AURCANA CORPORATION

Consolidated Financial Statements

December 31, 2019

Expressed in United States dollars unless otherwise stated

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Independent Auditor's Report

To the Shareholders of Aurcana Corporation:

Opinion

We have audited the consolidated financial statements of Aurcana Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $7,192,264 during the year ended December 31, 2019 and, as of that date, had accumulated a deficit of $96,449,470.As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph J. Chirkoff.

Vancouver, British Columbia

MNP LLP

Chartered Professional Accountants

April 29, 2020

Aurcana Corporation

Consolidated Statements of Financial Position

(Expressed in United States dollars)

	Notes	December 31 2019	December 31 2018
Assets			
Current assets			
Cash and cash equivalents	18	$ 3,944,286	$ 4,464,236
Trade and other receivables	5	58,979	299,221
Inventories	6	142,382	142,382
Prepaid expenses and advances	7	415,268	409,181
		4,560,915	**5,315,020**
Non Current assets			
Non-current prepaid expenses	7	12,736	5,111
Long term deposits		71,933	71,933
Property, plant and equipment	8	22,590,133	23,315,555
Mineral Properties	9	40,885,708	41,160,594
Right-of-use asset	10	236,382	-
Reclamation deposits	11	480,769	480,769
Total assets		**$ 68,838,576**	**$ 70,348,982**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12, 13	$ 676,826	$ 1,900,407
Current portion of lease payable	10	114,688	-
		791,514	**1,900,407**
Non Current liabilities			
Lease payable	10	137,032	-
Provision for environmental rehabilitation	15	1,120,270	1,120,270
Total liabilities		**2,048,816**	**3,020,677**
Equity	16		
Share capital		29,451,075	25,594,154
Contributed surplus		133,939,863	131,413,617
Acumulated other comprehensive loss		(162,873)	(433,425)
Deficit		(96,449,470)	(89,257,206)
Total equity attributable to equity holders of the parent		66,778,595	67,317,140
Non-controlling interest		11,165	11,165
Total equity		**66,789,760**	**67,328,305**
		$ 68,838,576	**$ 70,348,982**

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 29)

See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board of Directors:

"David Kaplan"	*"Michael P. Gross"*
Director	***Director***

(Expressed in United States dollars, unless otherwise stated)

	Notes	2019	2018
Expenses			
General and administrative costs	21	$ 3,247,139	$ 1,855,789
Financing expense and others	22	69,012	25,330
Care & maintenance costs	23	2,060,557	1,589,682
Depreciation and amortization property, plant and equipment	24	1,413,374	1,593,248
Amortization of right-of-use asset	10	111,690	-
Accretion of lease liability	10	40,962	-
Foreign exchange loss		229,283	-
Impairment & write-down on property, plant and equipment	25	305,362	490,110
Other		-	46,523
		7,477,379	5,600,682
Other income			
Management Fees	20	$ 150,000	$ -
Royalties		44,915	-
Oil & Gas lease	13	66,747	-
Other		23,453	-
		285,115	-
Net loss for the year before other comprehensive items		**(7,192,264)**	**(5,600,682)**
Other comprehensive Income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment		270,552	(433,425)
Total other comprehensive income (loss) for the year		270,552	(433,425)
Total comprehensive loss for the year		$ (6,921,712)	$ (6,034,107)
Weighted average number of shares basic and diluted		128,993,853	83,602,757
Loss per share			
Loss per share (basic & diluted)		$ (0.05)	$ (0.07)

See accompanying notes to these consolidated financial statements.

(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
Balance, December 31, 2017	83,240,359	$ -	$ 45,212,179	$ -	$ (83,656,524)	$ (38,444,345)	$ -	$ (38,444,345)
Net loss for the year	-	-	-	-	(5,600,682)	(5,600,682)	-	(5,600,682)
Additional paid in capital (note 4)	-	-	4,478,701	-	-	4,478,701	-	4,478,701
Common shares post consolidation (note 4)	26,776,669	22,574,081	-	-	-	22,574,081	11,165	22,585,246
Private placement (note 26)	6,292,000	3,020,073	1,592,592	-	-	4,612,665	-	4,612,665
Metal prepaid agreement cancelation (note 4)	-	-	80,130,145	-	-	80,130,145	-	80,130,145
Currency translation adjustment	-	-	-	(433,425)	-	(433,425)	-	(433,425)
Balance, December 31, 2018	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 year	-	-	-	-	(7,192,264)	(7,192,264)	-	(7,192,264)
Shares issued for:						-	-	-
Private placement (note 26)	35,739,195	4,412,543	2,356,244	-	-	6,768,787	-	6,768,787
Share Issue Costs (note 26)		(555,622)	170,002	-	-	(385,620)	-	(385,620)
Currency translation adjustment	-	-	-	270,552	-	270,552	-	270,552
Balance, December 31, 2019	152,048,223	$ 29,451,075	$ 133,939,863	$ (162,873)	$ (96,449,470)	$ 66,778,595	$ 11,165	$ 66,789,760

See accompanying notes to these consolidated financial statements.

(Expressed in United States dollars, unless otherwise stated)

	Notes	2019	2018
Cash flows from operating activities			
Net loss for the year		$ (7,192,264)	$ (5,600,682)
Items not involving cash:			
Depreciation and amortization property plan and equipment		1,413,374	1,593,248
Amortization right to use asset		111,690	-
Write-off Accounts Receivable	21	140,000	-
Impairment & write-down on property, plant and equipment		305,362	490,110
Accretion of lease liability		40,962	
Accretion of assets retirement obligation		-	18,136
Loss on sale of property, plant and equipment		-	49,298
Operating cash flow before changes in working capital		(5,180,876)	(3,449,890)
Net changes to non-cash working capital balances			
Trade and other receivables		100,242	35,500
Prepaid expenses and advances		(13,712)	(165,600)
Accounts payable and accrued liabilities		(948,910)	(1,232,990)
Cash used in operating activities		(6,043,256)	(4,812,980)
Cash flows from investing activities			
Reclamation deposits		-	2,134
Proceeds from the sale of equipment		-	1,000
Mine development		(990,357)	-
Purchase of property, plant and equipment		(2,977)	(1,324,216)
Cash used in investing activities		(993,334)	(1,321,082)
Cash flows from financing activities			
Lease payments		(137,079)	-
Acquisition of Aurcana cash as part of the transaction	4	-	855,464
Share capital issued		6,768,787	5,112,665
Share Issue Costs		(385,620)	-
Proceeds from Lascaux before transaction	17c	-	4,478,701
Cash provided by financing activities		6,246,088	10,446,830
(Decrease) / increase in cash and cash equivalents		(790,502)	4,312,768
Effect of exchange rate changes on cash		270,552	-
Cash and cash equivalents, beginning of the year		4,464,236	151,468
Cash and cash equivalents, end of the year		$ 3,944,286	$ 4,464,236

Supplemental Cash Flow information (Note 18)

See accompanying notes to these consolidated financial statements.

