



**AURCANA SILVER CORPORATION**  
**(Formerly Aurcana Corporation)**

**Condensed Interim Consolidated Financial Statements**

**June 30, 2020**

(Unaudited)

Expressed in United States dollars unless otherwise stated

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

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*NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS*

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

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

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

*"Kevin Drover"*  
**President and CEO**

*"Charles R. Andrews"*  
**CFO**

**Aurcana Silver Corporation**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in United States dollars)**

	Notes	June 30 2020	December 31 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	\$ 6,924,062	\$ 3,944,286
Trade and other receivables	3	14,428	58,979
Inventory	4	142,382	142,382
Prepaid expenses and advances	5	171,316	415,268
		<b>7,252,188</b>	<b>4,560,915</b>
<b>Non Current assets</b>			
Non-current prepaid expenses	5	12,613	12,736
Long term deposits		71,933	71,933
Property, plant and equipment	6	24,259,311	22,590,133
Mineral Properties	7	40,885,708	40,885,708
Right-of-use asset	8	178,790	236,382
Reclamation deposits	9	482,769	480,769
<b>Total assets</b>		<b>\$ 73,143,312</b>	<b>\$ 68,838,576</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 1,096,287	\$ 676,826
Current portion of lease payable	8	122,117	114,688
		<b>1,218,404</b>	<b>791,514</b>
<b>Non Current liabilities</b>			
Lease payable	8	72,707	137,032
Provision for environmental rehabilitation	11	1,120,270	1,120,270
<b>Total liabilities</b>		<b>2,411,381</b>	<b>2,048,816</b>
<b>Equity</b>			
Share capital	12	35,652,774	29,451,075
Contributed surplus		136,492,537	133,939,863
Accumulated other comprehensive loss		484,008	(162,873)
Deficit		(101,908,553)	(96,449,470)
<b>Total equity attributable to equity holders of the parent</b>		<b>70,720,766</b>	<b>66,778,595</b>
Non-controlling interest		11,165	11,165
<b>Total equity</b>		<b>70,731,931</b>	<b>66,789,760</b>
		<b>\$ 73,143,312</b>	<b>\$ 68,838,576</b>

Nature of Operations and Going Concern (Note 1)  
Subsequent Events (Note 24)

*See accompanying notes to these condensed interim consolidated financial statements.*

Approved on behalf of the Board of Directors:

*“David Kaplan”*  
**Director**

*“Michael P. Gross”*  
**Director**

**Aurcana Silver Corporation**

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
<b>Expenses</b>					
General and administrative costs	16	\$ 1,006,767	\$ 909,823	\$ 1,771,305	\$ 1,686,730
Financing expense and others	17	5,854	4,576	11,017	8,589
Care & maintenance costs	18	729,990	533,205	1,402,102	1,002,669
Depreciation and amortization property, plant and equipment	19	334,520	355,154	668,999	718,677
Stock-based compensation	12	880,782		880,782	
Amortization of right-of-use asset	8	28,734	-	57,592	-
Accretion of lease liability	8	7,453	-	15,901	-
Foreign exchange loss		1,231,126	48,368	658,226	94,576
		<u>4,225,226</u>	<u>1,851,126</u>	<u>5,465,924</u>	<u>3,511,241</u>
<b>Other income</b>					
Management Fees		\$ -	\$ -	\$ -	\$ 150,000
Royalties		-	42,120	-	42,120
Oil & Gas lease		-	31,149	-	61,955
Other		1,399	1,932	6,841	3,908
		<u>1,399</u>	<u>75,201</u>	<u>6,841</u>	<u>257,983</u>
<b>Net loss for the Period before other comprehensive items</b>		<b>(4,223,827)</b>	<b>(1,775,925)</b>	<b>(5,459,083)</b>	<b>(3,253,258)</b>
<b>Other comprehensive Income</b>					
Items that may be reclassified subsequently to profit or loss:					
Currency translation adjustment		1,347,604	41,329	646,881	132,283
Total other comprehensive income (loss) for the Period		1,347,604	41,329	646,881	132,283
<b>Total comprehensive loss for the Period</b>		<b>\$ (2,876,223)</b>	<b>\$ (1,734,596)</b>	<b>\$ (4,812,202)</b>	<b>\$ (3,120,975)</b>
Weighted average number of shares basic and diluted		189,233,734	116,309,028	175,953,798	116,309,028
<b>Loss per share</b>					
<b>Loss per share (basic &amp; diluted)</b>		<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>

*See accompanying notes to these condensed interim consolidated financial statements.*

**Aurcana Silver Corporation**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(Expressed in United States dollars, unless otherwise stated)**

