



**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF
AURCANA CORPORATION
TO BE HELD ON December 10, 2018**

AND

MANAGEMENT INFORMATION CIRCULAR

November 7, 2018

These materials are important and require your immediate attention. They require shareholders of Aurcana Corporation to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal or other professional advisors. If you have any questions or require more information with regard to voting your shares, please contact Aurcana Corporation.



November 7, 2018

Dear Shareholders of Aurcana Corporation:

On behalf of the Board of Directors (the “**Aurcana Board**”) of Aurcana Corporation (“**Aurcana**” or the “**Company**”), we invite you to join us at a special meeting (the “**Meeting**”) of the shareholders of Aurcana (the “**Aurcana Shareholders**”) to be held at 9:30 a.m. (Vancouver Time) on December 10, 2018 at Suite 910 – 800 West Pender Street, Vancouver, British Columbia.

At the Meeting, you will be asked to consider and vote upon a resolution (the “**Arrangement Resolution**”) approving a plan of arrangement (the “**Arrangement**”) under Section 192 of the *Canada Business Corporations Act*, pursuant to which, among other things:

- Aurcana will purchase all equipment currently owned by an affiliate of Orion Mine Finance (Master) Fund I LP (“**Orion**”), an approximate 15% shareholder of Aurcana, located at the Company’s Shafter-Presidio Mine located in Shafter, Texas, in exchange for US\$500,000 and 23,894,545 pre-Consolidation common shares of Aurcana (the “**Aurcana Shares**”),
- The Aurcana Shares will be consolidated on a 5:1 basis (the “**Consolidation**”),
- Aurcana US Ltd. (“**Aurcana US**”), a wholly-owned, indirect subsidiary of Aurcana, will acquire all of the issued and outstanding common shares of Ouray Silver Mines, Inc. (“**Ouray**”). Ouray owns the Revenue-Virginus mine located in the San Juan Mountains near Ouray, Colorado. Aurcana US will also become a party to a metal prepay agreement providing a security package over all the common shares and assets of Ouray. As consideration therefor, Aurcana will issue 83,240,359 common shares of Aurcana (post-Consolidation) to the existing shareholder of Ouray and the owner of the metal prepay agreement, and
- Aurcana will complete a subscription receipt offering for gross proceeds of a minimum of C\$9,000,000, or such other amount as may be agreed to by Aurcana, Aurcana US, Ouray and LRC Group. Each subscription receipt will be issued at a price of C\$1.00, and, upon the completion of the Arrangement, will convert into a Post-Consolidation Aurcana Share and a post-Consolidation Aurcana Warrant (an “**Underlying Warrant**”),

all as more fully set forth in the enclosed management information circular (the “**Circular**”).

The Aurcana Board has determined that the terms of the Arrangement are in the best interests of Aurcana for the following reasons, among other things:

- a) *Strong Management Team.* The combination of highly experienced board and management teams with a proven record of delivering shareholder value through mineral discovery and project development. The management team of the Combined Company will have high visibility in the mining industry and significant relationships with key sector investors and analysts that should help to attract strong retail and institutional support.
- b) *Enhanced Capital Markets Profile.* The Combined Company's capital markets profile is expected to be enhanced due to a combined market capitalization, greater trading liquidity and increased market profile and analyst coverage which may provide the Combined Company with enhanced opportunities to create value for its shareholders.
- c) *Opportunity for Near-Term Production.* The RV Mine represents an opportunity for near-term production, which would provide the Combined Company with revenues.

- d) *Key Shareholder Support.* Aurcana Shareholders holding in the aggregate greater than 15% of the issued and outstanding Aurcana Shares have executed Voting and Support Agreements. Orion, which is the largest shareholder of Aurcana, supports the transaction.
- e) *Receipt by Aurcana's Board of a Fairness Opinion.* Dundee Securities Ltd. provided the Aurcana Board with a written opinion to the effect that, as of September 17, 2018, and based upon and subject to the limitations, assumptions and qualifications contained therein, the consideration to be paid by Aurcana, under the Arrangement is fair, from a financial point of view, to Aurcana. See "Background to and Reasons for the Recommendation of the Board of Directors – Fairness Opinion".
- f) *Shareholder Approval.* The Arrangement Resolution must be approved by: (i) not less than 66 $\frac{2}{3}$ % of the votes cast by the Aurcana Shareholders present in person or represented by proxy at the Meeting; and (ii) not less than a majority of the votes cast by the Aurcana Shareholders present in person or represented by proxy at the Meeting (excluding the votes cast by Orion that must be excluded in accordance with Canadian Securities Laws), thereby providing protection for Aurcana Shareholders. "Securities Law Matters – Canadian Securities Law – Multilateral Instrument 61-101".
- g) *Court Process.* The Arrangement will be subject to a judicial determination of the Court that the Arrangement is fair and reasonable, both procedurally and substantively, to Aurcana Shareholders.
- h) *Dissent Rights.* Aurcana Registered Shareholders who do not vote in favour of the Arrangement will have the right to require a judicial appraisal of their Aurcana Shares and to obtain "fair value" pursuant to the proper exercise of the Dissent Rights.
- i) *Low Execution Risk.* There are no material competition or other regulatory issues which are expected to arise in connection with the Arrangement so as to prevent its completion, and all required regulatory clearances and approvals are expected to be obtained. The Arrangement is not subject to further due diligence on the part of Ouray or Aurcana.

Immediately following completion of the Arrangement, the Aurcana Board will be increased from four directors to five directors and the Aurcana Board will be reconstituted to be comprised of the current members of the Aurcana Board (other than Adrian Aguirre and Jerry Blackwell who will step down in connection with the closing of the Arrangement), together with the expected appointments of Michael Gross, David Kaplan, and Elliot Rothstein.

Each of the directors and officers of Aurcana and certain other Aurcana Shareholders who hold, in the aggregate, greater than 15% of the Aurcana Shares, have entered into voting and support agreements agreeing to support and vote in favour of the Arrangement Resolution, in accordance with the terms of those agreements.

In making its determination, the Aurcana Board considered, among other things, an opinion from Dundee Securities Ltd. to the effect that, as of September 17, 2018 and based upon and subject to the limitations, assumptions and qualifications contained therein, the consideration to be paid by Aurcana under the Arrangement is fair, from a financial point of view, to Aurcana. A copy of the fairness opinion is annexed as Schedule G of the Circular.

Completion of the Arrangement is dependent on several factors. To be effective, the Arrangement Resolution must be approved at the Meeting by: (i) not less than 66 $\frac{2}{3}$ % of the votes cast by the Aurcana Shareholders present in person or represented by proxy and entitled to vote at the Meeting; and (ii) not less than a majority of the votes cast excluding the votes of Aurcana Shares held or controlled by "related parties" and "interested parties" as defined under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, present in person or represented by proxy at the Meeting.

The Arrangement is also subject to obtaining the requisite approvals of the Supreme Court of British Columbia. It is anticipated that the Arrangement will be completed as soon as practicable following receipt of the final order of the Supreme Court of British Columbia, which is expected to be obtained on or about December 13, 2018, and following the satisfaction or waiver of all other conditions precedent to the Arrangement.

We are enclosing a notice of special meeting of Aurcana Shareholders (the "**Notice of Meeting**") and the Circular for the Meeting, as well as a form of proxy and letter of transmittal which will be sent only to Aurcana Registered Shareholders. The Circular provides a detailed description of the Arrangement and the matters to be considered at the Meeting, as well as detailed information regarding Aurcana and Ouray and certain *pro forma* and other information regarding Aurcana and Ouray after giving effect to the Arrangement (collectively, the "**Combined Company**"). It also includes certain risk factors relating to Aurcana, Ouray, the Combined Company and the completion of the Arrangement. You are urged to read this information carefully and, if you require assistance, to consult your tax, financial, legal or other professional advisors.

Your vote is very important regardless of the number of Aurcana Shares you own. The Aurcana Board recommends that Aurcana Shareholders vote in favour of the Arrangement Resolution approving the Arrangement.

If you are an Aurcana registered shareholder (i.e., your name appears on the register of Aurcana Shares maintained by or on behalf of Aurcana) and you are unable to attend the meeting in person, please date, sign and return the enclosed form of proxy. Proxies to be used at the Meeting must be deposited with TSX Trust Company by mail or hand delivery to 301 – 100 Adelaide Street West, Toronto ON M5H 4H1. In order to be valid and acted upon at the Meeting, the duly-completed form of proxy must be received prior to 9:30 a.m. (Vancouver time) on December 6, 2018 or 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement or any adjournment or postponement of the Meeting. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at his discretion, without notice.

If you hold your Aurcana Shares through a broker, custodian, nominee or other intermediary, you should follow the instructions provided by your intermediary to ensure your vote is counted at the Meeting and should arrange for your intermediary to complete the necessary steps.

We thank Aurcana Shareholders for their support and look forward to seeing you at the Meeting.

Yours truly,

(signed) Kevin Drover

Kevin Drover
President and Chief Executive Officer

AURCANA CORPORATION
NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that in accordance with the interim order of the Supreme Court of British Columbia (the “**Court**”) rendered November 6, 2018 (the “**Interim Order**”), a special meeting (the “**Meeting**”) of shareholders (“**Aurcana Shareholders**”) of Aurcana Corporation (“**Aurcana**”) will be held at 9:30 a.m. (Vancouver Time) on December 10, 2018 at Suite 910 – 800 West Pender Street, Vancouver, British Columbia, for the following purposes:

- (a) to consider, pursuant to the Interim Order, as the same may be amended, and, if deemed advisable, to pass, with or without variation, a special resolution of Aurcana Shareholders (the “**Arrangement Resolution**”), the full text of which is annexed as Schedule A to the accompanying management information circular of Aurcana (the “**Circular**”) dated November 7, 2018, to authorize and approve an arrangement (the “**Arrangement**”) under Section 192 of the *Canada Business Corporations Act* (the “**CBCA**”) involving Aurcana, Aurcana US Ltd., LRC-FRSM LLC, LRC-FRSM II LLC, and Ouray Silver Mines, Inc. (“**Ouray**”), all as more fully set out in the Circular; and
- (b) to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

The Aurcana Board unanimously recommends that Aurcana Shareholders vote IN FAVOUR of the Arrangement Resolution. The Aurcana Board has fixed November 2, 2018 as the record date (the “**Record Date**”) for determining the Aurcana Shareholders who are entitled to receive notice of and vote at the Meeting. Only Aurcana Shareholders whose names have been entered in the registers of Aurcana as at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting.

The Arrangement is described in the Circular, which forms part of this notice.

If you are unable to attend the meeting in person, please date, sign and return the enclosed form of proxy. Proxies to be used at the Meeting must be deposited with TSX Trust Company by mail or hand delivery to 301 – 100 Adelaide Street West, Toronto ON M5H 4H1. In order to be valid and acted upon at the Meeting, the duly-completed form of proxy must be received prior to 9:30 a.m. (Vancouver time) on December 6, 2018 or 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement or any adjournment or postponement of the Meeting. Notwithstanding the foregoing, the Chair of the Meeting has the discretion to accept proxies received after such deadline.

If you are a non-registered holder of Aurcana Shares and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you by your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

Pursuant to and in accordance with the Interim Order and the provisions of Section 190 of the CBCA (as modified or supplemented by the Interim Order, the Plan of Arrangement or any other order of the Court), each registered Aurcana Shareholder has been granted the right to dissent in respect of the Arrangement Resolution and the dissent rights are described in the accompanying Circular. To exercise such right, (a) a written notice of dissent to the Arrangement Resolution must be received by Aurcana, c/o Kevin Drover, President and Chief Executive Officer, at 850 - 789 West Pender Street, Vancouver, British Columbia by 9:30 a.m. (Vancouver time) on December 6, 2018, or two business days prior to any adjournment or postponement of the Meeting, (b) the Aurcana Shareholder must not have voted in favour of the Arrangement Resolution, and (c) the Aurcana Shareholder must have otherwise complied with the provisions of Section 190 of the CBCA, as modified and supplemented by the Interim Order, the Plan of Arrangement or any other order of the Court. The right to dissent is described in the Circular and the texts of the Plan of Arrangement, the Interim Order and Section 190 of the CBCA are set forth in Schedule B, Schedule C and Schedule E, respectively, to the Circular.

Persons who are beneficial owners of Aurcana Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered holders of Aurcana Shares are entitled to dissent. Accordingly, a beneficial owner of Aurcana Shares desiring to exercise this right must make arrangements for the Aurcana Shares beneficially owned by such person to be registered in his, her or its name prior to the time the written notice of dissent to the Arrangement Resolution is required to be received by Aurcana or, alternatively, make arrangements for the registered holder of such Aurcana Shares to dissent on his, her or its behalf. Holders of securities convertible into or exchangeable for Aurcana Shares (including Aurcana Options and Aurcana Warrants) are not entitled to exercise dissent rights.

Failure to strictly comply with the requirements set forth in Section 190 of the CBCA, as modified and supplemented by the Interim Order, the Plan of Arrangement or any other order of the Court, will result in the loss of any right of dissent.

DATED at Vancouver, British Columbia, November 7, 2018.

By Order of the Board of Aurcana Corporation.

(signed) Kevin Drover

Kevin Drover
President and Chief Executive Officer

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AURCANA CORPORATION
MANAGEMENT INFORMATION CIRCULAR
SOLICITATION OF PROXIES BY MANAGEMENT

This Circular is furnished in connection with the solicitation by the management of Aurcana of proxies to be used at the Meeting of Aurcana Shareholders to be held at the time and place and for the purposes set out in the Notice of Meeting. It is expected that the solicitation will be made primarily by mail. However, officers and employees of Aurcana may also solicit proxies by telephone, telecopier, e-mail or in person. The total cost of solicitation of proxies will be borne by Aurcana. Pursuant to NI 54-101, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy-related materials to the beneficial owners of the Aurcana Shares. See “Appointment and Revocation of Proxies – Notice to Beneficial Holders of Shares” below.

INFORMATION CONTAINED IN THIS CIRCULAR

No Person has been authorized to give any information or make any representations in connection with the Arrangement other than those contained in this Circular and, if given or made, any such information or representations should be considered not to have been authorized by Aurcana. This Circular does not constitute the solicitation of a proxy by any Person in any jurisdiction in which such solicitation is not authorized or in which the Person making such solicitation is not qualified to do so or to any Person to whom it is unlawful to make such solicitation.

All information relating to Ouray or any of its affiliates contained in this Circular has been provided to Aurcana by those parties. The Aurcana Board has relied upon this information without having made independent inquiries as to its accuracy or completeness; however, the Aurcana Board has no reason to believe that the information is misleading or inaccurate. The Aurcana Board and Aurcana assume no responsibility for the inaccuracy or incompleteness of any information provided by Ouray or any of its Affiliates, or for any failure of any of them to disclose events that may have occurred or that may affect the significance or accuracy of any such information or for any failure of any of them to update or amend such information, whether as a result of new information, future events or otherwise.

Except as otherwise indicated, the information provided herein is as of November 7, 2018.

See “Glossary of Terms” for certain of the defined terms used in this Circular.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING INFORMATION

This Circular contains “forward-looking information” (as defined in applicable Canadian Securities Laws) (forward-looking information and forward-looking statements being collectively hereinafter referred to as “**forward-looking information**”) that are based on expectations, estimates and projections as of the date of this Circular relating to the Arrangement. Often, but not always, such forward-looking information can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “budgets”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “believes”, or variations or the negatives of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved or not be taken, occur or be achieved. These forward-looking statements include but are not limited to statements and information concerning: the Arrangement; intentions, plans and future actions of Aurcana and Ouray; the timing for the implementation of the Arrangement and the potential benefits of the Arrangement; the likelihood of the Arrangement being completed; principal steps of the Arrangement; statements made in, and based upon, the Fairness Opinion; statements relating to the business and future activities of and developments related to Aurcana and Ouray after the date of this Circular; Court approval of the Arrangement; market position, ability to compete and future financial or operating performance of Aurcana and Ouray; anticipated developments in operations; the future price of metals; the estimation of current and future mineral reserves and resources and the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production and capital expenditures; mine life of the RV Mine, the Shafter Project and other mineral projects, the timing and amount of estimated capital expenditure; costs and timing of exploration and development and capital expenditures related thereto; operating expenditures; success of exploration activities, estimated exploration budgets; currency fluctuations; requirements for additional capital; government regulation of mining operations; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; the timing and possible outcome of regulatory and permitted matters; goals; strategies; future growth; planned exploration activities and planned future acquisitions; the adequacy of financial resources; and other events or conditions that may occur in the future

Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation: those

described under the sections entitled “Risk Factors” in this Circular and in Schedule F – “Information Concerning Ouray and the Combined Company”; the Arrangement Agreement may be terminated in certain circumstances; possible variations in mineral resources, and other estimates contained in the most recent Feasibility Study; risks and uncertainties associated with exploration and mining operations; general business, economic, competitive, political, regulatory and social uncertainties; precious and base metals price volatility; risks related to the ability to finance the continued development and exploration of mineral properties; risks related to dependence on key personnel; uncertainty related to mineral exploration properties; risks related to factors beyond the control of Ouray or Aurcana; limited business history of Ouray; risks related to the ability to obtain adequate financing for planned development activities; risks associated with the use of leverage; interest rate risk; liquidity risk; lack of infrastructure at mineral exploration properties; risks and uncertainties relating to the interpretation of drill results and the geology, grade and continuity of mineral deposits; uncertainties related to title to mineral properties and the acquisition of surface rights; risks related to governmental regulations, including environmental laws and regulations and liability and obtaining permits and licences; future changes to environmental laws and regulations; future changes to the General Mining Law; future changes to health and safety laws and regulations; unknown environmental risks for past activities; commodity price fluctuations; share price fluctuations; risks related to reclamation activities on mineral properties; risks related to political instability and unexpected regulatory change; currency fluctuations and risks associated with a fixed exchange ratio; conflicts of interest; insurance risks; risks related to the involvement of some of the directors and officers of Ouray and Aurcana with other natural resource companies; enforcement of U.S. judgments and laws in Canada; enforceability of claims; the ability to maintain adequate control over financial reporting; risks related to the New Aurcana Shares, including price volatility due to events that may or may not be within such parties’ control; disruptions or changes in the credit or security markets; risks related to international operations; risks related to joint venture operations; actual results of current exploration activities; reserve and resource estimate risk; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; variations in capital costs, cash operating costs, production and economic returns, other economic returns; increased costs associated with new or additional royalties or taxes; ore reserves, grade or recovery rates; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; the ability to renew existing licenses or permits or obtain required licenses and permits; increased infrastructure and/or operating costs; risks of not meeting production and cost targets; discrepancies between actual and estimated production; mineral reserves and resources and metallurgical recoveries; mining operational and development risk; litigation risks; risks of sovereign investment and operating in foreign countries; foreign countries’ regulatory requirements; speculative nature of gold or silver exploration; risks related to directors and officers of Aurcana possibly having interests in the Arrangement that are different from other Aurcana Shareholders; risks relating to the possibility that more than 5% of Aurcana Shareholders may exercise their dissent rights; risks that other conditions to the consummation of the Arrangement are not satisfied; global economic climate; dilution; ability to complete acquisitions; risks related to the ability of Ouray and Aurcana to find appropriate joint venture partners; environmental risks; community and non-governmental actions and regulatory risks; risks related to reliance on a limited number of properties; and risks related to the possibility that Ouray and Aurcana may not integrate successfully.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with the Arrangement, the timely completion of the steps required to be taken for the Arrangement by Aurcana and Ouray to become effective under the terms of the Arrangement Agreement, the approvals required to be obtained by Aurcana from Aurcana Shareholders and the Court, and business and economic conditions generally.

While Aurcana anticipates that subsequent events and developments may cause its views to change, Aurcana specifically will not update this forward-looking information, except as required by law. This forward-looking information should not be relied upon as representing Aurcana’ views as of any date subsequent to the date of this Circular. Aurcana has attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect Aurcana or the Arrangement. Additional factors are noted elsewhere in this Circular. See, for example, the section entitled “Risk Factors” in this Circular.

NOTE TO UNITED STATES SECURITYHOLDERS

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE

PASSED UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The New Aurcana Common Shares to be issued to the Aurcana Shareholders pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or any applicable Securities Laws of any state of the United States, other than California where a qualification under applicable California securities laws has been filed, and will be issued to Aurcana Shareholders in reliance on the Section 3(a)(10) Exemption and corresponding exemptions under the securities laws of each state of the United States in which U.S. Aurcana Shareholders are domiciled, except in California where a qualification under applicable California securities laws has been filed. The Section 3(a)(10) Exemption exempts from the registration requirements of the U.S. Securities Act the offer and issuance of any securities issued in exchange for one or more *bona fide* outstanding securities or other property where, among other things, the fairness of the terms and conditions of the issuance and exchange of such securities have been approved by a court or governmental authority of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities in such exchange have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on November 6, 2018 and, subject to the approval of the Arrangement by the Aurcana Shareholders, a hearing on the Arrangement will be held at 9:45 am (Vancouver time), on December 12, 2018, or as soon thereafter as counsel for Aurcana may be heard, at the Supreme Court of British Columbia, sitting at 800 Smithe Street, Vancouver, British Columbia. All Aurcana Shareholders are entitled to appear and be heard at this hearing. The Final Order will constitute a basis for the Section 3(a)(10) exemption with respect to the New Aurcana Common Shares to be issued to the Aurcana Shareholders pursuant to the Arrangement, except for those New Aurcana Common Shares to be issued to holders of Aurcana Shares that will receive them upon deemed exercise of securities purchased in the Offering. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order. See “Particulars of the Arrangement – Shareholders and Court Approvals – Court Approval”.

The New Aurcana Common Shares to be issued to the Aurcana Shareholders under the Arrangement will be freely transferable under U.S. federal Securities Laws, except those New Aurcana Common Shares issued to (a) U.S. Persons who are “affiliates” of Aurcana at the time the Plan of Arrangement is submitted for vote or consent by the Aurcana Shareholders or U.S. Persons who are “affiliates” of Aurcana at the time of their proposed transfer or within 90 days prior to their proposed transfer, or (b) holders of Subscription Receipts purchased in the Offering which pursuant to the Arrangement will be converted into Aurcana Shares and then will be exchanged for New Aurcana Common Shares. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such New Aurcana Common Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. See “Securities Law Matters – U.S. Securities Laws”.

The New Aurcana Common Shares to be issued to holders of Subscription Receipts following completion of the Arrangement will be “restricted securities” as defined in Rule 144(a)(3) of the U.S. Securities Act and may not be transferred or sold, except pursuant to applicable exemptions under the U.S. Securities Act and any applicable securities laws of any state of the United States, including Rule 904 of Regulation S and Rule 144 under the U.S. Securities Act.

Prior to the issuance of New Aurcana Common Shares pursuant to any exercise of Aurcana Options or Aurcana Warrants by or on behalf of persons in the United States or U.S. Persons, Aurcana may require the delivery of an opinion of counsel or other evidence reasonably satisfactory to Aurcana to the effect that the issuance of such New Aurcana Common Shares does not require registration under the U.S. Securities Act or applicable Securities Laws of any state of the United States.

The solicitation of proxies involves securities of Aurcana, a “foreign private issuer” within the meaning of Rule 405 under the U.S. Securities Act and Rule 3b-4 under the U.S. Exchange Act and is not subject to the proxy requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canadian Securities Laws, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and Securities Laws. Aurcana Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to proxy statements under the U.S. Exchange Act.

Aurcana securityholders should be aware that the acquisition of the New Aurcana Common Shares pursuant to the Arrangement described herein may have tax consequences both in the United States and in Canada. See “Certain Canadian Federal Income Tax Considerations”. This Circular does not contain any discussion as to the application of the United States federal income tax, or the tax law of any state, local, foreign or other jurisdiction in the United States, in relation to the acquisition, holding, exercise or disposition, as applicable, of the New Aurcana Common Shares issuable pursuant to the Arrangement. In particular,

and without limiting the generality of the foregoing, no determination has been made whether either Ouray or Aurcana is a “passive foreign investment company” within the meaning of Section 1297 of the United States *Internal Revenue Code of 1986*, as amended. Accordingly, holders of New Aurcana Common Shares that are resident in, or citizens of, the United States should consult their own tax advisors for advice with respect to the application of U.S. federal, state, local, foreign or other tax law to the acquisition, holding or disposition, as applicable, of the New Aurcana Common Shares issuable pursuant to the Arrangement. **Aurcana Shareholders that are resident in, or citizens of, the United States are advised to consult their own tax advisors regarding the United States tax consequences to them of the transactions to be effected in connection with the Arrangement, in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local or other taxing jurisdiction.**

Certain of the financial information referred to in this Circular or the financial statements of Aurcana available on Aurcana’s profile on SEDAR (www.sedar.com) have been prepared in U.S. dollars, and in accordance with IFRS, and are subject to Canadian auditing and auditor independence standards, which may differ in material ways from U.S. GAAP and United States auditing and auditor independence standards in certain material respects and thus may not be comparable to financial information of United States corporations. The financial statements of Ouray that are included herein in as Appendix “I” and Appendix “II” to Schedule F have been prepared in U.S. dollars and accordance with U.S. GAAP.

Information regarding mineral reserve and resource estimates in this Circular concerning the properties, operations and royalty interests of Aurcana and Ouray has been prepared in accordance with the requirements of Canadian Securities Laws, which may differ in material respects from the requirements of U.S. Securities Laws applicable to United States corporations. Aurcana and Ouray are required to describe mineral reserves associated with the properties owned by or in which Aurcana and Ouray hold interests (including royalty interests) utilizing CIM definitions of “proven mineral reserve” or “probable mineral reserve”, which categories of reserves are recognized by NI 43-101, but which differ from those definitions in the disclosure requirements promulgated by the SEC and contained in Industry Guide 7. Under Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, under NI 43-101, Aurcana and Ouray are required to describe mineral resources associated with their respective properties utilizing CIM definitions of “measured mineral resource”, “indicated mineral resource” or “inferred mineral resource”, which categories of resources are recognized by Canadian regulations but are not defined terms under Industry Guide 7 and are generally not permitted to be used in reports and registration statements of U.S. companies filed with the SEC. Accordingly, information contained in this Circular regarding the mineral properties of Aurcana and Ouray may not be comparable to similar information disclosed by U.S. companies in reports filed with the SEC. U.S. investors are cautioned not to assume that all or any part of measured mineral resources or indicated mineral resources will ever be converted into Industry Guide 7 mineral reserves. “Inferred mineral resources” have an even greater amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. 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 pre-feasibility studies, except in rare cases. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Circular contain descriptions of mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder, including Industry Guide 7.

The enforcement by investors of civil liabilities under the U.S. Securities Laws may be affected adversely by the fact that Aurcana is organized under the laws of a jurisdiction other than the United States, that some of Aurcana’s officers and directors are residents of countries other than the United States, that some or all of the experts named in this Circular may be residents of countries other than the United States, and that some of the assets of Aurcana and such Persons are located outside the United States. As a result, it may be difficult or impossible for Aurcana securityholders resident in the United States to effect service of process within the United States upon Aurcana, its officers and directors or the experts named in this Circular, or to realize, against them, upon judgments of courts in the United States predicated upon civil liabilities under the Securities Laws of the United States. In addition, Aurcana securityholders resident in the United States should not assume that Canadian courts: (a) would enforce judgments of United States courts obtained in actions against such Persons predicated upon civil liabilities under the Securities Laws of the United States or the state-specific “blue sky” Securities Laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such Persons predicated upon civil liabilities under the Securities Laws of the United States or “blue sky” laws of any state within the United States.

No broker, dealer, salesperson or other Person has been authorized to give any information or make any representation other than those contained in this Circular and, if given or made, such information or representation must not be relied upon as having been authorized by Aurcana or Ouray.

TAX CONSEQUENCES FOR AURCANA SHAREHOLDERS

Aurcana Shareholders should be aware that the transactions contemplated in this Circular may have tax consequences in Canada and any other jurisdiction in which an Aurcana Shareholder is subject to taxation. Certain information concerning the Canadian federal income tax consequences of the Arrangement for Aurcana Shareholders is set out under the heading “Certain Canadian Federal Income Tax Considerations”. The summary under the heading “Certain Canadian Federal Income Tax Considerations” is not exhaustive of all possible Canadian federal income tax consequences of the transactions described in this Circular for Aurcana Shareholders. Aurcana Shareholders are urged to consult with their own tax advisors with respect to the tax consequences of the transactions described in this Circular under any applicable Canadian and United States federal, state, provincial, territorial, local or foreign tax laws based on their particular circumstances.

CURRENCY AND ACCOUNTING PRINCIPLES

Reporting Currencies and Accounting Principles

Unless otherwise indicated, all references to “C\$” in this Circular refer to Canadian dollars. All references to “US\$” in this Circular refer to U.S. dollars. Ouray’s financial statements that are included herein in Appendix “I” and “II” to Schedule F are reported in U.S. Dollars and are prepared in accordance with U.S. GAAP. The financial statements of Aurcana available on SEDAR at www.sedar.com are reported in U.S. dollars and are prepared in accordance with IFRS. The *pro forma* statements that are included in Appendix “V” to Schedule F to this Circular are reported in U.S. dollars.

Exchange Rate Data

The following table sets forth the high and low exchange rates for one U.S. dollar expressed in Canadian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based upon the noon buying rates provided by the Bank of Canada:

	Year Ended December 31		Six months ended June 30
	2017	2016	2018
	(C\$)	(C\$)	(C\$)
High	1.3743	1.4589	1.331
Low	1.2128	1.2544	1.213
Rate at end of period	1.2986	1.3248	1.317
Average rate for period	1.2545	1.3247	1.270

On November 6, 2018, the noon exchange rate for one U.S. dollar expressed in Canadian dollars as reported by the Bank of Canada, was \$1.3130.

APPOINTMENT AND REVOCATION OF PROXIES

Appointment of Proxy

An Aurcana Shareholder who is unable to attend the Meeting in person is requested to complete and sign the enclosed form of proxy and to deliver it to TSX Trust Company by mail or hand delivery to 301 – 100 Adelaide Street West, Toronto ON M5H 4H1. In order to be valid and acted upon at the Meeting, the form of proxy must be received no later than 9:30 a.m. (Vancouver time) on December 6, 2018 or 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement or any adjournment or postponement of the Meeting. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at his discretion, without notice.

If you are a non-registered holder of Aurcana Shares and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you by your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

The document appointing a proxy must be in writing and executed by the Aurcana Shareholders or his attorney authorized in writing or, if the Aurcana Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

An Aurcana Shareholder submitting a form of proxy has the right to appoint a Person (who need not be an Aurcana Shareholder) to represent him or her at the Meeting other than the persons designated in the form of proxy furnished by Aurcana. To exercise that right, the name of the Aurcana Shareholder's appointee should be legibly printed in the blank space provided. In addition, the Aurcana Shareholder should notify the appointee of the appointment, obtain his or her consent to act as appointee and instruct the appointee on how the Aurcana Shareholder's Aurcana Shares are to be voted.

Aurcana Shareholders who are not registered shareholders should refer to "Notice to Beneficial Holders of Aurcana Shares" below.

Revocation of Proxy

An Aurcana Shareholder who has submitted a form of proxy as directed hereunder may revoke it at any time prior to the exercise thereof. In addition to the revocation in any other manner permitted by law, a proxy may be revoked by instrument or act in writing executed or signed by the Aurcana Shareholder or his personal representative and deposited with TSX Trust Company by mail or hand delivery to 301 – 100 Adelaide Street West, Toronto ON M5H 4H1 or deposited with the Secretary of Aurcana before the commencement of the Meeting, or any adjournment thereof, and upon either of those deposits, the proxy will be revoked.

Notice to Beneficial Holders of Aurcana Shares

The information set out in this section is of importance to many Aurcana Shareholders, as a substantial number of Aurcana Shareholders do not hold Aurcana Shares in their own name. Aurcana Shareholders who do not hold their Aurcana Shares in their own name (referred to herein as "**Beneficial Shareholders**") should note that only proxies deposited by Aurcana Shareholders whose names appear on the records of Aurcana as the registered holders of shares can be recognized and acted upon at the Meeting or any adjournment(s) thereof. If Aurcana Shares are listed in an account statement provided to an Aurcana Shareholder by a broker, then in almost all cases those Aurcana Shares will not be registered in the Aurcana Shareholder's name in the records of Aurcana. Those Aurcana Shares will most likely be registered under the name of the Aurcana Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Aurcana Shares held by brokers or their nominees can be voted (for or against resolutions or withheld from voting) only upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. Subject to the following discussion in relation to NOBOs (as defined herein), Aurcana does not know for whose benefit the Aurcana Shares registered in the name of CDS & Co., a broker or another nominee, are held.

There are two categories of Beneficial Shareholders under applicable securities regulations for purposes of dissemination to Beneficial Shareholders of proxy-related materials and other security holder materials and requests for voting instructions from such Beneficial Shareholders. Non-objecting beneficial owners ("**NOBOs**") are Beneficial Shareholders who have advised their intermediary (such as brokers or other nominees) that they do not object to their intermediary disclosing ownership information to Aurcana, consisting of their name, address, e-mail address, securities holdings and preferred language of communication. Canadian Securities Laws restrict the use of that information to matters strictly relating to the affairs of Aurcana. Objecting beneficial owners ("**OBOs**") are Beneficial Shareholders who have advised their intermediary that they object to their intermediary disclosing such ownership information to Aurcana.

In accordance with the requirements of NI 54-101, Aurcana is sending the Meeting Materials, indirectly through intermediaries to both NOBOs and OBOs. NI 54-101 allows Aurcana, in its discretion, to obtain a list of its NOBOs from intermediaries and to use such NOBO list for the purpose of distributing the Meeting Materials directly to, and seeking voting instructions directly from, such NOBOs. As a result, Aurcana is entitled to deliver Meeting Materials to Beneficial Shareholders in two manners: (a) directly to NOBOs and indirectly through intermediaries to OBOs; or (b) indirectly to all Beneficial Shareholders through intermediaries. The cost of the delivery of the Meeting Materials by intermediaries to OBOs will not be borne by Aurcana and OBOs will not receive the Meeting Materials unless their intermediary assumes the cost of the delivery. Aurcana has used a NOBO list to send the Meeting Materials directly to NOBOs whose names appear on that list.

These Meeting Materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and Aurcana or its transfer agent has sent these materials directly to you, your name and address and information about

your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these Meeting Materials to you directly, Aurcana (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering the Meeting Materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Applicable securities regulations require intermediaries, on receipt of Meeting Materials that seek voting instructions from Beneficial Shareholders indirectly, to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings on Form 54-101F7. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Aurcana Shares are voted at the Meeting or any adjournment(s) thereof. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders; however, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their intermediaries and Form 54-101F7. Beneficial Shareholders can also write the name of someone else whom they wish to appoint to attend the Meeting and vote on their behalf. Unless prohibited by law, the person whose name is written in the space provided in Form 54-101F7 will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in Form 54-101F7 or this Circular. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a voting instruction form in lieu of a form of proxy. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number to vote the shares held by them or access Broadridge's dedicated voting website to deliver their voting instructions. Broadridge will then provide aggregate voting instructions to Aurcana's transfer agent and registrar, which will tabulate the results and provide appropriate instructions respecting the voting of Aurcana Shares to be represented at the Meeting or any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

Aurcana Shares represented by properly-executed proxies in favour of the persons designated in the enclosed form of proxy, in the absence of any direction to the contrary, will be voted FOR the Arrangement Resolution, as stated under the heading "Particulars of the Arrangement – Shareholders and Court Approvals" in this Circular. Instructions with respect to voting will be respected by the persons designated in the enclosed form of proxy. With respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting, such Aurcana Shares will be voted by the persons so designated in their discretion. At the time of printing this Circular, management of Aurcana knows of no such amendments, variations or other matters.

VOTING SHARES

As of the date hereof, Aurcana has 109,989,387 issued and outstanding Aurcana Shares. There are no other shares outstanding. Each Aurcana Share entitles the holder thereof to one vote at the Meeting. Aurcana has fixed November 2, 2018 as the record date (the "**Record Date**") for the purpose of determining Aurcana Shareholders entitled to receive notice of the Meeting. Pursuant to the CBCA, Aurcana is required to prepare, no later than ten days after the Record Date, an alphabetical list of Aurcana Shareholders entitled to vote as of the Record Date that shows the number of Aurcana Shares held by each Aurcana Shareholder. An Aurcana Shareholder whose name appears on the list referred to above will receive notice of, and be entitled to attend and vote the Aurcana Shares shown opposite his or her name at the Meeting. An Aurcana Shareholder of record on the Record Date will be entitled to vote those Aurcana Shares included in the list of Aurcana Shareholders entitled to vote at the Meeting prepared as at the Record Date even though the Aurcana Shareholder may subsequently dispose of his or her Aurcana Shares. The list of Aurcana Shareholders is available for inspection during usual business hours at 850 - 789 West Pender Street, Vancouver, British Columbia.

PRINCIPAL HOLDERS

To the knowledge of the directors and officers of Aurcana, as of the date hereof, Orion holds 16,499,501 Aurcana Shares, representing approximately 15% of the issued and outstanding Aurcana Shares. No other person beneficially owns, directly or indirectly, or controls or directs Aurcana Shares carrying 10% or more of the voting rights attached to all of the Aurcana's Shares.

SUMMARY

The following is a summary of certain information contained in this Circular. This summary is not intended to be complete and is qualified in its entirety by the more detailed information contained elsewhere in this Circular, all of which is important and should be reviewed carefully. See "Glossary of Terms" for certain of the defined terms used in this Circular.

Information Concerning the Meeting

The Meeting will be held at 910 – 800 West Pender Street, Vancouver, BC, V6C 2V6 at 9:30 a.m. (Vancouver time). At the Meeting, Aurcana Shareholders will be asked to consider and vote on the Arrangement Resolution set forth in Schedule A hereto and such other business as may properly come before the Meeting. Each Aurcana Shareholder of record on the Record Date is entitled to receive notice of, and will be entitled to vote at, the Meeting. See "Information Concerning the Meeting – Date, Time and Place of Meeting" and "Information Concerning the Meeting – Other Business".

Parties Involved in the Arrangement

Aurcana is a corporation existing under the Canada Business Corporations Act. Aurcana's head officer and registered office is located at 850 - 789 West Pender Street, Vancouver, BC, V6C 1H2. The Aurcana Shares are listed for trading on the TSXV under the symbol "AUN".

Ouray is a privately held company organized under the laws of the State of Colorado. Ouray owns the Revenue-Virginus mine located in the San Juan Mountains near Ouray, Colorado (the "**RV Mine**"). The registered and head office of Ouray is located at 1900 Main Street, Unit 1, Ouray, Colorado, 81427 United States.

Aurcana US Ltd. ("**Aurcana US**") is a corporation organized under the laws of the State of Colorado. The registered and head office of Ouray is located at Suite 850, 789 West Pender Street, Vancouver, BC, V6C 1H2.

LRC-FRSM II LLC ("**FRSM II**") is a limited liability company organized under the laws of the State of Delaware FRSM II is the owner of all of the issued and outstanding common stock of Ouray. LRC-FRSM LLC ("**FRSM**", and collectively with FRSM II the "**LRC Group**") is a limited liability company organized under the laws of the State of Delaware and is the owner of a metal prepay agreement due from Ouray (the "**PFA**"), which includes a security package over all the stock and assets of Ouray.

The Supporting Shareholders (as named below) who beneficially hold, directly or indirectly, or exercise control or direction over, in the aggregate, 17,222,534 Aurcana Shares, which represents greater than 15% of the outstanding Aurcana Shares as at November 7, 2018, have agreed under the Support and Voting Agreements to support, and vote in favour of, the Arrangement. The Supporting Shareholders are Orion, Kevin Drover, Adrian Aguirre, Jerry Blackwell, Jose Manuel Borquez, Salvador Huerta and Kevin Francis (collectively, the "**Supporting Shareholders**"). See "Support and Voting Agreements".

The Arrangement

Aurcana, Aurcana US, the LRC Group and Ouray entered into the Arrangement Agreement pursuant to which Aurcana agreed that, subject to the terms and conditions set forth in the Arrangement Agreement, among other things:

- Aurcana will purchase all equipment currently owned by Orion located at the Company's Shafter-Presidio Mine located in Shafter, Texas in exchange for US\$500,000 and 23,894,545 pre-Consolidation Aurcana Shares.
- The Aurcana Shares will be consolidated on a 5:1 basis (the "**Consolidation**").
- Aurcana US, will acquire all of the issued and outstanding common shares of Ouray from FRSM II. Aurcana US will also acquire the PFA from FRSM, including the security package over all the common shares and assets of Ouray. As consideration for the acquisition of these assets from the LRC Group, Aurcana will issue an aggregate of 83,240,359 Post-Consolidation Aurcana Shares to LRC Group.
- Aurcana will complete a subscription receipt offering for gross proceeds of a minimum of C\$9,000,000, or such other amount as may be agreed to by Aurcana, Aurcana US, Ouray and LRC Group. Each subscription receipt will be issued

at a price of C\$1.00, and, upon the completion of the Arrangement, will convert into a Post-Consolidation Aurcana Share and an Underlying Warrant.

- The terms of the Arrangement Agreement are the result of arm's Length negotiations between Aurcana, Aurcana US, LRC Group and Ouray and their respective advisors. The Arrangement will be effected pursuant to the CBCA.

A copy of the Arrangement Agreement was filed on SEDAR and is available under Aurcana's profile at www.sedar.com. Aurcana Shareholders are encouraged to read the Arrangement Agreement and the Plan of Arrangement as it is the principal agreement that governs the Arrangement. For a summary of the principal provisions of the Arrangement Agreement and Plan of Arrangement, see "Particulars of the Arrangement" and "Arrangement Agreement". The Arrangement Resolution and the Plan of Arrangement are annexed as Schedule A and Schedule B, respectively, to this Circular. For a summary of the principal provisions of the Plan of Arrangement, see "Particulars of the Arrangement – Description of the Arrangement".

The Offering

Aurcana will complete a private placement (the "**Offering**") of subscription receipts (the "**Subscription Receipts**") to raise aggregate gross proceeds to the Company of a minimum of C\$9,000,000, or such other amount as may be agreed to by Aurcana and the LRC Group. Each Subscription Receipt will have a purchase price of C\$1.00 (the "**Subscription Price**") (equivalent to a C\$0.20 per Subscription Receipt prior to the Consolidation) and will entitle the holder thereof to receive upon the fulfillment of the Escrow Release Conditions (as defined below), without payment of additional consideration, one unit of the Aurcana (an "**Underlying Unit**"). Each Underlying Unit shall be comprised of: (i) one Post-Consolidation Aurcana Share and (ii) an Underlying Warrant. Each Underlying Warrant entitles the holder thereof to acquire, on payment of C\$1.25 (equivalent to C\$0.25 prior to the Consolidation), one Post-Consolidation Aurcana Share. An Underlying Warrant may be exercised at any time during the three year period starting on the date the Underlying Units are issued.

The Subscription Receipts will be issued pursuant to the terms of a subscription receipt agreement (the "**Subscription Receipt Agreement**") to be entered into by Aurcana and TSX Trust Company of Canada (the "**Escrow Agent**"), pursuant to which all of the gross proceeds from the Offering (the "**Escrowed Proceeds**") will be deposited in escrow at the closing of the Offering with the Escrow Agent. The Escrow Agent shall hold the Escrowed Proceeds pursuant to the terms of the Subscription Receipt Agreement pending the satisfaction of certain escrow release conditions (the "**Escrow Release Conditions**"), including (i) completion of all of the conditions precedent in the Arrangement Agreement, and (ii) receipt of all necessary corporate, regulatory, shareholder and other approvals or consents necessary for the completion of the Arrangement. Upon satisfaction of the Escrow Release Conditions on or prior to the Termination Date (as defined below), the Escrowed Proceeds will be released to Aurcana. The Company intends to use the net proceeds of the Offering for general corporate purposes.

If: (i) the Escrow Release Conditions have not been satisfied by 5:00 p.m. (Vancouver time) on December 31, 2018; (ii) the Arrangement is terminated at any earlier time; or (iii) Aurcana or announces to the public, that it does not intend to proceed with the Arrangement (in any case, a "**Termination Event**", and the date upon which such event occurs, the "**Termination Date**"), the Escrow Agent shall use the Escrowed Proceeds to refund to the Subscribers the Subscription Price in respect of each Subscription Receipt (on behalf of Aurcana) together with any interest that was earned on the Escrowed Proceeds, less applicable withholding taxes. Aurcana will be responsible for any shortfall in the amount returnable to the holders of Subscription Receipts in this event.

Under no circumstances shall Aurcana be obliged to issue any fractional Underlying Shares or any cash or other consideration in lieu thereof upon the deemed exercise of one or more Subscription Receipts. To the extent that the holder of one or more Subscription Receipts would otherwise have been entitled to receive on the exercise or partial exercise thereof a fraction of an Underlying Share, such Underlying Share shall be rounded down to the nearest whole number and no consideration will be paid in lieu thereof.

Vote Required to Approve the Arrangement

At the Meeting, Aurcana Shareholders will be asked to vote to approve the Arrangement Resolution approving the Arrangement.

The Arrangement Resolution must be approved by: (i) not less than 66 $\frac{2}{3}$ % of the votes cast by the Aurcana Shareholders, present in person or represented by proxy at the Meeting; and (ii) not less than a majority of the votes cast excluding the votes of Aurcana Shares held or controlled by "related parties" and "interested parties" as defined under Multilateral Instrument 61-

101 —*Protection of Minority Security Holders in Special Transactions*, present in person or represented by proxy at the Meeting. See “Securities Law Matters – Canadian Securities Law – Multilateral Instrument 61-101”.

In determining whether the minority shareholder approval as described in (ii) above has been obtained, the votes cast by Orion must be excluded in accordance with applicable Canadian Securities Laws. See “Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101”. To the knowledge of Aurcana, after reasonable inquiry, a total of 16,499,501 votes that may be cast on the Arrangement Resolution will be excluded in determining whether minority shareholder approval for the Arrangement Resolution has been obtained. The Arrangement Resolution must receive Aurcana Shareholder Approval in order for Aurcana to seek the Final Order and implement the Arrangement on the Effective Date in accordance with the Final Order. See “Particulars of the Arrangement – Shareholder and Court Approvals – Aurcana Shareholder Approval”.

Background to the Arrangement

The Arrangement and the provisions of the Arrangement Agreement are the result of arm’s length negotiations between representatives of Aurcana, Aurcana US, LRC Group and Ouray and their respective advisors. A summary of the material events leading up to the negotiation of the Arrangement Agreement and the material meetings, negotiations and discussions between the Parties that preceded the execution and public announcement of the Arrangement Agreement is included in this Circular under the heading “Background to and Reasons for the Arrangement”.

Court Approval of the Arrangement and Completion of the Arrangement

The Arrangement requires approval by the Court under Section 192 of the CBCA. On November 6, 2018, Aurcana obtained the Interim Order providing for the calling, holding and conducting of the Meeting and other procedural matters and a Notice of Presentation of Application for Final Order to approve the Arrangement has been filed. Copies of the Interim Order and the Notice of Presentation of Application for Final Order are attached as Schedule C and Schedule D, respectively, to this Circular.

The Court hearing in respect of the Final Order is expected to take place at 9:45 a.m. (Vancouver time), on December 12, 2018, or as soon thereafter as counsel for Aurcana may be heard before the Court, at 800 Smithe Street, Vancouver, British Columbia. At the hearing, the Court will consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every Person affected. See “Particulars of the Arrangement – Shareholder and Court Approvals – Court Approval”.

If: (i) the Arrangement Resolution is passed; (ii) the Final Order is obtained; and (iii) all other conditions to closing are satisfied or waived, the Articles of Arrangement will be filed and the Arrangement will become effective on the Effective Date. Aurcana and Ouray currently expect that the Effective Date will be on or about December 21, 2018.

Reconstitution of the Board of Directors

If the Arrangement is completed, it will be desirable to increase the size of the Aurcana Board of directors of Aurcana from four directors to five directors, and the Aurcana Board will be reconstituted to be comprised of the current members of the Aurcana Board (other than Adrian Aguirre and Jerry Blackwell who will step down in connection with the closing of the Arrangement), together with the expected appointments of Michael Gross, David Kaplan, and Elliot Rothstein (the “**New Aurcana Board**”). See “Reconstitution of the Board of Directors”.

Recommendation of the Board of Directors

After careful consideration, the Aurcana Board unanimously concluded that the Arrangement is fair to the Aurcana Shareholders and in the best interests of Aurcana, and authorized the submission of the Arrangement Resolution to the Aurcana Shareholders for approval at the Meeting. **The Aurcana Board also unanimously determined to recommend to Aurcana Shareholders that they vote FOR the Arrangement Resolution.**

Reasons for the Recommendation of the Board of Directors

In the course of the Aurcana Board's evaluation of the Arrangement, the Aurcana Board consulted with its management, its legal counsel and financial advisors and performed financial, technical and legal due diligence with the help of its advisors and experts and considered a number of factors, including, among others, the following:

Strong Management Team. The combination of highly experienced board and management teams with a proven record of delivering shareholder value through mineral discovery and project development. The management team of the Combined Company will have high visibility in the mining industry and significant relationships with key sector investors and analysts that should help to attract strong retail and institutional support.

Enhanced Capital Markets Profile. The Combined Company's capital markets profile is expected to be enhanced due to a combined market capitalization, greater trading liquidity and increased market profile and analyst coverage which may provide the Combined Company with enhanced opportunities to create value for its shareholders.

Opportunity for Near-Term Production. The RV Mine represents an opportunity for near-term production, which would provide the Combined Company with revenues.

Key Shareholder Support. Aurcana Shareholders holding in the aggregate greater than 15% of the issued and outstanding Aurcana Shares have executed Voting and Support Agreements. Orion, which is the largest shareholder of Aurcana, supports the transaction.

Receipt by Aurcana's Board of a Fairness Opinion. Dundee Securities Ltd. provided the Aurcana Board with a written opinion to the effect that, as of September 17, 2018, and based upon and subject to the limitations, assumptions and qualifications contained therein, the consideration to be paid by Aurcana, under the Arrangement is fair, from a financial point of view, to Aurcana. See "Background to and Reasons for the Recommendation of the Board of Directors – Fairness Opinion".

Shareholder Approval. The Arrangement Resolution must be approved by: (i) not less than 66⅔% of the votes cast by the Aurcana Shareholders present in person or represented by proxy at the Meeting; and (ii) not less than a majority of the votes cast by the Aurcana Shareholders present in person or represented by proxy at the Meeting (excluding the votes cast by Orion that must be excluded in accordance with Canadian Securities Laws), thereby providing protection for Aurcana Shareholders. "Securities Law Matters – Canadian Securities Law – Multilateral Instrument 61-101".

Court Process. The Arrangement will be subject to a judicial determination of the Court that the Arrangement is fair and reasonable, both procedurally and substantively, to Aurcana Shareholders.

Dissent Rights. Aurcana Registered Shareholders who do not vote in favour of the Arrangement will have the right to require a judicial appraisal of their Aurcana Shares and to obtain "fair value" pursuant to the proper exercise of the Dissent Rights.

Low Execution Risk. There are no material competition or other regulatory issues which are expected to arise in connection with the Arrangement so as to prevent its completion, and all required regulatory clearances and approvals are expected to be obtained. The Arrangement is not subject to further due diligence on the part of Ouray or Aurcana.

Particulars of the Arrangement

Commencing at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence, in each case effective as at one minute intervals starting at the Effective Time, without any further authorization, act or formality of or by Aurcana, Aurcana US, LRC Group, Ouray, or any other Person:

- (a) Each Aurcana Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to Aurcana and Aurcana shall thereupon be obliged to pay the amount therefor determined and payable in accordance with Article 3 of the Plan of Arrangement, and the name of such holder shall be removed from the central securities register of Aurcana as a holder of Aurcana Shares;
- (b) 23,894,545 pre-Consolidation Aurcana Shares shall be issued by Aurcana in connection with the Shafter Equipment Purchase, and the Shafter Equipment Purchase shall be completed;
- (c) The Consolidation shall be completed;
- (d) The following two steps shall occur in the following order,
 - (i) FRSM shall transfer the PFA to Aurcana US in exchange for 54,310,047 Post-Consolidation Aurcana Shares;
 - (ii) FRSM II shall transfer all of the issued and outstanding Ouray Common Shares to Aurcana US in exchange for 28,930,312 Post-Consolidation Aurcana Shares. The names of the holders of the Ouray Common Shares

transferred to Aurcana US shall be removed from the applicable registers of holders of Ouray Common Shares, and Aurcana US shall be recorded as the registered holder of the Ouray Common Shares so transferred and shall be deemed the legal and beneficial owner thereof;

For further clarity, to enable Aurcana US to deliver the required Aurcana Shares to the LRC Group as specified in steps (d)(i)&(ii) above, the following steps shall occur simultaneously with each of steps (d)(i) or (ii), as applicable;

1. Pursuant to a written direction by Aurcana US to Aurcana US Holdco 2, Aurcana US shall issue to Aurcana US Holdco 2 54,310,047 (simultaneous with (d)(i) above) and 28,930,312 (simultaneous with (d)(ii) above) (for a total of 83,240,359) common shares of Aurcana US as consideration for Aurcana US Holdco 2 issuing its shares to Aurcana US Holdco 1;

2. Pursuant to a written direction by Aurcana US Holdco 2 to Aurcana US Holdco 1, Aurcana US Holdco 2 shall issue to Aurcana US Holdco 1 54,310,047 (simultaneous with (d)(i) above) and 28,930,312 (simultaneous with (d)(ii) above) (for a total of 83,240,359) common shares of Aurcana US Holdco 2 as consideration for Aurcana US Holdco 1 issuing its shares to Aurcana;

3. Pursuant to a written direction by Aurcana US Holdco 1 to Aurcana, Aurcana US Holdco 1 shall issue to Aurcana 54,310,047 (simultaneous with (d)(i) above) and 28,930,312 (simultaneous with (d)(ii) above) (for a total of 83,240,359) common shares of Aurcana US Holdco 1 as consideration for Aurcana issuing 54,310,047 Post-Consolidation Aurcana Shares to FRSM and 28,930,312 Post-Consolidation Aurcana Shares to FRSM II in steps (d)(i)&(ii) above; and

4. Aurcana shall add to its stated capital of the Aurcana Shares an amount equal to the fair market value of the Aurcana US Holdco 1 shares issued to Aurcana in step 3. above, simultaneous with the issuance of each set of such shares.

(e) The Offering shall be completed and Aurcana shall issue Aurcana Shares to subscribers under the Offering;

(f) The authorized share capital of Aurcana and its Articles will be altered by:

(i) Renaming and redesignating all of the issued and unissued Aurcana Shares as Aurcana Class A Shares, and moving to the stated capital of the Aurcana Class A Shares the amount that was the stated capital of the Aurcana Shares immediately prior to the redesignation; and

(ii) Creating an unlimited number of common shares without par value as the New Aurcana Common Shares;

(g) Each Aurcana Class A Share outstanding on the Effective Date will be deemed to be exchanged for one (1) New Aurcana Common Share without any further act or formality and such Aurcana Shareholders shall cease to be the holders of the Aurcana Class A Shares so exchanged, and the amount of the stated capital of the Aurcana Class A Shares immediately prior to the exchange shall be moved to the stated capital of the New Aurcana Common Shares;

(h) The Aurcana Class A Shares, none of which will be allotted and issued once the step referred to in step (f)(i) above is completed, will be cancelled and the authorized capital of Aurcana and its Articles shall be amended by deleting the Aurcana Class A Shares as a class of shares of Aurcana.

The foregoing description is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is annexed to the Circular as Schedule B. See “Particulars of the Arrangement – Description of the Arrangement”.

Dissent Rights

Aurcana Registered Shareholders have Dissent Rights with respect to the Arrangement. Any Aurcana Registered Shareholder who duly exercises its Dissent Right in accordance with Section 190 of the CBCA, as modified or supplemented by the Plan of Arrangement, the Interim Order or any other order of the Court, will be entitled to be paid by Aurcana the fair value of its Aurcana Shares, determined as at close of business on the day immediately preceding the adoption by Aurcana Shareholders of the Arrangement Resolution, and will not be entitled to any other payment or consideration. The requirements with respect to the exercise of Dissent Rights must be strictly complied with in order for an Aurcana Registered Shareholder to receive cash representing the fair value of Aurcana Shares held. See “Particulars of the Arrangement – Dissent Rights”.

Procedures for Exchange of Aurcana Shares

A Letter of Transmittal is being mailed, together with this Circular, to each Person who was an Aurcana Registered Shareholder on the Record Date. Each Person who is an Aurcana Registered Shareholder immediately prior to the Effective Time must forward a properly-completed and signed Letter of Transmittal, along with the accompanying Aurcana Share certificate(s), if applicable, to the Transfer Agent in order to receive the New Aurcana Common Shares to which such Aurcana Shareholder is entitled under the Arrangement. It is recommended that Aurcana Registered Shareholders complete, sign and return the Letter of Transmittal, along with the accompanying Aurcana Share certificate(s), if applicable, to the Transfer Agent as soon as possible. See “Procedure for Exchange of Aurcana Shares – Letter of Transmittal”.

The Letter of Transmittal contains complete instructions on how such persons are to exchange their securities. Aurcana Registered Shareholders should read and follow these instructions. Certificates will be mailed to Aurcana Shareholders as soon as is practicable following receipt by the Transfer Agent of a completed Letter of Transmittal and other required documents at the address specified in such Letter of Transmittal. If requested, certificates may be picked up by the holder at the office of the Transfer Agent.

Any certificate that immediately prior to the Effective Date, representing outstanding Aurcana Shares and that has not been surrendered with all of the instruments required by the Plan of Arrangement on or before the sixth anniversary of the Effective Date, will cease to represent any claim against or interest of any kind or nature in Aurcana or the Transfer Agent. Accordingly, persons who tender certificates for Aurcana Shares after the sixth anniversary will not receive New Aurcana Common Shares, will not own any interest in Aurcana and will not be paid any cash or other compensation.

Aurcana Shareholders whose Aurcana Shares are registered in the name of a nominee (bank, trust company, securities broker or other nominee) should contact that nominee for assistance in depositing their Aurcana Shares.

Fractional Interest

In no event shall any holder of Aurcana Shares be entitled to a fractional New Aurcana Common Share. Where the aggregate number of New Aurcana Common Shares to be issued to a Person as a result of this Arrangement would result in a fraction of a New Aurcana Common Share being issuable, the number of New Aurcana Common Shares to be received by such securityholder shall be rounded down to the nearest whole New Aurcana Common Share and no Person will be entitled to any compensation in respect of a fractional New Aurcana Common Share.

Treatment of Aurcana Options and Aurcana Warrants

Upon the Arrangement becoming effective, all Aurcana Options granted pursuant to the Aurcana Stock Option Plan will be automatically adjusted as contemplated by their terms and all Aurcana Warrants will be automatically adjusted as contemplated by their terms. See “Particulars of the Arrangement – Description of the Arrangement”.

Arrangement Agreement

The Arrangement will be effected in accordance with the Arrangement Agreement, the full text of which may be viewed under Aurcana’s profile on SEDAR at www.sedar.com. A summary of the material terms of the Arrangement Agreement, including a summary of the representations and warranties of each Party, the conditions precedent to the completion of the Arrangement, the covenants made by each Party, the termination provisions and the Termination Fee that is payable by Aurcana to Ouray in the event that the Arrangement is not completed under certain circumstances, is set out under the headings “The Arrangement Agreement “ in this Circular and is subject to and qualified in its entirety by the full text of the Arrangement Agreement.

Canadian Securities Laws

Aurcana is a reporting issuer or the equivalent in the provinces of Ontario, Alberta and British Columbia. The Aurcana Shares are currently listed on the TSXV and upon the completion of the Arrangement, the New Aurcana Common Shares will continue to trade on the TSXV. Aurcana has applied to list the New Aurcana Common Shares issuable under the Arrangement on the TSXV. See “Securities Law Matter – Canadian Securities Laws”.

U.S. Securities Laws

The New Aurcana Common Shares to be issued to Aurcana Shareholders have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States, except for California where a qualification under applicable California securities laws has been filed. Such securities will be issued in reliance upon the Section 3(a)(10) Exemption under the U.S. Securities Act and corresponding exemptions under the securities laws of each state of the United States in which Aurcana Shareholders are domiciled, other than California where a qualification under applicable California securities laws has been filed, in which the New Aurcana Common Shares will be registered.

The New Aurcana Common Shares to be issued to the Aurcana Shareholders under the Arrangement will be freely transferable under U.S. federal Securities Laws, except those New Aurcana Common Shares issued to (a) U.S. Persons who are “affiliates” of Aurcana at the time the Plan of Arrangement is submitted for vote or consent by the Aurcana Shareholders or U.S. Persons who are “affiliates” of Aurcana at the time of their proposed transfer or within 90 days prior to their proposed transfer or (b) holders of Subscription Receipts purchased in the Offering which pursuant to the Arrangement will be converted into Aurcana Shares and then will be exchanged for New Aurcana Common Shares. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such New Aurcana Common Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. See “Securities Law Matters – U.S. Securities Laws”.

Certain Canadian Federal Income Tax Considerations

Aurcana Shareholders should consult their own tax advisors about the applicable Canadian or U.S. federal, state, provincial, territorial and local tax, and other foreign tax, consequences of the Arrangement. See “Certain Canadian Federal Income Tax Considerations”.

Information Concerning Ouray and the Combined Company

Please see Schedule F “Information Concerning Ouray and the Combined Company” for a description of the properties, corporate structure and business of Ouray, and pro forma unaudited financial information of the Combined Company, assuming completion of the Arrangement.

Selected Unaudited Pro Forma Consolidated Capitalization

The following table sets forth the selected pro forma unaudited consolidated capitalization of the Combined Company as at June 30, 2018:

ASSETS	Amount (USD)
Current Assets	\$2,925,094
Non-Current Assets	\$86,891,537
Total Assets	\$89,816,631
LIABILITIES AND SHAREHOLDER EQUITY	
Current Liabilities	\$569,180
Non-Current Liabilities	\$509,993
Total Liabilities	\$1,079,173
Total Equity	\$88,737,458
Total Liabilities and Shareholder Equity	\$89,816,631

Value Escrow Agreement

The New Aurcana Common Shares to be issued to the LRC Group (as well as its associates and affiliates) will be subject to the Value Security Escrow Agreement and are to be incrementally released beginning on the date the TSXV issues the Final TSXV Bulletin. See Schedule F – “Information Concerning Ouray and the Combined Company – Escrowed Securities”.

Accompanying Documents

This Circular is accompanied by several Schedules which are incorporated by reference into, form an integral part of, and should be read in conjunction with this Circular. It is recommended that Aurcana Shareholders read this Circular and the attached Schedules in their entirety.

INFORMATION CONCERNING THE MEETING

Purpose of Meeting

At the Meeting, Aurcana Shareholders will be asked to consider and vote on the Arrangement Resolution and such other business as may properly come before the Meeting. At the time of printing of this Circular, management knows of no other matter expected to come before the Meeting, other than the vote on the Arrangement Resolution.

Date, Time and Place of Meeting

The Meeting will be held on December 10, 2018 at Suite 910 – 800 West Pender Street, Vancouver, British Columbia, at 9:30 a.m. (Vancouver time).

Recommendation of the Board of Directors

The Aurcana Board unanimously recommends that Aurcana Shareholders vote FOR the Arrangement Resolution.

Transfer Agent

Aurcana and Ouray have retained TSX Trust Company to act as transfer agent for the receipt of certificates in respect of Aurcana Shares and related Letters of Transmittal surrendered following the Arrangement, and exchanging certificates representing the Aurcana Shares for certificates representing the New Aurcana Common Shares in connection with the Arrangement. The Transfer Agent will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified by Aurcana and Ouray against certain liabilities under applicable Securities Laws and expenses in connection therewith.

No fee or commission is payable by any Aurcana Shareholder which transmits its Aurcana Shares directly to the Transfer Agent. Aurcana will not pay any fees or commissions to any broker or dealer or any other Person for soliciting votes in favour of the Arrangement.

Other Business

Management of Aurcana does not intend to present, nor does it have any reason to believe that others will present, at the Meeting any item of business other than that set out in this Circular. However, if any other business is properly presented at the Meeting and may properly be considered and acted upon, proxies will be voted by those named in the form of proxy in their sole discretion, including with respect to any amendments or variations to the matters identified in this Circular.

Interest of Certain Persons in Material Transactions

Except as disclosed elsewhere in this Circular under “Particulars of the Arrangement — Interest of Certain Persons in the Arrangement” and other than through the ownership of Aurcana Shares, Aurcana Options or Aurcana Warrants, none of the insiders or Persons who have been a director or executive officer of Aurcana nor any of their respective associates or Affiliates has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in any material transaction since the beginning of Aurcana’s most recently-completed financial year, or in any proposed material transaction which has materially affected or would materially affect Aurcana.

BACKGROUND TO AND REASONS FOR THE ARRANGEMENT

Background to the Arrangement

The following is a summary of the principal meetings, discussions and activities that preceded the execution of the Arrangement Agreement on September 20, 2018.

LRC Group and Aurcana first discussed their similar projects at a conference meeting during September 2017 and then followed up with another meeting in February 2018 to discuss a potential business combination. In March 2018 the Parties executed mutual confidentiality agreements and began formal due diligence and negotiations.

On May 28, 2018, the Aurcana Board formed a special committee (the “**Special Committee**”), consisting of members of the Aurcana Board who are independent of management, and who have no direct or indirect interest in any of the transactions contemplated by the Arrangement, including the Shafter Equipment Purchase, to consider the planned Arrangement. The Special Committee met on numerous occasions and oversaw the negotiations in respect of the Arrangement and the Shafter Equipment Purchase. The Special Committee conducted a site visit to the RV Mine in June of 2018.

On July 27, 2018, after considering the terms of the Arrangement, including the Shafter Equipment Purchase, and having regard to the alternatives available to the Company, the financial position of the Company, as well as certain advice and opinions it received from the Company’s management, the Special Committee concluded that the Arrangement, including the Shafter Equipment Purchase, is in the best interests of the Company and unanimously recommended that the Aurcana Board approve a letter of intent in connection with the Arrangement (the “**Letter of Intent**”). After receipt of the recommendation by the Special Committee, the Board determined that the Arrangement and the Shafter Equipment Purchase were in the Company's best interests, and unanimously approved the Letter of Intent.

On the afternoon of July 30, 2018, Aurcana issued a press release announcing the execution of the Letter of Intent in connection with the Arrangement.

Following the Letter of Intent, the Parties finalized mutual due diligence and negotiated the definitive documentation of the Arrangement Agreement and Plan of Arrangement. In addition to finalizing the definitive documentation for the transaction, the Special Committee engaged Dundee Securities Ltd. who provided a fairness opinion confirming the consideration to be paid by Aurcana, under the Arrangement is fair, from a financial point of view, to Aurcana. See “Background to and Reasons for the Arrangement – Fairness Opinion”. In a meeting held on September 17, 2018, the Special Committee reviewed the draft form of the Arrangement Agreement, re-affirmed their finding that the Arrangement is in the best interests of the Company, and recommended that the Aurcana Board approve the Arrangement Agreement.

Accordingly, the Aurcana Board unanimously approved the Arrangement Agreement and unanimously recommends that Aurcana Shareholders vote FOR the Arrangement Resolution.

Recommendation of the Aurcana Board

After careful consideration, the Aurcana Board unanimously concluded that the Arrangement is fair to the Aurcana Shareholders and in the best interests of Aurcana, and authorized the submission of the Arrangement Resolution to the Aurcana Shareholders for approval at the Meeting. **The Aurcana Board also unanimously determined to recommend to Aurcana Shareholders that they vote FOR the Arrangement Resolution.**

Reasons Aurcana Corporation Board Recommendations

In the course of the Aurcana Board's evaluation of the Arrangement, the Aurcana Board consulted with its management, and its legal counsel and performed financial, technical, legal and financial advisors due diligence with the help of its advisors and experts and considered a number of factors, including, among others, the following:

Strong Management Team. The combination of highly experienced board and management teams with a proven record of delivering shareholder value through mineral discovery and project development. The management team of the Combined Company will have high visibility in the mining industry and significant relationships with key sector investors and analysts that should help to attract strong retail and institutional support.