1. Nature of Operations and Going Concern

The Company was originally incorporated in Canada under the laws of the Province of Ontario in 1917 and on September 14, 1998 was continued under the *Canada Business Corporations Act* ("CBCA"). The Company is currently engaged in the exploration, development and operation of natural resource properties. The Company's development properties are the Revenue-Virginius Mine ("Ouray"), located in Colorado through the Company's 100% owned US subsidiary, Ouray Silver Mines ("OSM"), and the Shafter silver property ("Shafter"), located in Presidio County, Texas through the Company's 100% owned US subsidiary, Aurcana US Hold 1 Co Ltd. Both Ouray and Shafter are currently on "care and maintenance". On December 27, 2018, Aurcana Corporation (referred to herein collectively with its subsidiaries as the "Company" or "Aurcana") completed a reverse takeover transaction with Ouray Silver Mines, Inc. ("OSM") - see Note 4.

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 net loss of $7,192,264 for the year ended December 31, 2019 (2018: $5,600,682) and has accumulated a deficit of $96,449,470 at December 31, 2019. As at December 31, 2019, the Company had working capital of $3,769,401, compared with $3,414,613 as at December 31, 2018.

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.

2. Basis of Preparation

These 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 below.

These consolidated financial statements were approved by the Board of Directors on April 29, 2020.

(Expressed in United States dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies

The Company's principal accounting policies are outlined below:

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and entities controlled by the Company (its "subsidiaries"). These include the accounts of: Aurcana Corporation and its subsidiaries, Aurcana US Hold 1 Co Ltd., a United States ("U.S.") corporation, Cane Silver Inc., a Barbados corporation, and Perforadora Aurcana S. de R.L. de C.V., Minera Aurcana S.A. de C.V., and Real de Maconi S.A de C.V.- each Mexican corporations. All these companies with the exception of Real de Maconi S.A. de C.V. at 99.86%, are 100% owned intermediate holding companies, as per subsidiaries chart below.

All significant intra-group balances and transactions are eliminated in full on consolidation.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company had the following subsidiaries at December 31, 2019:

Name	**Country of Incorporation**	**Nature of Business**	**Proportion of ordinary shares held by the Group**	**Proportion of ordinary shares held by non-controlling interest**
Aurcana Corporation	Canada	Holding Company	100%	-
→ Cane Silver Inc.	Barbados	Intermediate Holding Company	100%	-
→ Real de Maconi S.A. de C.V.	Mexico	Intermediate Holding Company	99.86%	0.14%
→ Perforadora Aurcana S. de R.L. de C.V.	Mexico	Exploration Company	100%	-
→ Minera Aurcana S.A. de C.V.	Mexico	Consulting Company	100%	-
→ Aurcana US Hold 1 Co Ltd	U.S.	Intermediate Holding Company	100%	-
→ Revenue Remediation Company	U.S.	Environmental Cleanup Company	100%	
→ Rio Grande Mining Company	U.S.	Mining Operations	100%	-
→ Shafter Properties Inc.	U.S.	Property Holding Company	100%	-
→ Aurcana US Hold 2 Co Ltd	U.S.	Intermediate Holding Company	100%	-
Ouray Silver Mines, Inc.	U.S.	Mining Company	100%	-

3. Summary of Significant Accounting Policies (continued)

Foreign Currency

(i) Functional and Presentation Currency

The functional currency of the Company, for each subsidiary, is the currency of the primary economic environment in which the entity operates. The Consolidated Financial Statements are presented in US Dollar.

Once the Company determines the functional currency of an entity, it is not changed unless there is a significant change in the relevant underlying transactions, events and circumstances. Any change in an entity's functional currency is accounted for prospectively from the date of the change, and the consolidated statements of financial position are translated using the exchange rate at that date.

At the end of each reporting period, the Company translates foreign currency balances on its consolidation based as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

- Income and expenses for each statement of income are translated at average exchange rates;

- All resulting exchange differences are recognized as other comprehensive income (loss) as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses are accumulated in comprehensive income (loss) related to the foreign operation. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive loss related to the subsidiary are reallocated between controlling and non-controlling interests.

(ii) Functional currency of the Subsidiaries

At the end of each reporting period, the Company translates foreign currency balances on each subsidiary as follows:

- monetary items are translated at the closing rate in effect at the date of the statement of financial position;

- non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured;

3. Summary of Significant Accounting Policies (continued)

- Income statement items are translated using the average exchange rate during the period (as this is considered a reasonable approximation to actual rates);
- All resulting foreign exchange gains or losses are recognized in statements of loss and comprehensive loss as foreign exchange gain and loss.

Each of the subsidiaries functional currency is included on the below table:

Name	Country of Incorporation	Functional Currency
Aurcana Corporation	Canada	CAD
Cane Silver Inc.	Barbados	USD
Real de Maconi S.A. de C.V.	Mexico	MXN
Perforadora Aurcana S. de R.L. de C.V.	Mexico	MXN
Minera Aurcana S.A. de C.V.	Mexico	MXN
Aurcana US Hold 1 Co Ltd	U.S.	USD
Revenue Remediation Company	U.S.	USD
Rio Grande Mining Company	U.S.	USD
Shafter Properties Inc.	U.S.	USD
Aurcana US Hold 2 Co Ltd	U.S.	USD
Ouray Silver Mines, Inc.	U.S.	USD

Stock-based Compensation

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The Company records compensation expense under the plan for all options issued. The fair value of all stock-based awards is estimated using the Black-Scholes option pricing model at the grant date. Volatility is calculated using the historical share price volatility observed over periods of regular market activity. The share-based compensation expense is recognized over the tranche's vesting period, in earnings or capitalized as appropriate, based on the number of options expected to vest. None of the Company's awards call for settlement in cash or other assets. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital.

Mineral Properties

Mineral properties are stated at cost on a property-by-property basis. The recorded cost of mineral properties is based on acquisition costs incurred to date, less recoveries and write-offs.