	Share Capital		Contributed	Accumulated Other Comprehensive		Shareholders of	Non- controlling	Total
	Number of shares	\$	Surplus	Income (Loss)	Deficit	the Company	Interest	Equity
<b>Balance, December 31, 2018</b>	116,309,028	25,594,154	131,413,617	(433,425)	(89,257,206)	67,317,140	11,165	67,328,305
Net loss for the period	-	-	-	-	(3,253,258)	(3,253,258)	-	(3,253,258)
Currency translation adjustment	-	-	-	132,283	-	132,283	-	132,283
<b>Balance, June 30, 2019</b>	116,309,028	25,594,154	131,413,617	(301,142)	(92,510,464)	64,196,165	11,165	64,207,330
Net loss for the period	-	-	-	-	(3,939,006)	(3,939,006)	-	(3,939,006)
Shares issued for:								-
Private placement	35,739,195	4,412,543	2,356,244	-	-	6,768,787	-	6,768,787
Share Issue Costs	-	(555,622)	170,002	-	-	(385,620)	-	(385,620)
Currency translation adjustment	-	-	-	138,269	-	138,269	-	138,269
<b>Balance, December 31, 2019</b>	152,048,223	29,451,075	133,939,863	(162,873)	(96,449,470)	66,778,595	11,165	66,789,760
Net loss for the period	-	-	-	-	(5,459,083)	(5,459,083)	-	(5,459,083)
Shares issued for:								-
Private placement (note 21)	36,028,875	4,279,606	2,003,715	-	-	6,283,321	-	6,283,321
Share Issue Costs (note 21)	-	(615,224)	154,850	-	-	(460,374)	-	(460,374)
Exercise of warrants	7,655,736	2,537,317	(486,673)	-	-	2,050,644	-	2,050,644
Stock-based compensation	-	-	880,782	-	-	880,782	-	880,782
Currency translation adjustment	-	-	-	646,881	-	646,881	-	646,881
<b>Balance, June 30, 2020</b>	195,732,834	\$ 35,652,774	\$ 136,492,537	\$ 484,008	\$ (101,908,553)	\$ 70,720,766	\$ 11,165	\$ 70,731,931

*See accompanying notes to these condensed interim consolidated financial statements.*

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

	Six months ended June 30,	
	2020	2019
<b>Cash flows from operating activities</b>		
Net loss for the Period	\$ (5,459,083)	\$ (3,253,258)
Items not involving cash:		
Depreciation and amortization property plant and equipment	668,999	718,677
Stock-based compensation	880,782	
Amortization right to use asset	57,592	
Deferred revenue (oil & gas)	-	(61,955)
Write-off Accounts Receivable	29,802	
Impairment & write-down on property, plant and equipment	-	
Accretion of lease liability	15,901	
Unrealized foreign exchange (income) loss	659,080	132,283
<b>Operating cash flow before changes in working capital</b>	<b>(3,146,927)</b>	<b>(2,464,253)</b>
Net changes to non-cash working capital balances		
Trade and other receivables	14,749	118,706
Prepaid expenses and advances	244,075	230,942
Accounts payable and accrued liabilities	419,461	(753,458)
<b>Cash used in operating activities</b>	<b>(2,468,642)</b>	<b>(2,868,063)</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of equipment	475	-
Mine development	(2,204,426)	(424,516)
Purchase of property, plant and equipment	(134,226)	-
Restricted assets	(2,000)	-
<b>Cash used in investing activities</b>	<b>(2,340,177)</b>	<b>(424,516)</b>
<b>Cash flows from financing activities</b>		
Lease payments	(70,859)	-
Share capital issued	8,333,965	-
Share Issue Costs	(460,374)	-
<b>Cash provided by financing activities</b>	<b>7,802,732</b>	<b>-</b>
(Decrease) / increase in cash and cash equivalents	2,993,913	(3,292,579)
Effect of exchange rate changes on cash	(14,137)	-
Cash and cash equivalents, beginning of the year	3,944,286	4,464,236
<b>Cash and cash equivalents, end of the Period</b>	<b>\$ 6,924,062</b>	<b>\$ 1,171,657</b>

Supplemental Cash Flow information (Note 14)

*See accompanying notes to these condensed interim consolidated financial statements.*

## **AURCANA SILVER CORPORATION**

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

#### **1. Nature of Operations and Going Concern**

Aurcana was incorporated under the laws of the Province of Ontario on October 12, 1917 under the name “Cane Silver Mines Limited” and was continued under the Business Corporation Act in the Province of British Columbia on August 24, 2020 under the name “Aurcana Silver Corporation”. Aurcana is a reporting issuer in British Columbia, Alberta and Ontario. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol AUN and achieved Tier 1 status in October 2008.