Enhanced Capital Markets Profile. The Combined Company's capital markets profile is expected to be enhanced due to a combined market capitalization, greater trading liquidity and increased market profile and analyst coverage which may provide the Combined Company with enhanced opportunities to create value for its shareholders.

Opportunity for Near-Term Production. The RV Mine represents an opportunity for near-term production, which would provide the Combined Company with revenues.

Key Shareholder Support. Aurcana Shareholders holding in the aggregate greater than 15% of the issued and outstanding Aurcana Shares have executed Voting and Support Agreements. Orion, which is the largest shareholder of Aurcana, supports the transaction.

Receipt by Aurcana's Board of a Fairness Opinion. Dundee Securities Ltd. provided the Aurcana Board with a written opinion to the effect that, as of September 17, 2018, and based upon and subject to the limitations, assumptions and qualifications contained therein, the consideration to be paid by Aurcana, under the Arrangement is fair, from a financial point of view, to Aurcana. See "Background to and Reasons for the Recommendation of the Board of Directors – Fairness Opinion".

Shareholder Approval. The Arrangement Resolution must be approved by: (i) not less than 66⅔% of the votes cast by the Aurcana Shareholders present in person or represented by proxy at the Meeting; and (ii) not less than a majority of the votes cast by the Aurcana Shareholders present in person or represented by proxy at the Meeting (excluding the votes cast by Orion that must be excluded in accordance with Canadian Securities Laws), thereby providing protection for Aurcana Shareholders. "Securities Law Matters – Canadian Securities Law – Multilateral Instrument 61-101".

Court Process. The Arrangement will be subject to a judicial determination of the Court that the Arrangement is fair and reasonable, both procedurally and substantively, to Aurcana Shareholders.

Dissent Rights. Aurcana Registered Shareholders who do not vote in favour of the Arrangement will have the right to require a judicial appraisal of their Aurcana Shares and to obtain "fair value" pursuant to the proper exercise of the Dissent Rights.

Low Execution Risk. There are no material competition or other regulatory issues which are expected to arise in connection with the Arrangement so as to prevent its completion, and all required regulatory clearances and approvals are expected to be obtained. The Arrangement is not subject to further due diligence on the part of Ouray or Aurcana.

The foregoing discussion of the information and factors considered by the Aurcana Board is not intended to be exhaustive but addresses the key information and factors considered by the Aurcana Board in its consideration of the Arrangement. In reaching its conclusion, the Aurcana Board did not find it practical to, and did not, assign any relative or specific weight to the different factors which were considered, and individual members of the Aurcana Board may have given different weight to different factors.

Aurcana Shareholders should consider the Arrangement carefully and come to their own conclusions as to the approval or rejection of same. Aurcana Shareholders who are in doubt as to how to vote should consult with their own investment dealer, stockbroker, securities advisor, bank manager, lawyer, tax advisor or other professional advisor. Aurcana Shareholders should be aware that the Arrangement may have tax consequences and should consult with their own tax advisors regarding the tax consequences of the Arrangement under any applicable Canadian and United States federal, state, provincial, territorial, local or foreign tax laws having regard to their particular circumstances.

Fairness Opinion

In deciding to approve the Arrangement, the Aurcana Board received and considered the Fairness Opinion.

Engagement of Dundee

The Aurcana Board retained Dundee to provide a written opinion to the Aurcana Board as to the fairness, from a financial point of view, of the consideration to be paid by Aurcana pursuant to the Arrangement. Under the engagement letter between Dundee and Aurcana dated August 27, 2018, Aurcana agreed to pay a fixed fee to Dundee for rendering the Fairness Opinion. This fee is not contingent on the outcome of the Arrangement or the conclusions reached by Aurcana in the Fairness Opinion. Aurcana also agreed to reimburse Dundee for its reasonable out of pocket expenses incurred in connection with its engagement, and to indemnify Dundee against certain liabilities that may arise out of its engagement.

Neither Dundee nor any of its affiliates or associates, is an insider, associate or affiliate (as those terms are defined in the Securities Act) of Aurcana, Ouray or any of their respective associates or affiliates. As of the date hereof, Dundee and its affiliates do not own or control any Aurcana Shares or shares of Ouray.

Neither Dundee nor any of its associates or affiliates have provided any financial advisory services or participated in any financings involving Aurcana, Ouray or any of their respective associates or affiliates within the past two years. Furthermore, there are no understandings, agreements or commitments between Dundee and Aurcana, Ouray or any of their respective associates or affiliates with respect to future business dealings.

Summary of Fairness Opinion

The full text of the Fairness Opinion, which sets forth the assumptions made, procedures followed, information reviewed, matters considered, and the scope of the review undertaken by Dundee in connection with the Fairness opinion, is annexed to the Circular as Schedule G. The summary of the Fairness Opinion in this Circular is qualified in its entirety by reference to the full text of the Fairness Opinion. Dundee provided the Fairness Opinion for the exclusive use of the Aurcana Board in connection with its consideration of the Arrangement and such opinion is not to be used by any other person or relied upon by any other person without the express prior written consent of Dundee. The Aurcana Board urges the Aurcana Shareholders to review the Fairness Opinion carefully and in its entirety.

The Fairness Opinion should not be construed as a recommendation to vote for or against the Arrangement.

In connection with rendering the Fairness Opinion, Dundee reviewed and relied upon, or carried out, among other things, the documentation and information set-out under the heading “Scope of Review and Approach to Analysis” in the Fairness Opinion.

Approaches to Fairness

In support of the Fairness Opinion, Dundee performed certain analyses on Aurcana and Ouray, based on those methodologies and assumptions that Dundee considered appropriate in the circumstances for the purposes of providing the Fairness Opinion. In the context of this Fairness Opinion, Dundee considered, among others, the following methodologies:

- a) historical share price trading approach;
- b) trading comparable approach;
- c) precedent transaction approach; and
- d) relative contribution approach.

Historical Share Price Trading Approach

Dundee reviewed the historical trading of Aurcana's shares on the Exchange over the relevant time periods. The analysis reviewed trading history based on spot, 20 day Volume Weighted Average Price (“**VWAP**”), 3 month VWAP, 6 month VWAP and 1 year VWAP.

Trading Comparable Approach

Dundee evaluated Aurcana and Ouray based on the relevant technical reports and Dundee’s estimates. In determining the Net Asset Value (“**NAV**”) for Aurcana and Ouray, Dundee used a discounted cash flow (“**DCF**”) analysis for the proposed mine plans. The DCF considered the present value of the free cash flows from the Company’s Shafter-Presidio Mine and the RV Mine using an industry standard discount rate. This approach considered the timing and relative certainty of projected cash flows, and required that certain assumptions be made regarding, among other things, commodity prices, timing and discount rates. Dundee evaluated a select group of eighteen comparable public companies it deemed most relevant, in its professional opinion, and applied a range of comparable Price/NAV ratios to Dundee’s estimate of NAV for Aurcana and Ouray.

Dundee evaluated twenty-three comparable public companies it deemed most relevant, in its professional opinion, in regard to Enterprise Value/Silver Equivalent Ounces (“**EV/AgEq oz**”) and applied a range of comparable multiples to Aurcana and Ouray’s mineral reserves and mineral resources. Enterprise Value is equal to market capitalization plus debt, less cash. Silver Equivalent Ounces converts multiple metals contained within a deposit to a silver equivalent based on the ratio of the average spot market price for the commodities at that point in time.

Precedent Transaction Approach

Dundee reviewed publicly available information on six merger and acquisition transactions in the silver sector and compared these to the Arrangement, applying a range of P/NAV multiples to Dundee’s NAV estimate for Aurcana and Ouray. The analysis of these precedent transactions is not purely mathematical, but involves considerations and judgements concerning, among other things, differences in the comparable transactions, company-specific risk factors, share performance preceding each transaction announcement and prevailing economic and market conditions.

Relative Contribution Approach

Dundee reviewed the relative contribution of Aurcana's key metrics including reserves, resources, and NAV, versus the implied pro-forma percentage ownership of the Aurcana Shareholders in the post-Arrangement company.

Fairness Conclusion

Based upon and subject to the assumptions, limitations and other factors set forth in the Fairness opinion and such other matters as Dundee considered relevant, the Fairness Opinion concluded that, as of September 17, 2018, the consideration to be paid by Aurcana pursuant to the Arrangement is fair from a financial point of view, to Aurcana.

PARTICULARS OF THE ARRANGEMENT

Description of the Arrangement

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of the form of which is attached as Schedule B to this Circular.

Commencing at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence, in each case effective as at one minute intervals starting at the Effective Time, without any further authorization, act or formality of or by Aurcana, Aucana US, LRC Group, Ouray, or any other Person:

- (a) Each Aurcana Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to Aurcana and Aurcana shall thereupon be obliged to pay the amount therefor determined and payable in accordance with Article 3 of the Plan of Arrangement, and the name of such holder shall be removed from the central securities register of Aurcana as a holder of Aurcana Shares;
- (b) 23,894,545 pre-Consolidation Aurcana Shares shall be issued by Aurcana in connection with the Shafter Equipment Purchase, and the Shafter Equipment Purchase shall be completed;
- (c) The Consolidation shall be completed;
- (d) The following two steps shall occur in the following order,
 - (i) FRSM shall transfer the PFA to Aurcana US in exchange for 54,310,047 Post-Consolidation Aurcana Shares;
 - (ii) FRSM II shall transfer all of the issued and outstanding Ouray Common Shares to Aurcana US in exchange for 28,930,312 Post-Consolidation Aurcana Shares. The names of the holders of the Ouray Common Shares transferred to Aurcana US shall be removed from the applicable registers of holders of Ouray Common Shares, and Aurcana US shall be recorded as the registered holder of Ouray Common Shares so transferred and shall be deemed the legal and beneficial owner thereof;

For further clarity, to enable Aurcana US to deliver the required Aurcana Shares to the LRC Group as specified in steps (d)(i)&(ii) above, the following steps shall occur simultaneously with each of steps (d)(i) or (ii), as applicable;

1. Pursuant to a written direction by Aurcana US to Aurcana US Holdco 2, Aurcana US shall issue to Aurcana US Holdco 2 54,310,047 (simultaneous with (d)(i) above) and 28,930,312 (simultaneous with (d)(ii) above) (for a total of 83,240,359) common shares of Aurcana US as consideration for Aurcana US Holdco 2 issuing its shares to Aurcana US Holdco 1;
2. Pursuant to a written direction by Aurcana US Holdco 2 to Aurcana US Holdco 1, Aurcana US Holdco 2 shall issue to Aurcana US Holdco 1 54,310,047 (simultaneous with (d)(i) above) and 28,930,312 (simultaneous with (d)(ii) above) (for a total of 83,240,359) common shares of Aurcana US Holdco 2 as consideration for Aurcana US Holdco 1 issuing its shares to Aurcana;
3. Pursuant to a written direction by Aurcana US Holdco 1 to Aurcana, Aurcana US Holdco 1 shall issue to Aurcana 54,310,047 (simultaneous with (d)(i) above) and 28,930,312 (simultaneous with (d)(ii) above) (for a total of

83,240,359) common shares of Aurcana US Holdco 1 as consideration for Aurcana issuing 54,310,047 Post-Consolidation Aurcana Shares to FRSM and 28,930,312 Post-Consolidation Aurcana Shares to FRSM II in steps (d)(i)&(ii) above; and

4. Aurcana shall add to its stated capital of the Aurcana Shares an amount equal to the fair market value of the Aurcana US Holdco 1 shares issued to Aurcana in step 3 above, simultaneous with the issuance of each set of such shares.

(e) The Offering shall be completed and Aurcana shall issue Aurcana Shares to subscribers under the Offering;

(f) The authorized share capital of Aurcana and its articles will be altered by:

(i) Renaming and redesignating all of the issued and unissued Aurcana Shares as Aurcana Class A Shares, and moving to the stated capital of the Aurcana Class A Shares the amount that was the stated capital of the Aurcana Shares immediately prior to the redesignation; and

(ii) Creating an unlimited number of common shares without par value as the New Aurcana Common Shares;

(g) Each Aurcana Class A Share outstanding on the Effective Date will be deemed to be exchanged for one (1) New Aurcana Common Share without any further act or formality and such Aurcana Shareholders shall cease to be the holders of the Aurcana Class A Shares so exchanged, and the amount of the stated capital of the Aurcana Class A Shares immediately prior to the exchange shall be moved to the stated capital of the New Aurcana Common Shares;

(h) The Aurcana Class A Shares, none of which will be allotted and issued once the step referred to in step (f)(i) above is completed, will be cancelled and the authorized capital of Aurcana and its articles shall be amended by deleting the Aurcana Class A Shares as a class of shares of Aurcana.

Pursuant to the Plan of Arrangement, each outstanding Aurcana Option will be automatically adjusted as contemplated by its terms, such that on exercise of each Aurcana Option and for the same aggregate consideration payable therefor, the holder shall be entitled to acquire and shall accept in lieu of the number of pre-Consolidation Aurcana Shares to which such holder was entitled immediately before the Effective Date, such number of New Aurcana Common Shares as is equal to the number of pre-Consolidation Aurcana Shares that the holder was entitled to receive upon exercise of the Aurcana Option, multiplied by 0.20. The Aurcana Options shall thereafter evidence only a right to purchase New Aurcana Common Shares in accordance with their terms, and no amended certificates with respect to Aurcana Options shall be issued.

Pursuant to the Plan of Arrangement, each outstanding Aurcana Warrant will be automatically adjusted as contemplated by its terms, such that on exercise of each Aurcana Warrant and for the same aggregate consideration payable therefor, the holder shall be entitled to acquire and shall accept in lieu of the number of pre-Consolidation Aurcana Shares to which such holder was entitled immediately before the Effective Date, such number of New Aurcana Common Shares as is equal to the number of pre-Consolidation Aurcana Shares that the holder was entitled to receive upon exercise of the Aurcana Option, multiplied by 0.20. The Aurcana Warrants shall thereafter evidence only a right to purchase New Aurcana Common Shares in accordance with their terms, and no amended certificates with respect to Aurcana Warrants shall be issued.

In no event shall any holder of Aurcana Shares be entitled to a fractional New Aurcana Common Shares. Where the aggregate number of New Aurcana Common Shares to be issued to a Person as consideration under or as a result of this Arrangement would result in a fraction of a New Aurcana Common Share being issuable, the number of New Aurcana Common Shares to be received by such securityholder shall be rounded down to the nearest whole New Aurcana Common Share and no Person will be entitled to any compensation in respect of a fractional New Aurcana Common Share.

See the Plan of Arrangement attached as Schedule B to this Circular for additional information.

Shareholder and Court Approvals

Aurcana Shareholder Approval

At the Meeting, the Aurcana Shareholders will be asked to consider and, if deemed advisable, approve the Arrangement Resolution set forth in Schedule A to this Circular approving the Arrangement.

The Arrangement Resolution must be approved, with or without variation, by: (i) not less than 66⅔% of the votes cast by the Aurcana Shareholders, present in person or represented by proxy at the Meeting; and (ii) not less than a majority of the votes

cast by the Aurcana Shareholders (excluding the votes cast by Orion must be excluded in accordance with Canadian Securities Laws), present in person or represented by proxy at the Meeting.

In determining whether the minority shareholder approval as described in (ii) above has been obtained, the votes cast by Orion must be excluded in accordance with applicable Canadian Securities Laws. See “Securities Law Matters – Canadian Securities Laws – Multilateral Instrument 61-101”. To the knowledge of Aurcana, after reasonable inquiry, a total of 16,499,501 votes that may be cast on the Arrangement Resolution will be excluded in determining whether minority shareholder approval for the Arrangement Resolution has been obtained. The Arrangement Resolution must receive Aurcana Shareholder Approval in order for Aurcana to seek the Final Order and implement the Arrangement on the Effective Date in accordance with the Final Order.

If the resolution approving the Arrangement does not receive the Required Vote, the Arrangement will not proceed. Reference is made to the section “Particulars of the Arrangement – Dissent Rights” in this Circular for information concerning the rights of Aurcana Registered Shareholders to dissent in respect of the Arrangement Resolution.

The Aurcana Board and management, as applicable, recommend that Aurcana Shareholders VOTE FOR the Arrangement Resolution. In the absence of instructions to the contrary, the persons whose names appear in the attached Proxy intend to VOTE FOR the Arrangement Resolution.

Court Approval

The Arrangement requires approval by the Court under Section 192 of the CBCA. On November 6, 2018, Aurcana obtained the Interim Order providing for the calling, holding and conducting of the Meeting and other procedural matters and a Notice of Presentation of Application for Final Order to approve the Arrangement has been filed. Copies of the Interim Order and the Notice of Presentation of Application for Final Order are attached as Schedule C and Schedule D, respectively, to this Circular.

The Court hearing in respect of the Final Order (the “**Final Hearing**”) is expected to take place at 9:45 a.m. (Vancouver time), on December 12, 2018, or as soon thereafter as counsel for Aurcana may be heard before the Court, at 800 Smithe Street, Vancouver, British Columbia.

At the Final Hearing, the Court will consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every Person affected. Aurcana has been advised by its legal counsel that the Court has broad discretion under the CBCA when making orders with respect to a plan of arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and procedural point of view. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court will be advised prior to the Final Hearing that if the terms and conditions of the Arrangement are approved by the Court, the New Aurcana Shares to be issued pursuant to the Arrangement, except for New Aurcana Shares to be issued to holders of Subscription Receipts purchased in the Offering which pursuant to the Arrangement will be converted into Aurcana Shares and then will be exchanged for New Aurcana Common Shares, will not be registered under the U.S. Securities Act and will be issued in reliance on the exemption from registration provided by Section 3(a)(10) thereunder and that the Final Order will constitute the basis for such exemption.

Under the terms of the Interim Order, each Aurcana Shareholder, Aurcana Optionholders and Aurcana Warrantholders will have the right to appear or be represented and to present evidence or arguments at the Final Hearing. Any Person desiring to appear at the Final Hearing may do so, but must comply with certain procedural requirements described in the Interim Order and in the Notice of Presentation of Application for Final Order, including filing an appearance with the Court registry and serving same on Aurcana’s counsel at the address set out below, no later than 4:00 p.m. (Vancouver time) on December 6, 2018, and, if such appearance is with a view to contesting the Application for the Final Order, serving on Aurcana’s counsel at the address set out below, no later than 4 p.m. (Vancouver time) on December 10, 2018, a written contestation supported as to the facts alleged by affidavit(s), and exhibit(s), if any:

Maxis Law Corporation
Suite 910-800 West Pender Street
Vancouver, British Columbia V6C 2V6

Attention: J. Morgan Hay
Fax: (604) 692 – 4900

Aurcana Shareholders, Aurcana Optionholders and Aurcana Warrantholders who wish to participate in or be represented at the Final Hearing should consult their legal advisors as to the necessary requirements.

If: (i) the Arrangement Resolution is passed; (ii) the Final Order is obtained; and (iii) all other conditions to closing are satisfied or waived, the Articles of Arrangement will be filed and the Arrangement will become effective on the Effective Date. Aurcana and Ouray currently expect that the Effective Date will be on or about December 17, 2018.

Dissent Rights

If you are an Aurcana Registered Shareholder, you are entitled to dissent from the Arrangement Resolution in the manner provided in Section 190 of the CBCA, as modified or supplemented by the Interim Order, the Plan of Arrangement or any other order of the Court.

The following description of the Dissent Rights of Aurcana Registered Shareholders is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of is, her or its Aurcana Shares. An Aurcana Registered Shareholder's failure to follow exactly the procedures set forth in Section 190 of the CBCA, as modified or supplemented by the Interim Order, Plan of Arrangement or any other order of the Court, will result in the loss of such Aurcana Registered Shareholder's Dissent Rights. If you are an Aurcana Registered Shareholder and wish to exercise Dissent Rights, you should obtain your own legal advice and carefully read the Plan of Arrangement, the Interim Order and the provisions of Section 190 of the CBCA which are attached to this Circular as Schedule B, Schedule C and Schedule E, respectively. In addition to any other restrictions under Section 190 of the CBCA (as modified or supplemented by the Interim Order, the Plan of Arrangement or any other order of the Court), holders of securities convertible for Aurcana Shares (including Aurcana Options and Aurcana Warrants) are not entitled to exercise Dissent Rights.

An Aurcana Registered Shareholder may exercise Dissent Rights only in respect of all of the Aurcana Shares that are registered in that Aurcana Shareholder's name (the "**Dissenting Shares**"). In many cases, Aurcana Shares beneficially owned by a Beneficial Shareholder are registered either (a) in the name of an intermediary, or (b) in the name of a clearing agency (such as CDS or similar entities) of which an intermediary is a participant. Accordingly, a Beneficial Shareholder will not be entitled to exercise Dissent Rights directly unless the Aurcana Shares are re-registered in the Beneficial Shareholder's name.

A Beneficial Shareholder who wishes to exercise Dissent Rights should contact the intermediary with whom the Beneficial Shareholder deals in respect of its Aurcana Shares and either:

- (a) instruct the intermediary to exercise the Dissent Rights on the Beneficial Shareholder's behalf (which, if the Aurcana Shares are registered in the name of CDS or other clearing agency, would require that the Aurcana Shares first be re-registered in the name of the intermediary); or
- (b) instruct the intermediary to re-register the Aurcana Shares in the name of the Beneficial Shareholder, in which case, further to the registration of the Aurcana Shares in the name of the Beneficial Shareholder, the new Aurcana Registered Shareholder would be able to exercise the Dissent Rights directly. In this regard, the Beneficial Shareholder will have to demonstrate that such Person beneficially owned the Aurcana Shares in respect of which the Dissent Rights are being exercised, on the Record Date established for the Meeting.

Any Dissenting Shareholder will be entitled, in the event that the Arrangement becomes effective, to be paid the fair value of the Dissenting Shares held by such Dissenting Shareholder, determined as at the close of business on the day immediately preceding the Meeting, and will not be entitled to any other payment or consideration. There can be no assurance that a Dissenting Shareholder will receive consideration for its Dissenting Shares of equal value to the consideration that such Dissenting Shareholder would have received upon completion of the Arrangement.

An Aurcana Registered Shareholder who wishes to dissent must ensure that a written objection to the Arrangement Resolution (a "**Dissent Notice**") is received by Aurcana at 850 – 789 West Pender Street, Vancouver, British Columbia V6C 1H2 (Attention: Kevin Drover, President and Chief Executive Officer), in either case, to be received by no later than 4:00 p.m. (Vancouver time) on December 6, 2018 or two Business Days prior to any adjournment or postponement of the Meeting. The filing of a Dissent Notice does not deprive an Aurcana Registered Shareholder of the right to vote; however, an Aurcana Registered Shareholder who has submitted a Dissent Notice and who votes in favour of the Arrangement Resolution will no longer be considered a Dissenting Shareholder with respect to Aurcana Shares voted by such Aurcana Registered Shareholder in favour of the Arrangement Resolution. If such Dissenting Shareholder votes in favour of the Arrangement Resolution in respect of a portion of the Aurcana Shares registered in his, her or its name and held by same on behalf of any one beneficial owner, such vote approving the Arrangement Resolution will be deemed to apply to the entirety of Aurcana Shares held by such Dissenting

Shareholder in the name of that beneficial owner, given that Section 190 of the CBCA provides there is no right of partial dissent. A vote against the Arrangement Resolution will not constitute a Dissent Notice.

Within ten days after the Aurcana Shareholders have adopted the Arrangement Resolution, Aurcana is required to notify each Dissenting Shareholder that the Arrangement Resolution has been adopted. Such notice is not required to be sent to any Dissenting Shareholder who voted in favour the Arrangement Resolution or who has withdrawn its Dissent Notice.

A Dissenting Shareholder who has not withdrawn its Dissent Notice prior to the Meeting must then, within 20 days after receipt of notice that the Arrangement Resolution has been adopted, or if the Dissenting Shareholder does not receive such notice, within 20 days after learning that the Arrangement Resolution has been adopted, send by courier to Aurcana, care of Aurcana's transfer agent, TSX Trust Company by mail or hand delivery to 301 – 100 Adelaide Street West, Toronto ON M5H 4H1, a written notice containing his or her name and address, the number of Dissenting Shares in respect of which he or she dissents, and a demand for payment of the fair value of such Dissenting Shares (the "**Demand for Payment**"). Within 30 days after sending a Demand for Payment, the Dissenting Shareholder must send to Aurcana, care of Aurcana's transfer agent, TSX Trust Company, certificates representing the Dissenting Shares. Aurcana will or will cause TSX Trust Company to endorse on the applicable Dissenting Share certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return such Dissenting Share certificates to the Dissenting Shareholder. Failure to strictly comply with the requirements set forth in Section 190 of the CBCA, as modified or supplemented by the Plan of Arrangement or Interim Order, may result in the loss of any right to dissent. After sending a Demand for Payment, a Dissenting Shareholder ceases to have any rights as a Aurcana Shareholder in respect of its Dissenting Shares other than the right to be paid the fair value of the Dissenting Shares held by such Dissenting Shareholder, except where: (i) the Dissenting Shareholder withdraws its Dissent Notice before Aurcana makes an offer to pay (an "**Offer to Pay**"), (ii) Aurcana fails to make an Offer to Pay and the Dissenting Shareholder withdraws the Demand for Payment, or (iii) Aurcana rescinds the Arrangement Resolution, in which case the Dissenting Shareholder's rights as an Aurcana Shareholder will be reinstated as of the date of the Demand for Payment. Aurcana is required, not later than seven days after the later of the Effective Date or the date on which a Demand for Payment is received from a Dissenting Shareholder, to send to each Dissenting Shareholder who has sent a Demand for Payment an Offer to Pay for its Dissenting Shares in an amount considered by the Aurcana Board to be the fair value of the Aurcana Shares accompanied by a statement showing the manner in which the fair value was determined. Every Offer to Pay must be on the same terms. Aurcana must pay for the Dissenting Shares of a Dissenting Shareholder within ten days after an Offer to Pay has been accepted by a Dissenting Shareholder, but any such offer lapses if Aurcana does not receive an acceptance within 30 days after the Offer to Pay has been made.

If Aurcana fails to make an Offer to Pay for Dissenting Shares, or if a Dissenting Shareholder fails to accept an Offer to Pay that has been made, Aurcana may, within 50 days after the Effective Date or within such further period as the Court may allow, apply to the Court to fix the fair value of the Dissenting Shares. If Aurcana fails to apply to the Court, a Dissenting Shareholder may apply to the Court for the same purpose within a further period of 20 days or within such further period as the Court may allow. A Dissenting Shareholder is not required to give security for costs in respect of such an application.

If Aurcana or a Dissenting Shareholder makes an application to Court, Aurcana will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of its right to appear and be heard in person or by counsel. Upon an application to the Court, all Dissenting Shareholders who have not accepted an Offer to Pay will be joined as parties and will be bound by the decision of the Court. Upon any such application to the Court, the Court may determine whether any Person is a Dissenting Shareholder who should be joined as a party, and the Court will then fix a fair value for the Dissenting Shares of all Dissenting Shareholders. The final order of the Court will be rendered against Aurcana in favour of each Dissenting Shareholder for the amount of the fair value of its Dissenting Shares as fixed by the Court. The Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the Effective Date until the date of payment.

Under the Arrangement, all Aurcana Shares held by Aurcana Registered Shareholders who exercise their Dissent Rights will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to Aurcana in consideration for a claim against Aurcana for the fair value of such Aurcana Shares which fair value, notwithstanding anything to the contrary contained in Part XV of the CBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted. If such Aurcana Shareholders ultimately are not entitled, for any reason, to be paid fair value for such Aurcana Shares, they shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Aurcana Shares.

It is a condition of the completion of the Arrangement under the Arrangement Agreement that Aurcana Shareholders holding no more than 5% of the outstanding Aurcana Shares shall have exercised their Dissent Rights (and not withdrawn such exercise).

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Dissenting Shareholders who seek payment of the fair value of their Aurcana Shares. Section 190 of the CBCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. Accordingly, each Aurcana Shareholder who is considering exercising Dissent Rights should carefully consider and comply with the provisions of that section, the full text of which is set out in Schedule E to this Circular, as modified or supplemented by the Interim Order, the Plan of Arrangement or any other order of the Court and should consult their own legal advisors.

Exchange Procedures

See “Procedure for Exchange of Aurcana Shares” below for a description of the procedures for the surrender of share certificates representing the Aurcana Shares to be exchanged by certificates representing the New Aurcana Common Shares pursuant to the Arrangement.

Support by the Supporting Shareholders

The Supporting Shareholders who beneficially own, directly or indirectly, or exercise control or direction over, in the aggregate, 17,222,534 Aurcana Shares, which represent greater than 15% of the outstanding Aurcana Shares as at the date hereof, have agreed under the Support and Voting Agreements to support, and vote in favour of, the Arrangement.

Interest of Certain Persons in the Arrangement

Except as disclosed below, to the knowledge of the directors and officers of Aurcana, no Person who has been a director or officer of Aurcana at any time since the beginning of Aurcana’s most recently-completed financial year, or any associate or Affiliate thereof, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in the Arrangement. None of the directors or officers of Aurcana has entered into any agreement or understanding pursuant to which he or she is assured to receive increased compensation or favorable alterations to existing employment or consulting agreements.

Shareholdings

As at the Record Date, the directors and executive officers of Aurcana, as a group, beneficially owned, directly or indirectly, or exercised control or direction over: (i) 723,033 Aurcana Shares, representing approximately 0.7% of the issued and outstanding Aurcana Shares. All of the Aurcana Shares held by the directors and executive officers of Aurcana will be treated in the same manner under the Arrangement as the Aurcana Shares held by other Aurcana Shareholders. The directors and officers of Aurcana have agreed under the Support and Voting Agreements to support, and vote in favour of, the Arrangement.

Directors and Officers

See “Information Concerning Aurcana – Directors and Executive Officers” for the names of all directors and executive officers of Aurcana and the number, designation and the percentage of outstanding securities of Aurcana beneficially owned or over which control or direction is exercised by each such director or executive officer as at the Record Date.

ARRANGEMENT AGREEMENT

The Arrangement will be effected in accordance with the Arrangement Agreement. The following is a summary of the principal terms of the Arrangement Agreement. **This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, the full text of which may be viewed on SEDAR under Aurcana’s and Ouray’s issuer profiles, respectively at www.sedar.com, and to the Plan of Arrangement, the full text of which is attached as Schedule B – “Plan of Arrangement” to this Circular. Aurcana Shareholders are encouraged to read each of the Arrangement Agreement and the Plan of Arrangement in their entirety.**

On September 20, 2018, Aurcana, Aurcana US, LRC Group and Ouray entered into the Arrangement Agreement, pursuant to which Aurcana agreed that, subject to the terms and conditions set forth in the Arrangement Agreement, among other things:

- Aurcana will purchase all equipment currently owned by Orion located at the Company’s Shafter Mine in exchange for US\$500,000 and 23,894,545 pre-Consolidation Aurcana Shares.
- The Aurcana Shares will be consolidated on a 5:1 basis.

- Aurcana US, will acquire all of the issued and outstanding common shares of Ouray from FRSM II. Aurcana US will also acquire the PFA from FRSM including the security package over all the common shares and assets of Ouray. As consideration for the acquisition of these assets from the LRC Group, Aurcana will issue in the aggregate 83,240,359 Post-Consolidation Aurcana Shares to the LRC Group.
- Aurcana will complete a subscription receipt offering for gross proceeds of a minimum of C\$9,000,000, or such other amount as may be agreed to by Aurcana, Aurcana US, Ouray and LRC Group. Each subscription receipt will be issued at a price of C\$1.00, and upon the completion of the Arrangement, will convert into a Post-Consolidation Aurcana Share and an Underlying Warrant.

The terms of the Arrangement Agreement are the result of arm's length negotiations between Aurcana, Aurcana US, LRC Group and Ouray and their respective advisors. The Arrangement will be effected pursuant to the CBCA.

Effective Date and Conditions of Arrangement

If the Arrangement Resolution is passed, the Final Order of the Court is obtained approving the Arrangement and all other conditions to the Arrangement becoming effective are satisfied or waived, the Arrangement will become effective at the Effective Time. It is currently expected that the Effective Date will be on or about December 17, 2018.

Representations and Warranties

The Arrangement Agreement contains customary representations and warranties made by Aurcana to Ouray and LRC Group and representations and warranties made by Ouray, LRC Group and Aurcana US to Aurcana. Those representations and warranties were made solely for purposes of the Arrangement Agreement and may be subject to important qualifications, limitations and exceptions agreed to by the parties in connection with negotiating its terms. In particular, some of the representations and warranties are subject to a contractual standard of materiality, Aurcana Material Adverse Effect or Ouray Material Adverse Effect different from that generally applicable to public disclosure to Aurcana Shareholders, or are used for the purpose of allocating risk between the parties to the Arrangement Agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by Aurcana in favour of Ouray and LRC Group, and the representations and warranties provided by Ouray to Aurcana, relate to organization and corporate capacity, authority relative to the Arrangement Agreement, required approvals, no violation, capitalization, shareholders' and similar agreements, subsidiaries, reporting issuer status and Securities Law matters, financial statements, no undisclosed liabilities, non-arm's length transactions, absence of certain changes, compliance with Laws, authorizations and licenses, finders' fees, board approval, material contracts, interest in properties, technical report, personal property, litigation and insolvency, intellectual property, environmental matters, employment matters, health and safety, employment laws, acceleration of benefits, pension and employee benefits, independent contractors, insurance and taxes.

The representations and warranties provided by LRC Group in favour of Aurcana relate to organization and corporate capacity, authority relative to the Arrangement Agreement, required approvals, no violation, litigation and insolvency, subsidiaries, Securities Law and the PFA.

The representations and warranties provided by Aurcana US in favour of Aurcana relate to organization and corporate capacity, authority relative to the Arrangement Agreement, required approvals, no violation, litigation and insolvency, parent, subsidiaries and interest, capitalization and conduct of business.

Conditions to the Arrangement Becoming Effective

In order for the Arrangement to become effective, certain conditions must have been satisfied or waived which conditions are summarized below.

Mutual Conditions

The respective obligations of the Parties to complete the Arrangement are subject to the satisfaction, or mutual waiver by the Parties, on or before the Effective Date, of each of the following conditions, each of which are for the mutual benefit of the Parties and which may be waived, in whole or in part, by mutual consent of each of the Parties at any time:

- a) the Arrangement Resolution will have been approved and adopted by the Aurcana Shareholders at the Meeting in accordance with the Interim Order;
- b) Each of the Interim Order and Final Order will have been obtained in form and substance satisfactory to each of Aurcana and LRC Group, each acting reasonably, and will not have been set aside or modified in any manner unacceptable to either Aurcana or LRC Group, each acting reasonably, on appeal or otherwise;
- c) No Law will have been enacted, issued, promulgated, enforced, made, entered, issued or applied and no proceeding will otherwise have been taken under any Laws or by any Governmental Entity (whether temporary, preliminary or permanent) that makes the Arrangement illegal or otherwise directly or indirectly cease trades, enjoins, restrains or otherwise prohibits completion of the Arrangement;
- d) The New Aurcana Common Shares, except those New Aurcana Common Shares to be issued to holders of Aurcana Shares which received such shares on the deemed exercise of Subscription Receipts, shall be exempt from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof, provided, however, that Aurcana shall be not entitled to the benefit of this condition and shall be deemed to have waived such condition in the event that Aurcana fails to advise the Court prior to hearing in respect of the Interim Order that LRC Group intends to rely on the exemption from registration afforded by Section 3(a)(10) of the U.S. Securities Act based on the Court's approval of the Arrangement and comply with the applicable requirements in the Arrangement Agreement and the Final Order shall reflect such reliance
- e) The necessary conditional approvals or equivalent approvals, as the case may be, of the TSXV will have been obtained, including the continued listing and posting for trading of the New Aurcana Common Shares to be issued pursuant to the Arrangement;
- f) All conditions precedent to the Shafter Equipment Purchase, other than the completion of the Arrangement, shall have been met; and
- g) the Arrangement Agreement shall not have been terminated in accordance with its terms.

Ouray Conditions

The obligation of Aurcana to complete the Arrangement will be subject to the satisfaction, or waiver by Aurcana, on or before the Effective Date, of each of the following conditions, each of which is for the exclusive benefit of Aurcana and which may be waived by Aurcana at any time:

- a) Ouray will have complied in all material respects with its obligations, covenants and agreements in the Arrangement Agreement to be performed and complied with on or before the Effective Date and Aurcana will have received a certificate of Ouray signed by two senior officers of Ouray and dated the Effective Date certifying the foregoing;
- b) The representations and warranties of Ouray and LRC Group set forth in the Arrangement Agreement will be true and correct (disregarding for this purpose all materiality or Ouray Material Adverse Effect qualifications contained therein) as of the Effective Date as if made on and as of such date (except for such representations and warranties which refer to or are made as of another specified date, in which case such representations and warranties will have been true and correct as of that date) except (i) as affected by transactions, changes, conditions, events or circumstances expressly permitted by the Arrangement Agreement or (ii) for breaches of representations and warranties (other than the one regarding the capitalization of Ouray) which have not had and would not reasonably be expected to have, individually or in the aggregate a Ouray Material Adverse Effect or prevent or significantly impede or materially delay the completion of the Arrangement, it being understood that it is a separate condition precedent to the obligations of Aurcana that the representations and warranties made by Ouray regarding the capitalization of Ouray must be accurate in all respects when made and as of the Effective Date, and Aurcana will have received a certificate of Ouray signed by a senior officer of Ouray and dated the Effective Date certifying the foregoing;
- c) There is no action or proceeding pending or threatened by any Person (other than Aurcana) in any jurisdiction that is reasonably likely to: (i) prohibit or restrict the Arrangement, or the ownership or operation of the business or assets of Aurcana, Ouray or any of their subsidiaries, or (ii) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have an Ouray Material Adverse Effect;

- d) There shall not have occurred a Ouray Material Adverse Effect;
- e) Except as disclosed by Ouray, including the PFA which is to be transferred to Aurcana pursuant to the Plan of Arrangement, Ouray will have no liabilities or obligations that have not been transferred to the benefit of Aurcana (contingent or otherwise), exclusive of liabilities relating to (i) the fees and disbursements in connection with the Arrangement, and (ii) liabilities incurred in the ordinary course, both as evidenced by a certificate confirming same to Aurcana, executed by two (2) senior officers of Ouray (in each case without personal liability) addressed to Aurcana and dated the Effective Date;
- f) The Offering shall have been completed, on terms acceptable to Aurcana, acting reasonably; and
- g) (i) FRSM II shall have delivered to Aurcana a certification of non-foreign status as described in Section 1445(b)(2) of the Code in form and substance as required by United States Treasury Regulations Section 1.1445-2(b)(2), in form and substance reasonably satisfactory to Aurcana, and (ii) FRSM II shall have delivered to Aurcana a certification stating that the PFA is not a United States real property interest and that no withholding is required under Section 1445 of the Code in form and substance as required by United States Treasury Regulations Section 1.1445-2(c)(1), in form and substance reasonably satisfactory to Aurcana.

Aurcana Conditions

The obligation of Ouray and LRC Group to complete the Arrangement will be subject to the satisfaction, or waiver by Ouray, on or before the Effective Date, of each of the following conditions, each of which is for the exclusive benefit of Ouray and which may be waived by Ouray and LRC Group at any time:

- a) Aurcana will have complied in all material respects with its obligations, covenants and agreements in the Arrangement Agreement to be performed and complied with on or before the Effective Date, and Ouray will have received a certificate of Aurcana signed by two senior officers of Aurcana and dated the Effective Date certifying the foregoing;
- b) The representations and warranties of Aurcana set forth in the Arrangement Agreement will be true and correct (disregarding for this purpose all materiality or Aurcana Material Adverse Effect qualifications contained therein) as of the Effective Date as if made on and as of such date (except for such representations and warranties which refer to or are made as of another specified date, in which case such representations and warranties will have been true and correct as of that date) except (i) as affected by transactions, changes, conditions, events or circumstances expressly permitted by the Arrangement Agreement or (ii) for breaches of representations and warranties (other than those regarding the capitalization of Aurcana and the properties of Aurcana) which have not had and would not reasonably be expected to have, individually or in the aggregate, an Aurcana Material Adverse Effect or prevent or significantly impede or materially delay the completion of the Arrangement, it being understood that it is a separate condition precedent to the obligations of Ouray hereunder that the representations and warranties made by Aurcana regarding the capitalization of Aurcana and the properties of Aurcana must be accurate in all respects when made and as of the Effective Date, and Ouray will have received a certificate of Aurcana signed by a senior officer of Aurcana and dated the Effective Date certifying the foregoing;
- c) There is no action or proceeding pending or threatened by any Person (other than LRC Group or Ouray) in any jurisdiction that is reasonably likely to: (i) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, LRC Group's ability to acquire, hold, or exercise full rights of ownership over, any New Aurcana Common Shares, including the right to vote the New Aurcana Common Shares, (ii) prohibit or restrict the Arrangement, or the ownership or operation of the business or assets of Aurcana, Ouray or any of their subsidiaries, or (iii) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have an Aurcana Material Adverse Effect;
- d) Aurcana Shareholders will not have exercised Dissent Rights, or have instituted proceedings to exercise Dissent Rights, in connection with the Arrangement (other than Aurcana Shareholders representing not more than 5% of the Aurcana Shares then outstanding);
- e) There shall not have occurred an Aurcana Material Adverse Effect;
- f) Subject to section 2.7 of the Arrangement Agreement, and to the exercise of any outstanding Aurcana Options, Aurcana 2020 Warrants, or Aurcana 2021 Warrants, immediately prior to the Effective Time and the occurrence of

the steps in Section 2.3 of the Plan of Arrangement, there shall be no more than 109,989,387 pre-Consolidation Aurcana Shares issued and outstanding;

- g) There has not been any material breach of any of the Support Agreements by any party to any such agreement other than LRC Group;
- h) Aurcana shall have no long term indebtedness and a minimum of C\$2,000,000 on hand (net of expenses relating to the completion of the Arrangement incurred by Aurcana, and it shall have delivered evidence, satisfactory to LRC Group, to that effect;
- i) Except as disclosed by Aurcana, Aurcana will have no liabilities or obligations (contingent or otherwise), exclusive of liabilities: (i) relating to the fees and disbursements in connection with the Arrangement, and (ii) liabilities incurred in the ordinary course, both as evidenced by a certificate confirming same to LRC Group and Ouray, executed by two (2) senior officers of Aurcana (in each case without personal liability) addressed to LRC Group and Ouray and dated the Effective Date;
- j) Except as disclosed by Aurcana, Aurcana shall have terminated all agreements involving Aurcana relating to administration or leases without any further liability to Aurcana after the Effective Date;
- k) Aurcana and its advisors shall have prepared and delivered to LRC Group a plan detailing the proposed re-organization or re-structuring of any Aurcana subsidiaries to occur after the completion of the Arrangement, on terms acceptable to LRC Group, acting reasonably; and
- l) The Offering shall have been completed, on terms acceptable to LRC Group, acting reasonably.

Non-Solicitation Covenant

Each of Aurcana, Ouray and LRC Group has covenanted and agreed that, except as expressly contemplated by the Arrangement Agreement, such Party shall not, directly or indirectly, through any Representatives, or otherwise, and not permit any such Person to:

- a) solicit, initiate or otherwise facilitate, (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of Aurcana or Ouray or any Subsidiary, as applicable, or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;
- b) enter into or otherwise engage or participate in any discussions or negotiations with any Person regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;
- c) with respect to Aurcana, withdraw, amend, modify or qualify, or publicly propose or state an intention to withdraw, amend, modify or qualify, or fail to publicly reaffirm (without qualification) the recommendation of Aurcana's Board to vote in favour of the Arrangement Resolution, or take any other action that is or becomes disclosed publicly and which can reasonably be interpreted to indicate that the Aurcana Board or a committee of the Aurcana Board does not support the Arrangement or does not believe that the Arrangement is in the best interests of the Aurcana Shareholders;
- d) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for a period of no more than ten (10) Business Days following the formal announcement of such Acquisition Proposal will not be considered to be in violation of this covenant, provided the applicable Party, has rejected such Acquisition Proposal and affirmed their recommendation of the Arrangement before the end of such ten (10) Business Day period); or
- e) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal.

If a Party any of its Representatives, receives or otherwise becomes aware of any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure

of, confidential information relating to such Party or any of its subsidiaries, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of such Party or any of its subsidiaries, such Party shall promptly notify the other Parties, at first orally, and then as soon as practicable and in any event within 24 hours in writing, of: (i) such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its material terms and conditions, the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request, and copies of all documents, correspondence or other material received in respect of, from or on behalf of any such Person, and (ii) the status of developments and negotiations with respect to such Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request.

Notwithstanding the above, if at any time prior to obtaining the approval by the Aurcana Shareholders of the Arrangement Resolution, a Party receives a written Acquisition Proposal, such Party may (i) contact the Person making such Acquisition Proposal and its Representatives solely for the purpose of clarifying the terms and conditions of such Acquisition Proposal, and (ii) engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal, and may provide copies of, access to or disclosure of confidential information, properties, facilities, books or records of such Party or its subsidiaries for a maximum of 10 Business Days from the date that such access or disclosure is first given, if and only if, in the case of this clause (ii):

- a) the applicable Investment Authority first determines in good faith, after consultation with its financial advisors and its outside counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal, and, after consultation with its outside counsel, that the failure to engage in such discussions or negotiations would be inconsistent with its fiduciary duties;
- b) such Person was not restricted from making such Acquisition Proposal pursuant to an existing standstill or similar restriction;
- c) such Party has been, and continues to be, in compliance with its obligations relating thereto in the Arrangement Agreement;
- d) prior to providing any such copies, access, or disclosure, such Party enters into a confidentiality and standstill agreement with such substantially in the same form as the confidentiality and standstill agreement entered into by Aurcana and LRC Group; and
- e) such Party promptly provides the other Parties with: (i) two (2) Business Days prior written notice stating such Party's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure and that the applicable Investment Authority has determined that failure to take such action would be inconsistent with its fiduciary duties, and (ii) prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the confidentiality and standstill agreement referred to above.

Right to Match

If Aurcana or LRC Group receives an Acquisition Proposal that constitutes a Superior Proposal prior to the approval of the Arrangement Resolution by the Aurcana Shareholders, the applicable Investment Authority may, subject to compliance with certain provisions of the Arrangement Agreement, enter into a definitive agreement with respect to such Acquisition Proposal and/or, with respect to the Aurcana Board, withdraw or modify the Board Recommendation, if and only if:

- a) the Person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing standstill or similar restriction;
- b) such Party has been, and continues to be, in compliance with its obligations relating thereto in the Arrangement Agreement;
- c) such Party has delivered to the other Parties a written notice of the determination of the applicable Investment Authority that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Aurcana Board enter into such definitive agreement and/or, with respect to the Aurcana Board, withdraw or modify the Board Recommendation (the "**Superior Proposal Notice**");
- d) such Party has provided the other Parties with a copy of the definitive agreement for the Superior Proposal;

- e) at least five (5) Business Days (the “**Matching Period**”) have elapsed from the date that is the later of the date on which the other Parties received the Superior Proposal Notice and a copy of the proposed definitive agreement for the Superior Proposal;
- f) during any Matching Period, the other Parties has had the opportunity (but not the obligation) in accordance with certain provisions of the Arrangement Agreement to offer to amend the Arrangement Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;
- g) after the Matching Period, the applicable Investment Authority (i) has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (if applicable, compared to the terms of the Arrangement as proposed to be amended) in accordance with certain provisions of the Arrangement Agreement and (ii) has determined in good faith, after consultation with its outside legal counsel, that the failure by the applicable Investment Authority to recommend that such Party enter into a definitive agreement with respect to such Superior Proposal and/or, with respect to the Aurcana Board, withdraw or modify the Board Recommendation, would be inconsistent with its fiduciary duties; and
- h) prior to entering into such definitive agreement such Party terminates the Arrangement Agreement pursuant to its applicable terms and pays the Termination Fee.

During the Matching Period, or such longer period as a Party may approve in writing for such purpose: (a) the applicable Investment Authority shall review any offer made by the other Party under paragraph (f) immediately above to amend the terms of the Arrangement Agreement and the Arrangement in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) such Party shall negotiate in good faith with the other Parties to make such amendments to the terms of the Arrangement Agreement and the Arrangement as would enable the other Party to proceed with the transactions contemplated by the Arrangement Agreement on such amended terms. If the applicable Investment Authority determines that such Acquisition Proposal would cease to be a Superior Proposal, such Party shall promptly so advise the other Parties and the Parties shall amend the Arrangement Agreement to reflect such offer made, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.

Indemnification and Insurance

LRC Group and Aurcana have also agreed that all rights to indemnification existing in favour of the present and former employees, directors and officers of Aurcana and its subsidiaries as provided by certain specified contracts or agreements to which Aurcana is a Party and in effect as of the date of the Arrangement Agreement, will survive and will continue in full force and effect and without modification, and Aurcana and any successor to Aurcana shall continue to honour such rights of indemnification and indemnify such employees, directors and officers pursuant thereto, with respect to actions or omissions of such Persons occurring prior to the Effective Time, for six years following the Effective Date.

Aurcana has agreed that, prior to the Effective Time, Ouray will purchase prepaid non-cancellable run-off directors’ and officers’ liability insurance, at a cost not exceeding 250% of Ouray’s current annual aggregate premium for directors’ and officers’ liability policies currently maintained by Ouray, providing coverage for a period of six years from the Effective Date with respect to claims arising from or related to facts or events which occur on or prior to the Effective Date.

Termination

1. The Arrangement Agreement may be terminated prior to the Effective Time by:
 - (a) the mutual written agreement of the Parties; or
 - (b) either Aurcana or LRC Group if :
 - (i) the Arrangement Resolution is not approved by the Aurcana Shareholders at the Meeting in accordance with the Interim Order provided that a Party may not terminate the Arrangement Agreement pursuant to this paragraph (i) if the failure to obtain the approval of the Aurcana Shareholders has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement;

- (ii) after the date of the Arrangement Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins Aurcana, Ouray or LRC Group from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable, provided the Party seeking to terminate the Arrangement Agreement pursuant to this paragraph (ii) has used its commercially reasonable efforts to, as applicable, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Arrangement; or
 - (iii) the Effective Time does not occur on or prior to the Outside Date, provided that a Party may not terminate the Arrangement Agreement pursuant to this paragraph (iii) if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement.
- (c) Aurcana if :
- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Ouray under the Arrangement Agreement occurs that would cause any of the conditions precedent to the obligations of Aurcana in Section 6.3(1) or 6.3(2) of the Arrangement Agreement not to be satisfied, and such breach or failure is incapable of being cured on or prior to the Outside Date or is not cured in accordance with the terms of Section 4.7(3) (Notice and Cure Provisions) of the Arrangement Agreement; provided that Aurcana is not then in breach of the Arrangement Agreement so as to cause any condition in Section 6.3(1) or 6.3(2) of the Arrangement Agreement not to be satisfied;
 - (ii) prior to the approval by the Aurcana Shareholders of the Arrangement Resolution, the Aurcana Board authorizes Aurcana to enter into a written agreement with respect to a Superior Proposal, provided Aurcana is in compliance with applicable provisions of the Arrangement Agreement and that prior to or concurrent with such termination Aurcana pays the Termination Fee;
 - (iii) LRC Group or Ouray breaches the non-solicitation provisions in any respect; or
 - (iv) there has occurred a Ouray Material Adverse Effect which is incapable of being cured on or prior to the Outside Date.
- (d) LRC Group if :
- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Aurcana under the Arrangement Agreement occurs that would cause any of the conditions precedent to the obligations of LRC Group and Ouray in Section 6.2(1) or 6.2(2) of the Arrangement Agreement not to be satisfied, and such breach or failure is incapable of being cured on or prior to the Outside Date or is not cured in accordance with the terms of Section 4.7(3) (Notice and Cure Provisions) of the Arrangement Agreement; provided that LRC Group is not then in breach of the Arrangement Agreement so as to cause any condition in Section 6.3(1) or 6.3(2) of the Arrangement Agreement not to be satisfied;
 - (ii) prior to the approval by the Aurcana Shareholders of the Arrangement Resolution, the general partner of the LRC Group authorizes LRC Group to enter into a written agreement with respect to a Superior Proposal, provided LRC Group and Ouray are then in compliance with applicable provisions of the Arrangement Agreement and that prior to or concurrent with such termination LRC Group pays the Termination Fee;
 - (iii) (A) the Aurcana Board or any committee of the Aurcana Board fails to unanimously recommend or withdraws, amends, modifies or qualifies, or publicly proposes or states an intention to withdraw, amend, modify or qualify, the Aurcana Board recommendation, (B) the Aurcana Board or any committee of the Aurcana Board takes no position or a neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for more than ten (10) Business Days after first learning of an Acquisition Proposal, (C) the Aurcana Board or any committee of the Aurcana Board takes any other action that is or becomes disclosed publicly and which can reasonably be interpreted to indicate that the Aurcana Board or a committee of the Aurcana Board does not support the Arrangement and the Arrangement Agreement or does not believe that the Arrangement and the Arrangement Agreement are in the best interests of the Aurcana Shareholders, or (D) Aurcana breaches the non-solicitation provisions in any respect;
 - (iv) any event occurs as a result of which the conditions set forth in Section 6.2(4) of the Arrangement Agreement are not capable of being satisfied by the Outside Date; or
 - (v) there has occurred an Aurcana Material Adverse Effect which is incapable of being cured on or prior to the Outside Date.

Termination Fee

Upon the occurrence of any of the following events (an “**Aurcana Termination Fee Event**”), Aurcana shall pay to LRC Group the Termination Fee in accordance with the Arrangement Agreement:

- (a) termination by LRC Group, pursuant to Section 1(d)(iii) above;
- (b) termination by Aurcana, pursuant to Section 1(c)(i) above;
- (c) by Aurcana or LRC Group pursuant to the above Sections 1(b)(i) or 1(b)(iii), or by LRC Group pursuant to Section 1(d)(i) above, if:
 - (i) prior to such termination, an Acquisition Proposal in respect of Aurcana is made or publicly announced by any Person or any Person shall have publicly announced an intention to do so; and
 - (ii) within 90 days following the date of such termination, (i) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above) is consummated, or (ii) Aurcana or one or more of its subsidiaries, directly or indirectly, in one or more transactions, enters into a contract in respect of an Acquisition Proposal and such Acquisition Proposal is later consummated (whether or not within 90 days after such termination).

For purposes of the foregoing, the term “Acquisition Proposal” shall have the meaning assigned to such term in the Glossary of terms, except that references to “20% or more” shall be deemed to be references to “50% or more”.

Upon the occurrence of any of the following events (an “**Ouray Termination Fee Event**”), LRC Group shall pay to Aurcana the Termination Fee in accordance with the Arrangement Agreement:

- (a) termination by Aurcana, pursuant to Section 1(c)(iii) above;
- (b) termination by LRC Group, pursuant to Section 1(d)(ii) above;
- (c) by Aurcana or LRC Group pursuant to the above Sections 1(b)(i) or 1(b)(iii), or by Aurcana pursuant to Section 1(c)(i) above, if:
 - (i) prior to such termination, an Acquisition Proposal in respect of LRC Group or Ouray is made or publicly announced by any Person or any Person shall have publicly announced an intention to do so; and
 - (ii) within 90 days following the date of such termination, (i) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above) is consummated, or (ii) LRC Group or one or more of its subsidiaries, directly or indirectly, in one or more transactions, enters into a contract in respect of an Acquisition Proposal and such Acquisition Proposal is later consummated (whether or not within 90 days after such termination).

For purposes of the foregoing, the term “Acquisition Proposal” shall have the meaning assigned to such term in the Glossary of terms, except that references to “20% or more” shall be deemed to be references to “50% or more”.

SUPPORT AND VOTING AGREEMENTS

The following description of certain provisions of the Support and Voting Agreements is a summary only. The summary of certain provisions of the Support and Voting Agreements below and in this Circular is not comprehensive and is qualified in its entirety by reference to the full text of the forms of Support and Voting Agreement. This summary may not contain all of the information about the Support and Voting Agreements that is important to Aurcana Shareholders.

Support and Voting Agreements

The Supporting Shareholders, which includes each of the directors and executive officers of Aurcana, have entered into Support and Voting Agreements with LRC Group and Aurcana in respect of Aurcana Shares representing, in the aggregate, greater than 15% of the outstanding Aurcana Shares, respectively, as at the date of the Arrangement Agreement. The Support and Voting Agreements set forth, among other things and subject to certain exceptions, the agreement of such Supporting Shareholders to

vote their Aurcana Shares, if any, in favour of the Arrangement Resolution at the Meeting and any matters related thereto. The Support and Voting Agreements require voting support, prevent Supporting Shareholders from exercising Dissent Rights and impose a contractual hold period on Aurcana Shares held by the Supporting Shareholders expiring upon completion of the Arrangement or upon earlier termination of the Support and Voting Agreements. In addition, each Supporting Shareholder has agreed, subject to the terms and conditions of the Support and Voting Agreements, among other things, that the Supporting Shareholder will:

- (a) not directly or indirectly (A) sell, transfer, assign, grant a participation right in, option, pledge, hypothecate, grant security interest in or otherwise convey or encumber, or enter into any agreement, option or other arrangement with respect to the foregoing of any of the securities of Aurcana held by such Supporting Shareholder to any Person, other than pursuant to the Arrangement Agreement, or (B) other than as set out in the Voting and Support Agreement, grant any proxies or power of attorney, deposit any of the securities of Aurcana held by such Supporting Shareholder into any voting trust or enter into any voting arrangement, whether by proxy, voting agreement or otherwise with respect to any of the securities of Aurcana held by such Supporting Shareholder; and
- (b) vote (or cause to be voted) all of the voting securities of Aurcana held by such Supporting Shareholder at any meeting of Aurcana Shareholders, including the Meeting: (A) in favour of the approval, consent, ratification and adoption of the transactions contemplated by the Arrangement Agreement; and (B) against any Acquisition Proposal and/or any matter that could reasonably be expected to delay, prevent, impede or frustrate the completion of the Arrangement and each of the transactions contemplated by the Arrangement Agreement.

The Supporting Shareholders' obligations under the Support and Voting Agreements automatically terminate upon the earliest of (i) the Effective Date; (ii) December 31, 2018, and (iii) the date, if any, that Aurcana receives a Superior Proposal. The Support and Voting Agreements may also be terminated by the Supporting Shareholder if any of the representations and warranties of Aurcana and LRC Group contained in the Support and Voting Agreement is not true and correct in all material respects or if Aurcana and LRC Group have not complied with their covenants under the Support and Voting Agreement.

PROCEDURE FOR EXCHANGE OF AURCANA SHARES

Letter of Transmittal

A Letter of Transmittal is being mailed, together with this Circular, to each Person who was an Aurcana Registered Shareholder on the Record Date. Each Person who is an Aurcana Registered Shareholder immediately prior to the Effective Time must forward a properly completed and signed Letter of Transmittal, along with the accompanying Aurcana Share certificate(s), if applicable, to the Transfer Agent in order to receive the New Aurcana Common Shares to which such Aurcana Shareholder is entitled under the Arrangement. It is recommended that Aurcana Registered Shareholders complete, sign and return the Letter of Transmittal, along with the accompanying Aurcana Share certificate(s), if applicable, to the Transfer Agent as soon as possible.

Aurcana Shareholders who's Aurcana Shares are registered in the name of a nominee (bank, trust company, securities broker or other nominee) should contact that nominee for assistance in depositing their Aurcana Shares.

Exchange Procedure

Aurcana Registered Shareholders

In order to receive the New Aurcana Common Shares to which an Aurcana Registered Shareholder (other than any Dissenting Shareholder) is entitled in the event that the Arrangement Resolution is passed and the Arrangement is completed, an Aurcana Registered Shareholder must complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in this Circular. The Letter of Transmittal is also available from the Transfer Agent, by telephone at: 1-866-600-5869 (North American Toll Free) or 416.361.0930 (extension 205); by facsimile at 416.361.0470; or by e-mail at: TMXInvestorServices@tmx.com; or under Aurcana's profile on SEDAR at www.sedar.com.

Upon surrender to the Transfer Agent of the certificate(s) that, immediately prior to the Effective Time, represented Aurcana Shares, a duly completed Letter of Transmittal and such other documents as the Transfer Agent may require, a Aurcana Shareholder (other than a Dissenting Shareholder) will be entitled to receive in exchange therefor, and as soon as practicable after the Effective Time the Transfer Agent will deliver to such Aurcana Shareholder, certificates representing the number of New Aurcana Common Shares which such Aurcana Shareholder is entitled to receive under the Arrangement.

In the event of a transfer of ownership of Aurcana Shares which is not registered in the transfer records of Aurcana, a certificate representing the proper number of New Aurcana Common Shares shall be delivered to a transferee if the certificate formerly representing such Aurcana Shares is presented to the Transfer Agent at its offices, accompanied by the foregoing documents together with all other documents required to evidence and effect such transfer.

No dividend or other distribution declared or made after the Effective Time with respect to Aurcana Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding Aurcana Shares, unless and until the holder of such certificate shall have complied with the provisions of the Plan of Arrangement. Subject to applicable Law and to the Plan of Arrangement, at the time of such compliance, there shall, in addition to the delivery of a certificate representing the New Aurcana Common Shares to which such holder is entitled in accordance with the Plan of Arrangement, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such New Aurcana Common Shares.

The Letter of Transmittal contains complete instructions on how Aurcana Registered Shareholders can exchange the certificate(s) representing their Aurcana Shares for certificate(s) representing the New Aurcana Common Shares to be issued under the Arrangement. Aurcana Registered Shareholders should return properly completed documents, including the Letter of Transmittal and the certificate(s) representing their Aurcana Shares, to the Transfer Agent, 301 – 100 Adelaide Street West, Toronto ON M5H 4H1, by mail, by hand or courier (Attention: Corporate Actions). Aurcana Shareholders with questions regarding the deposit of Aurcana Shares should contact the Transfer Agent, TSX Trust Company, by telephone at: 416.361.0930 (extension 205) or 1-866-600-5869; by facsimile at 416.361.0470; or by e-mail at: TMXEInvestorServices@tmx.com. Further information with respect to the Transfer Agent is set forth in the Letter of Transmittal. In order for Aurcana Registered Shareholders to receive the New Aurcana Common Shares issuable to them under the Arrangement as soon as possible after the closing of the Arrangement, Aurcana Registered Shareholders should submit their Aurcana Shares and the Letter of Transmittal as soon as possible.

Aurcana Registered Shareholders will not actually receive their New Aurcana Common Shares until the Arrangement is completed and they have returned their properly-completed documents, including the Letter of Transmittal and the certificates representing their Aurcana Shares, if applicable, to the Transfer Agent.

In the event that any certificate which, immediately prior to the Effective Time, represented one or more outstanding Aurcana Shares that were exchanged for New Aurcana Common Shares in accordance with the Plan of Arrangement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Transfer Agent shall deliver, in exchange for such lost, stolen or destroyed certificate, a certificate representing the New Aurcana Common Shares that such holder is entitled to receive in accordance with the Plan of Arrangement. When authorizing such delivery in exchange for such lost, stolen or destroyed certificate, the holder to whom such delivery is to be made shall, as a condition precedent to such delivery, give a bond satisfactory to Aurcana and the Transfer Agent in such amount as Aurcana and the Transfer Agent may direct, or otherwise indemnify Aurcana and the Transfer Agent in a manner satisfactory to Aurcana and the Transfer Agent, against any claim that may be made against Aurcana or the Transfer Agent with respect to the certificate alleged to have been lost, stolen or destroyed, and shall otherwise take such actions as may be required by the articles or by-laws of Aurcana.

Where a certificate representing Aurcana Shares has been destroyed, lost or stolen, the Aurcana Registered Shareholder of that certificate should immediately contact Aurcana's transfer agent, TSX Trust Company by mail or hand delivery to 301 – 100 Adelaide Street West, Toronto ON M5H 4H1.

Beneficial Shareholders

The exchange of Aurcana Shares for the New Aurcana Common Shares in respect of Beneficial Shareholders is expected to be made with the Beneficial Shareholder's nominee (bank, trust company, securities broker or other nominee) account through the procedures in place for such purposes between CDS and such nominee. Beneficial Shareholders should contact their intermediary if they have any questions regarding this process and to arrange for their nominee to complete the necessary steps to ensure that they receive their New Aurcana Common Shares as soon as possible following completion of the Arrangement.

Fractional Interest

In no event shall any holder of Aurcana Shares be entitled to a fractional New Aurcana Common Shares. Where the aggregate number of New Aurcana Common Shares to be issued to a Person as a result of this Arrangement would result in a fraction of a New Aurcana Common Share being issuable, the number of New Aurcana Common Shares to be received by such

securityholder shall be rounded down to the nearest whole New Aurcana Common Share and no Person will be entitled to any compensation in respect of a fractional New Aurcana Common Share.

Withholding Rights

LRC Group, Aurcana and the Transfer Agent will be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person (for greater certainty, including the distribution of Aurcana Shares) under the Plan of Arrangement (including any payment to Dissenting Shareholders) such amounts as LRC Group, Aurcana or the Transfer Agent is required to deduct and withhold with respect to such payment under the Tax Act, the U.S. Tax Code, and the rules and regulations promulgated thereunder, or any provision of any provincial, state, local or foreign tax law as counsel may advise is required to be so deducted and withheld by LRC Group, Aurcana or the Transfer Agent, as the case may be. For the purposes hereof, all such withheld amounts shall be treated as having been paid to the Person in respect of which such deduction and withholding was made on account of the obligation to make payment to such Person hereunder, provided that such deducted or withheld amounts are actually remitted to the appropriate taxing authority.

The foregoing information is a summary only. For further details of procedures, see the Plan of Arrangement attached as Schedule B to this Circular.

RECONSTITUTION OF THE BOARD OF DIRECTORS

Reconstitution of the Board of Directors

If the Arrangement is completed, it will be desirable to increase the size of the board of directors of Aurcana from four directors to five directors and the new members of the New Aurcana Board will be appointed at that time. At the time of the Aurcana Meeting, the Arrangement will not yet have been completed.

The Aurcana Board presently consists of four directors, namely, Kevin Drover, Adrian Aguirre, Jerry Blackwell and José Manuel Bórquez (the “**Aurcana Pre-Arrangement Directors**”). Pursuant to the Arrangement Agreement and the terms and conditions of the investor rights agreement to be entered into on closing of the Arrangement between Aurcana and LRC Group (the “**Investor Rights Agreement**”), LRC Group shall be entitled to nominate three (3) directors to the New Aurcana Board, which are expected initially to be Elliot Rothstein, David Kaplan, and Michael Gross, and Mr. Gross shall be an independent director. Orion shall be entitled to nominate (1) director to the New Aurcana Board, which is expected initially to be José Manuel Bórquez, and Aurcana shall be entitled to nominate (1) director to the New Aurcana Board, which is expected initially to be Kevin Drover. Kevin Drover, José Manuel Bórquez, Michael Gross, David Kaplan, and Elliot Rothstein will succeed the Aurcana Pre-Arrangement Directors and take office upon the completion of the Arrangement. Immediately upon completion of the Arrangement, Adrian Aguirre and Jerry Blackwell will resign as directors of Aurcana. If the Arrangement is not completed, the Aurcana Pre-Arrangement Directors will remain as directors of Aurcana and the number of directors shall remain at four (4). In addition, under the Investors Rights Agreement, LRC Group will be granted certain customary anti-dilution rights to enable it to maintain its ownership in Aurcana in connection with any subsequent public offerings or private placements of the Company.

Each member of the New Aurcana Board will hold office from and after the completion of the Arrangement until Aurcana’s next annual meeting or until his successor is elected or appointed. The applicable Aurcana Pre-Arrangement Directors have agreed to resign from the Aurcana Board with effect as of the completion of the Arrangement.