3. Summary of Significant Accounting Policies (continued)

(i) Capitalization

All direct and indirect costs relating to the acquisition and exploration of mineral properties are capitalized on a basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, or when management has determined that there is impairment in the carrying values of those mineral properties. The Company capitalizes costs if it has the legal right to the mineral claim or the right to explore the area. No amortization is recorded for capitalized costs, net of any recoveries, until commercial production is achieved.

Costs associated with commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalized. Costs incurred on borrowings related to construction or development projects are capitalized until the point when substantially all the activities that are necessary to make the asset ready for its intended use are complete.

(ii) Depreciation

Amortization of mineral properties is based on the units-of-production basis using total reserves and resources including proved and probable, measured and indicated, and inferred. Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property since it has no value to the Company. When properties in an area of interest are abandoned, the costs related thereto are charged to income on a pro-rata basis to the total costs to date included in the area, in the year of abandonment.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost capitalized is determined by the fair value of consideration given to acquire the asset at the time of acquisition or construction, the direct cost of bringing the asset to the condition necessary for operation, and the estimated future cost of dismantling and removing the asset.

(i) Depreciation

Expenditures for new facilities, and new assets or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities, or the useful life of the individual assets.

3. Summary of Significant Accounting Policies (continued)

The Company uses the straight-line method of the assets and the useful life is determined as per the table below:

Building	39 years
Plant and equipment	7 years
Vehicles	7 years
Computer equipment	5 years
Other	5 years

The depreciation method, useful life and residual values are reviewed annually. The Company does not expect the assets to have any residual value once depreciated.

Impairment

(i) Impairment for Mineral Properties

The Company is required to review the carrying value of its mineral properties at each reporting date for potential impairment. Impairment is indicated if the carrying value of the Company's mineral properties assets is not recoverable. If impairment is indicated, the amount by which the carrying value of mineral properties exceeds their estimated fair value is charged to the statements of comprehensive loss.

From time-to-time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

(ii) Impairment of Property, Plant and Equipment

At each statement of financial position date, the Company assesses whether there is any indication that any property, plant and equipment are impaired. The Company monitors the recoverability of these assets based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the assets. An impairment is recognized if the recoverable amount, determined as the higher of an asset's fair value less cost of disposal and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

(iii) Reversal of Impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

3. Summary of Significant Accounting Policies (continued)

Inventories

Consumables and supplies, which consist of spare parts and consumable goods used for general repairs and maintenance, are recorded at the lower of cost and net realizable value.

Provisions

(i) General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is presented in profit or loss net of any reimbursement. Provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(ii) Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Such costs are discounted to their net present value and are provided for and capitalized to the asset, as soon as the obligation to incur such costs arises. These costs are charged against earnings over the life of the asset, through the depreciation of the asset and the unwinding of the discount on the provision.

Financial Instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes a party to the contracts that give rise to them and are classified as: amortized cost; fair value through profit or loss; or, fair value through other comprehensive loss, as appropriate.

3. Summary of Significant Accounting Policies (continued)

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held by a business whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Trade and other receivables, long term deposits and reclamation deposits are classified as and measured at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or Fair Value Through Other comprehensive loss ("FVTOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so, designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVTOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company's cash and cash equivalents are measured at FVTPL with changes in fair value recognized in the statements of loss and comprehensive loss.

Financial assets at FVTOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive loss ("OCI") with no reclassification to the statements of loss and comprehensive loss. The election is available on an investment-by-investment basis. The Company has no assets in this category.

Financial liabilities

Financial liabilities, including accounts payable and accrued liabilities are recognized initially at fair value, net of transaction costs. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of loss and comprehensive loss when the liabilities are derecognized. Accrued liabilities, accounts and lease payable are classified as and measured at amortized cost.

Derecognition of financial assets and liabilities

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled

3. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

Financial assets carried at amortized cost are assessed at each statement of financial position date on whether they are credit impaired. A financial asset is credit impaired when one or more events that have an impact on the estimated future cash flow of the financial assets have occurred that would result in expected credit losses.

The Company applies expected credit loss approach in determining provisions for financial assets carried at amortized cost, such as accounts receivable, and reclamation deposits. The Company has elected to measure loss allowances for the financial assets carried at amortized costs at an amount equal to lifetime of the expected credit loss (“ECL”).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers current economic conditions, historical information, significant financial difficulty of the counterparty, default or delinquency in interest or principal payments, or if it has become probable that the counterparty will enter bankruptcy or financial reorganization.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and the impairment losses are presented separately in the statement of comprehensive loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

Business Combination

Business combinations are accounted for using the acquisition method when control is transferred to the Company. Identifiable assets acquired and liabilities assumed are measured at their acquisition date fair value. Goodwill, if any, as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and liabilities assumed.

When necessary, the entire carry amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

3. Summary of Significant Accounting Policies (continued)

Income (Loss) Per Share

Basic income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The relative fair value of the share component is credited to capital stock and the relative fair value of the warrant component is credited to contributed surplus. Upon exercise of warrants, consideration paid by the warrant holder together with the amount previously recognized in contributed surplus is recorded as an increase to capital stock. Upon expiration of warrants, the amount applicable to warrants expired is recorded as an increase to capital stock.

Equity Instruments

The Company records proceeds from share issuances net of issue costs.

3. Summary of Significant Accounting Policies (continued)

Use of Estimates and Judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are as follows:

(i) Liquidity and Going Concern Assumption

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

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

(ii) Environmental Rehabilitation Provision

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

(iii) Mineral Properties

Title to mineral properties, concessions, and shareholdings in Canada and U.S. involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history and unregistered prior agreements. Management has investigated the titles to all of its concessions and shareholdings, and, to the best of its knowledge, believes they are in good standing.

3. Summary of Significant Accounting Policies (continued)

a) Capitalization

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefit either from future exploration or sale flow to the entity or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-down in profit or loss in the period when the new information becomes available.

b) Depreciation

Management's calculation of measured and indicated resources is based upon engineering and geological estimates and financial estimates including mineral prices and operating and development costs. The Company depreciates some of its assets over measured and indicated resources. Changes in geological interpretations of the Company's ore bodies and changes in mineral prices and operating costs may change the Company's estimate of proved and probable reserves. It is possible that the Company's estimate of proved and probable reserves could change in the near term and that could result in revised charges for depreciation and depletion in future periods.

c) Impairment

Evaluating for recoverability during the exploration and evaluation phase requires judgement in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, contractual issues with joint venture partners, the impact of government legislation and political stability in the region, and the impact of current and expected future metal prices on potential reserves.