Aurcana is currently engaged in the exploration, development and operation of natural resource properties. The Company’s development properties are: (i) the Revenue-Virginus mine (the “Revenue-Virginus mine” or “Ouray”), located in Ouray Colorado and held through the Company’s 100% owned US subsidiary, Ouray Silver Mines, Inc. (“OSMI”); and (ii) the Shafter silver property (the “Shafter Silver Project” or “Shafter”), located in Presidio County, Texas and held through the Company’s 100% owned US subsidiary, Rio Grande Mining Corporation (“RGMC”). Both OSMI and RGMC are owned by the Company’s 100% owned US subsidiary Aurcana US Hold Co 1 Ltd.

Ouray Silver Mines is currently in development and Shafter is currently on care and maintenance.

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

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business. The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities.

The Company incurred a comprehensive loss of \$4,812,202 for the six months period ended on June 30, 2020 (year ended December 31, 2019: \$6,921,712) and has accumulated a deficit of \$101,908,553 at June 30, 2020 (December 31, 2019: (\$96,449,470)). As at June 30, 2020, the Company had working capital of \$6,033,784, compared with \$3,769,401 as at December 31, 2019.

Several adverse conditions and material uncertainties, including, without limitation, low metal prices, may cast significant doubt upon the Company’s ability to continue as a going concern.

## AURCANA SILVER CORPORATION

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

#### 2. Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies included on the audited consolidated financial statements as at and for the year ended December 31, 2019.

These condensed interim consolidated financial statements do not include all the information required for a complete set of IFRS statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual audited consolidated financial statements as at and for the year ended December 31, 2019.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 26, 2020.

#### 3. Trade and Other Receivables

	June 30 2020	December 31 2019
Trade receivables	-	29,802
GST receivable and others	14,428	29,177
	<u>\$ 14,428</u>	<u>\$ 58,979</u>

During the first quarter of 2020, the Company wrote off \$29,802 from trade receivables, as it was unable to collect from Minera La Negra. During the year ended December 31, 2019, the Company wrote off \$140,000 of trade and other receivables.

#### 4. Inventory

Company’s inventory is all located in the U.S. and the inventory is all consumables and supplies, which consist of spare parts and consumable goods used for general repairs and maintenance.

#### 5. Prepaid Expenses and Advances

	June 30 2020	December 31 2019
Prepaid expenses	\$ 170,938	\$ 414,515
Other	378	753
Current portion	171,316	415,268
Non-current portion	12,613	12,736
	<u>\$ 183,929</u>	<u>\$ 428,004</u>



**AURCANA SILVER CORPORATION**
**Notes to Condensed Interim Consolidated Financial Statements**
**(Expressed in United States dollars, unless otherwise stated)**
**6. Property, Plant and Equipment**

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Total
<b>Cost</b>							
Balance at December 31, 2018	\$ 5,849,708	\$ 14,351,898	\$ 7,827,311	\$ 170,989	\$ 273,919	\$ 525,589	\$ 28,999,414
Additions	-	-	990,337	-	2,977	-	993,314
Write-down	-	(305,362)	-	-	-	-	(305,362)
Balance at December 31, 2019	5,849,708	14,046,536	8,817,648	170,989	276,896	525,589	29,687,366
Additions	-	-	2,204,426	131,393	-	-	2,335,819
Write-down and disposals	-	-	-	-	-	-	-
Balance at June 30, 2020	\$ 5,849,708	\$ 14,046,536	\$ 11,022,074	\$ 302,382	\$ 276,896	\$ 525,589	\$ 32,023,185
<b>Accumulated depreciation</b>							
Balance at December 31, 2018	\$ 558,023	\$ 4,446,793	\$ -	\$ 83,701	\$ 255,453	\$ 339,889	\$ 5,683,859
Charge for the period	118,844	1,196,855	-	25,413	10,217	62,045	1,413,374
Balance at December 31, 2019	676,867	5,643,648	-	109,114	265,670	401,934	7,097,233
Disposals	-	-	-	(2,358)	-	-	(2,358)
Charge for the period	60,966	598,427	-	7,319	1,819	468	668,999
Balance at June 30, 2020	\$ 737,833	\$ 6,242,075	\$ -	\$ 114,075	\$ 267,489	\$ 402,402	\$ 7,763,874
<b>Net book value</b>							
Balance at December 31, 2019	\$ 5,172,841	\$ 8,402,888	\$ 8,817,648	\$ 61,875	\$ 11,226	\$ 123,655	\$ 22,590,133
Balance at June 30, 2020	\$ 5,111,875	\$ 7,804,461	\$ 11,022,074	\$ 188,307	\$ 9,407	\$ 123,187	\$ 24,259,311

The Revenue-Virginus Mines is in development, however there is no production activity. Therefore, Mine Development Cost is not subject to amortization. All property, plant and equipment assets are in the United States of America.