The Aurcana Board has adopted a majority voting policy, pursuant to which, with respect to uncontested elections, each nominee to the Aurcana Board who receives a greater number of votes “withheld” than votes “for” will tender his or her resignation to the Chair of the Compensation and Corporate Governance Committee (“**CCG Committee**”) promptly following the shareholders’ meeting. The CCG Committee will consider the offer of resignation and will make a recommendation to the Aurcana Board on whether to accept it. In considering whether or not to accept the resignation, the CCG Committee will consider the circumstances of such vote, including, without limitation, any stated reasons why shareholders withheld votes from the election of the director, the length of service and the qualifications of the director whose resignation has been tendered, the director’s contributions to the Company and the effect that such resignation may have on the Company’s ability to comply with corporate governance guidelines and applicable laws and make whatever recommendation the CCG Committee deems appropriate to the Aurcana Board. The CCG Committee will be expected to accept the resignation except in situations where the considerations would warrant the applicable director continuing to serve on the Aurcana Board. The Aurcana Board will make its final decision and announce it in a press release within 90 days following the Meeting. A director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Aurcana Board or the CCG Committee at which the resignation is considered.

The following table states the name of each member of the New Aurcana Board, such person's principal occupation or employment, period of service as a director of the Company, and the approximate number of voting securities of the Company that such person beneficially owns, or over which such person exercises direction or control:

Name and Municipality Residence	Principal Occupations For Last Five Years	Director of Aurcana Since	Number of Aurcana Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly ⁽¹⁾
Kevin Drover British Columbia, Canada	Executive in mining industry	November 18, 2018	525,033 (4.77%)
José Manuel Bórquez ⁽²⁾ Santiago, Chile	International Natural Resources lawyer, member of Chilean Bar and Partner, LatinLawFirm, Santiago, Chile	Jul. 17, 2014	Nil
Michael Gross ⁽²⁾ British Columbia, Canada	Mining Industry Technical Consultant	To be appointed on completion of the Arrangement	0 (0%)
David Kaplan ⁽²⁾ Connecticut, United States	Founding Partner, Lascaux Resource Capital	To be appointed on completion of the Arrangement	0 (0%)
Elliot Rothstein Connecticut, United States	Founding Partner, Lascaux Resource Capital	To be appointed on completion of the Arrangement	0 (0%)

Notes:

(1) Based on 109,989,387 Aurcana Shares outstanding as of the date hereof.

(2) Member of Audit Committee of the New Aurcana Board.

The following is a summary biography of each of the directors and officers of the New Aurcana Board:

Kevin Drover

President, Chief Executive Officer and Director

Kevin Drover, President and CEO of the Company, has more than 40 years of both domestic and international experience in operations, project development, management and process re-engineering, with both developing and producing companies. Mr. Drover was the Chief Operating Officer of Glencairn Gold Corporation, responsible for two gold mining operations located in Latin America. Prior to joining Glencairn, he was the Vice President of Operations for Kinross Gold Corporation, overseeing six operating mines located in various parts of the world. He has considerable experience in turning around challenging projects and has worked in operations located in Canada, Russia, Peru, Nicaragua, Costa Rica and the U.S. During his career, Mr. Drover also worked for Black Hawk Mining, Lac Minerals, BP Canada Resources, Noranda Mining, Dome Mines and The Iron Ore Company of Canada.

José Manuel Bórquez

Independent Director

José is an attorney based in Santiago, Chile specializing in Latin America with worldwide exposure. He has almost 30 years of broad experience in the precious metals and base metals sectors ranges from exploration, construction and mining to reclamation. José serves as an independent member of the investment committee of Orion Mine Finance, a private equity fund focused solely on financing mining companies.

Michael Gross

Independent Director

Mike has over 45 years of experience as a successful mining / operations / exploration professional with expertise that is built on a foundation of operational and management training combined with extensive hands-on experience. He has served in senior operating and geology roles over his long career, including over 18 years in progressive management roles at Hecla Mining

Company. Mike is a “qualified person” under NI 43-101 and has a MS in Economic Geology from University of Arizona and a BS in Geology from University of Wisconsin.

David Kaplan

Director

David is a founding partner of Lascaux Resource Capital, a private equity fund focused solely on financing mining companies. He has over 25 years of experience investing in the metals and mining sector spanning small and large capitalization public mining companies, private equity and structured financing, metals futures trading, and physical metals trading. David started his career with Glencore where he culminated his 11 years as head of the global copper raw materials division in Zug, Switzerland. David holds a BS in Economics from the Wharton School at the University of Pennsylvania.

Elliot Rothstein

Director

Elliot is a founding partner of Lascaux Resource Capital, a private equity fund focused solely on financing mining companies. He has over 18 years of experience investing in the metals and mining sector spanning small and large capitalization public mining companies, private equity and structured financing, and metals futures trading. Elliot also has over 8 years of engineering and operating management experience with Procter and Gamble. Elliot holds a BS and MS in Mechanical Engineering from Yale University.

Salvador Huerta

Chief Financial Officer

Salvador has over 30 years work experience as a Chief Financial Officer for large multinational companies, such as: H.J. Heinz, Timex Corp, Rheem Manufacturing and other global Mexico based groups. Mr. Huerta has extensive knowledge and experience in business, finances, manufacturing, planning, treasury and accounting, as well as international joint ventures, mergers and acquisitions. Prior to joining Aurcana, he acted as an investment opportunities advisor for Nichimen Japanese Co, now Sojits Corporation, a large multinational corporation with 483 subsidiaries all over the world. Mr. Huerta is fluent in English and Spanish.

Donna Moroney

Corporate Secretary

Donna is President of Wiklow Corporate Services Inc., a Vancouver company that provides corporate secretarial services and other services to public companies. She has over 30 years of extensive experience in regulatory and corporate compliance in both Canada and the United States, and as a senior officer for various public companies, and has instructed and provided training in regulatory compliance. Donna has over 30 years of extensive experience in regulatory and corporate compliance in both Canada and the United States, and as a senior officer for various public companies.

Other Public Company Directorships Held

The following table sets out the directors and officers of the Combined Company that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name of director, officer or promoter	Name of reporting issuer	Name of exchange	Position	Period
Kevin Drover	Aquila Resources Inc.	TSX	Director	June 2015 to present
	Thompson Creek Metals Company Inc.	N/A	Director	May 2015 to Oct 2016
	Benz Mining Corp.	TSX.V	Director	June 2012 to May 2015
	Oracle Mining Corp.	TSX.V	Director	Nov 2013 to Mar 2015

Name of director, officer or promoter	Name of reporting issuer	Name of exchange	Position	Period
José Manuel Bórquez	N/A	N/A	N/A	N/A
Michael Gross	N/A	N/A	N/A	N/A
David Kaplan	MegumaGold Corp. (formerly Coronet Metals Inc.)	CSE	Director	June 11 to May 2014
	Petaquilla Minerals Ltd.	TSX	Director	Nov 2009 to May 2014
Elliot Rothstein	N/A	N/A	N/A	N/A
Salvador Huerta	N/A	N/A	N/A	N/A
Donna Moroney	Tango Mining Ltd.	TSX.V	Director/Senior Officer	Apr 2011 to present
	Mundoro Mining Ltd.	TSX.V	Senior Officer	Dec 2017 to present
	Squire Mining Ltd.	CSE	Senior Officer	Nov 2011 to present
	Bayhorse Silver Inc.	TSX.V	Senior Officer	Aug 2013 to present
	Caliber Minerals Inc.	N/A	Senior Officer	Nov 2017 to present
	Tanzanian Royalty Exploration Corp.	TSX	Senior Officer	June 2014 to Sept 2017
	Blox, Inc.	OTCBB	Director/Senior Officer	July 2015 to Jun 2018
	Ashanti Sankofa Inc.	TSX.V	Director/Senior Officer	June 2015 to Jun 2018
	Midasco Capital Corp.	TSX.V	Director/Senior Officer	Mar 2014 to Feb 2018
	River Wild Exploration Inc.	CSE	Senior Officer	Sep 2012 to Jun 2015
	RavenQuest BioMed Inc.	TSX.V	Senior Officer	Nov 2007 to Jun 2015
	Greenshield Explorations Limited	NEX	Senior Officer	Aug 2006 to Jun 2015
	Newlox Gold Ventures Corp.	CSE	Senior Officer	Oct 2015 to Jan 2016

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as noted below, to the knowledge of Aurcana, no proposed director or executive officer of Aurcana, or shareholder holding a sufficient number of securities of Aurcana to affect materially the control of the Company:

- (a) is, as at the date hereof, or has been, within the ten (10) years before the date hereof, a director or executive officer of any corporation that, while that person was acting in such capacity:
 - (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings,

arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

- (b) has, within the ten (10) years before the date hereof, become bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Except as noted below, to the knowledge of Aurcana, no proposed director or executive officer of Aurcana, or shareholder holding a sufficient number of securities of Aurcana to affect materially the control of the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Kevin Drover was a director of Oracle Ridge Mining LLC (“**Oracle Ridge**”), a subsidiary of Oracle Mining Corp. (“**Oracle**”), from February 2014 to March 2015. On December 23, 2015, Oracle announced that the Superior Court of Arizona had granted an application of its lender to appoint a receiver and manager over the assets, undertakings and property of Oracle Ridge following the breach by Oracle of a debt covenant in its secured convertible loan facility with Vincere Resource Holdings LLC. Investment Industry Regulatory Organization of Canada halted trading of Oracle’s common shares following the above noted default. Mr. Drover was also a director and officer of Oracle from November 12, 2013 to March 31, 2015.

PRINCIPAL LEGAL MATTERS

Stock Exchange Listing and Status as a Reporting Issuer

Prior to and after the completion of the transactions under the Plan of Arrangement, Aurcana will continue to be subject to ongoing disclosure and other obligations as a reporting issuer under applicable Canadian Securities Laws and a Tier 1 issuer on the TSXV.

SECURITIES LAW MATTERS

The following is a brief summary of the Canadian and United States Securities Law considerations applying to the transactions contemplated herein not discussed elsewhere in this Circular.

Canadian Securities Laws

Aurcana is a reporting issuer or the equivalent in the provinces of Ontario, Alberta and British Columbia. The Aurcana Shares are currently listed on the TSXV and upon the completion of the Arrangement, the New Aurcana Common Shares will continue to trade on the TSXV.

As of the date of this Circular, the TSXV has not provided conditional approval of the Arrangement. There is no assurance that Aurcana will be able to meet all the conditions imposed by the TSXV as they are not yet known, and therefore there can be no assurance that the Corporation will receive final approval from the TSXV to ensure the completion of the Arrangement.

The issuance of the New Aurcana Common Shares pursuant to the Arrangement will constitute distributions of securities that are exempt from the prospectus requirements of applicable Canadian Securities Laws. The New Aurcana Common Shares issued pursuant to the Arrangement may be resold in each province and territory of Canada, provided that: (i) Aurcana is a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade; (ii) the trade is not a “control distribution” as defined in NI 45-102; (iii) no unusual effort is made to prepare the market or create a demand for those securities; (iv) no extraordinary commission or consideration is paid in respect of that trade; and (v) if the selling security holder is an “insider” or “officer” of Aurcana (as such terms are defined by applicable Canadian Securities Laws), the insider or officer has no reasonable grounds to believe that Aurcana is in default of applicable Canadian Securities Laws.

The foregoing discussion is only a general overview of the requirements of Canadian Securities Laws for the resale of the New Aurcana Common Shares received upon completion of the Arrangement. All holders of Aurcana Shares,

Aurcana Options or Aurcana Warrants are urged to consult with their own legal counsel to ensure that any resale of their New Aurcana Common Shares complies with applicable securities legislation.

Multilateral Instrument 61-101

Business Combination

Aurcana is subject to MI 61-101. MI 61-101 is intended to regulate certain transactions to ensure that all securityholders are treated in a manner that is fair, generally by requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties and, in certain circumstances, independent valuations and approval and oversight of certain transactions by a special committee of independent directors. The protections afforded by MI 61-101 apply to “business combinations” (as such term is defined in MI 61-101).

A transaction such as the Arrangement constitutes a “business combination” for purposes of MI 61-101 if, at the time the transaction is agreed to, a related party of Aurcana, such as a director or senior officer or a 10% shareholder, is entitled to receive, as a consequence of the transaction, a “collateral benefit”. A “collateral benefit” is broadly defined for the purpose of MI 61-101 and means, subject to certain specified exclusions, any benefit that a related party of the issuer is entitled to receive, directly or indirectly, as a consequence of the transaction, including, without limitation, an increase in salary, a lump-sum payment, a payment for surrendering securities or other enhancement in benefits related to past or future services as an employee, director or consultant of the issuer or of another Person, regardless of the existence of any offsetting costs to the related party or whether the benefit is provided, or agreed to, by the issuer or another party to the transaction. As noted above, the definition of “collateral benefit” contains certain exclusions. In that regard, a benefit received by a related party of Aurcana is not considered to be a collateral benefit if the benefit is received solely in connection with the related party’s services as an employee or director of an issuer where, among other things, (a) the benefit is not conferred for the purpose of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (b) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; (c) full particulars of the benefit are disclosed in the disclosure document for the transaction; and (d) the related party and his or her associated entities beneficially own, or exercise control or direction over, less than 1% of the outstanding securities of each class of “equity securities” (as such term is defined in MI 61-101) of the issuer.

Under the Arrangement, the completion of the Shafter Equipment Purchase may be considered a “collateral benefit” to Orion.

In the case of a business combination, MI 61-101 requires that the Arrangement Resolution be approved by a majority of the minority of Aurcana Shareholders present or represented by proxy and entitled to vote at the Meeting. Accordingly, in addition to the Arrangement Resolution being approved by not less than 66⅔% of the votes cast by the Aurcana Shareholders present in person or represented by proxy at the Meeting, the Arrangement Resolution must also be approved by a simple majority of the votes cast by Aurcana Shareholders present in person or represented by proxy at the Meeting, excluding votes cast by the Persons considered to be receiving collateral benefits and their related parties and joint actors. Accordingly, Aurcana will exclude the votes attaching to the Aurcana Shares beneficially owned or controlled by Orion, for the purposes of determining whether minority approval of the Arrangement has been obtained. To the knowledge of Aurcana, as at the date hereof, Orion holds, directly or indirectly, or exercise control over an aggregate of 16,499,501 Aurcana Shares which will be excluded from the “minority approval” vote conducted pursuant to MI 61-101.

Aurcana is not required to obtain a formal valuation under MI 61-101, as none of its securities are listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

U.S. Securities Laws

The following discussion is a general overview of certain requirements of U.S. federal and state securities laws applicable to Aurcana Shareholders. All U.S. Aurcana Shareholders are urged to consult with their own legal advisors to ensure that the resale of New Aurcana Common Shares issued to them under the Arrangement or upon exercise of Aurcana Options or Aurcana Warrants complies with applicable federal and state securities laws. Further information applicable to U.S. Aurcana Shareholders is disclosed above under “Note to United States Securityholders”.

Aurcana Shareholders who resell New Aurcana Common Shares must also comply with Canadian Securities Laws, as outlined above, and any applicable local laws and regulations.

Status under U.S. Securities Laws

Aurcana is a “foreign private issuer” as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the U.S. Exchange Act.

Exemption Relied Upon from the Registration Requirements of the U.S. Securities Act

The New Aurcana Common Shares to be issued to the Aurcana Shareholders pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or any applicable Securities Laws of any state of the United States, other than in California where a qualification under applicable California securities laws has been filed, and will be issued to Aurcana Shareholders in reliance on the Section 3(a)(10) Exemption and corresponding exemptions under the securities laws of each state of the United States in which U.S. Aurcana Shareholders are domiciled, except California where a qualification under applicable California securities laws has been filed. The Section 3(a)(10) Exemption exempts from the registration requirements of the U.S. Securities Act the offer and issuance of any securities issued in exchange for one or more *bona fide* outstanding securities or other property where, among other things, the fairness of the terms and conditions of the issuance and exchange of such securities have been approved by a court or governmental authority of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities in such exchange have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on November 6, 2018 and, subject to the approval of the Arrangement by the Aurcana Shareholders, a hearing on the Arrangement will be held at 9:45 am (Vancouver time), on December 12, 2018, or as soon thereafter as counsel for Aurcana may be heard, at the Court, sitting at 800 Smithe Street, Vancouver, British Columbia. All Aurcana Shareholders are entitled to appear and be heard at this hearing. The Final Order will constitute a basis for the Section 3(a)(10) exemption with respect to the New Aurcana Common Shares to be issued to the Aurcana Shareholders pursuant to the Arrangement, except for those New Aurcana Common Shares to be issued to holders of Aurcana Shares that will receive them upon deemed exercise of securities purchased in the Offering. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order. See “Particulars of the Arrangement – Shareholders and Court Approvals – Court Approval”.

The New Aurcana Common Shares to be issued to the Aurcana Shareholders under the Arrangement will be freely transferable under U.S. federal Securities Laws, except those New Aurcana Common Shares issued to (a) U.S. Persons who are “affiliates” of Aurcana at the time the Plan of Arrangement is submitted for vote or consent by the Aurcana Shareholders or U.S. Persons who are “affiliates” of Aurcana at the time of their proposed transfer or within 90 days prior to their proposed transfer or (b) or holders of Subscription Receipts purchased in the Offering which pursuant to the Arrangement will be converted into Aurcana Shares and then will be exchanged for New Aurcana Common Shares. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such New Aurcana Common Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. See “Securities Law Matters – U.S. Securities Laws”.

The New Aurcana Common Shares to be issued to holders of Subscription Receipts following completion of the Arrangement will be “restricted securities” as defined in Rule 144(a)(3) of the U.S. Securities Act and may not be transferred or sold, except pursuant to applicable exemptions under the U.S. Securities Act and any applicable securities laws of any state of the United States, including Rule 904 of Regulation S and Rule 144 under the U.S. Securities Act.

Exercise of Aurcana Options for New Aurcana Common Shares and Aurcana Warrant for New Aurcana Common Shares

The Aurcana Options and Aurcana Warrants may not be exercised in the United States or by or on behalf of a U.S. Person, nor may any New Aurcana Common Shares issued upon such exercise be offered or resold, except pursuant to registration under the U.S. Securities Act or an exemption from such registration requirements. Prior to the issuance of New Aurcana Common Shares pursuant to any exercise of Aurcana Options or Aurcana Warrants by or on behalf of persons in the United States or U.S. Persons, Aurcana may require the delivery of an opinion of counsel or other evidence reasonably satisfactory to Aurcana to the effect that the issuance of such New Aurcana Common Shares does not require registration under the U.S. Securities Act or applicable Securities Laws of any state of the United States.

Resales of New Aurcana Common Shares within the United States after the Arrangement

The resale rules under the U.S. Securities Act applicable to U.S. Aurcana Shareholders are summarized below.

The New Aurcana Common Shares to be held by shareholders of Aurcana following completion of the Arrangement will be freely transferable under U.S. federal securities laws, except those certain New Aurcana Common Shares issued to (a) U.S. Persons who are “affiliates” of Aurcana at the time the Plan of Arrangement is submitted for vote or consent by the Aurcana Shareholders or U.S. Persons who are “affiliates” of Aurcana at the time of their proposed transfer or within 90 days prior to their proposed transfer or (b) holders of Subscription Receipts which pursuant to the Arrangement will be converted into Aurcana Common Shares and then will be exchanged for New Aurcana Common Shares, will be freely transferable under U.S. federal securities laws. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such New Aurcana Common Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom.

Affiliates of Aurcana and Affiliates of Aurcana at the time of the vote at the Meeting

Aurcana Shareholders who are U.S. Persons and who were affiliates of Aurcana at the time the Plan of Arrangement was submitted for vote or consent by the Aurcana Shareholders, respectively, or who are affiliates of Aurcana at the time of, or within 90 days before, their resale of New Aurcana Common Shares will be subject to restrictions on resale imposed by the U.S. Securities Act with respect to New Aurcana Common Shares. These Aurcana Shareholders may not resell their New Aurcana Common Shares unless such securities are registered under the U.S. Securities Act or an exemption from registration is available, such as pursuant to Regulation S or Rule 144, if available, as follows:

- **Resale of New Aurcana Common Shares pursuant to Regulation S.**

In general, under Regulation S, persons who are affiliates of Aurcana at the time of their resale of New Aurcana Common Shares solely by virtue of their status as an officer or director of Aurcana may sell New Aurcana Common Shares outside of the United States in an “offshore transaction” (which would include a sale through the TSX, TSXV or CSE, if applicable) if neither the seller nor any person acting on its behalf engages in “directed selling efforts” in the United States and no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker’s commission. For purposes of Regulation S, “directed selling efforts” means “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered” in the sale transaction. Certain additional restrictions are applicable to a holder of New Aurcana Common Shares who is an affiliate of Aurcana at the time of their resale of the New Aurcana Common Shares other than by virtue of his or her status as an officer or director of Aurcana.

- **Resale of New Aurcana Common Shares pursuant to Rule 144.**

In general, under Rule 144 under the U.S. Securities Act, if available, persons who are affiliates of Aurcana at the time of, or within 90 days before, their resale of New Aurcana Common Shares will be entitled to sell New Aurcana Common Shares in the United States, provided that during any three-month period, the number of such New Aurcana Common Shares sold does not exceed the greater of one percent of the outstanding securities of such class or, if such securities are listed on a United States securities exchange (including the New York Stock Exchange (“NYSE”), NASDAQ and NYSE American), the greater of one percent or the average weekly trading volume of such securities during the four-week period preceding the date of sale, subject to specified restrictions on manner of sale, notice requirements, aggregation rules and the availability of current public information about Aurcana. However, for any New Aurcana Shareholders who were affiliates of Aurcana at the time the Plan of Arrangement was submitted for vote or consent by the Aurcana Shareholders, Rule 145(d) under the U.S. Securities Act requires that (i) the New Aurcana Common Shares are sold in accordance with the availability of current public information, manner of sale and aggregation rules under Rule 144 and at least 90 days have elapsed since the date the securities were acquired from Aurcana, or (ii) such shareholder is not, and has not been for at least three months, an affiliate of Aurcana, and at least six months has elapsed since the date the securities were acquired from Aurcana and there is current public information about Aurcana available.

Holders of Subscription Receipts

The New Aurcana Common Shares to be issued to holders of Subscription Receipts as part of the Arrangement will be issued in reliance on Section 4(a)(2) under the U.S. Securities Act and the New Aurcana Common Shares will be deemed to be “restricted securities” as defined in Rule 144(a)(3) of the U.S. Securities Act, and may not be transferred or sold, except pursuant to applicable exemptions under the U.S. Securities Act and any applicable Securities Laws of any state of the United States, including Rule 904 of Regulation S and Rule 144 under the U.S. Securities Act.

- **Resale of New Aurcana Common Shares Pursuant to Regulation S.**

In general, under Regulation S, persons who hold New Aurcana Common Shares that are “restricted securities” at the time of their resale, including affiliates (solely by virtue of their status as an officer or director of Aurcana), may sell New Aurcana Common Shares outside of the United States in an “offshore transaction” (which would include a sale through the TSX, TSXV or CSE, if applicable) if neither the seller nor any person acting on its behalf engages in “directed selling efforts” in the United States and no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker’s commission. For purposes of Regulation S, “directed selling efforts” means “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered” in the sale transaction. Certain additional restrictions are applicable to a holder of New Aurcana Common Shares who is an affiliate of Aurcana at the time of their resale of New Aurcana Common Shares other than by virtue of his or her status as an officer or director of Aurcana. A resale under Regulation S will normally require the delivery of a Declaration for Removal of Legend in substantially the form attached to the Subscription Agreement under which the Subscription Receipts were purchased.

- **Resale of New Aurcana Common Shares Pursuant to Rule 144.**

In general, under Rule 144 under the U.S. Securities Act, if available, provides an exemption for the resale of the New Aurcana Common Shares that are “restricted securities” in the United States: (a) for non-affiliates that have held their New Aurcana Common Shares for at least one year, and (b) for persons who are affiliates of Aurcana at the time of, or within 90 days before, their resale of New Aurcana Common Shares, provided that during any three-month period, the number of such New Aurcana Common Shares sold does not exceed the greater of one percent of then outstanding securities of such class or, if such securities are listed on a United States securities exchange (including the NYSE, NASDAQ and NYSE MKT), the average weekly trading volume of such securities during the four-week period preceding the date of sale, subject to specified restrictions on manner of sale, notice requirements, aggregation rules and the availability of current public information about Aurcana. However, for any Aurcana Shareholders who were affiliates of Aurcana, respectively, at the time the Arrangement was submitted for vote or consent by the Aurcana Shareholders, Rule 145(d) under the U.S. Securities Act requires that (i) the New Aurcana Common Shares are sold in accordance with the availability of current public information, manner of sale and aggregation rules under Rule 144 and at least 90 days have elapsed since the date the securities were acquired from Aurcana, or (ii) such shareholder is not, and has not been for at least three months, an affiliate of Aurcana, and at least six months has elapsed since the date the securities were acquired from Aurcana and there is current public information about Aurcana available. A resale under Rule 144 will normally require an opinion letter from U.S. legal counsel.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the principal Canadian federal income tax considerations of certain steps of the Plan or Arrangement generally applicable under the Tax Act to a beneficial owner of Aurcana Shares and who, for the purposes of the Tax Act and at all relevant times, (i) deals at arm’s length with and is not affiliated with Aurcana or Ouray; and (ii) holds all Aurcana Shares as capital property (a “**Holder**”). Generally, the Aurcana Shares will be considered to be capital property to a holder for purposes of the Tax Act provided that the holder does not use or hold those Aurcana Shares in the course of carrying on a business and has not acquired such Aurcana Shares in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary describes the principal Canadian federal income tax considerations of the following steps of the Plan or Arrangement:

(i) the Consolidation;

(ii) the alteration of the authorized capital of Aurcana to rename and redesignate all of the issued and unissued Aurcana Shares as Aurcana Class A Shares (the “**Redesignation**”); and

(iii) the exchange of each Aurcana Class A Share for one New Aurcana Common Share (the “**Exchange**”);

in addition to the consequences to Holders who exercise Dissent Rights.

This summary is not applicable to a Holder: (i) that is a “financial institution” for the purposes of the “mark-to-market property” rules; (ii) that is a “specified financial institution”; (iii) an interest in which would be a “tax shelter investment”; (iv) that has elected to determine its “Canadian tax results” in a currency other than Canadian currency pursuant to the functional currency reporting rules; or (v) that has entered or will enter into, in respect of any Progressive common shares, a “derivative forward agreement”, all within the meaning of the Tax Act. Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is or becomes, or does not deal at arm’s length with a corporation resident in Canada that is or becomes, as part of a transaction or event or series of transactions or events that includes the Plan of Arrangement, controlled by a non-resident corporation for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Any such Holders described in this paragraph should consult their tax advisors with respect to the particular Canadian federal income tax consequences to them of the Plan of Arrangement.

This summary does not address the consequences of the Plan of Arrangement to Aurcana Optionholders or Aurcana Warrantholders. Aurcana Optionholders and Aurcana Warrantholders should contact their own tax advisors.

This summary is based on the description of the Plan or Arrangement set out herein, the current provisions of the Tax Act, and an understanding of the current administrative policies and practices of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that all Proposed Amendments will be enacted in the form proposed; however, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to the Plan of Arrangement. The income and other tax consequences of acquiring, holding or disposing of securities will vary depending on a holder’s particular status and circumstances, including the country, province or territory in which the holder resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder. No representations are made with respect to the income tax consequences to any particular holder. **Holders should consult their own tax advisors for advice with respect to the income tax consequences of the Plan Arrangement in their particular circumstances, including the application and effect of the income and other tax laws of any applicable country, province, state or local tax authority.**

This summary does not discuss any non-Canadian income or other tax consequences of the Plan of Arrangement. Holders resident or subject to taxation in a jurisdiction other than Canada should be aware that the Consolidation may have tax consequences both in Canada and in such other jurisdiction. Such consequences are not described herein. Holders should consult with their own tax advisors with respect to their particular circumstances and the tax considerations applicable to them.

Holders Resident in Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times and for purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be resident in Canada (referred to in this portion of the summary as a “**Resident Holder**”). A Resident Holder whose Aurcana Shares would not otherwise be capital property may be entitled to file an election under subsection 39(4) of the Tax Act to treat the Aurcana Shares, the New Aurcana Common Shares and any other “Canadian securities” (as defined in the Tax Act) owned by such Resident Holder as capital property. Resident Holders should consult their own tax advisors with respect to whether this election is available and advisable in their particular circumstances.

The Consolidation

The Consolidation will not result in any disposition or acquisition of Aurcana Shares. The aggregate adjusted cost base to a Resident Holder of all Aurcana Shares held by such Resident Holder will not change as a result of the Consolidation; however, the Resident Holder’s adjusted cost base per Aurcana Share will increase proportionately.

The Redesignation

The Redesignation is not a taxable event to a Resident Holder under the Tax Act.

The Exchange

The Exchange will not result in the recognition of a capital gain or loss to the Resident Holder under the Tax Act. On the Exchange, the Resident Holder will be deemed to dispose of the Resident Holder's Aurcana Class A Shares for proceeds equal to his or her "adjusted cost base" of those shares, and will acquire the New Aurcana Common Share at a cost equal to such amount.

Dissenting Resident Holders

A Resident Holder who properly exercises Dissent Rights (a "**Dissenting Resident Holder**") shall be deemed to transfer such holder's Aurcana Shares to Aurcana. If such Dissenting Resident Holder is ultimately entitled to be paid the fair value for its Aurcana Shares by Aurcana pursuant to the Dissent Rights, the Dissenting Resident Holder will be deemed to receive a dividend equal to the amount by which the amount received (other than in respect of interest awarded by a Court, if any) from Aurcana exceeds the paid-up capital of the Dissenting Resident Holder's Aurcana Shares.

In the case of a Dissenting Resident Holder that is an individual, any deemed dividend will need to be included in the individual's income and will be subject to the normal gross-up and dividend tax credit rules under the Tax Act. Dividends received by an individual (other than certain trusts) may give rise to alternative minimum tax under the Tax Act. Dissenting Resident Holders should consult their own advisors with respect to the potential application of alternative minimum tax.

In the case of a Dissenting Resident Holder that is a corporation, any deemed dividend will be required to be included in computing the corporation's income for the taxation year in which such dividend is deemed to be received, but such dividend will generally be deductible in computing the corporation's taxable income. A Dissenting Resident Holder should consult its own tax-advisor with respect to whether subsection 55(2) of the Tax Act may apply to re-characterize any deemed dividend as proceeds of disposition of the Aurcana Shares. A Dissenting Resident Holder that is a "private corporation" or a "subject corporation" (each as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on any dividend deemed to be received to the extent that such dividend is deductible in computing the Dissenting Resident Holder's taxable income for the taxation year and on any interest awarded by a Court to such Dissenting Resident Holder.

In addition, a Dissenting Resident Holder will be considered to have disposed of his or her Aurcana Shares for proceeds of disposition equal to the amount received from Aurcana (less the deemed dividend, if any, referred to above and not including any interest awarded by a Court). The Dissenting Resident Holder will realize a capital gain (or capital loss) to the extent such adjusted proceeds of disposition, less any reasonable costs of disposition, exceed (or are exceeded by) the Dissenting Resident Holder's adjusted cost base of the Aurcana Shares so disposed of.

Generally, a Dissenting Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized by the Dissenting Resident Holder in the year. A Dissenting Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the 3 preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized by the Dissenting Resident Holder in such years, to the extent and in the circumstances described in the Tax Act.

The amount of any capital loss realized by a Dissenting Resident Holder that is a corporation on the disposition of an Aurcana Share may be reduced by the amount of any dividends received (or deemed to be received) by it on such Aurcana Share to the extent and under the circumstances described in the Tax Act. Similar rules may apply where an Aurcana Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Dissenting Resident Holders to whom these rules may apply should consult their own tax advisors.

A Dissenting Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout its taxation year during which the disposition will occur may be liable for a refundable tax on its "aggregate investment income", which is defined to include amounts of interest and taxable capital gains. Capital gains realized by an individual or a trust, other than certain trusts, may give rise to alternative minimum tax under the Tax Act. Dissenting Resident Holders should consult their own advisors with respect to the potential application of alternative minimum tax.

Interest awarded by a court to a Dissenting Resident Holder is required to be included in the Dissenting Resident Holder's income for the purposes of the Tax Act.

Eligibility for Investment

Provided that the New Aurcana Common Shares are listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the TSXV) on the Effective Date, the New Aurcana Common Shares will be “qualified investments” under the Tax Act on the Effective Date for a trust governed by a “registered retirement savings plan” (“RRSP”), “registered retirement income fund” (“RRIF”), “tax-free savings account” (“TFSA”), “registered education savings plan” (“RESP”), “deferred profit sharing plan” or “registered disability savings plan” (“RDSP”) (as those terms are defined in the Tax Act) (excluding a “deferred profit sharing plan”, each a “Registered Plan”).

Notwithstanding the foregoing, if the New Aurcana Common Shares are a “prohibited investment” for a Registered Plan for the purposes of the Tax Act, the annuitant, subscriber or holder, as the case may be, of the Registered Plan will be subject to a penalty tax as set out in the Tax Act. Provided that, for purposes of the Tax Act, the annuitant of an RRSP or RRIF, the subscriber of a RESP, or the holder of a TFSA or RDSP, as the case may be, deals at arm’s length with Aurcana and does not have a “significant interest” (as defined in the Tax Act for purposes of the prohibited investment rules) in Aurcana, the New Aurcana Common Shares will not be a “prohibited investment” for such Registered Plan. In addition, the New Aurcana Common Shares will not be a prohibited investment if such securities are “excluded property” as defined in the Tax Act, for a Registered Plan. **Investors who hold their Aurcana Shares in a Registered Plan should consult their own tax advisors to ensure the New Aurcana Common Shares would not be a prohibited investment in their particular circumstances.**

Holders Not Resident in Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times and for purposes of the Tax Act, is not, and is not deemed to be, a resident of Canada and does not use or hold, and is not deemed to use or hold its Aurcana Shares in a business carried on in Canada (referred to in this portion of the summary as a “Non-Resident Holder”). This portion of the summary is not generally applicable to a Non-Resident Holder that is: (i) an insurer carrying on an insurance business in Canada and elsewhere or (ii) an “authorized foreign bank” (as defined in the Tax Act).

The following portion of the summary assumes that the Aurcana Shares will not constitute “taxable Canadian property” to any particular Non-Resident Holder at any time. Generally, Aurcana Shares will not constitute taxable Canadian property to a Non-Resident Holder at a particular time provided that the applicable shares are listed at that time on a designated stock exchange (which includes the TSXV), unless at any particular time during the 60-month period that ends at that time (i) one or any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder does not deal at arm’s length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of Aurcana, and (ii) more than 50% of the fair market value of Aurcana Shares was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) “Canadian resource properties” (as defined in the Tax Act), (iii) “timber resource properties” (as defined in the Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, any of the foregoing property whether or not the property exists. Notwithstanding the foregoing, Aurcana Shares may constitute “taxable Canadian property” in certain other circumstances deemed by the Tax Act. **Any shareholder whose Aurcana Shares may constitute “taxable Canadian property” should consult their own tax advisor with respect to the consequences of the Plan of Arrangement, including any reporting obligations.**

The Consolidation, the Redesignation and the Exchange

The Canadian federal income tax consequences of the Consolidation, the Redesignation and the Exchange for Non-Resident Holders are generally the same as the consequences for Resident Holders, as described above under the heading “Holders Resident in Canada”.

Dissenting Non-Resident Holders

A Non-Resident Holder who properly exercises Dissent Rights (a “Dissenting Non-Resident Holder”) shall be deemed to transfer such holder’s Aurcana Shares to Aurcana. If such Dissenting Non-Resident Holder is ultimately entitled to be paid the fair value for its Aurcana Shares by Aurcana pursuant to the Dissent Rights, the Dissenting Non-Resident Holder will be deemed to receive a dividend equal to the amount by which the amount received (other than in respect of interest awarded by a Court, if any) from Aurcana exceeds the paid-up capital of the Dissenting Non-Resident Non-Holder’s Aurcana Shares. Such deemed dividend will be subject to Canadian withholding tax at a rate of 25%, subject to reduction under an applicable tax treaty.

Interest awarded by a court to a Dissenting Non-Resident Holder will not be subject to Canadian withholding tax provided it is not considered to be “participating debt interest” for purposes of the Tax Act.

NOTICE TO NON-CANADIAN AURCANA SHAREHOLDERS

It is strongly recommended that all Aurcana Shareholders who are not Resident Holders consult their own legal and tax advisors with respect to the income tax consequences and any associated filing requirements applicable in their place of residency in connection with the Arrangement.

RISK FACTORS

Aurcana Shareholders should carefully consider the following risk factors, as well as the other information contained in this Circular, in evaluating whether to approve the Arrangement. See “Cautionary Statement with Respect to Forward-Looking Information”.

The following risk factors, which relate to the Arrangement, should be considered by Aurcana Shareholders in evaluating whether to approve the Arrangement Resolution. These risk factors should be considered in conjunction with the risks concerning Ouray and the Combined Company described in Schedule F – “Information Concerning Ouray and the Combined Company”.

Risks Relating to the Arrangement

The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside the control of Aurcana, including shareholder approval. There can be no certainty, nor can Aurcana provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

If, for any reason, the Arrangement Agreement is terminated, the market price of the Aurcana Shares may be adversely affected. Aurcana could also be subject to various adverse consequences, including that Aurcana would remain liable for significant costs relating to the Arrangement, including, among others, legal, accounting, financial advisory and printing expenses.

There can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived. Failure to complete the Arrangement could negatively impact the market price of Aurcana Shares.

The Arrangement is subject to certain conditions that may be outside the control of Aurcana, the LRC Group and Ouray, including, without limitation, the receipt of the Final Order and the approval of the Arrangement Resolution. There can be no certainty, nor can either Aurcana or Ouray provide any assurance, that these conditions will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived. If the Arrangement is not completed, the market price of Aurcana Shares may decline. If the Arrangement is not completed and the Aurcana Board decides to seek another merger or business combination, there can be no assurance that Aurcana will be able to undertake a business combination on equivalent or more attractive terms than those under the Arrangement Agreement.

The Arrangement Agreement may be terminated by Aurcana or LRC Group in certain circumstances.

Each of Aurcana and LRC Group has the right to terminate the Arrangement Agreement and not complete the Arrangement in certain circumstances. Accordingly, there is no certainty, nor can either party provide any assurance, that the Arrangement Agreement will not be terminated by either Aurcana or LRC Group, as the case may be, before the completion of the Arrangement. See “The Arrangement Agreement – Termination”.

In addition, completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Aurcana and/or LRC Group. There is no certainty, nor can either party provide any assurance, that these conditions will be satisfied or waived.

Aurcana will incur costs even if the Arrangement is not completed

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees, must be paid by Aurcana even if the Arrangement is not completed.

Aurcana directors and executive officers may have interests in the Arrangement that are different from those of the Aurcana Shareholders.

In considering the recommendation of the Aurcana Board to vote in favour of the Arrangement Resolution, Aurcana Shareholders should be aware that certain members of the Aurcana Board and management team have agreements or arrangements that provide them with interests in the Arrangement that differ from, or are in addition to, those of Aurcana Shareholders generally.

The Termination Fee provided under the Arrangement Agreement may discourage other parties from proposing a significant business transaction with Aurcana or Ouray.

Under the Arrangement Agreement, Aurcana may be required to pay a Termination Fee of \$1,000,000 to LRC Group in the event the Arrangement Agreement is terminated under certain circumstances. The termination payment may discourage other parties from attempting to propose a significant business transaction to Aurcana even if a different transaction could provide better value than the Arrangement to the Aurcana Shareholders.

Potential payments to Aurcana Shareholders who exercise Dissent Rights could have an adverse effect on the Combined Company's financial condition or prevent the completion of the Arrangement.

Aurcana Shareholders have the right to exercise Dissent Rights and demand payment equal to the fair value of their Aurcana Shares in cash. If Dissent Rights are exercised in respect of a significant number of Aurcana Shares, a substantial cash payment may be required to be made to such Aurcana Shareholders, which could have an adverse effect on the Combined Company's financial condition and cash resources. Further, Ouray's obligation to complete the Arrangement is conditional upon Aurcana Shareholders holding no more than 5% of the outstanding Aurcana Shares having exercised Dissent Rights. Accordingly, the Arrangement may not be completed if Aurcana Shareholders exercise Dissent Rights in respect of more than 5% of the outstanding Aurcana Shares.

The unaudited pro forma condensed consolidated financial statements of the Combined Company are presented for illustrative purposes only and may not be an indication of the Combined Company's financial condition or results of operations following the Arrangement.

The unaudited *pro forma* condensed consolidated financial statements contained in this Circular are presented for illustrative purposes only as of their respective dates and may not be an indication of the financial condition or results of operations of the Combined Company following the Arrangement for several reasons. For example, the unaudited *pro forma* condensed consolidated financial statements have been derived from the respective historical financial statements of Aurcana and Ouray, and certain adjustments and assumptions made as of the dates indicated therein and have been made to give effect to the Arrangement and the other respective relevant transactions. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. See "Cautionary Statement Regarding Forward-Looking Information".

Aurcana may be unable to successfully integrate the businesses of Ouray and realize the anticipated benefits of the Arrangement.

Aurcana and Ouray are proposing to complete the Arrangement to strengthen the position of each entity in the mining exploration industry and to create the opportunity to realize certain benefits, including those set forth in this Circular under the heading "Background to and Reasons for the Arrangement – Reasons for the Recommendation of the Board of Directors". Achieving the benefits of the Arrangement depends in part on the ability of the Combined Company to effectively capitalize on its scale, to realize the anticipated capital and operating synergies, to profitably sequence the growth prospects of its asset base and to maximize the potential of its improved growth opportunities and capital funding opportunities as a result of combining the businesses and operations of Ouray and Aurcana. A variety of factors, including those risk factors set forth in this Circular, may adversely affect the ability of Aurcana and Ouray to achieve the anticipated benefits of the Arrangement.

There are risks related to the integration of the existing businesses of Ouray and Aurcana.

The ability to realize the benefits of the Arrangement including, among other things, those set forth in this Circular under the heading "Background to and Reasons for the Arrangement – Reasons for the Recommendation of the Board of Directors", will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner. This integration will require the dedication of substantial management effort, time and resources which may

divert management's focus and resources from other strategic opportunities of the Combined Company following completion of the Arrangement, and from operational matters during this process.

The issuance of a significant number of New Aurcana Common Shares could adversely affect the market price of New Aurcana Common Shares.

If the Arrangement is completed, a significant number of additional New Aurcana Common Shares will be issued as part of the Offering and will become available for trading in the public market. The increase in the number of New Aurcana Common Shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, New Aurcana Common Shares.

The TSXV has not conditionally approved the Arrangement.

As of the date of this Circular, the TSXV has not provided conditional approval of the Arrangement. There is no assurance that Aurcana will be able to meet all the conditions imposed by the TSXV as they are not yet known, and therefore there can be no assurance that the Corporation will receive final approval from the TSXV to ensure the completion of the Arrangement.

Risk Factors Related to the Operations of Aurcana

Whether or not the Arrangement is completed, Aurcana will continue to face many of the risks that it currently faces with respect to its business and affairs. A description of the risk factors applicable to Aurcana is contained under the heading "Risk and Uncertainties" in Aurcana's management's discussion and analysis for the period ended December 31, 2017. Aurcana's management's discussion and analysis for the three month and six month periods ended June 30, 2018, was filed on SEDAR and is available under Aurcana's profile at www.sedar.com. Upon request to the Corporate Secretary of Aurcana, Aurcana Shareholders will be provided with a copy of this document free of charge.

Risk Factors Related to the Operations of Ouray and the Combined Company

A description of the risk factors applicable to Ouray and the Combined Company is disclosed in Schedule F – "Information Concerning Ouray and the Combined Company", and under the heading "Risk Factors".

INFORMATION CONCERNING AURCANA

Formation

Aurcana was incorporated in Canada under the laws of Ontario in 1917 and was continued under the CBCA on September 14, 1998. Aurcana's registered and head office is located at 850-789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

Business Overview

Aurcana Corporation owns the Shafter-Presidio Silver Project in Texas, US. The Shafter-Presidio Silver Project was put on care and maintenance in December 2013, in part due to depressed silver prices.

Aurcana is a reporting issuer in the provinces of Ontario, Alberta and British Columbia and its shares are listed for trading on the TSXV under the trading symbol "AUN".

Description of Share Capital and Voting Securities

The authorized share capital of Aurcana consists of an unlimited number of common shares without par value. As at the Record Date, Aurcana had 109,989,387 Aurcana Shares issued and outstanding. Each holder of Aurcana Shares is entitled to vote at the Meeting or at any adjournment or postponement thereof on the basis of one vote per Aurcana Share registered in the holder's name at the close of business on the Record Date.

Dividend Policy

Aurcana has not paid any dividends on the Aurcana Shares in recent years and it is not contemplated that the Issuer will pay any dividends on the Aurcana Shares in the immediate or foreseeable future.

Previous Distributions

During the 12 months preceding the date of this Circular, Aurcana has not distributed any Aurcana Shares, Aurcana Options or Aurcana Warrants, other than as follows:

Aurcana Shares

Date of Issuance	Nature of Distribution	Number of Aurcana Shares	Price per share	Proceeds to Aurcana (\$)
May 3, 2018	Non-brokered private placement of units consisting of one Aurcana Share and one Aurcana Warrant	13,715,400	\$0.20	\$2,743,080

Aurcana Options

Date of Grant	Number of Aurcana Options	Number of underlying Aurcana Shares	Exercise Price	Expiry Date
March 3, 2016	4,850,000	4,850,000	\$0.17	March 2, 2021
July 26, 2016	400,000	400,000	\$0.40	August 5, 2021
April 27, 2017	2,950,000	2,950,000	\$0.32	April 27, 2022

Aurcana Options Pro Forma for Consolidation

Date of Grant	Number of Aurcana Options	Number of underlying Aurcana Shares	Exercise Price	Expiry Date
March 3, 2016	970,000	970,000	\$0.85	March 2, 2021
July 26, 2016	80,000	80,000	\$2.00	August 5, 2021
April 27, 2017	590,000	590,000	\$1.60	April 27, 2022

Aurcana Warrants

Date of Issuance	Number of Aurcana Warrants	Number of underlying Aurcana Shares	Exercise Price	Expiry Date
February 27, 2017	12,238,773	12,238,773	\$0.45	February 27, 2020
May 3, 2018	14,187,800	14,187,800	\$0.30	May 3, 2021

Aurcana Warrants Pro Forma for Consolidation

Date of Issuance	Number of Aurcana Warrants	Number of underlying Aurcana Shares	Exercise Price	Expiry Date
February 27, 2017	2,447,754	2,447,754	\$2.25	February 27, 2020
May 3, 2018	2,837,560	2,837,560	\$1.50	May 3, 2021

Trading in Aurcana Shares

The Aurcana Shares are listed on the TSXV under the symbol "AUN". On July 27, 2018, being the last trading day prior to the announcement of the Arrangement, the closing price of the Aurcana Shares on the TSXV was \$0.22. The following table summarizes the volume of trading and price range of the Aurcana Shares on the TSXV during the 12-month period preceding the date of this Circular:

Month	Price range		Volume
	High	Low	
October 1 to November 7, 2018 ⁽¹⁾	\$ N/A	\$ N/A	N/A
September 2018 ⁽¹⁾	\$ N/A	\$ N/A	N/A
August 2018 ⁽¹⁾	\$ N/A	\$ N/A	N/A
July 2018 ⁽¹⁾	\$ 0.23	\$ 0.195	978,840
June 2018	\$ 0.225	\$ 0.20	766,141
May 2018	\$ 0.26	\$ 0.19	1,703,394
April 2018	\$ 0.275	\$ 0.185	3,483,893
March 2018	\$ 0.24	\$ 0.20	731,681
February 2018	\$ 0.255	\$ 0.19	1,388,041
January 2018	\$ 0.27	\$ 0.195	3,251,171
December 2017	\$ 0.215	\$ 0.165	2,099,988
November 2017	\$ 0.245	\$ 0.185	1,011,243
October 2017	\$ 0.27	\$ 0.24	572,515

(1) The Aurcana Shares were halted on the TSXV on July 27, 2018 in connection with the announcement of the Arrangement.

Directors and Executive Officers

As at the Record Date, the directors and executive officers of Aurcana, as a group, beneficially owned, directly or indirectly, or exercised control or direction over: (i) 723,033 Aurcana Shares, representing approximately 0.7% of the issued and outstanding Aurcana Shares; and (ii) 7,400,000 Aurcana Options, representing 90% of the outstanding Aurcana Options. All of the Aurcana Shares held by the directors and executive officers of Aurcana will be treated in the same manner under the Arrangement as the Aurcana Shares held by other Aurcana Shareholders.

The following table sets out the names of all directors and executive officers of Aurcana and, as at the Record Date, the number, designation and the percentage of outstanding securities of Aurcana beneficially owned or over which control or direction is exercised by each such director or executive officer and, where known after reasonable enquiry, by their respective associates.

Name	Position with Aurcana	Aurcana Shares	% of Aurcana Shares Outstanding	Aurcana Options	% of Aurcana Options Outstanding
Kevin Drover	President and CEO, Director	525,033	0	1,800,000	22
Salvador Huerta	CFO	108,000	0	1,500,000	18
Kevin Francis	Vice-president Project Development	0	0	1,000,000	12
Donna Moroney	Corporate Secretary	40,000	0	200,000	2
Adrian Aguirre	Director	50,000	0	1,000,000	12
Jerry Blackwell	Director	0	0	900,000	11
José Manuel Bórquez	Director	0	0	1,000,000	12

Stock Option Plans

Upon the Arrangement becoming effective, all Aurcana Options granted pursuant to the Aurcana Stock Option Plan will be amended in accordance with their terms. See “Particulars of the Arrangement – Description of the Arrangement”.

Warrants

Upon the Arrangement becoming effective, all Aurcana Warrants issued will be amended in accordance with their terms. See “Particulars of the Arrangement – Description of the Arrangement”.

Indebtedness of Directors and Officers of Aurcana

As of the date of this Circular, none of the executive officers, directors, employees or former executive officers, directors or employees of Aurcana was indebted to Aurcana in connection with a purchase of securities or for any other matter, other than advances of a non-material nature. During the fiscal year ended December 31, 2017, none of the executive officers or directors of Aurcana, or any associate of the foregoing, was indebted to Aurcana for a material amount.

Prior Valuations, Prior Offers and Material Non-Public Information

To the knowledge of the directors and executive officers of Aurcana, after reasonable inquiry, there have been no prior valuations in respect of Aurcana (as contemplated in MI 61-101) within the 24-month period preceding the date of this Circular and except as described under the heading “Background to and Reason for the Arrangement”, no *bona fide* prior offer (as contemplated in MI 61-101) that relates to the transactions contemplated by the Arrangement has been received by Aurcana during the 24-month period preceding execution of the Arrangement Agreement. As of the date of this Circular, Aurcana has no knowledge of any undisclosed fact or change that could reasonably be expected to have a significant effect on the market price or value of the Aurcana Shares. The directors and executive officers of Aurcana have no knowledge of any material non-public information concerning Aurcana or its securities that has not been generally disclosed or described in this Circular.

Transfer Agent and Registrar

TSX Trust Company is the transfer agent and registrar for the Aurcana Shares at its principal offices in Toronto, Ontario.

Auditors

MNP LLP are the auditors of Aurcana.

Material Changes in the Affairs of Aurcana

Except as disclosed elsewhere in this Circular or as publicly disclosed, Aurcana has no plans or proposals for a material change in its affairs.

INFORMATION CONCERNING OURAY AND THE COMBINED COMPANY

Information concerning Ouray and the Combined Company is set out in Schedule F and Appendixes “I” to “V” attached to this Circular forms an integral part of this Circular.

EXPENSES OF THE ARRANGEMENT

Aurcana estimates that expenses in the aggregate amount of approximately \$2,600,000 will be incurred by it in connection with the Arrangement, including, but not limited to, legal, financial advisory, accounting, filing and printing costs, the cost of preparing and mailing this Circular and fees in respect of the Fairness Opinion.

Under the Arrangement Agreement, all costs and expenses of the parties in connection with the Arrangement shall be paid by the party incurring such expenses, if the Arrangement is not consummated, with the exception of the fees and disbursements of Stikeman Elliott LLP incurred in connection with the preparation of the Arrangement Agreement and the Circular and the transactions contemplated thereby, and not solely for the benefit of LRC Group, which shall be borne equally by LRC Group and Aurcana. In the event that the Arrangement is completed, Aurcana shall pay for all expenses.

BENEFITS FROM THE ARRANGEMENT

None of the directors or executive officers of Aurcana, nor, to the knowledge of the directors and executive officers of Aurcana after reasonable enquiry, any associate of any director or executive officer of Aurcana, any Person or company holding more than 10% of any class of equity securities of Aurcana or any Person acting jointly or in concert with Aurcana, will receive any

direct or indirect benefit from voting for or against the Arrangement, other than to receive the New Aurcana Common Shares under the Arrangement Agreement, except for Orion who will be entitled to a “collateral benefit” if the Arrangement is completed. See “Securities Law Matter – Canadian Securities Laws – Multilateral Instrument 61-101”.

COMMITMENTS TO ACQUIRE AURCANA SHARES

Other than as disclosed elsewhere in this Circular, neither Aurcana nor any of the directors or executive officers of Aurcana nor, to the knowledge of the directors and executive officers of Aurcana after reasonable enquiry, any associate of any director or executive officer of Aurcana, any Person holding more than 10% of any class of equity securities of Aurcana or any Person acting jointly or in concert with Aurcana, has entered into any commitments to acquire any securities of Aurcana.

LEGAL MATTERS

Certain Canadian legal matters in connection with the Arrangement and the transactions contemplated by the Arrangement Agreement will be passed upon by Maxis Law Corporation on behalf of Aurcana and Stikeman Elliott LLP on behalf of Ouray. Certain U.S. legal matters in connection with the Arrangement and the transactions contemplated by the Arrangement Agreement will be passed upon by Dorsey & Whitney on behalf of Aurcana and Mayer Brown LLP on behalf of Ouray.

As of the date of this Circular, the partners and associates of Maxis Law Corporation, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Aurcana Shares. As of the date of this Circular, the partners and associates of Stikeman Elliott LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Aurcana Shares.

TRANSFER AGENT

Aurcana have engaged TSX Trust Company to act as Transfer Agent for the receipt of Aurcana Share certificates and related Letters of Transmittal surrendered under the Arrangement, and exchanging certificates representing Aurcana Shares for certificates representing New Aurcana Common Shares in connection with the Arrangement. The Transfer Agent will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified by Aurcana and Ouray against certain liabilities under applicable Securities Laws and expenses in connection therewith.

ADDITIONAL INFORMATION

Additional information relating to Aurcana, including its comparative audited financial statements for the financial year ended December 31, 2017, together with the report of the auditors thereon, and management’s discussion and analysis of Aurcana’s financial condition and results of operations for fiscal 2017, which provide financial information concerning Aurcana, can be found on SEDAR under Aurcana’s profile at www.sedar.com. Copies of those documents as well as any additional copies of this Circular may be obtained on request by contacting the Secretary of Aurcana at its head office, 850-789 West Pender Street, Vancouver, British Columbia, V6C 1H2. Aurcana may require the payment of a reasonable charge if the request is made by a Person who is not an Aurcana Shareholder.

APPROVAL OF DIRECTORS

The contents of this Circular and of the accompanying form of proxy, and the sending thereof, have been approved by the Aurcana Board.

Dated at Vancouver, British Columbia, November 7, 2018.

By Order of the Board of Directors.

(signed) Kevin Drover

Kevin Drover
President and Chief Executive Officer

CONSENT OF DUNDEE SECURITIES LTD.

We refer to the opinion letter dated September 17, 2018 (the “**Fairness Opinion**”) which we prepared for the Board of Directors of Aurcana Corporation (“**Aurcana**”). We hereby consent to the inclusion of the text of our Fairness Opinion, a summary of our Fairness Opinion and references to our firm name and our Fairness Opinion in the management information circular prepared by the Board of Directors of Aurcana for use at the special meeting of shareholders of Aurcana to be held on December 10, 2018. In providing such consent, we do not intend that any person other than the Board of Directors shall rely upon the Fairness Opinion nor do we permit any such reliance.

Toronto, Ontario, November 7, 2018.

DUNDEE SECURITIES LTD.

“Dundee Securities Ltd.”

GLOSSARY OF TERMS

The following is a glossary of certain of the defined terms used in this Circular.

“**Acquisition Proposal**” means, other than the transactions contemplated by the Arrangement Agreement, including the Shafter Equipment Purchase, and other than any transaction involving only an Operating Party and/or one or more of its wholly-owned Subsidiaries, any offer, proposal or inquiry from any Person or group of Persons, whether or not in writing and whether or not delivered to the shareholders of a Party, after the date hereof relating to: (a) any acquisition or purchase, direct or indirect, through one or more transactions, of: (i) the assets of that Party and/or one or more of its Subsidiaries that, individually or in the aggregate, constitute 20% or more of the consolidated assets of that Party and its Subsidiaries, taken as a whole, or which contribute 20% or more of the consolidated revenue of a Party and its Subsidiaries, taken as a whole, or (ii) 20% or more of any voting or equity securities of that Party or any one or more of its Subsidiaries that, individually or in the aggregate, contribute 20% or more of the consolidated revenues or constitute 20% or more of the consolidated assets of that Party and its Subsidiaries, taken as a whole; (b) any take-over bid, tender offer, exchange offer or other transaction that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of any class of voting or equity securities of that Party; (c) a plan of arrangement, scheme of arrangement, merger, amalgamation, consolidation, share exchange, share reclassification, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving that Party and/or any of its Subsidiaries; or (d) any other similar transaction or series of transactions involving a party or any of its Subsidiaries.

“**affiliate**” has the meaning specified in National Instrument 45-106 – *Prospectus Exemptions*.

“**allowable capital loss**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders”.

“**Arrangement**” means an arrangement under the provisions of Section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement as amended from time to time in accordance with its terms.

“**Arrangement Agreement**” means the arrangement agreement dated September 20, 2018 entered into between Aurcana, Aurcana US, LRC Group, and Ouray, including all schedules thereto and all amendments or restatements as permitted.

“**Arrangement Resolution**” means the special resolution of the Aurcana Shareholders approving the Arrangement, a copy of which is annexed to the Circular as Schedule A.

“**Articles of Arrangement**” means the articles of arrangement of Aurcana in respect of the Arrangement, to be filed with the Director after the Final Order is made.

“**associate**” has the meaning specified in the *Securities Act*.

“**Aurcana**” means Aurcana Corporation.

“**Aurcana Board**” means the Board of Directors of Aurcana.

“**Aurcana Class A Share**” has the meaning ascribed thereto in the Plan of Arrangement.

“**Aurcana Material Adverse Effect**” has the meaning ascribed thereto in the Arrangement Agreement.

“**Aurcana Optionholders**” means the holders of Aurcana Options and “**Aurcana Optionholder**” means any one of them.

“**Aurcana Options**” means the outstanding options to purchase common shares of Aurcana granted under the Aurcana Stock Option Plan.

“**Aurcana Pre-Arrangement Directors**” has the meaning ascribed to such term in this Circular under the heading “Election of Directors”.

“**Aurcana Registered Shareholders**” means the registered holders of Aurcana Shares.

“**Aurcana Shareholders**” means the registered and beneficial holders of Aurcana Shares and “**Aurcana Shareholder**” means any one of them.

“**Aurcana Shareholder Approval**” means the Required Vote cast on the Arrangement Resolution by the Aurcana Shareholders, present in person or by proxy at the Meeting.

“**Aurcana Shares**” means common shares in the capital of Aurcana, prior to the Consolidation, unless otherwise indicated.

“**Aurcana Stock Option Plan**” means the Stock Option Plan of Aurcana approved by the Aurcana Board on June 29, 2011, and amended on June 29, 2017.

“**Aurcana Termination Fee Event**” has the meaning ascribed to such term in this Circular under the heading “Arrangement Agreement - Termination Fee”.

“**Aurcana US**” means Aurcana US Ltd., a Colorado corporation.

“**Aurcana US Holdco 1**” means Aurcana US Holdings One Ltd. a Colorado corporation.

“**Aurcana US Holdco 2**” means Aurcana US Holdings Two Ltd, a Colorado corporation.

“**Aurcana Warrantholders**” means the holders of Aurcana Warrants and “**Aurcana Warranholder**” means any one of them.

“**Aurcana Warrants**” means the outstanding warrants to purchase common shares of Aurcana.

“**Beneficial Shareholders**” has the meaning ascribed to such term in this Circular under the heading “Appointment and Revocation of Proxies - Notice to Beneficial Holders of Aurcana Shares”.

“**Broadridge**” means Broadridge Financial Solutions Inc. in Canada and its counterpart in the United States.

“**business combination**” has the meaning ascribed to such term in MI 61-101.

“**Business Day**” means a day other than a Saturday, Sunday or any other day on which commercial banking institutions in Toronto, Ontario, or Vancouver, British Columbia are authorized or required by applicable Law to be closed.

“**Canadian Securities Laws**” means applicable Canadian provincial and territorial securities laws.

“**CBCA**” means the *Canada Business Corporations Act*, R.C.S. 1985, as amended.

“**CDS**” means CDS Clearing and Depository Services Inc. or its nominee, which at the date hereof is CDS & Co.

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum.

“**Circular**” means this management information circular, including the Notice of Meeting and all schedules, appendices and exhibits hereto, as amended, supplemented or otherwise modified.

“**collateral benefit**” has the meaning ascribed to such term in MI 61-101.

“**Combined Company**” means Aurcana and all of its subsidiaries, including Ouray, immediately following the completion of the Arrangement.

“**Consolidation**” means the consolidation of the Aurcana Shares on a 5:1 basis pursuant to the Plan of Arrangement.

“**Court**” means the Supreme Court of British Columbia.

“**CRA**” means Canada Revenue Agency.

“**Demand for Payment**” has the meaning ascribed to such term in this Circular under the heading “Particulars of the Arrangement - Dissenting Rights”.

“**designated stock exchange**” means a stock exchange, or that part of a stock exchange, for which a designation by the Minister of Finance (Canada) under Section 262 of the Tax Act is in effect.

“**Director**” means the director appointed under Section 260 of the CBCA.

“**Dissent Notice**” has the meaning ascribed to such term in this Circular under the heading “Particulars of the Arrangement - Dissenting Rights”.

“**Dissent Procedures**” means the procedures to be taken by a Aurcana Shareholder in exercising Dissent Rights.

“**Dissenting Non-Resident Holder**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dissenting Non-Resident Holders”.

“**Dissenting Resident Holder**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders”.

“**Dissent Rights**” means the right to dissent to the Arrangement provided under Section 190 of the CBCA, as set out in Schedule E to this Circular, as modified by the Plan of Arrangement, the Interim Order or any other order of the Court.

“**Dissenting Share certificates**” means the share certificates associated with the Dissenting Shares.

“**Dissenting Shareholders**” means Aurcana Registered Shareholders who have duly and validly exercised their Dissent Rights in respect of the Arrangement Resolution in strict compliance with the Dissent Rights and who have not withdrawn or been deemed to have withdrawn such exercise of Dissent Right.

“**Dissenting Shares**” has the meaning ascribed to such term in this Circular under the heading “Particulars of the Arrangement - Dissenting Rights”.

“**Effective Date**” means the date upon which the Arrangement becomes effective as established by the date of issue shown on the certificate giving effect to the Arrangement as issued by the Director pursuant to Section 192(7) of the CBCA.

“**Effective Time**” means 12:01 a.m. (Vancouver time) on the Effective Date, or such other time as Aurcana and Ouray may agree upon in writing.

“**Escrow Agent**” means TSX Trust Company of Canada.

“**Escrowed Proceeds**” means all of the gross proceeds of the Offering.

“**Escrow Release Conditions**” means the conditions that must be satisfied before the Escrowed Proceeds can be released to Aurcana.

“**Exchange**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations”.

“**Fairness Opinion**” means the fairness opinion prepared by Dundee Securities Ltd. dated September 17, 2018.

“**Final Order**” means the final order of the Court approving the Arrangement under Section 192 of the CBCA, as such order may be affirmed, amended, modified, supplemented or varied by the Court at any time prior to the Effective Date or, if appealed, as affirmed or amended on appeal, unless such appeal is withdrawn, abandoned or denied.

“**Final Hearing**” means the Court hearing in respect of the Final Order.

“**Final TSXV Bulletin**” means The TSXV bulletin which is issued following closing of the Arrangement and the submission of all required documentation and that evidences the final TSXV acceptance of the Arrangement.

“**FRSM**” means LRC-FRSM LLC.

“**FRSM II**” means LRC-FRSM II LLC.

“**Governmental Entity**” means any multinational, federal, provincial, territorial, state, regional, tribal, municipal, local or other government or governmental body and any division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including the Exchange or any other stock exchange) exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing.

“**Holder**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations”.

“**IFRS**” means International Financial Reporting Standards as incorporated in the Handbook of the Canadian Institute of Chartered Accountants, at the relevant time applied on a consistent basis.

“**Industry Guide 7**” means the Securities and Exchange Commission’s Industry Guide 7 – Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations.

“**Interim Order**” means the interim order of the Court rendered November 6, 2018, as may be further varied or amended, providing for, among other things, the calling and holding of the Meeting, attached as Schedule C to this Circular.

“**Investment Authority**” means, the Aurcana Board, with respect to Aurcana, Lascaux Resource Capital Partners LLC, with respect to LRC Group, and the Ouray Board, with respect to Ouray, as applicable.

“**Law**” or “**Laws**” means all laws, statutes, codes, ordinances (including zoning), decrees, rules, regulations, by-laws, notices, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, settlements, writs, assessments, arbitration awards, rulings, determinations or awards, decrees or other requirements of any Governmental Entity having the force of law and any legal requirements arising under the common law or principles of law or equity, and the term “applicable” with respect to such Laws and, in the context that refers to any person, means such Laws as are applicable at the relevant time or times to such person or its business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over such person or its business, undertaking, property or securities.

“**Letter of Intent**” means the letter of intent dated July 27, 2018, among Aurcana, Ouray, and LRC Group with respect to the Arrangement.

“**Letter of Transmittal**” means the letter of transmittal accompanying this Circular, for use by Aurcana Registered Shareholders in connection with the Arrangement.

“**LRC Group**” means FRSM and FRSM II.

“**Matching Period**” has the meaning ascribed to such term in this Circular under the heading “Arrangement Agreement - Right to Match”.

“**material change**” has the meaning ascribed thereto in the Securities Act.

“**Meeting**” means the special meeting of Aurcana Shareholders, including any adjournment or postponement thereof, to be held in accordance with the Interim Order on the Meeting Date at 9:30 a.m. (Vancouver time).

“**Meeting Date**” means December 10, 2018.

“**Meeting Materials**” means the Notice of Meeting, this Circular, the form of proxy and the Letter of Transmittal for use in connection with the Meeting.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* or *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* in the Province of Québec.

“**New Aurcana Board**” means the Aurcana Board following the completion of the Arrangement.

“**NI 43-101**” means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* or *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects* in the Province of Québec.

“**NI 45-102**” means National Instrument 45-102 - *Resale of Securities* or *Regulation 45-102 respecting resale of securities* in the Province of Québec.

“**NI 54-101**” means National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* or *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* in the Province of Québec.

“**New Aurcana Common Shares**” has the meaning ascribed thereto in the Plan of Arrangement.

“**NOBOs**” has the meaning ascribed to such term in this Circular under the heading “Appointment and Revocation of Proxies - Notice to Beneficial Holders of Aurcana Shares”.

“**Non-Resident Holder**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada”.

“**Notice of Meeting**” means the Notice of Special Meeting which accompanies this Circular.

“**Notice of Presentation of Application for Final Order**” means the Notice of Presentation of Application for Final Order substantially in the form set out in Schedule D to this Circular.

“**OBOs**” has the meaning ascribed to such term in this Circular under the heading “Appointment and Revocation of Proxies - Notice to Beneficial Holders of Aurcana Shares”.

“**Offering**” means an offering of Subscription Receipts of Aurcana at the Subscription Price for gross proceeds of not less than C\$9,000,000, or such other amount as may be agreed in writing by Aurcana and the LRC Group, as more particularly described under the heading “The Offering”.