(iv) Determination of Functional Currency

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

(v) Units of Production Depreciation and Useful Life

Estimated recoverable resources are used in determining the amortization of property plant and equipment. This results in an amortization charge proportional to the depletion of the anticipated remaining life of mine production.

3. Summary of Significant Accounting Policies (continued)

Each asset's life is assessed annually, and considerations are made in regards to both its physical life limitations and present assessments of economically recoverable resources of the mine properties. Such calculations require the use of estimates and assumptions, including the amount of recoverable resources and estimates of future capital expenditure. Changes are accounted for prospectively. A preliminary economic assessment for Shafter silver project and feasibility study for Revenue – Virginius mine were completed in 2018.

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are available for use. The amount and timing of depreciation for these amounts are affected by the useful lives. The estimates are reviewed annually and updated for changes in the expected useful life.

(vi) Impairment of Property, Plant and Equipment

The Company considers both internal and external sources of information in assessing its property, plant and equipment for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value in use and fair value less costs to sell, using discounted cash flows expected to be derived from the property, plant and equipment and the appropriate discount rate.

(vii) Allocation of purchase consideration

Business combinations require judgment and estimates to be made at the date of acquisition in relation to determining asset and liability fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities and the determination of a bargain purchase gain on acquisition, if any. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of future earnings, future operating costs and capital expenditures, and discount rates. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined.

(viii) Leases

Leases requires lessees to discount lease payments using the rate implicit in the lease if that is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recorded real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over similar term the funds necessary to obtain an asset similar value to the right-of-use asset in a similar economic environment.

3. Summary of Significant Accounting Policies (continued)

Adoption of the IFRS 16 Leases

The Company adopted IFRS 16, Leases ("IFRS 16") on January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company elects to not apply IFRS 16 to leases with a term of less than twelve months or leases where the underlying asset is of low value. Lessor accounting remains similar to previous accounting policies.

4. Reverse Takeover Transaction

On December 27, 2018, Aurcana completed a reverse takeover transaction pursuant to a plan of arrangement under the CBCA (the "Arrangement") with OSM, which holds the "Revenue-Virginius Mine" located in Colorado, pursuant to an arrangement agreement dated September 20, 2018 between the Company and LRC-FRSM LLC and LRC-FRSM II LLC (collectively, the "LRC Group"). Under the Arrangement, Aurcana acquired all of the issued and outstanding shares of common stock of OSM from the LRC Group on a debt free basis in exchange for newly issued common shares of Aurcana ("Aurcana Shares").

Pursuant to the terms of the Arrangement, the Company completed the following transactions:

a) the purchase of certain equipment owned by an affiliate of Orion Mine Finance ("Orion") located at Aurcana's Shafter project in exchange for USD $500,000 and 23,894,545 pre-Share Consolidation (as defined below) Aurcana Shares;

b) a consolidation (the "Share Consolidation") of the Aurcana Shares on a 5:1 basis; and

c) the acquisition of all of the issued and outstanding shares of common stock of OSM and a related amended and restated metal prepaid agreement between OSM and the LRC Group in exchange for an aggregate of 83,240,359 post-Share Consolidation Aurcana Shares, as a result of which OSM became a wholly-owned indirect subsidiary of Aurcana.

Concurrently with the completion of the Arrangement, the 5,621,800 subscription receipts issued by the Company at CAD$1.00 on December 19, 2018 automatically converted into 5,621,800 units (each, a "Unit") of the Company, with each Unit consisting of: (i) one post-Share Consolidation Aurcana Share and (ii) a warrant to purchase one post-Share Consolidation Aurcana Share (a "Warrant"). Each Warrant entitles the holder thereof to acquire, on payment of CDN$1.25, one post-Share Consolidation Aurcana Share for a three-year period, expiring on December 27, 2021.

Additionally, a further 670,200 Units were purchased by Orion for gross proceeds of USD $500,000. As a result, an aggregate of 116,309,028 post-Share Consolidation Aurcana Shares were issued and outstanding at December 31, 2018.

4. Reverse Takeover Transaction (continued)

For accounting purposes, the consolidated entity resultant from the Arrangement is considered to be a continuation of OSM, with the net identifiable assets of Aurcana deemed to have been acquired by OSM.

Accordingly, in these consolidated financial statements, Aurcana is deemed to be acquired company and its assets and liabilities are brought forward at their fair values. OSM is deemed to be the acquiring company and its assets and liabilities, equity and historical operating results are included at their historical carrying values and the comparative figures in these consolidated financial statements are those of OSM.

The fair value of the consideration, calculated as $22,574,081, is determined based on the percentage of ownership of the merged entity that was transferred to the shareholders of Aurcana upon completion of the Arrangement. This value represents the fair value of the number of shares that OSM would have had to issue for the ratio of ownership interest in the combined entity to be the same as if the Arrangement had taken the form of OSM acquiring 100% of the shares of Aurcana. The percentage of ownership Aurcana shareholders has in the combined entity is 24% after the consolidation of its existing 26,776,669 issued and outstanding shares prior to the transaction with the 83,240,359 newly issued shares of Aurcana held by OSM as of December 27, 2018. The fair value of the Arrangement is based on the stock price at the transaction date of CAD$1.15 (USD $0.84) occurring in conjunction with the Arrangement to arms length parties of Aurcana.

The acquisition has been recorded as an asset purchase. Substantially all of the fair value of the assets acquired is related to a group of assets consisting of land and building, mining equipment and mineral interests at Aurcana's Shafter mineral project. Aurcana is currently in care and maintenance with no development or operations.

The purchase price was finalized and allocated to the assets acquired based on the fair value of the total consideration at the closing date of the acquisition. All financial assets were recorded at their relative fair values. The fair value of mineral properties has been calculated using the residual value method. The fair values of cash and cash equivalents and working capital amounts and equipment were subtracted from the acquisition cost to determine the residual value for the mineral properties.

Transactions costs associated with the asset acquisition totaled $733,030 and were capitalized to the mining properties in addition to the purchase price allocation set out below.