During the year ended December 31, 2019, the Company wrote-down a filter press that did not comply with the American Welding Standards. The loss on disposal was recorded in the other expense line item in the consolidated statement of comprehensive loss.

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

**7. Mineral Properties**

	Revenue-Virginus, Colorado, USA, In development	Shafter, Texas, USA, In Care & Maintenance	Total
Balance at December 31, 2018	\$ 27,764,038	\$ 13,396,556	\$41,160,594
Capitalized transaction cost from adjustment	-	(274,886)	(274,886)
Balance at December 31, 2019 and June 30, 2020	<u>\$ 27,764,038</u>	<u>\$ 13,121,670</u>	<u>\$ 40,885,708</u>
Net book value			
Balance at December 31, 2019 and June 30, 2020	<u>\$ 27,764,038</u>	<u>\$ 13,121,670</u>	<u>\$ 40,885,708</u>

During the year ended December 31, 2019, the Company was able to renegotiate the transaction cost of the mineral property in Shafter, Texas. The Company was able to lower the price by \$274,886.

**8. Leases**

IFRS 16 Leases sets out the principles for recognition, measurement, presentation, and disclosure of leases. It eliminates the classification of leases as either operating or finance leases required by IAS 17 and introduces a single lessee accounting model.

The Company adopted IFRS 16 using the modified retrospective approach effective January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard.

- Account for leases with a remaining term of less than 12 months as of December 31, 2019 as short-term leases;
- Application of a single discount rate to a portfolio of leases with similar characteristics;
- Account for lease payments as an expense and not recognize a right-to-use asset if the underlying asset is of low dollar value (\$5,000 or lower); and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease for a further three years. Both leases of the Company were classified as operating leases and payments made were charged directly to profit or loss.

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

**8. Leases (continued)**

The Company leases its office space in Vancouver British Columbia Canada, and the office space and warehouse space in Ouray Colorado USA. On adoption of IFRS 16, the Company recognized lease liabilities. The term of the leases is for three years with an option to renew.

Leases are recognized as a right-to-use asset with a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The liability pertaining to the lease of the facilities was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 14%. The associated right-of-use asset was measured at the value of the lease liability plus the estimated cost of restoring the facility. As a result, on December 31, 2019, the Company recognized total lease liabilities of \$251,720 and right-of-use assets of \$236,382.

Company's lease liability and the right-of-use assets for the facilities is as follows:

<b>Lease liability</b>	<b>June 30, 2020</b>		
	Canada	USA	Total
Balance as at December 31, 2019	\$ 41,008	\$ 210,712	\$ 251,720
Payments	(10,157)	(60,702)	(70,859)
Accretion expense	2,512	13,389	15,901
	33,363	163,399	196,762
Less current portion	17,016	105,101	122,117
Currency translation adjustment	(1,938)	-	(1,938)
Long-term	14,409	58,298	72,707

<b>Right-of-use asset</b>	<b>June 30, 2020</b>		
	Canada	USA	Total
Balance as at December 31, 2019	\$ 39,048	\$ 197,334	\$ 236,382
Amortization	8,254	49,338	57,592
	30,794	147,996	178,790

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

**9. Reclamation Deposits**

Reclamation deposits of \$482,769 are related to deposits with the State of Colorado for mine and project closure according to approved reclamation plans and will be returned to OSM at the completion of reclamation work and release by the State.

**10. Accounts Payable and Accrued Liabilities**

	June 30 2020	December 31 2019
Salaries, payroll deductions and employee benefits *	\$ 449,642	\$ 106,948
Property taxes	51,000	219,369
Insurance	69,748	262,477
Other	525,897	88,032
	<u>\$ 1,096,287</u>	<u>\$ 676,826</u>

Accounts payable and accrued liabilities include related party amounts. See note 13.

\*On April 29, 2020 Ouray Silver Mines received a \$421,000 loan from the US Government as part of the Payroll Protection Program (PPP). These PPP loans are forgivable if funds are used for retention of employees over the program period, which is currently 24 weeks from the loan date. OSM has utilized the funds as required and will apply for loan forgiveness at the end of the period when final guidelines are released.

**11. Provision for Environmental Rehabilitation**

The environmental remediation liability is subject to revision based on future mine resource realization, and other factors which affect the costs incurred at future dates such as inflation and discount rates.

For the period ended June 30, 2020, the Company recorded this amount as \$1,120,270 (December 31, 2019 - \$1,120,270).

The Company has recorded its best estimate of the cost to rehabilitate the known features on the mineral properties as a provision for environmental rehabilitation for the year-ended December 31, 2019. This amounted to \$1,120,270. A long-term inflation rate of 2% was used in the analysis, which when off-set against a long-term risk-free discount rate of 2%, the impact of discounting was not significant. The future cash flows required to settle this obligation involve a degree of uncertainty as these are estimates at this time.

