Management Discussion and Analysis for the year Ended December 31, 2020

This Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Aurcana Silver Corporation (referred to herein collectively with its subsidiaries as the "**Company**" or "**Aurcana**")'s Consolidated Financial Statements for the years ended December 31, 2020 and 2019,(the "**Consolidated Financial Statements**"), and the related notes thereto, which have been prepared in accordance with International Financing Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities laws, including, but not limited to, statements regarding the Company's expectations, strategic plans, exploration budgets and mineral resource and mineral reserve estimates. The information in this MD&A is current to April 27, 2021.

Cautionary Statement Regarding Forward-Looking Information

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

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

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials.

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QUALIFIED PERSON

Director of the Company, Mr. Michael Gross, P. Geo. is a Qualified Person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. Mr. Gross has reviewed and approved the scientific and technical information contained herein. Disclosure documents, including technical reports filed by Aurcana, can be found under the Company's profile on SEDAR at www.sedar.com.

NATURE OF BUSINESS AND COMPANY DESCRIPTION

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

Aurcana is engaged in the exploration, development and operation of natural resource properties. The Company's development properties are: (i) the Revenue-Virginius mine (the "**Revenue-Virginius 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.

On August 24, 2020 Aurcana Corporation changed its name to Aurcana Silver Corporation. With the change of name, Aurcana was continued under the Busines 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.

Basis of presentation

The accompanying 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 described on the accompanying Consolidated Financial Statements.

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

OVERVIEW AND OVERALL PERFORMANCE

Aurcana owns 100% of the Revenue-Virginius mine and 100% of the Shafter Silver Project.

Revenue-Virginius Mine

The Revenue-Virginius mine is located in southwestern Colorado about 5.5 miles southwest of the town of Ouray. Access to the mine site is via County Road 361. Ouray is easily accessible from Montrose Airport (36 miles north) or 5.5 hours drive from Denver via I-70. Local infrastructure is excellent with access to power, water, transportation and housing from surrounding communities such as Ouray and Montrose.

The Revenue-Virginius mine is a historic mining operation which mined over 25 million ounces of silver during 1885-1912. In approximately 1915, the stamp mill burned down, resulting in the closure of the mine. The mine was operated again for short periods of time during the 1920s and 1930s, but without an operating mill was unable to sustain production.

In the 1960s and 1980s, exploration and development along with some select production was conducted by Federal Resources and Ranchers Exploration/Hecla respectively. Rancher's exploration work was the most extensive and much of the drilling and development conducted in the 1980s by those companies formed the basis for developing interest by later operators. In 1994, Sunshine Mining began moderate development and exploration work. Star Resources later acquired the property and spent an estimated $40-$50 million advancing the project, including the construction of a new mill located underground.

In 2014 Fortune Minerals Limited ("FML") acquired the mine from Star and in 2015 the property defaulted to LRC-FRSM who placed the Revenue-Virginius mine into a company called "Ouray Silver Mines, Inc." and put operations on care and maintenance.

In June 2018, an updated feasibility study for the restart of the Revenue-Virginius mine was completed by SRK Consulting of Denver with portions related to mill upgrade and surface facilities by Barr Engineering.

As part of the updated feasibility study, all new construction designs for the mill, surface facilities and underground development were taken to an "issued for construction" level and all capital items were fully bid. The Revenue Virginius mine is fully permitted.
Please see the Company's website for the 2018 feasibility study:
http://www.aurcana.com/_resources/OSMI_FS_NI43-101_Technical_Report_478300-060_Rev19_20180914.pdf

Aurcana acquired the Revenue-Virginius mine via its acquisition of Ouray Silver Mines, Inc. through a "Reverse Take Over Transaction" in December 2018 with the intention of re-starting mining operations upon completion of production financing.

In May 2019, Aurcana US (a wholly owned subsidiary of Aurcana) and Ouray Silver Mines, Inc. merged which eliminated the legacy intercompany obligations of the October 2014 financing with LRC-FRSM.

In the first quarter of 2020 the Company initiated pre-production development activities.

In June 2020, the Company completed an internal update to the June 2018 Feasibility Study to include work completed since that time and update all operating and capital cost inputs to prepare the mine for a restart decision.