“**Offer to Pay**” has the meaning ascribed to such term in this Circular under the heading “Particulars of the Arrangement - Dissent Rights”.

“**Orion**” means Orion Mine Finance (Master) Fund I LP, a limited partnership established under the laws of Bermuda, and its affiliates.

“**Ouray**” means Ouray Silver Mines, Inc.

“**Ouray Board**” means the Board of Directors of Ouray as the same is constituted from time to time.

“**Ouray Common Shares**” means the common shares in the capital of Ouray.

“**Ouray Material Adverse Effect**” has the meaning ascribed thereto in the Arrangement Agreement.

“**Ouray Termination Fee Event**” has the meaning ascribed to such term in this Circular under the heading “Arrangement Agreement - Termination Fee”.

“**Outside Date**” means December 31, 2018 or such later date as may be agreed to in writing by the Parties.

“**Parties**” means collectively, Aurcana, the LRC Group, Aurcana US Ltd., and Ouray, and “**Party**” means any one of them.

“**Person**” includes an individual, sole proprietorship, corporation, body corporate, incorporated or unincorporated association, syndicate or organization, partnership, limited partnership, limited liability company, unlimited liability company, joint venture, joint stock company, trust, natural person in his or her capacity as trustee, executor, administrator or other legal representative, a government or Governmental Entity or other entity, whether or not having legal status.

“**PFA**” means the Amended and Restated Metal Prepay Agreement dated March 25, 2015, as amended thereafter, between Ouray and FRSM, including a security package over all of the shares of common stock and assets of Ouray relating to such agreement.

“**Plan of Arrangement**” means the plan of arrangement set out in Schedule B hereto, as amended, modified or supplemented from time to time.

“**Proposed Amendments**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations”.

“**Post-Consolidation Aurcana Shares**” means Aurcana Shares to be issued after the Consolidation, but prior to the exchange of Aurcana Shares for New Aurcana Common Shares.

“**RDSP**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment.

“**Record Date**” has the meaning ascribed to such term in this Circular under the heading “Voting Shares”.

“**Redesignation**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations”.

“**Registered Plan**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment.

“**Representatives**” means, collectively, with respect to a Party, that Party’s officers, directors, employees, consultants, advisors, agents or other representatives (including lawyers, accountants, investment bankers and financial advisors).

“**Resident Holder**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada”.

“**RESP**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment.

“**Required Vote**” means (i) not less than 66 $\frac{2}{3}$ % of the votes cast by the Aurcana Shareholders present in person or represented by proxy at the Meeting; and (ii) not less than a majority of the votes cast by the Aurcana Shareholders (excluding the votes cast by Orion that must be excluded in accordance with Canadian Securities Laws), present in person or represented by proxy at the Meeting.

“**RRIF**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment.

“**RRSP**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment.

“**RV Mine**” means the Revenue-Virginus mine located in the San Juan Mountains near Ouray, Colorado.

“**SEC**” means the United States Securities and Exchange Commission.

“**Section 3(a)(10) Exemption**” means the exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) of the U.S. Securities Act.

“**Securities Act**” means the *Securities Act* (British Columbia) and the rules, regulations and published policies made thereunder.

“**Securities Laws**” means Canadian Securities Laws and U.S. Securities Laws and all other applicable securities Laws and applicable stock exchange rules and listing standards of the Stock Exchanges.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**Shafter Equipment Purchase**” means the purchase of all equipment currently owned by Orion, or its affiliates, located at the Shafter Project in exchange for US\$500,000 and 23,894,545 pre-Consolidation Aurcana Shares.

“**Shafter Project**” has the meaning ascribed thereto in the Arrangement Agreement.

“**Special Committee**” means the special committee of the Aurcana Board formed to consider the Arrangement and the Shafter Equipment Purchase.

“**Subscription Receipt Agreement**” means the agreement to be entered into by Aurcana and the Escrow Agent, pursuant to which the Escrowed Proceeds will be deposited in escrow at the closing of the Offering with the Escrow Agent.

“**Subscription Price**” means the sum of C\$1.00 per Subscription Receipt.

“**Subscription Receipts**” means the subscription receipts issued under the terms of the Subscription Receipt Agreement, each subscription receipt evidencing the right of the holder thereof to receive one Underlying Unit upon fulfillment of the Escrow Release Conditions.

“**Superior Proposal**” means any unsolicited *bona fide* written Acquisition Proposal from a Person who is an arm’s length third party to acquire not less than 50% of the outstanding shares or all or substantially all of the assets of an Operating Party and its Subsidiaries on a consolidated basis that: (a) complies with Securities Laws and did not result from or involve a breach of Article 5 of the Arrangement Agreement; (b) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal; (c) is not subject to any financing condition and in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to be available to the satisfaction of the Investment Authority of such Party, acting in good faith (after consultation with its financial advisors and outside legal counsel); (d) is not subject to any due diligence or access condition; and (e) in respect of which the Investment Authority of such Party determines in good faith (after consultation with its outside financial advisors and outside legal counsel), taking into account all of the terms and conditions of such Acquisition Proposal, would, if consummated in accordance with its terms, result in a transaction which is more favourable, from a financial point of view, to the shareholders of such Party than the Arrangement (including any adjustment to the terms and conditions of the Arrangement proposed by the other Party pursuant to Section 5.4(2) of the Arrangement Agreement.

“**Superior Proposal Notice**” has the meaning ascribed to such term in this Circular under the heading “Arrangement Agreement – Right to Match”.

“**Support and Voting Agreements**” means the voting and support agreements (including all amendments thereto) between Ouray and the Supporting Shareholders setting forth the terms and conditions upon which, among other things, the Supporting Shareholders have agreed to vote their Aurcana Shares in favour of the Arrangement Resolution.

“**Supporting Shareholders**” means the Aurcana Shareholders and directors and officers of Aurcana that are party to the Support and Voting Agreements, that is Orion, Kevin Drover, Adrian Aguirre, Jerry Blackwell, Jose Manuel Borquez, Salvador Huerta and Kevin Francis, who collectively hold 17,222,534 Aurcana Shares.

“**taxable capital gain**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders”.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended.

“**Termination Date**” means the date upon which the Termination Event occurs.

“**Termination Event**” has the meaning ascribed to such term in this Circular under the heading “The Offering”.

“**Termination Fee**” means US\$1,000,000 in the case of a termination payment to be made by Aurcana or Ouray, as applicable, pursuant to the Arrangement Agreement.

“**TFSA**” has the meaning ascribed to such term in this Circular under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment.”

“**Transfer Agent**” means TSX Trust Company of Canada in its role as registrar and transfer agent of the Company.

“**TSXV**” means the TSX Venture Exchange.

“**Underlying Unit**” means one Post-Consolidation Aurcana Share and one post-Consolidation Aurcana Warrant.

“**Underlying Warrant**” means one post-Consolidation Aurcana Warrant, each warrant entitling the holder thereof to acquire, upon payment of C\$1.25, one Post-Consolidation Aurcana Share subject to adjustment.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

“**U.S. Exchange Act**” means the United States *Securities Exchange Act of 1934*, as the same has been, and hereafter from time to time, may be amended and the rules and regulation promulgated thereunder.

“**U.S. GAAP**” means United States generally accepted accounting principles and standards.

“**U.S. Person**” means a “U.S. person” as defined in Regulation S under the U.S. Securities Act.

“**U.S. Securities Act**” means the United States *Securities Act of 1933* as the same has been, and hereinafter from time to time, may be amended and the rules and regulation promulgated thereunder.

“**U.S. Securities Laws**” means all applicable securities legislation in the United States, including without limitation, the U.S. Securities Act and the U.S. Exchange Act, and the rules and regulations promulgated thereunder, including judicial and administrative interpretations thereof, and the securities laws of the states of the United States.

“**U.S. Tax Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Value Securities Escrow Agent**” means TSX Trust Company of Canada.

“**Value Security Escrow Agreement**” means the escrow agreement to be entered into between certain principals of the LRC Group, the Combined Company and the Value Securities Escrow Agent.

In this Circular, words that import the singular number will include the plural and *vice versa*, and words that import any gender will include all genders.

**SCHEDULE A
ARRANGEMENT RESOLUTION**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (the “**Arrangement**”) under Section 192 of the *Canada Business Corporations Act* (the “**CBCA**”) of Aurcana Corporation (the “**Company**”), as more particularly described and set forth in the management proxy circular (the “**Circular**”) dated December 10, 2018 of the Company accompanying the notice of this meeting (as the Arrangement may be amended, modified or supplemented in accordance with the definitive agreement (the “**Arrangement Agreement**”) made as of September 20, 2018 between the Company, Aurcana US Ltd., LRC FRSM LLC, LRC FRSM II LLC and Ouray Silver Mines, Inc., is hereby authorized, approved and adopted.
2. The plan of arrangement of the Company (as it has been or may be amended, modified or supplemented in accordance with the Arrangement Agreement (the “**Plan of Arrangement**”), the full text of which is set out in Appendix “B” to the Circular, is hereby authorized, approved and adopted.
3. The (i) Arrangement Agreement and related transactions, (ii) actions of the directors of the Company in approving the Arrangement Agreement, and (iii) actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved.
4. The Company be and is hereby authorized to apply for a final order from the Supreme Court of British Columbia to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended, modified or supplemented and as described in the Circular).
5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Company or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of the Company are hereby authorized and empowered to, without notice to or approval of the shareholders of the Company, (i) amend, modify or supplement the Arrangement Agreement or the Plan Arrangement to the extent permitted by the Arrangement Agreement and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions.
6. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute and deliver for filing with the Director under the CBCA articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement and any such other documents.
7. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

SCHEDULE B
PLAN OF ARRANGEMENT UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT

(See annexed documents)

**PLAN OF ARRANGEMENT UNDER SECTION 192
OF THE CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE 1
INTERPRETATION**

1.1 Definitions.

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below (and grammatical variations of those terms shall have corresponding meanings):

“**Arrangement**” means the arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations made in accordance with the Arrangement Agreement or Article 5 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of Aurcana and LRC Group, each acting reasonably.

“**Arrangement Agreement**” means the arrangement agreement made as of September 20, 2018 among Aurcana, Aurcana US, FRSM, FRSMII and Ouray (including the Schedules thereto) as it may be amended, modified or supplemented from time to time in accordance with its terms.

“**Arrangement Resolution**” means the special resolution approving the Plan of Arrangement presented to the Aurcana Shareholders at the Aurcana Meeting.

“**Articles of Arrangement**” means the articles of arrangement of Aurcana in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall include this Plan of Arrangement and otherwise be in a form and content satisfactory to Aurcana and LRC Group, each acting reasonably.

“**Aurcana**” means Aurcana Corporation.

“**Aurcana Circular**” means the notice of the Aurcana Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Existing Aurcana Common Shareholders in connection with the Aurcana Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement.

“**Aurcana Class A Shares**” means the renamed and redesignated Existing Aurcana Common Shares, as described in Section 2.3(f)(i) of this Plan of Arrangement.

“**Aurcana Meeting**” means the special meeting of Aurcana Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of this Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Aurcana Circular and agreed to in writing by the LRC Group.

“**Aurcana Optionholders**” means the holders of Aurcana Options.

“**Aurcana Options**” means the outstanding options to purchase Aurcana Common Shares issued pursuant to the Aurcana Stock Option Plan, as listed in section 1.1 (a) of the Aurcana Disclosure Letter.

“**Aurcana Shareholders**” means the registered or beneficial holders of the Existing Aurcana Common Shares, as the context requires.

“**Aurcana Stock Option Plan**” means the Stock Option Plan of Aurcana approved by the Aurcana Board on June 29, 2011, and amended on June 29, 2017.

“**Aurcana US**” means Aurcana US Ltd., a Colorado corporation.

“**Aurcana US Holdco 1**” means Aurcana US Holdings One Ltd. a Colorado corporation.

“**Aurcana US Holdco 2**” means Aurcana US Holdings Two Ltd, a Colorado corporation.

“**Aurcana Warrantholders**” means the registered or beneficial holders of Aurcana Warrants.

“**Aurcana Warrants**” means the Aurcana 2020 Warrants and the Aurcana 2021 Warrants.

“**Aurcana 2020 Warrants**” means the outstanding warrants of Aurcana expiring on February 27, 2020, as listed in section 1.1(b) of the Aurcana Disclosure Letter.

“**Aurcana 2021 Warrants**” means the outstanding warrants of Aurcana expiring on May 3, 2021, as listed in section 1.1(c) of the Aurcana Disclosure Letter.

“**Business Day**” means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Toronto, Ontario or Vancouver, British Columbia.

“**CBCA**” means the *Canada Business Corporations Act*.

“**Certificate of Arrangement**” means the certificate of arrangement issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

“**Consideration**” means the consideration to be received pursuant to the Plan of Arrangement in respect of each Aurcana Class A Share that is issued and outstanding immediately prior to the exchange contemplated in Section 2.3(g), consisting of one (1) New Aurcana Common Share.

“**Consolidation**” means the consolidation of the Existing Aurcana Common Shares on a 5:1 basis, pursuant to Section 2.3(c) of this Plan of Arrangement.

“**Court**” means the Supreme Court of British Columbia, or other court as applicable.

“**Depository**” means any trust company, bank or other financial institution agreed to in writing by each of the Parties for the purpose of, among other things, delivering the Consideration in connection with the Arrangement, at its offices set out in the Letter of Transmittal.

“**Director**” means the Director appointed pursuant to Section 260 of the CBCA.

“**Dissent Rights**” has the meaning specified in Section 3.1 of this Plan of Arrangement.

“**Dissenting Holder**” means a registered holder of Existing Aurcana Common Shares who has duly and validly exercised its Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Existing Aurcana Common Shares in respect of which Dissent Rights are validly exercised by such registered holder.

“**Effective Date**” means the date shown on the Certificate of Arrangement.

“**Effective Time**” means 12:01 a.m. (Vancouver time) on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

“**Existing Aurcana Common Shares**” means the common shares in the capital of the Aurcana as constituted immediately prior to the Effective Time.

“**Final Order**” means the final order of the Court pursuant to Section 192 of the CBCA, in a form acceptable to Aurcana and LRC Group, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both Aurcana and LRC Group, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both Aurcana and LRC Group, each acting reasonably) on appeal.

“**FRSM**” means LRC-FRSM LLC.

“**FRSM II**” means LRC-FRSM II LLC.

“**Governmental Entity**” means any multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including the Exchange or any other stock exchange) exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing.

“**holder**” means a holder of Existing Aurcana Common Shares whose name appears in the register of holders of Existing Aurcana Common Shares maintained by or on behalf of Aurcana and, where applicable, includes joint holders of such Common Shares.

“**Interim Order**” means the interim order of the Court in a form acceptable to the Parties, each acting reasonably, providing for, among other things, the calling and holding of the Aurcana Meeting, as such order may be amended by the Court with the consent of Aurcana and LRC Group, each acting reasonably.

“**Laws**” means all laws, statutes, codes, ordinances (including zoning), decrees, rules, regulations, by-laws, notices, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, settlements, writs, assessments, arbitration awards, rulings, determinations or awards, decrees or other requirements of any Governmental

Entity having the force of law and any legal requirements arising under the common law or principles of law or equity, and the term “applicable” with respect to such Laws and, in the context that refers to any person, means such Laws as are applicable at the relevant time or times to such person or its business, undertaking, property or securities and emanate from a Governmental Entity having jurisdiction over such person or its business, undertaking, property or securities.

“**Lien**” means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute.

“**Letter of Transmittal**” means the letter of transmittal sent to holders of Existing Aurcana Common Shares for use in connection with the Arrangement.

“**LRC Group**” means, collectively, FRSM and FRSM II.

“**New Aurcana Common Shares**” means the new class of voting common shares without par value which Aurcana will create and issue as described in Section 2.3(f)(ii) of this Plan of Arrangement, and for which the Aurcana Class A Shares are, to be exchanged under the Arrangement, and which immediately after completion of the transactions comprising the Arrangement, will be identical in every relevant respect to the Existing Aurcana Common Shares.

“**Ouray**” means Ouray Silver Mines, Inc.

“**Ouray Consideration Shares**” has the meaning given thereto in Section 2.3(d)(iii).

“**Person**” includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

“**PFA**” means the Amended and Restated Metal Prepay Agreement dated March 25, 2015, as amended thereafter, between Ouray and FRSM, including a security package over all of the shares of common stock and assets of Ouray relating to such agreement.

“**Plan of Arrangement**” means this plan of arrangement proposed under Section 192 of the CBCA, and any amendments or variations made in accordance with Section 8.1 of the Arrangement Agreement or Section 5.1 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of Aurcana and LRC Group, each acting reasonably.

“**Shafter Equipment Purchase**” means the purchase of all equipment currently owned by Orion, or its affiliates, located at the Shafter Project in exchange for US\$500,000 and 23,894,545 pre-Consolidation Existing Aurcana Common Shares.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder.

“**U.S. Tax Code**” means the United States Internal Revenue Code of 1986, as amended.

Any capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Arrangement Agreement. In addition, words and phrases used herein and defined in the CBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the CBCA unless the context otherwise requires.

1.2 Certain Rules of Interpretation.

In this Agreement, unless otherwise specified:

- (1) **Headings, etc.** The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.
- (2) **Currency.** All references to dollars, \$ or to C\$ are references to Canadian dollars and all references to US\$ are to United States dollars..
- (3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.
- (4) **Certain Phrases, etc.** The words (i) “**including**”, “**includes**” and “**include**” mean “**including (or includes or include) without limitation,**” (ii) “**the aggregate of**”, “**the total of**”, “**the sum of**”, or a phrase of similar meaning means “**the aggregate (or total or sum), without duplication, of,**” and (iii) unless stated otherwise, “**Article**”, “**Section**”, and “**Schedule**” followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Plan of Arrangement.
- (5) **Statutes.** Any reference to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.
- (6) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.
- (7) **Time References.** References to time are to local time, Vancouver, British Columbia.

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement Agreement.

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms a part of the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein.

2.2 Binding Effect.

This Plan of Arrangement and the Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective, and be binding on LRC Group, Aurcana, Aurcana US, all holders and beneficial owners of Existing Aurcana Common Shares, Ouray Common Shares, Aurcana Options and Aurcana Warrants, including Dissenting Holders, the registrar and transfer agent of Aurcana, and the Depositary, at and after, the Effective Time without any further act or formality required on the part of any Person.

2.3 Arrangement.

At the Effective Time the following shall occur and shall be deemed to occur as set out below without any further authorization, act or formality, in each case effective as at one minute intervals, unless otherwise indicated, starting at the Effective Time:

- (a) Each Existing Aurcana Common Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to Aurcana and Aurcana shall thereupon be obliged to pay the amount therefor determined and payable in accordance with Article 3 hereof, and the name of such holder shall be removed from the central securities register of Aurcana as a holder of Existing Aurcana Common Shares;
- (b) 23,894,545 pre-Consolidation Existing Aurcana Common Shares shall be issued by Aurcana in connection with the Shafter Equipment Purchase, and the Shafter Equipment Purchase shall be completed;
- (c) the Consolidation shall be completed;
- (d) the following two steps shall occur in the following order:
 - (i) FRSM shall transfer the PFA to Aurcana US in exchange for 54,310,047 Existing Aurcana Common Shares
 - (ii) FRSM II shall transfer all of the issued and outstanding Ouray Common Shares to Aurcana US in exchange for 28,930,312 Existing Aurcana Common Shares. The names of the holders of the Ouray Common Shares transferred to Aurcana US shall be removed from the applicable registers of holders of Ouray Common Shares, and Aurcana US shall be recorded

as the registered holder of the Ouray Common Shares so transferred and shall be deemed the legal and beneficial owner thereof;

For further clarity, to enable Aurcana US to deliver the required Existing Aurcana Common Shares to the LRC Group as specified in Sections 2.3(d)(i)&(ii) hereof the following steps shall occur simultaneously with each of Sections 2.3(d)(i) or (ii), as applicable:

1. pursuant to a written direction by Aurcana US to Aurcana US Holdco 2, Aurcana US shall issue to Aurcana US Holdco 2 54,310,047 (simultaneous with Section 2.3(d)(i)) and 28,930,312 (simultaneous with Section 2.3(d)(ii)) (for a total of 83,240,359) common shares of Aurcana US as consideration for Aurcana US Holdco 2 issuing its shares to Aurcana US Holdco 1;
 2. pursuant to a written direction by Aurcana US Holdco 2 to Aurcana US Holdco 1, Aurcana US Holdco 2 shall issue to Aurcana US Holdco 1 54,310,047 (simultaneous with Section 2.3(d)(i)) and 28,930,312 (simultaneous with Section 2.3(d)(ii)) (for a total of 83,240,359) common shares of Aurcana US Holdco 2 as consideration for Aurcana US Holdco 1 issuing its shares to Aurcana;
 3. pursuant to a written direction by Aurcana US Holdco 1 to Aurcana, Aurcana US Holdco 1 shall issue to Aurcana 54,310,047 (simultaneous with Section 2.3(d)(i)) and 28,930,312 (simultaneous with Section 2.3(d)(ii)) (for a total of 83,240,359) common shares of Aurcana US Holdco 1 as consideration for Aurcana issuing 54,310,047 Existing Aurcana Common Shares to FRSM and 28,930,312 Existing Aurcana Common Shares to FRSM II in Sections 2.3(d)(i)&(ii) hereof; and
 4. Aurcana shall add to its stated capital of the Existing Aurcana Common Shares an amount equal to the fair market value of the Aurcana US Holdco 1 shares issued to Aurcana in Section 2.3(d)3. above, simultaneous with the issuance of each set of such shares;
- (e) the Offering shall be completed and Aurcana shall issue Existing Aurcana Common Shares to subscribers under the Offering;
- (f) the authorized share capital of Aurcana and its Articles will be altered by:
- (i) renaming and redesignating all of the issued and unissued Existing Aurcana Common Shares as Aurcana Class A Shares, and moving to the stated capital of the Aurcana Class A Shares the amount that was the stated capital of the Existing Aurcana Common Shares immediately prior to the redesignation; and
 - (ii) creating an unlimited number of common shares without par value as the New Aurcana Common Shares;

- (g) each Aurcana Class A Share outstanding on the Effective Date will be deemed to be exchanged for one (1) New Aurcana Common Share without any further act or formality and such Aurcana Shareholders shall cease to be the holders of the Aurcana Class A Shares so exchanged, and the amount of the stated capital of the Aurcana Class A Shares immediately prior to the exchange shall be moved to the stated capital of the New Aurcana Common Shares;
- (h) the Aurcana Class A Shares, none of which will be allotted and issued once the step referred to in Section 2.3(g) above is completed, will be cancelled and the authorized capital of Aurcana and its Articles shall be amended by deleting the Aurcana Class A Shares as a class of shares of Aurcana.

2.4 U.S. Securities Act Exemption

Notwithstanding any provision herein to the contrary, Aurcana, Aurcana US, Ouray and LRC Group agree that this Plan of Arrangement will be carried out with the intention that all New Aurcana Common Shares issued to Aurcana Shareholders, except for New Aurcana Common Shares to be issued to Aurcana Shareholders that received Existing Aurcana Common Shares in the Offering, on completion of this Plan of Arrangement will be issued by Aurcana in reliance on the exemption from the registration requirements of the U.S. Securities Act as provided by Section 3(a)(10) thereof.

2.5 No Fractional Shares

In no event shall any holder of Existing Aurcana Common Shares be entitled to a fractional New Aurcana Common Share. Where the aggregate number of New Aurcana Common Shares to be issued to a person as consideration under or as a result of this Arrangement would result in a fraction of a New Aurcana Common Share being issuable, the number of New Aurcana Common Shares to be received by such securityholder shall be rounded down to the nearest whole New Aurcana Common Share and no person will be entitled to any compensation in respect of a fractional New Aurcana Common Share.

2.6 Effect of Arrangement on Aurcana Options

As a result of the completion of the steps set out in Section 2.3, each outstanding Aurcana Option will be automatically adjusted as contemplated by its terms, such that on exercise of each Aurcana Option and for the same aggregate consideration payable therefor, the holder shall be entitled to acquire and shall accept in lieu of the number of Existing Aurcana Common Shares to which such holder was entitled immediately before the Effective Date, such number of New Aurcana Common Shares as is equal to the number of Existing Aurcana Common Shares that the holder was entitled to receive upon exercise of the Aurcana Option, multiplied by 0.20. The Aurcana Options shall thereafter evidence only a right to purchase New Aurcana Common Shares in accordance with their terms, and no amended certificates with respect to Aurcana Options shall be issued.

2.7 Effect of Arrangement on Aurcana Warrants

As a result of the completion of the steps set out in Section 2.3, each outstanding Aurcana Warrant will be automatically adjusted as contemplated by its terms, such that on exercise of each Aurcana Warrant and for the same aggregate consideration payable therefor, the holder shall be entitled to acquire and shall accept in lieu of the number of Existing Aurcana Common Shares to which such holder was entitled immediately before the Effective Date, such number of New Aurcana Common Shares as is equal to the number of Existing Aurcana Common Shares that the holder was entitled to receive upon exercise of the Aurcana Option, multiplied by 0.20. The Aurcana Warrants shall thereafter evidence only a right to purchase New Aurcana Common Shares in accordance with their terms, and no amended certificates with respect to Aurcana Warrants shall be issued.

ARTICLE 3 RIGHTS OF DISSENT

3.1 Rights of Dissent.

Registered holders of Existing Aurcana Common Shares other than Orion and LRC Group may exercise dissent rights ("**Dissent Rights**") in connection with the Arrangement pursuant to and in the manner set forth in Section 190 of the CBCA, as modified by the Interim Order and this Section 3.1; provided that, notwithstanding subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in subsection 190(5) of the CBCA must be received by Aurcana not later than 5:00 p.m. (Vancouver time) two Business Days immediately preceding the date of the Aurcana Meeting (as it may be adjourned or postponed from time to time). Dissenting Holders who duly exercise their Dissent Rights shall be deemed to have transferred the Existing Aurcana Common Shares held by them and in respect of which Dissent Rights have been validly exercised to Aurcana free and clear of all Liens, as provided in Section 2.3(a) and if they:

- (a) ultimately are entitled to be paid fair value for such Existing Aurcana Common Shares, will be entitled to be paid the fair value of such Existing Aurcana Common Shares by Aurcana, and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Existing Aurcana Common Shares; or
- (b) ultimately are not entitled, for any reason, to be paid fair value for such Existing Aurcana Common Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Existing Aurcana Common Shares.

3.2 Recognition of Dissenting Holders.

- (a) In no circumstances shall Aurcana, LRC Group or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Existing Aurcana Common Shares in respect of which such rights are sought to be exercised.

- (b) For greater certainty, in no case shall Aurcana, LRC Group or any other Person be required to recognize Dissenting Holders as holders of Existing Aurcana Common Shares in respect of which Dissent Rights have been validly exercised after the completion of the transfer under Section 2.3(a), and the names of such Dissenting Holders shall be removed from the registers of holders of Existing Aurcana Common Shares in respect of which Dissent Rights have been validly exercised at the same time as the event described in Section 2.3(a) occurs. In addition to any other restrictions under Section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (i) Aurcana Optionholders and the Aurcana Warrantholders, and (ii) holders of Existing Aurcana Common Shares who vote or have instructed a proxyholder to vote such Existing Aurcana Common Shares in favour of the Arrangement Resolution (but only in respect of such Existing Aurcana Common Shares).

ARTICLE 4 CERTIFICATES AND PAYMENTS

4.1 Payment of Consideration.

- (a) As soon as practicable following the later of the Effective Date and the surrender to the Depositary for cancellation of a certificate that immediately prior to the Effective Time represented outstanding Existing Aurcana Common Shares that were exchanged under Section 2.3, together with a duly completed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require and such other documents and instruments as would have been required to effect such transfer under the CBCA and the articles of Aurcana after giving effect to Section 2.3 the former holder of such Existing Aurcana Common Shares shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, or make available for pick up at its offices during normal business hours, a certificate representing the New Aurcana Common Shares that such holder is entitled to receive in accordance with Section 2.3 hereof, less any amounts withheld, if any, pursuant to Section 4.5.
- (b) Subject to Section 4.2, until surrendered as contemplated by this Section 4.1, each certificate which immediately prior to the Effective Time represented Existing Aurcana Common Shares will be deemed after the time described in Section 2.3 to represent only the right to receive from the Depositary upon such surrender a certificate representing the New Aurcana Common Shares that the holder of such certificate is entitled to receive in accordance with Section 2.3 hereof, less any amounts withheld, if any, pursuant to Section 4.5.
- (c) Aurcana and LRC Group will cause the Depositary, as soon as an Aurcana Shareholder becomes entitled to the Consideration in accordance with Section 2.3, to:

- (i) forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address specified in the Common Share Letter of Transmittal;
- (ii) if requested by such former holder in Letter of Transmittal make available at the offices of the Depository specified in the Letter of Transmittal; or
- (iii) if the Letter of Transmittal neither specifies an address as described in Section 4.1(c)(i) nor contains a request as described in Section 4.1(c)(ii), forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address of such former holder as shown on the applicable securities register maintained by or on behalf of Aurcana immediately prior to the Effective Time;

a certificate representing the New Aurcana Common Shares that such holder is entitled to receive in accordance with the provisions hereof.

- (d) No holder of Existing Aurcana Common Shares shall be entitled to receive any consideration with respect to such Existing Aurcana Common Shares, Aurcana Options, or Aurcana Warrants other than any New Aurcana Common Shares to which such holder is entitled to receive in accordance with Section 2.3 and this Section 4.1 and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith, other than any declared but unpaid dividends in accordance with Section 4.1(e).
- (e) No dividends or other distributions declared or made after the Effective Time with respect to New Aurcana Common Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered certificate which immediately prior to the Effective Time represented outstanding Existing Aurcana Common Shares that were exchanged pursuant to Section 2.3 unless and until the holder of record of such certificate shall surrender such certificate in accordance with Section 4.1. Subject to applicable law, at the time of such surrender of any such certificate (or in the case of clause (ii) below, at the appropriate payment date), there shall be paid to the holder of record of the certificates formerly representing Existing Aurcana Common Shares, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole New Aurcana Common Share and (ii) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole New Aurcana Common Share.

4.2 Extinction of Rights

If any Aurcana Shareholder fails to deliver to the Depositary the certificates, documents or instruments required to be delivered to the Depositary under Section 4.2 in order for such Aurcana Shareholder to receive the Consideration which such former holder is entitled to receive pursuant to Section 3.1, on or before the sixth anniversary of the Effective Date, on the sixth anniversary of the Effective Date (i) such former holder will be deemed to have donated and forfeited to Aurcana or its successors and assigns, any Consideration held by the Depositary in trust for such former holder to which such former holder is entitled and (ii) any certificate representing Existing Aurcana Common Shares formerly held by such former holder will cease to represent a claim of any nature whatsoever and will be deemed to have been surrendered to Aurcana, and will be cancelled. None of Aurcana or LRC Group, or any of their respective successors, will be liable to any person in respect of any Consideration (including any consideration previously held by the Depositary in trust for any such former holder) which is forfeited to Aurcana or LRC Group or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

4.3 Aurcana Class A Shares

Recognizing that the Existing Aurcana Common Shares shall be renamed and re-classified as Aurcana Class A Shares pursuant to Section 2.3(f)(i) and that the Aurcana Class A Shares shall be exchanged for New Aurcana Common Shares pursuant to Section 2.3(g), Aurcana shall not issue replacement share certificates representing the Aurcana Class A Shares.

4.4 Lost Certificates.

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Existing Aurcana Common Shares that were exchanged pursuant to Section 2.3(g) shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more New Aurcana Common Shares in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom such certificates representing New Aurcana Shares are to be delivered shall as a condition precedent to the delivery of such certificates, give a bond satisfactory to Aurcana and the Depositary (acting reasonably) in such sum as Aurcana may direct, or otherwise indemnify Aurcana in a manner satisfactory to Aurcana, acting reasonably, against any claim that may be made against Aurcana with respect to the certificate alleged to have been lost, stolen or destroyed.

4.5 Withholding Rights.

Aurcana or the Depositary shall be entitled to deduct and withhold from any amount payable to any Person under the Plan of Arrangement (including, without limitation, any amounts payable pursuant to Section 3.1), such amounts as Aurcana or the Depositary determines, acting reasonably, are required or permitted to be deducted and withheld with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any other Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such

withholding was made, provided that such amounts are actually remitted to the appropriate taxing authority.

4.6 No Liens.

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

4.7 Paramountcy.

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Existing Aurcana Common Shares issued prior to the Effective Time, (b) the rights and obligations of the Aurcana Common Shareholders, Aurcana Securityholders, Aurcana, LRC Group, the Depositary and any transfer agent or other depositary therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Existing Aurcana Common Shares shall be deemed to have been settled, compromised, released and determined without liability except as set forth in this Plan of Arrangement.

ARTICLE 5 AMENDMENTS

5.1 Amendments to Plan of Arrangement.

- (a) The Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must (i) be set out in writing, (ii) be approved by the Parties, (iii) filed with the Court and, if made following the Aurcana Meeting, approved by the Court, and (iv) communicated to holders of Existing Aurcana Common Shares if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Parties at any time prior to the Aurcana Meeting (provided that LRC Group shall have consented thereto, such consent not to be unreasonably withheld) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Aurcana Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Aurcana Meeting shall be effective only if (i) it is consented to in writing by each of Aurcana and LRC Group (in each case, acting reasonably), and (ii) if required by the Court, it is consented to by some or all of the Aurcana Common Shareholders voting in the manner directed by the Court.

- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date by Aurcana provided that LRC Group shall have consented thereto in writing, such consent not to be unreasonably withheld, and provided that it concerns a matter which, in the reasonable opinion of Aurcana, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement.

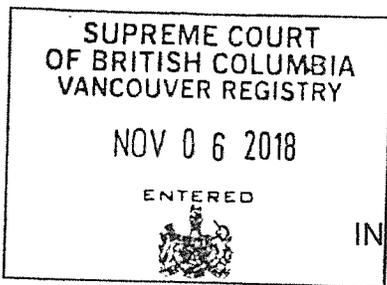
**ARTICLE 6
FURTHER ASSURANCES**

6.1 Further Assurances.

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order further to document or evidence any of the transactions or events set out in this Plan of Arrangement.

**SCHEDULE C
INTERIM ORDER**

(See annexed documents)



S1811958

NO. _____
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 192 OF THE CANADA BUSINESS CORPORATIONS
ACT, R.S.C. 1985, CHAPTER 44, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
AURCANA CORPORATION, LRC-FRSM II LLC, LRC-FRSM LLC AND OURAY
SILVER MINES INC.

AURCANA CORPORATION

PETITIONER

ORDER MADE AFTER APPLICATION

BEFORE)
) MASTER *BAKOR*
)

) Tuesday, the
) 6th day of
) November, 2018

ON THE APPLICATION of the Petitioner, Aurcana Corporation (“**Petitioner**”) for an Interim Order pursuant to its Petition filed on November 6, 2018.

[x] without notice coming on for hearing at Vancouver, British Columbia on November 6, 2018 and on hearing Andrew Crabtree, counsel for the Petitioner and upon reading the Petition herein and the Affidavit of Kevin Drover sworn on November 2, 2018 and filed herein (the “**Drover Affidavit**”); and upon being advised that it is the intention of Aurcana to rely upon Section 3(a)(10) of the *United States Securities Act of 1933* (the “**1933 Act**”) as a basis for an exemption from the registration requirements of the 1933 Act with respect to securities of Aurcana issued under the proposed Plan of Arrangement based on the Court’s approval of the Arrangement as procedurally and substantively fair and reasonable to those who will receive securities of Aurcana in the exchange;

THIS COURT ORDERS THAT:

DEFINITIONS

1. As used in this Interim Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the information circular entitled Notices of Special Meeting to be held on December 10, 2018 and Management Information Circular with respect to the proposed Plan of Arrangement involving Aurcana, Aurcana US Ltd., Orion Mine Finance (Master) Fund I LP, Ouray Silver Mines, Inc. and others (the "**Circular**"), attached as Exhibit "A" to the Drover Affidavit.

MEETING

2. Pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), Aurcana is authorized and directed to call, hold and conduct a special meeting of the holders ("**Aurcana Shareholders**") of common shares of Aurcana ("**Aurcana Shares**") to be held at 10:00 a.m. (Vancouver time) on December 10, 2018 at 850-789 Pender Street, Vancouver, British Columbia, Canada (the "**Meeting**"):

(a) to consider and, if thought advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**") of the Aurcana Shareholders approving an arrangement (the "**Arrangement**") under section 192 of the CBCA, the full text of which is set forth in Appendix "E" to the Circular; and

(b) to transact such further or other business, including amendments to the foregoing, as may properly be brought before the Meeting or any adjournment or postponement thereof.

3. The Arrangement constitutes an arrangement pursuant to section 192(1) of the CBCA.

4. The Meeting will be called, held and conducted in accordance with the CBCA, the articles of Aurcana and the Circular subject to the terms of this Interim

Order, and any further order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order.

DIRECTOR OF THE CBCA

5. The Petitioner has provided notice to the Director of the CBCA of the Arrangement pursuant to section 192(5) of the CBCA.

ADJOURNMENT

6. Notwithstanding the provisions of the CBCA and the articles of Aurcana, and subject to the terms of the Arrangement Agreement, Aurcana, if it deems advisable, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Aurcana Shareholders respecting such adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements will be given by news release, newspaper advertisement, or by notice sent to Aurcana Shareholders by one of the methods specified in paragraphs 11 and 12 of this Interim Order.

7. The Record Date (as defined in paragraph 9 below) will not change in respect of any adjournments or postponements of the Meeting.

AMENDMENTS

8. Prior to the Meeting, Aurcana is authorized to make such amendments, revisions or supplements to the proposed Arrangement and the Plan of Arrangement, in accordance with the terms of the Arrangement Agreement, without any additional notice to the Aurcana Shareholders, and the Arrangement and Plan of Arrangement as so amended, revised and supplemented will be the Arrangement and Plan of Arrangement submitted to the Meeting, and the subject of the Arrangement Resolution.

RECORD DATE

9. The record date for determining the Aurcana Shareholders entitled to receive notice of, attend and vote at the Meeting is close of business on November 2, 2018 (the “**Record Date**”).

NOTICE OF MEETING

10. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purposes of the CBCA, and Aurcana will not be required to send to the Aurcana Shareholders any other or additional statement pursuant to the CBCA.

11. The Circular, the form of proxy, letter of transmittal and election form, and the Notice of Hearing of the Petition (collectively referred to as the “**Meeting Materials**”), in substantially the same form as contained in Exhibits “B” and “D” to “G” to the Drover Affidavit, with such deletions, amendments or additions thereto as counsel for Aurcana may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order, will be sent to:

- (a) the registered Aurcana Shareholders as they appear on the central securities register of Aurcana or the records of its registrar and transfer agent as at the close of business on the Record Date, but not to Aurcana Shareholders who Aurcana, on two consecutive occasions, have sent a record but had such record returned because the shareholder could not be located, the Meeting Materials to be sent at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing, delivery or transmittal and the date of the Meeting, by one or more of the following methods:
 - (i) by prepaid ordinary or air mail addressed to the Aurcana Shareholders at their addresses as they appear in the applicable records of Aurcana or its registrar and transfer agent as at the Record Date;

- (ii) by delivery in person or by courier to the addresses specified in paragraph 9 (a)(i) above; or
 - (iii) by email or facsimile transmission to any Aurcana Shareholder who has previously identified himself, herself or itself to the satisfaction of Aurcana acting through its representatives, who requests such email or facsimile transmission, in accordance with such request;
- (b) in the case of non-registered Aurcana Shareholders, by providing copies of the Meeting Materials to intermediaries and registered nominees for sending to such beneficial owners in accordance with the procedures prescribed by *National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators* at least three (3) Business Days prior to the twenty-first (21st) day prior to the date of the Meeting;
 - (c) the directors and auditors of Aurcana by mailing the Meeting Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or transmittal; and
 - (d) the registered and records offices of LRC-FRSM II LLC and LRC-FRSM LLC;

and substantial compliance with this paragraph will constitute good and sufficient notice of the Meeting.

12. The Circular and Notice of Hearing of Petition in substantially the same form as contained in Exhibits “B” and “G” to the Drover Affidavit, respectively, with such deletions, amendments or additions thereto as counsel for Aurcana may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order (the “**Notice Materials**”), will be sent to holders of stock options issued by Aurcana pursuant to the stock option plan of Aurcana as well as holders of warrants of Aurcana Shares (collectively, the “**Aurcana Optionholders**”, and

together with the Aurcana Shareholders, the “**Aurcana Securityholders**”), as amended by Aurcana from time to time, by the methods described in paragraph 11 of this Interim Order at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or transmittal.

13. Accidental failure of or omission by Aurcana to give notice to any one or more Aurcana Securityholders or any other persons entitled thereto, or the non-receipt of such notice by one or more Aurcana Securityholders or any other persons entitled thereto, or any failure or omission to give such notice as a result of events beyond the reasonable control of Aurcana (including, without limitation, any inability to use postal services), will not constitute a breach of this Interim Order or a defect in the calling of the Meeting, and will not invalidate any resolution passed or proceeding taken at the Meeting, but if any such failure or omission is brought to the attention of Aurcana, then it will use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

14. Provided that notice of the Meeting is given and the Meeting Materials and the Notice Materials are provided to the Aurcana Securityholders and other persons entitled thereto in compliance with this Interim Order, all requirements of the CBCA to include certain disclosure in any advertisement of the Meeting is waived.

DEEMED RECEIPT OF NOTICE

15. The Meeting Materials and the Notice Materials will be deemed, for the purposes of this Interim Order, to have been served upon and received:

- (a) in the case of mailing pursuant to paragraph 11(a)(i) above, the day, Saturdays, Sundays and holidays excepted, following the date of mailing;
- (b) in the case of delivery in person pursuant to paragraph 11(a)(ii) above, the day following personal delivery or, in the case of delivery by courier, the day following delivery to the person’s address in paragraph 11 above; and

- (c) in the case of any means of transmitted, recorded or electronic communication pursuant to paragraph 11(a)(iii) above, when dispatched or delivered for dispatch.

UPDATING MEETING MATERIALS

16. Notice of any amendments, updates or supplement to any of the information provided in the Meeting Materials may be communicated to the Aurcana Securityholders or other persons entitled thereto by news release, newspaper advertisement or by notice sent to the Aurcana Securityholders or other persons entitled thereto by any of the means set forth in paragraphs 11 and 13 of this Interim Order, as determined to be the most appropriate method of communication by the Board of Directors of Aurcana.

QUORUM AND VOTING

17. The quorum required at the Meeting will be two Aurcana Shareholders present in person or represented by proxy. If within 30 minutes from the time set for the holding of the Meeting, a quorum is not present, the Meeting will stand adjourned to the same day in the next week at the same time and place as the Aurcana Meeting. If a quorum is not present within 30 minutes from the time set for the holding of the adjourned meeting, the meeting will be terminated.

18. The vote required to pass the Arrangement Resolution will be the affirmative vote of (i) not less than 66 $\frac{2}{3}$ % of the votes cast by Aurcana Shareholders, either in person or by proxy and entitled to vote at the Meeting, voting together as one class on the basis of one vote per Aurcana Share held; and (ii) not less than a majority of the votes by Aurcana Shareholders excluding the votes cast by Orion Mine Finance (Master) Fund I LP.

19. In all other respects, the terms, restrictions and conditions set out in the articles of Aurcana will apply in respect of the Meeting.

PERMITTED ATTENDEES

20. The only persons entitled to attend the Meeting will be (i) the Aurcana Shareholders or their respective proxyholders as of the Record Date, (ii) Aurcana's directors, officers, auditors and advisors, (iii) representatives of Orion and Ouray, and (iv) any other person admitted on the invitation of the Chair of the Meeting or with the consent of the Chair of the Meeting, and the only persons entitled to be represented and to vote at the Meeting will be the Aurcana Shareholders as at the close of business on the Record Date, or their respective proxyholders.

SCRUTINEERS

21. Representatives of Aurcana's registrar and transfer agent (or any agent thereof) are authorized to act as scrutineers for the Meeting.

SOLICITATION OF PROXIES

22. Aurcana is authorized to use the form of proxy and letter of transmittal and election form in connection with the Meeting, in substantially the same form as attached as Exhibit "F" to the Drover Affidavit and Aurcana may in its discretion waive generally the time limits for deposit of proxies by Aurcana Shareholders if Aurcana deems it reasonable to do so. Aurcana is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

23. The procedure for the use of proxies at the Meeting will be as set out in the Meeting Materials. Aurcana may in its discretion waive the time limits for the deposit of proxies by Aurcana Shareholders if Aurcana deems it advisable to do so, such waiver to be endorsed on the proxy by the initials of the Chair of the Meeting.

DISSENT RIGHTS

24. Each registered Aurcana Shareholder will have the right to dissent in respect of the Arrangement Resolution in accordance with the provisions of Section 190

of the CBCA, as modified by the terms of this Interim Order, the Plan of Arrangement and the Final Order.

25. Registered Aurcana Shareholders will be the only Aurcana Shareholders entitled to exercise rights of dissent. A beneficial holder of Aurcana Shares registered in the name of a broker, custodian, trustee, nominee or other intermediary who wishes to dissent must make arrangements for the registered Aurcana Shareholder to dissent on behalf of the beneficial holder of Aurcana Shares or, alternatively, make arrangements to become a registered Aurcana Shareholder.

26. In order for a registered Aurcana Shareholder to exercise such right of dissent (the "**Dissent Right**"):

- (a) a Dissenting Aurcana Shareholder must deliver a written notice of dissent which must be received by Aurcana at 850-789 West Pender Street, 3rd Floor, Vancouver, British Columbia, (Attention: Kevin Drover) by no later than 4:00 p.m. (Vancouver time) on December 6, 2018 or, in the case of any adjournment or postponement of the Meeting, the date which is two business days prior to the date of the Meeting; a vote against the Arrangement Resolution or an abstention will not constitute written notice of dissent;
- (b) a Dissenting Aurcana Shareholder must not have voted his, her or its Aurcana Shares at the Meeting, either by proxy or in person, in favor of the Arrangement Resolution;
- (c) a Dissenting Aurcana Shareholder must dissent with respect to all of the Aurcana Shares held by such person; and
- (d) the exercise of such Aurcana Right must otherwise comply with the requirements of section 190 of the CBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order.

27. Notice to the Aurcana Shareholders of their Dissent Right with respect to the Arrangement Resolution will be given by including information with respect to the

Dissent Right in the Circular to be sent to Aurcana Shareholders in accordance with the Interim Order.

28. Subject to further order of this Court, the rights available to the Aurcana Shareholders under the CBCA and the Plan of Arrangement to dissent from the Arrangement will constitute full and sufficient Dissent Rights for the Aurcana Shareholders with respect to the Arrangement.

APPLICATION FOR FINAL ORDER

29. Upon the approval, with or without variation, by the Aurcana Shareholders of the Arrangement, in the manner set forth in this Interim Order, Aurcana may apply to this Court for, *inter alia*, an order pursuant to sections 192 and 248 of the CBCA:

- (a) approving the Arrangement; and
- (b) declaring that the terms and conditions of the Arrangement, and the exchange of securities to be effected by the Arrangement, are procedurally and substantively fair and reasonable to those who will receive securities in the exchange

(collectively, the “**Final Order**”),

and the hearing of the Final Order will be held on December 13, 2018 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard, or at such other date and time as this Court may direct.

30. The form of requisition for scheduling the hearing of the Final Order of the Petition, attached to the Drover Affidavit as Exhibit “G”, is hereby approved as the form of Notice of Proceedings for such approval. Any Aurcana Shareholder has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order, subject to the terms of this Interim Order.

31. Any Aurcana Shareholders seeking to appear at the hearing of the application for the Final Order must:

- (a) file and deliver a Response to Petition (a “**Response**”) in the form prescribed by the *Supreme Court Civil Rules*, and a copy of all affidavits or other materials upon which they intend to rely, to the Petitioner’s solicitors at:

Maxis Law Corporation
Suite 910 – 800 West Pender Street

Vancouver, BC V6C 2V6
Attention: **J. Morgan Hay**

by or before 4:00 p.m. (Vancouver time) on December 6, 2018.

32. Sending the Notice of Hearing of Petition and this Interim Order in accordance with paragraphs 9 and 10 of this Interim Order will constitute good and sufficient service of this proceeding and no other form of service need be made and no other material need be served on persons in respect of these proceedings. In particular, service of the Petition herein and the accompanying Affidavit and additional Affidavits as may be filed, is dispensed with.

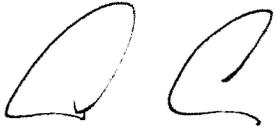
33. In the event the hearing for the Final Order is adjourned, only those persons who have filed and delivered a Response in accordance with this Interim Order need be provided with notice of the adjourned hearing date and any filed materials.

VARIANCE

34. Aurcana will be entitled, at any time, to apply to vary this Interim Order or for such further order or orders as may be appropriate.

35. To the extent of any inconsistency or discrepancy between this Interim Order and the Circular, the CBCA, applicable Securities Laws or the articles of Aurcana, this Interim Order will govern.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS INTERIM ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Counsel for the Petitioner
Andrew Crabtree



BY THE COURT



REGISTRAR

SCHEDULE D
NOTICE OF PRESENTATION OF APPLICATION FOR FINAL ORDER

(See annexed documents)



NO. S/8 11958
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 192 OF THE CANADA BUSINESS CORPORATIONS
ACT, R.S.C. 1985, CHAPTER 44, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
AURCANA CORPORATION, LRC-FRSM II LLC, LRC-FRSM LLC AND OURAY
SILVER MINES INC.

AURCANA CORPORATION

PETITIONER

REQUISITION – GENERAL

Filed by: The Petitioner, Aurcana Corporation ("**Aurcana**")

Required:

Pursuant to the Order pronounced on November 6, 2018 the Hearing of the Petition, reset for December 13, 2018 at 9:45 a.m. before the presiding Judge in Chambers at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, for a final order (the "Final Order") approving an arrangement (the "Arrangement") under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, described in the Plan of Arrangement, which is attached as Schedule "A" to the draft form of the Final Order, which is attached as Exhibit "A" to this Requisition.

Please take notice that by an Interim Order of the Supreme Court of British Columbia, November 6, 2018, the Court has given directions as to the calling of a special meeting of the securityholders of the Petitioner for the purpose of voting upon a special resolution to approve the Arrangement.

At the Hearing of the Application for the Final Order (the "Final Application"), any securityholder of the Petitioner, director or auditor of the Petitioner, or any other interested party with leave of the Court, desiring to support or oppose the Final Application may, after filing a Response and related materials as outlined in the Interim Order and further herein, appear for that purpose, either in person or by counsel. If you do not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice to you.

If you wish to appear at the Final Application or wish to be notified of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a Response to Petition with the Court at the Court Registry at 800 Smithe Street, Vancouver, British Columbia, and YOU MUST ALSO DELIVER a copy of the filed Response, together with a copy of all material on which you intend to rely at the Final Application, if any, to counsel for the Petitioner at their address for delivery set out below by 4:00 p.m. (Pacific Standard Time) on December 8, 2018 or at a later date with leave of the Court.

The Petitioner's address for delivery is: Taylor Veinotte Sullivan, Barristers
Suite 502 – 1168 Hamilton Street
Vancouver, BC V6B 2S2
Telephone: (604) 687-7007

Attention: Patrick Sullivan

You or your counsel may file the Response. You may obtain a form of Response at the Court Registry.

If you do not file a Response and attend either in person or by counsel at the time of such Final Application, the Court may approve the Arrangement, as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, all without any further notice to you. Any person desiring further information about the steps that must be taken prior to making submissions may contact counsel for the Petitioner at the address set out above.

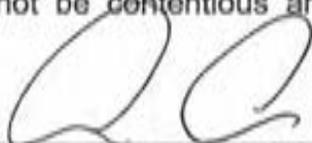
A copy of the Petition and other documents in the proceedings will be furnished to any securityholder of the Petitioner or other interested party requesting the same by counsel for the Petitioner.

This Requisition is supported by the following:

1. Petition dated November 6, 2018 and filed herein;
2. Affidavit No. 1 of Kevin Drover, made November 2, 2018; and
3. Interim Order, pronounced November 6, 2018

It is anticipated that this Final Application will not be contentious and will take 20 minutes to be heard.

Date: November 6, 2018



Signature of Andrew Crabtree

Petitioner lawyer for the
Petitioner

EXHIBIT "A" – DRAFT FINAL ORDER

THIS COURT ORDERS THAT:

1. Pursuant to the provisions of Section 192 of the Canada Business Corporations Act, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), the arrangement (the "**Arrangement**") as provided for in the Plan of Arrangement, including the terms and conditions of the exchange of securities to be effected by the Arrangement, are procedurally and substantively fair and reasonable to the Aurcana Shareholders and all other persons entitled to receive securities in the exchange and this Order will serve as a basis of a claim to an exemption, pursuant to section 3(a)(10) of the United States Securities Act of 1933, as amended, from the registration requirements otherwise imposed by that Act, regarding the issuance and distribution of Aurcana securities pursuant to the Arrangement..
2. The Arrangement as provided for in the Plan of Arrangement be and hereby is approved pursuant to the provisions of Section 192 of the CBCA.
3. The Arrangement shall be implemented in the manner and sequence set forth in the Plan of Arrangement, and pursuant to Section 192 of the CBCA, the Arrangement will take effect as of the Effective Time, as defined in the Plan of Arrangement.
4. The Arrangement as set forth in the Plan of Arrangement shall be binding on Aurcana and the Aurcana Shareholders, upon the taking effect of the Arrangement pursuant to Section 192 of the CBCA.

5. The Petitioner shall be entitled to seek the advice and direction of this Court as to the implementation of this Order or to apply for such further Order or Orders as may be appropriate.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS INTERIM ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of Counsel for the Petitioner
Andrew Crabtree

BY THE COURT

REGISTRAR

Schedule "A" – Plan of Arrangement
(See Schedule B of the Circular)

SCHEDULE E
SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT

DISSENT RIGHT UNDER THE CBCA

Pursuant to the CBCA, Aurcana’s shareholders have the right to dissent to the proposed Transaction. Such right of dissent is described in the Information Circular. See “RIGHT OF DISSENT” for details of the right to dissent and the procedure for compliance with the right of dissent. The full text of Section 190 of the CBCA is set forth below.

190 (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

Further right

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

If one class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

Payment for shares

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

No partial dissent

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

Objection

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

Notice of resolution

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

Demand for payment

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

Share certificate

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

Forfeiture

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

Endorsing certificate

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

Suspension of rights

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

Offer to pay

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

Same terms

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

Payment

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

Corporation may apply to court

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

Shareholder application to court

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

Venue

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

No security for costs

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

Parties

(19) On an application to a court under subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

Powers of court

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

Appraisers

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

Final order

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

Interest

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

Notice that subsection (26) applies

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

Effect where subsection (26) applies

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

Limitation

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

SCHEDULE F
INFORMATION CONCERNING OURAY AND THE COMBINED COMPANY

No securities regulatory authority (including, without limitation, any securities regulatory authority of any Canadian province or territory, the United States Securities and Exchange Commission, or any securities regulatory authority of any U.S. State) has expressed an opinion about the securities described herein and it is an offence to claim otherwise.

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APPENDICES

APPENDIX I	AUDITED FINANCIAL STATEMENTS OF OURAY SILVER MINES, INC. FOR THE FISCAL YEARS ENDING DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015
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NOTICE TO READER

The information contained in this Schedule has been prepared by management of Ouray Silver Mines, Inc. (“Ouray”) and contains information in respect of the business and affairs of Ouray. With respect to this information, the board of directors of Aurcana has relied exclusively upon Ouray, without independent verification by Aurcana. Although Aurcana does not have any knowledge that would indicate that such information is untrue or incomplete, neither Aurcana nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information or for the failure by Ouray to disclose events or information that may affect the completeness or accuracy of such information.

This Schedule F is qualified in its entirety by, and should be read together with, the detailed information contained or referred to elsewhere, in the Circular and applicable Schedules and Appendices. The information contained in this Schedule, unless otherwise indicated, is given as of November 7, 2018, the date of the Circular. Certain capitalized terms used in this Schedule F are defined in the “Glossary of Terms” set out in the attached Circular. In this Schedule and “Ouray” shall mean Ouray Silver Mines, Inc.

Unless otherwise indicated herein, references to “\$”, “Cdn\$” or “Canadian dollars” are to Canadian dollars and references to “US\$” or “U.S. dollars” are to United States dollars. See also in the Circular “*Cautionary Statement With Respect to Forward-Looking Information*”.

CORPORATE STRUCTURE AND HISTORY

Ouray is a privately held company organized under the laws of the State of Colorado. Ouray owns the Revenue-Virginus mine located in the San Juan Mountains near Ouray, Colorado (the “RV Mine”). The registered and head office of Ouray is located at 1900 Main Street, Unit 1, Ouray, Colorado, 81427 United States.

On April 19, 2014, Ouray was established by Fortune Minerals Limited (“Fortune”) and acquired the RV Mine assets from an unrelated party. Ouray received financing from LRC-FRSM, LLC (“LRC-FRSM”) to acquire the assets and develop the RV Mine. Fortune was the guarantor on the financing agreement. Ouray and Fortune defaulted on the terms of the financing agreement, and on July 17, 2015, Fortune and LRC-FRSM entered into a master restructuring agreement (“MRA”). As part of the MRA, Fortune transferred 100% ownership of Ouray to LRC-FRSM II, LLC, (“LRC-FRSM II”) and together with LRC-FRSM, the “LRC Group”) an affiliate of LRC-FRSM. After the closing of the MRA, on July 22, 2015, Ouray changed its name from Fortune Revenue Silver Mine, Inc. to Ouray Silver Mines, Inc.

DESCRIPTION OF THE BUSINESS

General Description of the Business

Ouray is a single asset mining company which owns the RV Mine. The products of the RV Mine are metal concentrates comprised of silver, gold, lead, and zinc. In August 2015, following the MRA and the name change, Ouray transitioned from operating the RV Mine to care and maintenance of the RV Mine. This transition suspended mine and mill operations and included a major reduction in workforce. During care and maintenance, the LRC Group brought in new senior management and Ouray engaged technical consulting companies to evaluate and assess the RV Mine in order to obtain a technical understanding of the mine’s resources and potential. In 2017, Ouray completed a Feasibility Study demonstrating an economic restart of production at the RV Mine is possible and warranted, and in 2018 Ouray updated that Feasibility Study to update capital and operating cost assumptions to current market prices. Ouray continues care and maintenance and core technical activities to keep the RV Mine, including all permits, on a production-ready status.

Three Year History

Following the MRA in 2015 and after stabilizing Ouray’s balance sheet, the primary focus of Ouray has been to re-establish a complete understanding of the RV Mine and determine the most appropriate execution plan and associated economics of a restart of operations. The LRC Group has been the sole source of funding for Ouray since the date of the MRA.

After receiving control of Ouray, the LRC Group installed a new senior management team and the primary step following the MRA was to examine the strategic approach to maximizing the value of the RV Mine. It was rapidly determined that the RV Mine was successfully and profitably mined historically utilizing the resue mining method, which was a substantially different approach than the most recent attempted restart effort that failed to reach profitability and led to the

MRA. Resue mining is a traditional mining method used in narrow vein deposits where the vein width is less than the operation width of the stope or mining area. This method involves the blasting of the vein first and removal of ore followed by separate blasting of the waste which is used as a platform upon which to operate. While typically more labor intensive, this method allows significantly larger stope blocks to be mined thus minimizing the development needed to mine a block of ore and also significantly reduces ore dilution. For the last three years, Ouray has worked with Barr Engineering (“**Barr**”), FLSmidth & Co (“**FLSmidth**”), and SRK Consulting (U.S.), Inc. (“**SRK**”) in a process that resulted in a SRK issued Pre-Feasibility Study in 2016 (“**2016 PFS**”), a SRK issued Feasibility Study in 2017 (“**2017 FS**”), and which culminated in the 43-101 Technical Report and updated Feasibility Study issued by SRK effective June 15, 2018 (“**2018 FS**”), which updated the capital and operating cost estimates of the 2017 FS.

During the period since the MRA through the issuance of the 2018 FS, Ouray undertook a process that reviewed every fundamental aspect of the RV Mine and included the following technical activities:

- 1) Update of the Geological Database and Model: Ouray completed several critical activities to better understand the geology underlying the RV Mine, including (1) a detailed database review of historical drill holes and channel samples to correct typographical and transcription errors, mislabeled vein designations, and to extract other geologic information, (2) additional drilling and channel sampling, (3) extensive geologic modelling of both structural geology and mineralogy as well as geostatistical review.
- 2) Testing of the resue Mining method: Test stope trials were run in 2016 and 2017 to validate the suitability, productivity and economic assumptions of the mining method that was successfully utilized historically.
- 3) Design and Optimization of a Detailed Life of Mine Design: Ouray undertook a detailed process to complete a full life of mine design on a monthly basis, including scheduling and costing by stope and each mining activity. Ouray completed multiple scenario analyses with the end result being an optimized mine design and schedule to maximize the RV Mine’s free cash flow potential.
- 4) Metallurgical Testing: Ouray and SRK executed extensive metallurgical variability testing with FLSmidth to confirm process design parameters including adjustments required for projected higher mill feed head grades based on resue mining.
- 5) Costing and Planning Evaluation:
 - a. Ouray along with its technical contractors completed detailed engineering, design and “issued for construction” drawing packages for each capital component required for the restart, including mill upgrade redesign by Barr which was required to upgrade the previous mill flowsheet to handle the higher grade ores expected from the resue mining method.
 - b. First principle unit cost analyses were developed for each activity to be completed in the RV Mine and used in the mine design process described above.
- 6) Social License Programs: A core focus of the new management team was to establish a strong social license program.
 - a. Safety: None of the leadership of the prior operations is present in the Ouray management team. Ouray now has a robust safety program and culture, which is the cornerstone to any operation’s safety performance. There is a safety-related bonus system for the organization with clearly defined success criteria to make everyone accountable. Ouray has a strong and collaborative relationship with MSHA that was carefully and purposefully built by the newly installed Ouray management after the closing of the MRA. As a result of this renewed focus on safety, Ouray has recently won safety awards from MSHA.
 - b. Environmental: Ouray is a materially different place today than it was during the prior operations and Ouray now has a strong relationship with its environmental regulatory bodies. The new management of Ouray championed the design and installation of a passive water treatment system that was permitted, installed and commissioned in 2016. This system creates a longer-term solution to water treatment during operations and following life of mine reclamation activities. Based on the extreme run-off conditions during the summer snowmelt of 2017 and requests from regulators it was determined that a larger passive treatment system should be installed for a comprehensive long-

term solution, and during the spring/summer of 2018 extensive testing for the design of the passive treatment system upgrades was completed. Installation of the upgrades will be completed over the balance of 2018 and through the 2019 construction season. The RV Mine has received all permit modifications and renewals and is currently in full compliance with the applicable requirements of both the Department of Reclamation Mines and Safety and the Colorado Department of Public Health and Environment.

- c. **Stakeholder Engagement:** Along with the safety and environmental collaborative approaches, Ouray now also enjoys a strong reputation in the community as a proactive and responsible mining operation. Many of the environmental efforts over the past three years have been in collaboration with local NGOs. Based on its effort and successes, Ouray is now widely recognized and appreciated in the community as being a leader in environmental issues, as well as being a good corporate citizen. Recent collaborative projects such as the Atlas Mill Streambank Stabilization Project with the Uncompahgre Watershed Partnership and the Senator Gulch recreational corridor with Ouray County, USFS, CAIC and local stakeholders are good examples of Ouray stakeholder engagement.

Following the Effective Time, the RV Mine will be a material property of Aurcana following the combination of Ouray and Aurcana (the “**Combined Company**”), along with Aurcana’s wholly-owned Shafter-Presidio Mine (the “**SP Mine**”) located near Shafter, Texas. See in this Schedule, “*Technical Information — RV Mine*”.

Narrative Description of the Business

Production and Services

Ouray owns the RV Mine which produces metal concentrates comprised of silver, gold, lead, and zinc. The RV Mine will utilize the resue mining method, which is a historically successful mining method applicable for extracting the high grade, narrow vein ore that exists in the RV Mine vein systems. Ouray will process the ore in its mineral processing plant which is contained underground except for office facilities and tailings thickening and drying facilities, and will ship high value concentrates by truck to customers such as trading companies and metal processors. The LRC Group has substantial experience in the marketing and trading of metal and metal concentrates and as a substantial shareholder of the Combined Company expects to contribute its efforts to maximize the market value of the production of the Combined Company following the transaction. Ouray has no existing commitments of future product deliveries.

Specialized Skill and Knowledge

The current senior management team of Ouray averages over 35 years of operational mining experience, much of that in narrow vein mines including in the San Juan Mountains of Colorado (“**San Juan Mountains**”). This team, when combined with the Aurcana team and the leadership of Kevin Drover, CEO of Aurcana, will be well positioned to maximize value from the Combined Company.

Competitive Conditions

The concentrates the RV Mine will produce are globally traded commodities and will be priced in large part based on the underlying price of the constituent metals. However, the RV Mine is one of the highest-grade silver mines in the Americas and will enjoy a competitive cost position among silver producers. Moreover, the RV Mine will produce a generally desirable concentrate suite, especially its lead concentrate which contains high precious metals content and relatively low deleterious elements, which should help in the marketing and sales of the RV Mine’s products.

Components

The raw materials utilized by Ouray are generally sourced from industry standard suppliers and will be priced in line with the market.

Cycles

The pricing of the metals contained in the concentrate produced by Ouray are subject to cyclical variations of supply and demand. The operation of the mine is all year with no seasonal shutdowns.

Economic Dependence

Ouray is not substantially dependent on any material contracts for input materials or finished products. Ouray has no existing commitments of future product deliveries. Upon completion of off-take arrangements for the concentrates produced, these may become material contracts.

Changes to Contracts

Ouray is not substantially dependent on any material contracts for input materials or finished products. Ouray has no existing commitments for future product deliveries. Upon completion of off-take arrangements for the concentrates produced, these may become material contracts.

Environmental Protection

As a company engaged in the mining industry, Ouray must comply with all environmental regulations and provide for reclamation activities following cessation of mining. The RV Mine is fully permitted and fully bonded. In the balance of 2018 and in 2019, subject to final design and quotation for construction, Ouray expects to spend approximately \$300,000 to upgrade its permitted passive water treatment system, which will provide ongoing environmental compliance past mine closure. It also expects to spend approximately \$350,000 in both hard dollar and in-kind contributions to complete a Supplemental Environmental Project (SEP) under a Compliance Order on Consent to help clean up non-RV Mine legacy environmental issues in the nearby area. Of this budget, \$198,701 will be satisfied by hard dollar contribution to the SEP related to fines primarily resulting from discharge non-compliance issues under the prior operators of the RV Mine. The payment of this fine may occur prior to the Effective Time. The majority of the balance of the spending is expected to be in-kind contributions from Ouray. All of these items are in Ouray's 2018 and 2019 budgets. Otherwise, ongoing environmental management for the RV Mine costs approximately \$166,000 per year during care & maintenance, and is then estimated to be \$212,000 per year in production but prior to reclamation. Ouray does not currently anticipate any other large one-time expenses related to environmental compliance.

Employees

As of the date of the Circular, Ouray has sixteen full time employees.

Ouray believes that its success is dependent on the performance of its management and key employees, many of whom have specialized knowledge and skills relating to the precious metals and mineral extraction business. Ouray has adequate personnel with the specialized skills required to successfully carry out its operations.

Foreign Operations

Ouray's only mine is the RV Mine located near Ouray, Colorado. As such, Ouray's business is dependent on foreign operations in the United States.

Lending

Ouray does not engage in any lending activities.

Bankruptcy and Similar Procedures

There are no bankruptcies, receivership or similar proceedings against Ouray, nor is Ouray aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by Ouray within the three most recently completed financial years.

Reorganizations

Ouray has not completed any reorganization within the three most recently completed financial years.