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

**12. Equity**

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Share issuance details:

	Number of Common Shares	Amount
<b>Balance, December 31, 2018</b>	116,309,028	\$ 25,594,154
Private placement	35,739,195	4,412,543
Share Issue Costs	-	(555,622)
<b>Balance, December 31, 2019</b>	152,048,223	29,451,075
Private placement (note 21)	36,028,875	4,279,606
Share Issue Costs (note 21)	-	(615,224)
Exercised warrants	7,655,736	2,537,317
<b>Balance, June 30, 2020</b>	195,732,834	\$ 35,652,774

Stock options

The Company is authorized to issue up to 11,514,593 options, of which 5,210,000 options are outstanding with a remaining balance of 6,304,593 options available to be issued.

<u>Stock options</u>	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share (\$CDN)
<b>Balance, December 31, 2018</b>	1,640,000	1.18
Forfeited	(200,000)	1.60
Expired	(380,000)	1.05
<b>Balance, December 31, 2019</b>	1,060,000	1.14
Forfeited	(300,000)	1.00
Granted	4,450,000	0.55
<b>Balance, June 30, 2020</b>	5,210,000	0.64

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

**12. Equity (continued)**

A summary of the Company's Option activity is presented below:

<u>Stock options</u>			Exercise Price	
Outstanding	Vested		(\$CDN)	Expiry Date
450,000	450,000	\$	0.85	March 2, 2021
80,000	80,000	\$	2.00	August 5, 2021
230,000	230,000	\$	1.60	April 27, 2022
4,450,000	1,112,500	\$	0.55	April 29, 2025
<u>5,210,000</u>	<u>1,872,500</u>			

The weighted average remaining contractual life of stock options outstanding is 3.30 years. The values post consolidation stock options utilized the Black Scholes option pricing model.

On April 29, 2020, the Company granted 4,450,000 options to directors, officers, employees, and consultants. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

For the period ended June 30, 2020 the stock-based compensation expense was \$880,782 (June 30, 2019 – Nil). Fair value of stock options granted as above is calculated using the following weighted average assumptions:

	June 30 2020	December 31 2019
Risk-free interest rate	0.41%	-
Expected stock price volatility	134.48%	-
Expected dividend yield	Nil	-
Expected warrant life in years	5	-

Warrants

Common Share Purchase Warrants	Number of Common Share Warrants	Exercise Price (CDN)
<b>Balance, December 31, 2018</b>	11,577,306	\$1.520
Private placement	37,121,395	\$0.375
<b>Balance, December 31, 2019</b>	48,698,701	\$0.648
Private placement (note 21)	37,688,781	\$0.375
Exercised	(7,655,736)	\$0.375
Expired	(2,447,746)	\$2.250
<b>Balance, June 30, 2020</b>	<u>76,284,000</u>	<u>\$0.488</u>

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**12. Equity (continued)**

As of June 30, 2020, details of outstanding warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
2,837,560	\$1.500	May 3, 2021
6,292,000	\$1.250	December 27, 2021
17,806,924	\$0.375	August 15, 2022
11,846,011	\$0.375	September 3, 2022
15,604,136	\$0.375	February 20, 2023
12,024,618	\$0.375	March 2, 2023
9,872,751	\$0.350	April 17, 2023
76,284,000	\$0.486	

As at June 30, 2020, the weighted average remaining contractual life of warrants outstanding is 2.3 years.

The values of warrants determined during the period ended June 30, 2020 utilized the Black-Scholes option pricing model weighted the weight average input factors and assumptions as follows:

	<b>June 30 2020</b>	<b>December 31 2019</b>
Risk-free interest rate	0.37% - 1.40%	1% - 1.24%
Expected stock price volatility	84.74% - 86.89%	77.26% - 89.95%
Expected dividend yield	Nil	Nil
Expected warrant life in years	3	3
Share price CDN	\$0.23 - \$0.29	\$0.28 - \$0.36
Exercise price CDN	\$0.35 - \$0.375	\$ 0.375

During the period ended June 30, 2020, the 37,688,781 warrants were recorded at a value of \$2,158,565 (2019 - \$2,526,246).

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**13. Related Party Transactions**

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The Company's related parties include key management personnel and directors of the Company. Details of the transactions between the Company and its related parties are disclosed below:

**a) Trading transactions**

The Company's related parties consist of companies owned by executive officers and directors and payments to these parties are as follows:

	Note	June 30 2020	June 30 2019
General and administrative expenses - Consulting Fees	(i)	\$ 54,365	\$ 105,729

(i) To companies controlled by the corporate secretary in 2020 and 2019, and the previous CFO in 2019 for services performed as officers.