During the balance of 2020, the Company continued to advance the Virginius North Project ("VN Project") which included pre-production development as well as long-lead purchases and seasonally dependent work scope activities in preparation for a restart of mining operations at the Revenue-Virginius mine.

On December 8, 2020, Aurcana closed a $28 million project financing facility with Mercuria Investments US Inc. to fund the restart of the company's wholly owned Revenue Virginius Mine. Upon receiving the proceeds, the company's board approved the restart of operations.

Shafter Silver Project

The Shafter Silver Project is 375 miles southeast of El Paso, in Presidio County, southwest Texas, within a historic mining district, known as the Shafter Mining District. The site has excellent infrastructure, both in terms of year-round access via a paved highway, upgraded utility power and mine site facilities.

Silver from the Presidio Mine was mined from 1883 until 1942 when it was closed due to declining silver prices and the War Powers Act of 1941. In the late 1970s Gold Fields discovered a previously unknown deep extension to the Presidio, which remains un-mined and is the primary objective of Aurcana's development plans.

In 2008 Aurcana acquired the Shafter Silver Project and in 2011 commenced re-development of underground access as well as construction of mill and mine facilities. In December 2013 the operation was put on care and maintenance.

In September 2018, an updated preliminary economic assessment was released. The Shafter Silver Project is fully permitted. http://www.aurcana.com/_resources/Shafter_2018_43-101_v13_pea.pdf.

OUTLOOK

Near Term Outlook

On December 8, 2020 a US$28 million debt facility from Mercuria was closed with the Board of Directors subsequently approving the Revenue Virginius Mine re-start. Also, during the first quarter of 2021 Aurcana completed a private equity placement of approximately CAD$33.4 million. The combined debt and equity facility funding is sufficient to complete the capital works and provide the necessary working capital and contingency funds to reach cashflow positive during the start-up.

An accelerated rate of work began immediately and steadily progressed on the critical path underground infrastructure and mine development. Three vertical raises are in development with the #'s 1&2 raises currently above the 1500 Level on their way to the final elevation of 1200 Level. The #3 raise has recently commenced and advanced about 32 ft vertically while the Alimak nest is being completed in preparation for the installation of the Alimak climber. The Alimak climber is the mechanized work platform that will facilitate the vertical excavation of the raise up to the 1800, 1500 & 1200 levels, the same as raises 1 and 2.

The process plant contractor is now on-site and plant modifications are expected to be completed in time to meet the original goal of early July for commissioning.

First ore through the mill is still on schedule for the third quarter of 2021 and reaching positive cash flow by end of the third quarter soon thereafter.

CORPORATE DEVELOPMENTS

During the Year ended December 31, 2020:

- The Company continued to meet its obligations to maintain its land holdings at the Shafter mine. All necessary permits were maintained, and the Company succeeded in obtaining a new water discharge permit.

- The Company continued underground development at the Revenue-Virginius Mine including work to develop the Virginius North vein area in the Monongahela zone.

- The Company placed orders for long-lead equipment and completed seasonally dependent work at the Revenue-Virginius Mine to ensure no winter impacts to the restart plan.

- The Company continued with regulatory compliance initiatives begun in 2018 including the Supplemental Environmental Project with Trout Unlimited and the Governor Basin cleanup with Uncompahgre Watershed Partnership. These two projects reinforce the Company's commitment to environmental stewardship and Social License.

- CEO Kevin Drover relocated to Ouray, CO to oversee the restart of operations at the Revenue Virginius mine and mining and technical personnel were hired to complete the underground development work in advance of full production.

- The company continued to consolidate various mining claims in and around the Revenue Virginius mine including the Blue Grass claim which connects more than 16,000 feet of strike length of the Virginius vein system.

- Peter Fairfield joined the board of directors.

- The company changed its name to Aurcana Silver Corporation and continued its British Columbia registration.

- On December 8, 2020 the company closed on the $28 million project finance facility with Mecuria as previously described.