A summary of the consideration deemed to be issued by Aurcana and the fair value of net identifiable assets acquired in the Arrangement are as follows:

(Expressed in United States dollars, unless otherwise stated)

4. Reverse Takeover Transaction (continued)

Consideration given:	
Shares issued	26,776,669
Value per share	$0.8430
Total consideration	$22,574,081

Assets and liabilities acquired:	$
Cash	$855,464
Other assets	$386,084
Property and equipment	$10,647,250
Mineral property	$12,663,526
Accounts payable	$(1,334,243)
Asset retirement obligation	$(644,000)
	$22,574,081

5. Trade and Other Receivables

		2019		2018
Equipment sales receivable		**-**		140,000
Trade receivables		**29,802**		143,578
GST receivable and others		**29,177**		15,643
	$	**58,979**	$	299,221

During the year ended December 31, 2019, the Company wrote off $140,000 (2018 - $nil) of trade and other receivables. The write off is recorded as part of general and administrative costs (note 21).

6. Inventory

Company's inventory is all located in U.S. and they are all consumable and supplies, which consist of spare parts and consumable goods used for general repairs and maintenance. During the year ended December 31, 2019, inventories expensed and written down amounted to $nil (2018 - $nil).

7. Prepaid Expenses and Advances

		2019		2018
Prepaid expenses	**$**	**414,515**	$	408,681
Other		**753**		500
Current portion		**415,268**		409,181
Non-current portion		**12,736**		5,111
	$	**428,004**	$	414,292

(Expressed in United States dollars, unless otherwise stated)

8. Property, Plant and Equipment

	Buildings	Plant and Equipment	Mine Development Cost	Vehicles	Computer Equipment	Other	Total
Cost							
Balance at December 31, 2017	5,227,816	8,482,646	3,559,468	153,268	311,770	402,403	18,137,371
Additions	-	10,000	824,215	-	-	-	834,215
Disposals	-	(117,170)	-	(12,142)	-	-	(129,312)
OSM balance before transaction	5,227,816	8,375,476	4,383,683	141,126	311,770	402,403	18,842,274
Impairment (Note 25)	(444,793)	-	-	-	(45,317)	-	(490,110)
Equipment from Aurcana due to transaction	1,066,685	2,033,514	3,443,628	29,863	7,466	123,186	6,704,342
Equipment from Orion due to transaction	-	3,942,908	-	-	-	-	3,942,908
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
Accumulated depreciation							
Balance at December 31, 2017	423,197	3,300,630	-	62,761	221,709	259,408	4,267,705
Charge for the year	134,826	1,146,163	-	20,940	33,744	80,481	1,416,154
OSM balance before transaction 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
Net book value							
Balance at December 31, 2018	5,291,685	9,905,105	7,827,311	87,288	18,466	185,700	23,315,555
Balance at December 31, 2019	5,172,841	8,402,888	8,817,648	61,875	11,226	123,655	22,590,133

Shafter and Revenue-Virginius Mines are in care and maintenance and there is no production activity. Therefore, Mine Development Cost is not subject to amortization. All property, plant and equipment assets are located in the United States of America.
During the year ended December 31, 2018 the Company disposed of Plant and Equipment and Vehicles with a carrying value of $129,312. The loss on disposal was recorded in the other expense line item in the consolidated statement of comprehensive loss.
During the year ended December 31, 2019 the Company wrote-down a filter press that didn’t comply with the welding American Standards. The loss on disposal was recorded in the other expense line item in the consolidated statement of comprehensive loss

(Expressed in United States dollars, unless otherwise stated)

9. Mineral Properties

	Revenue-Virginius, Colorado, USA, In care & Maintenance	Shafter, Texas, USA, In Care & Maintenance	Total
Balance at December 31, 2017	27,501,967	-	27,501,967
Mineral properties from Aurcana due to transaction (Note 4)	-	12,663,526	12,663,526
Capitalized transaction cost	-	733,030	733,030
Provision from environmental rehabilitation (note 15)	262,071	-	262,071
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	$ 27,764,038	$ 13,121,670	$ 40,885,708
Net book value			
Balance at December 31, 2018	27,764,038	13,396,556	41,160,594
Balance at December 31, 2019	27,764,038	13,121,670	40,885,708

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.

10. 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.

10. Leases (continued)

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.

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.

(Expressed in United States dollars, unless otherwise stated)

10. Leases (continued)

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

Lease liability	**December 31, 2019**		
	Canada	USA	Total
Balance as at December 31, 2018	$ -	$ -	$ -
Adoption of IFRS 16	52,062	296,010	348,072
Payments	(15,675)	(121,404)	(137,079)
Accretion expense	4,856	36,106	40,962
	41,243	210,712	251,955
Less current portion	16,652	98,036	114,688
Currency translation adjustment	(235)	-	(235)
Long-term	24,356	112,676	137,032

Right-of-use asset	**December 31, 2019**		
	Canada	USA	Total
Balance as at December 31, 2018	$ -	$ -	$ -
Adoption of IFRS 16	52,062	296,010	348,072
Amortization	13,014	98,676	111,690
	39,048	197,334	236,382

11. Reclamation Deposits

Reclamation deposits are amounts related to deposits made by the Company to the State of Colorado for the mine closure of the Revenue-Virginius Mine and this deposit is held until the mine effectively closes.

(Expressed in United States dollars, unless otherwise stated)

12. Accounts Payable and Accrued Liabilities

	2019	2018
Salaries, payroll deductions and employee benefits	$ 106,948	$ 466,931
Property taxes	219,369	120,942
Surface exploration	-	58,682
Insurance	262,477	260,111
Transaction cost related to reverse take over	-	759,949
Other	88,032	233,792
	$ 676,826	$ 1,900,407

Accounts payable and accrued liabilities include related party amounts. See note 17.

13. Oil and gas lease

On July 15, 2016, the Company entered into a term assignment agreement (the "Assignment") with a privately-owned, Texas-based oil and gas firm (the "Assignee"). Under the Assignment, oil and gas leases (the "Leases") had been assigned for a three-year term. The Company has retained a Net Revenue Interest Royalty in respect of the Leases that may provide up to 25% of the net revenue therefrom. In consideration of the Assignment, the Assignee made a cash payment of USD $374,469.41 to the Company. The Leases total 564 "mineral acres" and are located approximately 200 miles northeast of the Company's Shafter project, in the Permian Basin of West Texas, near Midland.