Social and Environmental Policies

Ouray operates under principles of environmental and social best practices, and its objective is to be a responsible operator and good neighbor. Ouray's goal is to work with community stakeholders to make positive contributions to local

economic development. Ouray places a priority on hiring local workers and assisting in supporting local community development projects, when possible.

Ouray also is a champion of self-sustaining water treatment where applicable, and has permitted, constructed and commissioned a passive water treatment system for long-term use at the RV Mine. This system will significantly reduce the long term operational cost and requirements of water treatment following mine reclamation.

Ouray also believes that, where practical and economic, it is in both its and the community's best interest to make best use of all materials coming from the RV Mine. Ouray has permitted the sale of a product that is a mixture of its dry stack tailings and its waste rock for use as a road base. While this will likely not eliminate the need for tailings storage facilities, subject to demand this can help mitigate tailings storage requirements.

Beyond these two environmental focus areas and its standard operating practices, Ouray has not adopted any other specific social or environmental policies that are fundamental to its operations (such as policies regarding its relationship with the environment, with the communities in the vicinity of its mineral projects or human rights policies).

TECHNICAL INFORMATION – RV MINE

Currently, management of Ouray considers the RV Mine to be material for the purposes of NI 43-101. See in this Schedule "*Technical Information – RV Mine*" for additional information on the RV Mine.

The information below with respect to the RV Mine has been excerpted or derived from the 2018 FS.

Readers should consult the 2018 FS to obtain further particulars regarding the RV Mine. The 2018 FS is available for review under Aurcana's profile on SEDAR at www.sedar.com. The information below is subject to the assumptions, qualifications and procedures set out in the 2018 FS and is qualified in its entirety with reference to the full text of the 2018 FS.

Ms. Joanna Poeck, BEng Mining, SME-RM, MMSAQP, Principal Consultant for SRK, has reviewed and approved the scientific and technical information in this section on the RV Mine.

Project Description and Location

The RV Mine is located in southwestern Colorado approximately 5.5 miles southwest of the town of Ouray. The revenue tunnel, the site of the current surface activity, is located at longitude 107.750° W, latitude 37.974° N (mine grid coordinates of 100,630 ft E, 99,100 ft N) (the "**Revenue Tunnel**").

The RV Mine is a past silver producer in the Sneffels Mining District (the "**District**"). Silver was reportedly discovered at the RV Mine in 1876 with underground production beginning in 1880 and continuing through 1906 when, according to Ranchers Exploration and Development Corp. ("**Ranchers**"), the mine flooded. Additional testwork and planning began on the property in 2012 by Star Mine Operations ("**Star Mines**"). In May 2014, Star Mines sold a portion of mine ownership to Fortune Revenue Silver Mines, Inc., a wholly owned subsidiary of Fortune, which operated the property for a short time under this structure. In October 2014, FRSM received senior secured financing, guaranteed by Fortune, from LRC-FRSM, and used that financing plus shares of Fortune to acquire the balance of 100% of the assets and finalize commissioning of the mine. After default on the financing agreement, on July 17, 2015, Fortune and LRC-FRSM entered into a Master Restructuring Agreement ("**MRA**"). As part of the MRA, Fortune transferred 100% ownership of FRSM to LRC-FRSM II, LLC (an affiliate of LRC-FRSM) and on July 21, 2015, the name of the operating entity was changed from Fortune Revenue Silver Mines, Inc. to Ouray Silver Mines, Inc.

Topography & Accessibility

Ouray is approximately 335 highway miles or approximately 5.5 hours by road southwest of Denver via Interstate 70 and US Highways 50, 550 and 285. The San Juan Mountains in general, and the RV Mine area in particular, are rugged young volcanic mountains with steep topography. Glacial valleys form the broadest areas of relatively flat ground but are typically surrounded by steep walls. Within the RV Mine area, elevations range from about 10,000 ft to nearly 13,500 ft.

The RV Mine portal site is developed on a large flat area of broken waste rock from the construction of the Revenue Tunnel. The surface buildings and infrastructure are located at the mouth of the Revenue Tunnel. A dry stack tailing facility

and a further expansion is co-located with the other surface facilities. The mill is located underground near the Revenue portal area and is connected to the Revenue Tunnel via underground workings. To access the property from Ouray, follow County Road (“CR”) 361 southwest up Canyon Creek past the Camp Bird Mine. The portal of the Revenue Tunnel is 6.7 miles from the beginning of CR 361 on the south side of Sneffels Creek.

Climate

There are no officially published weather/climate records for the RV Mine. The nearest information is for Ouray located at an elevation of approximately 7,800 ft, which is about 2,860 ft lower than the Revenue portal at 10,660 ft. The Köppen Climate Classification subtype for Ouray is “Dfb - “Warm Summer Continental Climate”. The average temperature for the year in Ouray is 44.3°F.

The portal area and mine surface infrastructure are located at an elevation of 10,660 ft. The portal and surface facilities lie just below a north facing slope at the base of Sydney Basin and on the south side of Sneffels Creek in a steep-walled valley approximately 1,000 ft below timberline. The area near the portal is classified as Sub-alpine but the higher elevation of the property, are in the Alpine climate zone. The RV Mine area experiences broad temperature swings both within and between seasons. Anecdotal information suggests that the average temperature at the portal is typically 15°F cooler and winter snowfall perhaps double that falling in Ouray.

Surface Rights

Since the area is located on patented mining claims owned and controlled by Ouray, certain permitting activities are simplified. The mineral deposits are located at variable distances to the southeast of the portal and accessed from the Revenue Tunnel.

Infrastructure and Physiography

The RV Mine was operated previously and has well developed power, water supply and access to skilled miners. The site has a developed tailings storage area and plant site as well as developed access. Ouray owns, operates and maintains the following water and land rights for the RV Mine: (i) RV Mine Works, 3.34 cfs (1,500 gpm); and (ii) Lake Reservoir, 27.74 acre-feet of water.

The original decree for the RV Mine Works was issued on June 26, 1979 by the Colorado State District Court Water Division. The point of diversion is located within the NE ¼ SE ¼ of Section 21, Township 43 North, Range 8 West of the N.M.P.M. The source of the water rights is located within Sneffels Creek, a tributary of the Uncompahgre River. The RV Mine works for mining, milling and industrial purposes and has a recorded appropriation date of 1934. Commercial, piscatorial, recreational, fire protection and domestic purposes were decreed as of December 30, 1976. The decreed municipal rights were cancelled on December 8, 1987.

The original decree for Lake Reservoir was issued on April 10, 1979 by the Colorado State District Court Water Division. This is an absolute decree. The water rights equal 27.74 acre feet of water for storage. Lake Reservoir is described as being located in accordance with a map and statements No. 5049 filed with the State Engineer on August 20, 1908. The point of discharge is located at a point whence Corner Number 3 of Survey Number 1318B, Mt. Sneffels Mill Site bears North 57° East, 295 ft in Section 21, Township 43 North, Range 8 West of the N.M.P.M. The Lake Reservoir for water storage right for domestic, fire protection, mining, milling and power purposes has a recorded appropriation date of 1905.

Royalties

A royalty on approximately 79 claims was established in a stock purchase agreement between RVM Holdings and Silver Star Resources on September 21, 2011. The royalty applies to production from certain patented claims of the property. The agreement covenants that the owner of the property is not obligated to explore, develop, or produce from the property, all decisions regarding the property are in the sole discretion of the owner, and no interest shall be due on the royalty. There are no other obligations of the owner related to the royalty.

The agreement calls for a 2% Net Smelter Return (“NSR”) royalty up to a total payment of US\$9 million paid out of production. After the US\$9 million for royalty has been paid, and if the price of silver is greater than US\$60/oz, a NSR royalty of 1% will be due on continuing production up to a total payout of a second US\$9 million.

Environmental Liabilities and Permitting

The current environmental liabilities include reclamation and closure of the existing surface infrastructure (e.g., buildings, portal, surface water management), waste rock stockpiles and the Revenue Pond tailings storage facility. The estimated cost for reclamation and closure is \$476,269.41 and the reclamation liability is collateralized by a one year automatically renewing certificate of deposit held at Alpine Bank.

Ouray maintains the required environmental permits for re-start of mine operations. Plans for re-start involve three technical revisions to the primary mining permit (No. M2012032) administered by the Colorado Division of Reclamation, Mining and Safety (“DRMS”).

History

Historical Ownership and Exploration Activities

After the outcrop discovery of the Virginius Vein in 1876 and its near-surface development, the property was purchased in 1880 and developed by the Caroline Mining Company under the direction of A. E. Reynolds. The earliest work occurred at high elevations in Governor Basin and mostly from the 3rd Level portal. The 3rd Level became the primary access to the vein and development of the mine progressed downward through a 1,100 ft internal shaft from the 3rd Level to the 14th Level.

On May 8, 2014, Fortune Revenue obtained a 12% interest in the RV Mine and operating authority for the mine, mill and surface operations via its wholly owned subsidiary FRSM. On October 1, 2014, FRSM acquired the balance of 100% ownership of the mine through an asset purchase agreement supported by senior secured financing from Lascaux Resource Capital Fund I LP (“LRC”) via LRC-FRSM. Fortune was the guarantor on the financing agreement. After default on the financing agreement, on July 17, 2015 Fortune and LRC-FRSM entered into the MRA. As part of the MRA, 100% ownership of FRSM transferred to LRC-FRSM II, LLC, also held 100% by LRC. On July 21, 2015, FRSM changed its name to Ouray. Ouray currently owns and operates the site. Historical ownership and exploration activities are summarized in Table 1 below.

**Table 1
Historical Ownership and Exploration Activities**

Date	Ownership	Company	Activity	Persons Involved	Core Holes
1876 to 1880	Family of A.E Reynolds	Individuals	Virginius Vein discovered at 12,700 ft, accessed via upper two levels.	WB Feland, Alvord & Chase	
1880		Caroline Mining Co	Virginius claims purchased by AE Reynolds.	AE Reynolds	
1880 to 1906		Caroline Mining Co and Glacier Mining Co	3rd Level driven at 12,420 ft elevation and Virginius UG Shaft sunk from 3rd level to 14th Level. Vein stoped 14 th Level to 3 rd level.	AE Reynolds	
1888 to 1893		Revenue Tunnel Co	Drive the 8 ft x9 ft Revenue Tunnel for 7,500 ft	AE Reynolds	
1894 to 1906		Revenue Tunnel Co and Caroline Mining Co	Production from above the Revenue Tunnel Level and below the Tunnel Level down to the 350 Level. New stamp mill at the portal in 1895.	AE Reynolds, HW Reed manager 1880-1901, EH Platt	
1906		Revenue Tunnel Co	Fire in upper workings caused electrical failure and subsequent flooding of all levels below the Revenue Level.		
1907 to 1922		Lessee	Revenue mill burns 1912, H Krumb takes 228 channel samples of Virginius Vein on the Tunnel Level.	AE Reynolds, H Krumb, PG Caetani, EH Platt, AG Suydam	
1916 to 1918		Revenue Tunnel Co	Drifting on 14 th level of Virginius Vein exposes +650 ft of milling mineralized material but no mill available.		
1921			AE Reynolds dies. Daughter Ann R Morse and husband Bradish Morse take control.	Morse and Morse	

Date	Ownership	Company	Activity	Persons Involved	Core Holes
1922 to 1923		Sneffels Leasing Co	Stoping on Cumberland Vein under Atlas Extension patented claim on Revenue Level.	JW Clamp, TH Woods	
1932		Lessee	Build 10 st/d ball mill and gravity table.	WB Rogers	
1934 to 1938		Revenue Development Co	Rehab work, develop Belcoe Raise up 200 ft on Cumberland Vein from Revenue Level, milled some Cumberland dump at 0.04 oz/st Au, 4.6 oz/st Ag, 5% Pb.	JW Belcoe, GA Franz	
1943 to 1945		King Lease	Drift 150 ft on +200 level of Cumberland Vein, sink Cutler winze 100 ft, and repair Revenue Tunnel.	LK Requa, RG Lee, RS Dunn	
1946 to 1948		Virginus Mines Co	Rehab Virginus Vein drift and Revenue Tunnel. Recondition Shaft No 1 to -350 level, 210 level extended SE 146', Cutler winze on Cumberland deepened to 146'.	DC McNaughton, WSJ	
1948 to 1953		Revenue Mines	Atlas drift extended 1,428 ft from Revenue Tunnel, two fatalities in Atlas drift, work on Wheel of Fortune Vein.	MC Dann	
1960 to 1970		Camp Bird (Federal Resources)	Drove NW and test mined the Monongahela section of the Revenue Vein on the Revenue Level and drove 116 ft NW on the -210 level. Most underground work completed in 1966.	CP Tremlet, JDS	DDH-1 to DDH-6, DDH-M-1 to DDEH-m-6
1966		Revenue Virginus Mines Co	Progress report by C Melbye to JH Tippit - RV Mining Co.	C Melbye, JH Tippit	
1947 to 1976		Revenue Virginus Mines Co	Revenue Virginus Mine summary and projected operation report by CP Tremlet.		
1980 to 1984		Ranchers Exploration and Development Corp	Rehab Revenue Tunnel, rehab Shaft No. 1 to 700 level, drift south along vein on 550 level, UG drilling from 550 level on Virginus Vein and on Yellow Rose Vein, experimental stoping up from 210 level to the Revenue Level.	RA Larson, Project Mgr, JR Trujillo, Geologist, DJ Fitch, RE Lyons	RV-1 to RV-85, FF-1 to FF-152, YR-1 to YR-36, Y-1 to Y-24, T-1, TT-1 to TT-43, TF-1 to TF-9, BG-1 to BG-2, M-1 to M-2, HC-1 to HC-5
1984 to 1985	Hecla Mining Co	Hecla purchased mining assets of Ranchers, reviewed the RV project and elected to drop it.			
1994-2001	Sunshine Mining and Refining Co	Explored project, drilled underground, enhanced the digital database including the 3D digital model, and calculated a reserve.	Alan Young, VP, JR Trujillo, Geologist	MK-1, MK-2, SQ-1, SQ-2, T-2, T-3, YR37 to YR-46, WF-1 to WF-3	
2011	Star	Star Mine Operations LLC	Property is purchased by Star Mining Operations from Virginus Mines Corporation owned by the heirs of A.E. Reynolds.	Rory Williams, JR Trujillo, Jim Williams	
2012 to May 8, 2014		Star Mine Operations LLC	Star buys project, drills on Virginus and Yellow Rose Veins, builds 300 st/d underground mill, and develops veins for production.	Rory Williams Jim Williams	YR-47 to YR-66, Y-25 to Y-50, WOF-1 to WOF-7, TR-1 to TR-16, MT-1 to MT-10
May 2014 to July 17, 2015	Fortune Revenue	Fortune Revenue Silver Mines Inc.	FRSM obtains a 12% interest in the Revenue Virginus Mine as well as operating authority for the mine, mill and surface operations. FRSM completes 100% acquisition of the assets and commences production targeting 400 st/d mill throughput.	Robin Goad CEO Mike Romaniuk COO	
July 17, 2015 to Present	Ouray	Ouray	Ouray takes ownership of 100% of the Revenue Virginus	Brian Briggs CEO	OSM-001-OSM-042

Date	Ownership	Company	Activity	Persons Involved	Core Holes
			Mine. It retrenches operations, revises the operating strategy and completes a PFS in 2016 and FS in 2017 including drilling, metallurgy and process design. In 2018 the FS is updated to refresh capital and operating cost estimates to current bids.		

Historic Production

Historical production records by R. Perry (2013) showed varying detail in historical recordkeeping. The majority of the production from the RV Mine occurred between its discovery in 1876 and the flooding and fires that occurred in 1906 and 1912. Specific production records for the period 1876 to 1895 are not available. A. E. Reynolds' heirs believe that many of these early records had been stored at the mill and were destroyed in the 1912 fire. However, this was a very productive period in the mine's history and involved all or most of the production from the surface to the 14 Level of the mine. The longitudinal sections of the Revenue Vein show the major extent of this productive period.

In 1976, Tremlett compiled production records from 1895 to 1906. His records begin roughly when the Revenue Tunnel would have reached the Virginus Vein and probably represent production between the Revenue Tunnel and the 14 Level and from the Revenue Tunnel level down to the 550 Level. Table 2 below summarizes the historical production from the RV Mine as reported by Tremlett in 1976 and modified by R. Perry (2013).

Table 2
Historical Production from the RV Mine

Year	Tons Mined (st)	Tons Milled (st)	Tons Shipped Crude + Conc.	Tonnes of Total Conc. Sold	Ag oz Sold	Au oz Sold	Pb lb Sold	
1895 to 1900								
1895			5,556		751,823	2,419	3,176,000	
1896			9,346		1,167,657	2,613	4,914,400	
1897			11,992		1,685,916	3,181	6,565,600	
1898			11,452		1,676,371	4,952	6,799,200	
1899			10,663		1,477,502	5,399	5,659,600	
1900			8,254		1,174,668	6,466	4,984,800	
Totals 1895 to 1900		203,778	57,263		7,933,937	25,030	32,099,600	
1901 to 1906								
1901	62,008	60,095	1,313	4,933	889,378	5,846	3,871,303	
1902	44,347	Incomplete records						
1903	33,382	Incomplete records						
1904	8,506	8,344	162	1,175	111,788	774	956,721	
1905	33,665	32,539	1,126	4,364	533,295	2,318	3,824,784	
1906	42,336	39,693	2,643	4,352	647,903	3,160	4,170,616	
Totals 1901 to 1906	162,236	141,271	5,244 (20,068 reported)	14,824	2,182,344	12,098	12,823,424	
Total 1907 to 1912	unknown	unknown	122,223		14,529,368	123,515	63,320,823	
Totals 1895 to 1912			199,553		24,645,639	159,642	108,243,847	

Geological Setting, Mineralization, and Deposit Types

Regional Geology

The San Juan Mountains are the erosional remnants of a large Tertiary volcanic field covering roughly 9,500 square miles in southwestern Colorado. The volcanic field is reported to contain fifteen defined and two buried calderas. The older pre-caldera volcanic rocks, thought to have formed 35 to 30 million years ago, consisted of intermediate, predominantly andesitic, flows and flow breccias. About 30 million years ago, the eruptive character became more explosive, depositing rocks of intermediate to more felsic composition. The character of the volcanism changed again at about 28 million years ago to a bi-modal suite of basaltic and rhyolitic rocks with the largest volume of felsic rocks consisting of the Sapinero Mesa Tuff, which was erupted from the San Juan and Uncompahgre calderas.

Most relevant to the RV Mine are the nearby San Juan-Uncompahgre, Silverton and Lake City Calderas. These lie to the east of the RV Mine. The San Juan-Uncompahgre Caldera is a large northeast-aligned volcanic depression consisting of the earlier Uncompahgre and San Juan Calderas, which in turn host the younger Lake City Caldera in its northeast portion and the Silverton Caldera at its southwestern segment. The Silverton/San Juan/Lake City/Uncompahgre Caldera system is unique in the San Juan Mountains in that it displays the best-developed radial/concentric fracture system of any of the calderas in the San Juan Mountains and this complex and strong faulting are likely the control for the vein systems in the San Juan Mountains.

Local Geology

The dominant rock formation in the RV Mine area is the 35 to 30 million years old andesitic San Juan Formation. This is a thick package of mostly water-lain volcanoclastic rocks with minor lava flows. These rocks are in turn overlain by younger (30 to 28 million years ago) ash flows of the Ute Ridge and Blue Mesa Tuffs. Volcanism in the RV Mine area is interpreted to have begun approximately 28.4 to 26.37 million years ago related to eruptions in the Uncompahgre and San Juan Calderas. This resulted in the deposition of the Dillon Mesa and Sapinero Mesa Tuffs. Subsequent doming and collapse resulted in the development of the Silverton Caldera and in deposition of the Crystal Lake Tuff approximately 26.7 million years ago.

Property Geology

There are several formations exposed within the RV Mine area but not all are exposed in the underground workings of the mine. Table 3 below is a summary of the rock units, which, within the area of the mine, span a vertical thickness of nearly 3,500 ft.

**Table 3
Stratigraphic Column for Rocks Exposed in the RV Mine Area**

Series	Formation	Description
Oligocene	Gilpin Peak Tuff (Tertiary Paleogene (Tpg)) (4 members) 28.4 Ma	Tpg-5 (Dillon Mesa tuff), 80'
		Tpg-4, 32'
		Tpg-3, (Blue Mesa Tuff) 325'
		Tpg-1 (Ute Ridge Tuff), 490'
		Predominantly quartz-laticite, welded ash-flow tuffs
	Burns Formation	Dark, massive flows, flow breccias, and tuffs of predominantly rhyodacitic composition 0 to 230 ft thick
	Eureka Member, Sapinero Mesa Tuff	Medium to dark, rhyodacitic to quartz-laticite, welded ash-flow tuff with abundant lithic inclusions, 0 to 200 ft thick
	Picayune Formation	Dark, porphyritic and amygdaloidal flows, breccias and tuffs of andesitic to rhyodacitic composition 50 to 100 ft thick
	San Juan Formation 35 to 30 Ma	Primarily andesite to rhyodacite mudflow breccias with sparse interbedded andesite flows, 2,000 to 2,600 ft thick
Eocene	Telluride Conglomerate	Reddish-gray to red-brown conglomerate with interbedded sandstone, siltstone and shale, 0 to 520 ft thick

Significant Mineralized Zones

Mineralization in the District is found primarily in sub-vertical fissure veins and is classified as a telescoped epithermal quartz vein type deposit. The veins are characterized by somewhat constrained vertical extents (generally less than 1,000 ft) and a vertical zoning that favors precious metals in the upper levels grading into more base-metal rich mineralization with depth.

The mineralogy found at the RV Mine is consistent with this type of mineralization and includes galena, sphalerite, tetrahedrite, polybasite, chalcopyrite, pyrite, arsenopyrite, marcasite as well as ferroan rhodonite, calcian-ferroan rhodochrosite, quartz and chlorite.

There is also potential, based on production from the Camp Bird and Idarado Mines which are contiguous with the RV Mine, for replacement mineralization within the calcareous Telluride Conglomerate with up to 80% massive sulfide. Replacement mineralization has not been fully identified in the RV Mine to date, but three drill holes were drilled into the

Telluride Conglomerate during exploration by Ranchers and one intersection pierced the vein inside the Telluride Conglomerate with high-grade mineralization reported. Further exploration will be required to determine the potential, and there is no guarantee that future exploration will yield positive results. The Telluride Conglomerate remains a significant exploration target, once suitable drilling locations from lower levels of the mine can be achieved.

Mineral Deposit Type

The RV Mine's vein deposits and the several associated veins within the mine are classified as volcanic-hosted epithermal base and precious metal vein type deposits. These deposits are sometimes referred to as intermediate sulfidation epithermal deposits typically characterized as high in silver and gold with or without base metals, associated with andesite volcanism and structurally controlled.

At Virginius, chalcedonic quartz and cockscomb textures have been observed and late euhedral calcite is found in places. Fluid inclusion studies suggest that boiling did not occur in the system. However, the presence of breccia in places indicates that at least some boiling occurred. SRK is of the opinion that Ouray is applying an appropriate deposit model to the RV Mine for use in exploration.

Exploration

The majority of exploration and underground sampling on the RV Mine (namely on the Virginius, Terrible, and Yellow Rose Veins), was completed by previous operators. Limited documented information is available on the exploration methods and techniques used prior to the Star Mines exploration programs, which were documented in previous technical reports.

The following table shows exploration work completed during the period of 1966 to 2001 in the RV Mine area. The number of drill holes reflects all drill holes drilled at the RV Mine and includes targets outside the Yellow Rose, Virginius and Terrible Veins.

**Table 4
Exploration Work Completed between 1966 and 2001**

Historical Sampling 1966 to 2001	# of Completed Work
Surface Exploration Rockchip Samples	9
Surface Samples of Dumps and Tailings	0
Underground Channel Samples	1,286
Surface Core Holes	161
Underground Core Holes	309

During the period of 2011 to 2013, the mine was under ownership of Star Mines. Star Mines' exploration efforts began in 2012, continued through 2013, and included surface and underground sampling as well as surface and underground drilling. Principal exploration effort has been a combination of surface and underground core drilling in the Virginius, Terrible, Wheel of Fortune and Yellow Rose Veins and exploration and development drifting in the Yellow Rose Vein. Star Mines also collected exploration samples from outcropping veins, systematically sampled mine dumps and collected channel samples in the Yellow Rose Vein from underground. A summary of the completed exploration work by Star Mines is shown in Table 5 below.

**Table 5
Exploration Work Completed between 2012 and 2013**

Star Mines Sampling 2012 to 2013	Star Mines 2012	Star Mines 2013
Chip Samples of Outcrops	0	818
Underground Channel Samples	0	201
Surface Core Holes	39	33
Underground Core Holes	33	0

Ouray has completed an initial phase of underground drilling and limited channel sampling on the Virginius Vein; no additional work has been completed on the Yellow Rose Vein. The focus of Ouray's recent exploration program was to complete a series of underground drill holes along Virginius Vein at the northern end of the Revenue level of the mine.

In addition to the underground drilling programs, Ouray has conducted a series of channel sampling from relevant vein exposures, where access remains available, for example, within a test rescue stope in this same area and more recently within the scam drive below an area of the mine known as the Federal stope.

Ouray used the same channel sampling techniques as the previous explorers. The channel sampling programs were completed on 6 to 10 ft centers along the vein with samples taken across the vein width. Samples were collected using a hammer and chisel and were a continuous, chip channel sample. The samples were collected to be as continuous as possible using the available equipment. A total of 2,331 underground channel samples and 811 waste dump samples have been collected to date and incorporated into the current model update. The focus of the most recent sampling has been within the northwest of the Virginius Vein (Monongahela) and south of the Revenue Tunnel where the vein has been accessed via a hanging wall ramp.

Drilling

Prior to 1966, the RV Mine was explored and developed by conventional underground drifting and shaft sinking. Given the continuity along strike and dip of the mineralization, this technique was cost effective for the earlier operators. There are no records of these early operators having completed any drilling on the RV Mine.

The first modern exploration and development drilling occurred in 1966 when Camp Bird Colorado, Inc. ("Federal Resources"), explored the RV Mine as a way to expand operations at the Camp Bird Mine. It is reported that the combined drilling on the RV Mine since Federal Resources' early efforts totals 147,481 ft of core including 92,829 ft from underground and 54,653 ft from the surface.

Most drilling has been completed from underground using fan drilling. In general, the angle of the vein to drilling is reasonable. In some cases, especially at lower levels of the mine, the angles are a little more oblique and may result in less ideal intersection angles. SRK recommends that the drilling intersection angles should be considered for any new drilling programs.

Interpretation and Relevant Results

Drilling is conducted to intercept the veins as perpendicular as possible. Given the terrain and drilling access very few intercepts from surface are considered of true thickness. Drilling at the Virginius Vein is best completed from underground to intercept the vein perpendicular to the vein dip. The current process used by Ouray has been to utilize crosscuts and fan drilling patterns. One alternative would be to drive a footwall lateral (or hanging wall if required) drift from which drilling could be completed at more regular intervals, while ensuring intersections remain as perpendicular as possible.

Surveying

All 2016 drill hole collars were surveyed by a surveyor. Downhole surveys were completed on the majority of drill holes by the drilling company using a Reflex Ez-Shot™ tool. Downhole surveys were not completed in some of the drill holes due to tool availability and safety concerns with use of survey equipment in steep up-holes. The drill holes were surveyed at varying intervals along the hole and at the bottom of the hole. The drill holes, which did receive downhole surveys, did not show significant deviation from planned orientations.

Sampling, Analysis and Data Verification

Sample security has been maintained by Ouray during the most recent campaign. Drill core has been transported from the underground rig to the portal on a daily basis, where it has been reviewed by Ouray's geologist. Core is sealed in a locked room overnight and is stored at the core facility. A portion of the drilling core is also stored at Ouray's warehouse facility in Ouray. After analysis, all sample pulps and rejects are shipped from the laboratory back to Ouray where they are stored in a locked weatherproof building. SRK considers the sample security and chain of custody to follow best practice.

Sample Preparation

Drill core was logged by Ouray's geologist for both geological and geotechnical parameters. Geotechnical data was collected under the direction of SRK and included collection of recovery data by drill run for the entirety of the drilling, as well

as run-based detailed geotechnical logging for the entirety of eight drill holes. Geological logging was conducted on the entirety of all the holes with particular attention to mineralized veins and the “shoulder” regions on each side of the veins. Geologic data was entered into a digital spreadsheet as the field geologists logged the drill core. The log sheet includes drill hole location, bearing, inclination and start and finish date. Other information includes core recovery, description of the core and sample from, to and length information. Within the logging section, a comprehensive description of lithology, structure, alteration, mineralization and veining was made by the field geologists.

Repeat analyses of certain core samples, selected by the geologist, consisted of a second assay on the original pulp. Blank samples prepared by Ouray were inserted into the sample stream as determined by the geologist. The laboratory inserted Certified Reference Materials (“CRM”) standards and performed repeat analyses at their usual frequency.

Sample Analysis

All samples from Ourays’ exploration drilling program were dispatched to Skyline labs (which is independent of the mine) for preparation and analysis. Sample shipments to the laboratory consisted of every sample collected from the drilling program with priority batches sent for material with logged vein intersections and lower priority on batches taken from the shoulder of the vein. The laboratory reported all analyses and Quality Assurance/Quality Control (“QA/QC”) results in excel spreadsheets and PDF documents. Coarse rejects of all samples will be returned and stored on the mine site for future use.

Quality Assurance and Quality Control

Star Mines completed a basic QA/QC program, which included reference materials (“RM”s), blanks and duplicate silver analysis. Star Mines did not insert any core duplicates during this period. Core duplicates are used to test the variability of a deposit and can be used to determine adequacy of sample size during preparation. SRK highlights, some of the historical drilling (pre-2000) in lower levels of the mine were mainly completed using NX or AQ diameter, which is less than ideal for the mineralization style. The use of channel sampling within the same areas has supported the current estimates, with further validation/analysis recommended once access is available.

SRK was presented with copies from the laboratory certificates in electronic format, and has extracted the information accordingly. The results have been reviewed, for all key elements and SRK has converted the assay values to the appropriate units (typically ppm) of the certification in each case. Overall, the samples have all reported within the two standard deviation limits which is deemed acceptable, but SRK highlights this is a relatively small data set and routine submission of Ouray’s CRM material should continue for future drilling and sampling campaigns.

All drilling completed by Star Mines and Ouray has included QA/QC and have been deemed acceptable for use in the mineral resource estimate. Ouray has an established chain of custody to ensure sample security from the drilling rig to submission to the laboratory. SRK is of the opinion that the sampling and analytical methods employed at the time of sampling and analysis followed industry standard protocols. Drilling on the lower levels have a relatively narrow core diameter, which may require verification sampling/drilling once access can be gained to the lower levels of the mine.

SRK considers the current database to be of sufficient quality for use as the basis for the current mineral resource estimate; however, as new areas open up from underground development, all new sampling should follow the latest protocols established in 2016, to ensure industry best practice is maintained.

Data Verification

In 2014 SRK reviewed 10% of the database of both historical and new data against assay certificates and found less than 2% error in the database. Errors identified at that time were corrected in the database. No major changes were made to the assay database except where Ouray’s geologists averaged samples that had multiple assays.

In 2016 Ouray made the decision to focus on further validation of the geological database and review the historical logs in more detail. Ouray completed an internal review of the database versus the historical logging. To complete the review Ouray read through all the details of the historical logs (detailed descriptions), and created the relevant logging codes in a standardized format. During the review, it was noted that some of the silver assays in the final database used an average of both Fire Assay (“FA”) and Inductively Coupled Plasma (“ICP”) measurements. It is believed that the FA will produce the most accurate assays and therefore Ouray has updated the raw database to reflect this change.

Overall SRK is satisfied that during the validation process any changes in location to the vein will likely be localized and not result in any material changes. Local variability may be further explained by a greater understanding of the structural setting within the vein, as a number of known key geological features are discussed in historical reports but are not represented in three dimensions due to a lack of collated data at present. SRK recommends that Ouray start the process of capturing the location along with any dip and strike measurements of key features, which are highlighted on historical long sections as these may prove important in understanding geological controls.

SRK is of the opinion that no material bias is being introduced by using the database as presented by Ouray, and that it is adequate for use in the geological modelling and mineral resource estimation.

Security of Samples

Sample security has been maintained by Ouray during the most recent campaign. Drill core has been transported from the underground rig to the portal on a daily basis, where it has been reviewed by Ouray's geologist. Core is sealed in a locked room overnight and is stored at the core facility. A portion of the drilling core is also stored at Ouray's warehouse facility in Ouray. After analysis, all sample pulps and rejects are shipped from the laboratory back to Ouray where they are stored in a locked weatherproof building. SRK considers the sample security and chain of custody to follow best practice.

Mineral Processing and Metallurgical Testing

On behalf of Ouray, SRK designed and supervised both prefeasibility-level and feasibility-level metallurgical development programs for the RV Mine. The prefeasibility metallurgical program was fully documented in SRK's 2016 PFS. Both metallurgical programs were conducted by FLSmidth (previously Dawson Metallurgical Laboratory).

The 2016 PFS metallurgical program was conducted on a bulk 1-ton (t) master composite representing the Virginius Main Vein and on variability composites characteristic of the Virginius Footwall Vein, and the Yellow Rose Vein. The 2018 FS and prior 2017 FS metallurgical programs were conducted on a master composite formulated to represent the weighted average ore contribution from the various mining areas of the mine and on five variability composites representing ore from selected areas of the Virginius Main Vein, Virginius Footwall Vein and the Yellow Rose Vein. The ore is a complex polymetallic containing gold, silver, lead, copper and zinc. Silver is the metal of primary importance and is associated primarily with the copper mineralization (tetrahedrite).

Feasibility-level metallurgical studies were based on the outcomes of the 2016 PFS metallurgical program and resulted in further optimization of the flotation process to recover the contained metal values in separate lead and zinc cleaner flotation concentrates. A separate copper concentrate was not produced. This program was conducted on variability composites that represented spatial and grade variations within the Virginius Main Vein, the Virginius Footwall Vein and the Yellow Rose Vein, as well as a master composite that was formulated to represent the weighted average contribution from these veins during the first five years of mining. Generally, lead concentrates containing about 65% lead and over 250 ounce per short ton (oz/st) silver and zinc concentrates containing about 54% Zn and 15 to 20 oz/st silver were consistently produced.

Metal recoveries were estimated for the ore grade ranges shown in Table 6 below and the following general observations can be made:

- Silver recovery is similar to the 2016 PFS with recoveries into the lead concentrate ranging from 93% to 95% depending on feed grade;
- Gold recovery into the lead concentrate ranges from 58% to 68% with an additional 4-6% recovery into the zinc concentrate depending upon feed grade;
- Lead recovery into the lead concentrate is very consistent at 94% to 95% and relatively independent of feed grade;
- Copper recovery into the lead concentrate ranges from 84% to 91% depending upon feed grade; and
- Zinc recovery into the zinc concentrate is estimated at 60% to 86% depending upon feed grade.

Multi-element analyses were conducted on the final lead and zinc concentrates produced from locked-cycle tests on the master composite. Significant quantities of arsenic and antimony were found in the lead concentrate. The zinc concentrate contained significant levels of arsenic and cadmium.

**Table 6
Estimated Metal Recoveries for the RV Mine**

Silver Recovery Estimate

Ore Grade Range (oz/st Ag)			
Low	10.0	20.0	30.0
High	20.0	30.0	47.0
Estimated Silver Recovery (%)			
Pb Conc.	93	94	95
Zn Conc.	1	1	1

Gold Recovery Estimate

Ore Grade Range (oz/st Au)			
Low	0.005	0.040	0.079
High	0.040	0.079	0.100
Estimated Gold Recovery (%)			
Pb Conc.	58	63	68
Zn Conc.	6	5	4

Lead Recovery Estimate

Ore Grade Range (Pb %)			
Low	1.0	2.1	5.0
High	2.1	5.0	8.5
Estimated Lead Recovery (%)			
Pb Conc.	94	94	95
Zn Conc.	1	1	1

Copper Recovery Estimate

Ore Grade Range (Cu %)			
Low	0.06	0.20	0.30
High	0.20	0.30	0.50
Estimated Copper Recovery (%)			
Pb Conc.	84	87	91
Zn Conc.	2	2	2

Zinc Recovery Estimate

Ore Grade Range (Zn %)			
Low	0.5	1.2	3.0
High	1.2	3.0	5.0
Estimated Zinc Recovery (%)			
Pb Conc.	31	23	10
Zn Conc.	60	71	86

Mineral Resource and Mineral Reserve Estimates

Mineral Resources

SRK has produced updated mineral resource estimates for Ag, Au, Cu, Pb and Zn on three main vein systems, namely the Virginius, Terrible and Yellow Rose systems. All three veins have been explored and mined to various degrees in the past. An updated geological model has been produced by SRK based initially on the main lithological units, and then via grades to provide the best estimate of the location of the mineralization within the geological units. All results from channel samples and drilling at the RV Mine that are within the wireframes have been used in the mineral resource estimate.

SRK has undertaken geological modelling to construct updated mineralization wireframes for the Virginius Vein system, Terrible Vein and the Yellow Rose Vein systems. SRK used the 3D solids created in Aranz' Leapfrog Geo™ modelling tool to code the drill holes to differentiate between mineralization and waste, and undertook statistical and geostatistical analyses on the composited data, as constrained by the modelled wireframes.

SRK has produced grade estimates for Ag, Au, Cu, Pb, Zn using an Inverse Distance Squared algorithm, using a combined drilling and channel sampling database. To reduce the potential impact of localized high-grades overly influencing

the estimates, SRK has declustered the channel samples to 50 ft x 50 ft x 50 ft panels prior to estimation and has weighted the samples during grade estimation by their respective decluster values.

The mineral resource classification uses the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards - For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 14, 2014. The Resources at the RV Mine have been classified as Measured, Indicated and Inferred at Yellow Rose and Virginius Veins. The Terrible Vein has been limited to Indicated and Inferred, whereby Indicated material is focused around diamond drilling completed from surface by previous owners.

The current proposed mining method for the RV Mine will result in all material within an established stope being mined, and therefore the direct application of a cut-off grade (“CoG”) on a block by block basis is not considered appropriate for the RV Mine. SRK has accounted for the CoG during the classification of Measured and Indicated material by working with Ouray’s staff on potential mining areas. Once an area was identified, SRK analyzed the blocks based on the confidence criteria and coding the model with the NSR value. Each area has then been evaluated to ensure the defined areas remain above the NSR (CoG).

In comparison, for the inferred resources, SRK does not consider there to be sufficient confidence in the estimates to define the edges of any potential stope areas. For the purpose of defining the potential for economic extractions, SRK assumed a NSR cut-off of US\$200/st, and the final classification and grade cut-offs have been reviewed on long sections to ensure continuity.

The updated mineral resource estimated for the RV Mine with an effective date of March 1, 2017 is presented in the following table.

Table 7
Mineral Resource Estimate as of March 1, 2017 – SRK Consulting (U.S.), Inc.

Classification	Vein	Tons (kst)	Tonnage Factor	Grade					Contained Metal				
				Ag (oz/st)	Au (oz/st)	Pb (%)	Cu (%)	Zn (%)	Ag (koz)	Au (koz)	Pb (klb)	Cu (klb)	Zn (klb)
Measured	Virginius Main	218.0	11.0	22.6	0.07	5.15	0.24	1.89	4,918	15	22,433	1,058	8,262
	Virginius FW	58.0	11.0	25.8	0.03	4.05	0.36	1.61	1,495	2	4,695	416	1,865
	Terrible	-	-	-	-	-	-	-	-	-	-	-	-
	Yellow Rose	38.9	11.0	22.1	0.05	4.51	0.17	2.53	860	2	3,506	135	1,966
	Total Measured	314.9	11.0	23.1	0.06	4.86	0.26	1.92	7,273	19	30,634	1,609	12,093
Indicated	Virginius Main	311.0	11.0	24.2	0.06	4.38	0.26	2.56	7,516	19	27,262	1,587	15,921
	Virginius FW	103.0	11.0	12.6	0.03	2.67	0.21	1.20	1,298	3	5,501	431	2,472
	Terrible	49.0	11.0	17.6	0.06	7.44	0.14	1.46	861	3	7,287	137	1,435
	Yellow Rose	209.0	11.0	11.8	0.03	2.44	0.10	1.69	2,460	7	10,180	401	7,051
	Total Indicated	672.0	11.0	18.1	0.05	3.74	0.19	2.00	12,135	32	50,230	2,556	26,879
M + I	Virginius Main	529.0	11.0	23.50	0.06	4.70	0.25	2.29	12,434	34	49,695	2,645	24,183
	Virginius FW	161.0	11.0	17.35	0.03	3.17	0.26	1.35	2,793	5	10,196	847	4,337
	Terrible	49.0	11.0	17.57	0.06	7.44	0.14	1.46	861	3	7,287	137	1,435
	Yellow Rose	247.9	11.0	11.77	0.03	2.44	0.10	1.69	3,320	9	13,686	536	9,017
	Total M + I	986.9	11.0	19.7	0.05	4.10	0.21	1.97	19,408	51	80,864	4,165	38,972
Inferred	Virginius Main	170.0	11.0	30.7	0.07	5.96	0.42	3.07	5,220	12	20,268	1,444	10,440
	Virginius FW	1.0	11.0	19.0	0.00	2.20	0.20	0.95	19	0	44	4	19
	Terrible	52.0	11.0	28.8	0.12	7.04	0.11	1.31	1,499	6	7,323	115	1,359
	Yellow Rose	108.0	11.0	20.9	0.04	1.34	0.15	1.72	2,258	4	2,894	325	3,724
	Total Inferred	331.0	11.0	27.2	0.07	4.61	0.29	2.35	8,996	22,000	30,529	1,888	15,542

- Mineral Resources are reported inclusive of the Mineral Reserves.
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.
- Mineral Resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.
- All Measured and Indicated estimates with the defined wireframes are considered to have potential for economic extraction as the entire level will be mined
- Inferred Mineral Resources are limited using a NSR cut-off US\$200/st.

- Metal price assumptions considered for the calculation of NSR are: Gold (US\$1,270/oz), Silver (US\$18.55/oz), Lead (US\$0.95/lb), Copper (US\$2.55/lb) and Zinc (US\$1.15/lb).
- Cut-off calculations assume average metallurgical recoveries equal to: Gold (65%), Silver (96%), Lead (96%), Copper (94%) and Zinc (89%).
- The resources were estimated by Benjamin Parsons, BSc, MSc Geology, MAusIMM (CP) #222568 of SRK, a Qualified Person.

Mineral Reserves

Based on the orientation and width of the mineralization, review of historic mining and available geotechnical information, a rescue mining method is appropriate where waste rock serves as backfill as the stope is advanced in an overhand manner. This method is highly selective and allows for mining narrow widths down to 6 inches. The design assumes mining of large panels where raises/infrastructure is used for the entire panel length. There may be places along the panel which fall below CoG, however these must be mined due to the mining method and infrastructure. These lower grade areas are included in the reserve, however the block NSR is above cut-off.

All mineral reserve tonnages are expressed as dry short tons (st) (i.e., no moisture) and are based on the density values stored in the block model. Inferred material is not included in the design. Mining dilution has also been applied with a grade of zero.

A 3D mine design has been created representing the reserve areas. Dilution is included in the reserve and a 100% mining recovery of the planned mining areas is assumed.

An NSR approach was used and takes into account revenue for four elements (Zn, Pb, Ag and Au) and production of two concentrates (lead concentrate and zinc concentrate). Planned mining areas were evaluated on a value basis to ensure they were economic.

Mineral reserves were classified using the 2014 CIM Definition standards. The mineral reserve statement for Ouray is presented in Table 8 below. The mineral reserve estimate is as of June 15, 2018, which is the date when final quotes were received and the economic model was compiled.

Table 8
Mineral Reserves Estimate as of June 15, 2018 – SRK Consulting (U.S.), Inc.

Area	Description	Tons (kst)	Ag (oz/st)	Au (oz/st)	Pb (%)	Zn (%)	Contained Ag (koz)	Contained Au (koz)	Contained Pb (klb)	Contained Zn (klb)	NSR (US\$/st)
Virginius	Proven	203.5	24.47	0.06	5.09	1.75	4,980	12.6	20,720	7,124	500
	Probable	206.6	30.35	0.06	5.11	2.80	6,270	13.1	21,133	11,571	602
	P+P	410.1	27.43	0.06	5.10	2.28	11,251	25.7	41,853	18,694	551
Terrible	Proven	0	0	0	0	0	-	-	-	-	0
	Probable	44.9	17.95	0.05	7.40	1.37	806	2.2	6,642	1,229	406
	P+P	44.9	17.95	0.05	7.40	1.37	806	2.2	6,642	1,229	406
Yellow Rose	Proven	40.9	20.19	0.05	4.20	2.31	825	2.1	3,433	1,887	419
	Probable	79.2	16.68	0.04	3.29	1.83	1,321	2.8	5,209	2,896	338
	P+P	120.0	17.87	0.04	3.60	1.99	2,145	4.9	8,642	4,784	366
All Areas Total	Proven	244.4	23.75	0.06	4.94	1.84	5,805	14.7	24,153	9,011	486
	Probable	330.7	25.39	0.05	4.99	2.37	8,397	18.1	32,985	15,696	512
	P+P	575.1	24.70	0.06	4.97	2.15	14,202	32.8	57,138	24,707	501

- All figures are rounded to reflect the relative accuracy of the estimates. Totals may not sum due to rounding. NSR listed here may be somewhat different than values calculated in the final economic model due to updated information at time of economic modeling.
- Mineral reserves are reported using an NSR CoG based on metal price assumptions*, metallurgical recovery assumptions**, mining costs, processing costs, general and administrative (G&A) costs, and treatment and refining charges. Mining costs, processing costs, and G&A costs total US\$240.51/st.
* Metal price assumptions considered for the calculation of NSR are: Gold (US\$1,270/oz), Silver (US\$18.55/oz), Lead (US\$0.95/lb) and Zinc (US\$1.15/lb).

** Metallurgical recoveries for payable items in the Pb concentrate are: Gold (60%), Silver (95%), and Lead (95%). Metallurgical recoveries for payable items in the Zn concentrate are: Zinc (54%).

- Mineral reserves have been stated on the basis of a mine design, mine plan, and cash-flow model. Full mining recovery of designed areas is assumed. Mining dilution is applied at zero grade and ranges from 5.9% to 26.8%. A minimum mining width of 6 inches is used.
- The Mineral reserves were estimated by OSMI. Joanna Poeck, (BS Mining, MMSA, SME-RM) a Qualified Person, reviewed and audited the reserve estimates.

Mining Operations

All new stopes are mined using the resue mining method. The mining widths are narrow and average approximately 1.5 ft in the Virginius and Terrible areas, and 2.5 ft in the Yellow Rose area. Stope development begins with construction of 2, two-compartment manway raises on each end and a three-compartment service raise in the approximate center. These are carried raises that advance with the stope vertically and completed with air, water and ventilation. These raises are driven to allow men and materials into the stope. Once the manways and service raises are driven, resue raises are developed on approximately 80 ft centers to allow ore from the raise to be slushed to a chute for loading into rail cars. Once all the raises are completed a 3 ft wide x 8 ft high scram is driven at the top of the service raise out each direction on vein to connect with each resue raise as well as the manways on each end. Once the scram is completed each raise is timbered appropriately with chute packages on each resue raise as well as on the ore compartment of the service raise. At haulage level, the chutes allow mineralized material to be loaded into muck cars and trammed by electric or diesel locomotive out of the mine.

Stope mining then commences with 6 ft upholes drilled from the scram. Ore and waste material are blasted separately to minimize dilution. Ore is slushed from the stope whereas waste is left in situ and serves as a working platform for the next vertical cut. In certain areas, additional waste will need to be blasted from the footwall to provide enough material for filling the stope. It is expected that slushing excess waste from narrower areas to wider areas should reduce the amount of additional footwall waste to be blasted.

The mine will use primarily pneumatic equipment and currently has only one 7-ton main haulage diesel locomotive underground and Ouray plans on purchasing a second locomotive for haulage on the main track area from the shaft to the mill or portal. All other locomotives including 8-ton, 4-ton and 2-ton Mancha motors are electric and will be used for men, materials and off main level haulage. In most areas, Ouray intends to make use of existing mine track and tracked mining equipment such as battery-powered locomotives, muck cars, and Eimco 22B and 12B overshot mucking machines. Production and development will be performed with jackleg drills and stopers, with primarily air slushers in the stopes for transfer of ore to resue ore chutes.

The mine will use standard 24 inch gauge and 4-ton muck cars (5 tons heaped), with seven to eight cars per train. Typical rail haulage cycle time is approximately one hour and mine personnel are able to cycle nine trains per shift. There are suppliers of track mining equipment and the company currently used is Mining Equipment Limited and Melcher Fabrication both located in Durango, Colorado, approximately 79 miles from the mine site.

Approximately two to three working stopes are required to meet the production target of 270 st/d. A single stope provides two working faces for production of ore. Having two stopes fully operational provides four working faces required to meet the production target. Typically, a third stope will be nearly fully developed to provide a fifth face for a contingency if any of the four planned faces have issues. Normally there will be at least two stopes in various stages of development and scheduled into the mining cycle to account for delays and transitions between the main production stopes.

Processing and Recovery Operations

The processing plant will use conventional processing technologies of crushing, grinding, flotation, and concentrate dewatering to produce two separate lead and zinc concentrates. The plant will also collect tailings and produce a filtered tails product for disposal. The concentrator facility has an annualized design throughput of at least 91,390 st/y. The recovery of the lead and zinc concentrates will be performed by a traditional flotation process used to upgrade concentrate grades. The predicted recovery of lead and zinc are based on flotation testing completed by FLSmidth. The lead recovery based on test work indicates that up to 95% recovery is possible into the lead concentrate. The zinc recovery based on test work also indicated that up to 86% recovery is possible into the Zinc concentrate.

The ore from the mine will be transported by rail to a crushing circuit followed by a rod mill in open circuit and ball mill in closed circuit. Once the targeted liberation size of the particles from the ball mill slurry is reached, the slurry will be sent to the flotation circuit for concentration. The flotation circuit recovery and grade was improved from the installed flowsheet

by the addition of new flotation capacity. The flotation circuit includes rougher, cleaner and final column stage flotation. This new flowsheet replaced the flowsheet proposed by Lycopodium during the 2016 PFS and eliminated the lead/copper flotation separation process, the regrind mill, and the online sample analysis system. The addition of concentrate thickeners improved the final concentrate capacity and feed delivery system to the filter press dewatering stage. Importantly, debottlenecking and design improvements including the addition of the Derrick screens and change to a new rod mill on the front end of the plant will increase performance in both consistency of feed and availability.

Infrastructure, Permitting and Compliance Activities

The existing and functioning RV Mine off-site infrastructure includes access to the mine on existing improved roads and a warehouse/administrative facility located in Ouray. The area has significant developed infrastructure and is supported by the communities of Ouray and Ridgway with the combined population of both communities and the surrounding Ouray county of approximately 4,250. The City of Montrose (population >20,000), Colorado is within a 30-minute drive from Ouray and is expected to provide the bulk of housing for employees. These communities combined have experienced labor, supporting infrastructure and established businesses that have supported the mining industry in the area in the past. The mine will produce approximately 30 super sacks of concentrate per day that Ouray will transport from the mine to the Ouray warehouse for storage and shipping to the buyer's destination.

The majority of the required RV Mine infrastructure currently exists and has supported prior operations. When the RV Mine was last in operation in June 2015 a number of inefficiencies were determined to exist. During restart, additional infrastructure will be constructed including a rail yard, expanded office and miners dry, dump wall repair, reagent storage building, and additional weather protection for outside facilities. A permit revision in the future will be required to modify the permitted 8.9 million cubic feet storage capacity after about 5 years of continuous production because more than 8.9 million cubic feet of tailings will be produced. Since the revision is a volume revision only and is in the same footprint it does not impact the current permit boundary or disturbed area and therefore will be a technical revision which does not require public notice. SRK currently sees no reason such technical revision would not be granted.

Environmental Studies and Permitting

Mining and mined land reclamation in the state of Colorado are declared necessary, proper, and compatible activities under the Colorado Mined Land Reclamation Act, Title 34 Article 32 of the Colorado Revised Statutes. The reclamation approvals and permitting for mine related activities falls under the jurisdiction of the Mined Land Reclamation Board and the DRMS. The RV Mine operates in accordance with the DRMS 112(d) Permit Number M2012-032.

On July 5, 2016, the DRMS approved Technical Revision 8 (“**TR-08**”) to Amendment 1 of DRMS Permit M201232. TR-08 eliminates the need for Outfall-001, improves mine discharge water quality, and allows infiltration of mine discharge water to groundwater.

The mine currently holds Colorado Discharge Permit System (“**CPDS**”) Permit No. CO0000003, which authorizes surface water discharge from the Mine Water Pond to Sneffels Creek (Outfall-001). The Revenue Tunnel Portal discharges mine water through two 8-inch high-density polyethylene pipes to the Mine Water Pond. In accordance with permit conditions, Ouray conducts monthly and quarterly effluent sampling when an outfall is present. The current CPDS permit will expire on August 31, 2018.

On November 23, 2016, Ouray filed a Termination Application with the Colorado Department of Public Health and Environment Water Quality Control Division (“**WQCD**”) for Outfall-001A. This termination followed Ouray's implementation of DRMS Permit TR-08, which requested the transfer of discharge to a bio-reactive treatment system with groundwater infiltration (effective September 8, 2016), which also eliminated discharge through Outfall-001A. In June 2017, the WQCD denied the Termination Application, and the Colorado Department of Public Health and Environment requested Ouray submit a permit modification application for Permit No CO0000003 to modify certain aspects of the permit, including construction of an expanded five-stage passive water treatment system and addition of a new Outfall-002A.

A permit modification was subsequently submitted to WQCD. The WQCD issued a draft permit for public notice on June 14, 2018. Public comments were due July 16, 2018. In addition, Ouray entered into discussions with WQCD to establish a compliance order on consent that will allow Ouray to construct the upgraded passive water treatment system over two years along with a defined startup period following construction to allow the system to reach operational performance.

The mine also maintains a CPDS General Permit for storm water discharge (Permit No. COR040289, former Permit No. COR040273). This permit requires a Storm Water Management Plan (“**SWMP**”) and routine compliance reporting. On

October 6, 2016, WQCD field inspectors notified Ouray of deficiencies related the site SWMP from prior operators. On October 13, 2016, Ouray notified WQCD that the deficiencies were corrected by Ouray on its own prior to the October 6, 2016 notice.

Capital and Operating Costs

Capital Costs

The capital cost estimate is broken down by area including mining, processing plant, surface mobile equipment, infrastructure and engineering and construction contracts. Capital costs were developed by Ouray and Barr Engineering Co. (Barr) (process plant only). SRK reviewed the capital cost buildup and quotations for all areas except the process plant, which Barr maintains responsibility for. The capital costs are inclusive of applicable indirect costs. Contingency has been included in the estimate.

Capitalized preproduction costs, including owner's costs during the construction period, are included as operating and general and administrative ("G&A") costs from the start of construction through the end of the 2-month ramp up period. The capital estimate is currently at a $\pm 15\%$ accuracy which is appropriate for a feasibility-level estimate. Costs are reflective of Q2 2018 and are US\$ based so foreign exchange conversion is not required.

The capital cost estimates are based primarily on quotations by vendors on materials, supplies, equipment, and installation. First principle buildups make up the remaining estimates. Escalation has not been included in the estimate. Table 9 below is a summary of the overall RV Mine capital.

Table 9
Capital Cost Summary (US\$000's)

Description	Construction	Ramp Up	Total Initial Capital	Sustaining Capital	Total LOM Capital
Revenue Mine	(\$3,207)	(\$383)	(\$3,590)	(\$301)	(\$3,890)
Revenue Mill	(\$3,899)	(\$124)	(\$4,023)	(\$94)	(\$4,117)
Surface	(\$910)	\$0	(\$910)	(\$222)	(\$1,132)
Site Infrastructure	(\$712)	\$0	(\$712)	(\$179)	(\$891)
Engineering & Construction Contracts	(\$14,522)	(\$1,463)	(\$15,984)	(\$6,837)	(\$22,821)
Subtotal	(\$23,250)	(\$1,970)	(\$25,219)	(\$7,632)	(\$32,852)
Pre-Production Costs	(\$6,982)	\$0	(\$6,982)	\$0	(\$6,982)
Subtotal	(\$30,232)	(\$1,970)	(\$32,202)	(\$7,632)	(\$39,834)
Contingency	(\$1,889)	(\$172)	(\$2,060)	(\$723)	(\$2,784)
Total Capital	(\$32,121)	(\$2,141)	(\$34,262)	(\$8,356)	(\$42,618)
Operating Costs During Ramp Up		(\$2,838)	(\$2,838)		
Net Revenue During Ramp Up		\$306	\$306		
Total Net Capital and Start Up Costs	(\$32,121)	(\$4,673)	(\$36,794)		

Operating Costs

The operating cost estimate is broken down by area including mining, processing, G&A, and surface operating costs. Operating costs were developed by Ouray and Barr (process plant only). SRK reviewed the operating cost build up and basis of estimates for all areas except processing, for which Barr maintains responsibility. Contingency has not been included in the operating cost estimate. The estimate is based on Q1 2017 pricing. No escalation has been included in the operating costs. The overall accuracy of the operating cost estimate is $\pm 15\%$ which is appropriate for a feasibility-level estimate.

The RV Mine operating cost summary is presented in Table 10 below and amounts to US\$251/st ore during the FS Life-of-Mine (LoM) plan.

Table 10
Operating Cost Summary

Revenue Mine Operating Costs	LoM		First 5 Years	
	US\$000's	US\$/st RoM	US\$000's	US\$/st RoM
Revenue Mining	\$54,895	\$95	\$47,990	\$103
Revenue Milling	\$29,291	\$51	\$23,796	\$51
G & A	\$53,530	\$93	\$41,894	\$90
Surface Operating Costs	\$6,671	\$12	\$5,383	\$12
Total Operating Costs	\$144,387	\$251	\$119,062	\$254

Economic Analysis

The RV Mine will ship 41.5 kst of Pb concentrate and 16.9 kst of zinc concentrates over the current 77-month (approximately 6.5 years) reserve life. Production is forecast to be sold either to a trader or directly to a smelter, with multiple options available based on concentrate quality and volumes. The operation will produce recovered metal of 13.5 million ounces (Moz) silver, 22.5 thousand ounces (koz) gold, 54.5 million pounds (Mlb) of lead and 23.3 Mlb of zinc.

With total capital expenditure over the life of the current reserve of US\$42.6 million and operating costs of US\$251/st ore, the RV Mine will generate after-tax free cash flow of US\$135.1 million over its current 77 month reserve life, based on the flat commodity prices assumed herein. This results in a 1.9 year payback period, an after-tax net present value (NPV) 5% of US\$74.9 million and an after-tax internal rate of return (IRR) of 71%. Total production costs (inclusive of sustaining capital) are forecast to be US\$15.41/oz payable silver, excluding by-product credits. The NSR from Au, Pb, and Zn result in a by-product credit of US\$7.41/oz of payable silver, reducing the total production cost estimate to US\$8.00 per oz payable silver, on a byproduct basis. When calculated based on silver equivalent production, the total production cost is US\$11.01 per oz payable silver equivalent. Pre-tax and after-tax economic metrics are presented in Table 11 below.

Table 11
Pre-Tax and After-Tax Indicative Economic Results (US\$000's)

Revenue Allocation				
Payable Gross Revenue by Metal	Value	% of Gross	Weighted Average Prices	
Silver	\$237,995	71%	\$18.50	US\$/oz Ag
Gold	\$25,461	8%	\$1,300	US\$/oz Au
Copper	\$0	0%	\$0	US\$/lb Cu
Lead	\$51,256	15%	\$1.00	US\$/lb Pb
Zinc	\$18,633	6%	\$1.20	US\$/lb Zn
Total	\$333,345	100%		
Estimate of Cash Flow				
	Value	% of G. Rev.		
Total Gross Revenue	\$333,345			
Smelting / Refining	(\$24,520)			
Freight / Insurance	(\$12,986)			
NSR Pre Royalty	\$295,839			
Royalties	(\$5,917)			
Total Net Revenue	\$289,922	87%		
Total Operating Cost	(\$144,387)	-43%		
Operating Profit (EBITDA) Pre-tax Cash Flow	\$145,535	44%		
Total Tax	(\$10,460)			
After Tax Cash Flow	\$135,076			
<i>LoM Capital</i>	<i>(\$42,618)</i>			
<i>Pre-tax Undiscounted Free Cash Flow (US\$000)</i>	<i>\$102,918</i>			
<i>After-tax Undiscounted Free Cash Flow (US\$000)</i>	<i>\$92,458</i>			
Discounted Cash Flow and Returns				
	After-Tax			
Undiscounted Free Cash Flow (US\$000)	\$92,458			
NPV US\$000 @ 8.0%	\$74,883			
IRR	71.2%			
Break Even Years	1.9			

Exploration, Development and Production

In comparison to the previous mineral resource estimate (April 2014), Ouray has completed an additional 42 diamond core holes from underground within the northern portion of the Virginius Vein, as well as completed approximately 30 channel samples.

Drilling and channel sampling completed by Ouray during 2016 has been logged and sampled by Ouray's senior geological staff. All samples have been submitted to Skyline Labs for preparation and analysis using both FA and ICP methods. Ouray has included a QA/QC program as part of the 2016 drilling campaign. While the dataset is limited in terms of population size, SRK considers the results to be within a reasonable level of error, and therefore acceptable for use in the mineral resource estimate.

Ouray has also completed a validation study of the historical database, which included translating the historical descriptive drilling logs into a series of logging codes in the current database. The validation work has been extended to both diamond drilling and underground channel sampling.

SRK comments that the drilling below the 2000 level conducted by prior owners was conducted using AQ sized core which was the standard practice at that time. This may not be considered best practice under guidelines today. These areas are currently not accessible, but once open, follow-up drilling to validate existing results should be completed.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Available Funds

The following table summarizes the funds that are anticipated as being available to the Combined Company after giving effect to the Arrangement and the Offering, which funds will be used to carry out the business objectives of the Combined Company as set out below under the heading “*Description of the Business — Business Objectives and Operations*” during the 18 month period following completion of the Arrangement.

Available Funds	18 months	
	Amount (USD)	Amount (CAD)
Cash on Hand @ Closing	\$1,500,000	\$1,950,000
Revenue	\$900,000	\$1,170,000
Offering	\$6,923,077	\$9,000,000
Total Sources	\$9,323,077	\$12,120,000

Principal Purposes The following table summarizes expenditures anticipated by the Combined Company based on current plans required to achieve its business objectives during the 18 month period following completion of the Arrangement.

Principal Purpose	18 months	
	Amount (USD)	Amount (CAD)
Transaction Fees & Expenses	\$2,000,000	\$2,600,000
Ouray Care & Maintenance and Project Related Costs	\$2,970,000	\$3,861,000
Corporate G&A	\$1,620,000	\$2,106,000
Shafter Care & Maintenance and Project Related Costs	\$1,170,000	\$1,521,000
Shafter Work Program	\$1,000,000	\$1,300,000
<u>Unallocated Working Capital</u>	\$563,077	\$732,000
Total Uses	\$9,323,077	\$12,120,000

Based on initial working capital available and the expenditures assumed (as listed above), the Combined Company expects to have funding for at least the next 18 months. See in this Schedule, “*Risk Factors — Additional Capital*”. **While management of the Combined Company currently intends to spend the funds available to it as stated in the table above, there may be circumstances where the New Aurcana Board determines that a reallocation of funds is necessary or advisable in order for the Combined Company to meet its business objectives. If, due to unexpected additional capital requirements, Ouray does not have sufficient funds to satisfy its capital obligations, it may be required to seek additional sources of capital. See in this Schedule, “Risk Factors — Additional Capital” and “Risk Factors — Lack of Funding to Satisfy Contractual Obligations”.**

Business Objectives Following the closing of the transaction, the primary focus of the Combined Company will be pursuing a restart of the RV Mine subject to full financing. The Combined Company will seek project financing to facilitate the restart of RV Mine within the six month period following completion of the Arrangement. The Combined Company’s newly merged management team will seek to align the execution plans and capital requirements as a first step. In addition, the Combined Company’s management team will continue discussions regarding project finance availability to provide a non-dilutive portion of the capital for the restart. There are opportunities for resource and reserve expansion at the RV Mine as well as consolidation opportunities for nearby properties in the Sneffels District and further out in the San Juans Mountain region that will be investigated by the Combined Company.

In addition, the Combined Company will focus on exploration activities as well as additional work on the technical studies for the SP Mine. The medium term goal is to target a sequential start-up of the SP Mine following a successful start-up of the RV Mine.

The last leg of the strategy for the Combined Company will be to seek additional M&A opportunities in the sector, both producing mines and development opportunities, to leverage the Combined Company's management team and board's experience to profitably grow the business.

Ultimately, the Combined Company's management team targets creating a free cash flow generating mid-tier mining company.

SELECTED FINANCIAL INFORMATION

Financial Statements

Included as Appendix I to this Schedule are audited financial statements of Ouray for the fiscal years ending December 31, 2017, December 31, 2016, and December 31, 2015 comprised of a balance sheet, statements of loss and comprehensive loss, changes in shareholder's equity and cash flows, and notes to such statements and the auditors' report thereon.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Included as Appendix III to this Schedule is Management's Discussion and Analysis — Ouray Silver Mines, Inc. for fiscal periods ending December 31, 2017 and December 31, 2016. Included as Appendix IV to this Schedule is Management's Discussion and Analysis — Ouray Silver Mines, Inc. for the three and six month periods ended June 30, 2018. These appendices include financial information from, and should be read in conjunction with, the audited and unaudited financial statements of Ouray and the notes thereto, which are attached as Appendix I and Appendix II to this Schedule, as well as the disclosure contained throughout this Schedule and the Circular.

DESCRIPTION OF SHARE CAPITAL OF OURAY

The authorized capital of Ouray consists of 1,500,000 shares of common stock of Ouray. The holders of Ouray Shares are entitled to receive notice of and to attend, and to cast one vote for each Ouray Share held by them at, all meetings of Ouray Shareholders, other than meetings at which only the holders of another class or series of shares (if any) are entitled to vote separately as a class or series. The Ouray Shareholders are entitled to receive on a pro rata basis such dividends as the Ouray Board may from time to time declare. In the event of the voluntary or involuntary liquidation, dissolution or winding up of Ouray, subject to the rights of any preferred or other senior class or series of shares (if any) the holders of the Ouray Shares will be entitled to receive on a pro rata basis all of the assets of Ouray remaining after payment of all of Ouray's liabilities. The Ouray Shares do not carry any pre-emptive, subscription, redemption, retraction, surrender or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

DIVIDEND POLICY

Ouray has not paid dividends since its incorporation. While there are no restrictions precluding Ouray from paying dividends, it has no source of cash flow and anticipates using all available cash resources towards its stated business objectives. At present, Ouray's policy is to retain earnings, if any, to finance its business operations. The Ouray Board will determine if and when dividends should be declared and paid in the future based on Ouray's financial position at the relevant time.

CONSOLIDATED CAPITALIZATION

The following table sets out the share capital of the Combined Company after giving effect to the Arrangement (but without giving effect to the Offering). The table should be read in conjunction with the disclosure contained in this Schedule and in the Circular.

Capital	Authorized	Amount outstanding assuming completion of the Arrangement
New Aurcana Common Shares	Unlimited	110,017,145
Aurcana Options	N/A	1,640,000 ⁽¹⁾
Aurcana Warrants	N/A	5,285,315 ⁽²⁾

Notes:

(1) (i) 970,000 of the Aurcana Options have an exercise price of CAD \$0.85 and expire on March 2, 2021; (ii) 80,000 of the Aurcana Options have an exercise price of CAD \$2.00 and expire on August 5, 2021; and (iii) 590,000 of the Aurcana Options have an exercise price of CAD \$1.60 and expire on April 27, 2022.

(2) (i) 2,447,755 of the Aurcana Warrants have an exercise price of CAD \$2.25 and expire on February 27, 2020 and (ii) 2,837,560 of the Aurcana Warrants have an exercise price of CAD \$1.50 and expire on May 3, 2021.