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

REVIEW OF FINANCIAL RESULTS

General and Administrative Costs

		2020		2019
Salaries and consulting fees	**$**	**3,164,100**	$	2,164,748
Transaction cost		**-**		85,049
Financing cost		**256,250**		-
Professional fees		**328,855**		237,883
Investor relations		**295,839**		113,585
Marketing and road shows		**292,359**		108,616
Listing and filing fees		**122,631**		40,563
Other		**623,823**		496,695
	$	**5,083,857**	$	3,247,139

Other break down:		2020		2019
Rent and overhead	**$**	**26,259**	$	24,583
Travel and accommodation		**67,018**		92,615
Office		**500,744**		238,717
Anclada project		**-**		780
Write-off Accounts Receivable		**29,802**		140,000
Total Other	**$**	**623,823**	$	496,695

Other income

		2020		2019
Other income				
Management Fees	$	-	$	150,000
Royalties		1,121		44,915
Oil & Gas lease		-		66,747
Other		16,620		23,453
		17,741		285,115

During the year ended December 31, 2019, the Company generated other income from consulting services in connection with the operation of the La Negra mine, for a total of $150,000. The consulting services ended on March 31, 2019, the Company generated revenues from Royalties $44,915, and recognized $66,747 from deferred revenue as part of the oil & gas lease agreement ended on July 14, 2019.

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

Quarterly Financial Information

The Company's Consolidated Financial Statements are reported under IFRS. The following tables provide highlights from the Company's financial statements of quarterly results for the past eight quarters:

	December 31 2020	September 30 2020	June 30 2020	March 31 2020
	$	$	$	$
Costs and expenses:				
General and administrative costs	1,923,926	1,388,626	1,006,767	764,538
Financing expense and others	402,019	13,005	13,307	13,611
Maintenance costs	2,223,788	1,134,169	729,990	672,112
Depreciation and amortization property, plant and equipment	340,211	345,810	334,520	334,479
Change in derivatives fair value estimate	3,887,253	-	-	-
Stock-based compensation	95,775	95,775	271,802	-
Amortization of right-of-use asset	28,986	28,897	28,734	28,858
Foreign exchange loss (gain)	(2,741,520)	2,604,210	1,231,126	(572,900)
Impairment & write-down on property, plant and equipment	-	-	-	-
Total costs and expenses	6,160,438	5,610,492	3,616,246	1,240,698
Other income				
Other Income	9,568	1,332	1,399	5,442
Net loss from continuing operations	6,150,870	5,609,160	3,614,847	1,235,256
Loss from discontinued operations	-	-	-	-
Net loss before other comprehensive items	6,150,870	5,609,160	3,614,847	1,235,256
Currency translation adjustment	(2,856,319)	2,548,483	1,347,604	(700,723)
Comprehensive loss for the period	$ 9,007,189	$ 3,060,677	$ 2,267,243	$ 1,935,979
Loss per share	(0.04)	(0.01)	(0.02)	(0.01)

Significant fluctuations in 2020 quarterly activity is summarized as follows:

Total cost and expenses

- During the period ending December 31, 2020, for $9,007,189 (2019: $2,279,022):
  - The Company recognized $3,887,253 (2019: $ Nil) from change in derivative fair value estimation. The driving factor is the change in the Silver future price at the closing transaction date versus December 31, 2020. Also, the increase in silver volatility contributed.
  - The maintenance cost $2,223,788 (2019: $645,076). The increase is related to non-capitalizable development expenses of OSMI.

  - The Unrealized foreign exchange gain was $2,741,520; against a negative result of $83,677 in the same period of 2019.

- During the period ending September 30, 2020, for $3,060,677 (2019: $1,521,715):
  - The Company received recognized $Nil (2019: $4,792) from Oil & Gas lease.
  - The Unrealized foreign exchange expense was $2,604,210 (2019: $51,030).

- During the period ending June 30, 2020, for $2,267,243 (2019: $1,734,596):
  - The Company received $Nil (2019: $42,120) from royalties and recognized $Nil (2019: $31,149) from Oil & Gas lease.
  - The Unrealized foreign exchange expense was $1,231,126 (2019: $48,368).

- During the period ending March 31, 2020, for $1,935,979 (2019: $1,386,379):
  - The Company received $Nil (2019: $150,000) for management services and recognized $Nil (2019: $30,806) from Oil & Gas lease.
  - The Unrealized foreign exchange was positive for $572,901 for the first three months of 2020; against a negative result of $46,208 in the same period of 2019.