(Expressed in United States dollars, unless otherwise stated)

14. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. A reconciliation of these differences is as follows:

		2019		2018
Loss before income taxes	**$**	**(7,192,264)**	$	(6,034,107)
Canadian federal and provincial income tax rates		**24.66%**		24.66%
Income tax recovery based on above rates		**(1,773,612)**		(1,488,011)
Increase (decrease) due to:				
Non-deductible (taxable) items and other		**62,979**		636
Change in unrecognized deferred tax assets		**1,710,633**		1,380,492
Income tax expense	**$**	**-**	$	(106,883)

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

		2019		2018
Deferred tax assets Non-capital losses	**$**	**59,201**	$	-
Deferred tax liabilities Right-of-use assets		**(59,201)**		-
	$	**-**	$	-

The components of unrecognized temporary differences are as follows:

		2019		2018
Mineral property and other property, plant and equipment	**$**	**52,230,607**	$	9,947,957
Other items		**1,793,215**		859,774
Unrecognized temporary differences	**$**	**54,023,822**	$	10,807,731

(Expressed in United States dollars, unless otherwise stated)

14. Income Taxes (continued)

Unrecognized tax losses:

As at December 31, 2019 the Company has tax losses for income tax purposes which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in these consolidated financial statements because of the uncertainty of their recovery. The future expiration and potential tax benefit of the losses are as follows:

YEAR	Canada	United States	Barbados	Mexico	Total
2020	-	33,069	7,187,669	-	7,220,738
2021	-	-	1,011,602	-	1,011,602
2022	-	14,334	637,028	831	652,193
2023	-	11,956	747,524	18	759,498
2024	-	193,820	24,276	12,553	230,649
2025	-	100,952	20,795	-	121,747
2026	-	164,165	18,433	13,672,267	13,854,865
2027	-	148,444	-	9,910	158,354
2028	-	168,559	-	-	168,559
2029	-	414,262	-	-	414,262
2030	-	247,948	-	-	247,948
2031	-	274,881	-	-	274,881
2032	-	316,214	-	-	316,214
2033	-	993,695	-	-	993,695
2034	-	7,678,870	-	-	7,678,870
2035	-	1,446,337	-	-	1,446,337
2036	-	11,225,424	-	-	11,225,424
2037	-	6,864,996	-	-	6,864,996
2039	1,988,918	-	-	-	1,988,918
No Expiry	-	12,980,819	-	-	12,980,819
	$ 1,988,918	**$ 43,278,745**	**$ 9,647,327**	**$ 13,695,579**	**$ 68,610,569**

The Company has income tax loss carry-forwards of approximately $43.3 million (2018 - $35.0 million) for United States tax purposes. These unrecognized tax losses will commence expiring in 2020. Future use of these U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382, which relates to a 50% change in control over a three-year period, and are further dependent upon the Company attaining profitable operations. An ownership change under Section 382 occurred on July 15, 2008 when the Company acquired Shafter, thereby limiting losses incurred prior to that date under Section 382. An additional change in control may have occurred on December 27, 2018 when the Company realized a take over transaction (Note 4), which could further limit the availability of losses prior to that date.

(Expressed in United States dollars, unless otherwise stated)

15. 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.

The provision for environmental rehabilitation for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Environmental rehabilitation, beginning of the year	**$ 1,120,270**	$ 196,063
Addition in estimates from Shafter due to transaction (Note 4)	**-**	$ 644,000
Addition in estimates from Revenue - Virginius mine	**-**	262,071
Accretion	**-**	18,136
Environmental rehabilitation, end of the period	**$ 1,120,270**	$ 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.

16. 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
Balance, December 31, 2017	83,240,359	$ -
Reverse take over (note 4)	26,776,669	22,574,081
Private placement (note 26)	6,292,000	3,020,073
Balance, December 31, 2018	116,309,028	$ 25,594,154
Private placement (note 26)	35,739,195	4,412,543
Share Issue Costs (note 26)	-	(555,622)
Balance, December 31, 2019	152,048,223	$ 29,451,075

(Expressed in United States dollars, unless otherwise stated)

16. Equity (continued)

On December 27, 2018, the Company completed the Arrangement, which included a consolidation share on a 5:1 basis (Note 4); the number of shares have been updated to reflect this consolidation. The Company completed a non-brokered private placement of 6,292,000 subscription receipts for CAD$1.00 on December 27, 2018 which automatically converted into 6,292,000 units on closing of the Arrangement. Each unit was comprised of one post-consolidated common share and one warrant. Each warrant entitles the holder to purchase one post-consolidated common share of the Company at an exercise price of CAD$1.25 per share for a period of 36 months from the closing of the private placement.

Stock options
The Company is authorized to issue up to 2,688,219 options, of which 1,060,000 options are outstanding with a remaining balance of 1,628,219 options available to be issued.

Stock options	Number of Common Share Purchase Options	Weighted Average Exercise Price per Share ($CDN)
Balance, December 31, 2017	-	-
Aurcana stock options post consolidation	1,653,750	1.45
Expired	(13,750)	6.32
Balance, December 31, 2018	1,640,000	1.18
Forfeited	(200,000)	1.60
Expired	(380,000)	1.05
Balance, December 31, 2019	1,060,000	1.14

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

Stock options

Outstanding	**Vested**		**Exercise Price ($CDN)**	**Expiry Date**
690,000	690,000	$	0.85	March 2, 2021
80,000	80,000	$	2.00	August 5, 2021
290,000	290,000	$	1.60	April 27, 2022
1,060,000	1,060,000	$	1.14	

The weighted average remaining contractual life of stock options outstanding is 1.5 years. The values post consolidation stock options utilized the Black Scholes option pricing model. On December 27, 2018, the Company completed the Arrangement, which included a consolidation share on a 5:1 basis (Note 4).

(Expressed in United States dollars, unless otherwise stated)

16. Equity (continued)

Warrants

Common Share Purchase Warrants	Number of Common Share Warrants	Exercise Price (CDN)
Balance, December 31, 2017	-	
Aurcana warrants post consolidation	5,285,306	$1.850
Private placement (note 26)	5,621,800	$1.250
Orion (Note 4)	670,200	$1.250
Balance, December 31, 2018	11,577,306	$1.520
Private placement (note 26)	37,128,395	$0.375
Balance, December 31, 2019	48,705,701	$0.648

As of December 31, 2019, details of outstanding warrants are as follows:

Number of Common Share Purchase Warrants	Exercise Price (CDN)	Expiry Date
2,447,746	$2.250	February 27, 2020
2,837,560	$1.500	May 3, 2021
6,292,000	$1.250	December 27, 2021
18,340,324	$0.375	August 15, 2022
18,788,071	$0.375	September 3, 2022
48,705,701	$0.648	

On December 27, 2018, the Company completed the Arrangement, which included a consolidation share on a 5:1 basis (Note 4). As at December 31, 2019, the weighted average remaining contractual life of warrants outstanding is 2.4 years.