**b) Compensation of key management personnel**

	Note	June 30 2020	June 30 2019
Consulting fees (as above)		\$ 54,365	\$ 105,729
Stock-based compensation		880,782	-
Officer salaries		331,358	272,160
		<u>\$ 1,266,505</u>	<u>\$ 377,889</u>

**c) Due to Related Parties**

	Note	June 30 2020	June 30 2019
Accounts payable and accrued liabilities	(i)	\$ -	\$ 179,964

(i) Payables due to related parties primarily for salary of the previous CFO in 2019.



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**14. Supplemental Cash Flow Information**

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

	<b>June 30</b>	December 31
	<b>2020</b>	2019
Cash	\$ 210,358	\$ 129,390
Short-term investments	<b>6,713,704</b>	3,814,896
	<b>\$ 6,924,062</b>	\$ 3,944,286

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

**15. Segmented Information**

The reportable operating segments have been identified as the Ouray Project, Shafter Project and Corporate and other segments. The Company manages its business, including the allocation of resources and assessment of performance, on a project by project basis, except where the Company's projects are substantially connected and share resources and administrative functions. Care & maintenance costs include technical studies.

<b>June 30, 2020</b>	Ouray	Shafter	Corporate and other segments	Total
General and administrative cost	901,362	134,676	735,267	1,771,305
Care & maintenance costs	1,282,334	119,768	-	1,402,102
Depreciation and amortization	668,711	-	288	668,999
Foreign exchange gain	-	-	658,226	658,226
Stock-based compensation	431,583	-	449,199	880,782
Other expenses	68,574	203	8,892	77,669
Net loss for the Period before other comprehensive items	(3,352,564)	(254,647)	(1,851,872)	(5,459,083)
Currency translation adjustment	-	-	646,881	646,881
Total comprehensive loss for the Period	(3,352,564)	(254,647)	(1,204,991)	(4,812,202)
Property, plant and equipment *	14,147,858	10,108,764	2,689	24,259,311
Mineral properties	27,764,039	12,663,526	458,143	40,885,708
Total capital assets	41,911,897	22,772,290	460,832	65,145,019
Total assets	42,941,619	22,846,784	7,354,909	73,143,312
Total liabilities	1,584,022	698,012	129,347	2,411,381

\* Includes OSM Mine Development cost for the first six months of 2020: \$ 2,204,426

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**15. Segmented Information (continued)**

June 30, 2019	Ouray	Shafter	Corporate and other segments	Total
Other income	\$ 673	\$ 104,375	\$ 152,935	\$ 257,983
General and administrative cost	722,537	266,571	697,622	1,686,730
Care & maintenance costs	854,411	148,258	-	1,002,669
Depreciation and amortization	713,436	-	5,241	718,677
Foreign exchange loss	-	-	94,576	94,576
Other expenses	5,821	318	2,450	8,589
Net loss for the period before other comprehensive items	(2,295,532)	(310,772)	(646,954)	(3,253,258)
Currency translation adjustment	132,283	-	-	132,283
Total comprehensive loss for the period	(2,163,249)	(310,772)	(646,954)	(3,120,975)
Net loss for the period	(2,163,249)	-	-	(3,120,975)
Property, plant and equipment	12,374,143	10,647,251	-	23,021,394
Mineral properties	27,355,006	10,378,365	-	41,160,594
Total capital assets	39,729,149	21,025,616	-	64,181,988
Total assets	41,102,762	21,085,095	4,224,737	66,412,594
Total liabilities	492,695	698,168	1,014,401	2,205,264

**16. General and administrative costs**

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Salaries and consulting fees	\$ 692,501	\$ 594,038	\$ 1,174,874	\$ 1,119,668
Transaction cost	-	17,709	-	97,725
Professional fees	28,958	102,493	60,407	134,140
Investor relations	59,543	18,427	82,043	45,000
Marketing and road shows	36,693	33,671	128,549	34,965
Listing and filing fees	72,216	22,960	85,650	25,035
Other	116,856	120,525	239,782	230,197
	<b>\$ 1,006,767</b>	<b>\$ 909,823</b>	<b>\$ 1,771,305</b>	<b>\$ 1,686,730</b>

Other break down:	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Rent and overhead	1,532	39,359	\$ 5,455	\$ 78,065
Travel and accommodation	12,825	20,383	31,325	26,732
Office	102,499	60,783	173,200	125,400
Write-off Accounts Receivable	-	-	29,802	-
Total Other	<b>\$ 116,856</b>	<b>\$ 120,525</b>	<b>\$ 239,782</b>	<b>\$ 230,197</b>

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**17. Financing and Other Expense**