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

	December 31 2019	September 30 2019	June 30 2019	March 31 2019
	$	$	$	$
Costs and expenses:				
General and administrative costs	858,135	702,274	909,823	776,907
Financing expense and others	55,244	5,179	4,576	4,013
Maintenance costs	645,076	412,812	533,205	469,464
Depreciation and amortization property, plant and equipment	336,435	358,262	355,154	363,523
Foreign exchange loss	40,962	-	48,368	46,208
Impairment & write-down on property, plant and equipment	83,677	51,030	-	-
Other	305,362	-	-	-
Total costs and expenses	2,436,581	1,529,557	1,851,126	1,660,115
Other income				
Other Income	19,088	8,044	75,201	182,782
Net loss for the period before other comprehensive items	2,417,493	1,521,513	1,775,925	1,477,333
Currency translation adjustment	138,471	(202)	41,329	90,954
Comprehensive loss for the period	$ 2,279,022	$ 1,521,715	$ 1,734,596	$ 1,386,379
Loss per share	(0.02)	(0.01)	(0.01)	(0.01)

Significant fluctuations in the 2019 quarterly activity is summarized as follows:

Total cost and expenses

- During the period ending December 31, 2019 for $2,279,022 (2018: $2,212,131)
- During the period ending September 30, 2019 for $1,521,715 (2018: $1,343,369)
- During the period ending June 30, 2019, for $1,734,596 (2018: $1,411,839).
- During the period ending March 31, 2019, for $1,386,379 (2018: $1,066,768).

Main increased for each period compared to the previous year is due to the results of the Reverse Takeover transaction closed on December 27, 2018, by incorporating Aurcana's head office and Shafter expenses including salaries, care and maintenance costs, and other corporate expenses.

Selected Annual Information

Fiscal Year Ended	December 2020	December 2019	December 2018
	$	$	$
General and administrative costs	5,083,857	3,247,139	1,855,789
Financing expense and others	441,942	109,974	25,330
Care & maintenance costs	4,760,059	2,060,557	1,589,682
Depreciation and amortization property, plant and equipment	1,355,020	1,413,374	1,593,248
Change in derivatives fair value estimate	3,887,253		
Stock-based compensation	463,352	-	-
Amortization of right-of-use asset	115,475	111,690	-
Foreign exchange loss	520,916	229,283	-
Impairment & write-down on property, plant and equipment	-	305,362	490,110
Other	-	-	46,523
Net loss for the year before comprehensive items	16,627,874	7,477,379	5,600,682
Other income	17,741	285,115	-
Comprehensive loss for the year	16,610,133	6,921,712	6,034,107
movements in working capital ($ million)	(10.1)	(5.2)	(3.4)
Basic loss per share	(0.08)	(0.06)	(0.07)
Fully diluted loss per share	(0.08)	(0.06)	(0.07)
Total assets	108,015,633	68,838,576	70,348,982
Current assets	30,333,024	4,560,915	5,315,020
Property, Plant & Equipment	36,102,738	22,590,133	23,315,555
Mineral properties	40,885,708	40,885,708	41,160,594
Current liabilities	3,716,095	791,514	1,900,407
Total liabilities	35,306,183	2,048,816	3,020,677
Cash dividends declared	Nil	Nil	Nil

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.

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 Revenue-Virginius mine and/or the Shafter Silver Project will result in profitable mining operations. The Company currently has finite sources of revenue, and will require cash to meet the necessary financing to acquire and complete the development of its mineral properties and for future corporate and administrative expenses.

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

Working capital

The Company had current assets of $30.3 million, and current liabilities of $3.7 million, with a consolidated working capital is of $26.6 million.

Current assets

As at December 31, 2020, the Company had current assets in the total amount of total $30.3 million, which includes $29.7 million as cash and cash equivalents.

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

PP&E, net of accumulated amortization, increased from $22.6 million as at December 31, 2019 to $36.1 million as at December 31, 2020. This increase of $13.5 million is integrated as follows:
• Decrease of $1.4 million related to the depreciation.
• Increase of $14.8 million as expense recognition of the mine development cost.
• Increase of $0.1 million related to additions of vehicles.