(Expressed in United States dollars, unless otherwise stated)

16. Equity (continued)

The values of warrants determined during the year ended December 31, 2019 utilized the Black-Scholes option pricing model weighted the weight average input factors and assumptions as follows:

	December 31 2019	December 31 2018
Risk-free interest rate	1% - 1.24%	1.94%
Expected stock price volatility	77.26% - 89.95%	88.82%
Expected dividend yield	Nil	Nil
Expected warrant life in years	3	3
Share price CDN	$0.28 - $0.36	$ 1.15
Exercise price CDN	$ 0.375	$ 1.33

During the year ended December 31, 2019, the 37,128,395 warrants were recorded at a value of $2,526,245 (2018 - $1,592,592).

17. 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	December 31 2019	December 31 2018
General and administrative expenses - Consulting Fees	(i)	$ 272,787	$ -

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

(Expressed in United States dollars, unless otherwise stated)

17. Related Party Transactions (continued)

b) Compensation of key management personnel

	Note	December 31 2019	December 31 2018
Consulting fees (as above)		$ 272,787	$ -
Officer salaries		629,435	441,138
		$ 902,222	$ 441,138

c) Capital contributions received from a Related Party

	Note	December 31 2019	December 31 2018
Contribution received	(i)	$ -	$ 4,478,701

(i) Contributions from Lascaux Group to OSM for operational purposes made prior to the reverse takeover transaction.

18. 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:

	December 31 2019	December 31 2018
Cash	**$ 129,390**	$ 4,097,343
Short-term investments	**3,814,896**	366,893
	$ 3,944,286	$ 4,464,236

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

(Expressed in United States dollars, unless otherwise stated)

19. 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.

December 31, 2019	Ouray	Shafter	Corporate and other segments	Total
General and administrative cost	1,208,171	404,306	1,634,662	3,247,139
Care & maintenance costs	1,773,045	287,512	-	2,060,557
Depreciation and amortization	1,413,374	-	-	1,413,374
Foreign exchange loss	-	-	229,283	229,283
Other (income) expenses	143,031	194,177	(95,297)	241,911
Net loss for the year before other comprehensive items	(4,537,621)	(885,995)	(1,768,648)	(7,192,264)
Currency translation adjustment	-	-	270,552	270,552
Total comprehensive loss for the year	(4,537,621)	(885,995)	(1,498,096)	(6,921,712)
Property, plant and equipment	12,478,392	10,108,764	2,977	22,590,133
Mineral properties	27,764,039	12,663,526	458,143	40,885,708
Total capital assets	40,242,431	22,772,290	461,120	63,475,841
Total assets	41,520,258	22,804,845	4,513,473	68,838,576
Total liabilities	1,078,591	759,286	210,939	2,048,816

December 31, 2018	Ouray	Shafter	Corporate and other segments	Total
Financing expense and others	25,330	-	-	25,330
Depreciation, depletion and amortization	1,593,248	-	-	1,593,248
Care & maintenance costs	3,445,470	-	-	3,445,470
Impairment on Property Plany and Equipment	490,110	-	-	490,110
Loss before income taxes	(5,600,681)	-	-	(5,600,681)
Net loss for the year	(5,600,681)	-	-	(5,600,681)
Property, plant and equipment	12,668,305	10,647,250	-	23,315,555
Mineral properties	27,764,038	13,396,556	-	41,160,594
Total capital assets	40,432,343	24,043,806	-	64,476,149
Total assets	41,545,422	28,743,393	60,167	70,348,982
Total liabilities	981,604	1,997,091	41,982	3,020,677

(Expressed in United States dollars, unless otherwise stated)

20. Management fees

During the year ended December 31, 2019, the Company received proceeds 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.

21. General and administrative costs

	2019	2018
Salaries and consulting fees	$ 2,164,748	$ 1,267,345
Transaction cost	85,049	-
Professional fees	237,883	-
Investor relations	113,585	131,578
Marketing and road shows	108,616	-
Listing and filing fees	40,563	-
Other	496,695	456,866
	$ 3,247,139	**$ 1,855,789**

Other break down:	2019	2018
Rent and overhead	24,583	101,154
Travel and accommodation	92,615	11,732
Office	238,717	292,149
Anclada project	780	-
Loss on sale of assets	-	51,831
Write-off Accounts Receivable	140,000	-
Total Other	$ 496,695	$ 456,866

22. Financing and Other Expense

	2019	2018
Accretion of provision for environmental rehabilitation (note 15)	$ -	$ 18,136
Interest Expense	6,503	-
Bank charges	62,509	7,194
	$ 69,012	**$ 25,330**

(Expressed in United States dollars, unless otherwise stated)

23. Care & maintenance costs

	2019	2018
Site maintenance	$ 1,206,631	$ 751,087
Insurance	364,192	291,566
Enviromental	270,386	426,516
Property taxes	219,348	120,513
	$ 2,060,557	**$ 1,589,682**

24. Depreciation and Amortization – Property, Plant and Equipment

	2019	2018
Property, plant and equipment depreciation	$ 1,413,374	$ 1,593,248
	$ 1,413,374	**$ 1,593,248**

25. 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-Virginius 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.

The estimated recoverable amount of buildings and computer equipment as at December 31, 2018 was determined to be $5,291,685 and $18,266, respectively, using the fair value less costs of disposal. The Company recorded an impairment that totals $490,110.

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 (Note 8).

26. Private Placement

On December 27, 2018, the Company completed a non-brokered private placement of 6,292,000 subscription receipts for CAD$1.00 which automatically converted into 6,292,000 units on closing of the Arrangement. Each unit was comprised of one post-consolidated common share and one warrant. Each warrant entitles the holder to purchase one post-consolidated common share of the Company at an exercise price of CAD$1.25 per share for a period of 36 months from the closing of the private placement

On August 15, 2019, the Company completed the first tranche, of the non-brokered private placement offering (the “Private Placement”) announced on August 12, 2020, for 17,960,924 Units for gross proceeds of CDN$4,490,231 at a price of CDN$0.25 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 from the date of issuance. As part of the First Closing, insiders of the Company subscribed for 2,424,000 Units investing CDN$606,000. 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 recently updated on its website www.aurcana.com, which is primarily focused on advancing its wholly-owned Revenue-Virginius Silver Mine located in Ouray, Colorado, as well as for working capital and general and administrative expenses. Finder’s fees to third parties was paid as part of the Private Placement.