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Interest Expense	2,162	2,175	\$ 4,324	\$ 4,341
Bank charges	3,692	2,401	6,693	4,248
	<u>\$ 5,854</u>	<u>\$ 4,576</u>	<u>\$ 11,017</u>	<u>\$ 8,589</u>

**18. Care & maintenance costs**

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Site maintenance	\$ 596,917	\$ 312,367	\$ 962,019	\$ 564,712
Insurance	95,572	81,641	191,613	186,914
Environmental	89,367	84,893	139,537	142,806
Property taxes	(51,866)	54,304	108,933	108,237
	<u>\$ 729,990</u>	<u>\$ 533,205</u>	<u>\$ 1,402,102</u>	<u>\$ 1,002,669</u>

**19. Depreciation and Amortization – Property, Plant and Equipment**

	Six months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Property, plant and equipment depreciation	\$ 334,520	\$ 355,154	\$ 668,999	\$ 718,677
	<u>\$ 334,520</u>	<u>\$ 355,154</u>	<u>\$ 668,999</u>	<u>\$ 718,677</u>

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**20. Impairment and write-down**

In accordance with the Company's accounting policy management performed an assessment of the recoverable amount of property, plant and equipment on site at the Revenue-Virginus Mine included in the Ouray project. The Company engaged an independent valuations expert to assess the fair value of property, plant and equipment and determined that certain assets were carried at a value in excess of the recoverable amount.

During the year ended December 31, 2019, the Company wrote-down a filter press that didn't comply with the American Welding Standards in the amount of \$305,362, which was originally recorded as an equipment purchase in a prior year. The Company was unable to recover the cost of the equipment, and the write-down is reflected in the ending balance of \$8,402,888 as of December 31, 2019 for plant and equipment. During the period ended March 31, 2020, the Company disposed of two non-operational snowmobiles. (Note 6).

**21. Private Placement**

On February 20, 2020, the Company completed the first tranche of a non-brokered private placement offering (the "Private Placement") of 15,108,097 Units for gross proceeds of CDN\$3,323,781 at a price of CDN\$0.22 per Unit (the "Units"). Each Unit consisted of one common share of the Company (each, a "Common Share") and one full common share purchase warrant (each, a "Common Share Purchase Warrant"). Each Common Share Purchase Warrant will enable the holder to purchase one Common Share at a price of CDN\$0.375 for a period of 36 months following the closing of the Private Placement, subject to adjustment upon certain customary events.

For the First tranche, the Company paid an aggregate of \$139,330 in finder's fees and issued an aggregate of 633,315 agent's warrants, ("Agent's Warrants") with each Agent's warrant entitling the holder thereof to purchase one Common Share at a price of CDN\$0.375 for a period of 36 months from the date of issuance.

The Common Shares and the Warrants (and any Common Shares issued pursuant to the Warrants, as applicable) issued in the first tranche are subject to a statutory hold period expiring on June 20, 2020.

On March 2, 2020, the Company completed the second tranche of the non-brokered private placement offering (the "Private Placement") for 11,583,371 Units for gross proceeds of CDN\$2,548,342 at a price of CDN\$0.22 per Unit (the "Units") Each Unit consists of one common share of the Company (each, a "Common Share") and one full common share purchase warrant (each, a "Common Share Purchase Warrant"). Each Common Share Purchase Warrant will enable the holder to purchase one Common Share at a price of CDN\$0.375 for a period of 36 months following the closing of the Private Placement subject to adjustment upon certain customary events.

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**21. Private Placement (continued)**

For the second tranche, the Company paid an aggregate of CDN\$99,494 in finder's fees and issued an aggregate of 491,247 Agent's Warrants, ("Agent's Warrants") with each Agent's warrant entitling the holder thereof to purchase one Common Share at a price of CDN\$0.375 for a period of 36 months from the date of issuance.

The Common Shares and the Warrants (and any Common Shares issued pursuant to the Warrants, as applicable) issued in the second tranche are subject to a statutory hold period expiring on July 3, 2020.

The net proceeds of both tranches of the Private Placement will be used to continue to execute the Company's corporate vision, previously announced on June 19, 2019 and recently updated on its website [www.aurcana.com](http://www.aurcana.com), which is primarily focused on advancing its wholly-owned Revenue-Virginus Silver Mine located in Ouray, Colorado, as well as for working capital and general and administrative expenses.