Mineral properties kept the same value of $40.9 as at December 31, 2019, and December 31, 2020

Borrowings

On December 8, 2020 (the "Closing Date"), Aurcana Silver Corporation, through its subsidiary, Aurcana US Holdings Two Limited (collectively "Aurcana"), and Mercuria Investments US Inc. closed a $28 million project financing facility (the "Financing Facility") to fund the restart of Aurcana's wholly owned Revenue-Virginius mine in the form of a secured term loan (the "Term Loan") for a cash proceed of $28 million. Along with the Term Loan on the same date, Aurcana also entered into a silver swap (the "Silver Swap") and a series of silver Asian call options (the "Silver Options") with Mercuria Investments US Inc.'s subsidiary, Mercuria Energy America (collectively "Mercuria" or the "Lender") with no additional cash exchange.

OUTSTANDING SHARE CAPITAL

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

As at April 27, 2021, the Company had the following issued and outstanding common shares and unexercised stock options and warrants:

	Shares and Potential Shares
Common shares outstanding	276,148,568
Stock options (average exercise price CAD$0.61)	4,710,000
Warrants (average exercise price CAD$0.80)	116,265,462
Total common shares (fully diluted)	**397,124,030**

The weight average exercise price is CDN$0.79

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

TRANSACTIONS WITH RELATED PARTIES

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	2020	2019
General and administrative expenses - Consulting Fees	(i)	**$ 131,767**	$ 272,787

(i) To companies controlled by the Corporate Secretary, and the former CFO for services performed as officers.

b) Compensation of key management personnel

	2020	2019
Consulting fees (as above)	**$ 131,767**	$ 272,787
Stock-based compensation	**308,244**	-
Officer salaries	**680,713**	629,435
	$ 1,120,724	$ 902,222

LEASES

The Company leases its office space in Vancouver British Columbia Canada, and the office space and warehouse space in Ouray Colorado USA.

The Vancouver lease is for three years with an option to renew expiring March 31, 2022. The Ouray lease is for three years with an option to renew expiring December 31, 2021.

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

Right-of-use asset						
		Canada		USA		Total
Balance as at December 31, 2019	$	39,048	$	197,334	$	236,382
Amortization		16,799		98,676		115,475
Balance as at December 31, 2020	$	22,249	$	98,658	$	120,907

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%.

As at December 31, 2020, future payments required under the Company's leases are as follow:

Lease liability						
		Canada		USA		Total
Balance as at December 31, 2019	$	41,008	$	210,712	$	251,720
Payments		(20,672)		(121,404)		(142,076)
Accretion expense		4,550		23,368		27,918
Balance as at December 31, 2020		24,886		112,676		137,562
Less current portion		19,526		112,676		132,202
Currency translation adjustment		(40)		-		(40)
Long-term	$	5,320	$	-	$	5,320

The following table shows the commitments lease as at December 31, 2020:

Commitments due by year (000's)				
		Total	2021	2022
		$	$	$
Head office lease CAD	$	60	48	12
OSM Warehouse lease	$	121	121	-

FINANCIAL INSTRUMENTS

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

At December 31, 2020, the Company's Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in USD dollars:

		2020	2019
Cash and cash equivalents	USD$	**6,898,890**	45,782
Trade and other receivables		**-**	29,802
Accounts payable and accrued liabilities		**(31,000)**	(21,105)
	USD$	**6,867,890**	54,479
CAD$ Equivalent		**8,744,198**	**70,757**

Based on the above net exposures as at December 31, 2020, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US Dollar against the CDN Dollar would result in a $686,789 change to the Company's net income for the year.

At December 31, 2020, the Company's Mexican operations (U.S. dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		2020	2019
Cash and cash equivalents	MXP$	**594**	47,354
USD$ Equivalent		**30**	**2,513**

Based on the above net exposures as at December 31, 2020 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US Dollar against the Mexican Peso would result in a $3 change to the Company's net income for the year.

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

FAIR VALUE MEASUREMENTS

The Company's financial instruments include cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, loans and borrowings and derivative liabilities.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 - Fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table summarizes the fair value hierarchy, as of December 31, 2020:

	Fair Value Through Profit or Loss	**Amortized Costs**		**Fair Value**	
			Level 1	**Level 2**	**Level 3**
Asset (Liability)					
Cash and cash equivalents	29,678,781		29,678,781		
Accounts payable and accrued liabilities		(3,162,893)			
PPP Loan & Borrowings		(20,150,738)			
Derivatives	(10,734,760)				(10,734,760)

The following table summarizes the fair value hierarchy, as of December 31, 2019:

	Fair Value Through Profit or Loss	**Amortized Costs**		**Fair Value**	
			Level 1	**Level 2**	**Level 3**
Asset (Liability)					
Cash and cash equivalents	3,944,286		3,944,286		
Trade and other receivables		58,979			
Accounts payable and accrued liabilities		(676,826)			

The continuity and valuation techniques that are sued to determine the fair value of derivatives are described in Note 14 of the Consolidated Financial Statements. The carrying values of trade and other receivables and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term nature of these amounts.