On September 3, 2019, the Company completed the second and final tranche, of the non-brokered private placement offering (the “Private Placement”) announced on August 12, 2020, for 17,778,271 Units for gross proceeds of CDN$4,444,568 at a price of CDN$0.25 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 from the date of issuance. For a total of 35,739,195 Units under both tranches, raising an aggregate of CDN$8,934,799 The Company paid an aggregate of $356,127 in finder’s fees and issued an aggregate of 1,389,200 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 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 recently updated on its website www.aurcana.com, which is primarily focused on advancing its wholly-owned Revenue-Virginius Silver Mine located in Ouray, Colorado, as well as for working capital and general and administrative expenses.

27. Financial instruments

The Company's is exposed to certain financial risks, including foreign exchange risk and price risk.

(a) Foreign exchange risk:

The Company reports its financial results in US Dollar but also undertakes transactions in other foreign currencies, mainly the Canadian dollars. The Company is 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 cash and cash equivalents, trade and other receivables, accounts and payable and accrued liabilities, denominated in foreign currencies, which are subject to currency risk. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2019, the Company's Canadian operations (Canadian dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in US Dollar:

		December 31, 2019
Cash and cash equivalents	USD$	45,782
Trade and other receivables		29,802
Accounts payable and accrued liabilities		(21,105)
	USD$	54,479
CAD$ Equivalent		**70,757**

Based on the above net exposures as at December 31, 2019, 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 $7,076 change to the Company's net income for the year.

At December 31, 2019, the Company's Mexican operations (US Dollar functional currency) are exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

		December 31, 2019
Cash and cash equivalents	MXP$	47,354
	MXP$	47,354
USD$ Equivalent		**2,513**

Based on the above net exposures as at December 31, 2019, 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 $251 change to the Company's net income for the year.

(Expressed in United States dollars, unless otherwise stated)

27. Financial instruments (continued)

(b) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents, deposits, and trade and other receivables.

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, 2019 substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

Other accounts receivable consists of amounts related management fees charged to a third-party and GST receivables. The Company performs regular credit assessments on its customers and provides allowances for potentially uncollectable accounts receivables. During the year ended December 31, 2019, the Company wrote down $140,000 from trades and other receivables related to the sale of equipment in the period ended December 31, 2018 as it was unable to collect the amount.

Aging of trade and receivables as follows:

		2019		2018
	Gross	**Provision**	**Gross**	**Provision**
Current	-	-	-	-
Past due 1 - 30 days	-	-	14,033	-
Past due 31 - 60 days	29,802	-	89,545	-
Pas due > 60 days	-	-	180,000	-
	29,802	-	283,578	-

27. Financial instruments (continued)

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.

(c) Liquidity risk:

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

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.

Accounts payable and accrued liabilities are due within the current operating period.

The Company's expected source of cash flow in the upcoming year will be from equity financing; loans, lease financing and entering into joint venture agreements, or a combination thereof. See Note 1 for additional discussion of Liquidity.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair values and future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its bank deposits, which is insignificant due to their short-term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations; however, management monitors interest rate exposure closely.

(e) Fair Value:

The Company's financial instruments include cash and cash equivalents, trade and other receivables, long-term deposits, reclamation deposits, accounts payable and accrued liabilities and lease payable. The carrying values of cash and cash equivalents, trade and other receivables, long-term deposits and accounts payable and accrued liabilities, approximate their fair values due to the relatively short-term nature of these amounts.

(Expressed in United States dollars, unless otherwise stated)

27. Financial instruments (continued)

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, 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		
Trades and other receivables		29,802		29,802	
Long-term deposits		71,933	71,933		
Reclamation deposits		480,769	480,769		
Accounts payable and accrued liabilities		(676,826)		(676,826)	
Lease payable		(290,885)		(290,885)	

The following table summarizes the fair value hierarchy, as of December 31, 2018:

	Fair Value Through Profit or Loss	Amortized Costs	Fair Value		
			Level 1	Level 2	Level 3
Asset (Liability)					
Cash and cash equivalents	4,464,236		4,464,236		
Trades and other receivables		283,578		283,578	
Long-term deposits		71,933	71,933		
Reclamation deposits		480,769	480,769		
Accounts payable and accrued liabilities		(1,900,407)		(1,900,407)	

28. Management of Capital

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from operations.

Management of capital objectives, policies and procedures are unchanged since the preceding year.

29. Subsequent events

Private placement 2020.

On February 20, 2020, the Company completed the first tranche of a non-brokered private placement offering (the "Private Placement") for 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 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.

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.

29. Subsequent events (continued)

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.

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, which is primarily focused on advancing its wholly-owned Revenue-Virginius 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, which is primarily focused on advancing its wholly-owned Revenue-Virginius 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.

Warrants

On February 27, 2020, a total of 2,447,746 warrants expired with an exercise price of CDN$2.25.

29. Subsequent events (continued)

Blue Grass Claim Acquisition

On March 31, 2020, the company announced the closing of the Blue Grass patented mining claim acquisition previously announced in January 2020. The signing of a definitive agreement between its subsidiary, Ouray Silver Mines Inc. (“OSMI”) and Caldera Mineral Resources (“Caldera”) swaps certain mineral properties in the Mt. Sneffels Mining District located in the San Juan Mountains of Colorado. The transaction is non-cash, accretive to both companies. Under the terms set forth in the agreement OSMI received 100% surface and mineral ownership of the Blue Grass patented claim located contiguous to current underground workings. Caldera received OSMI’s 62.08% surface and mineral ownership in the Hidden Treasure and Hidden Treasure Mill Site patented claims, 62.08% of only mineral ownership in the Good Luck and Good Luck Extension patented claims, and 80% interest in the Evelyn, Edward B, John R and Vincent patented claims located in Imogene Basin. These claims are not contiguous with OSMI’s workings and are approximately 8,000 feet away. Additionally, the claims do not control apex of any known mineralized structure.

The acquisition of the Blue Grass patented claim gives OSMI ownership of the Virginius vein contiguous with and immediately north of OSMI’s Monongahela patented claim. The Company is looking forward to exploring the Blue Grass patented claim to potentially add mineral resources within the current development plan. A drilling program of 10 holes of 7,000 feet is currently planned for the 3rd quarter of 2020.

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.

29. Subsequent events (continued)

COVID-19 (coronavirus)

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S., provincial, state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on Aurcana Corporation, and its U.S. operations, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, U.S., and other countries to fight the virus.

The COVID-19 pandemic has a limited effect on Aurcana 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. Other than 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.