PRIOR SALES

There were no prior sales of securities by Ouray for the 12-month period before the date of the Circular.

ESCROWED SECURITIES

Currently Escrowed Securities

As of the date of the Circular, no securities of Ouray are held in escrow.

Value Security Escrow Agreement

To the knowledge of Aurcana and Ouray, assuming completion of the Arrangement, the following securities of the Combined Company anticipated to be held by principals of the Combined Company following the completion of the Arrangement will be held in escrow:

	Prior to giving effect to the Arrangement	After giving effect to the Arrangement	
Name	Number of Securities held in TSXV Escrow	Number of Securities held in TSXV Escrow	Percentage of class (Non-diluted/Fully diluted) ¹
FRSM	Nil	54,310,047 New Aurcana Common Shares	(49.37%/46.44%)
FRSM II	Nil	28,930,312 New Aurcana Common Shares	(26.30%/24.74%)

¹Note: These figures are based on the Combined Company's share capital upon completion of the Arrangement (including the Consolidation) and before giving effect to the Offering.

In accordance with Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* of the TSXV's Corporate Finance Manual, upon completion of the Arrangement, all of the 83,240,359 New Aurcana Common Shares which will be issued to LRC Group will be considered to be "Value Securities", and accordingly, all of the principals' securities will be escrowed under the Value Security Escrow Agreement.

This Value Security Escrow Agreement will be entered into between LRC Group, the Combined Company and the Value Securities Escrow Agent. As the Combined Company is expected to be listed as a Tier 1 Issuer on the TSXV upon completion of the Business Combination, the New Aurcana Common Shares issued to LRC Group will be subject to an 18 month escrow period and be released from escrow as follows:

Percentage of Value Securities	Released from Escrow Release Date
25%	Date of Final TSXV Bulletin
25%	6 months from Final TSXV Bulletin
25%	12 months from Final TSXV Bulletin
25%	18 months from Final TSXV Bulletin

The New Aurcana Common Shares held pursuant to the Value Security Escrow Agreement may not be sold, assigned, transferred, redeemed, surrendered or otherwise dealt with in any manner except as provided by the Value Security Escrow Agreement. The New Aurcana Common Shares may be transferred within escrow to an individual who is a director or senior officer of the Combined Company or a material operating subsidiary of the Combined Company, provided that certain requirements of the TSXV are met, including that the new proposed transferee agrees to be bound by the terms of the Value Security Escrow Agreement. In the event of the bankruptcy of a holder of New Aurcana Common Shares, the New Aurcana Common Shares held by such holder may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such New Aurcana Common Shares provided that certain prescribed TSXV requirements are met.

RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Combined Company and could cause the Combined Company's operating and financial performance to differ materially from the estimates described in forward-looking statements. These include widespread risks associated with any form of business and specific risks associated with the business of the Combined Company and its involvement in the mineral exploration, development, and extraction industry. An investment in the New Aurcana Shares and the Combined Company's prospects are highly speculative due to the high-risk nature of its business and the present stage of its operations. Aurcana Shareholders may lose their entire investment. The risks described below are not the only ones facing the Combined Company. Additional risks not currently known to the Combined Company, or that the Combined Company currently deems immaterial, may also impair the Combined Company's business or operations. If any of the following risks actually occur, the Combined Company's business, financial condition, operating results and prospects could be adversely affected.

Aurcana Shareholders should consult with their professional advisors to assess the Arrangement and their resulting investment in the Combined Company. In evaluating the Combined Company and its business and whether to vote in favour of the Arrangement, Aurcana Shareholders should carefully consider, in addition to the other information contained in the Circular and this Schedule, the risk factors which follow, as well as the risks associated with the Arrangement (see in the Circular "*Risk Factors — Risks Relating to the Arrangement*"). These risk factors may not be a definitive list of all risk factors associated with the Arrangement, an investment in the Combined Company or in connection with the Combined Company's business or operations.

Estimates of Mineral Resource and Mineral Reserves Risks

While completed under the guidelines of CIM Standards and NI 43-101, the Combined Company's reported mineral reserves and resources are only estimates. No assurance can be given that the estimated mineral reserves and resources will be recovered, or that they will be recovered at the rates estimated or that they can be mined or processed profitably. Mineral reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, changes in the mine plan, or increasing capital costs may render certain mineral reserves and resources uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, short-term operating factors relating to the mineral reserves and resources, such as the need for sequential development of ore bodies and the processing of new or different ore grades, may adversely affect the Combined Company's profitability in any particular accounting period.

Mineral resource and mineral reserves estimates are based upon estimates made by the Combined Company's personnel and independent geologists. These estimates are inherently subject to uncertainty and are based on geological interpretations and inferences drawn from drilling results and sampling analyses and may require revisions based on further exploration or development work. The estimation of mineral resources and mineral reserves may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. Inferred resources are resources for which there has been insufficient exploration to define as an indicated or measured mineral resource and it is

uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category. Mineral reserves are estimated based on applying economic assumptions to mineral resources, and therefore carry forward the implied risk of the mineral resources. Further, mineral reserves are estimated to have demonstrated economic viability, but such estimate is dependent on the underlying assumptions utilized in the analysis including but not limited to labor rates, costs of raw materials, mining dilution, and productivity.

The grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and such differences could be material. The quantity and resulting valuation of mineral reserves and mineral resources may also vary depending on, among other things, mineral prices (which may render mineral reserves and mineral resources uneconomic), cut-off grades applied and estimates of future operating costs (which may be inaccurate). Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Any material change in quantity of mineral resources, mineral reserves, grade, or stripping ratio may also affect the economic viability of any project undertaken by the Combined Company. In addition, there can be no assurance that mineral recoveries in small scale, and/or pilot laboratory tests will be duplicated in a larger scale test under on-site conditions or during production.

There is no certainty that any of the mineral resources identified on the Combined Company's properties will be realized, that any mineral resources will ever be upgraded to mineral reserves, that any anticipated level of recovery of minerals will in fact be realized, or that an identified mineral reserve or mineral resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. Until a deposit is actually mined and processed, the quantity of mineral resources and mineral reserves and grades must be considered as estimates only.

Feasibility Studies Provide Estimates, Not Guarantees

While completed under the guidelines of NI 43-101, the capital costs to take the Combined Company's properties into production may be significantly higher than anticipated.

Feasibility studies derive estimates of cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates of silver, gold, lead and copper and other metals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

Capital costs, cash operating costs, production and economic returns, and other estimates contained in the most recent Feasibility Study may differ significantly from those actually experienced by Combined Company. There can be no assurance that the Combined Company's actual capital or operating costs will not be higher than currently anticipated. Whether income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Successful project development is affected by factors such as:

- costs;
- actual mineralization;
- consistency and reliability of ore grades; and
- commodity prices.

The design and construction of efficient processing facilities, the existence of competent operational management and prudent financial administration, as well as the availability and reliability of appropriately skilled and experienced consultants also can affect success. The design and construction of efficient processing facilities, the existence of competent operational management and prudent financial administration, as well as the availability and reliability of appropriately skilled and experienced consultants also can affect successful project development.

Mining and Processing Risks

The Combined Company's business operations are subject to risks and hazards inherent in the mining industry that may result in damage to the Combined Company's property, delays in its business and possible legal liability. These risks and hazards include but are not limited to:

- environmental hazard and weather conditions;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- failure of processing and mechanical equipment and other performance problems;
- labor force disruptions;
- the inability to find a market for concentrate;
- smelter penalties due to unanticipated deleterious elements in concentrate;
- the unavailability of materials and equipment;
- unanticipated transportation costs;
- changes in the regulatory environment;
- unanticipated variations in grade and other geological problems, water conditions, surface or underground conditions;
- unanticipated changes in metallurgical and other processing problems;
- encountering unanticipated ground or water conditions;
- cave-ins, flooding, rock bursts and fire;
- periodic interruptions due to inclement or hazardous weather conditions, including flood, excessive rainfall, avalanche, or excessive snow; and
- force majeure factors, other acts of God or unfavorable operating conditions.

Any of these can materially and adversely affect, among other things, the development of the Combined Company's properties, production quantities and rates, costs and expenditures, and production commencement dates. Such risks could also result in damage to, or destruction of, the Combined Company's mineral properties or processing facilities, personal injury or death, loss of key employees, environmental damage, delays in mining, monetary losses and possible legal liability. Satisfying such liabilities may be very costly and could have a material adverse effect on future cash flows, results of operations and financial condition.

As a result of the foregoing risks and, in particular, where a project is in a development stage, expenditures on any and all projects, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs. In addition, estimated production dates may be delayed materially, in each case especially to the extent development projects are involved. Any such events can materially and adversely affect Combined Company's business, financial condition, results of operations and cash flows.

Mining Risk

Mining operations generally involve a high degree of risk. The Combined Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of silver and other metals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling, blasting and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. The financing, exploration, development and mining of any of the Combined Company's properties is furthermore subject to a number of macroeconomic, legal and social factors, including commodity prices, laws and regulations, political conditions, currency fluctuations, the ability to hire and retain qualified people, the inability to obtain suitable adequate machinery, equipment or labor and obtaining necessary services in jurisdictions in which the Combined Company operates. Unfavorable changes to these and other factors have the potential to negatively affect the Combined Company's operations and business.

Mine Development Risks

The economic feasibility and preliminary economic analyses with respect to the individual projects of the Combined Company are based upon, among other things: the interpretation of geological data obtained from drill holes and other sampling techniques; feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed); metals price assumptions; the configuration of the ore body; expected recovery rates of metals from the ore; comparable facility and equipment costs; anticipated climatic conditions; and estimates of labor, productivity, royalty, tax rates, or other ownership burdens and other factors.

Although the Combined Company's feasibility study was completed with the knowledge of the operating history of prior operations at the Combined Company's properties as well as similar ore bodies in the region, actual operating results of the Combined Company's properties may differ materially from those anticipated. As noted earlier, uncertainties relating to operations are even greater in the case of development projects. Any of the following events, among others, could affect the profitability or economic feasibility of a project:

- unanticipated changes in grade, tonnage and metal recovery of ore to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- availability and costs of processing and refining facilities;
- availability of economic sources of power;
- adequacy of water supply;
- adequate access to the site, including competing land uses (such as agriculture, recreational uses, residential housing, and illegal mining);
- unanticipated transportation costs;
- government regulations (including regulations to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands);
- fluctuations in commodity prices and exchange rates; and
- accidents, labor actions and force majeure events.

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

Reliance on Key Personnel

The Combined Company's development is dependent on the efforts of key management and other key personnel. Loss of any of these people, particularly to competitors, could have a material adverse effect on the Combined Company's business. Further, with respect to future development of the Combined Company's projects, it may become necessary to attract both international and local personnel for such development. The marketplace for key skilled personnel is becoming more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside the Combined Company's control, including competition for human capital and the high level of technical expertise and experience required to execute this development, will affect the Combined Company's ability to employ the specific personnel required. Due to the relatively small size of the Combined Company, the failure to retain or attract a sufficient number of key skilled personnel could have a material adverse effect on the Combined Company's business, results of future operations and financial condition. The Combined Company does not intend to take out 'key person' insurance in respect of any directors, officers or other employees.

Exploration, Development and Operating 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 or even mitigate. While the discovery of a mineral-bearing structure may result in an increase in value for shareholders, few properties explored are ultimately developed into producing mines.

Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Combined Company will result in a profitable commercial mining operation. Whether a gold, silver or other precious or base metal or mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of mineralization and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted; but the combination of these factors may result in the Combined Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Combined Company towards the exploration and evaluation of silver or other minerals will result in discoveries or production of commercial quantities of gold, silver or other minerals. In addition, once in production, mineral reserves are finite and there can be no assurance that the Combined Company will be able to locate additional reserves as its existing reserves are depleted.

Early Stage Status and Nature of Exploration

While the RV Mine and the SP Mine are advance development properties, the Combined Company may also acquire in the future exploration assets and it is uncertain if further exploration will result in the determination of any mineral resource on such properties.

Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to establish mineral reserves through drilling, to develop metallurgical processes to extract the metal from the ore and in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

The exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the potential future exploration and development programs will result in profitable commercial mining operations. The profitability of operations will be, in part, directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish mineral reserves that are sufficient to support commercial mining operations and to construct, complete and install mining and processing facilities on those properties that are actually developed.

No assurance can be given that any particular level of recovery of minerals will be realized or that any potential quantities and/or grade will ever qualify as a mineral resource, or that any such mineral resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited.

Where expenditures on a property have not led to the discovery of mineral reserves, incurred expenditures will generally not be recoverable.

Restart of a Development Stage Mine and Exploration Risks

There is no assurance that any of the Combined Company's projects can be mined profitably. While both the RV Mine and the SP Mine have previous operational history, such operation history is no guarantee that the Combined Company will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Combined Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors.

Major expenditures will be required to restart operations, and there is no guarantee that such restarted operations will result in profitable commercial mining operations. The profitability of the Combined Company's operations will be, in part, directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish mineral reserves that are sufficient to support commercial mining operations and to construct, complete and install mining and processing facilities on those properties that are actually developed.

No Assurance of Titles or Boundaries

Although the Combined Company has either obtained title opinions or reviewed title for the material properties that it owns, controls or has the right to acquire by option or agreement, title to the Combined Company's properties may be challenged or impugned, and title insurance may not be available or not available at commercially reasonable rates. The Combined Company's mineral properties may be subject to prior unrecorded agreements, transfers or claims, and title may be affected by, among other things, undetected defects. The Combined Company may also experience challenges in effecting the transfer of title to certain of its mineral properties. There may be valid challenges to the title of the mineral property interests which, if successful, could impair development and/or operations. In addition, the Combined Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

The RV Mine property is comprised of patented mining claims and unpatented mining claims. Currently contemplated mining and processing activities at the RV Mine occur primarily on patented mining claims. Unpatented mining claims are unique U.S. real property interests and are generally considered to be subject to greater title risk than other real property interests, such as patented mining claims, because the validity of unpatented mining claims is subject to uncertainty. This uncertainty arises, in part, due to the complex federal and state laws and regulations with which the owner of an unpatented mining claim must comply in order to locate and maintain a valid claim. Unpatented mining claims provide the owner with possessory title, with certain rights to use the surface for mining-related purposes and to extract the minerals, subject to compliance with applicable laws and regulations, however, ultimate legal ownership of the land remains with the United States, and third parties have certain rights of use of the surface. Unpatented mining claims are always subject to possible challenges by third parties or contests by the federal government, which, if successful, would prevent exploiting any discovery of commercially extractable minerals from such claims. Challenges to title may increase costs of operation or limit the ability to explore on certain portions of the property.

Some of the lands in which the Combined Company holds an interest, or the exploration equipment and roads or other means of access which the Combined Company intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the Combined Company's work programs may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for the Combined Company.

Possible Amendments to the General Mining Law

In recent years, the U.S. Congress has considered a number of proposed amendments to the federal General Mining Law of 1872 (the "**General Mining Law**"), some of which would supplant or substantially alter the General Mining Law. The General Mining Law governs the location and maintenance of unpatented mining claims. Although no such comprehensive legislation has been adopted to date, there can be no assurance that such legislation will not be adopted in the future. If adopted, such legislation, if it includes concepts that have been part of prior legislative proposals, could, among other changes: (i) impose a federal royalty on production from unpatented mining claims; (ii) impose time limits on the effectiveness of plans of operation that may not coincide with the expected life of mine, (iii) impose more stringent environmental compliance and reclamation requirements on activities on unpatented mining claims, (iv) establish a mechanism that would allow states, localities and Native American tribes to petition for the withdrawal of identified tracts of federal land from the operation of the General Mining Law and (v) allow for administrative determinations that mining would not be allowed on unpatented mining claims in situations where undue degradation of the federal lands in question could not be prevented. If enacted, such legislation could change the cost of holding or exploiting unpatented mining claims and could adversely impact our ability to develop locatable mineral resources on our unpatented mining claims. Passage of such legislation could have an adverse impact on earnings, could reduce reserves that could be established and could curtail future exploration and development activity on our unpatented mining claims.

Governmental and Environmental Regulation

The Combined Company's properties are subject to extensive laws and regulations, which include laws and regulations governing, among other things: exploration; development; production; exports; taxes; labor standards; mining royalties; price controls; waste disposal; protection and remediation of the environment; reclamation; historic and cultural resource preservation; mine safety and occupational health; handling; storage and transportation of hazardous substances; and other matters. The costs of additional discovery, evaluating, planning, designing, developing, constructing, operating and closing the Combined Company's properties in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Combined Company would not proceed with the development of, or continue to operate, a mine.

As part of its normal course operating and development activities, the Combined Company has expended significant resources, both financial and managerial, to comply with governmental and environmental regulations and permitting requirements, and should continue to do so in the future. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from the Combined Company's operations or from operations of previous mine owners and operators for which the Combined Company may be held liable, could result in additional substantial costs and liabilities, restrictions on or suspension of the Combined Company's activities and delays in the exploration of and development of its properties.

The Combined Company is required to obtain and maintain governmental permits to develop its reserves and for expansion or advanced exploration activities at its operating and exploration properties. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous agencies. There can be no certainty that these approvals will be granted to the Combined Company in a timely manner, or free of conditions or restrictions or at all. In addition, the terms and conditions of such licenses or permits could be changed and there can be no assurances that any application to renew any existing licenses will be approved. The duration and success of each permitting effort are contingent upon many variables not within the Combined Company's control. Governmental approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. In the context of environmental protection permitting, including the approval of reclamation plans, the Combined Company must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. The failure to obtain or renew certain permits, delays in obtaining permits, or the imposition of extensive conditions upon certain permits, could have a material adverse effect on the Combined Company's business, prospects, financial position, financial condition, liquidity and/or results of operations.

The Combined Company will also have to obtain and comply with permits and licenses that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Combined Company will be able to comply with any such conditions. Future taxation of mining operators cannot be predicted with certainty so planning must be undertaken using present conditions and best estimates of any potential future changes.

Failure to comply with applicable environmental, health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Combined Company has been or will be at all times in complete compliance with such laws or permits, that compliance will not be challenged or that the costs of complying with current and future environmental, health and safety laws and permits will not materially or adversely affect the Combined Company's future cash flow, results of operations and financial condition.

Royalty or Tariff Regimes

Governments may impose new or additional royalties or taxes. These increased costs may have a material and adverse effect on revenues or profitability. The Combined Company cannot guarantee what the impact of these measures will be, or any other future measures that might be adopted by the governments, on the Combined Company's business, financial conditions and result of operations.

Reliance on a Limited Number of Properties

The only property interest of Ouray is its interest in the RV Mine. After the Effective Time, the primary material property interests of the Combined Company will be its interests in the RV Mine and the SP Mine. As a result, unless the Combined Company acquires additional property interests, any adverse developments affecting these properties could have a material adverse effect upon the Combined Company and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Combined Company. While the Combined Company may seek to acquire additional mineral properties that are consistent with its business objectives, there can be no assurance that the Combined Company will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to the Combined Company or at all. See "*Technical Information — RV Mine*" in this Schedule.

Global Financial Conditions

Recent global financial conditions have been characterized by increased volatility and access to public financing, particularly for junior mineral exploration companies, has been negatively impacted. These conditions may affect the Combined Company's ability to obtain equity or debt financing in the future on terms favourable to the Combined Company or at all. If such conditions continue, the Combined Company's operations could be negatively impacted.

Commodity Markets

The price of the Combined Company's securities, its financial results, and its access to the capital required to finance its exploration activities may in the future be adversely affected by declines in the price of precious and base metals and, in particular, the price of silver. Precious metal prices fluctuate widely and are affected by numerous factors beyond the Combined Company's control such as the sale or purchase of precious metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, and international political and economic trends, conditions and events. If these or other factors continue to adversely affect the price of silver, the market price of the Combined Company's securities may decline.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the Combined Company's control, including without limitation the supply and demand for minerals. In addition, the metals industry in general is intensely competitive and there is no assurance that, even if apparently commercial quantities and qualities of metals (such as silver) are discovered, a market will exist for their profitable sale. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Combined Company's control, including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure, the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure,

land use, import and export restrictions, exchange controls, restrictions on production, and environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability such that any adverse combination of such factors may result in the Combined Company not receiving an adequate return on invested capital or having its mineral projects be rendered uneconomic.

Insurance and Uninsured Risks

The Combined Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Combined Company's properties or the properties of others, delays in the ability to undertake exploration, monetary losses and possible legal liability.

Although the Combined Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will likely not cover all the potential risks associated with a mining Combined Company's operations. The Combined Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production may not be available to the Combined Company or to other companies in the mining industry on commercially acceptable terms. The Combined Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Combined Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Combined Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Health, Safety and Community Relations

The Combined Company's operations are subject to various health and safety laws and regulations that impose various duties on the Combined Company's operations relating to, among other things, worker safety and obligations in respect of surrounding communities. These laws and regulations also grant the relevant authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance with such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, the Combined Company's operations. The Combined Company has made, and expects to make in the future, significant expenditures to comply with the extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species, and, to the extent reasonably practicable, to create social and economic benefit in the surrounding communities near the Combined Company's mineral properties, and in particular those near the RV Mine and SP Mine.

Environmental Risks and Hazards

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Combined Company or require it to expend significant funds. There is also a risk that environmental and other Laws and regulations may become more onerous, making it more costly for the Combined Company to remain in compliance with such Laws and regulations.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Combined Company's operations. Environmental hazards may exist on the properties on which the Combined Company holds interests which are unknown to the Combined Company at present and which have been caused by previous or existing owners or operators of the properties.

The Combined Company cannot give any assurances that breaches of environmental Laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition. There is no assurance that any future changes to environmental regulation, if any, will not adversely affect the Combined Company.

Option and Joint Venture Agreements

The Combined Company may in the future enter into option agreements and/or joint ventures as a means of acquiring property interests. Any failure of any partner to meet its obligations to the Combined Company or other third parties, or any disputes with respect to third parties' respective rights and obligations, could have a material adverse effect on Ouray's rights under such agreements. Furthermore, the Combined Company may be unable to exert direct influence over strategic decisions made in respect of properties that are subject to the terms of these agreements, and the result may be a materially adverse impact on the strategic value of the underlying mineral claims.

Currency Rate Risk

The Combined Company may be subject to currency risks. The Combined Company's reporting currency is the United States dollar, which is exposed to fluctuations against other currencies. The Combined Company's primary operations are located in the United States of America, but its head office is located in Canada and certain of its expenses are paid in Canadian dollars. Should the Combined Company expand its operations into additional countries, its expenditures and obligations may be incurred in other foreign currencies. As such, the Combined Company's results of operations are, and may become increasing, subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Combined Company. The Combined Company has not undertaken to mitigate transactional volatility in the United States dollar at this time. The Combined Company may, however, enter into foreign currency forward contracts in order to match or partially offset existing currency exposures.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Combined Company's operations, financial condition and results of operations.

The RV Mine operates year-round in alpine conditions at high elevation with the associated risks of road closures, avalanches and other weather-related hazards. The RV Mine has invested significantly in winter operations preparations and avalanche mitigation planning, but there is an increased risk of potential disruptions during the winter season.

Major Shareholder

Following the Effective Date, the LRC Group will hold approximately in excess of 50% of the issued and outstanding New Aurcana Shares. As a result, the LRC Group may have the ability to influence the outcome of matters submitted to the New Aurcana Shareholders for approval, which could include the election and removal of directors, amendments to Aurcana's corporate governing documents and business combinations. Aurcana's interests and those of the LRC Group have the potential to conflict, and this conflict might be resolved against Aurcana's interests. The concentration of the majority of the issued and outstanding New Aurcana Common Shares in the hands of a single shareholder may discourage an unsolicited bid for the New Aurcana Common Shares, and this may adversely impact the value of the New Aurcana Shares. Additionally, pursuant to the Arrangement Agreement and the terms and conditions of the Investor Rights Agreement, LRC Group shall be entitled to nominate three (3) directors to the New Aurcana Board, which are expected initially to be Elliot Rothstein, David Kaplan, and Michael Gross, and Mr. Gross shall be an independent director. Orion shall be entitled to nominate (1) director to the New Aurcana Board, which is expected initially to be José Manuel Bórquez, and Aurcana shall be entitled to nominate (1) director to the New Aurcana Board, which is expected initially to be Kevin Drover. In addition, under the Investors Rights Agreement, LRC Group will be granted certain customary anti-dilution rights to enable it to maintain its ownership in the Combined Company in connection with any subsequent public offerings or private placements of the Combined Company. See also in this Schedule, "*Risk Factors – Future Sales of New Aurcana Shares by Major Shareholder*".

Competitive Industry Environment

The mining industry is highly competitive in all of its phases, both domestically and internationally. The Combined Company's ability to acquire properties and develop mineral reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration, of which there is a limited supply. The Combined Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Combined Company. The Combined Company

may also encounter competition from other mining companies in its efforts to hire experienced mining professionals. Competition could adversely affect the Combined Company's ability to attract necessary funding or acquire suitable producing properties or prospects for mineral exploration in the future. Competition for services and equipment could result in delays if such services or equipment cannot be obtained in a timely manner due to inadequate availability, and could also cause scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project development, exploration or construction costs and result in project delays. See above in this Schedule, "*Description of Business - Competitive Conditions*".

In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Combined Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural-resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Combined Company receiving reduced royalty payments or not receiving any future royalty payments.

Additional Capital

The Combined Company plans to focus initially on advancing the RV Mine toward a restart of production, but the Combined Company also intends to subsequently restart operations at the SP Mine and may also explore for additional minerals at the RV Mine and will likely explore for additional minerals at the SP Mine. However, the development and exploration of the Combined Company's properties may require substantial additional financing. Further exploration and development of the RV Mine and the SP Mine may be dependent upon its ability to obtain financing through equity or debt, and there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Combined Company's projects.

Acquisitions and Integration

From time to time, the Combined Company may examine opportunities to acquire additional exploration and/or mining assets and businesses. Any acquisition that the Combined Company may choose to complete may be of a significant size, may change the scale of the Combined Company's business and operations, and/or may expose the Combined Company to new geographic, political, operating, financial and geological risks. The Combined Company's success in its acquisition activities depends upon its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Combined Company. Any acquisitions would be accompanied by risks. In the event that the Combined Company chooses to raise debt capital to finance any such acquisitions, the Combined Company's leverage will be increased. If the Combined Company chooses to use equity as consideration for such acquisitions, existing shareholders may suffer dilution. Alternatively, the Combined Company may choose to finance any such acquisitions with its existing resources. There can be no assurance that the Combined Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Equity Dilution

The Combined Company will require additional monies to fund the restart of operations at the RV Mine and the SP Mine and potential acquisitions. Management cannot predict the size of future issuances of New Aurcana Shares or the issuance of debt instruments or other securities convertible into New Aurcana Shares. Likewise, Management cannot predict the effect, if any, that future issuances and sales of Aurcana's securities will have on the market price of the New Aurcana Shares. If Aurcana raises additional funds by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial numbers of New Aurcana Shares, or the availability of such New Aurcana Shares for sale, could adversely affect prevailing market prices for Aurcana's securities.

Use of Leverage

The Combined Company may choose to utilize debt financing that includes providing security over the Combined Company's assets and/or corporate guarantees. If such financing is utilized, there is a risk that the Combined Company may not be able to satisfy the repayment and other conditions associated with such debt financing and in such case the Combined Company may be at risk to losing control of its underlying assets or may face bankruptcy.

Future Sales of New Aurcana Shares by Major Shareholder

Sales of a large number of New Aurcana Shares in the public markets, or the potential for such sales, could decrease the trading price of the New Aurcana Shares and could impair Aurcana's ability to raise capital through future sales of New Aurcana Shares. In particular, after the completion of the Arrangement, the LRC Group will own a majority of the issued and outstanding New Aurcana Shares. If the LRC Group decides to liquidate all or a significant portion of its position, it could adversely affect the price of New Aurcana Shares. See also in this Schedule, "*Risk Factors – Major Shareholder*".

Risk of Litigation

The Combined Company may become involved in disputes with other parties in the future which may result in litigation. The results of litigation cannot be predicted with certainty. If the Combined Company is unable to resolve these disputes favorably, it may have a material adverse impact on the ability of the Combined Company to carry out its business plan.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Ouray has a limited history of operations and while it believes its controls are suitable it has not had any independent assessment as to the effectiveness of its internal controls other than through the financial audit process in the ordinary course of business. Though Ouray intends to grow its internal controls as it ramps up development and commences production activities, the controls currently in place are largely focused on an operation in care and maintenance. The Combined Company believes its internal control systems are adequate, however there remains risks with respect to integration of these systems and the future development of the Combined Company as it seeks to add production.

Conflicts of Interest

Certain of the directors and officers of the Combined Company also serve as directors and/or officers of other companies involved in natural 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 any of such directors and officers involving the Combined Company should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Combined Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British Columbia) and other applicable laws.

Interest Rate Risk

The Combined Company's interest rate risk related to interest-bearing debt obligations is currently not material as the Combined Company has no outstanding interest paying or accruing debt as of the date of the Circular, but the Combined Company may become subject to such risks in the future.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, derivative financial instruments and amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Combined Company's objective in managing liquidity risk will be to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable and it is not currently known precisely when the Combined Company will require external financing in future periods.

Share Price Fluctuations

In recent years, securities markets have experienced a high level of price and volume volatility. The securities of many companies, particularly relatively smaller mining companies such as the Combined Company, have experienced wide fluctuations in market prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that the price of the Combined Company's common shares will be unaffected by any such volatility. The market price of the shares of mineral resource companies is also significantly affected by short-term changes in commodity prices, precious and base metal prices or other mineral prices, and the political environment in Canada and the Province of British Columbia.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

Since Ouray's incorporation, no director, executive officer, or Ouray Shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Ouray Shares, or any known associates or affiliates or such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect Ouray other than Ouray in connection with the entering into of the Arrangement Agreement (see in the Circular, "*Arrangement Agreement*"). See also in this Schedule, "*Material Contracts*" below.

MATERIAL CONTRACTS

The only material contracts entered into by Ouray, other than in the ordinary course of business, since the date of incorporation of Ouray or to be entered into in connection with the Arrangement are as follows:

1. the PFA; and
2. the Arrangement Agreement.

A copy of the Arrangement Agreement may be inspected by Ouray Shareholders at the registered office of Ouray at 1900 Main Street, Unit 1, Ouray, Colorado, 81427 United States during normal business hours prior to the Meeting, or at the Meeting. It can also be accessed under Aurcana's profile on SEDAR at www.sedar.com.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Combined Company are expected to be MNP LLP, Chartered Professional Accountants. The registrar and transfer agent of the Combined Company is expected to be TSX Trust Company at its principal office in the city of Toronto, Ontario.

LEGAL MATTERS

There are no legal proceedings or regulatory actions involving Ouray or its properties as at the date of the Circular, and Ouray knows of no such proceedings or actions currently contemplated.

INTERESTS OF EXPERTS

The 2018 FS was prepared by SRK and reviewed by Ms. Joanna Poeck, P. Eng, Principal Consultant for SRK, was prepared in accordance with NI 43-101 and is the technical report from which certain technical information relating to Ouray's mineral projects on a property material to Ouray contained in this Schedule has been derived.

Each of the persons named above is a "Qualified Person" as defined in NI 43-101, and has been responsible for preparing the technical reports referred to in this Schedule.

To the best knowledge of Ouray and Aurcana, none of the aforementioned persons hold any securities of Ouray or of any associate or affiliate of Ouray or held any such securities when they prepared the reports referred to above or following the preparation of such reports nor did they receive any direct or indirect interest in any securities of Ouray or of any associate or Affiliate of Ouray in connection with the preparation of such reports.

None of the aforementioned persons has a direct or indirect interest in Ouray, any of its associates or affiliates or in the RV Mine or are currently expected to be elected, appointed or employed as a director, officer or employee of Ouray or of any associate or affiliate of Ouray.

As of the date of the Circular, EisnerAmper LLP, Ouray's auditors, has confirmed that it is independent of Ouray within the meaning of the Rules of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings.

Certain legal matters relating to the Arrangement are to be passed upon Stikeman Elliott LLP on behalf of Ouray. Based on security holdings as of the date of the Circular, the partners and associates of Stikeman Elliott LLP will hold less than 1% of the New Aurcana Shares on the Effective Date.

Other than as described above, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Ouray or of any associate or affiliate of Ouray.

APPENDIX I
AUDITED FINANCIAL STATEMENTS OF OURAY SILVER MINES, INC. FOR THE FISCAL YEARS ENDING
DECEMBER 31, 2017, DECEMBER 31, 2016 AND DECEMBER 31, 2015

EISNERAMPER

OURAY SILVER MINES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016



OURAY SILVER MINES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Ouray Silver Mines, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ouray Silver Mines, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in shareholders' deficiency, and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ouray Silver Mines, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B to the financial statements, the Company has incurred a net loss and utilized cash in operating activities for the year ended December 31, 2017 and as of December 31, 2017, has a shareholders' deficiency.



These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
June 28, 2018



OURAY SILVER MINES, INC.

Balance Sheets

	December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash	\$ 151,466	\$ 164,269
Prepaid expenses	325,333	616,249
Other receivable	<u>35,500</u>	<u>20,134</u>
	512,299	800,652
Non-current assets:		
Property, plant, equipment and mineral interests, net	41,367,054	41,886,819
Restricted assets	482,903	484,796
Other assets	<u>218,894</u>	<u>218,894</u>
Total assets	<u>\$ 42,581,150</u>	<u>\$ 43,391,161</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 807,368	\$ 803,935
Capital lease obligations, current portion	<u>-</u>	<u>28,640</u>
	807,368	832,575
Non-current liabilities:		
Asset retirement obligations	196,063	179,463
Metal prepay and working capital facilities - related party	50,783,841	50,675,763
Interest payable in commodities	<u>29,238,224</u>	<u>14,773,136</u>
Total liabilities	<u>81,025,496</u>	<u>66,460,937</u>
Shareholders' deficiency:		
Preferred stock, no par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, no par value, 2,000,000 shares authorized, 139,409 shares issued and outstanding	-	-
Additional paid-in capital	45,212,179	39,329,179
Accumulated deficit	<u>(83,656,525)</u>	<u>(62,398,955)</u>
Total shareholders' deficiency	<u>(38,444,346)</u>	<u>(23,069,776)</u>
Total liabilities and shareholders' deficiency	<u>\$ 42,581,150</u>	<u>\$ 43,391,161</u>

See notes to financial statements

OURAY SILVER MINES, INC.**Statements of Operations**

	Year Ended December 31,	
	2017	2016
Revenue	\$ -	\$ -
Costs and expenses:		
General and administrative expense	5,089,732	5,284,277
Provision for environmental matters and asset retirement obligation	16,600	15,195
Loss on sale of fixed assets	57,856	146,050
Depreciation and amortization	<u>1,642,971</u>	<u>1,614,142</u>
Total costs and expenses	<u>6,807,159</u>	<u>7,059,664</u>
Operating loss	<u>(6,807,159)</u>	<u>(7,059,664)</u>
Other income (expenses):		
Other income	25,000	-
Interest expense	<u>(14,475,411)</u>	<u>(10,952,822)</u>
Total other expenses, net	<u>(14,450,411)</u>	<u>(10,952,822)</u>
Net loss	<u>\$ (21,257,570)</u>	<u>\$ (18,012,486)</u>

OURAY SILVER MINES, INC.

Statements of Changes in Shareholders' Deficiency

	<u>Common Shares</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Shareholders' Deficiency</u>
	<u>Shares</u>	<u>Amount</u>			
Balance - December 31, 2015	139,409	\$ -	\$ 31,924,179	\$ (44,386,469)	\$ (12,462,290)
Capital contributions	-	-	7,405,000	-	7,405,000
Net loss	-	-	-	(18,012,486)	(18,012,486)
Balance - December 31, 2016	139,409	-	39,329,179	(62,398,955)	(23,069,776)
Capital contributions	-	-	5,883,000	-	5,883,000
Net loss	-	-	-	(21,257,570)	(21,257,570)
Balance - December 31, 2017	<u>139,409</u>	<u>\$ -</u>	<u>\$ 45,212,179</u>	<u>\$ (83,656,525)</u>	<u>\$ (38,444,346)</u>

OURAY SILVER MINES, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (21,257,570)	\$ (18,012,486)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,642,971	1,614,142
Accretion of assets retirement obligation	16,600	15,195
Loss on sale of fixed assets	55,412	146,050
Non-cash interest payable in commodities	14,465,088	10,938,843
Changes in operating assets:		
Other receivable	(15,366)	18,368
Inventory	-	19,175
Prepaid expenses and other assets	290,916	(43,244)
Accounts payable and accrued expenses	3,433	(309,377)
Net cash used in operating activities	<u>(4,798,516)</u>	<u>(5,613,334)</u>
Cash flows from investing activities:		
Investment in restricted assets	1,893	(12,636)
Proceeds from sale of fixed assets	142,617	104,116
Purchase of fixed assets	<u>(1,213,157)</u>	<u>(1,643,000)</u>
Net cash used in investing activities	<u>(1,068,647)</u>	<u>(1,551,520)</u>
Cash flows from financing activities:		
Repayment of long-term debt and capital leases	(28,640)	(318,816)
Capital contributions	<u>5,883,000</u>	<u>7,405,000</u>
Net cash provided by financing activities	<u>5,854,360</u>	<u>7,086,184</u>
Net decrease in cash	(12,803)	(78,670)
Cash at beginning of year	<u>164,269</u>	<u>242,939</u>
Cash at end of year	\$ <u>151,466</u>	\$ <u>164,269</u>
Supplemental disclosure of noncash financing activities:		
Capital lease paid by return of equipment	\$ -	\$ 141,571

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE A - THE COMPANY

Ouray Silver Mines, Inc. (the "Company") was organized under the laws of the State of Colorado on April 19, 2014. The Company owns a mine and mill operation located in the San Juan Mountains near Ouray, Colorado (the "Mine"). The primary product of the Mine is a metal concentrate comprised of silver, gold, lead, and zinc.

In 2014, the Company was established by Fortune Minerals Limited ("Fortune") and acquired the Mine assets from an unrelated party. The Company received financing from LRC-FRSM, LLC ("LRC-FRSM") to acquire the assets and develop the mine. Fortune Minerals was the guarantor on the financing agreement. The Company and Fortune defaulted on the terms of the financing agreement, and on July 17, 2015, Fortune and LRC-FRSM entered into a master restructuring agreement ("MRA"). As part of the MRA, Fortune transferred ownership of the Company to LRC-FRSM II, LLC, an affiliate of LRC-FRSM. After the closing of the MRA, on July 22, 2015, the Company changed its name from Fortune Revenue Silver Mine, Inc. to Ouray Silver Mines Inc. These financial statements are prepared on a historical cost basis and do not reflect the accounting effects of the change in ownership that occurred during 2015.

In August 2015, the Company transitioned from operating the Mine to care and maintenance of the Mine. This transition suspended mine and mill operations and included a major reduction in workforce. During care and maintenance, management engaged technical consulting companies to evaluate and assess the Mine in order to obtain a technical understanding of the Mine's resources and potential. In 2017, the Company completed its Feasibility Study demonstrating an economic restart of production at the Mine is possible, and is currently seeking financing sources to restart production. While seeking this financing, the Company continues care and maintenance to keep the Mine, including all permits, on a production ready status.

NOTE B - LIQUIDITY AND BASIS OF PRESENTATION

The Company has incurred recurring losses from operations and used cash in operating activities while in the process of developing the Mine. For the years ended December 31, 2017 and 2016, the Company's net loss was \$21,058,570 and \$18,012,486, respectively, and cash used in operating activities was \$4,798,516 and \$5,613,334, respectively. At December 31, 2017, the Company has a shareholders' deficiency of \$38,245,346. See also Note F for discussion of Company's debt obligations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Based on the Company's current cash usage expectation for 2018, it believes it will have sufficient liquidity to fund its operations for at least the next 12 months only if it successfully raises additional financing from LRC-FRSM II, LLC or another third party. However, the Company can provide no assurances that these initiatives will succeed. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities as a result of this uncertainty.

In 2018, LRC-FRSM II, LLC contributed additional capital of \$1,935,000. See Note I Subsequent Events.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Use of estimates:

The Company's financial statements have been prepared in accordance with United States generally accepted accounting principles. The preparation of the Company's financial statements requires it to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Use of estimates: (continued)

The more significant areas requiring the use of management estimates and assumptions relate to impairment of long-lived assets and metal prices as they relate to long-term liabilities.

The Company bases its estimates on technical guidance from outside consultants and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results could differ from the amounts estimated in these financial statements.

[2] Revenue recognition:

Revenue is recognized, net of direct selling costs, when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain, and collection is probable. The Company had no revenue in 2017 or in 2016.

[3] Cash and cash equivalents:

Cash and cash equivalents include all highly-liquid investments with an original maturity of three months or less. The Company minimizes its credit risk by investing its cash and cash equivalents with major U.S. banks and financial institutions located principally in the United States. The Company's management believes that no concentration of credit risk exists with respect to the investment of its cash and cash equivalents.

[4] Accounts receivable and other receivables:

Accounts receivable and other receivable balances are reported at outstanding principal amounts, net of an allowance for doubtful accounts, if deemed necessary. Management evaluates the collectability of receivable balances to determine the allowance, if any. Management considers the other party's credit risk and financial condition, as well as current and projected economic and market conditions, in determining the amount of the allowance. Receivable balances are written off when management determines that the balance is uncollectible.

As of December 31, 2017 and 2016, there are no accounts receivable and no allowance for doubtful accounts.

[5] Property, plant and equipment:

Expenditures for new facilities, assets acquired pursuant to capital leases and new assets or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities, lease term, or the useful life of the individual assets. Productive lives are 39 years for buildings and improvements and 3 to 7 years for machinery and equipment, but do not exceed the useful life of the individual asset.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Mineral interests:

Costs are capitalized when it has been determined an ore body can be economically developed. The development stage begins when the decision is made to bring a mine into commercial production, and ends when the production stage or exploitation of reserves begins. Expenditures incurred during the development and production stages for new assets, new facilities, alterations to existing facilities that extend the useful lives of those facilities, and major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, shaft sinking, lateral development, drift development, ramps and infrastructure developments. Costs to improve, alter, or rehabilitate primary development assets, which appreciably extend the life, increase capacity, or improve the efficiency of such assets, are also capitalized. During 2017 and 2016, the Company capitalized \$923,715 and \$1,390,586, respectively in developmental costs, included in property, plant, equipment and mineral interests.

Costs for exploration, pre-development, secondary development at operating mines, and maintenance and repairs on capitalized property, plant and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out (a) in search of previously unidentified mineral deposits, and (b) where a determination remains pending as to whether new target deposits outside of the existing reserve areas can be economically developed. Pre-development activities involve costs incurred prior to the development stage that may ultimately benefit production, such as underground ramp development, which are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. During 2017 and 2016, the Company did not have any expenses in pre-development, reclamation and other costs.

[7] Depreciation, depletion and amortization:

Capitalized costs are depreciated or depleted using the straight-line method or unit-of-production method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Determination of expected useful lives for amortization calculations are made on a property-by-property or asset-by-asset basis at least annually. Our estimates for reserves, mineralized material, and other resources are a key component in determining our units of production depletion rates. Our estimates of proven and probable ore reserves, mineralized material, and other resources may change, possibly in the near term, resulting in changes to depreciation, depletion and amortization rates in future reporting periods. The Company is currently not depleting its mineral interests as production has not recommenced.

[8] Impairment of long-lived assets:

Management reviews and evaluates the net carrying values of all facilities, including idle facilities, for impairment upon the occurrence of other events or changes in circumstances that indicate that the related carrying amounts may not be recoverable. We estimate the net realizable value of each property is based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment, and the values associated with property interests.

Although management makes a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon estimates of metals to be recovered from proven and probable ore reserves and identified mineralization and other resources beyond proven and probable reserves, future production and capital costs and estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining Mine's life.

It is reasonably possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties. If undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized. There is no impairment in 2017 or in 2016.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Restricted assets:

The Company, under the terms of its bonding agreements with certain regulatory agencies, is required to collateralize certain portions of its obligations. The Company has collateralized these obligations by assigning bonds that have maturity dates ranging from two months to ten months at December 31, 2017, to the respective agencies. At December 31, 2017 and 2016, the Company held bonds under these agreements of \$482,903 and \$484,796, respectively. The ultimate timing of the release of the collateralized amounts is dependent on the timing and closure of each Mine lease. In order to release the collateral, the Company must seek approval from government agencies responsible for monitoring the Mine closure status. Collateral could also be released to the extent the Company is able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company expects that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

[10] Reclamation and environmental matters:

The Company recognizes obligations for the expected future retirement of tangible long-lived assets and other associated asset retirement costs. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in pre-development, reclamation, and other costs on the accompanying statements of operations. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced. Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the discounted costs expected to be incurred at the site. Such cost estimates include, where applicable, ongoing care and maintenance and monitoring costs. Changes in estimates are reflected prospectively in the period each estimate is revised. At December 31, 2017 and 2016, the Company has recorded an estimate for its future asset retirement obligations in the amount of \$196,063 and \$179,463, respectively. See Note E - Asset Retirement Obligations.

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generation are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These amounts also reflect prior experience in remediating contaminated sites, other companies' clean-up experiences, and data released by the Environmental Protection Agency or other organizations.

Such estimates are, by their nature, imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. Recoveries are evaluated separately from the liability and, when recovery is assured, the Company records and reports an asset separately from the associated liability.

Based upon management's current assessment of its environmental responsibilities, it does not believe that any environmental reclamation or remediation liability exists at December 31, 2017.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Income taxes:

The Company uses an asset and liability approach, which results in the recognition of deferred tax assets and liabilities for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A full valuation allowance has been provided for the Company's net deferred tax assets as it is more likely than not that they will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. There are no uncertain tax positions at December 31, 2017 and 2016. Interest and penalties related to uncertain tax positions if any are recorded as part of the income tax provision.

[12] Loss contingencies:

Estimated losses from loss contingencies are accrued by a charge to operations when information available prior to issuance of the financial statements indicates that it is probable that a liability could be incurred and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

[13] Comparative information:

The Company has reclassified certain prior year information to conform to the current year's presentation.

[14] Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 with early adoption permitted. Under ASU 2016-02, lessees will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE D - PROPERTY, PLANT, EQUIPMENT AND MINERAL INTERESTS

The details of property and equipment and related accumulated depreciation are set forth below:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Mineral interests	\$ 30,914,474	\$ 29,982,054
Facilities and equipment	14,164,616	14,215,168
Furniture and fixtures	402,402	402,402
Vehicles	<u>153,268</u>	<u>145,708</u>
	45,634,760	44,745,332
Less accumulated depreciation	<u>4,267,706</u>	<u>2,858,513</u>
Total	<u>\$ 41,367,054</u>	<u>\$ 41,886,819</u>

Depreciation expense for the year ended December 31, 2017 and 2016 was \$1,534,891 and \$1,506,064, respectively.

For the year ended December 31, 2017, the Company recorded a \$55,412 loss on sales of fixed assets.

Mineral interests as of December 31, 2017 consist of the following:

Mining development	\$ 3,559,468
Mineral interests	<u>27,355,006</u>
Total	<u>\$ 30,914,474</u>

The Company's mineral interests consist of the Mine, acquired by the Company in 2014, under which the Company owns all production and reserves. There was no depletion expense during 2017 and 2016 due to the lack of production.

NOTE E - ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are based principally on legal and regulatory requirements. Management estimates the costs associated with the reclamation of mining properties. The Company uses assumptions about future costs, mineral prices, mineral processing recovery rates, production levels, capital costs, and reclamation costs. On an ongoing basis, management evaluates its estimates and assumptions, and future expenditures could differ from current estimates.

Changes to the Company's asset retirement obligations for operating sites are as follows:

Asset retirement obligation at January 1, 2015	\$ 164,268
Accretion	<u>15,195</u>
Asset retirement obligation at December 31, 2016	179,463
Accretion	<u>16,600</u>
Asset retirement obligation at December 31, 2017	<u>\$ 196,063</u>

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE F - METAL PREPAY AND WORKING CAPITAL FACILITIES - RELATED PARTY

In 2014, the Company entered into a Senior Secured Metal Prepay Agreement ("Metal Prepay") with LRC-FRSM which has been modified by the Amended and Restated Senior Secured Metal Prepay Agreement dated March 25, 2018 ("Amended Metal Prepay") in the amount detailed below and payable in repayment units of physical metal as defined by an agreed-upon-delivery schedule plus interest on advances outstanding at a rate of 9.25% per annum.

The Company's current obligations as of December 31, 2017 under the Amended Metal Prepay are deliveries of repayment units of the Metal Prepay as follows:

- 1) Delivery of specific volume of metal repayment units as follows:

<u>Gold (oz)</u>	<u>Silver (oz)</u>	<u>Lead (ton)</u>
3,400	636,000	2,550

- 2) Delivery of 3,115,894 Silver Equivalent Repayment Units ("SERU"), whereby repayment of SERU can be made in cash in satisfaction for delivery units.

The First Amendment to the Amended Metal Prepay (the "First Amendment", executed August 31, 2015) provided for the accrual and deferral of (a) any and all Shortfall Payments pursuant to the Amended Metal Prepay, (b) Cash Interest pursuant the Amended Metal Prepay, and (c) all other payments pursuant the Amended Metal Prepay until such time as elected by the Seller. Through December 31, 2017, the Company continues to accrue the above stated delivery obligations under the Amended Metal Prepay.

Through the end of 2017 (i) a late fee of 1.25% will be assessed in units per month for any deliveries that are not made, and (ii) interest is charged on the Metal Prepay at 9.25% per annum. (See Note I, Subsequent Events.)

Under the Working Capital Facility, the Company is obligated to deliver 3,115,894 SERU. Through the end of 2017, interest of 15% per annum is accrued on outstanding SERU payable in additional SERU.

The details of loan payable are set forth follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Metal prepay and working capital facilities-related party	\$ 51,000,000	\$ 51,000,000
Less debt issuance cost (net of amortization)	<u>(216,159)</u>	<u>(324,237)</u>
Metal prepay and working capital facilities-related party	<u>\$ 50,783,841</u>	<u>\$ 50,675,763</u>
Interest payable in commodities	<u>\$ 29,238,224</u>	<u>\$ 14,773,136</u>

As of December 31, 2017 and 2016, the estimated fair value of the facilities including interest payable was approximately \$100,804,547 and \$79,880,826, respectively. Fair value was primarily determined based on metal ounces to be delivered at December 31, 2017 market price.

Interest expense for the years ended December 31, 2017 and 2016 associated with the facilities was \$14,465,086 and \$10,938,843, respectively.

Through December 31, 2017, the Company continues to accrue interest and penalty interest obligations under the Amended Metal Prepay. The Company may continue to defer payment of these obligations at its election. (See Note I, Subsequent Events.)

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2017 and 2016

NOTE G - DEFERRED INCOME TAXES AND VALUATION ALLOWANCE

As of December 31, 2017, the Company has a net operating loss ("NOL") of approximately \$12,463,000. The NOL expires in the tax year 2037 and may be subject to limitation upon certain ownership changes should they occur in the future. Additionally, the Company has temporary tax differences, which along with the NOL, resulted in deferred tax assets. The total deferred tax assets at December 31, 2017 and 2016 are approximately \$12,295,000 and \$10,600,000, respectively.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of this evaluation, as of December 31, 2017 and 2016, a full valuation allowance of \$12,295,000 and \$10,600,000, respectively, has been recorded resulting in no deferred tax assets on the balance sheets. The amount of the deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased or if objective evidence in the form of cumulative losses is no longer present, and additional weight may be given to subjective evidence such as our projections for growth.

The Tax Cuts and Jobs Act (the "Tax Act") enacted on December 22, 2017, reduces the U.S corporate rate from 34% to 21% beginning in 2018. The Company remeasured its deferred tax assets based on the rates at which they are expected to reverse in the future, which is 21%. As a result, the Company decreased its deferred tax assets by approximately \$6,182,000 with a corresponding decrease to the valuation allowance for the year ended December 31, 2017.

The Company's effective income tax rate differs from the U.S. statutory federal income tax rate primarily due to the change in valuation allowance and the effect of re-measuring the deferred tax balances due to the change in U.S. federal rate from 34% to 21% as a result of the Tax Act.

NOTE H - COMMITMENTS AND CONTINGENCIES

[1] Capital leases:

At December 31, 2016, the Company had capital leases requiring payments including interest of \$31,081.

[2] Operating lease:

The Company maintains an office in Ouray, Colorado. A two-year lease agreement was entered into on January 1, 2017 for \$99,660 per annum that expires on December 31, 2018.

Rent expense for each of the years ended December 31, 2017 and 2016 was \$99,660.

NOTE I - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 28, 2018, the date that these financial statements were available to be issued and during that period identified the following material subsequent events:

LRC-FRSM II LLC contributed additional capital of \$1,935,000 to the Company.

On March 25, 2018 the Second Amendment to the Amended Metal Prepay (the "Second Amendment") (see Note F) was entered into by the Company and LRC-FRSM LLC. The Second Amendment eliminates past and future accruals of (a) any and all Shortfall Payments pursuant to the Amended Metal Prepay, (b) Cash Interest pursuant to the Amended Metal Prepay, and (c) all other payments pursuant to the Amended Metal Prepay.



OURAY SILVER MINES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

OURAY SILVER MINES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Ouray Silver Mines, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ouray Silver Mines, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, changes in stockholders' deficiency, and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ouray Silver Mines, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B to the financial statements, the Company has incurred a net loss and utilized cash in operating activities for the year ended December 31, 2016 and as of December 31, 2016, has a shareholders' deficiency. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

EisnerAmper LLP

New York, New York
October 3, 2017

OURAY SILVER MINES, INC.

Balance Sheets

	December 31,	
	2016	2015
ASSETS		
Current assets:		
Cash	\$ 164,269	\$ 242,939
Accounts receivable	-	18,368
Inventories	142,382	161,557
Prepaid expenses	616,249	123,344
Other receivable	20,134	-
	<u>943,034</u>	546,208
Non-current assets:		
Property, plant, equipment and mineral interests, net	41,744,437	41,999,236
Restricted assets	484,796	472,160
Other assets	218,894	216,969
	<u>43,391,161</u>	<u>43,234,573</u>
Total assets	<u>\$ 43,391,161</u>	<u>\$ 43,234,573</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 803,935	\$ 641,588
Capital lease obligations, current portion	28,640	460,387
	<u>832,575</u>	1,101,975
Non-current liabilities:		
Asset retirement obligations	179,463	164,268
Capital lease obligation, non-current portion	-	28,640
Metal prepay and working capital facilities - related party	50,675,763	50,567,685
Interest payable in commodities	14,773,136	3,834,295
	<u>66,460,937</u>	<u>55,696,863</u>
Total liabilities	<u>66,460,937</u>	<u>55,696,863</u>
Shareholders' deficiency:		
Preferred stock, no par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, no par value, 2,000,000 shares authorized, 130,409 shares issued and outstanding	-	-
Additional paid-in capital	39,329,179	31,924,179
Accumulated deficit	(62,398,955)	(44,386,469)
	<u>(23,069,776)</u>	<u>(12,462,290)</u>
Total shareholders' deficiency	<u>(23,069,776)</u>	<u>(12,462,290)</u>
Total liabilities and shareholders' deficiency	<u>\$ 43,391,161</u>	<u>\$ 43,234,573</u>

OURAY SILVER MINES, INC.**Statements of Operations**

	Year Ended December 31,	
	2016	2015
Revenue	\$ -	\$ 1,187,824
Costs and expenses:		
Direct production costs	-	9,835,291
Pre-development, reclamation, and other	-	3,453,063
General and administrative expense	5,284,277	7,182,249
Provision for environmental matters and asset retirement obligation	15,195	13,908
Loss on sale of fixed assets	146,050	29,207
Depreciation and amortization	1,614,142	1,268,634
Total costs and expenses	7,059,664	21,782,352
Operating loss	(7,059,664)	(20,594,528)
Other income (expenses):		
Other expenses, net	-	(235,808)
Interest expense	(10,952,822)	(3,937,210)
Total other expenses, net	(10,952,822)	(4,173,018)
Net loss	\$ (18,012,486)	\$ (24,767,546)

OURAY SILVER MINES, INC.

Statements of Changes in Shareholders' Deficiency

	Common Shares		Additional	Accumulated	Shareholders'
	Shares	Amount	Paid-in Capital	Deficit	Deficiency
Balance - December 31, 2014	139,409	\$ -	\$ 5,235,550	\$ (19,618,923)	\$ (14,383,373)
Capital contributions	-	-	26,688,629	-	26,688,629
Net loss	-	-	-	(24,767,546)	(24,767,546)
Balance - December 31, 2015	139,409	-	31,924,179	(44,386,469)	(12,462,290)
Capital contributions	-	-	7,405,000	-	7,405,000
Net loss	-	-	-	(18,012,486)	(18,012,486)
Balance - December 31, 2016	<u>139,409</u>	<u>\$ -</u>	<u>\$ 39,329,179</u>	<u>\$ (62,398,955)</u>	<u>\$ (23,069,776)</u>

OURAY SILVER MINES, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (18,012,486)	\$ (24,767,546)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,614,142	1,268,634
Accretion of asset retirement obligation	15,195	13,908
Loss on sale of fixed assets	146,050	29,207
Accrued interest	10,938,843	3,834,295
Changes in operating assets:		
Accounts receivables	18,368	(458)
Inventory	19,175	(161,557)
Prepaid expenses and other assets	(43,244)	214,038
Accounts payable and accruals	<u>(309,377)</u>	<u>(2,447,328)</u>
Net cash used in operating activities	<u>(5,613,334)</u>	<u>(22,016,807)</u>
Cash flows from investing activities:		
Investment in restricted assets	(12,636)	(133,907)
Proceeds from sale of fixed assets	104,116	25,350
Purchase of fixed assets	<u>(1,643,000)</u>	<u>(3,992,877)</u>
Net cash used in investing activities	<u>(1,551,520)</u>	<u>(4,101,434)</u>
Cash flows from financing activities:		
Repayment of long-term debt and capital leases	(318,816)	(2,061,236)
Proceeds from long-term debt	-	9,000,000
Capital contributions	<u>7,405,000</u>	<u>15,009,303</u>
Net cash provided by financing activities	<u>7,086,184</u>	<u>21,948,067</u>
Net decrease in cash	(78,670)	(4,170,174)
Cash at beginning of year	<u>242,939</u>	<u>4,413,113</u>
Cash at end of year	\$ <u>164,269</u>	\$ <u>242,939</u>
Supplemental disclosures of noncash financing activities:		
Contribution of payable by Fortune Minerals Limited	\$ -	\$ 11,679,326
Capital lease paid by return of equipment	\$ 141,571	\$ -

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE A - THE COMPANY

Ouray Silver Mines, Inc. (the "Company") was organized under the laws of the State of Colorado on April 19, 2014. The Company is a mine and mill operation located in the San Juan Mountains near Ouray, Colorado. The primary product of the Company is a metal concentrate comprised of silver, gold, lead, and zinc.

In 2014, the Company was established by Fortune Minerals Limited ("Fortune Minerals") and acquired the mine assets from an unrelated party. The Company received financing from LRC-FRSM, LLC ("LRC-FRSM") to acquire the assets and develop the mine. Fortune Minerals was the guarantor on the financing agreement. The Company and Fortune Minerals defaulted on the terms of the financing agreement, and on July 17, 2015, Fortune Minerals and LRC-FRSM entered into a master restructuring agreement. As part of the agreement, Fortune transferred ownership of the Company to LRC-FRSM II, LLC, an affiliate of LRC-FRSM and an entity 100% owned by Lascaux Resource Capital Fund, LP. On July 22, 2015, the Company changed its name from Fortune Revenue Silver Mine, Inc. to Ouray Silver Mines Inc. after the completion of the debt restructuring between Fortune and LRC-FRSM. These financial statements are prepared on a historical cost basis and do not reflect the accounting effects of the change in ownership that occurred during 2015.

In August 2015, the Company transitioned from operating to care and maintenance. This transition suspended mine and mill operations and included a major reduction in workforce. During care and maintenance, management engaged technical consulting companies to evaluate and assess the mine in order to obtain a technical understanding of the mine's resources and potential. In 2017, the Company hired an independent consulting firm who completed a feasibility study demonstrating to the Company that an economic restart of the mine is possible, and as such the Company is currently seeking financing sources.

NOTE B - LIQUIDITY AND BASIS OF PRESENTATION

The Company has incurred recurring losses from operations and used cash in operating activities while in the process of developing the mine. For the years ended December 31, 2016 and 2015, the Company's net loss was \$18,012,486 and \$24,767,546, respectively, and cash used in operating activities was \$5,613,334 and \$22,016,807, respectively. At December 31, 2016, the Company has shareholders' deficiency of \$23,069,776. See also Note G for discussion of Company's debt obligations. The Company's current resources are not sufficient to fund its operations for the next 12 months. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Based on the Company's current cash usage expectation for 2017, the Company believes it will have sufficient liquidity to fund its operations for at least the next 12 months only if it successfully raises additional financing from LRC-FRSM II, LLC or another third party. However, the Company can provide no assurances that these initiatives will succeed. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities as a result of this uncertainty.

In 2017, LRC-FRSM II, LLC contributed additional capital of \$4,720,000.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Use of estimates:

The Company's financial statements have been prepared in accordance with United States generally accepted accounting principles. The preparation of the Company's financial statements requires it to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to impairment of long-lived assets and metal prices as they relate to the long-term liability.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Use of estimates: (continued)

The Company bases its estimates on technical guidance from outside consultants and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results could differ from the amounts estimated in these financial statements.

[2] Revenue recognition:

Revenue is recognized, net of direct selling costs, when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain, and collection is probable.

Under the Company's sales contracts with a third-party, metal prices were set on a specified future quotational period, typically one to three months, after the shipment date based on market prices. Revenues were recorded net of direct selling costs under the contract at the time title passes to the buyer, which was usually upon shipment, based on the price for the expected settlement period. The contracts, in general, provided for provisional payment based upon provisional assays and metal prices. Final settlement was based on the average applicable price for the specified future quotational period and which generally occurred from three-to-six months after shipment.

[3] Cash and cash equivalents:

Cash and cash equivalents include all highly-liquid investments with an original maturity of three months or less. The Company minimizes its credit risk by investing its cash and cash equivalents with major U.S. banks and financial institutions located principally in the United States. The Company's management believes that no concentration of credit risk exists with respect to the investment of its cash and cash equivalents.

[4] Accounts receivables:

Trade receivables and other receivable balances are reported at outstanding principal amounts, net of an allowance for doubtful accounts, if deemed necessary. Management evaluates the collectability of receivable account balances to determine the allowance, if any. Management considers the other party's credit risk and financial condition, as well as current and projected economic and market conditions, in determining the amount of the allowance. Receivable balances are written off when management determines that the balance is uncollectible.

As of December 31, 2016 and 2015, there is no allowance for doubtful accounts.

[5] Inventories:

Inventories include operating materials and supplies. All inventories are stated at the lower of cost or market, with cost being determined using first in, first out method. The Company currently has no mineral inventory.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Property, plant and equipment:

Expenditures for new facilities, assets acquired pursuant to capital leases and new assets or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities, lease term, or the useful life of the individual assets. Productive lives are 39 years for buildings and improvements and 3 to 7 years for machinery and equipment, but do not exceed the useful life of the individual asset.

[7] Mineral interests:

Costs are capitalized when it has been determined an ore body can be economically developed. The development stage begins when the decision is made to bring a mine into commercial production, and ends when the production stage or exploitation of reserves begins. Expenditures incurred during the development and production stages for new assets, new facilities, alterations to existing facilities that extend the useful lives of those facilities, and major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, shaft sinking, lateral development, drift development, ramps and infrastructure developments. Costs to improve, alter, or rehabilitate primary development assets, which appreciably extend the life, increase capacity, or improve the efficiency or safety of such assets, are also capitalized. During 2016 and 2015, the Company capitalized \$1,390,586 and \$1,236,461, respectively, in developmental costs, included in property, plant, equipment and mineral interests.

Costs for exploration, pre-development, secondary development at operating mines, and maintenance and repairs on capitalized property, plant and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out (a) in search of previously unidentified mineral deposits, and (b) where a determination remains pending as to whether new target deposits outside of the existing reserve areas can be economically developed. Pre-development activities involve costs incurred prior to the development stage that may ultimately benefit production, such as underground ramp development, which are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. During 2015 and 2016, the Company expensed \$3,453,063 and zero, respectively, in pre-development, reclamation and other costs.

[8] Depreciation, depletion and amortization:

Capitalized costs are depreciated or depleted using the straight-line method or unit-of-production method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Determination of expected useful lives for amortization calculations are made on a property-by-property or asset-by-asset basis at least annually. Our estimates for reserves, mineralized material, and other resources are a key component in determining our units of production depletion rates. Our estimates of proven and probable ore reserves, mineralized material, and other resources may change, possibly in the near term, resulting in changes to depreciation, depletion and amortization rates in future reporting periods. The Company is currently not depleting its mineral interests as production has not recommenced.

[9] Impairment of long-lived assets:

Management reviews and evaluates the net carrying value of all facilities, including idle facilities, for impairment upon the occurrence of other events or changes in circumstances that indicate that the related carrying amounts may not be recoverable. We estimate the net realizable value of each property is based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment, and the value associated with property interests.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Impairment of long-lived assets: (continued)

Although management makes a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon estimates of metals to be recovered from proven and probable ore reserves and identified mineralization and other resources beyond proven and probable reserves, future production and capital costs and estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining mine life.

It is reasonably possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties. If undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized. There was no impairment in 2016 and 2015.

[10] Restricted assets:

The Company, under the terms of its bonding agreements with certain regulatory agencies, is required to collateralize certain portions of its obligations. The Company has collateralized these obligations by assigning bonds that have maturity dates ranging from two months to ten months at December 31, 2015, to the respective agencies. At December 31, 2016 and 2015, the Company held bonds under these agreements of \$484,796 and \$472,160, respectively. The ultimate timing of the release of the collateralized amounts is dependent on the timing and closure of each mine. In order to release the collateral, the Company must seek approval from government agencies responsible for monitoring the mine closure status. Collateral could also be released to the extent the Company is able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company expects that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

[11] Reclamation and environmental matters:

The Company recognizes obligations for the expected future retirement of tangible long-lived assets and other associated asset retirement costs. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in pre-development, reclamation, and other costs on the accompanying statements of operations. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced. Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the discounted costs expected to be incurred at the site. Such cost estimates include, where applicable, ongoing care and maintenance and monitoring costs. Changes in estimates are reflected prospectively in the period an estimate is revised. At December 31, 2016 and 2015, the Company has recorded an estimate for its future asset retirement obligations in the amount of \$179,463 and \$164,268, respectively.

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generation are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Reclamation and environmental matters: (continued)

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These amounts also reflect prior experience in remediating contaminated sites, other companies' clean-up experience, and data released by the Environmental Protection Agency or other organizations.

Such estimates are, by their nature, imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. Recoveries are evaluated separately from the liability and, when recovery is assured, the Company records and reports an asset separately from the associated liability.

Based upon management's current assessment of its environmental responsibilities, the Company does not believe that any environmental reclamation or remediation liability exists at December 31, 2016.

[12] Income taxes:

The Company uses an asset and liability approach, which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A full valuation allowance has been provided for the Company's net deferred tax assets as it is more likely than not that they will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. There are no uncertain tax positions at December 31, 2016 and 2015. Interest and penalties related to uncertain tax positions, if any, are recorded as part of the income tax provision.

[13] Loss contingencies:

Estimated losses from loss contingencies are accrued by a charge to operations when information available prior to issuance of the financial statements indicates that it is probable that a liability could be incurred and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

[14] Comparative information:

The Company has reclassified certain prior year information to conform to the current year's presentation.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[15] Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 with early adoption permitted. Under ASU 2016-02, lessees will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 simplifies current guidance and requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. ASU 2015-17 can be applied either prospectively or retrospectively and is effective for periods beginning after December 15, 2016. The Company does not anticipate the new guidance will have a material effect on its financial statements and related disclosures.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*, which provides a revised, simpler measurement for inventory to be measured at the lower of cost and net realizable value. The amendments in this Update are effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. The Company does not anticipate the new guidance will have a material effect on its financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities as amended ("Topic 606"). Under Topic 606, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. This guidance is effective for fiscal years beginning on or after December 15, 2018. The Company is currently evaluating the impact that adoption of this guidance will have on its financial statements.