On April 17, 2020 the Company completed a private placement of 9,337,407 units at a price of CDN\$0.27 per unit, to raise total proceeds of CDN\$2,521,100. Each unit consists of one common share of the Company and one full common share purchase warrant ("Warrant"), with each Warrant entitling the holder thereof to purchase one common share at a price of CDN\$0.35 for a period of 36 months, subject to adjustment upon certain customary events. The net proceeds of the private placement will be used to continue to execute the Company's corporate vision, previously announced on June 19, 2019 and posted on its website [www.aurcana.com](http://www.aurcana.com), which is primarily focused on advancing its wholly-owned Revenue-Virginus Silver Mine located in Ouray, Colorado, as well as for working capital and general and administrative expenses. The Company paid an aggregate of CDN\$144,543 in finder's fees and issued an aggregate of 535,344 agent's Warrants, with each agent's warrant entitling the holder thereof to purchase one Common Share at a price of CDN\$0.35 for a period of 36 months. The Common Shares and the Warrants (and any Common Shares issued pursuant to the Warrants, as applicable) are subject to a statutory hold period expiring on August 18, 2020.

**22. Board of Directors updates**

On April 7, 2020, Jose Manuel Borquez resigned as a member of the board of directors.

On April 9, 2020, the Company appointed Peter Fairfield as a member of the board of directors.

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**23. COVID-19 (coronavirus)**

The COVID-19 pandemic has a limited effect on Aurcana Silver Corporation and its operations located in the US. Mining is considered an "essential" function for the economy and is exempt from business closure restrictions or orders. The Company has implemented the recommended "social distancing", utilization of personal protective equipment (PPE), and extra diligence in sanitizing work spaces and equipment. The Company is able to continue executing the current operating plan and 2020 budget, which will advance the OSMI development project through the end of the year. Where practical, administrative and technical staff are working remotely to provide the safest work environment possible. The Company does not foresee any significant business risks other than potential minor delays in equipment repairs/maintenance, which could be due to limited workforce availability. While the extent of the impact is unknown, we anticipate this outbreak may cause supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

**24. Subsequent Events**

On July 20, 2020, the Company completed the first tranche of a non-brokered private placement offering (the "Private Placement") for 21,786,400 Units for gross proceeds of CDN\$10,894,700 at a price of CDN\$0.50 per Unit (the "Units"). Each Unit consists of one common share of the Company (each, a "Common Share") and one full common share purchase warrant (each, a "Common Share Purchase Warrant"). Each Common Share Purchase Warrant will enable the holder to purchase one Common Share at a price of CDN\$0.75 for a period of 36 months following the closing of the Private Placement, subject to adjustment upon certain customary events.

For the First tranche, the Company paid an aggregate of \$485,520 in finder's fees and issued an aggregate of 971,040 agent's warrants, ("Agent's Warrants") with each Agent's warrant entitling the holder thereof to purchase one Common Share at a price of CDN\$0.50 for a period of 36 months from the date of issuance.

The Common Shares and the Warrants (and any Common Shares issued pursuant to the Warrants, as applicable) issued in the first tranche are subject to a statutory hold period expiring on November 21, 2020.

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**24. Subsequent Events (continued)**

On July 28, 2020, the Company completed the second tranche of the non-brokered private placement offering (the "Private Placement") for 2,762,000 Units for gross proceeds of CDN\$1,381,000 at a price of CDN\$0.50 per Unit (the "Units") Each Unit consists of one common share of the Company (each, a "Common Share") and one full common share purchase warrant (each, a "Common Share Purchase Warrant"). Each Common Share Purchase Warrant will enable the holder to purchase one Common Share at a price of CDN\$0.75 for a period of 36 months following the closing of the Private Placement subject to adjustment upon certain customary events.

For the second tranche, the Company paid an aggregate of CDN\$547,920 in finder's fees and issued an aggregate of 1,095,840 Agent's Warrants, ("Agent's Warrants") with each Agent's warrant entitling the holder thereof to purchase one Common Share at a price of CDN\$0.50 for a period of 36 months from the date of issuance.

The Common Shares and the Warrants (and any Common Shares issued pursuant to the Warrants, as applicable) issued in the second tranche are subject to a statutory hold period expiring on November 29, 2020.

The net proceeds of both tranches of the Private Placement will be used to continue to execute the Company's corporate vision, previously announced on June 19, 2019 and recently updated on its website [www.aurcana.com](http://www.aurcana.com), which is primarily focused on advancing its wholly-owned Revenue-Virginus Silver Mine located in Ouray, Colorado, as well as for working capital and general and administrative expenses

On August 24, 2020 Aurcana Corporation changed its name to Aurcana Silver Corporation. With the change of name, Aurcana has continued into the Business Corporation Act of the Province of British Columbia. Aurcana's trading symbol is unchanged as AUN and the new CUSIP number is 051918803. The change in name and the continuation were both previously approved by shareholders of Aurcana pursuant to special resolutions passed at an annual general and special meeting of Aurcana held on June 27, 2017. Common share certificates bearing the previous company name "Aurcana Corporation" continue to be valid in the settlement of trades in common shares. There is no consolidation or change in the share capital of the Company. Shareholders are not required to transfer existing share certificates into the new name.