RISKS AND UNCERTAINTIES

The operations of Aurcana 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 Aurcana's operations and industry which may have a material impact on, or constitute risk factors in respect of, Aurcana's financial performance. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial may also impair the Company's operations. The order in which the following risk factors appear does not necessarily reflect management's opinion of their order or priority.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

The Company's expected source of cash flow in the upcoming year will be from metal sales, equity financing; loans, lease financing and entering into joint venture agreements, or a combination thereof.

The following table disclose the gross contractual obligations as at December 31, 2020:

	Commitments due by year (000's)					
	Total	2021	2022	2023	2024	2025
	$	$	$	$	$	$
Accounts payable and accrued liabilities	3,163	3,163	-	-	-	-
Lease liability	168	159	9			
Borrowings	28,000	-	7,000	7,000	7,000	7,000
	31,331	3,322	7,009	7,000	7,000	7,000

Metals Price risk

The value of the Company's securities may be significantly affected by the market price of silver, which is cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances and sales or purchases of silver by holders in response to such factors. Silver prices have been highly volatile over the past several years, and further lower prices could negatively impact the value of the Company's securities. Prolonged decreases in the price of silver or other metals could adversely impact the ability of the Company to recommence operations at the Revenue-Virginius mine and/or the Shafter Silver Project. The Company may also curtail or suspend some or all of its exploration activities on the Revenue-Virginius mine and/or the Shafter Silver Project in response to lower silver prices.

Risks related to recommencing mining operations

The Revenue-Virginius mine is in pre-production development, and the Shafter Silver Project is currently on care and maintenance, and both will require significant expenditures before production can be recommenced. The economic feasibility of the Revenue-Virginius mine and the Shafter Silver Project is based on many factors, including but not limited to: estimation of mineral reserves and mineral resources, anticipated metallurgical recoveries, environmental considerations and permitting, future metals prices, and anticipated capital and operating costs. Many of these factors have changed since the Revenue-Virginius mine and the Shafter Silver Project were last in production, and the prior operation of the Revenue-Virginius mine and the Shafter Silver Project does not guarantee that future operation of either will be economically viable. Consequently, it is possible that actual capital and operating costs and economic returns will differ significantly from prior operational results.

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

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

Risks related to global financial conditions.

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

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

Commodity pricing and mark-to-market risk

The fair values of the Company's financial instruments are significantly influenced by variability of future spot prices for silver. Period to period changes in silver future spot price could cause significant changes in the mark to market valuation ("MTM Valuation') of these contracts, if future spot prices increased by 10%, loss for the year would have been $780,604 higher, whereas if future spot prices decreased by 10%, loss for the year would have been $517,710 lower, primarily as a result of the change in fair value of the Company's derivative instrument.

Credit risk

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

The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A-" grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies.

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2020, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

Shareholder Dilution

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

Mining risks and insurance

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

Uncertainty of mineral resources and reserves

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

Reclamation obligations

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

Exploration risks

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

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

Conflicting interests

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

Permitting and title

Major operating permits for the Revenues-Virginius and Shafter mines remain in place.

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

Market influences

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

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Disclosure controls and procedures

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

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

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

NON IFRS MEASURES

The Company has identified certain measures that it believes will assist understanding of the financial performance of the business. As the measures are not defined under IFRS, they may not be directly comparable with other companies' similar measures. The non IFRS measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but management has included them as these are considered to be important measures used within the business for assessing performance. In particular, this MD&A refers to "working capital", which is not a recognized measure under IFRS. This non IFRS liquidity measure does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to a similar measure presented by other issuers. "working capital" is defined by the Company as current assets less current liabilities. Management uses this measure internally to better assess performance trends. Management understands that a number of investors and others who follow the Company's business assess performance in this way. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

ADDITIONAL INFORMATION

Additional information on the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.aurcana.com.