five years for the purposes of the impairment test.

(iv) Sensitivity

The Company undertook a sensitivity analysis to identify the impact of changes in long-term metal pricing and production costs relative to current assumptions that would cause La Negra's carrying amount to exceed its recoverable amount.

The Company determined that a reduction in metal prices of 1.2% would cause the recoverable amount to equal the carrying value, although, this could be partially offset by the impact on prices of certain other inputs. An increase of 2.4% in production cost assumptions would also cause the recoverable amount to equal the carrying value.

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20. Fair Value Measurements

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

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

The following table summarizes the fair value hierarchy, as of March 31, 2015:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	\$ (2,675,261)	\$ -	\$ -	\$ (2,675,261)	Level 3
	\$ (2,675,261)	\$ -	\$ -	\$ (2,675,261)	

The following table summarizes the fair value hierarchy, as of December 31, 2014:

Recurring measurements	Fair Value Through Profit or Loss	Loans and Receivables	Other Financial Assets and Liabilities	Total	Fair Value Hierarchy
Financial Liabilities					
Derivative liabilities	\$ (2,690,031)	\$ -	\$ -	\$ (2,690,031)	Level 3
	\$ (2,690,031)	\$ -	\$ -	\$ (2,690,031)	

The carrying value and fair value of trade and other receivable and accounts payable and accrued liabilities as of March 31, 2015 are approximately the same. The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

The valuation technique used in the determination of fair values within Level 3 of the hierarchy, and the key unobservable inputs used in the valuation model are disclosed in Note 9.