NOTE D - PROPERTY, PLANT, EQUIPMENT AND MINERAL INTERESTS

The details of property and equipment and related accumulated depreciation are set forth below:

	December 31,	
	2016	2015
Mineral interests	\$ 29,982,054	\$ 28,591,467
Facilities and equipment	14,072,786	14,273,361
Furniture and fixtures	402,402	402,397
Vehicles	145,708	199,124
	44,602,950	43,466,349
Less accumulated depreciation	2,858,513	1,467,113
Total	<u>\$ 41,744,437</u>	<u>\$ 41,999,236</u>

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE D - PROPERTY, PLANT, EQUIPMENT AND MINERAL INTERESTS (CONTINUED)

Depreciation expense for the year ended December 31, 2016 and 2015 was \$1,458,237 and \$1,214,595, respectively.

For the year ended December 31, 2016, the Company recorded approximately \$146,000 of loss on sales of fixed assets, resulted from sales and disposal of fixed assets.

Mineral interests consist of the following:

Mining development	\$ 2,627,048
Mineral interests	<u>27,355,006</u>
Total	<u>\$ 29,982,054</u>

The Company's mineral interests consist of the mine, acquired by the Company in 2014, under which the Company owns all production and reserves. There was no depletion expense during 2016 and 2015 due to the lack of production.

NOTE E - ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are based principally on legal and regulatory requirements. Management estimates the costs associated with reclamation of mining properties. The Company uses assumptions about future costs, mineral prices, mineral processing recovery rates, production levels, capital costs, and reclamation costs. On an ongoing basis, management evaluates its estimates and assumptions, and future expenditures could differ from current estimates.

Changes to the Company's asset retirement obligations for operating sites are as follows:

Asset retirement obligation at January 1, 2015	\$ 150,360
Accretion	<u>13,908</u>
Asset retirement obligation at December 31, 2015	164,268
Accretion	<u>15,195</u>
Asset retirement obligation at December 31, 2016	<u>\$ 179,463</u>

NOTE F - CONCENTRATION OF CREDIT RISK

Sales to one customer accounted for 100% of the Company's revenues for the year ended December 31, 2015 and accounts receivable at December 31, 2015 are all due from this customer. Other receivable at December 31, 2016 represents a refund collectible from a vendor.

NOTE G - METAL PREPAY AND WORKING CAPITAL FACILITIES - RELATED PARTY

On October 1, 2014, the Company entered into a Senior Secured Metal Prepay Agreement ("Metal Prepay") with LRC-FRSM. LRC-FRSM advanced the Company \$35,000,000 payable in repayment units of physical metal as defined by an agreed upon delivery schedule plus interest on advances outstanding at a rate of 9.25% per annum. Fortune was the Guarantor of the Metal Prepay.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE G - METAL PREPAY AND WORKING CAPITAL FACILITIES - RELATED PARTY (CONTINUED)

In December 2014, a Short Term Metal Prepay Facility ("Working Capital Facility") was added as an amendment to the Metal Prepay, advancing an additional \$12,000,000. Per the terms of the Working Capital Facility, the funds advanced are to be repaid in metal plus interest accruing at 15% per annum, payable in additional ounces, on the outstanding metal balance during the term of the facility originally ending December 31, 2015.

On March 25, 2015, LRC-FRSM and Fortune entered into an Amended and Restated Senior Secured Metal Prepay Agreement ("Amended Metal Prepay") restructuring the Metal Prepay and the Working Capital Facility and advancing an additional \$4,000,000 to the Company for a total of \$51,000,000 advanced by LRC-FRSM. The Amended Metal Prepay replaced the original delivery repayment units with Silver Equivalent Repayment Units ("SERU") with respect to the Working Capital Facility and providing methodology, whereby repayment could be made in cash in satisfaction for delivery units. The Amended Metal Prepay allocated \$20,034,347 to the Metal Prepay to be paid in delivery units with a revised delivery payment schedule beginning in July 2015. The remainder of the obligation, \$53,194,875, was allocated to a working capital facility payable in SERU by March 31, 2016.

Beginning July 1, 2015, interest at a rate of 9.25% per annum, compounded monthly is charged on the Metal Prepay and penalty units are assessed on late delivery of repayment units at a rate of 1.25% per month. The penalty units are added to the total repayment units due under the Metal Prepay. An interest rate of 15% per annum, payable in additional delivery units, compounded monthly, is charged on the working capital facility effective March 25, 2015 and increased to 20% if the Company defaults on the agreement. These units are added to the obligation under the Amended Metal Prepay.

In addition, Fortune agreed to pay 100% of the net proceeds from the sale of any asset owned and disposed of by Fortune. In May 2015, Fortune reduced the Working Capital Facility by \$1,397,072, representing the proceeds of the sale of such assets.

On June 15, 2015, LRC-FRSM issued a notice of default to the Company. On July 17, 2015, LRC-FRSM, Fortune and the Company entered into a Master Restructuring Agreement ("MRA"). On this date, the following transaction occurred and became effective in the order stated:

1. Fortune contributed, as capital, to the Company all intercompany indebtedness of \$11,679,326.
2. The payment date of the Working Capital Facility was changed from March 31, 2016 to March 31, 2021.
3. Ownership of 100% of the Company was transferred by Fortune to LRC-FRSM's designee, LRC-FRSM II, LLC.
4. Release of Fortune and other Guarantors.
5. LRC-FRSM reduced the SERUs owed under the Working Capital Facility by 301,166 units.

The Company's current obligations under the Amended Metal Prepay are deliveries of repayment units of the Metal Prepay as follows:

<u>Year</u>	<u>Gold (oz)</u>	<u>Silver (oz)</u>	<u>Lead (ton)</u>
2015	200	18,000	150
2016	800	132,000	600
2017	800	150,000	600
2018	800	150,000	600
2019	<u>800</u>	<u>186,000</u>	<u>600</u>
Total	<u>3,400</u>	<u>636,000</u>	<u>2,550</u>

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE G - METAL PREPAY AND WORKING CAPITAL FACILITIES - RELATED PARTY (CONTINUED)

If the Company fails to meet a payment per the schedule, a late fee of 1.25% will be assessed in units per month. Interest is charged on the Metal Prepay at 9.25% per annum.

Under the Working Capital Facility, the Company is obligated to deliver 3,115,894 SERU. Interest of 15% per annum is accrued on outstanding SERU payable in additional SERU.

The details of loan payable are set forth as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Metal prepay and working capital facilities-related party	\$ 51,000,000	\$ 51,000,000
Less debt issuance cost (net of amortization)	<u>(324,237)</u>	<u>(432,315)</u>
Metal prepay and working capital facilities-related party	<u>\$ 50,675,763</u>	<u>\$ 50,567,685</u>
Interest payable in commodities	<u>\$ 14,773,136</u>	<u>\$ 3,834,295</u>

As of December 31, 2016 and 2015, the estimated fair value of the facilities was approximately \$79,880,826 and \$66,186,000, respectively.

Interest expense for the years ended December 31, 2016 and 2015 associated with the facilities was \$10,938,843 and \$3,834,295, respectively.

The Company continues to accrue interest and penalty interest obligations under the financing agreement with LRC-FRSM on which the Company defaulted in 2016. The Company may continue to defer payment of these obligations at its election, but eventually must satisfy the accrued penalty interest, accrued interest and then obligations in reverse order.

NOTE H - INCOME TAXES AND ELECTIONS

As of July 17, 2015, 100% of the Company's stock was owned by LRC-FRSM II, LLC. LRC-FRSM II, LLC made an election to be treated as a C Corporation effective July 16, 2015. The Company will be included in a consolidated return with LRC-FRSM II, LLC for its operations for the year ended December 31, 2016 and the period July 17, 2015 through December 31, 2015. Accordingly, the Company does not file separate income tax returns in the U.S. federal jurisdiction and for various states. The financial statements are presented as if the Company was a standalone taxpayer and would make tax payments for income taxes it would theoretically owe for federal and, where appropriate, state income tax purposes.

LRC-FRSM II, LLC made a Section 338(g) election to treat its acquisition of the Company as an asset acquisition as of July 17, 2015. The tax attributes resulting from this election are included in the financial statements for the post-acquisition period of July 17, 2015 through December 31, 2015.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE I - DEFERRED INCOME TAXES AND VALUATION ALLOWANCE

The Company has a net operating loss carryforward ("NOL") of approximately \$6,504,000. The NOL begins to expire in the tax year 2035 and maybe subject to limitation upon certain ownership changes should they occur in the future. Additionally, the Company has temporary tax differences which along with the NOL, result in deferred tax assets. The total deferred tax assets at December 31, 2016 and 2015 are approximately \$10,600,000 and \$3,925,000, respectively.

The financial statements do not reflect any tax attributes that may have existed prior to July 17, 2015 as the 338(g) election effectively eliminates any corporate tax attributes that may have existed prior to the acquisition.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of this evaluation, as of December 31, 2016 and 2015, a full valuation allowance of \$10,600,000 and \$3,925,000, respectively has been recorded resulting in no deferred tax asset on the balance sheets. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased or if objective evidence in the form of cumulative losses is no longer present.

NOTE J - COMMITMENTS AND CONTINGENCIES

[1] Capital leases:

At December 31, 2016 and 2015, the Company had the following capital leases:

<u>Lessor</u>	<u>2016</u>	<u>2015</u>	<u>Maturity</u>
Park Western Leasing	\$ -	\$ 112,350	May 2016
Park Western Leasing	-	89,264	May 2016
Park Western Leasing	-	66,948	May 2016
Caterpillar Financing	-	173,989	August 2016
Caterpillar Financing	<u>31,081</u>	<u>63,753</u>	September 2017
Total	<u>\$ 31,081</u>	<u>\$ 506,304</u>	

Capital lease obligations and future payments of capital lease obligations as of December 31, 2016 were as follows:

<u>Year Ending December 31,</u>	
2017	<u>\$ 31,081</u>
Total	31,081
Less: amount representing interest	<u>2,441</u>
Capital lease obligations	28,640
Less: current portion	<u>28,640</u>
Noncurrent portion	<u>\$ -</u>

As of January 21, 2016, the Company negotiated a buyout with Park Western Leasing for the three leases. The Company agreed to purchase nine of the 18 pieces of equipment for approximately \$275,000.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2016 and 2015

NOTE J - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[2] Operating lease:

The Company maintains an office in Ouray, Colorado. The lease expired on December 31, 2016, and an annual lease agreement was entered into on January 1, 2017 for \$99,660 per annum that expires on December 31, 2017.

Rent expense for the years ended December 31, 2016 and 2015 was \$99,660 and \$121,042, respectively.

NOTE K - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through October 3, 2017, the date that these financial statements were available to be issued, and during that period, LRC-FRSM II LLC has contributed additional capital of \$4,720,000 to the Company. No other subsequent events were identified.



OURAY SILVER MINES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

OURAY SILVER MINES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Ouray Silver Mines, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ouray Silver Mines, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2015, and the related statements of operations, changes in shareholders' deficiency, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ouray Silver Mines, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note [B] to the financial statements, the Company has incurred a net loss and utilized cash in operating activities for the year ended December 31, 2015 and as of December 31, 2015, has both a working capital deficiency and shareholders' deficiency. All such events and conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note [B]. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

EisnerAmper LLP

New York, New York
May 20, 2016

OURAY SILVER MINES, INC.

Balance Sheet December 31, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 242,939
Accounts receivable	18,368
Inventories	161,557
Prepaid expenses	<u>193,352</u>

616,216

Non-current assets:

Property, plant, equipment and mineral interests, net	41,999,236
Restricted assets	472,160
Other assets	<u>146,961</u>

TOTAL ASSETS

\$ 43,234,573

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

Current liabilities:

Accounts payable and accrued expenses	\$ 641,588
Capital lease obligations, current portion	<u>460,387</u>

1,101,975

Non-current liabilities:

Asset retirement obligations	164,268
Capital lease obligation, non - current portion	28,640
Metal prepay and working capital facilities - related party	50,567,685
Interest payable in commodities	<u>3,834,295</u>

Total liabilities

55,696,863

Shareholders' deficiency:

Preferred stock, no par value, 1,000,000 shares authorized, none issued and outstanding	-
Common stock, no par value, 2,000,000 shares authorized, 130,409 shares issued and outstanding	-
Additional paid-in capital	31,924,179
Accumulated deficit	<u>(44,386,469)</u>

Total shareholders' deficiency

(12,462,290)

TOTAL LIABILITIES & SHAREHOLDERS' DEFICIENCY

\$ 43,234,573

OURAY SILVER MINES, INC.

**Statement of Operations
For the Year Ended December 31, 2015**

Revenue	<u>\$ 1,187,824</u>
Costs and expenses:	
Direct production costs	9,835,291
Pre - development, reclamation, and other	3,453,063
General and administrative expense	7,182,249
Provision for environmental matters and asset retirement obligation	13,908
Loss on sale of assets	29,207
Depreciation and amortization	<u>1,268,634</u>
Total costs and expenses	<u>21,782,352</u>
Operating loss	<u>(20,594,528)</u>
Other income (expenses):	
Other expenses, net	(235,808)
Interest expense	<u>(3,937,210)</u>
Total other expenses, net	<u>(4,173,018)</u>
Net loss	<u>\$ (24,767,546)</u>

OURAY SILVER MINES, INC.

**Statement of Changes in Shareholders' Deficiency
For the Year Ended December 31, 2015**

	<u>Common Shares</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated (Deficit)</u>	<u>Shareholders' Deficiency</u>
	<u>Shares</u>	<u>Amount</u>			
Balance - December 31, 2014	139,409	\$ -	\$ 5,235,550	\$ (19,618,923)	\$ (14,383,373)
Capital contributions			26,688,629		26,688,629
Net loss				(24,767,546)	(24,767,546)
Balance - December 31, 2015	<u>139,409</u>	<u>\$ -</u>	<u>\$ 31,924,179</u>	<u>\$ (44,386,469)</u>	<u>\$ (12,462,290)</u>

OURAY SILVER MINES, INC.

Statement of Cash Flows For the Year Ended December 31, 2015

Cash flows from operating activities:

Net loss	\$ (24,767,546)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,268,634
Accretion	13,908
Loss on sale of fixed assets	(29,207)
Accrued interest	3,834,295
(Increases) decreases in operating assets:	
Accounts receivable	(458)
Inventory	(161,557)
Prepaid expenses	214,038
Increases (decreases) in operating liabilities:	
Accounts payable and accruals	<u>(2,388,914)</u>
Net cash (used in) operating activities	<u>(22,016,807)</u>

Cash flows from investing activities:

Investment in restricted assets	(133,907)
Proceeds from sale of fixed assets	25,350
Purchase of fixed assets	<u>(3,992,877)</u>
Net cash (used in) investing activities	<u>(4,101,434)</u>

Cash flows from financing activities:

Repayment of long - term debt and capital leases	(2,061,236)
Proceeds from long - term debt	9,000,000
Capital contributions	<u>15,009,303</u>
Net cash provided by financing activities	<u>21,948,067</u>

Net increase (decrease) in cash

Cash - beginning of year	<u>(4,170,174)</u>
	<u>4,413,113</u>

Cash at end of year

\$ 242,939

Non - cash activities:

Contribution of payable by Fortune Minerals Limited	\$ 11,679,326
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OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE A - THE COMPANY

Ouray Silver Mines, Inc. (the "Company") was organized under the laws of the State of Colorado on April 19, 2014. The Company is a mine and mill operation located in the San Juan Mountains near Ouray, Colorado. The primary product of the Company is a metal concentrate comprised of silver, gold, lead, and zinc.

In 2014, the Company was established by Fortune Minerals Limited ("Fortune") and acquired the mine assets from an unrelated party. The Company received financing from LRC-FRSM, LLC ("LRC-FRSM") to acquire the assets and develop the mine. Fortune Minerals was the guarantor on the financing agreement. The Company and Fortune defaulted on the terms of the financing agreement, and on July 17, 2015, Fortune and LRC-FRSM entered into a master restructuring agreement. As part of the agreement, Fortune transferred ownership of the Company to LRC-FRSM II, LLC, an affiliate of LRC-FRSM. On July 22, 2015, the Company changed its name from Fortune Revenue Silver Mine, Inc. to Ouray Silver Mines Inc. after the completion of the debt restructuring between Fortune and LRC-FRSM. These financial statements are prepared on a historical cost basis and do not reflect the accounting effects of the change in ownership that occurred during 2015.

In August 2015, the Company transitioned from operating to care and maintenance. This transition suspended mine and mill operations and included a major reduction in workforce. During care and maintenance, management engaged technical consulting companies to evaluate and assess the mine in order to obtain a technical understanding of the mine's resources and potential.

NOTE B - LIQUIDITY AND BASIS OF PRESENTATION

The accompanying financial statements have been prepared on a going concern basis. The Company has incurred recurring losses from operations and used cash in operating activities while in the process of developing the mine. For the year ended December 31, 2015, the Company's net loss was \$24,767,546 and cash used in operating activities was \$22,016,807. At December 31, 2015, the Company has working capital deficiency of \$485,759 and a shareholders' deficiency of \$12,462,290. The Company's current resources may not be sufficient to fund its operations for the next 12 months. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Based on the Company's current cash usage expectation for 2016, it believes it will have sufficient liquidity to fund its operations for at least the next 12 months only if it successfully raises additional financing from LRC-FRSM II, LLC or another third party. However, the Company can provide no assurances that these initiatives will succeed. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

In 2016, LRC-FRSM II, LLC has contributed additional capital of \$3,516,982.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Use of estimates:

The Company's financial statements have been prepared in accordance with United States generally accepted accounting principles. The preparation of the Company's financial statements requires it to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to impairment of long-lived assets and metal prices as they relate to the long-term liability. The Company bases its estimates on technical guidance from outside consultants and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results could differ from the amounts estimated in these financial statements.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Revenue recognition:

Revenue is recognized, net of direct selling costs, when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain, and collection is probable.

Under the Company's sales contracts with a third-party, metal prices are set on a specified future quotational period, typically one to three months, after the shipment date based on market prices. Revenues are recorded net of direct selling costs under the contract at the time title passes to the buyer, which is usually upon shipment, based on the price for the expected settlement period. The contracts, in general, provide for provisional payment based upon provisional assays and metal prices. Final settlement is based on the average applicable price for the specified future quotational period and generally occurs from three to six months after shipment.

[3] Cash and cash equivalents:

Cash and cash equivalents include all highly-liquid investments with an original maturity of three months or less. The Company minimizes its credit risk by investing its cash and cash equivalents with major U.S. and international banks and financial institutions located principally in the United States. The Company's management believes that no concentration of credit risk exists with respect to the investment of its cash and cash equivalents.

[4] Account receivables:

Trade receivables and other receivable balances are reported at outstanding principal amounts, net of an allowance for doubtful accounts, if deemed necessary. Management evaluates the collectability of receivable account balances to determine the allowance, if any. Management considers the other party's credit risk and financial condition, as well as current and projected economic and market conditions, in determining the amount of the allowance. Receivable balances are written off when management determines that the balance is uncollectible.

As of December 31, 2015, there is no allowance for doubtful accounts.

[5] Inventories:

Inventories include operating materials and supplies. All inventories are stated at the lower of cost or market, with cost being determined using first in, first out method. The Company currently has no mineral inventory.

[6] Property, plant and equipment:

Expenditures for new facilities, assets acquired pursuant to capital leases, new assets or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities, lease term, or the useful life of the individual assets. Productive lives are 39 years for buildings and improvements and 3 to 7 years for machinery and equipment, but do not exceed the useful life of the individual asset.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Mineral interests:

Costs are capitalized when it has been determined an ore body can be economically developed. The development stage begins when the decision is made to bring a mine into commercial production, and ends when the production stage or exploitation of reserves begins. Expenditures incurred during the development and production stages for new assets, new facilities, alterations to existing facilities that extend the useful lives of those facilities, and major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, shaft sinking, lateral development, drift development, ramps and infrastructure developments. Costs to improve, alter, or rehabilitate primary development assets, which appreciably extend the life, increase capacity, or improve the efficiency or safety of such assets, are also capitalized. During 2015, the Company capitalized \$1,236,461 in developmental costs, included in property, plant, equipment and mineral interests.

Costs for exploration, pre-development, secondary development at operating mines, and maintenance and repairs on capitalized property, plant and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out (a) in search of previously unidentified mineral deposits, and (b) where a determination remains pending as to whether new target deposits outside of the existing reserve areas can be economically developed. Pre-development activities involve costs incurred prior to the development stage that may ultimately benefit production, such as underground ramp development, which are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. During 2015, the Company expensed \$3,453,063 in pre-development, reclamation and other costs.

[8] Depreciation, depletion and amortization:

Capitalized costs are depreciated or depleted using the straight-line method or unit-of-production method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Determination of expected useful lives for amortization calculations are made on a property-by-property or asset-by-asset basis at least annually. Our estimates for reserves, mineralized material, and other resources are a key component in determining our units of production depletion rates. Our estimates of proven and probable ore reserves, mineralized material, and other resources may change, possibly in the near term, resulting in changes to depreciation, depletion and amortization rates in future reporting periods. The Company is currently not depleting its mineral interests as production has not recommenced.

[9] Impairment of long-lived assets:

Management reviews and evaluates the net carrying value of all facilities, including idle facilities, for impairment upon the occurrence of other events or changes in circumstances that indicate that the related carrying amounts may not be recoverable. We estimate the net realizable value of each property is based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment, and the value associated with property interests.

Although management makes a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon estimates of metals to be recovered from proven and probable ore reserves and identified mineralization and other resources beyond proven and probable reserves, future production and capital costs and estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining mine life. It is reasonably possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties. If undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Restricted assets:

The Company, under the terms of its bonding agreements with certain regulatory agencies, is required to collateralize certain portions of its obligations. The Company has collateralized these obligations by assigning bonds that have maturity dates ranging from two months to ten months at December 31, 2015, to the respective agencies. At December 31, 2015, the Company held bonds under these agreements of \$472,160. The ultimate timing of the release of the collateralized amounts is dependent on the timing and closure of each mine. In order to release the collateral, the Company must seek approval from government agencies responsible for monitoring the mine closure status. Collateral could also be released to the extent the Company is able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company expects that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

[11] Reclamation and environmental matters:

The Company recognizes obligations for the expected future retirement of tangible long-lived assets and other associated asset retirement costs. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in pre-development, reclamation, and other costs on the accompanying statement of operations. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced. Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the discounted costs expected to be incurred at the site. Such cost estimates include, where applicable, ongoing care and maintenance and monitoring costs. Changes in estimates are reflected prospectively in the period an estimate is revised. At December 31, 2015, the Company has recorded an estimate for its future asset retirement obligations in the amount of \$164,268.

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generations are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These amounts also reflect prior experience in remediating contaminated sites, other companies' clean-up experience, and data released by The Environmental Protection Agency or other organizations. Such estimates are, by their nature, imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. Recoveries are evaluated separately from the liability and, when recovery is assured, the Company records and reports an asset separately from the associated liability.

Based upon management's current assessment of its environmental responsibilities, it does not believe that any environmental reclamation or remediation liability exists at December 31, 2015.

[12] Income taxes:

The Company uses an asset and liability approach, which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Income taxes: (continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A full valuation allowance has been provided for the Company's net deferred tax assets for which it is more likely than not that they will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. There are no uncertain tax positions at December 31, 2015. Interest and penalties related to uncertain tax positions if any are recorded as part of the income tax provision.

[13] Loss contingencies:

Estimated losses from loss contingencies are accrued by a charge to operations when information available prior to issuance of the financial statements indicates that it is probable that a liability could be incurred and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

[14] Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 with early adoption permitted. Under ASU 2016-02, lessees will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 simplifies current guidance and requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. ASU 2015-17 can be applied either prospectively or retrospectively and is effective for periods beginning after December 15, 2016, with early adoption permitted. The Company does not anticipate the new guidance will have a material effect on its financial statements and related disclosures.

In August 2015, the FASB issued ASU 2015-14, "Deferral of the Effective Date", which defers the effective date of ASU 2014-09, "Revenue from Contracts with Customers" to January 1, 2018. The Company is currently evaluating the potential impact of adopting the prescribed changes on the Company's financial statements and related disclosures.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," which provides a revised, simpler measurement for inventory to be measured at the lower of cost and net realizable value. These changes become effective for the Company's fiscal year beginning January 1, 2018. The Company is currently evaluating the potential impact of implementing these changes on the Company's financial statements and related disclosures.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Recent accounting pronouncements: (continued)

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an asset. The updated guidance became effective under early adoption for the Company's fiscal year beginning January 1, 2015, and resulted in a reclassification of amounts from other non-current assets to debt.

NOTE D - PROPERTY, PLANT, EQUIPMENT AND MINERAL INTERESTS

The details of property and equipment and related accumulated depreciation are set forth below:

Mineral interests	\$ 28,591,467
Facilities and equipment	14,273,361
Furniture and fixtures	402,397
Vehicles	<u>199,124</u>
	43,466,349
Less accumulated depreciation	<u>1,467,113</u>
Total	<u>\$ 41,999,236</u>

Depreciation expense for the year ended December 31, 2015 was \$1,214,595.

Mineral interests consist of the following:

Mining development	\$ 1,236,461
Mineral interests	<u>27,355,006</u>
Total	<u>\$ 28,591,467</u>

The Company's mineral interests consist of the mine, acquired by the Company in 2014, under which the Company owns all production and reserves. There was no depletion expense during 2015 due to the lack of production.

NOTE E - ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are based principally on legal and regulatory requirements. Management estimates costs associated with reclamation of mining properties. The Company uses assumptions about future costs, mineral prices, mineral processing recovery rates, production levels, capital costs, and reclamation costs. On an ongoing basis, management evaluates its estimates and assumptions, and future expenditures could differ from current estimates.

Changes to the Company's asset retirement obligations for operating sites are as follows:

Asset retirement obligation at January 1, 2015	\$ 150,360
Accretion	<u>13,908</u>
Asset retirement obligation at December 31, 2015	<u>\$ 164,268</u>

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE F - CONCENTRATION OF CREDIT RISK

Sales to one customer accounted for 100% of the Company's revenues for the year ended December 31, 2015 and accounts receivable at December 31, 2015 are all due from this customer.

NOTE G - METAL PREPAY AND WORKING CAPITAL FACILITIES - RELATED PARTY

On October 1, 2014, the Company entered into a Senior Secured Metal Prepay Agreement ("Metal Prepay") with LRC-FRSM. LRC-FRSM advanced the Company \$35,000,000 payable in repayment units of physical metal as defined by an agreed upon delivery schedule plus interest on advances outstanding at a rate of 9.25% per annum. Fortune was the Guarantor of the Metal Prepay.

In December 2014, a Short Term Metal Prepay Facility ("Working Capital Facility") was added as an amendment to the Metal Prepay, advancing an additional \$12,000,000. Per the terms of the Working Capital Facility, the funds advanced are to be repaid in metal plus interest accruing at 15% per annum, payable in additional ounces, on the outstanding metal balance during the term of the facility originally ending December 31, 2015.

On March 25, 2015, LRC-FRSM and Fortune entered into an Amended and Restated Senior Secured Metal Prepay Agreement ("Amended Metal Prepay") restructuring the Metal Prepay and the Working Capital Facility and advancing an additional \$4,000,000 to the Company for a total of \$51,000,000 advanced by LRC-FRSM. The Amended Metal Prepay replaced the original delivery repayment units with Silver Equivalent Repayment Units ("SERU") with respect to the Working Capital Facility and providing methodology, whereby repayment could be made in cash in satisfaction for delivery units. The Amended Metal Prepay allocated \$20,034,347 to the Metal Prepay to be paid in delivery units with a revised delivery payment schedule beginning in July 2015. The remainder of the obligation, \$53,194,875, was allocated to a working capital facility payable in SERU by March 31, 2016.

Beginning July 1, 2015, interest at a rate of 9.25% per annum, compounded monthly is charged on the Metal Prepay and penalty units are assessed on late delivery of repayment units at a rate of 1.25% per month. The penalty units are added to the total repayment units due under the Metal Prepay. An interest rate of 15% per annum, payable in additional delivery units, compounded monthly, is charged on the working capital facility effective March 25, 2015 and increased to 20% if the Company defaults on the agreement. These units are added to the obligation under the Amended Metal Prepay. In addition, Fortune agreed to pay 100% of the net proceeds from the sale of any asset owned and disposed of by Fortune. In May 2015, Fortune reduced the Working Capital Facility by \$1,397,072, representing the proceeds of the sale of such assets.

On June 15, 2015, LRC-FRSM issued a notice of default to the Company. On July 17, 2015, LRC-FRSM, Fortune and the Company entered into a Master Restructuring Agreement ("MRA"). On this date, the following transaction occurred and became effective in the order stated:

1. Fortune contributed, as capital, to the Company all intercompany indebtedness of \$11,679,326.
2. The payment date of the Working Capital Facility was changed from March 31, 2016 to March 31, 2021.
3. Ownership of 100% of the Company was transferred by Fortune to LRC-FRSM's designee, LRC-FRSM II, LLC.
4. Release of Fortune and other Guarantors.
5. LRC-FRSM reduced the SERUs owed under the Working Capital Facility by 301,166 units.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE G - METAL PREPAY AND WORKING CAPITAL FACILITIES - RELATED PARTY (CONTINUED)

The Company's current obligations under the Amended Metal Prepay are deliveries of repayment units of the Metal Prepay as follows:

<u>Year</u>	<u>Gold (oz)</u>	<u>Silver (oz)</u>	<u>Lead (ton)</u>
2015	200	18,000	150
2016	800	132,000	600
2017	800	150,000	600
2018	800	150,000	600
2019	<u>800</u>	<u>186,000</u>	<u>600</u>
Total	<u>3,400</u>	<u>636,000</u>	<u>2,550</u>

If the Company fails to meet a payment per the schedule, a late fee of 1.25% will be assessed in units per month. Interest is charged on the Metal Prepay at 9.25% per annum.

Under the Working Capital Facility, the company is obligated to deliver 3,115,894 SERU. Interest of 15% per annum is accrued on outstanding SERU payable in additional SERU.

Loan payable at December 31, 2015 is as follows:

Metal prepay and working capital facilities-related party	\$ 51,000,000
Less debt issuance cost (net of amortization)	<u>(432,315)</u>
Metal prepay and working capital facilities-related party	<u>\$ 50,567,685</u>

Interest payable at December 31, 2015 is as follows:

Interest payable in commodities	<u>\$ 3,834,295</u>
---------------------------------	----------------------------

As of December 31, 2015, the estimated fair value of the facilities was approximately \$66,186,000.

Interest expense for the year ended December 31, 2015 associated with the facilities was \$3,834,295.

NOTE H - INCOME TAXES AND ELECTIONS

As of July 17, 2015, 100% of the Company's stock was owned by LRC-FRSM II, LLC. LRC-FRSM II, LLC made an election to be treated as a C Corporation effective July 16, 2015. The Company will be included in a consolidated return with LRC-FRSM II, LLC for its operations for the period July 17, 2015 through December 31, 2015.

LRC-FRSM II, LLC made a Section 338(g) election to treat its acquisition of the Company as an asset acquisition as of July 17, 2015. The tax attributes resulting from this election are included in the financial statements for the post acquisition period of July 17, 2015 through December 31, 2015.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE I - DEFERRED INCOME TAXES AND VALUATION ALLOWANCE

The Company has a net operating loss ("NOL") of approximately \$255,000. The NOL expires in the tax year 2035. Additionally, the Company has temporary tax differences resulting in a deferred tax assets. The total deferred tax assets at December 31, 2015 is approximately \$3,925,000. The financial statements do not reflect any tax attributes that may have existed prior to July 17, 2015 as the 338(g) election effectively eliminates any corporate tax attributes that may have existed prior to the acquisition.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of this evaluation, as of December 31, 2015, a full valuation allowance of \$3,925,000 has been recorded resulting in no deferred tax asset on the balance sheet. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased or if objective evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

NOTE J - COMMITMENTS AND CONTINGENCIES

[1] Capital leases:

At December 31, 2015, the Company has the following capital leases:

Lessor	Total remaining payments	Maturing
Park Western Leasing	\$ 112,350	May 2016
Park Western Leasing	89,264	May 2016
Park Western Leasing	66,948	May 2016
Caterpillar Financing	173,989	August 2016
Caterpillar Financing	<u>63,753</u>	September 2017
Total	<u>\$ 506,304</u>	

Capital lease obligations and future payments of capital lease obligations as of December 31, 2015 were as follows:

<u>Year Ending December 31,</u>	
2016	\$ 477,664
2017	<u>28,640</u>
Total	506,304
Less: amount representing interest	<u>17,277</u>
Capital lease obligations	489,027
Less: current portion	<u>460,387</u>
Noncurrent portion	<u>\$ 28,640</u>

As of January 21, 2016, the Company negotiated a buyout with Park Western Leasing for the three leases. The Company agreed to purchase nine of the 18 pieces of equipment for \$275,000.

OURAY SILVER MINES, INC.

Notes to Financial Statements December 31, 2015

NOTE J - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[2] Operating lease:

The Company maintains an office in Ouray, Colorado. The lease expired on December 31, 2015, and an annual lease agreement was entered into on January 1, 2016 for \$99,660 per annum that expires on December 31, 2016.

Rent expense for the year ended December 31, 2015 was \$121,042.

NOTE K - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 20, 2016, the date that these financial statements were available to be issued and no subsequent events were identified.

APPENDIX II
UNAUDITED FINANCIAL STATEMENTS OF OURAY SILVER MINES, INC.
FOR THE THREE AND SIX MONTHS ENDING JUNE 30, 2018



OURAY SILVER MINES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

UNAUDITED

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OURAY SILVER MINES, INC.

Balance Sheets

(Unaudited)

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Current assets:		
Cash	\$ 149,792	\$ 151,466
Prepaid expenses	114,230	325,333
Other receivable	<u>35,500</u>	<u>35,500</u>
	299,522	512,299
Non-current assets:		
Property, plant, equipment and mineral interests, net	41,008,714	41,367,054
Restricted assets	480,769	482,903
Other assets	<u>218,894</u>	<u>218,894</u>
TOTAL ASSETS	<u>\$ 42,007,899</u>	<u>\$ 42,581,150</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 315,385</u>	<u>\$ 807,368</u>
	315,385	807,368
Non-current liabilities:		
Asset retirement obligations	204,363	196,063
Metal prepay and working capital facilities – related party	50,837,881	50,783,841
Interest payable in commodities	<u>0</u>	<u>29,238,224</u>
Total liabilities	<u>51,357,629</u>	<u>81,025,496</u>
Shareholders' deficiency:		
Preferred stock, no par value, 1,000,000 shares authorized, none issued and outstanding		
Common stock, no par value, 2,000,000 shares authorized, 130,409 shares issued and outstanding		
Additional paid-in capital	47,547,179	45,212,179
Accumulated deficit	<u>(56,896,909)</u>	<u>(83,656,525)</u>
Total shareholders' deficiency	<u>(9,349,730)</u>	<u>(38,444,346)</u>
TOTAL LIABILITIES & SHAREHOLDERS' DEFICIENCY	<u>\$ 42,007,899</u>	<u>\$ 42,581,150</u>

OURAY SILVER MINES, INC.**Statements of Operations
(Unaudited)**

	<u>For the three months ended</u> June 30, 2018	<u>For the six months ended</u> June 30, 2018	<u>June 30, 2017</u>
Revenue	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Costs and expenses:			
General and administrative expense	1,062,628	1,649,094	2,796,126
Provision for environmental matters and asset retirement obligation	4,150	8,300	8,300
Loss on sale of fixed assets	2,904	2,904	1,350
Depreciation and amortization	<u>411,845</u>	<u>816,057</u>	<u>811,777</u>
Total costs and expenses	<u>1,481,527</u>	<u>2,476,355</u>	<u>3,617,553</u>
Operating loss	<u>(1,481,527)</u>	<u>(2,476,355)</u>	<u>(3,617,553)</u>
Other income (expenses):			
Other income	0	2,775	0
Gain on elimination of interest payable in commodities	0	29,238,224	0
Interest expense	<u>(2,514)</u>	<u>(5,028)</u>	<u>(6,730,507)</u>
Total other expenses, net	<u>(2,514)</u>	<u>29,235,971</u>	<u>(6,730,507)</u>
Net income (loss)	<u>\$ (1,484,041)</u>	<u>\$ 26,759,616</u>	<u>\$ (10,348,060)</u>

OURAY SILVER MINES, INC.

Statements of Changes in Shareholder's Deficiency (Unaudited)

	<u>Common Shares</u>		<u>Additional Paid-in</u>	<u>Accumulated</u>	<u>Shareholders'</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Deficit</u>	<u>Deficiency</u>
Balance - December 31, 2016	130,409		\$ 39,329,179	\$ (62,398,956)	\$ (23,069,777)
Capital contributions	0	0	5,883,000	0	5,883,000
Net loss	<u>0</u>	<u>0</u>	<u>0</u>	<u>(21,257,569)</u>	<u>(21,257,569)</u>
Balance - December 31, 2017	130,409	0	45,212,179	(83,656,525)	(38,444,346)
Capital contributions	0	0	2,335,000	0	2,335,000
Net income	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,759,616</u>	<u>26,759,616</u>
Balance – June 30, 2018	<u>130,409</u>	<u>0</u>	<u>\$ 47,547,179</u>	<u>\$ (56,896,909)</u>	<u>\$ (9,349,730)</u>

OURAY SILVER MINES, INC.**Statements of Cash Flows
(Unaudited)**

	<u>For the six months ended</u>	
	<u>June 30</u>	<u>June 30</u>
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Net income (loss)	\$ 26,759,616	\$ (10,348,060)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	816,057	811,777
Accretion of assets retirement obligation	8,300	8,300
Loss on sale of fixed assets	2,904	1,350
Non-cash Interest payable in commodities	(29,238,224)	6,723,278
Changes in operating assets:		
Prepaid expenses and other assets	211,103	471,723
Accounts payable and accrued expenses	<u>(491,983)</u>	<u>(575,193)</u>
Net cash used in operating activities	<u>(1,932,227)</u>	<u>(2,906,825)</u>
Cash flows from investing activities:		
Investment in restricted assets	2,134	1,894
Proceeds from sale of fixed assets	1,000	111,728
Purchase of fixed assets	<u>(407,581)</u>	<u>(613,536)</u>
Net cash used in investing activities	<u>(404,447)</u>	<u>(499,914)</u>
Cash flows from financing activities:		
Repayment of capital leases	0	(22,116)
Capital contributions	<u>2,335,000</u>	<u>3,585,002</u>
Net cash provided by financing activities	<u>2,335,000</u>	<u>3,562,886</u>
Net decrease in cash	(1,674)	156,147
Cash at beginning of year	<u>151,466</u>	<u>164,269</u>
Ending Cash	\$ <u>149,792</u>	\$ <u>320,416</u>

OURAY SILVER MINES, INC.

Notes to Financial Statements

June 30, 2018

(Unaudited)

NOTE A - THE COMPANY

Ouray Silver Mines, Inc. (the "Company") was organized under the laws of the State of Colorado on April 19, 2014. The Company owns a mine and mill operation located in the San Juan Mountains near Ouray, Colorado (the "Mine"). The primary product of the Mine is a metal concentrate comprised of silver, gold, lead, and zinc.

In 2014, the Company was established by Fortune Minerals Limited ("Fortune") and acquired the Mine assets from an unrelated party. The Company received financing from LRC-FRSM, LLC ("LRC-FRSM") to acquire the assets and develop the mine. Fortune Minerals was the guarantor on the financing agreement. The Company and Fortune defaulted on the terms of the financing agreement, and on July 17, 2015, Fortune and LRC-FRSM entered into a master restructuring agreement ("MRA"). As part of the MRA, Fortune transferred ownership of the Company to LRC-FRSM II, LLC, an affiliate of LRC-FRSM. After the closing of the MRA, on July 22, 2015, the Company changed its name from Fortune Revenue Silver Mine, Inc. to Ouray Silver Mines Inc. These financial statements are prepared on a historical cost basis and do not reflect the accounting effects of the change in ownership that occurred during 2015.

In August 2015, the Company transitioned from operating the Mine to care and maintenance of the Mine. This transition suspended mine and mill operations and included a major reduction in workforce. During care and maintenance, management engaged technical consulting companies to evaluate and assess the mine in order to obtain a technical understanding of the mine's resources and potential. In 2017, the Company completed its Feasibility Study demonstrating an economic restart of production at the Mine is possible and is currently seeking financing sources to restart production. While seeking this financing the Company continues care and maintenance to keep the Mine, including all permits, on a production ready status.

NOTE B - LIQUIDITY AND BASIS OF PRESENTATION

The Company has incurred recurring losses from operations and used cash in operating activities while in the process of developing the mine. For the six-month period ended June 30, 2018 and 2017, the Company had an operating loss of \$2,476,355. and \$3,617,553. Cash used in operating activities was \$1,932,227 and \$2,906,825 for the six months ended June 30, 2018 and 2017 respectively. At June 30, 2018, the Company has shareholders' deficiency of \$9,349,730. See also Note F for discussion of Company's debt obligations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Based on the Company's current cash usage expectation for 2018, it believes it will have sufficient liquidity to fund its operations for at least the next twelve months only if it successfully raises additional financing from LRC-FRSM II, LLC or another third party. However, the Company can provide no assurances that these initiatives will succeed. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities as a result of this uncertainty.

In the first six months of 2018, LRC-FRSM II, LLC has contributed additional capital of \$2,335,000.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Use of estimates:

The Company's financial statements have been prepared in accordance with United States generally accepted accounting principles. The preparation of the Company's financial statements requires it to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets

OURAY SILVER MINES, INC.

Notes to Financial Statements June 30, 2018 (Unaudited)

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] Use of estimates: (continued)

and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

The more significant areas requiring the use of management estimates and assumptions relate to impairment of long-lived assets and metal prices as they relate to long-term liabilities.

The Company bases its estimates on technical guidance from outside consultants and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results could differ from the amounts estimated in these financial statements.

[2] Revenue recognition:

Revenue is recognized, net of direct selling costs, when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain, and collection is probable. The Company had no revenue in the six months ended June 30, 2018 or the six months ended June 30, 2017.

[3] Cash and cash equivalents:

Cash and cash equivalents include all highly-liquid investments with an original maturity of three months or less. The Company minimizes its credit risk by investing its cash and cash equivalents with major U.S. banks and financial institutions located principally in the United States. The Company's management believes that no concentration of credit risk exists with respect to the investment of its cash and cash equivalents.

[4] Account receivables and other receivables:

Trade receivables and other receivable balances are reported at outstanding principal amounts, net of an allowance for doubtful accounts, if deemed necessary. Management evaluates the collectability of receivable account balances to determine the allowance, if any. Management considers the other party's credit risk and financial condition, as well as current and projected economic and market conditions, in determining the amount of the allowance. Receivable balances are written off when management determines that the balance is uncollectible.

As of June 30, 2018, and 2017, there are no trade receivable and no allowance for doubtful accounts.

[5] Inventories:

Inventories include operating materials and supplies. All inventories are stated at the lower of cost or market, with cost being determined using first in, first out method. The Company currently has no mineral inventory.

[6] Property, plant and equipment:

Expenditures for new facilities, assets acquired pursuant to capital leases and new assets or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities, lease term, or the useful life of the individual assets. Productive lives are thirty-nine years for buildings and improvements and three to seven years for machinery and equipment, but do not exceed the useful life of the individual asset.

OURAY SILVER MINES, INC.

Notes to Financial Statements June 30, 2018 (Unaudited)

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Mineral interests:

Costs are capitalized when it has been determined an ore body can be economically developed. The development stage begins when the decision is made to bring a mine into commercial production and ends when the production stage or exploitation of reserves begins. Expenditures incurred during the development and production stages for new assets, new facilities, alterations to existing facilities that extend the useful lives of those facilities, and major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, shaft sinking, lateral development, drift development, ramps and infrastructure developments. Costs to improve, alter, or rehabilitate primary development assets, which appreciably extend the life, increase capacity, or improve the efficiency of such assets, are also capitalized. During the six months ended June 30, 2018 the Company capitalized \$407,581 in developmental costs, included in property, plant, equipment and mineral interests.

Costs for exploration, pre-development, secondary development at operating mines, and maintenance and repairs on capitalized property, plant and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out (a) in search of previously unidentified mineral deposits, and (b) where a determination remains pending as to whether new target deposits outside of the existing reserve areas can be economically developed. Pre-development activities involve costs incurred prior to the development stage that may ultimately benefit production, such as underground ramp development, which are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. The Company did not have any expenses in pre-development, reclamation or other costs during the six months ended June 30, 2018 or the six months ended June 30, 2017.

[8] Depreciation, depletion and amortization:

Capitalized costs are depreciated or depleted using the straight-line method or unit-of-production method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Determination of expected useful lives for amortization calculations are made on a property-by-property or asset-by-asset basis at least annually. Our estimates for reserves, mineralized material, and other resources are a key component in determining our units of production depletion rates. Our estimates of proven and probable ore reserves, mineralized material, and other resources may change, possibly in the near term, resulting in changes to depreciation, depletion and amortization rates in future reporting periods. The Company is currently not depleting its mineral interests as production has not recommenced.

[9] Impairment of long-lived assets:

Management reviews and evaluates the net carrying value of all facilities, including idle facilities, for impairment upon the occurrence of other events or changes in circumstances that indicate that the related carrying amounts may not be recoverable. We estimate the net realizable value of each property is based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment, and the value associated with property interests.

OURAY SILVER MINES, INC.

Notes to Financial Statements June 30, 2018 (Unaudited)

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Impairment of long-lived assets: (continued)

Although management makes a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon estimates of metals to be recovered from proven and probable ore reserves and identified mineralization and other resources beyond proven and probable reserves, future production and capital costs and estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining mine life.

It is reasonably possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties. If undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized. There is no impairment at June 30, 2018 or December 31, 2017.

[10] Restricted assets:

The Company, under the terms of its bonding agreements with certain regulatory agencies, is required to collateralize certain portions of its obligations. The Company has collateralized these obligations by assigning bonds and certificates of deposit that have maturity dates ranging from two months to twelve months at June, 2018, to the respective agencies. At June 30, 2018 the Company held bonds and certificates of deposit under these agreements of \$480,769. The ultimate timing of the release of the collateralized amounts is dependent on the timing and closure of each mine lease. In order to release the collateral, the Company must seek approval from government agencies responsible for monitoring the mine closure status. Collateral could also be released to the extent the Company is able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company expects that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

[11] Reclamation and environmental matters:

The Company recognizes obligations for the expected future retirement of tangible long-lived assets and other associated asset retirement costs. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in pre-development, reclamation, and other costs on the accompanying statements of operations. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced. Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the discounted costs expected to be incurred at the site. Such cost estimates include, where applicable, ongoing care and maintenance and monitoring costs. Changes in estimates are reflected prospectively in the period an estimate is revised. At June 30, 2018 and December 31, 2017, the Company has recorded an estimate for its future asset retirement obligations in the amount of \$204,363 and \$196,063, respectively. See Note E – **Asset Retirement Obligations**

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generation are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable, and the costs can be reasonably estimated.

OURAY SILVER MINES, INC.

Notes to Financial Statements June 30, 2018 (Unaudited)

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Reclamation and environmental matters: (continued)

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors and include estimates of associated legal costs. These amounts also reflect prior experience in remediating contaminated sites, other companies' clean-up experience, and data released by The Environmental Protection Agency or other organizations.

Such estimates are, by their nature, imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. Recoveries are evaluated separately from the liability and, when recovery is assured, the Company records and reports an asset separately from the associated liability.

Based upon management's current assessment of its environmental responsibilities, it does not believe that any environmental reclamation or remediation liability exists at June 30, 2018.

[12] Income taxes:

The Company uses an asset and liability approach, which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A full valuation allowance has been provided for the Company's net deferred tax assets as it is more likely than not that they will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. There are no uncertain tax positions at June 30, 2018 or December 31, 2017. Interest and penalties related to uncertain tax positions if any are recorded as part of the income tax provision.

[13] Loss contingencies:

Estimated losses from loss contingencies are accrued by a charge to operations when information available prior to issuance of the financial statements indicates that it is probable that a liability could be incurred, and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

[14] Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 with early adoption permitted. Under ASU 2016-02, lessees will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease

OURAY SILVER MINES, INC.

Notes to Financial Statements
June 30, 2018
(Unaudited)

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Recent accounting pronouncements: (continued)

term. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

NOTE D - PROPERTY, PLANT, EQUIPMENT AND MINERAL INTERESTS

The details of property and equipment and related accumulated depreciation are set forth below:

	June 30	December 31
	<u>2018</u>	<u>2017</u>
Mineral interests	\$31,322,055	\$30,914,474
Facilities and equipment	14,164,616	14,164,616
Furniture and fixtures	402,402	402,402
Vehicles	<u>141,126</u>	<u>153,268</u>
	46,030,199	45,634,760
Less accumulated depreciation	<u>5,021,485</u>	<u>4,267,706</u>
Total	<u>\$41,008,714</u>	<u>\$41,367,054</u>

Depreciation expense for the 6 months ended June 30, 2018 and 2017 was \$755,339 and \$757,737, respectively.

For the 6 months ended June 30, 2018, the Company had sales of fixed assets of \$1,000.

Mineral interests as of June 30, 2018 consist of the following:

Mining development	\$ 3,967,049
Mineral interests	<u>27,355,006</u>
Total	<u>\$ 31,322,055</u>

The Company's mineral interests consist of the mine, acquired by the Company in 2014, under which the Company owns all production and reserves. There was no depletion expense during the six months ended June 30, 2018 or 2017 due to the lack of production.

NOTE E - ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are based principally on legal and regulatory requirements. Management estimates costs associated with reclamation of mining properties. The Company uses assumptions about future costs, mineral prices, mineral processing recovery rates, production levels, capital costs, and reclamation costs. On an ongoing basis, management evaluates its estimates and assumptions, and future expenditures could differ from current estimates.

OURAY SILVER MINES, INC.

Notes to Financial Statements

June 30, 2018

(Unaudited)

NOTE E - ASSET RETIREMENT OBLIGATIONS (CONTINUED)

Changes to the Company's asset retirement obligations for operating sites are as follows:

Asset retirement obligation at December 31, 2017	196,063
Accretion	<u>8,300</u>
Asset retirement obligation at June 30, 2018	<u>\$ 204,363</u>

NOTE F - METAL PREPAY AND WORKING CAPITAL FACILITIES - RELATED PARTY

On October 1, 2014, the Company entered into a Senior Secured Metal Prepay Agreement ("Metal Prepay") with LRC-FRSM which has been modified by the Amended and Restated Senior Secured Metal Prepay Agreement dated March 25, 2015 ("Amended Metal Prepay") in the amount detailed below and payable in repayment units of physical metal as defined by an agreed upon delivery schedule plus interest on advances outstanding at a rate of 9.25% per annum.

The Company's current obligations as of December 31, 2017 under the Amended Metal Prepay are deliveries of repayment units of the Metal Prepay as follows:

<u>Gold (oz)</u>	<u>Silver (oz)</u>	<u>Lead (ton)</u>
<u>3,400</u>	<u>636,000</u>	<u>2,550</u>

The First Amendment to the Amended Metal Prepay (the "First Amendment", executed August 31, 2015) provided for the accrual and deferral of (a) any and all Shortfall Payments pursuant to the Amended Metal Prepay, (b) Cash Interest pursuant the Amended Metal Prepay, and (c) all other payments pursuant to the Amended Metal Prepay until such time as elected by the Seller. Through December 31, 2017, the Company continued to accrue the above stated delivery obligations under the Amended Metal Prepay.

Under the Working Capital Facility, the company is obligated to deliver 3,115,894 SERU. Through December 31, 2017, interest of 15% per annum was accrued on outstanding SERU payable in additional SERU.

The Second Amendment to the Amended Metal Prepay (the "Second Amendment", executed March 30, 2018) eliminated past and future accrued interest on the Metal Prepay obligations. Therefore, no interest was accrued in the period ended June 30, 2018 and the Company recognized a non-cash gain on the elimination of interest payable in commodities of \$29,238,224.

The details of loan payable are set forth follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Metal prepay and working capital facilities-related party	\$ 51,000,000	\$ 51,000,000
Less debt issuance cost (net of amortization)	<u>(162,119)</u>	<u>(216,159)</u>
Metal prepay and working capital facilities-related party	<u>\$ 50,837,881</u>	<u>\$ 50,783,841</u>

OURAY SILVER MINES, INC.

Notes to Financial Statements

June 30, 2018

(Unaudited)

NOTE F - METAL PREPAY AND WORKING CAPITAL FACILITIES - RELATED PARTY (CONTINUED)

As of June 30, 2018, and December 31, 2017, the estimated fair value of the facilities excluding interest payable in commodities in both periods was approximately \$68,138,112 and \$71,585,866 respectively.

NOTE G - DEFERRED INCOME TAXES AND VALUATION ALLOWANCE

As of June 30, 2018, the Company has a net operating loss ("NOL") of approximately \$14,048,412. The NOL expires in the tax year 2037. Additionally, the Company has temporary tax differences resulting in a deferred tax asset. The total deferred tax asset at June 30, 2018 is approximately \$5,438,000.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of this evaluation, as of June 30, 2018, a full valuation allowance of \$5,438,000 has been recorded resulting in no deferred tax asset on the balance sheet. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased or if objective evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

The Tax Cuts and Jobs Act (the "Tax Act") enacted on December 22, 2017, reduces the U.S. corporate rate from 34% to 21% beginning in 2018. The Company remeasured its deferred tax assets based on the rates at which they are expected to reverse in the future, which is 21%. As a result, the Company decreased its deferred tax assets by approximately \$6,182,000 with a corresponding decrease to the valuation allowance for the year ended December 31, 2017.

The Company's effective income tax rate differs from the U.S. statutory federal income tax rate primarily due to the change in valuation allowance and the effect of re-measuring the deferred tax balances due to the change in U.S. federal rate from 34% to 21% as a result of the Tax Act.

NOTE H - COMMITMENTS AND CONTINGENCIES

[1] Operating lease:

The Company maintains an office in Ouray, Colorado. A two-year lease agreement was entered into on January 1, 2017. Total annual payment for 2018 are \$101,155. The lease expires on December 31, 2018.

Rent expense for the six-month period ended June 30, 2018 and 2017 was \$49,830 respectively.

APPENDIX III
MANAGEMENT'S DISCUSSION AND ANALYSIS OF OURAY SILVER MINES, INC.
FOR THE FISCAL YEARS ENDING DECEMBER 31, 2017 AND DECEMBER 31, 2016



Management Discussion and Analysis for the Year ended December 31, 2017

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with Ouray Silver Mines, Inc.’s (the “Company” or “Ouray”) December 31, 2017 audited financial statements and the related notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”). 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 June 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 Ouray Silver Mines, Inc. 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 Revenue-Virginus Mine (“RV Mine”), 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” or “is not expected”, “anticipates” or “does not anticipate”, “plans” or “does not plan”, “estimates”, “intends” or “does not intend” or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or “not 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, lack of achieving intended operational or project development related results, 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 RV Mine. Ouray’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 “NI 43-101 Technical Report Feasibility Study Revenue-Virginus Mine, Ouray, Colorado”, dated June 15, 2017 (“2017 FS”). The 2017 FS was completed independently by SRK Consulting (U.S.), Inc., Denver CO (“SRK”) with an effective date of March 1, 2017. The scientific and technical information contained in this document has been approved by Jeff Osborn of SRK, who is a qualified person as defined by NI 43-101 and independent of Ouray.

Management's Discussion and Analysis

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

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources: Disclosure herein use 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

Jeff Osborn of SRK, who is a qualified person as defined by NI 43-101 and independent of Ouray has reviewed and approved the technical information contained herein.

NATURE OF BUSINESS AND COMPANY DESCRIPTION

Ouray Silver Mines, Inc. was organized under the laws of the State of Colorado on April 19, 2014. The Company owns the Revenue-Virginus Mine located in the San Juan Mountains near Ouray, Colorado. The primary products of the Mine are metal concentrates comprised of silver, gold, lead, and zinc.

In 2014, the Company was established by Fortune Minerals Limited ("Fortune") and acquired the RV Mine assets from an unrelated party. The Company received financing from LRC-FRSM, LLC ("LRC-FRSM") to acquire the assets and develop the mine. Fortune was the guarantor on the financing agreement. The Company and Fortune defaulted on the terms of the financing agreement, and on July 17, 2015, Fortune and LRC-FRSM entered into a master restructuring agreement ("MRA"). As part of the MRA, Fortune transferred ownership of the Company to LRC-FRSM II, LLC, ("LRC-FRSM II" and together with LRC-FRSM, the "LRC Group") an affiliate of LRC-FRSM. After the closing of the MRA on July 22, 2015, the Company changed its name from Fortune Revenue Silver Mine, Inc. to Ouray Silver Mines, Inc.

In August 2015, the Company transitioned from operating the RV Mine to care and maintenance of the RV Mine. This transition suspended mine and mill operations and included a major reduction in workforce. During care and maintenance, the LRC Group brought in new senior management and the Company engaged technical consulting companies to evaluate and assess the mine in order to obtain a technical understanding of the mine's resources and potential. On June 15, 2017, the Company completed the 2017 FS demonstrating an economic restart of production at the RV Mine is possible and warranted. The Company continues care and maintenance and core technical activities to keep the RV Mine, including all permits, on a production ready status.

Basis of presentation and going concern

The accompanying 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 for at least the next twelve months. Several adverse conditions and material uncertainties, including low metal prices, could cast significant doubt upon the going concern assumption. As at December 31, 2017, the Company had working capital of -\$0.3 million, compared with -\$0.03 million as at December 31, 2016. The major components of working capital at December 31, 2017 included \$0.2 million of cash, \$0.3 million in prepaid expenses, and \$0.8 million in accounts payable.

The Company relies on capital contributions from LRC-FRSM II, the sole shareholder of the Company, to fund working capital. Based on the Company's current cash usage expectation for 2018, it believes it will have sufficient liquidity to fund its operations for at least the next twelve months only if it receives planned additional capital contributions from LRC-FRSM II or raises finances from a third party. However, the Company can provide no assurances that these initiatives will succeed. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities as a result of this uncertainty.

As at December 31, 2017, LRC-FRSM II has contributed additional capital of \$5,883,000 for the fiscal year 2017. Since December 31, 2017, LRC-FRSM II has contributed additional capital of \$1,935,000 as of June 28, 2018.

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OUTLOOK

Based solely on the continued reliance of financial support from LRC-FRSM II, the Company has sufficient working capital to meet its near-term obligations and continue with the RV Mine as its principal asset. The Company is working towards a production decision to restart the RV Mine having completed a NI 43-101 compliant feasibility study in June 2017, and continues the care and maintenance activities to keep the RV Mine on a production ready status. The feasibility study demonstrates a strong economic restart of the RV Mine, and the Company has been in discussion with third parties for restart capital.

CORPORATE DEVELOPMENTS

During the period ended December 31, 2017:

- The Company continued care and maintenance activities to keep the RV Mine, including all permits, on a production ready basis.
- In June 2017, SRK Consulting (U.S.), Inc. (“SRK”) completed a NI 43-101 compliant feasibility study confirming economic viability of the RV Mine. The study provides a Base Case¹ Pre-Tax Net Present Value using an 8% discount rate (“NPV8”) of \$76.5 million and an Pre-Tax Internal Rate of Return (“IRR”) of 79%. Additional details of the study can be referred to in a subsequent section titled Revenue-Virginus Mine, Colorado USA.

REVIEW OF FINANCIAL RESULTS

Revenue

During the year ended December 31, 2017, the Company did not generate any revenue from operations (December 31, 2016: \$0).

General and Administrative Costs

	For the year ended December 31,	
	2017	2016
Salaries	\$1,666,132	\$2,491,617
Admin & Overhead	\$1,358,364	\$1,341,067
Consulting Fees	\$1,109,448	\$56,843
Permits & Environmental Compliance	\$116,388	\$39,174
General Care & Maintenance	\$608,458	\$1,008,701
Utilities	\$218,460	\$255,332
Travel & Accommodation	\$12,482	\$91,543
	\$5,089,732	\$5,284,277

Quarterly Financial Information

¹ The Base Case uses a price deck of \$18.55 Ag, \$1,270 Au, \$0.95 Pb and \$1.15 Zn. Current ownership structure and legacy pre-pay obligations provide certain tax advantages, and it is believed that pre-tax economics are the most relevant metrics.

The Company did not prepare quarterly financial statements prior to December 31, 2017.

Selected Annual Information

	For the year ended	
	2017	2016
Revenue	\$0	\$0
Operating Income (Loss)	-\$6,807,159	-\$7,059,664
Net Income (Loss)	-\$21,257,570	-\$18,012,486
Gain (Loss) Per Share	-\$163.01	-\$138.12

- During the twelve months ending December 31, 2017:
 - The Company earned no revenue.
 - RV Mine care & maintenance costs during the year ended December 31, 2017 were \$5,089,732. Salaries of \$1,666,132, and Admin & Overhead of \$1,358,364, comprised the majority of care & maintenance costs for the year.
 - The consulting fees of \$1,109,448 were principally related to completing the NI 43-101 compliant feasibility study on the RV Mine.
 - Depreciation and amortization of \$1,642,971 and interest expense of \$14,475,411 predominately accrued interest based on the Amended Metal Prepay (defined later herein) to a related party, LRC-FRSM, contributed to the net loss of \$21,257,570.

- During the twelve months ending December 31, 2016:
 - The Company earned no revenue.
 - RV Mine care & maintenance costs during the year ended December 31, 2016 were \$5,284,277. Salaries of \$2,491,617 and Admin & Overhead of \$1,341,067 comprised the majority of care & maintenance costs for the year.
 - Depreciation and amortization of \$1,614,142 and interest expense of \$10,952,822 predominately accrued interest based on the Amended Metal Prepay (defined later herein) to a related party, LRC-FRSM, contributed to the net loss of \$18,012,486.

REVENUE-VIRGINIUS MINE, COLORADO USA

The Company owns 100% interest in the the RV Mine. The Company continues care and maintenance of the RV Mine. On June 15, 2017 the Company completed a NI 43-101 feasibility study. The mineral reserve and resource estimate in the 2017 FS are as follows:

Mineral Reserves

Area	Description	Tons (kst)	Ag (oz/st)	Au (oz/st)	Pb (%)	Zn (%)	Contained Ag (koz)	Contained Au (koz)	Contained Pb (klb)	Contained Zn (klb)	NSR (US\$/st)
Virginus	Proven	203.5	24.47	0.06	5.09	1.75	4,980	12.6	20,720	7,124	500
	Probable	206.6	30.35	0.06	5.11	2.80	6,270	13.1	21,133	11,571	602
	P+P	410.1	27.43	0.06	5.10	2.28	11,251	25.7	41,853	18,694	551
Terrible	Proven	0	0	0	0	0	-	-	-	-	0
	Probable	44.9	17.95	0.05	7.40	1.37	806	2.2	6,642	1,229	406
	P+P	44.9	17.95	0.05	7.40	1.37	806	2.2	6,642	1,229	406
Yellow Rose	Proven	40.9	20.19	0.05	4.20	2.31	825	2.1	3,433	1,887	419
	Probable	79.2	16.68	0.04	3.29	1.83	1,321	2.8	5,209	2,896	338
	P+P	120.0	17.87	0.04	3.60	1.99	2,145	4.9	8,642	4,784	366
All Areas Total	Proven	244.4	23.75	0.06	4.94	1.84	5,805	14.7	24,153	9,011	486
	Probable	330.7	25.39	0.05	4.99	2.37	8,397	18.1	32,985	15,696	512
	P+P	575.1	24.70	0.06	4.97	2.15	14,202	32.8	57,138	24,707	501

Notes:

- All figures are rounded to reflect the relative accuracy of the estimates. Totals may not sum due to rounding. NSR listed here may be somewhat different than values calculated in the final economic model due to updated information at time of economic modeling.
- Ore reserves are reported at NSR CoGs based on metal price assumptions*, metallurgical recovery assumptions**, mining costs, processing costs, general and administrative (G&A) costs, and treatment and refining charges. Mining costs, processing costs, and G&A costs total US\$240.62/st.
 * Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US\$/oz 1,270.00), Silver (US\$/oz 18.55), Lead (US\$/lb 0.95) and Zinc (US\$/lb 1.15)
 **Metallurgical recoveries for payable items in the Pb concentrate are: Gold (60%), Silver (95%), and Lead (95%). Metallurgical recoveries for payable items in the Zn concentrate are: Zinc (54%).
- Ore reserves have been stated on the basis of a mine design, mine plan, and cash-flow model. Full mining recovery of designed areas is assumed. Mining dilution is applied at zero grade and ranges from 5.9%-26.8%.
- The ore reserves were estimated by OSMI. Joanna Poeck, (BS Mining, MMSA, SME-RM) a Qualified Person, reviewed and audited the reserve calculations.

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

Mineral Resources

Classification	Vein	Tons (kst)	Tonnage Factor	Ag (oz/st)	Au (oz/st)	Pb (%)	Cu (%)	Zn (%)	Ag (koz)	Au (koz)	Pb (klb)	Cu (klb)	Zn (klb)
Measured	Virginus Main	218	11.0	22.6	0.07	5.15	0.24	1.89	4,918	15	22,433	1,058	8,262
	Virginus FW	58	11.0	25.8	0.03	4.05	0.36	1.61	1,495	2	4,695	416	1,865
	Terrible	-	-	-	-	-	-	-	-	-	-	-	-
	Yellow Rose	39	11.0	22.1	0.05	4.51	0.17	2.53	860	2	3,506	135	1,966
	Total Measured	315	11.0	23.1	0.06	4.86	0.26	1.92	7,273	19	30,634	1,609	12,093
Indicated	Virginus Main	311	11.0	24.2	0.06	4.38	0.26	2.56	7,516	19	27,262	1,587	15,921
	Virginus FW	103	11.0	12.6	0.03	2.67	0.21	1.20	1,298	3	5,501	431	2,472
	Terrible	49	11.0	17.6	0.06	7.44	0.14	1.46	861	3	7,287	137	1,435
	Yellow Rose	209	11.0	11.8	0.03	2.44	0.10	1.69	2,460	7	10,160	401	7,051
	Total Indicated	672	11.0	18.1	0.05	3.74	0.19	2.00	12,135	32	50,230	2,556	26,879
M + I	Virginus Main	529	11.0	23.50	0.06	4.70	0.25	2.29	12,434	34	49,695	2,645	24,183
	Virginus FW	161	11.0	17.35	0.03	3.17	0.26	1.35	2,793	5	10,196	847	4,337
	Terrible	49	11.0	17.57	0.06	7.44	0.14	1.46	861	3	7,287	137	1,435
	Yellow Rose	247	11.0	11.77	0.03	2.44	0.10	1.69	3,320	9	13,686	536	9,017
	Total M + I	987	11.0	19.7	0.05	4.10	0.21	1.97	19,408	51	80,864	4,165	38,972
Inferred	Virginus Main	170	11.0	30.7	0.07	5.96	0.42	3.07	5,220	12	20,268	1,444	10,440
	Virginus FW	1	11.0	19.0	0.00	2.20	0.20	0.95	19	0	44	4	19
	Terrible	52	11.0	28.8	0.12	7.04	0.11	1.31	1,499	6	7,323	115	1,359
	Yellow Rose	108	11.0	20.9	0.04	1.34	0.15	1.72	2,258	4	2,894	325	3,724
	Total Inferred	331	11.0	27.2	0.07	4.61	0.29	2.35	8,996	22	30,529	1,888	15,542

Notes:

- Mineral Resources are inclusive of Mineral Reserves
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.
- Mineral Resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.
- All Measured and Indicated estimates with the defined wireframes are considered to have potential for economic extraction as entire level will be mined
- Inferred Mineral Resources is limited using a NSR cut-off US\$200/st.
- Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US\$/oz 1,270.00), Silver (US\$/oz 18.55), Lead (US\$/lb 0.95), Copper (US\$/lb 2.55) and Zinc (US\$/lb 1.15);
- Cut-off calculations assume average metallurgical recoveries equal to: Gold (65%), Silver (96%), Lead (96%), Copper (94%) and Zinc (89%); and
- The resources were estimated by Benjamin Parsons, BSc, MSc Geology, MAusIMM (CP) #222568 of SRK, a Qualified Person, reviewed and audited the resource calculations.

Highlights of the FS include:

- Base Case* pre-tax NPV (8% discount rate) of \$76.5 million, internal rate of return ("IRR") of 79%.
- Mine life of over 6 years based only on P&P reserves.
- First 5-year average annual production of 3.1 million silver equivalent ounces*.
- All-in sustaining cost of production of \$10.84/oz AgEq*.
- Initial capital costs required of approximately \$36.5 million, including \$2.1 million contingency and \$3.2 million operating costs during ramp up.
- 9 months from production decision to positive cash flow with under 2 years of capital payback.
- First 5-year average annual pre-tax cash flow of \$26.5 million.

*Base Case and silver equivalent ounces use \$18.55/oz silver, \$1,270/oz gold, \$0.95/lb lead and \$1.15/lb Zinc.

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Current ownership structure and legacy pre-pay obligations provide certain tax advantages, and it is believed that pre-tax economics are the most relevant metrics.

The 2017 FS outlines a restart plan for the RV Mine that requires approximately \$36.5 million of initial capital (including working capital, contingency and concentrate payment terms). First production is scheduled in month 7 from the project start date, and positive cash flow in month 9. The project is break even in 1.9 years after the commencement of production and will produce roughly 18 million payable silver equivalent ounces at an all-in sustaining cost of \$10.84/oz AgEq over the current 6.4 year mine life based on the currently defined mineral reserves. The defined mineral reserve has 575,000 short tons at a silver equivalent grade of 36.4 ounces/short ton (1,247 grams/metric ton). The restart plan initially focuses on higher grade and accordingly the production is front loaded, with the first 5 years of production producing 15.4 million payable silver equivalent ounces (3.1 million/year).

The 2017 FS, with an effective date of March 1, 2017, was completed independently by SRK Consulting (U.S.), Inc. Denver CO. The report titled "NI 43-101 Technical Report Feasibility Study Revenue-Virginus Mine Ouray, Colorado", effective March 1, 2017 and issued June 15, 2017 was prepared by Ben Parsons (MSc, MAusIMM (CP)), Eric J. Olin (MSc Metallurgy, MBA, SME-RM, MAusIMM), John Tinucci (PhD, PE), Jeff Osborn (BEng Mining, MMSAQP), Joanna Poeck (BEng Mining, SME-RM, MMSAQP), Dave Mickelson (PE), Terry Braun (MSc, PE), John Pfahl (ME), Bart Stryhas (PhD, CPG), and all are Qualified Persons as defined under National Instrument 43-101.

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, could 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 RV Mine will result in profitable mining operations. The Company currently has no source of revenue and will require cash to meet the necessary financing requirements to complete the development of the RV Mine 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.

The Company has incurred recurring losses from administrative costs and care and maintenance activities to prepare the mine for a production decision. As at December 31, 2017 and 2016, the Company had an operating loss of \$6,807,159 and \$7,059,664. Cash used in operating activities was \$4,798,516 and \$5,613,334 for the year ended December, 2017 and 2016, respectively. At December 31, 2017 the Company has shareholders' deficit of \$38,444,346. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company relies on capital contributions from its related party, LRC-FRSM II, to fund its working capital. Based on the Company's current cash usage expectation for 2018, it believes it will have sufficient liquidity to fund its operations for at least the next twelve months only if it receives planned additional capital contributions from LRC-FRSM II or raises finances from a third party. However, the Company can provide no assurances that these initiatives will succeed.

As at December 31, 2017, LRC-FRSM II has contributed additional capital of \$5,883,000 for the fiscal year 2017. Since December 31, 2017, LRC-FRSM II has contributed additional capital of \$1,935,000 through June 28, 2018.

Working capital

The Company had current assets of \$0.5 million, working capital of -\$0.3 million, shareholders' deficit of \$38.4 million and net income of -\$21.3 million for the year ended December 31, 2017. Accrued interest expense related to the Metal Prepay, defined below, contributed \$14.5 million of the 21.3 million net loss for the year. The accrued interest expense is a non-cash event and had no impact on the working capital position.

Current assets

As at December 31, 2017, the Company had current assets in the total amount of \$0.5 million which includes \$0.15 million of cash.

Mineral properties, plant and equipment

Plant and equipment, net of accumulated depreciation, decreased to \$10.5 million at December 31, 2017, from \$11.9 million at December 31, 2016.

Mineral properties increased to \$31.0 million at December 31, 2017 from \$30.0 million at December 31, 2016 due to the development activities.

OUTSTANDING SHARE CAPITAL

As at December 31, 2017, the Company has 130,409 shares outstanding. The Company has no warrants or stock options outstanding.

TRANSACTIONS WITH RELATED PARTIES

On October 1, 2014 the Company entered into a Senior Secured Metal Prepay Agreement ("Metal Prepay") with LRC-FRSM which has been modified by the Amended and Restated Senior Secured Metal Prepay Agreement dated March 25, 2015 ("Amended Metal Prepay") in the amount detailed below and payable in repayment units of physical metal as defined by an agreed upon delivery schedule plus interest on advances outstanding at a rate of 9.25% per annum.

The Company's current obligations as of December 31, 2017 under the Amended Metal Prepay are deliveries of repayment units of the Metal Prepay as follows:

Gold (oz)	Silver (oz)	Lead (ton)
3,400	636,000	2,550

The First Amendment to the Amended Metal Prepay (the "First Amendment", executed August 31, 2015) provided for the accrual and deferral of (a) any and all Shortfall Payments pursuant to the Amended Metal Prepay, (b) Cash Interest pursuant the Amended Metal Prepay, and (c) all other payments pursuant the Amended Metal Prepay until such time as elected by the Seller. Through December 31, 2017, the Company continued to accrue the above stated delivery obligations under the Amended Metal Prepay.

Through the end of 2017 (i) a late fee of 1.25% was assessed in units per month for any deliveries that were not made, and (ii) interest was charged on the Metal Prepay at 9.25% per annum.

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Under the Working Capital Facility, the Company is obligated to deliver 3,115,894 SERU. Through the end of 2017, interest of 15% per annum was accrued on outstanding SERU payable in additional SERU.

The details of the loan payable are set forth as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Metal prepay and working capital facilities-related party	\$ 51,000,000	\$ 51,000,000
Less debt issuance cost (net of amortization)	<u>(216,159)</u>	<u>(324,237)</u>
Metal prepay and working capital facilities-related party	<u>\$ 50,783,841</u>	<u>\$ 50,675,763</u>
Interest Payable in commodities	<u>\$ 29,238,224</u>	<u>\$ 14,773,136</u>

As of December 31, 2017 and 2016, the estimated fair value of the facilities including interest payable in commodities in both periods was \$100,804,547 and \$79,880,826 respectively.

Interest expense for the years ended December 31, 2017 and 2016 associated with the facilities was \$14,465,086 and \$10,938,843 respectively.

Through December 31, 2017, the Company continued to accrue interest and penalty interest obligations under the Amended Metal Prepay. As a subsequent event, on March 25, 2018 the Second Amendment to the Metal Prepay (the “Second Amendment”) was entered into by the Company and LRC-FRSM. The Second Amendment eliminates past and future accruals of (a) any and all Shortfall Payments pursuant to the Amended Metal Prepay, (b) Cash Interest pursuant to the Amended Metal Prepay, and (c) all other payments pursuant to the Amended Metal Prepay.

COMMITMENTS AND CONTINGENCIES:

Head office lease

The Company maintains an office in Ouray, Colorado. A two year lease agreement was entered into on January 1, 2017 for \$99,660 per annum that expires on December 31, 2018. Rent expense for each of the years ended December 31, 2016 and December 31, 2017 was \$99,660.

FINANCIAL INSTRUMENTS

The Company is not exposed to any fluctuation in foreign exchange rates.

RISKS AND UNCERTAINTIES

The operations of Ouray are speculative due to the high risk nature of its business which is the exploration and development of mining properties. The following is a brief discussion of the distinctive or special characteristics of Ouray's operations and industry which may have a material impact on, or constitute risk factors in respect of, Ouray'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 of 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 come due. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the going concern assumption.

Following the MRA entered into on July 15, 2015, the Company put the RV Mine into care and maintenance and no longer holds any assets that are currently generating revenue and will therefore be solely reliant on additional capital contribution from LRC-FRSM II and debt or equity financing to meet its ongoing working capital needs.

Metals Price risk

Market prices of commodities 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 and other metal prices have been highly volatile over the past several years, and further lower prices and could negatively impact the value of the Company. Prolonged decreases in the price of silver or other metals could adversely impact the ability of the Company to recommence operations at the RV Mine. The Company may also curtail or suspend some or all of its exploration activities on the RV Mine in response to lower silver and other metal prices.

Risks related to recommencing mining operations

The RV Mine is currently on care and maintenance and will require significant expenditures before production can recommence. The economic feasibility of the RV Mine 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. Thus, it is possible that actual capital and operating costs and economic returns will differ significantly from the feasibility study results.

Any of the following events, among others, could affect the profitability or economic feasibility of the RV Mine: 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

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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 value of the Company may be adversely affected.

Credit risk

The Company's credit risk is primarily attributable to cash. The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with credible banks with a long history of operations.

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 Ouray'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, gold, 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

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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

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. The current environmental liabilities include reclamation and closure of the existing surface infrastructure, waste rock stockpiles, and the revenue pond tailings storage facility. The estimated cost for reclamation and closure is \$482,903 and the Company maintains a reclamation bond for this amount.

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 Ouray not receiving an adequate return on invested capital.

Permitting and title

All operating permits for the RV Mine remain in place.

Ouray'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 Ouray may lose all, or a portion, of its interest in the affected mineral claims. Ouray 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 Ouray depends to a large extent on the ability and judgment of the senior management of Ouray and upon Ouray's ability to retain the services of senior management. The loss of their services may have a material adverse effect on Ouray.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Ouray is a private company, therefore not subject to any stock exchange reporting requirements. The Company, however, maintains disclosure controls and procedures with respect to providing audited annual financial statements to its shareholders, which consists solely of LRC-FRSM II at this time. In designing and evaluating the Company's disclosure controls and procedures, it recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

APPENDIX IV
MANAGEMENT'S DISCUSSION AND ANALYSIS OF OURAY SILVER MINES, INC.
FOR THE THREE AND SIX MONTHS ENDING JUNE 30, 2018



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

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with Ouray Silver Mines, Inc.’s (the “Company” or “Ouray”) June 30 2018 unaudited interim financial statements and the related notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”). 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 August 21, 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 Ouray Silver Mines, Inc. 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 Revenue-Virginus Mine (“RV Mine”), 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” or “is not expected”, “anticipates” or “does not anticipate”, “plans” or “does not plan”, “estimates”, “intends” or “does not intend” or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or “not 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, lack of achieving intended operational or project development related results, 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 RV Mine. Ouray’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 “NI 43-101 Technical Report Feasibility Study Revenue-Virginus Mine, Ouray, Colorado”, dated July 5, 2018 (“2018 FS”). The 2018 FS was completed independently by SRK Consulting (U.S.), Inc., Denver CO (“SRK”), with an effective date of June 15, 2018.

The scientific and technical information contained in this document has been approved by Jeff Osborn of SRK, who is a qualified person as defined by NI 43-101 and independent of Ouray.

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

Jeff Osborn of SRK, who is a qualified person as defined by NI 43-101 and independent of Ouray, has reviewed and approved the technical information contained herein.

NATURE OF BUSINESS AND COMPANY DESCRIPTION

Ouray Silver Mines, Inc. was organized under the laws of the State of Colorado on April 19, 2014. The Company owns the Revenue-Virginus Mine located in the San Juan Mountains near Ouray, Colorado. The primary products of the Mine are metal concentrates comprised of silver, gold, lead, and zinc.

In 2014, the Company was established by Fortune Minerals Limited ("Fortune") and acquired the RV Mine assets from an unrelated party. The Company received financing from LRC-FRSM, LLC ("LRC-FRSM") to acquire the assets and develop the mine. Fortune was the guarantor on the financing agreement. The Company and Fortune defaulted on the terms of the financing agreement, and on July 17, 2015, Fortune and LRC-FRSM entered into a master restructuring agreement ("MRA"). As part of the MRA, Fortune transferred ownership of the Company to LRC-FRSM II, LLC, ("LRC-FRSM II" and together with LRC-FRSM, the "LRC Group") an affiliate of LRC-FRSM. After the closing of the MRA on July 22, 2015, the Company changed its name from Fortune Revenue Silver Mine, Inc. to Ouray Silver Mines, Inc.

In August 2015, the Company transitioned from operating the RV Mine to care and maintenance of the RV Mine. This transition suspended mine and mill operations and included a major reduction in workforce. During care and maintenance, the LRC Group brought in new senior management and the Company engaged technical consulting companies to evaluate and assess the mine in order to obtain a technical understanding of the mine's resources and potential. In 2017, the Company completed a feasibility study ("2017 FS") demonstrating an economic restart of production at the RV Mine is possible and warranted, and updated that feasibility study again in 2018 to update capital and operating cost estimates to current market prices. The Company continues care and maintenance and core technical activities to keep the RV Mine, including all permits, on a production ready status.

Basis of presentation and going concern

The accompanying 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 for at least the next twelve months. Several adverse conditions and material uncertainties, including low metal prices, could cast significant doubt upon the going concern assumption. As at June 30, 2018, the Company had working capital of -\$0.02 million, compared with -\$0.3 million as at December 31, 2017. The major components of working capital at June 30, 2018 included \$0.2 of cash, \$0.10 million in prepaid expenses, and \$0.3 million in accounts payable.

The Company relies on capital contributions from LRC-FRSM II, the sole shareholder of the Company, to fund working capital. Based on the Company's current cash usage expectation for 2018, it believes it will have sufficient liquidity to fund its operations for at least the next twelve months only if it receives planned additional capital contributions from LRC-FRSM II or raises finances from a third party. However, the Company can provide no assurances that these initiatives will succeed. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities as a result of this uncertainty.

Management's Discussion and Analysis

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

In the first six months of 2018, LRC-FRSM II has contributed additional capital of \$2,335,000. Since June 30, 2018, LRC-FRSM II has contributed additional capital of \$490,000 for a total of \$2,825,000 contributed as of August 21, 2018.

OUTLOOK

Based solely on the continued reliance of financial support from LRC-FRSM II, the Company has sufficient working capital to meet its near-term obligations and continue with the RV Mine as its principal asset. In addition, on July 30, 2018 Aurcana (defined later herein) publicly announced a material transaction with the Company as follows:

Material Acquisition and Reverse Take Over: The Company has entered into a letter of intent dated July 27, 2018 (the "LOI") with Aurcana Corporation ("Aurcana") pursuant to which the Company will effect a business combination and reverse takeover transaction that will result in, among other things, Aurcana acquiring all of the issued and outstanding shares of common stock of the Company on a debt free basis in exchange for newly issued common shares of Aurcana (collectively, the "Proposed Transaction"). The Company will become a wholly-owned subsidiary of Aurcana.

As a condition to the Proposed Transaction, Aurcana is required to complete an offering of subscription receipts to raise gross proceeds of not less than CDN\$10 million (the "Offering") to close concurrently with the Proposed Transaction. The Proposed Transaction has the support of the Board of Directors of Aurcana, as well as Orion Mine Finance ("Orion"), the largest (15%) shareholder of Aurcana, and Orion and each of the directors and senior officers of Aurcana have executed support agreements in favor of the Proposed Transaction. The Proposed Transaction is contemplated to be completed by a Plan of Arrangement pursuant to the Business Corporations Act (British Columbia) (the "Plan"). The parties target closing the Proposed Transaction in early November and one of the planned use of proceeds of the Proposed Transaction will be to fund working capital requirements at the RV Mine.

There can be no guarantees that the Proposed Transaction will be completed.

CORPORATE DEVELOPMENTS

During the period ended June 30, 2018:

- The Company continued care and maintenance activities to keep the RV Mine, including all permits, on a production ready basis.
- In June 2018, SRK issued the 2018 FS, an updated NI 43-101 compliant feasibility study based on the 2017 FS confirming economic viability of the RV Mine. The study provides 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%. Additional details of the study can be referred to in a subsequent section titled Revenue-Virginus Mine, Colorado USA.
- On July 30, 2018 the Company announced a significant transaction as outlined above, in the Outlook section.

¹ The Base Case uses a price deck of \$18.50 Ag, \$1,300 Au, \$1.00 Pb and \$1.20 Zn

REVIEW OF FINANCIAL RESULTS

Revenue

During the quarter ended June 30, 2018, the Company did not generate any revenue from operations (June 30, 2017: \$0).

General and Administrative Costs

	For the three months ended June 30,	For the six months ended June 30,	
	2018	2018	2017
Salaries	\$354,723	\$623,149	\$951,947
Admin & Overhead	\$457,246	\$617,089	\$674,002
Consulting Fees	\$84,655	\$118,654	\$821,244
Permits & Environmental Compliance	\$68,400	\$68,993	\$11,925
General Care & Maintenance	\$43,817	\$122,269	\$238,547
Utilities	\$40,273	\$78,574	\$96,651
Travel & Accommodation	\$13,514	\$20,367	\$1,810
	\$1,062,628	\$1,649,094	\$2,796,126

Quarterly Financial Information

The Company's financial statements are reported under US GAAP. The following tables provide highlights from the Company's financial statements of quarterly results for the two quarters, which are the only quarters that the Company has prepared quarterly statements, as well as year-end 2017 and 2016.

	For the quarter ended		For the year ended December 31,	
	June 30, 2018	March 31, 2018	2017	2016
Revenue	\$0	\$0	\$0	\$0
Operating Income (Loss)	-\$1,481,527	-\$1,064,254	-\$6,807,159	-\$7,059,664
Net Income (Loss) ²	-\$1,484,041	\$28,171,456	-\$21,257,570	-\$18,012,486
Gain (Loss) Per Share	-\$11.38	\$216.02	-\$163.01	-\$138.12

- During the three months ending June 30, 2018:
 - The Company earned no revenue.
 - RV Mine care & maintenance costs during the second quarter of 2018 were \$1,062,628. Salaries of \$354,723 and Admin & Overhead of \$457,246 comprised the majority of care and maintenance costs for the quarter.

² During the quarter ended March 31, 2018 the Company executed an amendment to the Amended Metal Prepay (defined later herein) eliminating past and future interest accruals. The majority of the net loss in prior quarters, over and above operating losses, were generated from this historical accrual of interest.

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

- During the three months ending March 31, 2018:
 - The Company earned no revenue.
 - RV Mine care & maintenance costs during the first quarter of 2018 were \$655,284. Salaries of \$253,943 and Admin & Overhead of \$229,887 comprised the majority of care & maintenance costs for the quarter.
 - The Company executed an amendment to the Amended Metal Prepay (defined later herein) eliminating past and future interest accruals due to the related party LRC-FRSM. This elimination of interest of \$29,238,224 generated the one-time gain and the majority of net income in the first quarter of 2018.

- During the twelve months ending December 31, 2017:
 - The Company earned no revenue.
 - RV Mine care & maintenance costs during the year ended December 31, 2017 were \$5,089,732. Salaries of \$1,666,132 and Admin & Overhead of \$1,358,364 comprised the majority of care & maintenance costs for the year.
 - The consulting fees of \$1,109,448 were principally related to completing the NI 43-101 compliant feasibility study on the RV Mine.
 - Depreciation and amortization of \$1,642,971 and interest expense of \$14,475,411 predominately accrued interest based on the Amended Metal Prepay (defined later herein) to a related party, LRC-FRSM, contributed to the net loss of \$21,257,570.

- During the twelve months ending December 31, 2016:
 - The Company earned no revenue.
 - RV Mine care & maintenance costs during the year ended December 31, 2016 were \$5,284,277. Salaries of \$2,491,617 and Admin & Overhead of \$1,341,067 comprised the majority of care & maintenance costs for the year.
 - Depreciation and amortization of \$1,614,142 and interest expense of \$10,952,822, predominately accrued interest based on the Amended Metal Prepay (defined later herein) to a related party, LRC-FRSM, contributed to the net loss of \$18,012,486.

REVENUE-VIRGINIUS MINE, COLORADO USA

The Company owns 100% interest in the the RV Mine. The Company continues care and maintenance of the RV Mine. On July 5, 2018 the Company completed an updated NI 43-101 feasibility study. The mineral reserve and resource estimate in the 2018 FS are as follows:

Mineral Reserves

Classification	Tons (kst)	Ag (oz/st)	Au (oz/st)	Pb (%)	Zn (%)	Ag (koz)	Au (koz)	Pb (klb)	Zn (klb)	Ag Equiv (koz)	Ag Equiv (oz/st)
Proven	244	23.75	0.06	4.94	1.84	5,805	15	24,153	9,011	8,729	35.7
Probable	331	25.39	0.05	4.99	2.37	8,397	18	32,985	15,696	12,472	37.7
Total P+P	575	24.70	0.06	4.97	2.15	14,202	33	57,138	24,707	21,201	36.9

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Mineral Resources

Classification	Tons (kst)	Ag (oz/st)	Au (oz/st)	Pb (%)	Zn (%)	Ag (koz)	Au (koz)	Pb (klb)	Zn (klb)	Ag Equiv (koz)	Ag Equiv (oz/st)
Measured	315	23.1	0.06	4.86	1.92	7,273	19	30,634	12,093	11,048	35.1
Indicated	672	18.1	0.05	3.74	2.00	12,135	32	50,230	26,879	18,842	28.0
Total M&I	987	19.7	0.05	4.10	1.97	19,408	51	80,864	38,972	29,891	30.3
Inferred	331	27.2	0.07	4.61	2.35	8,996	22	30,529	15,542	13,200	39.9

Notes:

- Based on the RV Mine 2018 FS prepared by SRK and Ouray analysis. The effective date of the mineral reserve and resource estimates in the RV Mine 2018 FS is June 15, 2018.
- Notes for mineral resources: (i) mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources estimated will be converted into mineral reserves. Mineral resources inclusive of mineral reserves; (ii) mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding; (iii) all measured and indicated mineral resource estimates with the defined wireframes are considered to have potential for economic extraction as entire level will be mined; (iv) inferred mineral resources are limited using a net smelter return ("NSR") cut-off US\$200/st; (v) metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US\$/oz 1,300), Silver (US\$/oz 18.50), Lead (US\$/lb 1.00) and Zinc (US\$/lb 1.20). Metal equivalent calculation excludes copper; (vi) cut-off calculations assume average metallurgical recoveries equal to: Gold (65%), Silver (96%), Lead (96%), Copper (94%) and Zinc (89%); and (vii) the mineral resources were estimated by Benjamin Parsons, BSc, MSc Geology, MAusIMM (CP) #222568 of SRK, a qualified person within the meaning of NI 43-101.
- Notes for mineral reserves: (i) all figures are rounded to reflect the relative accuracy of the estimates. Totals may not sum due to rounding; (ii) mineral reserves are reported at NSR CoGs based on metal price assumptions, metallurgical recovery assumptions, mining costs, processing costs, general and administrative (G&A) costs, and treatment and refining charges. Mining costs, processing costs, and G&A costs total US\$240.62/st. Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US\$/oz 1,300), Silver (US\$/oz 18.50), Lead (US\$/lb 1.00) and Zinc (US\$/lb 1.20); Metallurgical recoveries for payable items in the Pb concentrate are: Gold (60%), Silver (95%), and Lead (95%). Metallurgical recoveries for payable items in the Zn concentrate are: Zinc (54%); (iii) mineral reserves have been stated on the basis of a mine design, mine plan, and cash-flow model. Full mining recovery of designed areas is assumed. Mining dilution is applied at zero grade and ranges from 5.9%-26.8%. 4) The mineral reserves were estimated by Ouray. Joanna Poeck, (BS Mining, MMSA, SME-RM) of SRK, a qualified person within the meaning of NI 43-101, reviewed and audited the mineral reserve estimates.
- There are no known legal, political, environmental, or other risks that could materially affect the potential development of the mineral resources or mineral reserves described in the RV Mine 2018 FS. For additional information on legal, political, environmental and other factors considered in respect of the RV Mine 2018 FS,

readers are encouraged to refer to the full text of the RV Mine 2018 FS which will be filed in connection with the Proposed Transaction.

Highlights of the 2018 FS include:

- Base Case* after-tax NPV (5% discount rate) of \$74.9 million, internal rate of return (“IRR”) of 71.2%.
- Mine life of over 6 years based only on P&P reserves.
- First 5-year average annual production of 3.1 million silver equivalent ounces (“Ag Equivalent” or “Ag Equiv.”).
- All-in sustaining cost of production of \$11.01/oz Ag Equivalent.
- Initial capital costs required of approximately \$36.8 million, including \$2.1 million contingency and \$2.8 million operating costs during ramp up.
- 9 months from production decision to positive cash flow with under 2 years of capital payback.
- First 5-year average annual after-tax cash flow of \$23.8 million.

*Base Case uses \$18.50/oz silver, \$1,300/oz gold, \$1.00/lb lead and \$1.20/lb Zinc.

The 2018 FS outlines a restart plan for the RV Mine that requires approximately \$36.8 million of initial capital (including working capital, contingency and concentrate payment terms). First production is scheduled in month 7 from the project start date, and positive cash flow in month 9. The project is break even in month 16 after the commencement of production (23 months from the project start date) and will produce roughly 18 million payable Ag Equivalent ounces at an all-in sustaining cost of \$11.01 per Ag Equivalent ounce over the current 6.4 year mine life based on the currently defined mineral reserves (\$10.71 per Ag Equivalent ounce over the first 5 years). The defined mineral reserve has 575,000 short tons at an Ag Equivalent grade of 39.9 ounces/short ton (1,264 grams/metric ton). The restart plan initially focuses on higher grade and accordingly the production is front loaded, with the first 5 years of production producing 15.5 million payable Ag Equivalent ounces (3.1 million/year).

The 2018 FS, with an effective date of June 15, 2018, was completed independently by SRK Consulting (U.S.), Inc. Denver CO. The report titled “NI 43-101 Technical Report Feasibility Study Revenue-Virginus Mine Ouray, Colorado”, effective June 15, 2018 and issued July 5, 2018 was prepared by Ben Parsons (MSc, MAusIMM (CP)), Eric J. Olin (MSc Metallurgy, MBA, SME-RM, MAusIMM), John Tinucci (PhD, PE), Jeff Osborn (BEng Mining, MMSAQP), Brian Prosser (PE), Joanna Poeck (BEng Mining, SME-RM, MMSAQP), Dave Mickelson (PE), Terry Braun (MSc, PE), John Pfahl (ME), and all are Qualified Persons as defined under National Instrument 43-101.

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, could 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 RV Mine will result in profitable mining operations. The Company currently has no source of revenue and will require cash to meet the necessary financing requirements to complete the development of the RV Mine and for future corporate and

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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.

The Company has incurred recurring losses from administrative costs and care and maintenance activities to prepare the mine for a production decision. For the six month period ended June 30, 2018 and 2017, the Company had an operating loss of \$2,476,355 and \$3,617,553. Cash used in operating activities was \$1,932,227 and \$2,906,825 for the six months ended June 30, 2018 and 2017, respectively. At June 30, 2018 the Company has shareholders' deficit of \$9,349,730. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company relies on capital contributions from its related party, LRC-FRSM II, to fund its working capital. Based on the Company's current cash usage expectation for 2018, it believes it will have sufficient liquidity to fund its operations for at least the next twelve months only if it receives planned additional capital contributions from LRC-FRSM II, or raises finances from a third party. In addition, if the Proposed Transaction closes, one of the planned uses of proceeds of the Proposed Transaction will be to fund working capital requirements at the RV Mine. However, the Company can provide no assurances that these initiatives will succeed.

In the first six months of 2018, LRC-FRSM II has contributed additional capital of \$2,335,000.

Since June 30, 2018, LRC-FRSM II has contributed additional capital of \$490,000 for a total of \$2,825,000 contributed as of August 21, 2018.

Working capital

The Company had current assets of \$0.3 million, working capital of -\$0.02 million, shareholders' deficit of \$9.3 million and net income of \$26.8 million for the six months ended June 30, 2018. A majority of net income is from a one-time gain on elimination of accrued interest in the first quarter of 2018, a non-cash event having no impact on the working capital position.

Current assets

As at June 30, 2018, the Company had current assets in the total amount of \$0.3 million which includes \$0.2 million of cash.

Mineral properties, plant and equipment

Plant and equipment, net of accumulated depreciation, decreased to \$9.7 million at June 30, 2018, from \$10.5 million at December 31, 2017.

Mineral properties increased to \$31.3 million at June 30, 2018 from \$31.0 million at December 31, 2017 due to the development activities.

OUTSTANDING SHARE CAPITAL

As at June 30, 2018 the Company has 130,409 shares outstanding. The Company has no warrants or stock options outstanding.

TRANSACTIONS WITH RELATED PARTIES

On October 1, 2014 the Company entered into a Senior Secured Metal Prepay Agreement ("Metal Prepay") with LRC-FRSM which has been modified by the Amended and Restated Senior Secured Metal Prepay Agreement dated March

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25, 2015 (“Amended Metal Prepay”) in the amount detailed below and payable in repayment units of physical metal as defined by an agreed upon delivery schedule plus interest on advances outstanding at a rate of 9.25% per annum.

The Company's current obligations as of June 30, 2018 under the Amended Metal Prepay are deliveries of repayment units of the Metal Prepay as follows:

Gold (oz)	Silver (oz)	Lead (ton)
3,400	636,000	2,550

The First Amendment to the Amended Metal Prepay (the "First Amendment", executed August 31, 2015) provided for the accrual and deferral of (a) any and all Shortfall Payments pursuant to the Amended Metal Prepay, (b) Cash Interest pursuant the Amended Metal Prepay, and (c) all other payments pursuant the Amended Metal Prepay until such time as elected by the Seller. Through June 30, 2018, the Company continued to accrue the above stated delivery obligations under the Amended Metal Prepay.

Under the Working Capital Facility, the Company is obligated to deliver 3,115,894 SERU. Through the end of 2017, interest of 15% per annum was accrued on outstanding SERU payable in additional SERU.

The Second Amendment to the Amended Metal Prepay (the “Second Amendment” executed March 30, 2018) eliminated past and future accrued interest on the Metal Prepay obligations. Therefore, no interest was accrued in the six month period ended June 30, 2018 and the company recognized a non cash gain on the elimination of interest payable in commodities of \$29,238,224.

The details of the loan payable are set forth as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Metal prepay and working capital facilities-related party	\$ 51,000,000	\$ 51,000,000
Less debt issuance cost (net of amortization)	<u>(162,119)</u>	<u>(216,159)</u>
Metal prepay and working capital facilities-related party	<u>\$ 50,837,881</u>	<u>\$ 50,783,841</u>

As of June 30, 2018 and December 31, 2017, the estimated fair value of the facilities excluding interest payable in commodities in both periods was 68,138,112 and \$71,585,866 respectively.

COMMITMENTS AND CONTINGENCIES:

Head office lease

The Company maintains an office in Ouray, Colorado. A two year lease agreement was entered into on January 1, 2017. Total annual payments for 2018 are \$101,155. The lease expires on December 31, 2018. Rent expense was \$49,830 for both the six month periods ended June 30, 2017 and June 30, 2018.

FINANCIAL INSTRUMENTS

The Company is not exposed to any fluctuation in foreign exchange rates.

RISKS AND UNCERTAINTIES

The operations of Ouray are speculative due to the high risk nature of its business which is the exploration and development of mining properties. The following is a brief discussion of the distinctive or special characteristics of Ouray's operations and industry which may have a material impact on, or constitute risk factors in respect of, Ouray'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 of priority.

There can be no guarantees that the Proposed Transaction will be completed.

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 come due. Several adverse conditions and material uncertainties, including low metal prices, cast significant doubt upon the going concern assumption.

Following the MRA entered into on July 15, 2015, the Company put the RV Mine into care and maintenance and no longer holds any assets that are currently generating revenue and will therefore be solely reliant on additional capital contribution from LRC-FRSM II and debt or equity financing to meet its ongoing working capital needs.

Metals Price risk

Market prices of commodities 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 and other metal prices have been highly volatile over the past several years, and further lower prices and could negatively impact the value of the Company. Prolonged decreases in the price of silver or other metals could adversely impact the ability of the Company to recommence operations at the RV Mine. The Company may also curtail or suspend some or all of its exploration activities on the RV Mine in response to lower silver and other metal prices.

Risks related to recommencing mining operations

The RV Mine is currently on care and maintenance and will require significant expenditures before production can recommence. The economic feasibility of the RV Mine 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. Thus, it is possible that actual capital and operating costs and economic returns will differ significantly from the feasibility study results.

Any of the following events, among others, could affect the profitability or economic feasibility of the RV Mine: 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

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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 value of the Company may be adversely affected.

Credit risk

The Company's credit risk is primarily attributable to cash. The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with credible banks with a long history of operations.

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 Ouray'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, gold, 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

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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

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. The current environmental liabilities include reclamation and closure of the existing surface infrastructure, waste rock stockpiles, and the revenue pond tailings storage facility. The estimated cost for reclamation and closure is \$476,269.41 and the reclamation liability is collateralized by a one year automatically renewing certificate of deposit held at Alpine Bank.

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 Ouray not receiving an adequate return on invested capital.

Permitting and title

All operating permits for the RV Mine remain in place.

Ouray'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 Ouray may lose all, or a portion, of its interest in the affected mineral claims. Ouray 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 Ouray depends to a large extent on the ability and judgment of the senior management of Ouray and upon Ouray's ability to retain the services of senior management. The loss of their services may have a material adverse effect on Ouray.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Ouray is a private company, therefore not subject to any stock exchange reporting requirements. The Company, however, maintains disclosure controls and procedures with respect to providing unaudited interim and audited annual financial statements to its shareholders, which consists solely of LRC-FRSM II at this time. In designing and evaluating the Company's disclosure controls and procedures, it recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. There have been no changes in the Company's internal control over financial reporting during the six months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

APPENDIX V
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMBINED COMPANY
AS AT JUNE 30, 2018 AFTER GIVING EFFECT TO THE ARRANGEMENT

AURCANA CORPORATION ACQUISITION OF OSM
Pro Forma Financial Statements - Full Year ending December 31, 2017
(Units in US\$000)

	AURCANA	OSM	Consolidation & Elimination Entries ¹	PROFORMA AURCANA POST TRANSACTION ¹
BALANCE SHEET as of 12/31/2017				
ASSETS				
Cash and cash equivalents	721,324	151,466	-	872,790
Trade and other receivables	256,598	35,500	-	292,098
Prepaid expenses and advances	123,912	325,333	-	449,245
<u>Prepaid income taxes</u>	<u>57,025</u>			<u>57,025</u>
Current assets	1,158,859	512,299	-	1,671,158
Mineral Properties	10,035,202	30,914,475	-	40,949,677
Property, plant and equipment	6,958,512	10,452,579	-	17,411,091
Restricted assets		482,903	-	482,903
Metal Prepay and working capital facilities			-	-
Other assets	5,558	218,894	-	224,452
<u>Goodwill²</u>			<u>28,095,386</u>	<u>28,095,386</u>
Non-Current assets	16,999,272	42,068,851	28,095,386	87,163,509
Total assets	18,158,131	42,581,150	28,095,386	88,834,667
LIABILITIES AND SHAREHOLDER EQUITY				
Accounts payable and accrued liabilities	163,939	807,368	-	971,307
<u>Deferred revenue</u>	<u>124,937</u>			<u>124,937</u>
Current liabilities	288,876	807,368	-	1,096,244
Provision for environmental rehabilitation	300,838	196,063	-	496,901
Deferred revenue	66,747	-	-	66,747
Metal prepay and working capital facilities		50,783,841	(50,783,841)	-
<u>Interest payable in commodities³</u>		<u>29,238,224</u>	<u>(29,238,224)</u>	
Non-Current liabilities	367,585	80,218,128	(80,022,065)	563,648
Total liabilities	656,461	81,025,496	(80,022,065)	1,659,892
Share capital	183,084,542		69,673,105	252,757,647
Contributed surplus	36,526,685	45,212,179	(45,212,179)	36,526,685
Accumulated other comprehensive income	3,036,898		-	3,036,898
<u>Deficit</u>	<u>(205,157,620)</u>	<u>(83,656,525)</u>	<u>83,656,525</u>	<u>(205,157,620)</u>
Equity	17,490,505	(38,444,346)	108,117,451	87,163,610
Non-controlling interest	11,165		-	11,165
Total equity	17,501,670	(38,444,346)	108,117,451	87,174,775
Total liabilities and shareholder equity	18,158,131	42,581,150	28,095,386	88,834,667
INCOME STATEMENT 12-mo ended 12/31/2017				
Management fees	480,000		-	480,000
<u>Oil & Gas lease</u>	<u>124,937</u>			<u>124,937</u>
Total Revenues	604,937	-	-	604,937
General and administrative costs	1,779,684	5,064,732	-	6,844,416
Provision for environmental matters and asset retirement obligation		16,600	-	16,600
Depreciation and amortization		1,642,971	-	1,642,971
Loss on sale of fixed assets		57,856	-	57,856
Financing expense and others ³	5,508	14,475,411	(29,238,224)	(14,757,305)
Stock-based compensation	504,373		-	504,373
<u>Foreign exchange loss</u>	<u>377,318</u>			<u>377,318</u>
Expenses and Costs	2,666,883	21,257,570	(29,238,224)	(5,313,771)
Net gain (loss) for the period before other comprehensive items	(2,061,946)	(21,257,570)	29,238,224	5,918,708
<u>Currency translation adjustment</u>	<u>354,738</u>			<u>354,738</u>
Items of other comprehensive income	354,738	-	-	354,738
Comprehensive gain (loss) for the period	(1,707,208)	(21,257,570)	29,238,224	6,273,446
CASH FLOW STATEMENT 12-mo ended 12/31/2017				
Net income (loss) for the period	(2,061,946)	(21,257,570)	29,238,224	5,918,708
Items not involving cash:				
Depreciation, depletion and amortization	1,598	1,642,971	-	1,644,569
Stock-based compensation	504,373		-	504,373
Unrealized foreign exchange (income) loss	329,649		-	329,649
Deferred revenue	(124,937)		-	(124,937)
Accretion of assets retirement obligation		16,600	-	16,600
Loss on sale of fixed assets		55,412	-	55,412
<u>Interest payable in commodities³</u>		<u>14,465,088</u>	<u>(29,238,224)</u>	<u>(14,773,136)</u>
Operating cash flow before changes in working capital	(1,351,263)	(5,077,499)	-	(6,428,762)
Trade and other receivables	(57,636)	(15,366)	-	(73,002)
Prepaid expenses and advances	(38,063)	290,916	-	252,853
<u>Accounts payable and accrued liabilities</u>	<u>(399,865)</u>	<u>3,433</u>		<u>(396,432)</u>
Net changes to non-cash working capital balances	(495,564)	278,983	-	(216,581)
Cash used in operating activities	(1,846,827)	(4,798,516)	-	(6,645,343)
Expenditures on Mineral Properties	(535,202)		-	(535,202)
Investment in restricted assets		1,893	-	1,893
Proceeds from the sale of equipment	-	142,617	-	142,617
<u>Purchase of property, plant and equipment</u>	<u>-</u>	<u>(1,213,157)</u>		<u>(1,213,157)</u>
Cash provided by (used in) investing activities	(535,202)	(1,068,647)	-	(1,603,849)
Repayment of long-term debt and capital leases		(28,640)	-	(28,640)
Share capital issued	2,612,709	5,883,000	-	8,495,709
<u>Share issue costs</u>	<u>(176,997)</u>			<u>(176,997)</u>
Cash provided by (used in) financing activities	2,435,712	5,854,360	-	8,290,072
Increase in cash and cash equivalents	53,683	(12,803)	-	40,880
Effect of exchange rate changes on cash	4,075	-	-	4,075
<u>Cash and cash equivalents, beginning of period</u>	<u>663,566</u>	<u>164,269</u>		<u>827,835</u>
Cash and cash equivalents, end of period	721,324	151,466	-	872,790

¹ Based on 12/31/2017 value of PFA; assumed AUN share price C\$0.22 (collectively "Representative Transaction Values")

² Based on above Representative Transaction Values* and 12/31/2017 OSM Asset Value

³ Adjustment based on March 28, 2018 elimination of Interest

AURCANA CORPORATION ACQUISITION OF OSM
Pro Forma Financial Statements - 6-Month Period ending June 30, 2018
(Units in US\$000)

	AURCANA	OSM	Consolidation & Elimination Entries ¹	PROFORMA AURCANA POST TRANSACTION ¹
BALANCE SHEET as of				
6/30/2018				
ASSETS				
Cash and cash equivalents	2,334,997	149,792	-	2,484,789
Trade and other receivables	161,378	35,500	-	196,878
Prepaid expenses and advances	72,539	114,230	-	186,769
<u>Prepaid income taxes</u>	<u>56,658</u>			<u>56,658</u>
Current assets	2,625,572	299,522	-	2,925,094
Mineral Properties	10,035,202	31,322,055	-	41,357,257
Property, plant and equipment	6,957,709	9,686,659	-	16,644,368
Restricted assets		480,769	-	480,769
Metal Prepay and working capital facilities			-	-
Other assets	5,295	218,894	-	224,189
<u>Goodwill²</u>			<u>28,184,954</u>	<u>28,184,954</u>
Non-Current assets	16,998,206	41,708,377	28,184,954	86,891,537
Total assets	19,623,778	42,007,899	28,184,954	89,816,631
LIABILITIES AND SHAREHOLDER EQUITY				
Accounts payable and accrued liabilities	128,858	315,385	-	444,243
<u>Deferred revenue</u>	<u>124,937</u>			<u>124,937</u>
Current liabilities	253,795	315,385	-	569,180
Provision for environmental rehabilitation	300,838	204,363	-	505,201
Deferred revenue	4,792	-	-	4,792
Metal prepay and working capital facilities		50,837,881	(50,837,881)	-
<u>Interest payable in commodities</u>				
Non-Current liabilities	305,630	51,042,244	(50,837,881)	509,993
Total liabilities	559,425	51,357,629	(50,837,881)	1,079,173
Share capital	184,385,381		69,673,105	254,058,486
Contributed surplus	37,238,756	47,547,179	(47,547,179)	37,238,756
Accumulated other comprehensive income	3,078,591		-	3,078,591
<u>Deficit</u>	<u>(205,649,540)</u>	<u>(56,896,909)</u>	<u>56,896,909</u>	<u>(205,649,540)</u>
Equity	19,053,188	(9,349,730)	79,022,835	88,726,293
Non-controlling interest	11,165			11,165
Total equity	19,064,353	(9,349,730)	79,022,835	88,737,458
Total liabilities and shareholder equity	19,623,778	42,007,899	28,184,954	89,816,631
INCOME STATEMENT 6-mo ended				
6/30/2018				
Management fees	240,000		-	240,000
<u>Oil & Gas lease</u>	<u>61,955</u>			<u>61,955</u>
Total Revenues	301,955	-	-	301,955
General and administrative costs	719,381	1,649,094	-	2,368,475
Provision for environmental matters and asset retirement obligation		8,300	-	8,300
Depreciation and amortization		816,057	-	816,057
Loss on sale of fixed assets		2,904	-	2,904
Financing expense and others	1,866	(29,235,971)	-	(29,234,105)
Stock-based compensation	-		-	-
<u>Foreign exchange loss</u>	<u>72,628</u>			<u>72,628</u>
Expenses and Costs	793,875	(26,759,616)	-	(25,965,741)
Net gain (loss) for the period before other comprehensive items	(491,920)	26,759,616	-	26,267,696
<u>Currency translation adjustment</u>	<u>41,693</u>			<u>41,693</u>
Items of other comprehensive income	41,693	-	-	41,693
Comprehensive gain (loss) for the period	(450,227)	26,759,616	-	26,309,389
CASH FLOW STATEMENT 6-mo ended				
6/30/2018				
Net income (loss) for the period	(491,920)	26,759,616	-	26,267,696
Items not involving cash:				
Depreciation, depletion and amortization	803	816,057	-	816,860
Stock-based compensation	-		-	-
Unrealized foreign exchange (income) loss	64,661		-	64,661
Deferred revenue	(61,955)		-	(61,955)
Accretion of assets retirement obligation		8,300	-	8,300
Loss on sale of fixed assets		2,904	-	2,904
<u>Interest payable in commodities</u>		<u>(29,238,224)</u>		<u>(29,238,224)</u>
Operating cash flow before changes in working capital	(488,411)	(1,651,347)	-	(2,139,758)
Trade and other receivables	95,220		-	95,220
Prepaid expenses and advances	51,636	211,103	-	262,739
<u>Accounts payable and accrued liabilities</u>	<u>(35,081)</u>	<u>(491,983)</u>		<u>(527,064)</u>
Net changes to non-cash working capital balances	111,775	(280,880)	-	(169,105)
Cash used in operating activities	(376,636)	(1,932,227)	-	(2,308,863)
Expenditures on Mineral Properties	-		-	-
Investment in restricted assets		2,134	-	2,134
Proceeds from the sale of equipment	-	1,000	-	1,000
<u>Purchase of property, plant and equipment</u>		<u>(407,581)</u>		<u>(407,581)</u>
Cash provided by (used in) investing activities	-	(404,447)	-	(404,447)
Repayment of long-term debt and capital leases			-	-
Share capital issued	2,124,066	2,335,000	-	4,459,066
<u>Share issue costs</u>	<u>(111,156)</u>			<u>(111,156)</u>
Cash provided by (used in) financing activities	2,012,910	2,335,000	-	4,347,910
Increase in cash and cash equivalents	1,636,274	(1,674)	-	1,634,600
Effect of exchange rate changes on cash	(22,601)		-	(22,601)
<u>Cash and cash equivalents, beginning of period</u>	<u>721,324</u>	<u>151,466</u>		<u>872,790</u>
Cash and cash equivalents, end of period	2,334,997	149,792	-	2,484,789

1 Based on 06/30/2018 value of PFA; assumed AUN share price C\$0.22 (collectively "Representative Transaction Values")

2 Based on above Representative Transaction Values* and 06/30/2018 OSM Asset Value

* Actual Transaction Values may differ from Representative Transaction Values

**SCHEDULE G
FAIRNESS OPINION**



September 17, 2018

Board of Directors of Aurcana Corporation
850 – 789 West Pender Street
Vancouver, British Columbia V6C 1H2

To the Board of Directors of Aurcana Corporation:

Dundee Securities Ltd. ("**Dundee**") understands that Aurcana Corporation ("**Aurcana**" and which term shall, to the extent required or appropriate in the context, include the affiliates of Aurcana) has entered into a definitive agreement dated September 14, 2018 (the "**Definitive Agreement**") with certain wholly owned investment vehicles controlled by Lascaux Resource Capital Fund I LP (collectively, the "**LRC Group**") pursuant to which Aurcana will effect a business combination and reverse takeover transaction (the "**Arrangement**") that will result in, among other things, Aurcana 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 Aurcana (the "**Consideration**").

In connection with the Arrangement, Aurcana also intends to complete an offering of subscription receipts to raise gross proceeds of not less than C\$10 million (the "**Offering**") to close concurrent with the Arrangement. The terms and the size of the Offering will be announced at a later date. The Arrangement is contemplated to be completed by way of a court approved plan of arrangement pursuant to the *Business Corporations Act* (British Columbia) (the "**Plan**"). The Parties target closing the Arrangement in early November.

Aurcana has also entered into a purchase agreement (the "**Equipment Purchase Agreement**") with entities controlled by Orion Mine Finance ("**Orion**") to purchase equipment owned by the Orion entities and that remains located at Aurcana's wholly owned Shafter-Presidio Mine (the "**SP Mine**") in Texas. The consideration paid under the Equipment Purchase Agreement will total \$4.5 million, of which \$500,000 will be paid in cash and the remainder of which will be paid by the issuance of Aurcana shares, which will be issued to Orion under the Plan of Arrangement.

As of the date hereof, Aurcana currently has 109,989,387 common shares issued and outstanding. Pursuant to the terms of the Arrangement, Aurcana will complete a share consolidation (the "**Share Consolidation**") on a 5:1 basis (resulting in approximately 21,997,877 outstanding Aurcana shares (the "**Aurcana Shares**").

Aurcana will pay \$500,000 and issue 4,778,909 Aurcana Shares to Orion as per the Equipment Purchase Agreement and, following completion of the Share Consolidation and issuance of shares to Orion, Aurcana will, via a wholly-owned newly formed United States subsidiary, acquire all of the issued and outstanding shares of common stock of Ouray and a related amended and restated metal prepay agreement between Ouray and an investment fund controlled by the LRC Group in exchange for 83,240,359 Aurcana Shares, and Ouray will become a subsidiary of Aurcana.

The Aurcana Shares issuable pursuant to the Arrangement will be freely trading common shares of Aurcana, subject to any escrow provisions pursuant to requirements of the TSX Venture Exchange (the



“Exchange”) and any trading restrictions under applicable securities laws. Following completion of the Arrangement, but prior to giving effect to the Offering, the LRC Group and the current Aurcana shareholders will hold approximately 76% and 24%, respectively, of Aurcana.

As of the date of this letter, an affiliate of Orion owns 16,499,501 Aurcana common shares (representing approximately 15% of the current issued and outstanding Aurcana common shares) and, the Arrangement is a “business combination” for purposes of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*. Orion has entered into a customary voting support agreement with Aurcana pursuant to which it has agreed to vote its shares in favour of the Arrangement in any shareholder vote in respect of which it is permitted to vote. All of the directors and officers of Aurcana have also entered into customary voting and support agreements to vote in favour of the Arrangement.

Completion of the Arrangement is subject to a number of conditions, including among other things:

- (a) receipt of a favourable vote of at least (i) 66 2/3% of the shares voted by holders of Aurcana at the meeting and (ii) a simple majority of the votes cast by disinterested shareholders of Aurcana, voted at a special meeting of shareholders expected to be held in late October or early November 2018;
- (b) receipt of all necessary regulatory, corporate and third party approvals, including approval of the Exchange; and
- (c) standard closing conditions, including the conditions described below.

The Arrangement will constitute a Reverse Takeover of Aurcana pursuant to Policy 5.2 – *Changes of Business and Reverse Takeovers* of the Exchange. Upon completion of the Arrangement, Aurcana will continue on with the business of Aurcana and remain a Tier 1 mining issuer, with Ouray as its principal operating subsidiary.

The Arrangement will be described in detail in a management proxy circular (the “**Circular**”) to be prepared by Aurcana and sent to the shareholders of Aurcana.

The board of directors of Aurcana (the “**Board**”) has engaged Dundee to render an opinion (this “**Fairness Opinion**”) as to the fairness, from a financial point of view, of the Consideration to be paid by Aurcana under the Arrangement, to Aurcana. Dundee has not prepared a valuation of either Aurcana, the OSM Group, any other party to the Arrangement, or any of their respective securities or assets and this Fairness Opinion should not be construed as such.

Engagement of Dundee

On July 12, 2018, Aurcana approached Dundee on a confidential basis to discuss a draft Letter of Intent (the “**LOI**”) proposing the Arrangement between Aurcana and the OSM Group and the potential engagement of Dundee to provide an opinion as to the fairness, from a financial point of view, of the Consideration to be paid by Aurcana under the Arrangement, to Aurcana. On July 30, 2018 Aurcana entered into an LOI with the OSM Group and announced the Arrangement in a press release. Following the announcement by Aurcana of the Arrangement, Aurcana and Dundee entered into an engagement agreement dated August 27, 2018 (the “**Engagement Agreement**”) for Dundee to provide the Fairness Opinion. Pursuant to the Engagement Agreement, Aurcana requested that Dundee prepare and deliver to the Board the Fairness Opinion as to the fairness to Aurcana, from a financial point of view, of the Consideration to be paid by Aurcana under the Arrangement.



Pursuant to the Engagement Agreement, Dundee will be paid a fixed fee for rendering this Fairness Opinion, regardless of the conclusions reached herein or the outcome of the Arrangement. Dundee is also entitled to be reimbursed for reasonable out-of-pocket expenses it incurs in carrying out its obligations under the Engagement Agreement, whether or not the Arrangement is completed. Aurcana has also agreed to indemnify Dundee in respect of certain liabilities that might arise out of the engagement.

Subject to the terms of the Engagement Agreement, Dundee consents to the inclusion of this Fairness Opinion in its entirety, together with a summary hereof, in a form and substance acceptable to Dundee, in the Circular, and to the filing thereof with the securities commissions or similar regulatory authorities in each province and territory of Canada where such filing is required. Except as contemplated herein, this Fairness Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without the express prior written consent of Dundee and will be one factor, among others, that the Board will consider in determining whether to recommend that Aurcana Shareholders vote in-favor or not in-favor of the Arrangement.

Relationship with Interested Parties

None of Dundee or its associates or affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (British Columbia)) of Aurcana, the OSM Group or any of their respective associates or affiliates. As of the date hereof, Dundee and its affiliates do not own or control any Aurcana shares or OSM Group shares.

Neither Dundee nor any of its associates or affiliates have provided any financial advisory services or participated in any financings involving Aurcana, the OSM Group or any of their respective associates or affiliates within the past two years. Furthermore, there are no understandings, agreements or commitments between Dundee and Aurcana, the OSM Group or any of their respective associates or affiliates with respect to future business dealings.

Dundee and/or its registered affiliates may, in the future, in the ordinary course of business, perform financial advisory or investment banking services for Aurcana, the OSM Group or any of their respective associates or affiliates.

Dundee and certain of its affiliates act as a trader and dealer, both as principal and agent, in major financial markets and, as such, may, in the ordinary course of its business, have had and may in the future have positions in the securities of Aurcana, the OSM Group or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients (including investment funds managed or sub-advised by affiliates of Dundee) for which it received or may receive compensation. As an investment dealer, Dundee conducts research on securities and may, in the ordinary course of its business, provide research reports, investment advice or portfolio management services to clients on investment matters, including with respect to Aurcana or the OSM Group. The rendering of this Fairness Opinion will not in any way affect Dundee's or any of its affiliates' ability to continue to conduct such activities in the ordinary course and in compliance with applicable laws.



Credentials of Dundee

Dundee is an independent full-service investment dealer with operations in mergers and acquisitions, corporate finance, equity sales and trading and a member of the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Investor Protection Fund. Dundee has participated in numerous transactions involving public and private companies and has extensive experience in preparing fairness opinions. This Fairness Opinion represents the opinion of Dundee, the form and content of which have been approved for release by an internal committee, members of which are collectively experienced in merger, acquisition, divestiture and valuation matters.

Scope of Review and Approach to Analysis

In connection with rendering the Fairness Opinion, Dundee has reviewed and relied upon, or carried out, among other things, the following:

- a) the draft Definitive Agreement dated September 14, 2018 between Aurcana, the LRC Group and Ouray;
- b) public filings of Aurcana available on the System for Electronic Document Analysis and Retrieval (SEDAR) and deemed relevant to the Arrangement;
- c) other public information relating to the business, operations, and financial performance of Aurcana and Ouray deemed relevant to the Arrangement, including published research and industry reports;
- d) Aurcana's "NI 43-101 Preliminary Economic Assessment and updated technical report on the Shafter project, Presidio County, Texas, United States" filed July 11, 2018. Published by Mine Development Associates (the "**PEA**");
- e) Ouray's "NI 43-101 Technical Report Feasibility Study Revenue-Virginus Mine, Ouray, Colorado" dated June 15, 2018. Published by SRK Consulting (the "**FS**");
- f) certain internal information and other reports prepared or provided by management of Aurcana;
- g) communications with representatives of the Board, senior management of Aurcana, and legal counsel to Aurcana;
- h) current and historic trading information relating to common shares of Aurcana and other companies;
- i) information with respect to other transactions considered by Dundee; and
- j) a certificate of representation (the "**Certificate**") as to certain factual matters provided by senior management of Aurcana addressed to Dundee.

Dundee's assessment considered several techniques and used a blended approach to determine its opinion on the Arrangement. Dundee based this Fairness Opinion upon a number of quantitative and qualitative factors, which should be considered together as a whole and not independent of one another.

In addition, Dundee has participated in discussions with members of senior management of Aurcana regarding its past and current business operations, financial condition and future business prospects. In providing our services to Aurcana under the Engagement Agreement, and only in such capacity, Dundee has also participated in discussions with external legal counsel to Aurcana.

In connection with services provided to Aurcana under the Engagement Agreement, Dundee has not, to the best of its knowledge, been denied access by Aurcana to any information under its control



requested by Dundee. Dundee did not meet with the auditors of Aurcana or the OSM Group and has assumed the accuracy and fair presentation of and relied upon the consolidated financial statements of each of Aurcana and the OSM Group and where applicable, the reports of the auditor thereon.

Prior Valuations

Aurcana has represented to Dundee that there have not been any prior valuations (as defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*) of Aurcana or its material assets or its securities in the past twenty-four month period.

Assumptions and Limitations

Dundee has not been asked to prepare and has not prepared a formal valuation of Aurcana or Ouray or the OSM Group or any of their respective securities or assets, and this Fairness Opinion should not be construed as such. Dundee has, however, conducted such analyses as it considered necessary and appropriate in the circumstances. In addition, this Fairness Opinion is not, and should not be construed as, advice as to the price at which the common shares of Aurcana or the OSM Group may trade at any future date. Dundee was similarly not engaged to review any legal, tax or accounting aspects of the Arrangement, and no opinion is expressed herein with respect to any legal, tax or accounting matters concerning the Arrangement. Dundee has relied upon, without independent verification or investigation, the assessment by Aurcana and its legal, tax, regulatory and accounting advisors with respect to legal, tax, regulatory and accounting matters. In addition, this Fairness Opinion does not address the relative merits of the Arrangement as compared to any other transaction involving Aurcana or the prospects or likelihood of any other alternative transaction or any other possible transaction involving Aurcana, its assets or its securities.

This Fairness Opinion is limited to the fairness, from a financial point of view, of the Consideration to be paid by Aurcana under the Arrangement, to Aurcana, and not the strategic or legal merits of the Arrangement. This Fairness Opinion represents an impartial expert judgment, not a statement of fact. Nothing contained herein is to be construed as a legal interpretation, an opinion on any contract or document, or a recommendation to invest or divest.

This Fairness Opinion has been provided for the exclusive use of the Board and should not be construed as a recommendation to vote for or against the Arrangement. This Fairness Opinion may not be used by any other person or relied upon by any other person without the express prior written consent of Dundee. Dundee will not be held liable for any losses sustained by any person should this Fairness Opinion be circulated, distributed, published, reproduced or used contrary to the provisions of this paragraph.

This Fairness Opinion is rendered as of September 17, 2018 (the "**Opinion Date**"). It must be recognized that fair market value, and hence fairness from a financial point of view, changes from time to time, not only as a result of internal factors, but also because of external factors such as changes in the economy, commodity prices, competition and changes in investor preferences. Dundee disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting this Fairness Opinion which may come or be brought to Dundee's attention after the Opinion Date. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting this Fairness Opinion after the Opinion Date, Dundee reserves the right to change, modify or withdraw this Fairness Opinion.



With the approval of the Board and as is provided for in the Engagement Agreement, Dundee has relied upon and has assumed the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources or provided to it by or on behalf of Aurcana and its directors, officers, agents and advisors or otherwise (collectively, the “**Information**”) and Dundee has assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make that Information not misleading. This Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such Information including as to the absence of any undisclosed material change. Subject to the exercise of professional judgment and except as expressly described herein, Dundee has not attempted to independently verify or investigate the completeness, accuracy or fair presentation of any of the Information.

With respect to financial and operating forecasts, projections, estimates and/or budgets provided to Dundee and used in the analyses supporting this Fairness Opinion, Dundee has noted that projecting future results of any company is inherently subject to uncertainty. Dundee has assumed that such forecasts, projections, estimates and/or budgets were reasonably prepared consistent with industry practice on a basis reflecting the best currently available assumptions, estimates and judgments of management of Aurcana reasonable in the circumstances. In rendering this Fairness Opinion, Dundee expresses no view as to the reasonableness of such forecasts, projections, estimates and/or budgets or the assumptions on which they are based.

Senior officers of Aurcana have made certain representations to Dundee in the Certificate including that, to the best of their knowledge, information and belief after reasonable and diligent inquiry with the intention that Dundee may rely thereon in connection with the preparation of this Fairness Opinion (a) the Information provided by, or on behalf, of Aurcana or any of its affiliates or its representatives and agents to Dundee for the purpose of preparing this Fairness Opinion was, at the date such information was provided to Dundee, and is now, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of Aurcana and its affiliates or the Arrangement and did not and does not omit to state a material fact in relation to Aurcana and its affiliates or the Arrangement necessary to make the Information not misleading in light of the circumstances under which it was provided; (b) since the dates on which the Information was provided to Dundee, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Aurcana and its affiliates and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on this Fairness Opinion; (c) to the best of Aurcana’s knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to Aurcana or any of its affiliates or any of their respective material assets or liabilities which have been prepared as of a date within the 24 months preceding the Opinion Date and which have not been provided to Dundee; (d) there have been no verbal or written offers or serious negotiations for or transactions involving Aurcana or any material assets of Aurcana or any of its subsidiaries during the preceding 24 months which (i) have not been disclosed to Dundee and (ii) would reasonably be expected to affect this Fairness Opinion in any material respect; (e) since the dates on which the Information was provided to Dundee by Aurcana, no material transaction has been entered into by Aurcana or any of its affiliates which has not been disclosed in complete detail to Dundee; and (f) any financial and operating forecasts, projections, estimates and/or budgets provided to Dundee (or filed on SEDAR) (i) were prepared using the probable course of action to be taken or events reasonably expected to occur



during the period covered thereby, (ii) were prepared using the assumptions identified therein, which, in the reasonable opinion of Aurcana, are (or were at the time of preparation) reasonable in the circumstances, (iii) were reasonably prepared on a basis reflecting the best currently available estimates and judgments of management of Aurcana as to matters covered thereby at the time thereof, and (iv) are not, in the reasonable opinion of management of Aurcana, misleading in any material respects in light of the assumptions used or in light of any developments since the time of their preparation.

In its analyses and in preparing this Fairness Opinion, Dundee has made numerous assumptions with respect to expected industry performance, general business and economic conditions and other matters, many of which are beyond the control of Dundee or any party involved in the Arrangement. Dundee has also assumed that (i) the Arrangement would be completed substantially in accordance with its terms (without waiver or amendment of any terms or conditions) and all applicable laws, (ii) the disclosure provided or incorporated by reference in the Circular to be filed on SEDAR and mailed to shareholders of Aurcana in connection with the Arrangement and any other documents in connection with the Arrangement will be accurate in all material respects and will comply with the requirements of all applicable laws, and (iii) the Circular will be distributed to shareholders of Aurcana in accordance with applicable laws.

This Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the Opinion Date and the condition and prospects, financial and otherwise, of Aurcana and its affiliates, as they were reflected in the Information and as they have been represented to Dundee in discussions with management of Aurcana.

Dundee believes that its analyses and this Fairness Opinion must be considered and reviewed as a whole and that selecting portions of the analyses or factors considered by Dundee, without considering all the analyses and factors together, could create a misleading view of the process underlying this Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Overview of Ouray

Ouray is a private company incorporated under the laws of Colorado and owns a 100% interest in the RV Mine located in Ouray, Colorado. The RV Mine is a fully permitted past producing (last production 2015) polymetallic mine that derives the majority of its revenue from silver. The FS demonstrates an After-Tax Net Present Value of \$74.9 million using a 5% discount rate and an After-Tax Internal Rate of Return of 71.2% based on an \$18.50 per ounce silver price.

Overview of Aurcana

Aurcana is a Canadian public company listed on the Exchange with a corporate head office in Vancouver, BC. Aurcana owns the SP Mine in Texas, USA. The SP Mine was put on care and maintenance in December 2013, in part due to depressed silver prices. The PEA for the SP Mine demonstrates an After-Tax Net Present Value of \$15.9 million using a 5% discount rate and an After-Tax Internal Rate of Return of 38.1% based on an \$18.50 per ounce silver price.



Approach to Fairness

In support of this Fairness Opinion, Dundee performed certain analyses on Aurcana and Ouray, based on those methodologies and assumptions that Dundee considered appropriate in the circumstances for the purposes of providing this Fairness Opinion. In the context of this Fairness Opinion, Dundee has considered, among others, the following methodologies:

- a) historical Share Price Trading Approach (as described below);
- b) trading Comparable Approach (as described below);
- c) precedent Transaction Approach (as described below); and
- d) relative Contribution Approach (as described below).

Historical Share Price Trading Approach

Dundee reviewed the historical trading of Aurcana's shares on the Exchange over the relevant time periods. The analysis reviewed trading history based on spot, 20 day Volume Weighted Average Price (“**VWAP**”), 3 month VWAP, 6 month VWAP and 1 year VWAP.

Trading Comparable Approach

Price to Net Asset Value – Dundee evaluated Aurcana and Ouray based on the relevant technical reports and Dundee’s estimates. In determining the Net Asset Value (“**NAV**”) for Aurcana and Ouray, Dundee used a discounted cash flow (“**DCF**”) analysis for the proposed mine plans. The DCF considered the present value of the free cash flows from the SP Mine and the RV Mine using an industry standard discount rate. This approach considered the timing and relative certainty of projected cash flows, and required that certain assumptions be made regarding, among other things, commodity prices, timing and discount rates. Dundee evaluated a select group of eighteen comparable public companies it deemed most relevant, in its professional opinion, and applied a range of comparable Price/NAV ratios to Dundee’s estimate of NAV for Aurcana and Ouray.

EV/AgEq Oz - Dundee evaluated twenty-three comparable public companies it deemed most relevant, in its professional opinion, in regard to Enterprise Value/Silver Equivalent Ounces (“**EV/AgEq oz**”) and applied a range of comparable multiples to Aurcana and Ouray’s mineral reserves and mineral resources. Enterprise Value is equal to market capitalization plus debt, less cash. Silver Equivalent Ounces converts multiple metals contained within a deposit to a silver equivalent based on the ratio of the average spot market price for the commodities at that point in time.

Precedent Transaction Approach

Price to Net Asset Value - Dundee reviewed publicly available information on six merger and acquisition transactions in the silver sector and compared these to the Arrangement, applying a range of P/NAV multiples to Dundee’s NAV estimate for Aurcana and Ouray. The analysis of these precedent transactions is not purely mathematical, but involves considerations and judgements concerning, among other things, differences in the comparable transactions, company-specific risk



factors, share performance preceding each transaction announcement and prevailing economic and market conditions.

Relative Contribution Approach

Dundee reviewed the relative contribution of Aurcana's key metrics including reserves, resources, and NAV, versus the implied pro-forma percentage ownership of the Aurcana Shareholders in the post Arrangement company.

Fairness Considerations

The assessment of fairness of the Consideration, from a financial point of view, must be determined in the context of the particular transaction. Dundee based its conclusion in this Fairness Opinion upon a number of quantitative and qualitative factors including, but not limited to:

- a) the Consideration to be paid by Aurcana under the Arrangement is fair from a financial point of view when utilizing the Trading Comparable Approach;
- b) the Consideration to be paid by Aurcana under the Arrangement is fair from a financial point of view when utilizing the Precedent Transaction Approach;
- c) Aurcana Shareholders' percentage ownership in the combined company is greater than Aurcana's contribution to the combined company on a NAV basis utilizing the Relative Contribution Approach; and
- d) other factors or analyses which Dundee judged, based on its experience in rendering such opinions, to be relevant.

Fairness Conclusion

Based upon and subject to the foregoing and such other matters as Dundee considered relevant, Dundee is of the opinion that, as of the date hereof, the Consideration to be paid by Aurcana under the Arrangement, is fair, from a financial point of view, to Aurcana.

Yours very truly,

"Dundee Securities Ltd."

Dundee Securities Ltd.